



LGPS Central Joint Committee
18 June 2021
Item 7 – Public Questions and responses

Explanatory Note: Joint Committee procedure provides for questions to be asked by members of the public to be answered verbally in the meeting where time permits. A maximum of 15 minutes is set aside for this part of the Joint Committee. Any questions that cannot be answered in the time limit will receive a written response and all questions and answers will be published on the LGPS Central webpage.

All questions received from the public prior to the meeting are set out below. Questions posed are in **black font** with LGPS Central Ltd responses shown in **red font**. The responses given by LGPS Central Ltd are given on its behalf, and in relation to its holdings, and not on behalf of any individual LGPS Central Partner Fund and their investments outside LGPS Central.

The following questions and responses were read out at Joint Committee. Certain questions that had been raised in materially the same form were responded to as a single question at the meeting in the interests of time saving.

Question 1: received 26/05/2021 from S Owen

LGPS Central has investments in the following companies: Expedia group Inc., Booking Holding Inc., and Motorola Solutions Inc. These 3 companies appear on the United Nations list of companies that are profiting from the illegal Israeli occupation of the West Bank. These companies are therefore breaking international law. Members of Derbyshire Pensioners Action Group do not want our pension to be invested in the companies that are complicit in human rights abuses and the illegal occupation and building of settlements in the West Bank.

Will the LGPS Central Fund be divesting from these companies, particularly in the light of the horrific attacks on Palestinians in recent weeks?

LGPS Central favours engagement over divestment. We consider this to be a more constructive and ultimately impactful way of influencing corporate behaviour which leads to better outcomes for all stakeholders over the longer term. We are partnered with organisations such as the Local Authority Pension Fund Forum (LAPFF) who actively engage companies on human rights risks that stem from operating in conflict zones such as the Occupied Palestine Territories (OPT). LAPFF is engaging with 16 companies on the United Nations List. Our stewardship provider, EOS at Federated Hermes, has been engaging with Booking Holdings on the issue and 18 other companies engaged in activities in the OPT.

LGPS Central has been engaging directly with Motorola Inc, asking the company to disclose information on how human rights issues are managed, including disclosure on their corporate human rights policy and their human rights impact assessments. We have requested that the company provide robust independent and credible human rights impact assessments in line with the UN Guiding Principles on Business and Human Rights. The company did not respond fully to our requests. We decided to escalate the matter and voted against the Chairman at the AGM. We will be writing to the Chairman to explain how and why we voted the way we did.

Question 2: received 27/05/2021 from L Hopkinson

In a response to a public question submitted at your last meeting about the value of fossil fuel stocks LGPS stated “Pension Funds are long term investors and appointed managers will also take a longer-term view of the outlook for sectors and individual companies. Recent movements in the price of Energy stocks may well prove to be a short-to-medium term anomaly. In the longer term, Energy had outperformed the broad global market by 0.6% p.a. over a 25 year period.”

Does LGPS agree that past performance is no guarantee of future performance?

And does LGPS expect fossil fuel shares to continue to outperform the global market given the risk of stranded assets underscored by the International Energy Agency (IEA) recent net zero report that all fossil fuel companies must stop new oil and gas exploration projects this year and the landmark ruling in a Dutch court that Shell must cut its emissions by 45% by 2030?

LGPS Central agrees that past performance is no guarantee of future performance. LGPS Central welcomes the scenario analysis recently released by the IEA and considers this to be an important contribution to existing analysis around the transition to a lower carbon economy. However, it is not an attempt to predict the future and it is one possible scenario amongst many. It is important that LGPS Central maintains a well-diversified portfolio of investments across all of the asset classes we invest in. We consider that companies within the oil & gas sector have a role to play in bringing about the transition to a lower carbon economy. We also consider that it is important to analyse companies individually when making investment decisions which is why we favour ESG integration. We have been engaging with Shell along with other investors to encourage them to reduce their carbon emissions in line with targets agreed at Paris and accelerate their existing efforts to transition their business model. We consider the recent Dutch court ruling to be consistent with our position and the position of other responsible investors.

