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 – 5 December 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.

Following the release of an Environmental, Social and Governance (ESG) public statement in late 2020, 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 was approved by the Committee on 12 October 2022.

This report aims to update the reader quarterly on the Fund's responsible investment activities and outcomes through presenting an RI report and dashboard as aligned with the Fun's RI policy – 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 covers the response to DLUHC's consultation on the Taskforce on Climate-related Financial Disclosures (TCFD) as well as brief update on LPPI's net-zero commitment.

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) Approves the publication of the appendices contained within this report on the Pension Fund website.**
- **iii) TCFD consultation response to DLUHC**

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 Q3 2022 (or Q2 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 1.69% of the portfolio.

2.3.2 Investments in green sectors (renewable energy generation, clean technology, and decarbonising activities) make up over 4.69% 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 Q3 2022 (or Q2 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 was approved by the Pension Fund Committee on 12 October 2022. LPPI have also given a professional opinion that the policy shall be implemented in practice and tailored reporting has been reflected in the relevant RI report and dashboard (appendix 1 and 2). 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.

2.9 DLUHC published a 12-week consultation from 1 September to 24 November 2022 in order to seeks views on proposals to require Local Government Pension Scheme (LGPS) administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). A consultation response to the 12 specific consultation questions was sent to DLUHC following consultation with the Pension Fund Committee members in mid-November, a copy of this response is attached at appendix 4.

2.10 LPPI have advised that they have received formal confirmation from the IIGCC (Institutional Investors Group on Climate Change) that their first set of net zero targets have been accepted, which means they are in line with the Net Zero Asset Managers commitment previously made and advised in prior versions of this report. This represents an important milestone in the journey to net zero for the Fund, and is reflective of the significant amount of work undertaken by LPPI's Net Zero Project Team to get to this point.

2.11 In regard to net-zero, LPPI shall be publishing a dedicated net-zero document in the coming weeks which shall be available for presentation at the March 2023 Committee meeting. This report will provide further background and information in relation to the approach being taken by LPPI including targets that have been set in relation to net zero.

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.

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 5 to this report.

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

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

8. CONSULTATION

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

9. TIMETABLE FOR IMPLEMENTATION

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

10. APPENDICES

10.1 This report is supported by 5 appendices:

- Appendix 1: Responsible Investment Report Q3 2022
- Appendix 2: Responsible Investment Dashboard Q3 2022
- Appendix 3: Active Engagement Report Q3 2022
- Appendix 4: DLUHC TCFD consultation response – November 2022
- Appendix 5: EQIA

11. BACKGROUND DOCUMENTS

11.1 This report is supported by one background document available in the “policies and reports” section of the Pension Fund website

- Responsible Investment Policy (October 2022)

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	**08/11/2022**	
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer	**21/11/2022**	**24/11/2022**
Deputies:			
Andrew Vallance	Head of Finance (Deputy S151 Officer)	**08/11/2022**	**25/11/2022**
Elaine Browne	Head of Law (Deputy Monitoring Officer)	**21/11/2022**	
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)	**21/11/2022**	
Other consultees:			
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee	**21/11/2022**	

13. REPORT HISTORY

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

Report Author: Damien Pantling, Head of Pension Fund

Royal County of Berkshire Pension Fund (RCBPF) Responsible Investment Report – Q3 2022

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

1. Introduction

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

It covers stewardship in the period 1st July - 30th September 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 Q3 2022 LPPI voted on 94% of company proposals, supporting 82% of these.
- Investments in Brown sectors (extraction, transportation, storage, supply, and generation of energy from fossil fuels) are 1.69% of the portfolio.
- Investments in Green sectors (renewable energy generation, clean technology, and decarbonising activities) are 4.69% of the portfolio.
- The PRI results for the 2021 reporting cycle have now been published and you can find LPPI's full report here. The PRI followed a new assessment framework for this submission so LPPI will take time to review the full set of feedback and results and will share an update in the next quarterly report.
- LPPI signed up as an 'endorser' to the PRI Advance initiative, which aims to support institutional investors to collaborate and take action on human rights and social issues. The initial focus sectors are Metals & Mining and Renewables.
- LPPI have received formal confirmation from the IIGCC[R] (Institutional Investors Group on Climate Change) that our first set of Net Zero targets have been accepted.

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 Q3 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. (27%), Consumer Staples (15%), and Financials (14%).

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 Q3 2022 Microsoft remains the largest holding in the GEF. Visa and Nestlé remain in the top three, although they have now swapped positions with Nestlé above Visa. Alphabet and Diageo have both moved up 1 position. Accenture moved down 1 position, whilst Pepsico remained the same. Colgate, SPDR Gold Shares and Autozone were replaced by Intuit, Apple and Starbucks, which makes up the last positions in the top 10.

Portfolio ESG Score

The GEF's Portfolio ESG score has decreased from 5.8 to 5.7 between Q2 and Q3. In the same period the equivalent score for the benchmark had not changed at 5.5.

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 Q2. By value, the coverage of the GEF represented within the globally high emitting companies under TPI assessment has increased from 10% to 11%, between Q2 and Q3.

The number of GEF companies in scope of TPI scoring has increased by 5 since Q2 2022, changing from 25 to 30. This increase represents an expansion to the TPI universe, bringing more companies in the portfolio into scope. There are six new companies in scope, all with ratings ranging between TPI 1 and TPI 4. Our existing monitoring approach of carrying out enhanced due diligence on those rated below TPI 3 will also apply to new companies in scope following the universe expansion. One company has dropped out of scope as it is no longer in the portfolio.

Of the 30 companies in TPI scope:

- 94% (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 down from 96% in Q2 2022, which is a general reflection of the additional companies bringing down the ratio.
- 7 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 Q3 2022, an average of 29% of board members were female 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.

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 Q3 2022, on average 69% 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 Q3 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 72% data availability, which was a result of several companies not being in scope of the ISS database.

Other asset classes (Dashboard p2)

Private Equity

The largest sector exposure continued to be in Health Care, although reducing down from 39% in Q2 2022 to 38% in Q3. The portfolio continued to have a strong United States presence, remaining unchanged at 38% in Q3 2022.

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

Infrastructure

The geographical exposures to UK based infrastructure remained unchanged from Q2 2022 at 52%. The largest sectoral exposure remained in Traditional Energy, Renewable Energy, Waste, which makes up 35% of the portfolio.

Real Estate

Sector and geographical exposures both increased to those reported in Q2 2022. The portfolio continued to be largely deployed in the UK, with 76% assets here. The largest sectoral exposure continued to be Industrial assets, increasing from 33% in Q2 2022 to 37% of the portfolio in Q3.

Green & Brown Exposures

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

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

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

Compared with Q2 2022, Brown exposure has had a minor increase from 1.63% to 1.69%. The biggest contributor to the increased exposure is from the Infrastructure asset class. This is a reflection of a mark-to-market increase, demonstrating the sector's strong performance of Brown positions held in Infrastructure. This has increased Infrastructure's Brown exposure from 0.92% in Q2 to 0.94% of the portfolio in Q3.

Compared with Q2 2022, Green activities have increased from 4.44% to 4.69% of the portfolio. The biggest contributor to the increased exposure is from the Infrastructure asset class. This is a reflection of a good mark-to-market increase, demonstrating the sector's strong performance of Green positions held in Infrastructure. This has increased Infrastructure's Green exposure from 4.22% in Q2 to 4.46% of the portfolio in Q3.

Investments in renewable energy generation from wind, solar, hydro, and waste make up 61% 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.

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

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

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

The period 1st July – 30th September 2022 encompassed 53 meetings and 485 resolutions voted. LPPI voted at 94% meetings where GEF shares entitled participation. The shortfall reflects the application of Do Not Vote to two Russian positions that were not fully liquidated before trading restrictions were introduced, and one company in a shareblocking market where LPPI applies Do Not Vote to maintain liquidity.

Company Proposals

LPPI supported 82% of company proposals in the period.

Voting against management concentrated on:

- non-salary compensation: 41% (addressing inadequate disclosure of underlying performance criteria, use of discretion, and the quantum of proposed rewards).
- the election of directors: 33% (addressing individual director issues, overall board independence, and over-boarding).

Case Study – Director Related

LPPI voted against 21 director-related resolutions across 15 companies. This was approximately 10% of all director-related votes.

LPPI voted against 14 resolutions across nine companies due to a lack of Board independence. Results (where disclosed): 3.9% - 16.7% Against.

LPPI voted against one director due to the lack of diversity on the Board. Result: 4.5% Against.

Case Study – Non-Salary Compensation

LPPI voted against 26 compensation resolutions across 15 companies. This was approximately 41% of compensation-related votes. Of the 26 votes LPPI opposed, one received a majority of votes against.

At Black Knight (USA: Application Software), LPPI voted against the advisory vote on golden parachutes (pay outs to executives who depart following a merger). Approximately half the payment was attributed to a potential discretionary bonus, with no rationale shared for its magnitude. Result: 82.3% Against.

At Berkeley Group Holdings (UK: Homebuilding), LPPI voted against the remuneration policy. The Remuneration Committee did not provide a compelling rationale for the introduction of new elements, including a long-term option plan, which raised concerns around the magnitude of total remuneration. Result: 39.7% Against.

At Nike (USA: Footwear), LPPI voted against the say on pay. This was driven by factors including: the majority of the long-term incentive plan comprised awards lacking performance conditions, and the awarding of annual bonus payments to plan members that did not meet threshold performance targets. Result: 35.1% Against.

Shareholder Proposals

LPPI supported two of six (33.3%) shareholder resolutions over the quarter.

Four out of the six shareholder resolutions came from an activist fund targeting Compagnie Financiere Richemont (Switzerland: Apparel, Accessories, and Luxury Goods). LPPI supported two of the proponent's resolutions which sought to improve board independence and enhance minority shareholder rights. Results: 16.6% and 17.7% For.

Case Study – Manager Engagement

During September 2022 LPPI Credit Investments LP funded an investment in a new multi-asset credit strategy. The External Managers team did a lot of upfront due diligence when selecting the investment manager to ensure that material ESG factors were appropriately integrated into the investment process in a systematic way. This included spending time going through individual case studies across the underlying sub-strategies. This is a core component of our investment due diligence and if a manager doesn't meet the standards that we require we won't progress. This was the case with another manager over the last year where we stopped work after reviewing individual case studies as we felt the ESG analysis was superficial in places. During the recent multi-asset credit strategy underwrite we also spent time understanding the investment managers top-down responsible investment philosophy and looked to ensure that it was aligned with our own, including our net zero target. The investment was setup as an LPPI dedicated single investor fund which has the benefit of allowing us to work with the manager to create bespoke investment restrictions, including the exclusion of certain energy related sectors, and design enhanced transparency, including carbon reporting.

4. Robeco Summary

Engagement (Public Markets): Robeco *(Dashboard page 4)*

This section of the dashboard 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). This quarter Robeco engaged with 27 companies in the GEF, accumulating to 17.5% of the total GEF portfolio.

Engagement (Public Markets): Robeco *(Dashboard page 5)*

Engagement progress by theme, also shown on page 2 in the Robeco Active Ownership report, summarises their engagement activity for our portfolio over the quarter and breaks them down into sub-sectors, where they are rated on success/progress (shown as a %). Two new themes launched in Q3 2022, *Natural Resource Management* and *Diversity and Inclusion*, are now included in Robeco's engagement theme chart, showing the initial progress of the engagements carried out. These have been introduced following Robeco's 2021 annual engagement theme consultation, where we included both topics in our submission of suggested engagement themes. Further information on these themes can be found in the next section. The progress chart in our dashboard has also been updated to include pre-existing themes *SDG Engagement* and *Global Controversies Engagement,* previously only captured within the Robeco Active Ownership reports*.* Summaries of these themes can be found in this year's Q1 and Q2 2022 RI reports.

The data outlined in our dashboard is specifically related to the companies in LPPI's portfolio and the engagements Robeco undertake on our behalf.

Robeco Active Ownership Report: Content Overview

The below information is a summary of Robeco Active Ownership report, from page 3 onwards, which covers case study insights from across their work that they have chosen to give an update on this quarter. All information represents Robeco's findings for their entire assets under engagement. Although it is still relevant to LPPI, it is not specific to the companies that are under engagement for LPPI. These insights can refer to companies inside and outside our portfolio, depending on our specific exposure to the given theme being highlighted.

Diversity and Inclusion

The relevance of Diversity and Inclusion (D&I) for investors can be understood through the double materiality lens. Firstly, from a financial standpoint, human capital management strategies, including the promotion of diversity and inclusion, are significantly important in determining a company's underlying quality and intrinsic value. Investors should therefore integrate such factors into their investment approach. Subsequently, the benefits stemming from an inclusive and diverse workforce flow through to the macro environment and have a direct impact on society and the economy as a whole.

Robeco formulated five engagement objectives to facilitate their dialogue on D&I: developing a D&I policy, define D&I implementation strategies, disclose workforce diversity data, address overall pay equality, and promote an inclusive culture. The lack of data is the main challenge identified by investors when assessing companies' efforts on diversity and inclusion. Robeco identified and selected those industries that are lagging in disclosure of diversity data and identified the first set of companies for engagement.

Promoting D&I is a challenging topic at its core due to differences in company cultures and regional practices. One significant hurdle that Robeco expect to face is how to equally address all aspects of diversity and move the conversation beyond simply looking at gender. There are still many countries where identifying as LGBTQ+ remains illegal, and cultural norms prohibit companies from promoting an inclusive culture. Promoting practices that address the benefits of the integration of various minority groups will be challenging.

Natural Resource Management

The world is facing a dire shortage of freshwater, a situation that is set to only get worse due to urbanization, population growth, climate change and socio-economic development. To act upon these risks, Robeco has expanded its environmental engagement program to include the responsible management of natural resources and the mitigation of adverse impacts on the environment. The engagement theme aims to address the impacts of corporate operations related to their intensive water use and generation of waste.

The discharge of wastewater remains a problematic issue. Robeco will focus on companies where the management of water/waste generation and disposal management is a financially material issue, or where corporate operations have a significant negative environmental impact due to water or waste issues. In July 2022, Robeco started engaging with the first group of six companies. They were chosen using a bottom-up and fundamental approach by Robeco's research and investment analysts.

Robeco has developed a water and waste management framework tool to assess how well a company has incorporated the management of such risks into their practices, depicted in Figure 1 in the full Quarterly Active Ownership Report 2022 Q3. The insights from this assessment inform their engagement priorities and facilitates the tracking of progress against the engagement objectives. Robeco expect their methodology to identify suitable companies will continue to evolve and be refined as the relevant data continues to improve and become more broadly available, including that used to measure the Principal Adverse Impact Indicators (PAI[R]) defined in the EU Sustainable Finance Disclosure Regulation (SFDR[R]).

