



ACCESS

Effective • Collective • Investment

ACCESS

RI Guidelines



Contents

Section 1: Governance	3	3.3 RI Collaboration	19
1.1 Definitions and Purpose	4	3.3.1 ACCESS' Approach to Collaboration	19
1.1.1 Purpose Statement of the Pool	4	3.3.2 Furthering ACCESS' RI Objectives Through Collaboration	19
1.1.2 Background to the Pool	4	3.3.3 Key Aims of Any Partnerships or Affiliations	20
1.1.3 Purpose of the RI Guidelines	6	Section 4: Stewardship	21
1.1.4 The Councils and RI	6	4.1 ACCESS' Approach to Stewardship	22
1.1.5 RI Links to Councils' Assets	7	4.1.1 Overview of ACCESS' Approach	22
1.2 RI Beliefs	7	4.1.2 ACCESS' Approach and Agents/Third Parties' Approaches	22
1.2.1 ACCESS RI Beliefs	7	4.1.3 Stewardship Monitoring	22
1.2.2 RI Beliefs and Different Asset Classes	7	4.2 Voting	22
1.2.3 RI Priorities for the Coming Year	8	4.2.1 ACCESS' Approach to Voting	22
1.3 Governance Arrangements	8	4.2.2 ACCESS' Voting Guidelines	22
1.3.1 ACCESS Governance Structure	8	4.2.3 Investment Managers & Voting	23
1.3.2 ACCESS RI Resources	8	4.2.4 ACCESS' Stewardship Expectations of Agents/Third Parties	23
1.3.3 ACCESS Culture & RI Fit	8	4.2.5 Voting and Securities Lending	23
Section 2: Process	9	4.3 Engagement	24
2.1 RI Perspective	10	4.3.1 ACCESS' Approach to Engagement	24
2.1.1 ACCESS' Process for Identifying RI Issues, Themes and Risk	10	4.3.2 Engagement Responsibilities	25
2.1.2 Linkage of RI risks to Investment Strategy	10	4.3.3 Engagement & RI Themes	25
2.1.3 Integrating RI Issues	10	4.3.4 Position on a 'Just Transition' and Divestment	25
2.1.4 ACCESS' Process for Reviewing and Revising RI Risks	11	4.3.5 Securities Litigation/Class Actions	25
2.2 RI Factors and Investment Process	11	4.3.6 Engagement Across Asset Classes	25
2.2.1 Techniques Available to Help Identify RI Risks	11	Section 5: Monitoring and Reporting	27
2.2.2 RI Risk Expectations of ACCESS' Investment Managers	11	5.1 RI Monitoring	28
2.2.3 Defining ESG Factors, Issues and Considerations	12	5.1.1 ACCESS' Approach to RI Monitoring	28
2.2.4 Key RI Risks and Opportunities for Institutional Investors	13	5.1.2 Reporting Expectations of ACCESS' Asset Managers	28
Section 3: Implementation	15	5.1.3 RI Reporting Standards and Agents/Third Parties	29
3.1 RI Perspective	16	5.1.4 Aligning Reporting Requirements	29
3.1.1 ACCESS' Approach to Implementing the RI Beliefs	16	5.2 RI Reporting	30
3.1.2 Delivering RI Objectives in the Short/Medium/Long-term	17	5.2.1 ACCESS' Approach to RI Reporting	30
3.1.3 Implementation Roles in ACCESS' Governance Structure	17	5.2.2 Meeting Councils' Reporting Expectations	30
3.2 ACCESS' RI Expectations & Third Parties	18	5.2.3 RI Reporting Delivery Methods	30
3.2.1 ACCESS' RI Beliefs and Agents/Third Parties	18	5.2.4 Key Reporting Expectations of Agents/Third Parties	31
3.2.2 ACCESS' Main Agents/Third Parties	18	5.2.5 Supporting the Councils on Reporting	31
3.2.3 ACCESS' RI Expectations of Agents/Third Parties	18	5.3 Stakeholder RI Communications	32
3.2.4 Codifying and Monitoring ACCESS' RI Expectations	19	5.3.1 Reporting RI Issues to Stakeholders	32
		5.3.2 RI Reporting Content, Access, and Frequency	32
		Glossary	33

ACCESS:

A Collaboration of Central, Eastern and Southern Shires.