Question 3: received 27/05/2021 from P Hollett

Surely investment returns are sufficient without recourse to the Armaments trade, the latter being the source of extensive human degradation suffering misery?

Our approach to Responsible Investing (RI) relies on integration of material environmental, social and governance (ESG) factors into investment decision making and on engagement with companies to encourage better ESG standards. We do not divest from specific sectors; however, we expect the companies in which we invest to behave responsibly and to abide by international law and global norms. We also expect the companies in which we invest to have appropriate standards of corporate governance and controls around corporate behaviour and the management of risk. LGPS Central consider that engagement invariably leads to better outcomes for investors, corporations, and other stakeholders.

Question 4: received 28/05/2021 from M Pomerantz

As a pensioner within the Derbyshire scheme, I am troubled by our lack of success at influencing decisions about some investments. While you value efforts to increase the size of fund returns, I am uncertain about where you draw the line with investment decisions that involve moral questions being compatible with your Responsible Investment policy. It is obvious that Derbyshire would not knowingly invest in organisations that support organised crime, people trafficking, slavery or child exploitation. Everyone would agree that to do so would violate a moral code. However, the fund appears to invest in fossil fuels, tobacco and companies that engage in arms trading. On a daily basis, responsible journalists are producing strong evidence that we are and will be on the wrong side of history in the final analysis. From my perspective this violates a moral code. I lost cousins in the Holocaust and watch today as people try to make sense of what happened decades

ago. Derbyshire investing in companies that damage the people of Palestine feels like we are part of the problem rather than part of the solution. The evidence of this staggering.

Can LGPS Central and Derbyshire Pension Fund please offer reassurances that you do not currently have investments in the arms trade, specifically as it applies in Palestine, and in particular that you have divested from our links with the following companies: Lockheed Martin; Ratheon Technologies; Boeing; Northrop Grumman?

If you have not done so, is there any evidence that Derbyshire pensioners currently support these investments?

Please see response to Question 3.

Question 5: received 30/05/2021 from D Plunkett

Throughout 2020 Rio Tinto was globally pilloried for their cultural vandalism in Australia, for their responses, and for having no regard to ESG principles. In May 2020 Rio Tinto “apologised unreservedly”, and admitted it was “a terrible chapter in our history”. Rio Tinto was the LAPFF Q3 September 2020 cover story (Rio Tinto under pressure from investors over Juukan Gorge). My fund, CPF made a new direct investment in Rio Tinto in 2020 despite publishing a first carbon footprint. In 2021 some shareholders voted against directors pay.

Why does LGPS Central also have investments in Rio Tinto, against media coverage, LAPFF advice, all ESG principles, and the Responsible Investment policy (Total holdings in Rio Tinto of £42m in March 2021, up from £25m in September 2020, which includes the “All World Equity Climate Fund” with a £9m holding in March 2021, up from £5m in September 2020)?

LGPS does not have an active equity position in Rio Tinto, we hold the company in one of our passive portfolio's because the company is a constituent of the benchmark. LAPFF has been actively engaging with the Rio Tinto board and those directly impacted by the destruction at Juukan Gorge. They have not provided investment advice regarding the merits of investing in the company and are not able to provide such advice. LAPFF's ability to influence the company would be reduced if the company was not held by LAPFF members. LGPS Central consider that engagement invariably leads to better outcomes for investors, corporations, and other stakeholders over longer term investment horizons. We were encouraged by the departure of the CEO and other senior managers and consider this to be indicative of how important Environmental and Social issues are to the industry and investors. We hope that this change in leadership will improve the culture of the organisation. We consider that the engagement carried out by the Responsible Investment community was instrumental in bringing about this response from the company.

Question 6: received 01/06/2021 from S Cardy

I am writing to you as a current retired member of West Midlands Pension Fund within Central Pool Ltd to express my concern about the number of investments in the Central Pool which are in breach of the United Nations Guiding principles on Business and Human Rights. These investments have an estimated value of £139m.