Climate Transition of Financial Institutions

It has become increasingly clear that the banking sector has a critical role to play in the low-carbon transition. Banks can facilitate investments in low-carbon solutions and encourage emission reductions through climate-aware financing and engagement with their clients. While many banks are dealing with operational challenges such as emission data collection and new governance structures, the expectations around disclosures and targets are becoming ever more stringent.

The Climate Transition of Financial Institutions theme has now reached its mid-point in the three-year engagement program. Robeco are collaborating with the Institutional Investor Group on Climate Change (IIGCC[R]) which, in partnership with Transition Pathway Initiative (TPI[R]), is developing a framework to assess how prepared banks are for the low-carbon transition. There are several indicators grouped into six areas, providing a comprehensive picture of a bank's net zero transition plan: 1. Net zero commitments, 2. Short and medium-term targets, 3. Decarbonization strategies, 4. Climate governance, 5. Climate policy engagement and 6. Audit and accounts.

The results so far show the average alignment with credible net zero trajectories amongst banks is relatively low. This is in part due to the lack of disclosure of carbon emission data throughout their loan books, but also because of insufficient target-setting at the time of the assessment. These are both areas of improvement for banks climate strategies and will become more accessible as greater transparency on how they engage with clients is expected in the coming years. In the upcoming second half of the engagement theme, Robeco will use the outcomes of this assessment framework to emphasize the changes that they expect banks to make.

Responsible Executive Remuneration

The Shareholder Rights Directive (SRD II), introduced by the EU in 2019, has given shareholders the right to a vote on remuneration on a structural basis, mirroring the 'say-on-pay' votes seen in the US. In 2020, Robeco initiated the Responsible Executive Remuneration theme and have focussed on four areas (below), while observing the impact of SRD II on companies' remuneration practices.

- To better align pay with performance (including performance on sustainability).
- To promote equity holding requirements (rather than option structures or cash pay-outs) to have a more straightforward alignment with shareholders.
- To use ratios and benchmarks in order to avoid excessive pay discrepancies between and within organizations.
- To have strong and independent oversight from the supervisory board and feedback mechanisms towards its shareholders.

Robeco note there remains much work to ensure the alignment of pay and long-term shareholder interests. For example, Robeco continues to see companies that have poorly designed stock plans which fail to incentivize executives to focus on delivering long-term sustainable performance. They consider it best practice for a majority of an executive's long-term incentive award to be in the form of equity vesting based on performance against quantifiable targets. They also focus on ensuring that adequate ownership guidelines are in place for executives, which helps ensure that executives build and maintain a meaningful level of stock ownership throughout their tenure to align shareowner incentives.

Robeco also find that some companies use sustainability-related performance as a remuneration cushion but fail to provide disclosure. When linking ESG metrics to pay, Robeco seek to ensure that sustainability metrics are measurable, relevant to the strategy, and sufficiently ambitious.

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 Q3 2022.

PRI/Business & Human Rights Resource Centre

LPPI was one of 39 investors, representing £4.5tn AUM, which supported a letter calling for the UK government to introduce mandatory human rights due diligence in line with the UN Guiding Principles on Business and Human Rights for UK linked companies.

PRI Advance

PRI Advance aims to support institutional investors to collaborate and take action on human rights and social issues. Investors will use their collective influence with companies and other decision makers to drive positive outcomes for workers, communities and society. The initial focus sectors are Metals & Mining and Renewables. LPPI signed up as an ‘endorser’ to the initiative, recognising other investors were better placed to lead engagements in sectors LPPI has little exposure to in the Global Equities Fund (Advance’s target companies represented <0.5% of the Fund at the time of assessment), while still signalling our public support for the objectives.

ISS policy benchmark survey

LPPI responded to ISS’s Benchmark Policy survey, in which clients help shape future voting research and recommendations. A range of ESG topics are covered each year. Notable this year was the attention paid to climate risk management, in which LPPI supported higher expectations when assessing investee companies’ climate-related performance.

WDI letters

LPPI is a member of the Workforce Disclosure Initiative (WDI) investor coalition which supports the collection of new workforce data through annual surveys to give richer insights into the management of workforce risks. Over Q3, we identified four priority companies in the Global Equities Fund and engaged via a letter campaign, requesting they participate in this year’s survey. The disclosure period ends in Q4; we are currently monitoring progress.

CA100+ Membership Survey

LPPI responded to the CA100+[R] signatory consultation on the second phase of the project, covering 2023-2030. Feedback was sought regarding how best the initiative can continue to effectively support investor engagements with focus companies and drive greater company ambition and action on climate change in this critical decade. Key focus areas included scope, governance, company benchmarking, and recalibrating signatory participation.

Plastics Treaty

LPPI endorsed the vision statement or 'founding document' for the creation of a Business Coalition for a Global Plastics Treaty, which you can find on their website here. The coalition brings together businesses and financial institutions committed to supporting the development of an ambitious, effective and legally binding UN treaty to end plastic pollution. This follows on from our initial support of a UN Treaty on Plastic Pollution in advance of the fifth session of the UN Environment Assembly when we joined the Business Call for a Global Plastics Treaty. The UNEA meets to set priorities for global environmental policies and develop international environmental law.

OPSC Workplan Update

LPPI has signed up to the OPSC 2022/23 workstreams on Climate, focusing on Net Zero and TCFD[R], and Private Assets, which will explore best practice stewardship approaches within private asset classes. Kick-off meetings will be held in Q4 2022.

6. Other News and Insights

PRI Results

The PRI results for the 2021 reporting cycle (which was the pilot year for a new reporting framework) have now been published, and you can find LPPI's full report here. Publication of the results was delayed until September 2022 and they follow a new assessment framework which has made comparison with previous results difficult. LPPI will take time to review the full set of feedback and results and will share an update in the next quarterly report.

In response to issues experienced in the pilot year (2021), PRI signatories were not required to report in 2022 (effectively a "gap year") to allow an appropriate period for the PRI's full review. As such, the next reporting period will be for the 2023 reporting year. PRI have not yet confirmed final details of the reporting process or the deadline and arrangements for signatories making submissions. We will provide an update when these details are known.

Net Zero Update

LPPI have received formal confirmation from the IIGCC (Institutional Investors Group on Climate Change) that our first set of Net Zero targets have been accepted, which means they are in line with Net Zero Asset Manager commitment we made this time last year. We are proud to have reached this milestone in our net zero journey and of all the hard work put in by the responsible investment team and across LPPI. Further information in relation to the targets that we have set can be found on the Net-Zero Asset Manager Initiative website here.

Stewardship Code update

LPPI successfully submitted its Annual Report on Stewardship and Responsible Investment (2021/22) to the Financial Reporting Council, ahead of the October 2022 deadline. The final document is a strong submission addressing the requirements of the UK Stewardship Code (2020) and illustrates the huge amount of work carried out by the responsible investment team and wider business in 2021/22.

The report will be published on the LPPI website in Q4 2022 and the FRC will assess LPPI's report and confirm (in early 2023) whether it meets the standard required for retaining signatory status.

LGPS TCFD Consultation update

In September 2022, the Department for Levelling Up, Housing and Communities issued a consultation specifically for LGPS administering authorities on their assessment, management and reporting on climate related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD[R]). The deadline for a response is 24th November. LPPI will be preparing a response which will be shared with clients to support the development of a response should they wish to make one, and will be made public on LPPI's website thereafter.

TPI Global Climate Transition Centre

LPPI has been a supporter of the Transition Pathway Initiative (TPI) since its launch in 2017 as a global, asset-owner led initiative, which assesses corporate preparedness for the transition to a low carbon economy.

The TPI:

- Evaluates and tracks the quality of a company's management of greenhouse gas emissions and the risks and opportunities related to the low-carbon transition;
- Evaluates how a company's planned or expected future carbon performance compares to international targets and national pledges made as part of the Paris Agreement;
- Publishes the results of this analysis online through a publicly available tool.

LPPI's quarterly RI Dashboard includes a metric which shows how companies in the GEF are positioned against the TPI Management Quality staircase which scores them from 0 to 4*. On 28 September 2022, TPI took a significant step forward, with the official launch of a Global Climate Transition Centre. The Centre was established in June 2022 within the Grantham Research Institute on Climate Change and the Environment, which is based at the London School of Economics and Political Science (LSE). The launch marks a new chapter for TPI. The scale of TPI corporate analysis will be expanded considerably to encompass a significantly larger population of global companies and give investors access to a broader range of data, metrics, tools, and insights as a support for their monitoring, decision-making and engagement. Details of the new Centre are available here.

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:

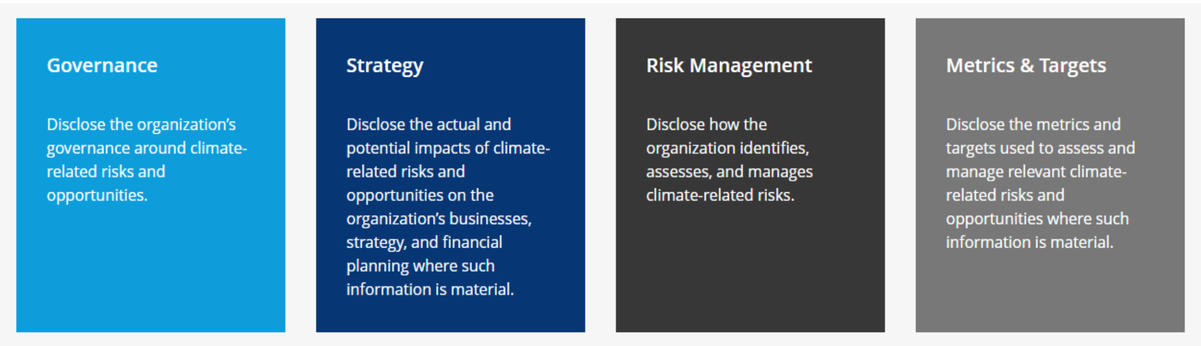
- substantially reduce global greenhouse gas emissions to limit the global temperature increase in this century to 2 degrees Celsius while pursuing efforts to limit the increase even further to 1.5 degrees,
- review countries' commitments every five years,
- provide financing to developing countries 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.

PAI - Principal Adverse Impact Indicators
Impacts are defined by the EU as “negative, material, or likely to be material effects on sustainability factors that are caused, compounded by, or directly linked to investment decisions and advice performed by the legal entity.”

SFDR - Sustainable Finance Disclosure Regulation
This is a set of EU rules which aim to make the sustainability profile of funds more comparable and better understood by end-investors. The regulation focuses on pre-defined metrics for assessing the environmental, social and governance (ESG) outcomes of the investment process.

IIGCC
Institutional Investor Group on Climate Change. LPPI is a member.

PRI - Principles for Responsible Investment https://www.unpri.org/
A United Nations-supported international network of financial institutions working together to implement its six aspirational principles, often referenced as "the Principles".

Responsible Investment Dashboard Q3 2022

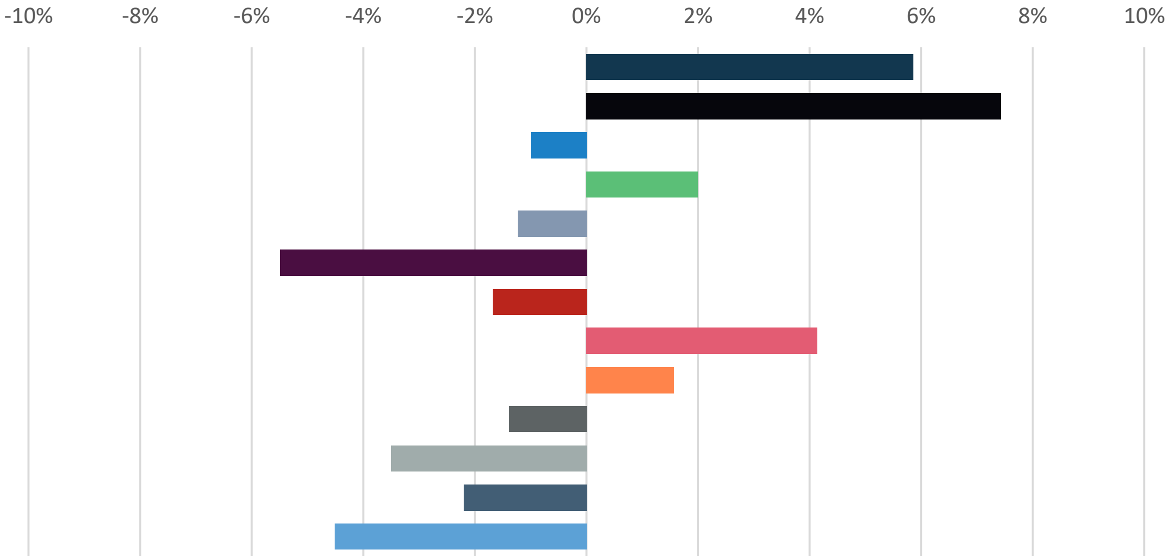
1. Portfolio Insights

Listed Equities (LPPI Global Equities Fund)

Sector Breakdown (%)

Information Tech.	26.6
Consumer Staples	15.1
Financials	13.6
Industrials	11.5
Consumer Discretionary	10.3
Health Care	7.5
Communication Services	5.7
Cash	4.1
Others	1.6
Real Estate	1.3
Materials	1.2
Utilities	0.9
Energy	0.7

LPPI Global Equities Fund Sector Weights vs MSCI ACWI ND



Top 10 Positions

	Portfolio (%)
1. Microsoft	3.6
2. Nestle	3.4
3. Visa	3.3
4. Alphabet	2.5
5. Accenture	2.4
6. Diageo	2.0
7. Intuit	1.8
8. Pepsico	1.7
9. Apple	1.6
10. Starbucks	1.6

Governance Insights (ISS DataDesk)

Women on the Board (Average)

29%

Coverage of GEF

83%

Board Independence (Average)

69%

Coverage of GEF

83%

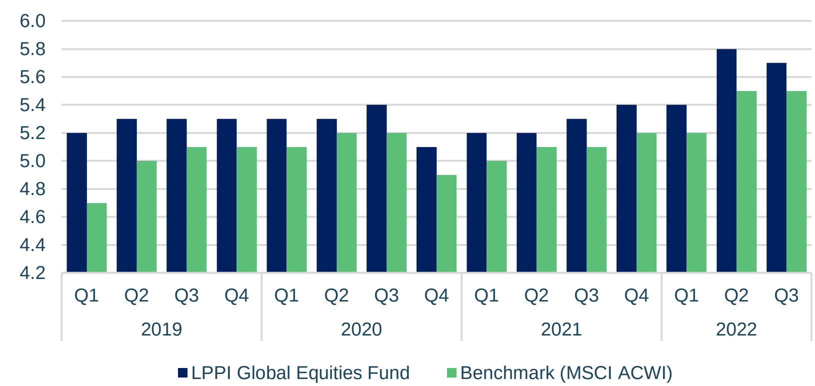
Support for Say on Pay (Average)

