



FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

PENSIONS AND INVESTMENTS COMMITTEE

WEDNESDAY, 6 DECEMBER 2023

Report of the Director - Finance and ICT

STEWARDSHIP REPORT

1. Purpose

- 1.1 To provide the Pensions and Investments Committee with an overview of the stewardship activity carried out by Derbyshire Pension Fund's (the Fund) external investment managers in the quarter ended 30 September 2023.

2. Information and Analysis

2.1 Stewardship Activity

This report attaches the following two reports to ensure that the Pensions and Investments Committee is aware of the engagement activity being carried out by Legal & General Investment Management (LGIM) and by LGPS Central Limited (the Fund's pooling company) (LGPSC):

- Q3 2023 LGIM ESG Impact Report (Appendix 2)
- Q2 2023/24 LGPSC Quarterly Stewardship Report (Appendix 3).

LGIM manages around £1.8bn of assets on behalf of the Fund through passive products covering: UK Equities; Japanese Equities; Emerging Market Equities; and Global Sustainable Equities. LGPSC currently manages around £1.1bn of assets on behalf of the Fund through its All-World Equity Climate Multi Factor Fund, Global Sustainable Equities Broad Strategy Sub-Fund, Global Sustainable Equities Targeted Strategy, Global Active Emerging Market Equities Sub-Fund, Global Active Investment Grade Corporate Bond Multi Manger Sub-

Fund and Credit Partnership II (Private Debt) Fund. It is expected that LGPSC will manage a growing proportion of the Fund's assets going forward as part of the LGPS pooling project.

These two reports provide an overview of the investment managers' current key stewardship themes and voting and engagement activity.

2.2 LGPSC Stewardship Themes

LGPSC currently has four stewardship themes, agreed in collaboration with the eight Partner Funds of the LGPS Central Pool, in respect of Climate Change, Plastic, Human Rights Risks, and Fair Tax Payment & Tax Transparency. The Partner Funds and LGPSC believe that identifying material core themes helps direct engagement and sends a clear signal to companies of the areas that Partner Funds and LGPSC are likely to be concerned with during engagement meetings.

The themes are subject to review every three years and LGPS Central Limited is proposing to update the themes to Climate, Natural Capital, Human Rights, and Controversial Activities as set out in LGPSC's 2024-2027 Proposed Stewardship Strategy slides attached as Appendix 4.

LGPSC will continue to engage on Fair Tax Payment and Tax Transparency through the Controversial Activities theme.

The In-House Investment Management Team has discussed the proposed themes with LGPSC and supports the updated choice of stewardship themes and the increased focus on linking engagement to measures of success.

Information on the proposed stewardship themes was recently circulated to members of Committee to provide an opportunity for feedback on the updated themes.

3. Implications

- 3.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

4. Background Papers

- 4.1 Papers held by the Pension Fund Team.

5. Appendices

- 5.1 Appendix 1 – Implications
- 5.2 Appendix 2 – Q3 2023 LGIM ESG Impact Report.
- 5.3 Appendix 3 – Q2 2023/24 LGPSC Quarterly Stewardship Report.
- 5.4 Appendix 4 – LGPSC 2024-2027 Proposed Stewardship Strategy

6. Recommendation(s)

That Committee:

- a) notes the stewardship activity of LGIM and LGPSC.

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Appendix 1

Implications

Financial

1.1 None

Legal

2.1 None

Human Resources

3.1 None

Information Technology

4.1 None

Equalities Impact

5.1 None

Corporate objectives and priorities for change

6.1 None

Other (for example, Health and Safety, Environmental, Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None