I draw your attention to three companies in particular that have been highlighted by the United Nations database (A/HRC/43/71 28th February 2020) of business enterprises who are involved in certain specified activities related to the illegal Israeli settlements in the Occupied Palestinian Territory that have been confirmed as Central Pool investments. These are: Booking.com, Motorola, and Expedia. These three companies are active in promoting its business in illegal Israeli settlements, based on stolen Palestinian land. As a LGPF member I strongly object to the Central Pool Ltd investing in these companies.

1. Will the fund act immediately, as a socially conscious investor, to ensure these companies withdraw their business from Israel's illegal settlements?

2. If these companies are unable to give Central Pool assurances that they will comply with international law will the fund divest from these companies and reinvest my money in an alternative that will not be in breach of human rights and international law?

Please see response to Question 1.

Question 7: received 02/06/2021 from D Woodward

I am writing to you as a member of Leicestershire Pension Fund within Central Pool Ltd to express my deep concern about the number of investments in the fund which are in breach of the United Nations Guiding principles on Business and Human Rights. These investments have an estimated value of £139m.

I draw your attention to three companies in particular that have been highlighted by the United Nations database of business enterprises who are involved in certain specified activities related to the illegal Israeli settlements in the Occupied Palestinian Territory that have been confirmed as Central Pool investments. These are: Booking.com, Motorola, and Expedia. These three companies are active in promoting its business in illegal Israeli settlements, based on stolen Palestinian land. As a LGPF member I strongly object to the Central Pool Ltd investing in these companies.

Will the fund act immediately, as a socially conscious investor, to ensure these companies withdraw their business from Israel's illegal settlements?

If these companies are unable to give Central Pool assurances that they will comply with international law will the fund divest from these companies and reinvest my money in an alternative that will not be in breach of human rights and international law?

Please see response to Question 1.

Question 8: received 02/06/2021 from K Yousaf

I am writing to you as a member of West Midlands Pension Fund within Central Pool Ltd to express my deep concern about the number of investments in the Central Pool which are in breach of the United Nations Guiding principles on Business and Human Rights. These investments have an estimated value of £139m.

I draw your attention to three companies in particular that have been highlighted by the United Nations database of business enterprises who are involved in certain specified activities related to the illegal Israeli settlements in the Occupied Palestinian Territory that have been confirmed as Central Pool investments. These are: Booking.com, Motorola, and Expedia. These three companies are active in promoting its business in illegal Israeli settlements, based on stolen Palestinian land. As a LGPF member I strongly object to the Central Pool Ltd investing in these companies.

Will the fund act immediately, as a socially conscious investor, to ensure these companies withdraw their business from Israel's illegal settlements?

If these companies are unable to give Central Pool assurances that they will comply with international law will the fund divest from these companies and reinvest my money in an alternative that will not be in breach of human rights and international law?

Please see response to Question 1.

Question 9: received 03/06/2021 from A Gibbons

I am writing to you as a member of a West Midlands Pension Fund within Central Pool Ltd to express my deep concern about the number of investments in the fund which are in breach of the United Nations Guiding principles on Business and Human Rights. These investments have an estimated value of £139m.

I draw your attention to three companies in particular that have been highlighted by the United Nations database of business enterprises who are involved in certain specified activities related to the illegal Israeli settlements in the Occupied Palestinian Territory that have been confirmed as Central Pool investments. These are: Booking.com, Motorola, and Expedia. These three companies are active in promoting its business in illegal Israeli settlements, based on stolen and occupied Palestinian land. As a LGPF member I strongly object to the Central Pool Ltd investing in these companies.

I have visited the West Bank and the military occupation there of the shrinking land area that Palestinians are permitted to live in is very oppressive and discriminatory. As an example, I understand that in Nablus, a city of over a quarter of a million, no male aged between 16 and 30 is permitted to leave the city without a special permit that is difficult to obtain. The Israeli human rights organisation B'Tselem has produced many reports to demonstrate the Israeli state operates a regime of Apartheid in the occupied territories <https://www.btselem.org/topic/apartheid>. Therefore I believe strongly it is completely unethical and immoral to invest in any company that operates within Israeli illegal settlements or contributes to the suppression of Palestinian life in the Palestinian territories.