88%

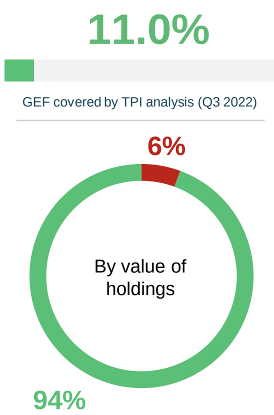
Coverage of GEF

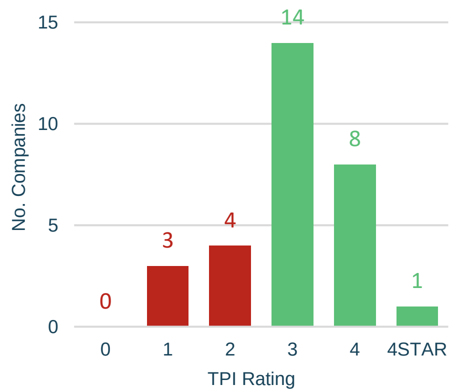
72%

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 Q3 2022

1. Portfolio Insights

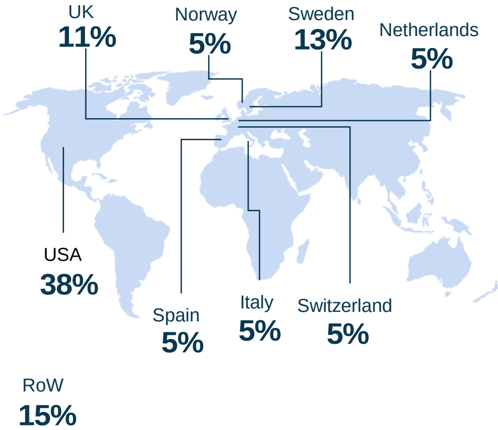
Other asset classes

Private Equity

Industry Breakdown (%)

Health Care	38	Consumer Staples	4
Information Technology	25	Communication Services	4
Industrials	13	Financials	3
Consumer Discretionary	8		
Remaining Industries	6		

Region Breakdown (%)

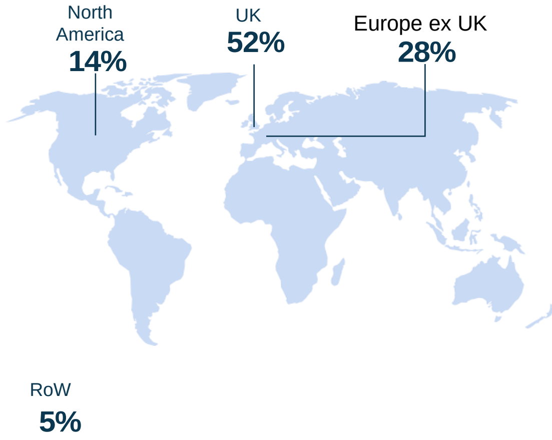


Infrastructure (LPPI Global Infrastructure Fund)

Industry Breakdown (%)

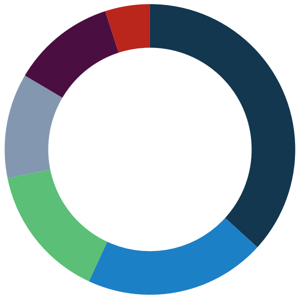
Traditional Energy, Renewable Energy, Waste	35	Transport and Distribution	20
Social (incl PFI)	22	Regulated Assets	13
		Other	10

Region Breakdown (%)



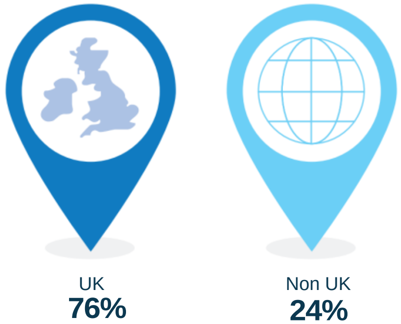
Real Estate (LPPI Real Estate Fund)

Sector Breakdown (%)



Industrial	37	Alternative	12
Living	20	Retail	12
Office	15	Agriculture	5

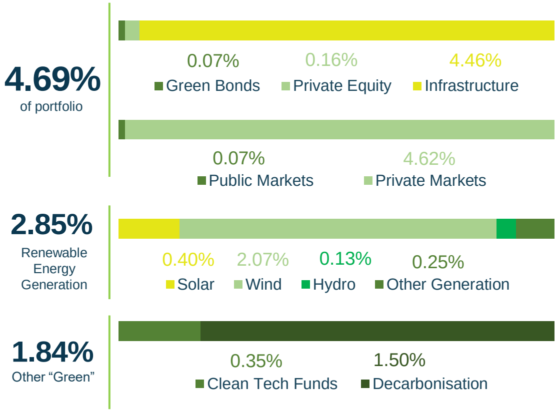
Geographical Exposure (NAV %)



Green & Brown Exposure

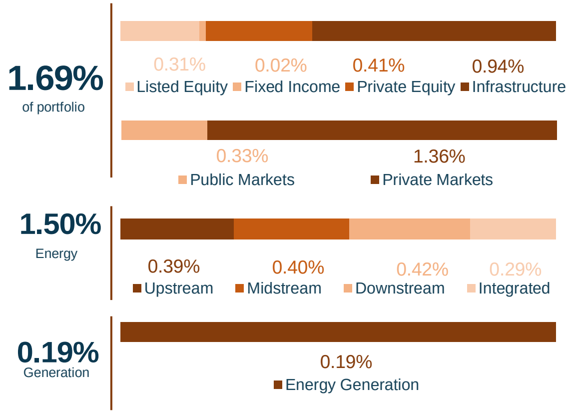
Green

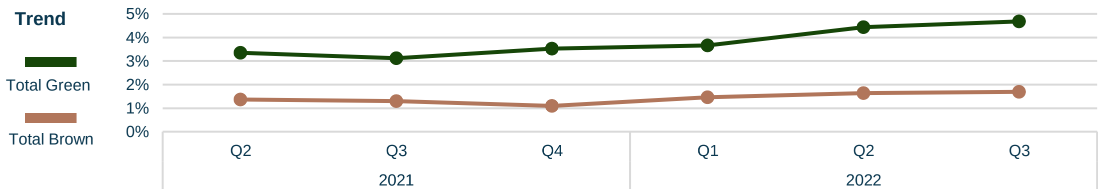
Investments in businesses directly contributing to the global transition to a lower carbon economy, expressed as a % of the total value of the pension fund.



Brown

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





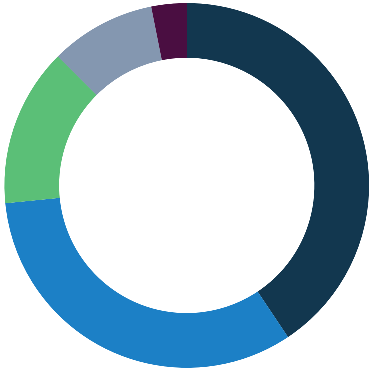
The above Green and Brown metrics apply to parts of the portfolio which have exposure to a specific set of activities as per our definition of Green and Brown, and which are quantifiable at the time of publication (please see appendix). LPPI's Responsible Investment team continually endeavour to provide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

Shareholder Voting

Shareholder Voting Statistics (LPPI Global Equity Fund)

Headlines

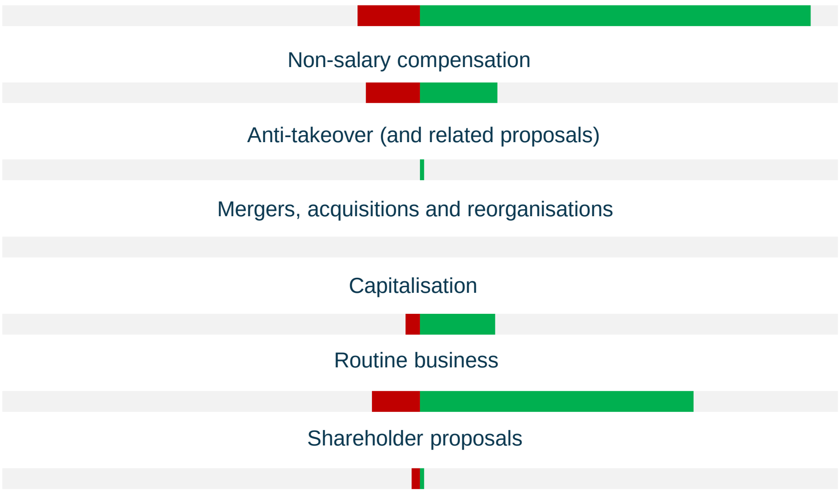
Meetings Voted	Proposals Voted	Company Proposals	Shareholders Proposals	Meetings with a vote against Management
50	485	479 (Supported 82%)	6 (Supported 33%)	56%



Votes Against Management (By theme)

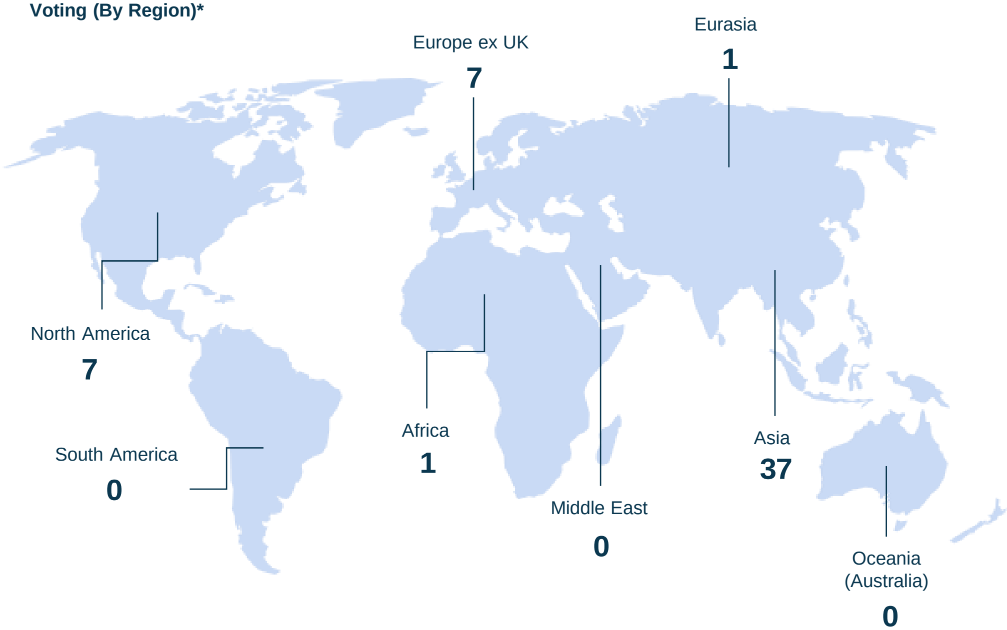
Non-salary compensation	26
Election of Directors (and related)	21
Routine business	9
Capitalisation	6
Shareholder Resolutions	2
Anti-takeover (and related proposals)	0
Mergers, acquisitions and reorganisations	0

Voting (By Theme)



	Against	For
Election of directors (and related proposals)	30	187
Non-salary compensation	26	37
Anti-takeover (and related proposals)	0	2
Mergers, acquisitions and reorganisations	0	0
Capitalisation	7	36
Routine business	23	131
Shareholder proposals	4	2

Voting (By Region)*



*Total votable meetings

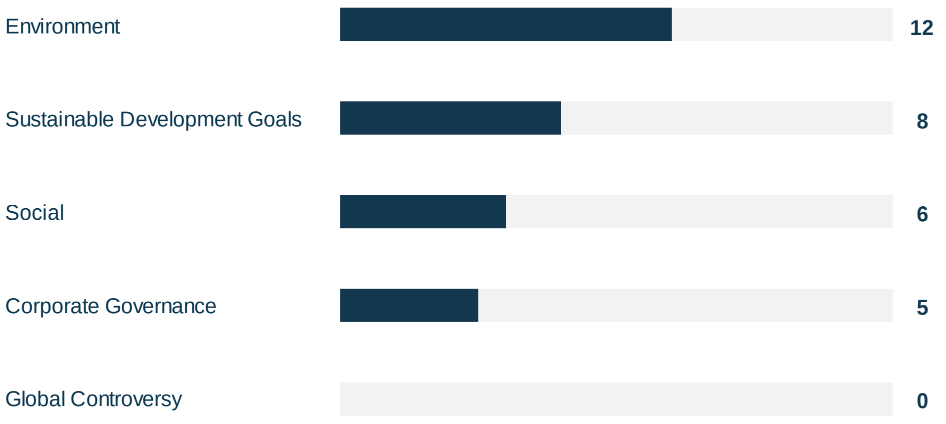
Responsible Investment Dashboard Q3 2022

2. Stewardship Headlines

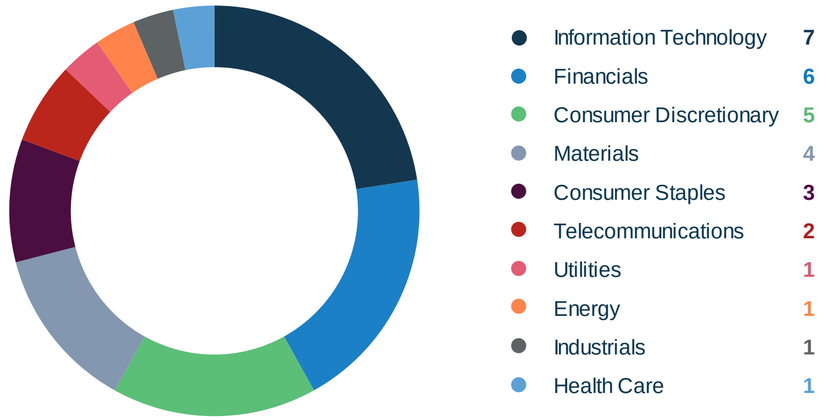
Engagement (Public Markets): Robeco

The following data is specifically related to the companies in LPPI's portfolio and the engagements Robeco undertake on our behalf.

