



<u>Committee and Date</u>
Pensions Committee
5 March 2021
10.00am

<u>Item</u>
Public

CORPORATE GOVERNANCE MONITORING

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1. Summary

- 1.1 The report is to inform members of Corporate Governance and socially responsible investment issues arising in the quarter 1st October 2020 to 31st December 2020.

2. Recommendations

- 2.1 Members are asked to accept the position as set out in the report, Manager Voting Reports at Appendix A (A1, A2 & A3) and BMO Global Asset Management Responsible Engagement Overlay Activity Report at Appendix B (B1 & B2).

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 Risk Management is part of the Pension Fund's structured decision-making process by ensuring that investment decisions are taken by those best qualified to take them.
- 3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.
- 3.3 The Fund's Corporate Governance Policy enables it to influence the environmental policies of the companies in which it invests.
- 3.4 There are no direct Equalities or Community consequences.

4. Financial Implications

- 4.1 There are no direct financial implications arising from this report.

5. Climate Change Appraisal

- 5.1 The Fund takes Responsible Investment very seriously; it is a key process the investment managers go through before investing where thorough due

diligence is undertaken considering all risks including climate change. The investment managers vote on the Fund's behalf, BMO engage with companies on the Fund's behalf and the Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and a signatory to the UK Stewardship Code.

- 5.2 Shropshire County Pension Fund has received a Climate Risk Report from LGPS Central.

6. Background

- 6.1 The Shropshire County Pension Fund has been actively voting for over fifteen years at the Annual General Meetings and Extraordinary General Meetings of the companies in which it invests. Voting is carried out by individual Fund Managers on all equity portfolios.
- 6.2 The Fund is also addressing its social responsibility through a strategy of responsible engagement with companies. BMO Global Asset Management provide this responsible engagement overlay on the Fund's UK & global equities portfolios.

7. Manager Voting Activity

- 7.1 Details of managers voting activity during the quarter relating to equity portfolios are attached (Appendix A; A1, A2 & A3).

8. Responsible Engagement Activity

- 8.1 During the last quarter BMO Global Asset Management have continued to actively engage with companies on the Fund's behalf. An update on the engagement activities for the quarter is attached at Appendix B (B1 & B2) in the REO Activity report.

9. Update following the Council Motion

- 9.1 During the last quarter and previous quarters LGPS Central, BMO Global Asset Management and Majedie have presented to Committee as part of the extensive review currently being undertaken by the Pension Committee on Responsible Investment & Climate Change following the Council's motion in July 2020. At the meeting today, Sacha Sudan from Legal & General, who has previously presented at the Funds AGM, will update on how they engage with companies on the Fund's behalf and the difference this engagement makes. Legal & General are at the forefront of these very important issues and they will explain the importance of Investment Stewardship. The table below highlights the significant progress the Committee have made to date following the Council's motion to divest from fossil fuels, plus a timeline for future presentations and updates on when the public TCFD report recommendations will be implemented. Live streams of all the below meetings, Chair statements following the Council motion, public questions submitted and the responses provided and detailed presentations can be found on the Council's website by following the below link:

<http://shropshire.gov.uk/committee-services/ieListMeetings.aspx?CommitteeId=260>

Pensions Committee, 5 March 2021: Corporate Governance Monitoring

Date	Type of meeting	Agenda Item	Reports and Presentations	Key points for Cttee
24 July 2020	Pensions Cttee	Climate Stewardship Corporate Governance Monitoring	LGPS Central Climate Stewardship Report Update on manager voting & engagements activities	Training on Climate Stewardship and next steps Quarterly update on Corporate Governance Issues
18 Sept 2020	Pensions Cttee	LGPSC Climate Analysis Report Investment Strategy Review and Responsible Investment Timetable Corporate Governance Monitoring Report	Presentation from Michael Marshall, Director of Responsible Investment, LGPS Central Presentation from Aon, Investment Consultant Update on manager voting & engagements activities	SCPF carbon footprint measured and detailed climate risk analysis undertaken Responsible Investment timetable and recommendations agreed Quarterly update on Corporate Governance Issues
4 Dec 2020	Pensions Cttee	Public LGPSC TCFD Compliant Climate Report Responsible Engagement How Majedie integrate ESG into their Investment process Corporate Governance Monitoring Report	Presentation from LGPS Central Presentation from BMO Global Asset Management (Funds engagement manager) Presentation from Majedie (UK Equity Manager) Update on manager voting and engagement activities	Recommendations within report agreed. Media release agreed and scheme employers updated. Documents uploaded onto SCPF website for all Stakeholders. Pros/cons of engagement v divestment. Case studies on effectiveness. Discussions on why certain stocks highlighted in the TCFD report are held within the portfolio. Quarterly update on Corporate Governance Issues
5 March 2021	Pension Cttee	Investment Stewardship	Presentation from Legal & General (Global Equity manager)	
25 June 2021	Pension Cttee	Begin Implementation of revised Investment Strategy once agreed.		
17 Sept 2021	Pension Cttee	SCPF Climate Strategy/Climate Stewardship Plan		
03 December 2021	Pension Committee	Review analysis, training undertaken, TCFD report recommendations		

		implementation, Agree formal response to the Council motion.		
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List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Corporate Governance Monitoring report, Pensions Committee 4 December 2020

Cabinet Member

N/A

Local Member

N/A

Appendices

A. Manager Voting Activity Reports (A1-A3).

B. BMO Global Asset Management Responsible Engagement Overlay Reports (B1-B2).