Will the fund act immediately, as a socially conscious investor, to ensure the forementioned companies withdraw their business from Israel's illegal settlements.

If these companies are unable to give Central Pool assurances that they will comply with international law, will the fund divest from these companies and reinvest my money in an alternative that will not be in breach of human rights and international law?

Will you encourage LGPS members to support the employment and economic development of Palestine through the purchase on Palestinian produce (for example, through Zaytoun - <https://zaytoun.uk/>)?

Please see response to Question 1.

In addition, our engagements, and the engagements undertaken by our engagement partners, include the economic impact of corporate operations in the region, and how these economic activities benefit communities. For example, EOS at Federated Hermes has engaged with an ICT company about provision of ICT services to Palestinian communities, with a construction company about equal opportunity employment, and with a financial services company about provision of financial services to Palestinian communities. We consider this to be an important element of the broader conversation around equality and human rights in the region.

Question 10: received 03/06/2021 from M Sharpe

I am writing to you as a member of Leicestershire Pension Fund within Central Pool Ltd to express my deep concern about the number of investments in the fund which are in breach of the United Nations Guiding principles on Business and Human Rights. These investments have an estimated value of £139m.



I draw your attention to three companies in particular that have been highlighted by the United Nations database of business enterprises who are involved in certain specified activities related to the illegal Israeli settlements in the Occupied Palestinian Territory that have been confirmed as Central Pool investments. These are: Booking.com, Motorola, and Expedia. These three companies are active in promoting its business in illegal Israeli settlements, based on stolen Palestinian land. As a LGPF member I strongly object to the Central Pool Ltd investing in these companies.

Will the fund act immediately, as a socially conscious investor, to ensure these companies withdraw their business from Israel's illegal settlements?

If these companies are unable to give Central Pool assurances that they will comply with international law will the fund divest from these companies and reinvest my money in an alternative that will not be in breach of human rights and international law?

Please see response to Question 1.

Question 11: received 03/06/2021 from D Challen

What is the percentage of passive funds invested by LGPS Central?

What procedures are in place to ensure that best practice ESG principles are applied to these investments?

As at 31 March 2021, 56.7% of LGPS Central assets were invested in passive funds.

All our funds are required to achieve our Responsible Investment Integrated Status (RIIS). This is an internal certification scheme administered by the Responsible Investment Team and reviewed by the Investment Committee. We vote all our shares in accordance with our voting principles and agreed voting policy.

We integrate environmental and social considerations into our voting and voting principles outline our position and expectations in issues such as diversity and climate transition. We prioritise our engagement activity based on key engagement themes identified in collaboration with our partner funds, the four themes are climate change, single use plastic, fair tax payment and tax transparency and the technology and disruptive industries.

Our passive holdings are well represented in our engagement work. We work closely with our stewardship provider EOS at Federated Hermes and LAPPF to increase our capacity for influencing investee companies. We will and do vote against the management of companies if they do not co-operate with our engagement programme. The Responsible Investment Team provides a climate risk monitoring service to partner funds. This analyses our portfolios across a number of climate related metrics including emissions and fossil fuel exposure. This analysis includes our passive portfolios and the results inform our voting and engagement priorities as well as the engagement priorities of our partner funds. The LGPS Central Passive team also manage a climate multifactor fund which integrates climate transition risks into portfolio construction. They are exploring different ways to develop their offering in the ESG/RI space.

Question 12: received 08/06/2021 from B Bassi

I am writing to you as a member of West Midlands Pension Fund within Central Pool Ltd to express my deep concern about the number of investments in the fund which are in breach of the United Nations Guiding principles on Business and Human Rights. These investments have an estimated value of £139m.