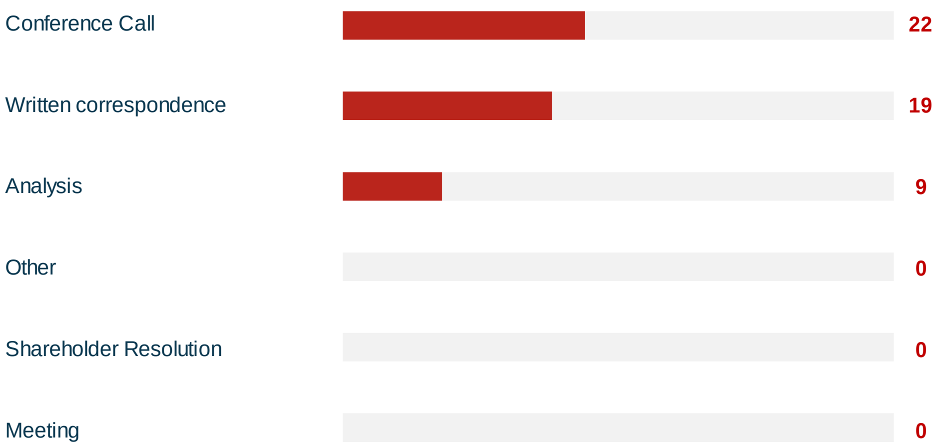
Activity (By Topic)



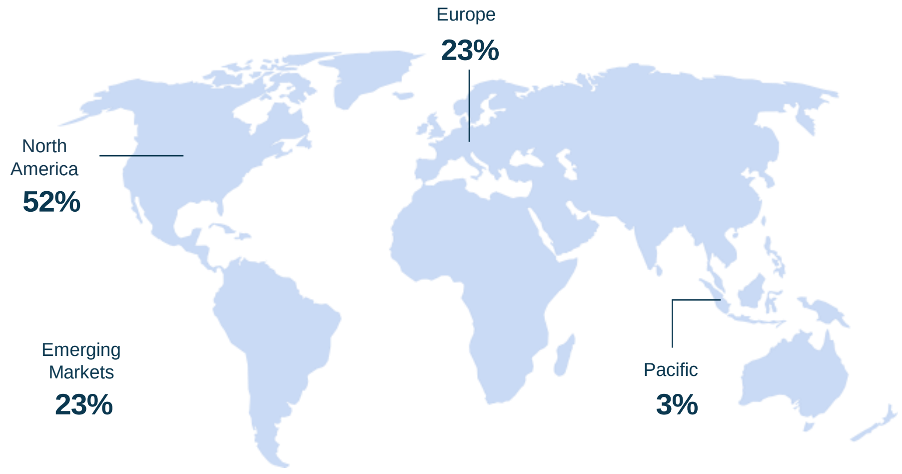
Activity (By Sector)



Activity (By Method)



Activity (By Region) (%)

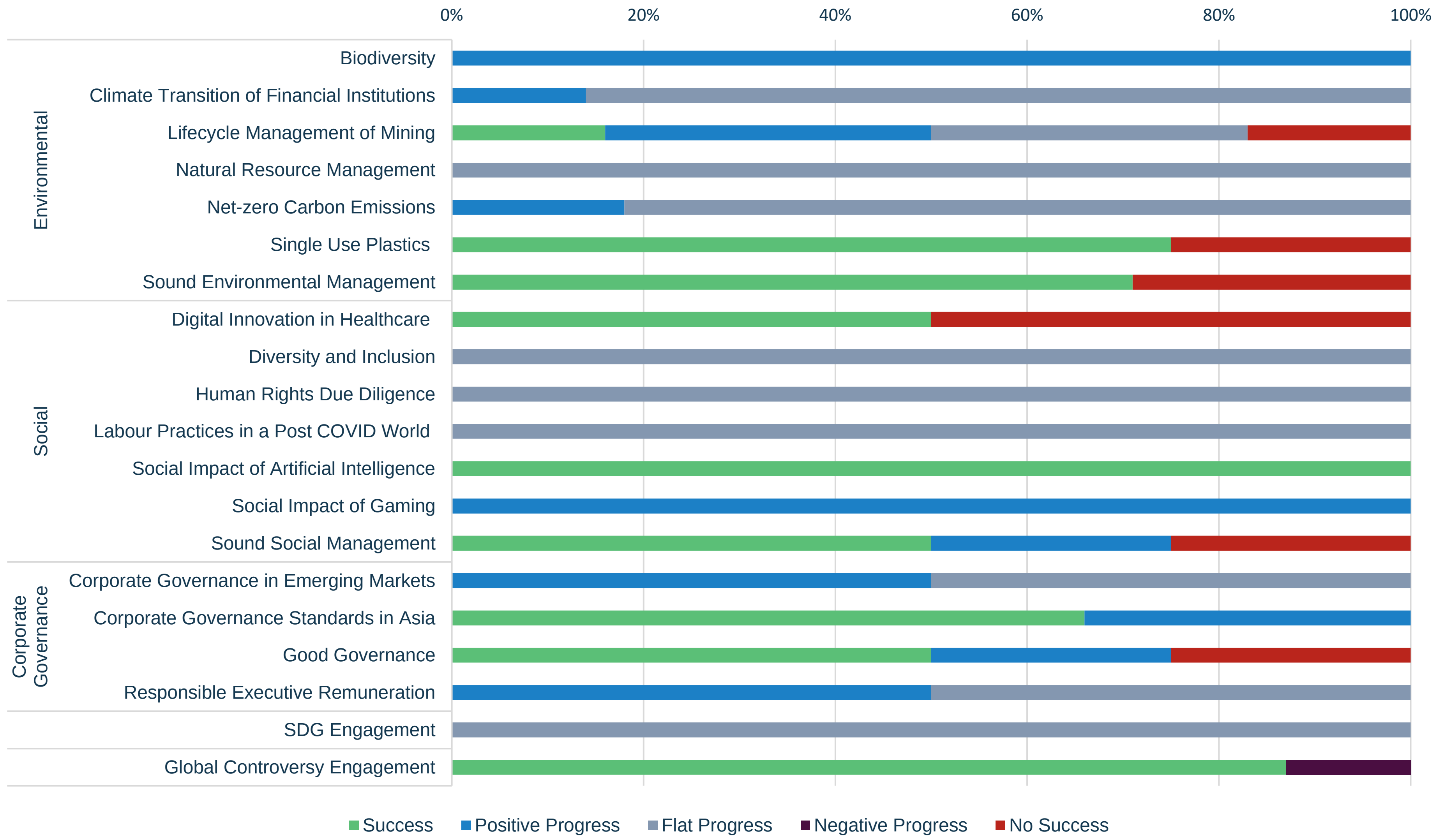


Source: Robeco Active Ownership Report Q3 2022

Engagement (Public Markets): Robeco

The following data is specifically related to the companies in LPPI's portfolio and the engagements Robeco undertake on our behalf.

Engagement Results (by Theme)



Source: Robeco Active Ownership Report Q3 2022

Responsible Investment Dashboard Q3 2022

3. Real World Outcomes - LPPI Private Equity

EVORA

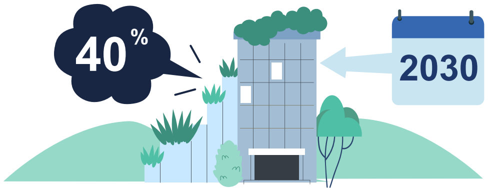
Environmental sustainability consulting and software vendor serving commercial real estate asset owners and investment managers

The business provides long-term sustainability advisory services to help real estate owners to:

- efficiently comply with sustainability related regulations and reporting standards
- respond to investor scrutiny on ESG related risks
- make better informed investment decisions and avoid "**brown discounting**"* of assets

***Brown Discounting**

Where buildings with poor performing energy efficiency will be less attractive to owners and occupiers, reducing the buildings value.



Halve emissions by 2030

Buildings are globally responsible for 40% of all greenhouse gas emissions and it is estimated that between $2-3tn will need to be spent each year to **halve these emissions by 2030**. Evora assists clients (who represent $1-2tn of AUM) to limit the environmental footprint of their real estate portfolios and increase transparency with regards to reporting on this.

PlanetMark

Planet Mark Certified

Evora is Planet Mark Certified, which is achieved by reporting a **reduction in its carbon footprint** and engaging with its stakeholders.

Diversified workforce

Evora is a high quality employer with a **diversified workforce,** with approx. **50% female FTEs and female participation at the board.**

Satisfaction surveys

The business annually conducts **employee engagement and satisfaction surveys**. It has also had no health and safety incidents.

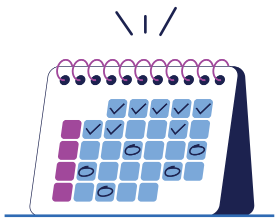
Governance policies

Evora has adopted a **comprehensive suite of governance policies** with the exception of cyber essentials, albeit relevant **ISO accreditation** is being pursued to remedy this.

Cera is a UK-based 'digital-first' home healthcare platform, offering care, nursing, telehealth and prescription delivery services in the home.

Cera's carers and nurses collect patient symptoms and health data during at-home appointments, which Cera's artificial intelligence algorithms use to predict deterioration in conditions before they occur. This allows earlier health interventions to prevent people becoming unwell, whilst reducing the burden of 'pen and paper' administrative work, empowering carers to do what they do best: care.

For those receiving care, Cera is able to monitor conditions digitally, responding to any deterioration 30 times faster than traditional methods, reducing hospitalisations and keeping people well in their own homes.



40,000+

in-person healthcare visits every day

52%*

of hospitalisations reduced by Cera tech

* Based on data in 2021, looking at hospitalisation rates in the first 30 days of a service user joining Cera. Hospitalisation rates may still be caused by unseen factors.

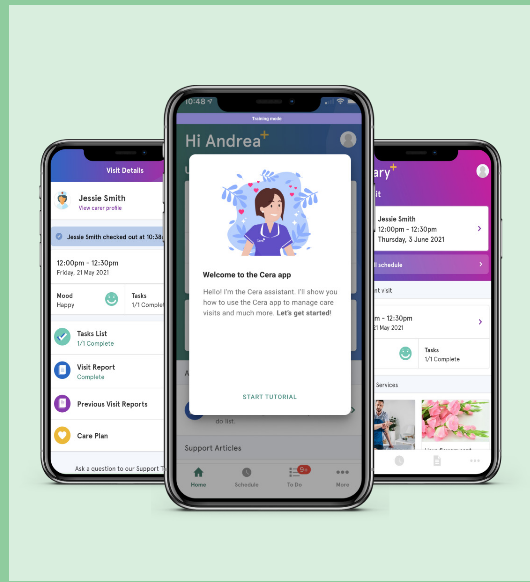
10,000

jobs filled during the pandemic

80%

of hospitalisations predicted up to seven days in advance[1]

1. https://tech.eu/2022/08/04/reducing-hospital-waiting-time-and-keeping-patients-out-of-hospitals-land-320-million-for-cera/



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

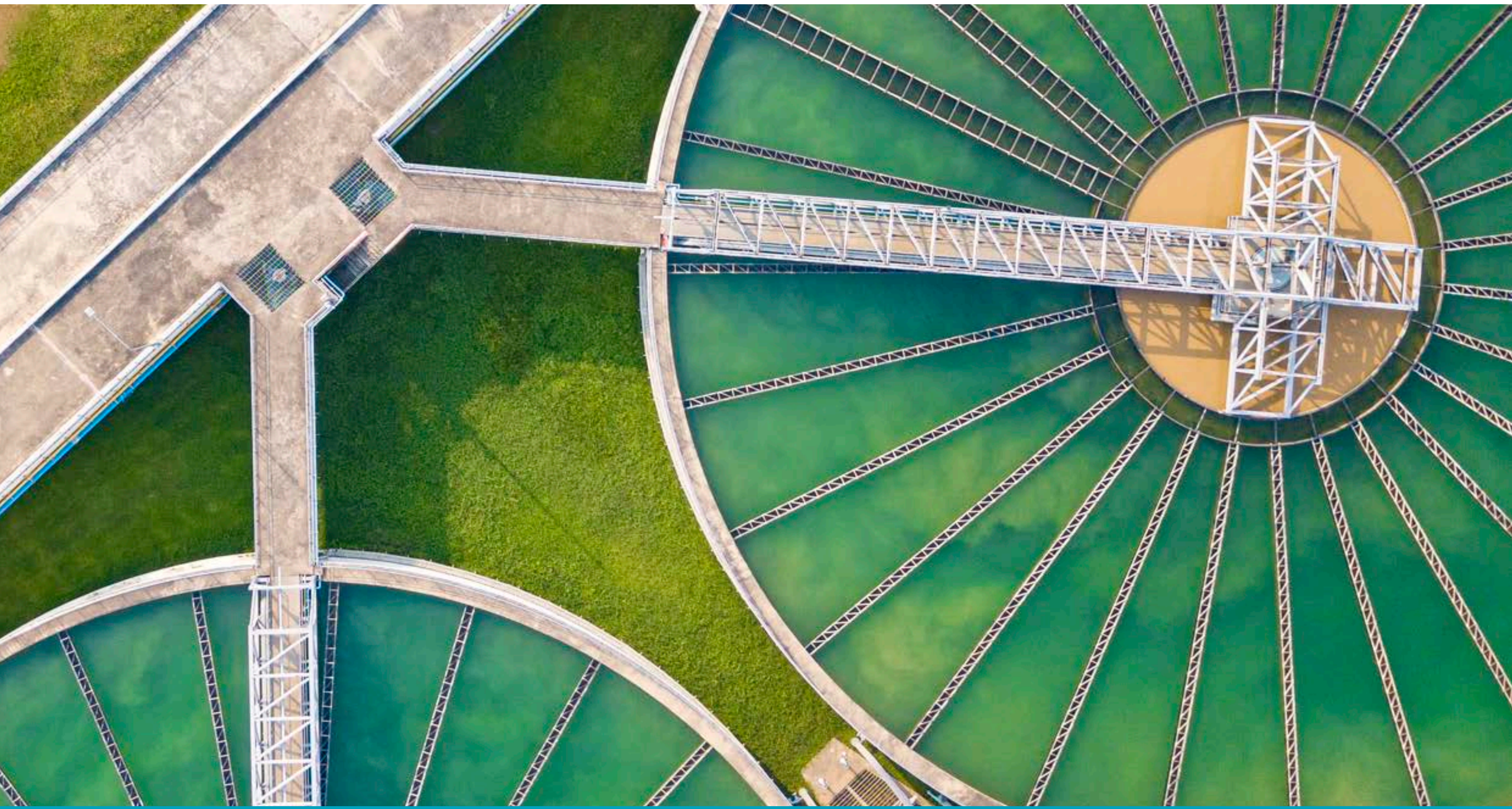
- Key shareholder voting metrics for LPPI's GEF.
- The Headline section provides insight into the scope of voting activity, including how votes against management is concentrated.
- LPPI is responsible for voting on each decision taken, working in partnership with Institutional Shareholder Services to 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 - 7)

- 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
  - Q3 – 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.