RI Guidelines produced in conjunction with Minerva Analytics

Executive Summary

The ACCESS Responsible Investment (RI) Guidelines we have developed have been based around five pillars, to give structure to the document:



1. Governance

Sets out the background, objectives and governance arrangements of ACCESS, and introduces the RI Beliefs of the 11 Councils.



2. Process

Explains the approach employed in identifying RI risks, expectations of where RI risks should be addressed in the investment process and highlights some examples of the investment risks and opportunities that arise from RI matters.



3. Implementation

Describes how the Councils' RI beliefs and objectives are best delivered over short, medium and long-term investment time frames, sets out some high-level expectations of any third parties working on behalf of the Councils, and covers the topic of working collaboratively with other likeminded investors.



4. Stewardship

Focuses on the main tools available for delivery of the RI Guidelines, which are through voting (for all listed assets) and engagement (for a wider set of assets).



5. Monitoring and Reporting

Addresses reporting on RI matters, including defining some reporting expectations of investment managers, and covers the topic of meeting Councils' own bespoke RI reporting needs – including communicating with scheme members and other stakeholders.

The key high-level points of the guidelines are:

- **The Councils remain sovereign on all matters** (particularly in relation to setting investment strategy). However, the opportunity exists for ACCESS to help coordinate RI approaches;
- All Councils agree that **RI issues have the potential to impact investment returns** over the short, medium and long-term;
- RI issues and concerns should be addressed primarily **at the point of investment**, whether that is in relation to an individual stock, or an entire portfolio;
- **A number of RI priorities have been identified for the coming year**, mostly associated with establishing a 'benchmark' of where the Councils' assets and asset managers sit in terms of RI concerns;
- **Active stewardship remains the preferred approach** when it comes to investments – with engagement over divestment being the Councils' combined approach;
- ACCESS, through the ACCESS Support Unit (ASU) and Link (the Authorised Contractual Scheme – ACS – operator), will seek to ensure **appropriately structured RI reporting is provided by the asset managers**, so that each Council can meet its own RI reporting and communication objectives.

Published April 2023

Status of this Document

Each Council retains the responsibility – now and in the future – for complying with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, in terms of references to Environmental, Social and Governance (ESG) and RI matters, and also any other pertinent statutory guidance. Agreement of these RI Guidelines has therefore been reached in accordance with the constitutional powers of each Council. The document does not supersede or replace the Investment Strategy Statement or individual RI policies of each Council but is complementary to those documents.

Section 1:

Governance



1.1 Definitions and Purpose

1.1.1 Purpose Statement of the Pool

A Collaboration of Central, Eastern & Southern Shires ('ACCESS' or the 'Pool') – was created in response to UK Central Government's requirement for Local Government Pension Scheme (LGPS) Funds in England and Wales to work more closely together, pooling assets to reduce investment costs and to benefit from increased efficiencies that come with size.

This collaboration of LGPS Administering Authorities ('the Councils') was established to:

1.  **Enable the Councils to execute their fiduciary responsibilities** to LGPS stakeholders, including scheme members and employers, as economically as possible.
2.  **Provide a range of asset types** necessary to enable those Councils to execute their locally decided investment strategies as far as possible.
3.  **Enable the Councils to achieve the benefits of pooling investments**, preserve the best aspects of what is currently done locally, and create the desired level of local decision making and control.

1.1.2 Background to the Pool

Work on creating ACCESS began in 2016, and the Pool went 'live' in 2018. It is an agreement between 11 LGPS Administering Authorities: Cambridgeshire County Council (CC), East Sussex CC, Essex CC, Hampshire CC, Hertfordshire CC, Isle of Wight Council, Kent CC, Norfolk CC, West Northamptonshire Council, Suffolk CC and West Sussex CC and is operated via an **Inter-Authority Agreement (IAA)**.

In order to achieve the three key objectives, the Councils established the following governing principles:

- The Councils will work **collaboratively**;
- The Councils will have an **equitable voice in governance**;
- Decision making will be **objective and evidence-based**;
- The Pool will use **professional resources as appropriate**;
- The **risk management processes** will be appropriate to the Pool's scale recognising it as one of the biggest pools of pension assets in the UK;
- The Pool will **avoid unnecessary complexity**;
- The Pool will **evolve its approach** to meet changing needs and objectives;
- The Pool will **welcome innovation**;
- The Pool will be **established and run economically**, applying value for money considerations;
- The Pool's **costs will be shared equitably**;
- The Pool is committed to **collaboration with other Pools** where there is potential to maximise benefits.