I draw your attention to three companies in particular that have been highlighted by the United Nations database of business enterprises who are involved in certain specified activities related to the illegal Israeli settlements in the Occupied Palestinian Territory that have been confirmed as Central Pool investments. These are: Booking.com, Motorola, and Expedia. These three companies are active in promoting its business in illegal Israeli settlements, based on stolen Palestinian land. As a LGPF member I strongly object to the Central Pool Ltd investing in these companies.

Will the fund act immediately, as a socially conscious investor, to ensure these companies withdraw their business from Israel's illegal settlements?

If these companies are unable to give Central Pool assurances that they will comply with international law will the fund divest from these companies and reinvest my money in an alternative that will not be in breach of human rights and international law?

Please see response to Question 1.

Question 13: received 09/06/2021 from C Cooper

A report from the International Energy Agency (IEA) published on 18th May 2021 states "There is no need for investment in new fossil fuel supply in our net-zero pathway". The IEA's modelling predicts that global oil demand will decline from the 90m barrels a day at present to 24m barrels a day by just 2030. The report announces that if we are to meet both Paris and net-zero by 2050 targets, then all fossil fuel companies must stop new gas and oil exploration projects this year. From p.11 of the UK Divest Report by Friends of the Earth, February 2021 (attached), we know that not one of the ten most popular fossil fuel companies invested in by LGPS members has yet to make this commitment, despite having "net-zero" plans in place. This includes the top three investment portfolios – Royal Dutch Shell, BP and BHP.

Fossil fuel companies are continuing their exploration for fossil fuels, and plan to do so well into the future. They show no sense of urgency or concern about the climate crisis that is being driven by burning fossil fuels. LGPS must recognise that by continuing engagement with these companies in the hope of changing their attitude and commitment is futile. LGPS, like all investors, has both a moral and fiduciary duty to pursue an urgent path of divestment from fossil fuels. A court in The Hague has prophetically ordered Shell to reduce its CO2 emissions 'at once', and to slash its global emissions by 45% by 2030.

Can LGPS Central assure me that it will secure a commitment from all fossil fuel companies that LGPS invests in, to rapidly transition to 100% renewable energy in the next nine years, or in line with any enhanced requirement arising from COP26 this November; and make clear to them that unless they do, you will no longer risk investing with them?

Through our active programme of engagement we are strongly encouraging companies to reduce their scope 1, 2 and 3 carbon emissions in line the objectives set at Paris, we do this in collaboration with other responsible investors through initiatives such as the Climate Action 100 and the International Investor Group on Climate Change (IIGCC). Our engagements focus on both corporations and governments. We think there is a strong role for government to play in bringing about the transition to a lower carbon

economy and creating the environment in which corporates can innovate and transition. We recognise the need for the renewable energy sector to grow exponentially and are encouraging companies to explore these options as well as carbon capture and storage. We do not necessarily think that all fossil fuel businesses will transition into renewable energy businesses. There are a lot potential scenario's, including industry consolidation. It would not necessarily be helpful if major players were to sell their oil and gas assets to other operators in an attempt to reduce their emissions. This would not reduce global carbon emissions and could even result in an increase in emissions if the assets are run less efficiently. We are very hopeful regarding the outcome of COP26 and this will be a core part of our engagement going forward as were the goals set at the Paris Agreement.

Question 14: received 12/06/2021 from P Shuttleworth and B Shuttleworth

We are writing to you as members of the West Midlands Pension Fund within Central Pool Ltd to express our deep concern about the number of investments in the fund which are in breach of the United Nations Guiding principles on Business and Human Rights. These investments have an estimated value of £139m.

We draw your attention to three companies in particular that have been highlighted by the United Nations database of business enterprises who are involved in certain specified activities related to the illegal Israeli settlements in the Occupied Palestinian Territory that have been confirmed as Central Pool investments. These are: Booking.com, Motorola, and Expedia. These three companies are active in promoting its business in illegal Israeli settlements, based on stolen Palestinian land. As LGPF members we strongly object to the Central Pool Ltd investing in these companies.