ACTIVE OWNERSHIP REPORT

ROBECO | 01.07.2022 - 30.09.2022

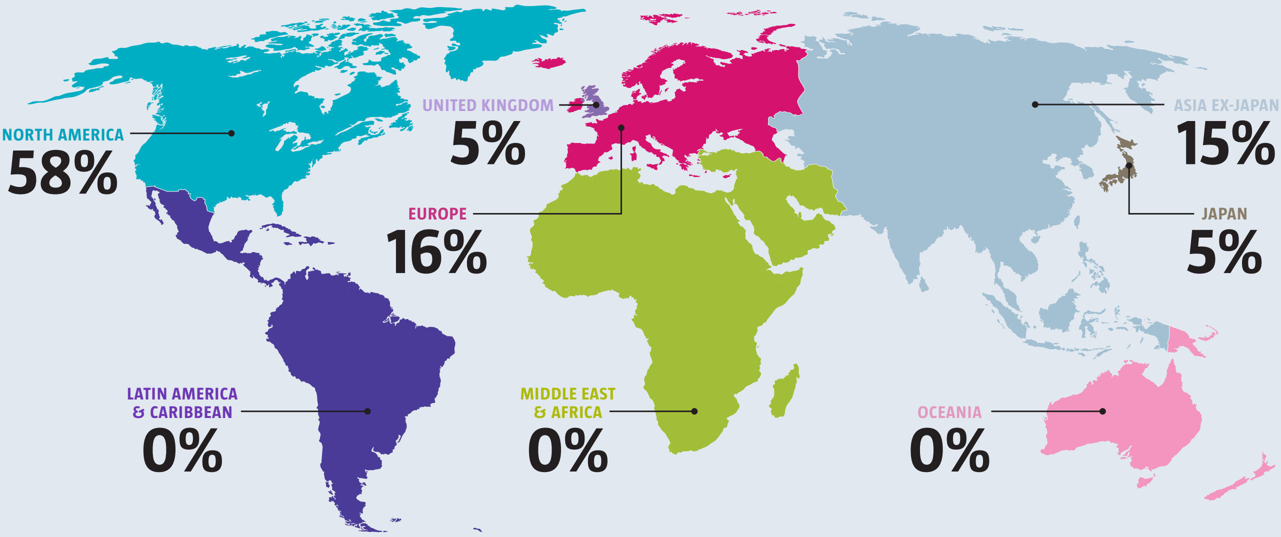
Q3 2022

LPP
Local Pensions Partnership Investments

Sustainable Investing Expertise by ROBECOSAM

Q3|22 FIGURES ENGAGEMENT

Engagement activities by region



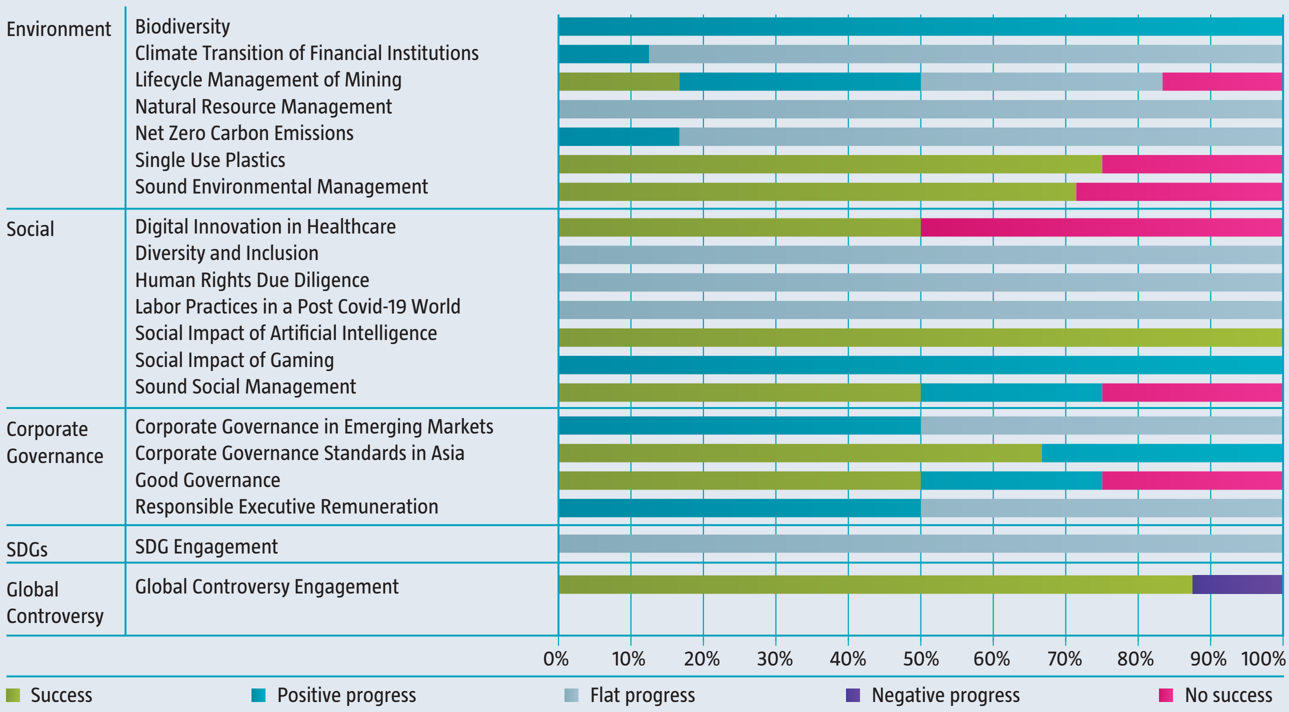
Number of engagement cases by topic*

	Q1	Q2	Q3	Q4
Environment	17	17	12	
Social	7	7	6	
Corporate Governance	4	4	5	
SDGs	7	10	8	
Global Controversy	2	1	0	
Total	37	39	31	

Number of engagement activities per contact type

	Q1	Q2	Q3	Q4	YTD
Meeting	1	0	0		1
Conference call	26	19	22		67
Written correspondence	25	43	19		87
Shareholder resolution	0	1	0		1
Analysis	4	11	9		24
Other	0	2	0		2
Total	56	76	50		182

Progress per theme



* Due to a change in Robeco's methodology to account for engagement cases, numbers are expected to differ from previous quarters.

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INTRODUCTION

During the third quarter of 2022, Robeco has been actively pushing the frontiers of sustainable investment by sharing our intellectual property with our clients, while continuing to work with our investee companies on the engagement areas we deem most critical.

The new quarter was marked by a great step forward for Robeco and its clients as we launched our Sustainable Investing (SI) Open Access Initiative. Through this initiative, we are sharing some of our most valuable proprietary data with our clients and academics, including Robeco's proprietary Sustainable Development Goal (SDG) scores and methodology, in the hope that we can work together to build a more robust sustainable investment landscape.

Meanwhile, on the engagement side, we have launched two new engagement themes. Our new Diversity and Inclusion engagement program is working to address the societal inequalities mirrored throughout gender and ethnic pay gaps, discriminatory company policies and unequal promotional opportunities. By considering their most vulnerable employees at each step of their human capital management, companies can strengthen employee attraction, lower turnover costs and benefit from diverse perspectives and skillsets. Through this theme, we hope to help companies elevate each part of their workforce, and thus create value for both them and society.

On the environmental side, in line with the rising summer temperatures and climate change-induced droughts across the world, we have initiated a new engagement stream on Natural Resource Management. This focuses on companies working in water and/or waste-intensive sectors and will look not only at strengthening companies' water and waste policies, but also whether they have strong operational processes around emergency situations. The engagement theme will also address chemical waste and seabed mining and tailings.

Elsewhere in this report, we provide an update on some of our ongoing engagements. With the quarter marking the mid-point of our three-year engagement around the Climate Transition of Financial Institutions, we see that only few banks are on credible net-zero trajectories. Many still lack adequate targets and essential carbon emissions data throughout their loan books. These are all issues that were echoed by the shareholder proposals we supported at numerous banks during the 2022 proxy voting season.

The aftermath of the proxy season always provides grounds for engagement on the topic of Responsible Executive Remuneration, as companies are trying to understand investors' reasons for voting against pay-related agenda items. During our update, we delve into some of the best practices we advocate for when it comes to executive remuneration, as well as some concerning trends we see across companies. These include the growing use of ill-designed sustainability-linked performance pay packages which are being used as a remuneration cushion, rewarding executives during times of bad company performance.

We enter the new quarter with clearly laid out engagement priorities and a strong mandate for transparency and look forward to the change to come.

Carola van Lamoen
Head of Sustainable Investing

Focus on companies' impacts on human and natural resource management

DIVERSITY AND INCLUSION & NATURAL RESOURCE MANAGEMENT

LAURA BOSCH – *Engagement specialist*
ANTONIS MANTSOKIS – *Engagement specialist*
SYLVIA VAN WAVEREN – *Engagement specialist*

More and more investors are moving beyond measuring sustainability only through the material environmental, social and governance (ESG) risks companies are facing, and increasingly try to identify the impacts that companies' activities have on society, whether through their products or processes. In this interview, Laura Bosch, Antonis Mantsokis and Sylvia van Waveren share how Robeco's new Diversity and Inclusion, and Natural Resource Management themes aim to explicitly address some of the key adverse environmental and social impacts companies can have.

Why are we launching these engagement themes, and where do they differ from other programs?

The focus of sustainable investing is increasingly shifting from the idea of single financial materiality to the concept of double materiality, whereby the focus is no longer only on how sustainable development impacts companies but also how companies contribute to this development. This includes both positive and adverse impacts, where addressing adverse impact has been the key driver behind our new engagement themes. Adverse impact as a concept ranges from water emissions and negative biodiversity impacts to social violations and gender pay gaps. Impacts which the European Commission is now making investors report on, in particular through the Principal Adverse Impact Indicators (PAI) defined in the EU Sustainable Finance Disclosure Regulation (SFDR). The regulation requires investors in the EU to disclose performance against at least the mandatory PAIs for their holdings, using a set of ESG metrics reflecting their negative externalities.

While we have been addressing adverse impacts within our engagement program for many years, we took the opportunity to identify potential gaps in our engagement approach using the mandatory list of PAIs in 2021. As a result of the analysis, we are now launching two new engagement themes explicitly covering Diversity and Inclusion and Natural Resource Management. The two themes aim to support companies in facing some of their core negative impacts around their human and natural resource management, and push for more transparency as required by the PAIs.

These engagement programs differ from our conventional themes as they were designed to incorporate a higher degree of flexibility. They need to gradually increase coverage, as they follow the development of PAI-related data and increasing engagement demand. The two themes are expected to run continuously, instead of over the usual three years. Moreover, timelines for the engagement dialogues can be shortened if successful outcomes are achieved at an earlier stage.

DIVERSITY AND INCLUSION

sitting down with Laura Bosch and Antonis Mantsokis

Firstly, looking at Diversity and Inclusion – why is this relevant for investors?

The relevance of Diversity and Inclusion (D&I) for investors can be understood through the double materiality lens. From a financial standpoint, D&I can enhance corporate performance in many ways: recruiting and retaining the best talent, having stronger customer orientation, enhancing corporate reputation, and improving decision-making and innovation outcomes. Many industries are becoming increasingly knowledge-intensive, which is materialized financially by the more prominent role that intangibles play in global balance sheets.

Therefore, human capital management strategies, including the promotion of diversity and inclusion, are significantly important in determining a company's underlying quality and intrinsic value. Investors should therefore integrate such factors into their investment approach to formulate better-informed decisions.

At the same time, the benefits stemming from an inclusive and diverse workforce flow through to the macro environment and have a societal impact. Barriers for women and minorities to enter the labor market, such as pay distortions, social and cultural factors, and outright discrimination, work against achieving parity and have a financial cost. Poor allocation of human resources that wastes an individual's education, talent and potential, contributes to this cost. The resultant welfare gains after removing the obstacles are estimated to be more significant. Providing employment opportunities and equal remuneration to minority groups can minimize structural wealth gaps between societal groups. Subsequently, this would have a direct impact on society and the economy as a whole.

What are the aims of the theme?

We formulated five engagement objectives to facilitate our dialogue on D&I. The first step towards creating a more diverse workforce is developing a D&I policy, resulting in a higher-level commitment and a consistent approach to advance D&I throughout the company. It should include a set of time-bound goals that are sufficiently ambitious to effectively diversify a company's workforce. Once these goals are in place, a critical next step is to clearly define how to establish D&I as a priority among corporate leaders and hold them accountable for their contributions. This includes having a sufficiently diverse leadership and board of directors, latter of which is measured by the PAIs.

Our second objective focuses on how companies define their D&I implementation strategies and measures of success for aligning their talent management strategy with their business goals and D&I objectives over the different stages of the employee lifecycle. Thirdly, we encourage companies to disclose workforce diversity data, focusing not only on ethnic or gender diversity across different employment bands and employee levels, but also incorporating other diversity components.

The fourth objective focuses on overall pay equality. Companies should undertake audits to ensure they address any pay gaps in their D&I strategy. We expect companies to provide quantitative statistics, complemented by qualitative assurances, for both adjusted and unadjusted median pay gaps, as required by the mandatory PAIs. Finally, we encourage companies to promote an inclusive culture by taking a strategic approach to shaping attitudes and behaviors in the workplace that can shift workplace culture in a meaningful way.

How do you decide which companies should be under engagement?

The lack of data is the main challenge identified by investors when assessing companies' efforts on diversity and inclusion. With that in mind, we first identified those industries where disclosure of diversity data is lagging. We looked at the PAI indicators using data produced by MSCI and the S&P Global Corporate Sustainability Assessment (CSA). For our engagement, we prioritized the 20 industries with the lowest levels of disclosures.

Within those selected industries, we identified the first set of companies by screening those that fail to disclose their unadjusted gender pay gap, in line with PAI requirements, and also did not answer the diversity-related questions in the CSA questionnaire. The questionnaire

'ONCE (D&I) GOALS ARE IN PLACE, A CRITICAL NEXT STEP IS TO CLEARLY DEFINE HOW TO ESTABLISH D&I AS A PRIORITY AMONG CORPORATE LEADERS AND HOLD THEM ACCOUNTABLE FOR THEIR CONTRIBUTIONS.'

LAURA BOSCH I ANTONIS MANTSOKIS

looks at aspects like age, disabilities, sexual orientation and broader human capital-related factors. We also considered gender-focused data sources, namely RobecoSAM's gender score and the Equileap score, which assess the inclusion of women across companies. Additionally, we collaborated closely with our portfolio managers and analysts to decide upon the final selection of companies.

What other actions will be taken in line with this engagement?

The Black Lives Matter and MeToo movements both highlighted the negative impact of today's systematic inequalities. Investors have increasingly been putting pressure on companies by supporting social-related shareholder resolutions, and stakeholders are holding those companies that do not promote D&I to account.

In line with this engagement, we will continue to vote against management on specific agenda items when the company fails to incorporate minimum standards on gender diversity at the board level. We will continue to evaluate issues on a case-by-case basis, and support those shareholder resolutions that aim to resolve social issues such as racial equality. Additionally, we will explore filling shareholder resolutions focusing on promoting D&I in those companies where we see no progress and the social issues continuously persist.