The following diagram provides a high-level view of the governance arrangements of the ACCESS Pool:

- 1  ISLE of WIGHT COUNCIL

2  Hampshire County Council

3  west sussex county council

4  East Sussex County Council

5  Kent County Council

6  Hertfordshire
- 7  Essex County Council

8  West Northamptonshire Council

9  Cambridgeshire County Council

10  Suffolk County Council

11  Norfolk County Council



11

Administering Authorities

ACCESS pool

Joint Committee (JC)

11 Councillors representing 11 Authorities

Officers

Section 151 Officers, Monitoring Officers, Officer Working Group (OWG)

ACCESS Support Unit (ASU)

Programme, contract and client management

No FCA regulated decisions in client side functions

Active-listed assets, ACS operator:



Passive-listed assets jointly procured manager:



Non-listed assets implementation advice:



The Councils each administer and invest their own respective funds in compliance with Local Government Pension Scheme Regulations. This includes the implementation of locally decided investment strategies (including appointing one or more investment managers to manage and invest fund money) and the review/revision of their investment strategies from time to time.

The **Joint Committee (JC)** has been established by the 11 Councils under s102 of the Local Government Act 1972, to exercise specific functions in relation to the pooling of LGPS investments. The JC's functions include the specification, procurement and recommendation of appointment of Pool Operators and Pool-Aligned Asset providers, to the Councils. The JC also reviews ongoing performance of the Operator(s) and Pool Aligned Assets Providers.

The **Section 151 Officer Group** provides advice to the JC, on budget, business plan and risk matters and has responsibility to ensure appropriate resourcing and support is available to support the operation or success of the Pool.

The **Officer Working Group (OWG)** is comprised of Officers identified by each Council, whose role is to provide a central resource for advice, assistance, guidance and support for the JC.

The **Access Support Unit (ASU)** provides the day-to-day support for running the Pool and has responsibility for programme management, contract management, administration and technical support services. There are five full time ASU roles, hosted by Essex County Council. These roles are also supplemented with additional technical support from Officers from the Councils.

The **Authorised Contractual Scheme (ACS) Operator** is Link Fund Solutions Limited ('Link'). Appointed in 2018, Link is the FCA regulated entity managing the LF ACCESS Pool Authorised Contractual Scheme. Link is responsible for establishing and operating the ACS, along with the creation of a range of investment sub-funds for active listed assets and the appointment of the investment managers to those sub-funds. This is designed to enable the Councils to execute their investment strategies.

The **Pool-Aligned Asset Manager** is UBS. Appointed following a joint procurement exercise in 2017, UBS act as the investment manager for any passive assets.

1.1.3 Purpose of the RI Guidelines

As part of the establishment of the Pool, initial guidelines were agreed by the Joint Committee in relation to the topic of Responsible Investment (RI). These guidelines were drawn from commonalities across the individual RI approaches of each Council in early 2018. A set of ACCESS Voting Guidelines was finalised at the same time.

Since then, a number of Councils have reviewed and updated their respective ESG/RI approaches in response to both their own requirements, and to the evolving RI expectations placed upon institutional investors. Accordingly, the initial ACCESS RI Guidelines required review to ensure that the Pool's approach continued to reflect the position of the Councils, and in turn the wider developing best practice in this fast-moving area.

This document, therefore, is the first iteration of ACCESS' new, updated RI Guidelines. It reflects the collective views of the Councils to create a set of RI Guidelines for the Pool. Importantly, under the LGPS Regulations, each Council retains responsibility for complying with the Investment Regulations (which is the statutory source of the requirement to take ESG factors into account). Similarly, RI is an aspect of discharging fiduciary duties which are the remit of the Councils, not the Pool. Therefore, these Guidelines do not go beyond policies already in place or intended to be in place at each Council and do not supersede or replace the Investment Strategy Statement or policies of each Council. Instead, it is considered to be complementary to those documents.

1.1.4 The Councils and RI

The Councils that make up the Pool believe that investments made on behalf of scheme members should be sustainable in the short, medium and long-term through the fundamental identification and integration of Environmental, Social and Governance ('ESG') factors into the investment selection, monitoring and deselection process.