Will the fund act immediately, as a socially conscious investor, to ensure these companies withdraw their business from Israel's illegal settlements?

If these companies are unable to give Central Pool assurances that they will comply with international law will the fund divest from these companies and reinvest my money in an alternative that will not be in breach of human rights and international law?

Please see response to Question 1.

Question 15: received 12/06/2021 from K Welch

To the best of my knowledge, LGPS Central does not offer a portfolio that excludes fossil fuel companies; please correct me if this is not the case. Almost every day brings news of the worsening climate crisis and calls for urgent action to wean economies away from fossil fuels and cease funding the fossil fuel industry. Just a few examples from this year:

- May 21st: Risk intelligence company Verisk Maplecroft says that no G20 country is on track to meet their climate targets and economies must brace for a turbulent transition to a low-carbon future (<https://www.maplecroft.com/insights/analysis/g20-disorderly-transition-all-but-inevitable-even-climate-leading-uk-at-risk/>).
- May 25th: In 2019 UK banks and asset managers were responsible for financing 805 million tonnes of CO2, which would make the City of London the ninth biggest emitter in the world if it were a country. New research points towards finance as one of the UKs largest contributor to climate change and supports calls for regulations to be introduced across the sector (<https://www.professionalphillips.com/news/4031839/dirty-little-secret-finance-sector-revealed-as-one-of-uk-s-biggest-contributors-to-climate-change>).
- 10th June: Investors controlling £29tn in assets have called for governments around the world to end support for fossil fuels and set targets for rapid reductions in carbon emissions to limit the damage from global heating (<https://www.theguardian.com/business/2021/jun/10/investors-governments-end-support-fossil-fuels-assets-net-zero-targets>).

▪ And in February David Macdonald the founder of The Path (specialists in positive impact investing) said : “ .. choosing to go green on our pension investments could have a far greater impact, as the institutions managing our money may include both heavy investors in fossil fuels and those seeking environment-friendly alternatives ... It is significant. People are waking up to the fact they can make a monumental difference by changing their investment strategy so it is well tuned to the planet.”
 (https://www.ft.com/greenpensions)

Will LGPS Central commit to take a proactive stand and ask each of its eight fund members if they would welcome having the option of a portfolio that excludes fossil fuels? Rather than waiting, will LGPS Central please be proactive, take the initiative and at the very least, agree to survey your members?

The Responsible Investment Team provides a climate risk monitoring service to partner funds. This analyses portfolios across a number of climate related metrics including emissions and fossil fuel exposure and is used by partner funds in the development of climate strategy. In 2019, the LGPS Central Passive team launched the climate multifactor fund which integrates climate transition risks into portfolio construction. They are exploring different ways to develop their offering in the ESG/RI space. The Active Equity team is in the process of launching the Sustainable Equity fund. Our Private markets team is launching Private Equity, Private Debt and Infrastructure funds which will offer significant exposure to renewable energy and other transition related infrastructure assets. It is LGPS Central's role to offer investment solutions that meet partner funds' needs. There is an active dialogue around Responsible Investment and Climate Risk. **Member surveys are a matter for individual partner funds rather than LGPS Central.**

Question 16: received 14/06/2021 from M Purcell

I am writing to you as a member of West Midlands Pension Fund within Central Pool Ltd to express my deep concern about the number of investments in the fund which are in breach of the United Nations Guiding principles on Business and Human Rights. These investments have an estimated value of £139m.

I draw your attention to three companies in particular that have been highlighted by the United Nations database of business enterprises who are involved in certain specified activities related to the illegal Israeli settlements in the Occupied Palestinian Territory that have been confirmed as Central Pool investments. These are: Booking.com, Motorola, and Expedia. These three companies are active in promoting its business in illegal Israeli settlements, based on stolen Palestinian land. As a LGPF member I strongly object to the Central Pool Ltd investing in these companies.

Will the fund act immediately, as a socially conscious investor, to ensure these companies withdraw their business from Israel's illegal settlements?