What challenges do you expect to face and what are the outcomes you expect to achieve?

Promoting D&I is a challenging topic at its core due to differences in company cultures and regional practices. There are many benefits stemming from promoting diversity metrics or goals, and having D&I policies in place. However, practically improving inclusion is not always addressed with equal importance, and it is much more challenging to measure it. In many cases, it isn't easy to assess if the spirit of the policies in place is accomplished in practice.

Another significant hurdle that we expect to face is how to equally address all aspects of diversity, and move the conversation beyond simply looking at gender. There are still many countries where identifying as LGBTQ+ remains illegal, and cultural norms prohibit companies from promoting an inclusive culture. Moreover, processing employees' D&I-related data is prohibited in many countries, due to privacy restrictions (i.e., GDPR in the EU), making it difficult to have targeted policies. In addition, companies usually focus on promoting female representation on the board or at the top management levels, and stick to a mechanical implementation of gender-only quotas. Promoting practices that address the benefits of the integration of various minority groups will be challenging.

Lastly, pay equality is an issue not easy to resolve. According to World Economic Forum's Global Gender Gap report 2020, it will take 257 years to achieve equal pay for women and men at work at the current rate. Pay disparity, though primarily gender-focused, also exists regarding race, ethnicity, sexual orientation, disabilities and age. Thus, it is challenging to promote structural solutions in pay equality when in many countries there are no regulatory requirements to tackle the broader aspects of the pay gap.

ENGAGING ON NATURAL RESOURCE MANAGEMENT

by Sylvia van Waveren

Moving to the environmental front - Why is Natural Resource Management relevant for investors?

The world is facing a dire shortage of freshwater, a situation that is set to only get worse due to urbanization, population growth, climate change and socio-economic development. The World Research Institute's Aqueduct Water Risk Atlas reveals that 44 countries currently face high baseline water stress covering one-third of the world's population.

Companies operating in highly water-stressed regions are not only exposed to these risks but also often enhance them through their own water usage and pollution. Disregarding both their impacts and risks can impact corporate valuations through higher operating costs, thus threatening their viability if they do not sustainably manage their water use. This risk is estimated to amount to USD 301 billion for companies, while the cost of addressing their adverse impacts is estimated to be less than one-fifth of that, at USD 55 billion.

It is therefore important for investors to engage with such companies on having resilient water management strategies. Those with poor strategies are more likely to experience production disruptions, stranded assets and community conflicts, all resulting in higher comparative operational and fixed costs which will reduce their overall rate of return.

What are the aims of the theme?

To act upon these risks, Robeco has expanded its environmental engagement program to include the responsible management of natural resources and the mitigation of adverse impacts on the environment. The engagement theme aims to address the impacts of corporate operations related to their intensive water use and generation of waste.

Our engagement strives to minimize risks through a set of objectives that aim to enhance corporate disclosures on their management of water and waste issues. The engagement will also address major issues such as seabed mining and tailings, and the gross emissions of PFAS chemicals into waterways.

How will you assess which companies should be under engagement?

Companies need to account for the amount of freshwater that is needed to make certain products – often drawn from places where water is already scarce. The discharge of wastewater also remains problematic and therefore needs to be addressed. To address these issues, we focus on companies for which the management of water and waste generation and disposal management is a financially material issue, or where corporate operations have a significant actual or potential negative environmental impact due to water or waste issues.

Thus, in our water engagements, the focus is on companies operating in high water-stress areas as well as those deemed to have high water consumption. In the waste engagements, the focus is on companies that generate hazardous waste such as PFAS chemicals and (threaten to) pollute the environment, including companies exploring seabed mining and tailings.

In July 2022, we started engaging with the first group of six companies. They were chosen using a bottom-up and fundamental approach by Robeco's research and investment analysts. They belong to three sectors: Chemicals (fertilizers and mines); Oil and Gas (shale gas); and Paper and Pulp (operating in South Africa, a water scarce area).

What other actions will be taken in line with this engagement?

We have developed a water and waste management framework tool to assess how well a company has incorporated the management of such risks into their practices. This framework, depicted in Figure 1, evaluates several indicators related to their water and waste policies, their risk management programs, their metrics, targets and disclosures, among others. The insights from this assessment inform our engagement priorities and facilitates the tracking of progress against our engagement objectives.

Figure 1 | Water and waste management evaluation framework

Level 0
Unaware

Companies are neither aware nor acknowledge water/ waste management risks.

Level 1
Aware

The company acknowledges that water stress and/or waste generation present business risks. The company adopts a water and waste management policy including initial water and waste risk reporting.

Level 2
Capacity Building

The company develops and evaluates its water and waste policies, its management systems and processes, and starts to report on practice and performance.

Level 3
Operational Integration

The company improves its operational practices, assigns senior management or board responsibility for water or waste management and provides comprehensive disclosures on its water use or waste management practices and performance.

Level 4
Strategic Risk Assessment

The company develops a more strategic and holistic understanding of the risks and opportunities related to the high water use and waste generation and integrates this into its business strategy, its remuneration policies and its capital expenditure decisions.

Another important action is recording incidents and controversies that had adverse environmental impacts, such as water depletion and pollution. Frequent involvement in these types of incidents is a sign of exposure to ESG risks and a company's failure to manage them. Incidents that go unmanaged can potentially lead to an erosion of shareholder value. We base our work on UN Global Compact and OECD guidelines.

What have been your first insights and how will you continue?

We expect that our methodology to identify companies to engage with will continue to evolve and be refined as the relevant data continues to improve and become more broadly available, including that used to measure the SFDR PAIs. We believe that engagement is one of the tools that we can use in addressing and mitigating adverse impacts at the company level and were pleased with companies' initial openness to discuss their approach to natural resource management. ■

Financing the climate transition

CLIMATE TRANSITION OF FINANCIAL INSTITUTIONS

ROBERT DYKSTRA – *Engagement specialist*

It has become increasingly clear that the banking sector has a critical role to play in the low-carbon transition. Banks can facilitate investments in low-carbon solutions and encourage emission reductions through climate-aware financing and engagement with their clients. Banks that continue to finance activities not aligned with the low-carbon transition create significant transition and physical risks associated with accelerating global warming.

The fast-evolving landscape

Various stakeholders including investors, governments and the public have put an increasing amount of pressure on the financial sector to advance the economy-wide transition towards net zero emissions. This was highlighted at COP 26 in November 2021, which saw several guidelines emerge to help financial institutions measure their 'financed emissions' – those associated with loans, investments and other financial products. These guidelines include the Partnership for Carbon Accounting Financials (PCAF), the Paris Agreement Capital Transition Assessment (PACTA) and the Science Based Targets Initiative's (SBTi) guidance for the financial sector. Several other initiatives have also been started to help the financial sector align with net zero, such as the Glasgow Financial Alliance for Net Zero (GFANZ) and the Net Zero Banking Alliance (NZBA).

While many banks are dealing with operational challenges such as emission data collection and new governance structures, the expectations around disclosures and targets are becoming ever-more stringent. For example, the NZBA has outlined a timeline for setting sector-specific decarbonization targets by 2024. However, these targets should also be aligned with a credible net zero emission scenario, such as the ones established by the International Energy Agency (IEA). Several banks have already set targets that now need to be readjusted to be aligned with a particular scenario. Many banks are also expected to disclose fossil fuel lending policies that outline the criteria for denying clients access to loans or capital markets.

A collaborative engagement approach

With our three-year engagement program on the climate transition of financials having reached its mid-point, we take stock of the progress made and upcoming challenges that banks will face in executing their climate strategies. At the start of this engagement theme, we selected 10 banks amongst our and our clients' portfolios with significant exposure to carbon-intensive assets.

To maximize the effectiveness of our engagement strategy, we collaborate with the Institutional Investor Group on Climate Change (IIGCC), which coordinates a larger investor initiative on banks' climate strategies. The IIGCC, in partnership with the Transition Pathway Initiative (TPI), is developing a framework to assess how prepared banks are for the low-carbon transition. The framework consists of many indicators that have been selected following significant investor consultation and tested on 27 banks from across the globe based on disclosures published up to February 2022. Over the coming months, the IIGCC and TPI will continue their consultation on these indicators to improve and fine-tune the framework so that a final version can be published in late 2022.

'BANKS SHOULD EXPAND THEIR NET ZERO COMMITMENTS TO INCLUDE ALL HIGH-RISK SECTORS IN ALL MATERIAL BUSINESS SEGMENTS. THIS MEANS NOT ONLY FOCUSING ON REDUCING FINANCED EMISSIONS THROUGHOUT THEIR LOAN BOOKS, BUT ALSO IN CAPITAL MARKET ACTIVITIES SUCH AS UNDERWRITING AND M&A.'

ROBERT DYKSTRA

The indicators are grouped into the following six areas and provide a comprehensive picture of a bank's net zero transition plan:

1. Net zero commitments
2. Short and medium-term targets
3. Decarbonization strategies
4. Climate governance
5. Climate policy engagement
6. Audit and accounts.

Based on the first round of assessments conducted earlier in 2022, average alignment with credible net zero trajectories amongst banks is relatively low. This is in part due to the lack of disclosure of carbon emission data throughout their loan books, but also because of insufficient target-setting at the time of the assessment. These six elements of the framework correspond with our existing engagement objectives, which are based on the four pillars of the Task Force for Climate-related Financial Disclosure (TCFD).

Future steps and upcoming challenges

The assessment outlines several areas for banks to improve their climate strategy, primarily through enhanced disclosures and financed emission reduction targets. Specifically, banks should expand their net zero commitments to include all high-risk sectors in all material business segments. This means not only focusing on reducing financed emissions throughout their loan books, but also in capital market activities such as underwriting and M&A.

More transparency on how banks engage with clients is also expected in the coming years. For instance, banks should disclose explicit financing conditions for clients whose transition plans are not aligned with a net zero emissions pathway. These conditions could be outlined in a dedicated coal or oil and gas lending policy which we have seen at several major banks. This includes aligning all high-risk sector policies with a 1.5°C warming scenario. For example, the IEA's Net Zero Emissions by 2050 scenario requires banks' coal sector policies to include:

- No financing of additional capacity for thermal coal operations.
- Phasing out of financial services and portfolio exposure to unabated coal-fired power generation by 2030 in the EU and OECD countries, and in the rest of the world by 2040 at the latest.

These expectations have been echoed by shareholder proposals filed at numerous banks during the 2022 proxy voting season. Banks were asked to define their commitment to being net zero by 2050 and include a timeline by which they would stop all lending related to new fossil fuel supplies. Many banks found these requests overly prescriptive, as they did not take into account regional discrepancies in energy demand, such as heavier coal dependency in emerging markets. Nonetheless, large groups of shareholders, including Robeco, supported these proposals with the aim of making banks' net zero commitments more credible.

In the upcoming second half of the engagement theme, we will use the outcomes of this assessment framework to emphasize the changes that we expect banks to make. So far, several banks are making significant progress, while others appear to be lagging. This is in part due to the varied pressure banks anticipate from looming sustainability regulations in the EU and North America.

Overall, the governance around climate-related financing has been one of our engagement objectives that has seen the most progress. Unfortunately, our objectives around risk management and strategy have seen the least progress. Therefore, we will push for improvements in sector decarbonization strategies and scenario analyses in our upcoming dialogues.

The pay for performance crisis

RESPONSIBLE EXECUTIVE REMUNERATION

MICHIEL VAN ESCH – *Engagement specialist*

Executive remuneration often is one of the touchiest topics between investors and company managements. Firstly, there is the discomfort of a group of outsiders forming an opinion on how (and how much) someone should get paid. Secondly, there are often discrepancies between how well management think they have performed and whether investors agree that this actually has created value for them. Yet, the topic of executive remuneration has been relevant since the foundation of the first public stock company and remains a key governance instrument today.

In 2019, the EU's amended shareholder rights directive SRD 2 was passed into national legislation across the continent, giving shareholders the right to a vote on remuneration on a structural basis. Similar as in the US, shareholders have an advisory vote on the remuneration report. But they also get a formal say on the review of the remuneration policy at least every four years.

In the second half of 2020, Robeco conducted research into best practices for executive remuneration. An engagement project was initiated in order to make use of the new opportunities that the shareholder rights directive offers. For a set of European and US companies we have focused our engagement practices to improve corporate pay practices on four focus areas. These are (1) to better align pay with performance (including performance on sustainability); (2) to promote equity holding requirements (rather than option structures or cash pay-outs) to have a more straightforward alignment with shareholders; (3) to use ratios and benchmarks in order to avoid excessive pay discrepancies between and within organizations; and (4) to have strong and independent oversight from the supervisory board and feedback mechanisms towards its shareholders.

Taking stock of SRD 2

After a year and a half of engagement, it is safe to say that SRD 2 has had an impact. Almost directly after its implementation, we saw several remuneration practices being voted down, and requests for feedback calls picking up. Additionally, many companies are starting to look into incorporating non-financial measures (often ESG metrics) into remuneration packages. This is starting to become common practice across Europe, but is also a trend in the US. We also have seen companies align their reporting practices on remuneration with SRD 2. But have remuneration practices really become any better?

'WE CONTINUE TO SEE COMPANIES THAT HAVE POORLY DESIGNED STOCK PLANS WHICH FAIL TO INCENTIVIZE EXECUTIVES TO FOCUS ON DELIVERING LONG-TERM, SUSTAINABLE PERFORMANCE.'

MICHIEL VAN ESCH

Pay for performance, sustainability and the Covid-19 effect

At the start of our engagement, many companies had most of their financial performance metrics already in place. Even though for many of them we would we prefer that companies evaluate on risk and return-based metrics (such as the return on invested capital) rather than pure profit measures, at least companies' performance indicators and targets are often clearly communicated.

However, during the pandemic many corporates decided to drop these targets as the world's economic circumstances were duly turned upside down. Some companies dropped annual bonuses altogether, but many continued to pay out their bonuses under the argument that the pandemic is an external circumstance that does not relate to company performance. This logic seemed dominant in conversations, particularly in the US. For those companies we focused our engagement on alignment with the shareholder experience. It is common for companies to attribute strong stock performance in economic booms to management and to blame external factors for poor performance during economic downturns.

The introduction of sustainability-related metrics often is a good thing and sometimes we encourage it. However, we have also noted that some companies use sustainability performance as a remuneration cushion. When financial performance was close to zero, sustainability metrics were all met, safeguarding executive pay-outs but without strong disclosure. During our conversations, we aimed to make sure that sustainability metrics are measurable, relevant to the strategy, and sufficiently ambitious.

One common aspect to look out for are targets around metrics on sustainable product portfolios. Many companies set targets to improve the percentage of sustainable revenues that could be attributed to their product pipelines. This could be a valid measure for those companies that have appropriate impact measurement methods in place. However, many companies just re-label more of their products as being sustainable without having much of an impact.