Whilst the Councils have an overriding fiduciary and public law duty to act in the best long-term interests of their LGPS stakeholders to achieve the best possible financial returns with an appropriate level of risk, they also recognise that RI considerations increasingly reflect real financial risks, and so these factors should also be

included in the investment decision-making process.

ACCESS will implement the Councils' RI beliefs primarily through voting activity, company engagement and collaboration with other investors.

1.1.5 RI Links to Councils' Assets

Whilst the Councils retain their own bespoke RI policies and are sovereign when it comes to investment matters, the Pool is responsible for the oversight, implementation and communication of these RI Guidelines to third parties, and for monitoring the results and outcomes with the assistance of such third parties, and the Councils, where appropriate. The Councils are responsible for any RI actions associated with assets not held within, or aligned with, the Pool.

1.2 RI Beliefs

1.2.1 ACCESS RI Beliefs

The RI beliefs of the 11 Councils are at the heart of these RI Guidelines, driving actions, practices and processes. Following consultation with the Councils, ACCESS' Key Common RI beliefs have been agreed and are set out below:

- **RI considerations are important across all time horizons**, but especially in the medium and long-term. This is true not just in terms of protecting and enhancing long-term investment return, but also increasingly in terms of the interests expressed by our stakeholders;
- RI considerations are important **irrespective of asset class**;
- **Responsible management of RI Issues** by ACCESS and the Councils **is a reputationally important issue**;
- **Consideration of ESG factors should be incorporated into the portfolio construction process** of all investments made by our active investment managers;
- Going further, ACCESS believes that ESG factors are relevant in **the context of benchmarking, risk analysis and investment opportunity identification**;

- ACCESS believes that **climate risk** – and the issues which contribute to it – is of **significant concern to all stakeholders**, and as a result it is a prominent area of focus;
- ACCESS and the Councils advocate the use of **engagement over divestment** as the means to promote our RI beliefs – however, **selling an asset remains an option** when it comes to unaddressed ESG concerns in the investments made by our managers;
- We also recognise the value in **engaging collaboratively** to leverage greater influence together with other investors who share our priorities through joint initiatives and organisations;
- The **exercise of Councils' collective ownership rights through voting** is an important part of implementing our RI beliefs.

1.2.2 RI Beliefs and Different Asset Classes

ACCESS expects active investment managers – **irrespective of the asset class they manage** – to take the ACCESS RI Beliefs into account when managing investments on behalf of the Councils.

ACCESS readily acknowledges that – currently – incorporating ESG/RI issues into the process of making and then monitoring investments is more developed for some asset classes than others – for example, in relation to actively managed listed equities as opposed to Government bonds. The fact that some asset classes are at an earlier point of development in terms of ESG integration does not exclude them from ACCESS' objective to be a responsible asset steward. Accordingly, ACCESS expects investment managers for such asset classes to demonstrate leadership in addressing and communicating ESG/RI issues in their investment process.

ACCESS expects the active investment managers to report on their ESG/RI factor integration approaches for all asset classes. All existing investment managers in the Link ACS will be required to describe how, and the extent to which, they incorporate ESG/RI issues into their investment processes, and any new investment managers appointed by Link will also be required to disclose their ESG/RI approaches at the time of their consideration for appointment.

1.2.3 RI Priorities for the Coming Year

The following topics have been identified as specific priorities for the coming year for ACCESS and the Councils:

- Work with Link and the investment managers to ensure understanding and integration of these Guidelines;
- Identify and implement any required contract changes to formalise the RI Guidelines with all relevant third parties;
- Identify specific RI reporting requirements for Councils, and communicate these to all relevant parties;
- Review and update the Voting Guidelines;
- Explore the range of third-party collaborations/bodies to identify best match for RI engagement priorities; and
- Determining the future of the existing ESG/RI Group in terms of future ESG/RI activity.

A key theme underpinning most of the planned work for the next year relates to establishing a 'benchmark' position, in terms of current investment managers' existing approaches to ESG & RI, and what they already identify and can then report. ACCESS believes that before any significant RI action is recommended it is essential to know where the Councils are starting from, in terms of ESG risks.

