



Valborg Lie
Stewardship Manager

Leicestershire County Council Pension Fund

Responsible Investment Training

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Centre, Wolverhampton, WV1 3NB

What is RI and what are the drivers ?



Responsible investment (RI) is becoming the new standard for best practice asset management:

- Change of outlook on investors` role in society
- Innovation and new tools

Drivers of RI

- 1) Investor practices
- 2) Increased evidence that RI leads to improved performance
- 3) Stakeholder expectations
- 4) Regulatory requirements

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Objectives of RI&E



In alignment with Partner Fund`s objectives, we aim to:

- 1) Primarily, support investment objectives:
- 2) Secondly, be an exemplar for RI within the financial services industry and raise standards across the marketplace.

These objectives will guide all RI related efforts, including Selection and Stewardship activities.

Source: RI&E Framework



Why and how we engage



Activities

- Company-engagement
 - Directly or
 - Collaboratively
- Industry participation
- Policy engagement



Financial Reporting Council



Targets and results



LGPS Central Limited



- Engagement on 2°C pathway and remuneration
- Shell has:
 - Set carbon intensity targets for next 3-5-year period as part of carbon reduction ambitions
 - Linked carbon reduction targets with long-term incentive plans of senior executives
 - Ceased its membership of the American Fuel & Petrochemical Manufacturers



- Tailings dam collapse (Jan 2019) with 200 fatalities and 10 million cubic meters of waste into the environment
- Investor Mining & Tailings Safety Initiative
- Asking 655 mining companies for:
 - Location of each tailings dam
 - Classification according to the consequences of failure
 - Safety standards to protect people and environment
 - Remediation and reporting

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Stewardship Themes



Stewardship Themes have been determined based on a **Client Survey**

Identification criteria

- Economic relevance
- Ability to resource
- Stakeholder relevance



Climate lobbying



LGPS Central voted to support a shareholder resolution filed at BHP Ltd, the world's largest mining company, recommending that the firm *suspends membership of trade associations which lobby to undermine the goals of the Paris Climate Agreement.*

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Social media control



LGPS Central is part of an investor coalition engaging social media companies to:

1. Strengthen controls to prevent the live streaming of objectionable content being viewed;
2. Strengthen controls to detect objectionable content so it can be effectively and quickly removed to prevent it being viewed and shared;
3. Take collaborative action with the industry and regulators to help drive solutions.



Voting approach and principles



LGPS Central sees voting as a core component of the Company's approach to Stewardship. Through voting, we aim to:

- Strengthen governance
- Improve financial performance
- Promote responsible business practices

UK securities are voted based on internal voting principles which supplement the principles and provisions of the UK Corporate Governance Code.

For **non-UK securities** the Company currently applies the international voting guidelines of its chosen proxy research provider, Hermes EOS.



Reporting cycle



- Quarterly Stewardship Reports (QSR)
- Vote-by-vote disclosure & media roundups
- Annual Climate Risk Reports
- Annual PRI Transparency Report

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