Focus on share-based performance

Equity-linked compensation is widely considered to be an effective means to align the interests of managers and shareholders, and yet this can only be achieved if the equity plan is adequately structured. We continue to see companies that have poorly designed stock plans which fail to incentivize executives to focus on delivering long-term, sustainable performance. For instance, some companies choose to grant their CEOs long-term incentive awards which are predominantly in the form of time-based equity. We consider it best practice for a majority of an executive's long-term incentive award to be in the form of equity vesting based on performance against pre-set quantifiable targets set over a multi-year period.

In addition, stock options with no performance conditions attached continue to represent a disproportionately large portion of many CEOs' pay packages. We view this as a concern. We favor the use of stock compensation as opposed to stock option compensation, as stock options have been shown to incentivize risk-taking behavior, given that they provide limited downside risk and significant upside potential.

Share ownership guidelines for executives are another important feature of an adequately designed compensation plan. These are meant to ensure that executives build and maintain a meaningful level of stock ownership throughout their tenure, thereby ensuring that manager and shareowner incentives are aligned. Hence, during our conversations, we continue to focus on ensuring that adequate ownership guidelines are in place for executives.

Pay ratios

When analyzing the size of the compensation paid to executive directors, we not only assess the absolute value of the remuneration package, but also how this compares to the company's wider workforce. Investors often use pay ratios to compare top and bottom salaries within an organization. The most popular ratio is the CEO pay ratio, which was introduced by the Dodd-Frank Wall Street Reform and Consumer Protection Act and is calculated by dividing the CEO's remuneration with the pay of the median employee.

Before the pandemic, it had already been established that these ratios were increasing. However, the disrupting characteristics of the pandemic have exacerbated global income inequality through issues such as lost income and rising inflation, both of which have a significantly higher impact on lower-income groups. As a result, and in the pursuit of reversing the increase in global income equality, we expect investors to pay increasingly more attention to the relative pay levels of company executives.

Structure and oversight

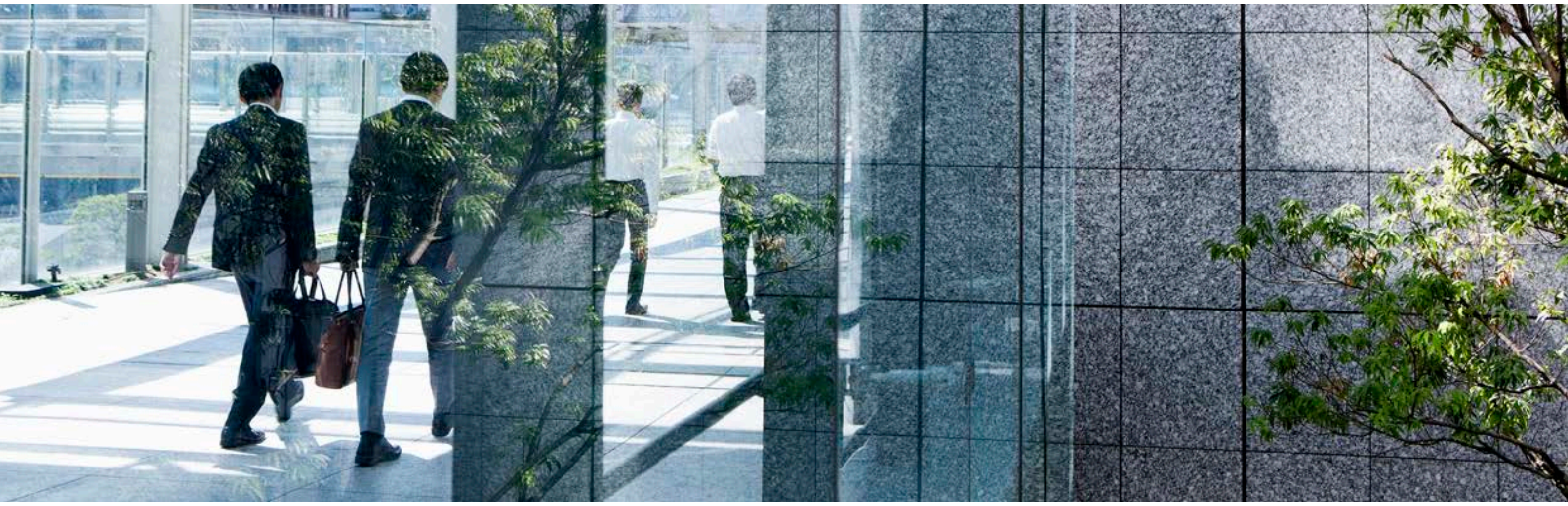
Remuneration oversight remains a focal point of our engagement. We focus on ensuring that the committee responsible for remuneration is sufficiently independent so as to provide objective decision-making in the interests of shareholders. In addition, we view it as best practice for companies to engage with shareholders to gain feedback on their pay practices and to thereby set up a process of improving remuneration practices on a continuous basis.

When there is significant dissent on remuneration-related voting items, we expect companies to initiate a dialogue with shareowners to identify what factors prompted the opposition, and to determine what changes to the pay policies and/or practices are needed. We also pay particular attention to whether companies provide clear and transparent disclosure with regards to any instances where discretionary adjustments to pay outcomes or structures are rolled out. Notably, we assess whether the body responsible for remuneration matters adequately discharged its oversight responsibilities by ensuring that an appropriate remuneration structure is in place. ■

CASE STUDY

Wolters Kluwer has undergone significant changes over the last several years, having finalized their transition into a digital solutions company. To facilitate this transition, the company has had to adapt some of their corporate governance practices on executive remuneration. The CEO of Wolters Kluwer has historically received excessive payouts compared to local benchmarks and industry peers. This is in part due to retaining and attracting talent from markets with above average executive pay like the US, as well as incentivizing stability throughout the company's long-term transition. In response to continuous shareholder feedback on the excessive payouts, the company has reduced the maximum opportunity under the long-term incentive plan from 285% to 240% of base salary.

COMPANIES UNDER ENGAGEMENT



Biodiversity
Mondelez International
Sappi Ltd.
Suzano Papel e Celulose SA

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

Lifecycle Management of Mining
Barrick Gold Corp.
First Quantum Minerals Ltd.
Fortescue Metals Group Ltd.
Polyus Gold OAO

Natural Resource Management
Sappi Ltd.

Net Zero Carbon Emissions
Berkshire Hathaway
CRH Plc
Ecopetrol SA
Enel
Hyundai Motor
WEC Energy Group Inc

Digital Innovation in Healthcare
Elevance Health Inc

Diversity and Inclusion
Oracle Corp
Taiwan Semiconductor Manufacturing Co. Ltd.

Human Rights Due Diligence for Conflict-Affected and High-Risk Areas
Cemex SAB de CV

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

Social Impact of Artificial Intelligence
Accenture Plc
Visa, Inc.

Social Impact of Gaming
Tencent Holdings Ltd.

Sound Social Management
Bayerische Motoren Werke

Corporate Governance in Emerging Markets
Cosan SA
Hyundai Motor
Midea Group Co. Ltd.
Samsung Electronics

Corporate Governance Standards in Asia
Hynix Semiconductor, Inc.

Good Governance

Unilever

Responsible Executive Remuneration

Henkel AG & Co. KGaA
Linde Plc
NIKE
Wolters Kluwer

SDG Engagement

Adobe Systems, Inc.
Alphabet, Inc.
Amazon.com, Inc.
Apple
Capital One Financial Corp.
Elevance Health Inc
JPMorgan Chase & Co., Inc.
L Oréal
Meta Platforms Inc
Novartis
OTP Bank Nyrt
Salesforce.com, Inc.
Samsung Electronics
Union Pacific

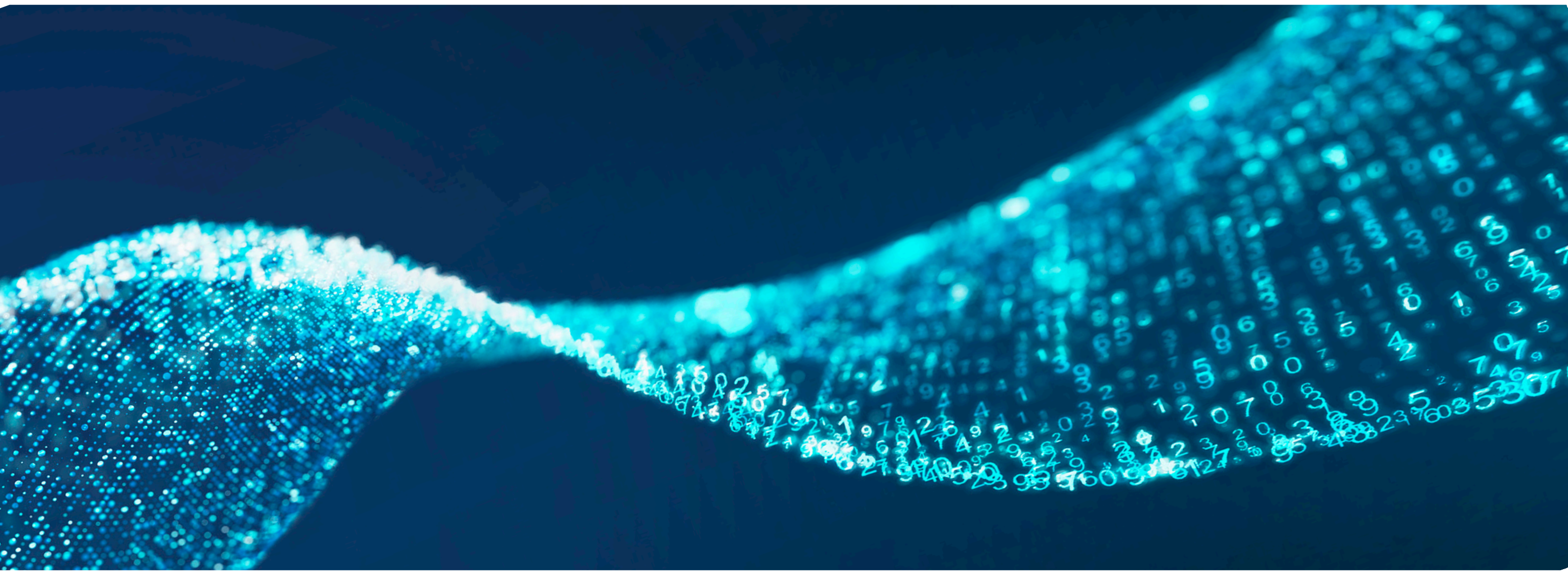
Global Controversy Engagement

Currently, 1 company is under engagement based on potential breaches of the UN Global Compact and/or the OECD Guidelines for Multinational Enterprises.

ENGAGEMENT BY ASSET CLASS

Accenture Plc	Equity
Adobe Systems, Inc.	Equity
Alphabet, Inc.	Equity
Amazon.com, Inc.	Equity
Apple	Equity/Credit
Bank of America Corp.	Credit
Barclays Plc	Credit
Barrick Gold Corp.	Equity
Bayerische Motoren Werke	Equity
Berkshire Hathaway	Equity
BNP Paribas SA	Credit
Capital One Financial Corp.	Credit
Cemex SAB de CV	Credit
Citigroup, Inc.	Credit
Cosan SA	Equity
CRH Plc	Equity
DBS Group Holdings	Credit
Ecopetrol SA	Credit
Elevance Health Inc	Equity
Enel	Credit
First Quantum Minerals Ltd.	Credit
Fortescue Metals Group Ltd.	Equity
Henkel AG & Co. KGaA	Equity
HSBC	Credit
Hynix Semiconductor, Inc.	Credit
Hyundai Motor	Equity/Credit
ING Groep NV	Credit
InterContinental Hotels Group Plc	Credit
JPMorgan Chase & Co., Inc.	Credit
L Oréal	Equity
Linde Plc	Credit
Marriott International, Inc.	Credit
Meituan Dianping	Credit
Meta Platforms Inc	Equity
Midea Group Co. Ltd.	Equity
Mondelez International	Credit
NIKE	Equity/Credit
Novartis	Equity
Oracle Corp	Equity/Credit
OTP Bank Nyrt	Credit
Polyus Gold OAO	Equity
Salesforce.com, Inc.	Equity
Samsung Electronics	Equity
Sappi Ltd.	Bond
Sumitomo Mitsui Financial Group, Inc.	Credit
Suzano Papel e Celulose SA	Equity
Taiwan Semiconductor Manufacturing Co. Ltd.	Equity
Tencent Holdings Ltd.	Equity
Teva Pharmaceutical Industries Ltd.	Credit
Unilever	Equity
Union Pacific	Equity
Visa, Inc.	Equity/Credit
Wal-Mart Stores	Equity
WEC Energy Group Inc	Equity
Wolters Kluwer	Equity

CODES OF CONDUCTS



Robeco's Engagement Policy

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

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

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

The UN Global Compact

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

Human rights

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

Labor standards

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

Environment

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

Anti-corruption

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

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

CODES OF CONDUCTS

OECD Guidelines for Multinational Enterprises

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

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

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

International codes of conduct

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

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

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

Robeco's Voting Policy

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

Collaboration

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

Robeco's Active Ownership Team

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

ROBECO

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

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

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

IMPORTANT INFORMATION

Robeco Institutional Asset Management B.V. (Robeco B.V.) has a license as manager of Undertakings for Collective Investment in Transferable Securities (UCITS) and Alternative Investment Funds (AIFs) ("Fund(s)") from The Netherlands Authority for the Financial Markets in Amsterdam. This document is solely intended for professional investors, defined as investors qualifying as professional clients, who have requested to be treated as professional clients or who are authorized to receive such information under any applicable laws. Robeco B.V and/or its related, affiliated and subsidiary companies, ("Robeco"), will not be liable for any damages arising out of the use of this document. The contents of this document are based upon sources of information believed to be reliable and comes without warranties of any kind. Any opinions, estimates or forecasts may be changed at any time without prior notice and readers are expected to take that into consideration when deciding what weight to apply to the document's contents. This document is intended to be provided to professional investors only for the purpose of imparting market information as interpreted by Robeco. It has not been prepared by Robeco as investment advice or investment research nor should it be interpreted as such and it does not constitute an investment recommendation to buy or sell certain securities or investment products and/or to adopt any investment strategy and/or legal, accounting or tax advice. All rights relating to the information in this document are and will remain the property of Robeco. This material may not be copied or used with the public. No part of this document may be reproduced, or published in any form or by any means without Robeco's prior written permission. Investment involves risks. Before investing, please note the initial capital is not guaranteed. This document is not directed to, nor intended for distribution to or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, document, availability or use would be contrary to law or regulation or which would subject Robeco B.V. or its affiliates to any registration or licensing requirement within such jurisdiction.