1.3 Governance Arrangements

1.3.1 ACCESS Governance Structure

ACCESS' RI approach has been created by combining the RI beliefs and preferences of the 11 Councils. In doing so, ACCESS aims to facilitate the incorporation of these beliefs and preferences into the investment arrangements of the Pool, to ensure they are reflected at a fundamental level. ACCESS' governance structure – as described at 1.1.2 – is the means through which the RI beliefs and preferences of the Councils will be:

- Locally determined by individual Councils;
- Collected by Officers at the individual Councils;

- Combined into an overarching approach, through the Officer Working Group;
- Considered and approved by the Joint Committee; and
- Implemented by the ASU.

1.3.2 ACCESS RI Resources

In keeping with 'Principle 9 – The Pool will be **established and run economically**, applying value for money considerations', there are currently five full time team members in the ASU. They are tasked with the running of all of ACCESS' arrangements and liaising with the Councils on their requirements.

In accordance with 'Principle 4 – The Pool will **evolve its approach** to meet changing needs and objectives' and 'Principle 7 – The Pool will use **professional resources** as appropriate', ACCESS will seek to make use of existing arrangement to their full potential and will seek additional resources where deemed necessary to deliver the Councils' RI objectives and reporting requirements.

ACCESS also expects the ACS provider, Link, its master custodian and accounting service provider, Northern Trust, and its investment managers to work together in terms of providing an appropriate level of information and cooperation to enable ACCESS to comply with its principles on value for money, meeting Councils' requirements and developing its RI monitoring and reviewing capabilities.

1.3.3 ACCESS Culture & RI Fit

ACCESS represents the collective beliefs of the 11 Councils, with its primary objectives of reaping the benefits of working together, as described in 1.1.1.

Through working closely and collaboratively in creating the Pool, the Councils have developed a culture that is open, supportive, forward looking and accountable, capturing the best examples of current good practice from each. As the members of the ASU have predominantly come from the Councils, they are well placed to ensure the agreed approach towards RI matters is implemented in accordance with the shared vision.

Section 2:

Process

2.1 RI Perspective

2.1.1 ACCESS' Process for Identifying RI Issues, Themes and Risk

RI issues, themes and risks typically cover ESG factors. ACCESS' position is that these factors should be taken into consideration when investment decisions are made, and in ongoing monitoring of investments held, to enhance long-term sustainable financial performance.

Accordingly, ACCESS believes that it is primarily the responsibility of the active investment managers to effectively identify, mitigate and report on such risks, specifically those that may be financially material, as part of their investment selection, monitoring and deselection process. ACCESS expects the active investment managers to take a holistic approach to identifying risk as opposed to a stand-alone concern and believes that RI risks should be fundamentally integrated into a sustainable investment approach.

The ACCESS RI Guidelines are drawn from the Council's individual views on RI issues, themes and risks, and collates and communicates these views to the investment managers. Councils' views are fed into the investment process formally through the ACCESS governance structure, and are discussed at Officer Working Group, Section 151 Officer and Joint Committee levels before being formally approved.

2.1.2 Linkage of RI risks to Investment Strategy

The responsibility for setting investment strategy is with each of the Councils on an individual basis. Each Council set their investment strategy with due regard for their own unique funding position and risk appetite. These individual investment strategies have common overlapping 'building blocks' – such as allocations to equities, bonds, real estate and other asset classes.

It is primarily through the individual investments in these asset class that RI risks are identified, mitigated (where possible), and reported. Whilst some RI issues – such as climate change – have long-term financial implications for the Councils and their stakeholders, clearly short-term actions are necessary to start to address the long-term challenges.

ACCESS' expectation is that appointed active investment managers, having taken ACCESS' views into account, are responsible for the identification, mitigation (where possible) and reporting of RI risks, over short-, medium- and long-term time frames. The active investment managers should be able to clearly identify the actions that they have taken to identify and mitigate (where possible) RI risks in the context of the short, medium and long-term – and then be in a position to report this activity.

The development of consistent and robust reporting is expected to be of benefit to the Councils, but this is distinct from any specific target setting (e.g., in terms of reducing the carbon emissions/intensity of each Council's investments), which can only be in line with policies already in place or intended to be in place at each Council.

2.1.3 Integrating RI Issues

The Councils firmly believe that the addressing of ESG factors and RI issues should be incorporated at a fundamental level into the investment selection, monitoring and deselection processes of active investment managers, irrespective of the asset class concerned.