If these companies are unable to give Central Pool assurances that they will comply with international law will the fund divest from these companies and reinvest my money in an alternative that will not be in breach of human rights and international law?

Please see response to Question 1.

Question 17: received 16/06/2021 from J Blackman

The World Meteorological Organization's Global Annual to Decadal Climate Update, released on 27th May, showed that the chance of breaching the critical 1.5C threshold has roughly doubled compared to a similar assessment made last year.

The WMO said this increase was largely down to improved datasets used to predict temperatures, which show that the earth has already warmed more than was thought.

In the light of this new data and clear evidence of an accelerating emergency which will dwarf anything we've witnessed with the pandemic, will the LGPS Central Joint Committee now abandon the gradualist strategy of engagement, and instead pursue divestment, which deprives fossil fuel companies of essential finance and sends an unambiguous message that the world needs to cease extracting and using fossil fuels within years (not decades)?

In the equity market, companies raise finance through initial public offerings. The purchase and sale of those shares in the secondary market does not raise additional finance for companies. So, if LGPS Central were to sell its holding in a company this would not deprive the company of finance. If we were to sell our shares in the secondary market, they would be purchased by another investor who may be less inclined to engage with the company on climate related matters. However, we are engaging with banks to encourage them to align their lending books with Paris and to integrate ESG considerations especially climate change into their financing of the fossil fuel industry. LGPSC co-filed a shareholder resolution at the AGM of Barclays Bank in 2020 asking the bank to establish a plan/targets for phasing out financing of non-Paris aligned companies, starting with the energy and power sectors. We supported a similar resolution at HSBC.

We consider ourselves to be owners of the companies in which we invest, and we take a long-term view and care about the interests of other stakeholders. If the transition to a low carbon economy is to happen with the urgency required then this is going to require a collaboration between government, investors (acting as responsible long-term owners) and corporates.

The following question was received prior to the Joint Committee on 20/11/2020 but was not read out at that meeting. The following joint response from LGPS Central and West Midlands Pension Fund (WMPF) was issued after the meeting

Question 18: received 13/11/2020 from C Martin

What plans does LGPS Central have to invest funds into the West Midlands' Covid economic recovery and into helping Birmingham achieve a just transition to Net Zero Carbon?

Evidence of the impact of Covid19 on both national and local economies is all too clear, but longer-term impacts are unclear at this stage. The ongoing pandemic has illustrated the role investors need to play as long-term responsible owners of the companies in which we invest and both LGPS Central and the WMPF has been engaging with companies and individual investments as to their handling of the pandemic. We note in particular that those companies who have been proactive in their approach have seen greatest benefit.

As a pool company and pension fund investing local government pension fund assets, we take a long-term perspective and we view both the current COVID health pandemic and the ongoing climate crisis as directly relevant to our investments and to how we engage companies that we invest in. This is reflected within our statement and frameworks for Responsible Investment (www.lgpscentral.co.uk/responsible-investment/; www.wmpfonline.com/RI). We believe that companies who actively engage their stakeholders and are attuned to stakeholders' views are more likely to tackle the health crisis well and be more resilient to future crisis. We consider this to be integral to long term sustainable corporate performance and it is reflected in our voting and engagement activity.

As you will appreciate the primary purpose for any pension fund is ultimately meeting the costs of the benefits payable to scheme members on retirement and the returns achieved on the investments help to meet the cost of those longer-term benefits. The decision to



invest locally, as with any other investment decision, has to be supported by a sound investment case that supports and aligns with broader investment objectives and investment strategy based on risk and return and aligned to principles for Responsible investment. WMPF has invested locally where these investments have met these dual and longer-term objectives.

Both LGPS Central and WMPF understand and have policies and strategies in place to meet the risks and opportunities presented by climate change and are actively engaged with both the external managers and companies that we invest with, as well as engaging with policy makers. Climate Change is a key engagement theme for both organisations and through collaborate engagement with other pension funds and organisations such as Institutional Investors Group on Climate Change (IIGCC) and Climate Action 100+ (CA 100+) we are working to ensure that meeting the risks posed by climate change are addressed locally, nationally and globally.