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Additional Information for investors with residence or seat in Canada

No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of the securities described herein, and any representation to the contrary is an offence. Robeco Institutional Asset Management B.V. is relying on the international dealer and international adviser exemption in Quebec and has appointed McCarthy Tétrault LLP as its agent for service in Quebec.

The Investment Engineers

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November 2022

RCBPF Response to DLUHC TCFD consultation

Executive Summary

The Royal County of Berkshire Pension Fund (RCBPF) as administered by the Royal Borough of Windsor and Maidenhead is a £3 billion Local Government Pension Scheme (LGPS) fund with over 75,000 scheme member records and 339 contributing employers (288 with active members).

In 2018, RCBPF joined The London Pension Fund (LPFA) and Lancashire County Council (LCC) in becoming part of the Local Pensions Partnership (LPP) asset pool, pooling the majority of RCBPF's assets whilst outsourcing the day to day investment management function to LPP. Unlike LPP's other two clients, RCBPF retains an in-house administration function, providing administration services for all of the scheme employers and members.

In September 2022, RCBPF published a revised Responsible Investment (RI) policy, reflecting its values, principles, priorities and approach to RI and further detailing how delivery against its commitment will be achieved. Its RI policy is an extension of its investment Strategy Statement (ISS) under section 7(2)(e) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Having anticipated the implementation of TCFD for the LGPS to be on the horizon, the RCPPF RI policy was designed to be compliant with upcoming DLUHC TCFD regulations based on how it currently stands for DWP regulated pension funds.

As pretext to this response, we wanted to take this opportunity to echo some of the crucial points made in the LGPS Scheme Advisory Board's (SAB) response. The points specifically addressed by SAB that we are in agreement with are listed as follows; Timing of consultation, role of Pension Funds, the fiduciary duty and investment choices, the appropriate means to achieve the ends, compliance, resourcing production of climate risk reports

As a general underlying theme to our response to this consultation, RCBPF firmly believes that the development and implementation of this policy should be carefully considered alongside the pooling policy area. It is important that these two policy areas are not at odds with each other for reasons of public sector efficiency, cost control and perceived value for money from a local-taxation standpoint.

The pooling model adopted by RCBPF is to aim for full pooling of assets as soon as reasonably and practically possible, in essence, the day-to-day investment management function is outsourced to LPP. Policy makers should tread cautiously in making policy decisions that may seek to undermine this progress by effectively bringing additional functions back to the administering authority that were once deemed to be outsourced to the asset pool.

Furthermore, RCBPF firmly believe that in setting policy in this area, greater legal responsibilities should be placed on the pools rather than the Administering Authorities and perhaps policy that directed LGPS funds as a reporting function of the more efficient and effective asset pools would seek to achieve the departments objectives in a more pragmatic way. These thoughts are reflected through the answers to the 12 consultation questions in this response.

Question 1: Do you agree with our proposed requirements in relation to governance?

***The proposal is that in administering the fund, administering authorities should have ongoing oversight of climate related risks and opportunities and ensure that those undertaking this work and the professional advisors assisting them are acting effectively*.**

RCBPF's view is that that placing legal duties on the pools would be a more pragmatic and cost-effective form of implementation of the governance requirements. For Administering Authorities (AA's) that have adopted a full-pooling model, effectively outsourcing their investment management function to the pool, the proposed requirements will likely lead to inefficiency.

Pools already have strong governance and ESG procedures in place, and for AA's to place greater reliance on this will lead to better efficiencies, economies of scale and a better value for money proposition. RCBPF's view is that this may even encourage funds with a low commitment to pooling to increase that commitment with two aligned policy objectives.

Putting additional duties directly on the AA will cause additional consultancy and advisory cost commitments externally that RCBPF feel are more efficiently serviced by the pools.

Question 2: Do you agree with our proposed requirements in relation to strategy?

The proposal is that funds identify and assess, on an ongoing basis the short, medium and long term impact of climate risks and opportunities on the fund. Statutory guidance will be provided to assist in identification of risks and opportunities and impact assessment.

Generally yes, as the AA's are in control of the strategic direction of the fund (ISS/FSS policy documents). RCBPF's strong view, however, is that that placing greater legal duties on the pools will help to build that from an asset allocation and manager selection (day-to-day investment decision making) perspective enabling overall fund strategy to be consistent with operational investment decision making.

There will be challenges (particularly for funds with leaner organisation structures such as RCBPF) in terms of resources, expertise, and the increasing complexity in this area. These challenges associated with the proposed requirements should be met by the administering authorities working with their already appointed providers of "proper advice", namely their asset pools. Without clarity on this prom a policy perspective, there are likely to be significant additional costs to funds.

Question 3: Do you agree with our suggested requirements in relation to scenario analysis?

***The proposal is that* two *sets of scenario analysis should be undertaken at least once per valuation period. One should be Paris aligned and one of the fund's own choice. Statutory guidance will be given, including how to deal with missing or poor quality data and other barriers to effective analysis*.**

Yes, this seems pragmatic, but could lead to inefficiencies if AA's are all procuring their own consultants independently to carry out such analysis. If pools were to have a legal duty to undertake this analysis for all of its underlying holdings (followed by apportionment between clients), this will not only generate economies of scale but actually encourage full pooling which will save AA's having to procure additional work externally for non-pooled assets. RCBPF's view is that putting additional duties on the pools will serve a cross-purpose of financial savings as well as supporting the departments existing mandate to increase pooling across the LGPS.

Additionally, RCBPF suggest that the requirements should refer to the UK Government's target rather than the Paris aligned scenario. The role of LGPS funds as institutional investors may be constrained compared to the impact national government policy can have, therefore alignment with government policy is likely to make it easier for funds to make better investment decisions. We suggest that funds should only be required to undertake a second scenario analysis if their own target is different to that of the UK Government.

Question 4: Do you agree with our proposed requirements in relation to risk management?

The proposal is that funds integrate the identification and management of climate related risks and opportunities in their existing risk management process. Statutory guidance will be provided

Yes, but RCBPF would encourage CIPFA to publish prescriptive guidance that can be followed by the LGPS funds. We currently use CIPFA's 2018 model "managing risks in the LGPS" and would encourage this be updated to encapsulate the proposed TCFD risk management processes. Climate-related risks are among many of the risks faced by LGPS funds and funds should consider these risks in the context of their overall risks, allowing for prioritisation of resources to address it effectively.

Question 5: Do you agree with our proposed requirements in relation to metrics?

The proposal specifies four different metrics for funds to measure and report on annually

The proposed requirements in relation to metrics will require an extensive use of administering authority resources. This includes the time spent estimating data as well as collating existing data. A considerable amount of this work will be outside the core responsibilities of the administering authority and would therefore require additional resources and expertise to achieve meaningful outcomes.

RCBPF's view is that greater responsibilities should be placed on the pools in relation to both measurement and reporting of these four metrics and instead AA's should act as a reporting function for the work undertaken by the pools.

In addition, RCBPF would encourage these metrics to be reviewed regularly and updated if new more appropriate metrics become available but with sufficient lead time for implementation.

RCBPF would also encourage pools to ensure the agreed metrics are mandated as part of manager selection and asset allocation decisions as this is where we place significant reliance. Again, mandating this within pools selection processes will likely encourage increased pooling commitment and reduce inefficiencies across the LGPS and for the local taxpayer.

Question 6: Do you agree with our proposed requirements in relation to targets?

The proposal is to set a target against one metric which may be one of the four that funds are required to calculate or any other TCFD accepted metric. Progress should be assessed annually, and the target revised as needed

RCBPF completely agree with the statement "There is no expectation that AAs should set targets which require them to divest or invest in a given way, and the targets are not legally binding." – as the Fund's fiduciary duty to pay pensions when they fall due must always take precedent. Funds will be able to set more aggressive targets depending on their funding level and affordability, with those on the lower end of the funding spectrum having to prioritise financial returns.

RCBPF reiterate our desire for the fund's long term target to match the UK Government's target, and funds should be required to justify their decision to set an alternative target.

RCBPF do not agree that annual assessment of progress would be meaningful activity, as implementing an investment strategy once the relevant risks have been identified can take some time and therefore would not be a fair indication of the progress made by the fund. We propose that funds should set milestone targets (aligned to the triennial valuation) within the longer-term objective, and that this should be reviewed and assessed at each valuation date.

Question 7: Do you agree with our approach to reporting?

The proposal is to publish an annual Climate Risk report, aligned to (or part of if preferred) the Annual Report process. The contents of the report would be prescribed

RCBPF wish to emphasise that pension funds are already required to produce audited accounts and there are already significant pressures existing in this area. In recent years, our fund has experienced significant delays to final accounts publication and external audit sign off. Increasing statutory reporting requirements at this time would only add to this pressure funds are facing and this should be fully understood by the department.

With regard to the contents of the climate risk report, RCBPF agree. However, with regard to the responsibility for producing the report we feel that more ownness could be placed on the pools. For funds such as RCBPF that have effectively outsourced the investment management function to its pool, this will require additional hiring internally to facilitate the production of the comprehensive report, this can be avoided by placing the commitment on the pools to report on behalf of their clients/shareholders and enables a drag and drop exercise into the AA's annual report.

RCBPF do have concerns that some of the reporting is backward-looking and this should not be a burden that is undertaken for its own sake but instead as a guide for future action and transition plans, RCBPF therefore take the view that more emphasis should be put in the strategy requirements rather than the reporting requirements.

Question 8: Do you agree with our proposals on the Scheme Climate Risk Report?

The proposal is that the SAB should amalgamate all funds reports and publish an annual Scheme Climate Risk Report, with links to each fund's report

Yes – RCBPF agree, subject to specific prescriptive guidance being produced not just in regard to contents but as a style guide. RCBPF heavily rely on CIPFA guidance for both annual report production and statement of accounts production (and specific areas such as the reporting of management fees). Similar CIPFA guidance on this would be extremely helpful to act not only as a contents checklist but a style-guide on reporting.

Furthermore, specialist auditors should be engaged on the review of such reports to challenge and critique as necessary. This feeds into another potential policy direction, similar to that approach taken in Scotland and Wales, to split out the reporting requirements of the Fund and the Administering Authority when it comes to annual reporting and chart of accounts.

RCBPF's view on this specific point is there is significant inefficiency in maintaining the requirement to include LGPS reports in the administrating authorities annual report, splitting this out will likely enable a better audit function of LGPS funds and subsequently better audit of funds climate risk reports.

Question 9: Do you have any comments on the role of the LGPS asset pools in delivering the requirements?

LGPS asset pools should be required to collect and analyse data on behalf of their client funds. This would help to standardise the data collection and reporting which would significantly reduce the cost of obtaining this data through economies of scale. However, pools should be required to provide climate reporting services to all assets, including those not held by the pool in order to achieve this consistency.

RCBPF's strong view is that more legal requirements could be placed on the asset pools. As discussed in our response to the other questions and the general theme across this consultation response, increasing the requirements on pools will likely reduce inefficiencies, increase value for money and promote a more consistent approach than having each of the 86 AA's separately implement the TCFD requirements.

RCBPF are not suggesting that AA's be absolved of any duty in this regard, but instead that pools have a greater legal and reporting responsibility meaning AA's can rely upon the work of the pools. This will likely encourage increased pooling commitment, especially important for those AAs that are resistant to pooling.

RCBPF's general view is that AA's should act more as a reporting function and pools to take the lead on implementation and delivery.

Question 10: Do you agree with our proposed approach to guidance?

The proposal is for the reporting requirements to be set in regulations and for the metrics to be reported on to be set in statutory guidance, to facilitate future changes to metrics as this new area of measurement matures and potentially better metrics become available. A template report will also be provided

RCBPF agree generally but strongly encourage that CIPFA guidance is produced on implementation in practice

RCBPF take the strong view that it is imperative that duplication is minimised, for example, pools are required by the FCA to produce their own TCFD reports and the guidance proposal under this questions refers to a SAB template. This means different reports based on different templates which may lead to wasteful duplication. It is important that the SAB template very closely follows any FCA template if it is not a carbon copy.

Question 11: Do you agree with our proposed approach to knowledge, skills and advice?

The proposal is that, in line with existing knowledge and skills requirements, those involved in decision making on climate related matters should be able to demonstrate they have the skills and knowledge to do so. This would involve decision makers having sufficient knowledge to understand the decision and information they are considering, while taking more expert advice to supplement this where required

RCBPF agree that administering authorities should take proper advice to inform their decision making when it comes to the management and reporting of climate-related risks. We also agree that this should be in line with existing knowledge and skills required of those involved in the fund's decision-making processes. At present, this day-to-day investment decision making is outsourced to our pool, therefore greater ownness should be placed on the asset pools if this policy is to be implemented successfully and without inefficiency.

The consultation statement "AAs will need to satisfy themselves that the advice is high quality and provided by appropriately qualified people" should be ensured in practice by placing legal responsibility on the pools in this regard. If this cannot be done directly, then a joint procurement approach should be strongly encouraged – either by the pools or another cross-LGPS initiative.

The Consultation welcomes responses on whether and how asset pools could jointly procure expert advice for their partner funds. RCBPF do not see this as a pragmatic approach if the appointed advisors and consultants are working independently of the pools. The notion that LGPS funds should all be doing this individually is completely at odds with the LGPS pooling objectives and relevant policy direction in this regard. RCBPF's view is that pool should be producing relevant advice but to enable the pools to implement the TCFD measures in practice and pass on final reports to the AAs which should effectively act as a reporting function.

Question 12: Do you have any comments on the impact of our proposals on protected groups and on how any negative impacts may be mitigated?

RCBPF is a member of the Local Authority Pension Fund Forum (LAPFF). LAPFF, alongside the All-Party Parliamentary Group for Local Authority Pension Funds (APPG) has undertaken work on ensuring responsible investment for a Just Transition to Net Zero. RCBPF are supportive that the proposals included in this consultation should ensure a just transition for any protected groups.

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Responsible Investment (05/12/2022)

Essential information

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

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

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

Stage 1: EqIA Screening (mandatory)	Date created: 21/11/2022	**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 (05/12/2022)

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 (05/12/2022)

Stage 1 : Screening (Mandatory)

1.1 What is the overall aim of your proposed strategy/policy/project etc and what are its key objectives?
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. Following the release of an Environmental, Social and Governance (ESG) public statement in late 2020, 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 was approved by the Committee on 12 October 2022. This report aims to update the reader quarterly on the Fund's responsible investment activities and outcomes through presenting an RI report and dashboard as aligned with the Fun's RI policy – 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 covers the response to DLUHC's consultation on the Taskforce on Climate-related Financial Disclosures (TCFD) as well as brief update on LPPI's net-zero commitment.

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Responsible Investment (05/12/2022)

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".

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 (05/12/2022)

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 (05/12/2022)

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 (05/12/2022)

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 (05/12/2022)

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					

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Responsible Investment (05/12/2022)

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