While acknowledging the potential benefits of incorporating ESG factors into the investment process, the Councils recognises that there are many different approaches, there is no universally agreed standard of ESG measurement or assessment, and some methodologies may enhance returns while others may not. There may also be inherent conflicts between the Environmental, Social and Governance factors forming the ESG framework.

As a consequence, while acknowledging the opportunities for these factors to reduce risk and highlight opportunity, careful attention is required in manager or index selection to methodologies which incorporate both qualitative, quantitative and forward-looking approaches.

Whilst the Councils remain responsible for setting their own investment strategies, the Pool arrangement has been established to provide a range of asset types necessary to enable those participating authorities to execute the locally decided investment strategies as far as possible. In carrying out this role, the Councils currently employ Link as the ACS operator.

For any active investment managers appointed – now, or in the future – the Councils expects Link to ensure that:

- The managers have in place processes to include ESG factors and RI issues into their investment process at a fundamental level;
- The managers report back to Link on how these processes work; and
- Link reports back to the ASU any potential issues or concerns that they have identified.

This reporting will then be shared with the Councils.

2.1.4 ACCESS' Process for Reviewing and Revising RI Risks

The Pool will make use of a 'top-down' and 'bottom-up' approach to reviewing and revising the RI & ESG risks that the Pool and the Councils face:

Top-down: the Councils, through their membership of the Joint Committee, have the ability to feed into the RI risk identification and management process, by providing any comments, views or priority concerns they might have into the formal process of running the Pool, for further investigation and mitigation; and

Bottom-up: the Investment User Group, who regularly review the asset managers, can also feed any identified RI or ESG issues or concerns into the RI risk identification and management process, which can also involve the Officer Working Group and Section 151 Officers Group. A specific ESG/RI Task & Finish Group was established to oversee the creation of these RI Guidelines and have formed a critical part of the RI risk assessment process.

The intention is to take this information to further develop the Pool's existing Risk Register, to ensure it covers a wide range of known ESG and RI risks that might affect the investments of the Councils.

2.2 RI Factors and Investment Process

2.2.1 Techniques Available to Help Identify RI Risks

Utilising a combination of both traditional financial and ESG factor analysis can enhance long-term performance of the Councils' assets through enabling the identification of a broader range of risks. Statistical tools such as scenario models and company specific data can be used to help monitor and mitigate (where possible) RI risks.

Different techniques that the Councils may utilise as part of RI risk management include measuring and reporting on carbon-equivalent emissions of individual investments, portfolios and managers; encouraging active engagement for business strategy alignment with the targets of the Paris Agreement; and creating a risk register to monitor and identify possible future material risks.

ACCESS actively encourages its direct and indirect third-party agents such as Link, Northern Trust, asset managers, and other stakeholders to provide relevant, transparent, and accessible ESG-related information through reporting. Reporting expectations may also be driven by other factors, such as reporting that is aligned with The Taskforce for Climate-related Financial Disclosures (TCFD).

ACCESS' direct and indirect agents are expected to evaluate RI risks on an ongoing basis, with regular reporting being used as a mechanism to inform decision-making and assess and monitor progress towards the RI objectives.

2.2.2 RI Risk Expectations of ACCESS' Investment Managers

ACCESS' expectation is that active investment managers, having taking ACCESS' views into account, are responsible for the identification, mitigation (where possible) and reporting of RI risks, over short, medium and long-term time frames. Appointed active investment managers should be able to clearly identify any such actions that they have taken to identify and mitigate RI risks in the context of the short, medium and long-term and then be in a position to report this activity.

2.2.3 Defining ESG Factors, Issues and Considerations

ACCESS, working with the Councils, will determine the ESG risks that are most relevant and impactful on which to focus. ACCESS expects RI activities undertaken by its third-party agents to cover all asset classes across all markets in which the Councils invest, including equities, fixed income, property, infrastructure, and private markets.

ESG concerns should be embedded into the investment process of any active investment managers appointed to manage ACCESS assets, and the impact of these factors must be considered by such managers on a regular basis. To help define ESG issues, the Pensions and Lifetime Savings Association ('PLSA') has provided a simple breakdown of some individual E, S and G factors – this is shown in the following diagram:



Environmental

- Climate risk
- Carbon emissions
- Energy usage
- Raw material sourcing
- Supply chain management
- Waste & recycling
- Water management



Social

- Community relations
- Employee relations
- Health & Safety
- Human rights
- Product responsibility
- Workforce diversity



Governance

- Board structure
- Executive remuneration
- Bribery and corruption
- CEO/Chair duality
- Shareholder rights
- Vision & business strategy
- Voting procedures

ACCESS expects Link's third-party agents to at least use these descriptions of ESG concerns as a starting point for their own approaches to defining these factors – but not be limited to just these specific areas of concern.