Recent examples of engagement include our co-filing of a shareholder resolution at Barclays in 2020 asking the bank to align all its lending activities with the Paris agreement. Barclays responded constructively to shareholder pressure and set a high-level ambition of becoming a net-zero bank by 2050 before its AGM in May 2020. The shareholder proposal explicitly encourages the bank to factor in the social implications of a transition to a low-carbon economy when setting short- medium- and long-term targets to reach the high-level ambition of net zero by 2050.

In a newly established CA100+ Benchmark Framework, companies are expected to disclose information on how a Just Transition can be achieved – taking account of the impact on employees, local communities and other stakeholders – and how it has been incorporated into the company’s transition planning.

We also recognise that there is a strong role for Governments to play and in the course of last year LGPS Central co-signed letters to UK and EU leaders urging them to facilitate a green, Paris-aligned COVID recovery. During 2020, LGPS Central has assisted all its Partner Funds in assessing climate risk across their portfolios and to consider tools that can be implemented in order to mitigate that risk. Our long-term, sustainable investment ethos is reflected across LGPS Central’s investment offerings and will continue to be an integral part as the pool expands investment opportunities for Partner Funds.

As a Global Investor our influence goes beyond UK companies and with our engagements, we have sought to influence the behaviour of international corporations and have encouraged them to take a sustainable long-term view of their operations. We will continue to do so into the future and the just transition and post COVID rebuild will remain an important area of our focus.

The following questions and responses were not read out at Joint Committee on 18/06/2021 as there was insufficient time.

Question 19: received 05/06/2021 from A Tate

I have some concerns that as Covid is expected to be a problem for some years to come, I would like to be reassured that LGPS Central is investing enough in UK health, pharmaceutical and vaccine companies to support the research and vaccine companies in Great Britain.

How is LGPS Central providing the necessary support for this increasingly vital sector? Please provide details.



We view it as critical that pharmaceutical companies commit to provision of vaccines in both developed and developing countries. Our external stewardship provider, EOS, is engaging pharma companies on access to medicine strategies. Combatting the virus over coming years will rely on ensuring equitable access to medicines. Equally, if countries in the developed world are not able to roll out vaccines it will only prolong the pandemic. We expect companies we invest in to embrace access to medicine initiatives and to develop and implement an effective access to medicine strategy integrated into core business operations and including elements such as pricing, research and development, product governance to ensure both sufficient quantity and quality of medicine; partnerships with peers and other stakeholders to address the global challenge, and improved disclosure on lobbying activities. This expectation pre-dates the pandemic but it has become increasingly important. The Responsible Investment team engaged with Astra Zeneca recently on a broad set of ESG topics including access to COVID 19 vaccines.

Question 20: received 14/06/2021 from C Martin

In the response to answer to my public question submitted to your last meeting (see Question 18) it was stated that the "the decision to invest locally, as with any other investment decision, has to be supported by a sound investment case that supports and aligns with broader investment objectives and investment strategy based on risk and return and aligned to principles for Responsible investment. WMPF has invested locally where these investments have met these dual and longer-term objectives."

Please can you provide examples of where LGPS and in particular the WMPF have invested locally and the sectors and asset classes involved?

Do LGPS and WMPF act as 'impact investors' in the central England geographic area where most of their key stakeholders (Councils, pensioners, Council Taxpayers etc) are based?

LGPS Central maintains a globally diversified investment portfolio on behalf of its investors. Whilst many of the companies we invest in bring jobs and other positive economic impacts to the central region this is largely indirect and is not specifically part of the investment case. LGPS Central does not act as an impact investor in Central England. This is not to say that we could not invest in local infrastructure assets or businesses but the investment opportunities would need to be of a sufficient size and would need to offer attractive risk based returns in order to be viable for a large institutional investor such LGPS Central. We currently invest in infrastructure and other private markets via funds and through co-investment opportunities rather than directly.