2.2.4 Key RI Risks and Opportunities for Institutional Investors

When thinking about responsible investment, there are four levels where RI issues can be addressed by the ACCESS and the Councils:

	Investment level	Integration: Incorporating ESG & RI issues into the everyday individual investment selection, monitoring and engagement processes.
	Manager level	Expectations: Setting explicit expectations at the investment manager mandate level.
	Council level	Policy: Setting an overarching policy, generated from core investment beliefs, which shapes the direction of travel.
	Pool level	Guidelines: Incorporating the common policies and beliefs of the Councils to create a set of Guidelines summarising the Pool's approach.

The following table sets out several key investment risks and opportunities for institutional investors such as the Councils, in the context of identifying and managing RI issues:

Issue	Why Investment Risk?	Why Investment Opportunity?
Absence of explicit ESG/RI references in any of the Pool investment managers' management agreements.	By not explicitly raising these issues, they could be unintentionally left out of the investment process.	Adding the consideration of these topics to investment management agreements may help asset managers focus on, and then better understand, these issues.
Insufficient detail/rigour in the asset manager selection, appointment and monitoring process on RI/ESG by Link (and by the Councils for any investments held outside the Pool).	There is a risk of 'greenwashing' in the investment industry, and there is still a large spread in the quality and sincerity of approaches by asset managers. Failure to uphold a high standard could indulge lacklustre approaches by managers and expose the Pool and the Councils to the investment and reputational risk of being 'absentee'.	Having a well-considered process for assessing asset managers' approaches to sustainability has the potential to result in more risk aware managers being appointed, investing in better run companies who should deliver better long-term investment returns.
Historic drivers of equity performance, at the asset class level, may no longer be relevant.	Any investment strategy modelling based on historic performance drivers is, by construction, unlikely to address recently emerging risks such as climate change.	By incorporating sustainability and climate change factors into the investment strategy modelling process, the potential outcomes are more likely to reflect more closely the actual reality.
Opportunity to implement new benchmarks aligned to ESG/RI factors.	Methodology for benchmark construction needs to be demonstrably 'competent', in terms of helping deliver targeted/required investment return.	Incorporating RI issues formally into investment strategy can help to overcome "ethical subjectivity" often associated with ESG investing; new investment opportunities becoming available with pivot towards low carbon transition.
'New' investment opportunities appear that are different from traditional investment choices.	By moving into the relative 'unknown', there is a risk that the investments do not live up to expectations in terms of their investment performance and their diversifying potential.	Yield is increasingly hard to find, with some traditional asset classes such as Government Bonds no longer being relatively attractive. Investing in new areas such as clean energy provide the potential to generate diversified investment returns away from historically core asset classes.
Increased pressure on 'Governance Budgets' in terms of training and monitoring.	There is a danger that by focussing on parts of the investment spectrum (e.g., 5% allocation to clean energy infrastructure) that a Council's 'Governance Budget' for considering all assets is put under unhelpful pressure.	With a greater focus on RI matters, this presents a fine opportunity for asset stewards to review their Governance Budgets, and how they spend them.

Section 3:

Implementation



Harringworth railway viaduct
West Northamptonshire

3.1 RI Perspective

3.1.1 ACCESS' Approach to Implementing the RI Beliefs

There are a number of paths through which the Councils' RI beliefs could be implemented:

1.



At the fundamental level of the investment process, by the appointed investment managers.

2.



Through active stewardship by the appointed investment managers voting at listed company meetings, adhering to the Voting Guidelines on a 'comply or explain' basis.

3.



Through the appointed investment managers engaging with companies and entities associated with the investments they hold.

4.



Through dialogue with other LGPS Pools and other third parties as agreed by the Joint Committee.

The expectation is that the approach to the implementation of RI beliefs will not be static and is expected to change over time as good practice develops. The Councils do not expect one path to dominate the implementation approach; rather they expect a combination of the routes shown to be used.

3.1.2 Delivering RI Objectives in the Short/Medium/Long-term

RI considerations are important across all time horizons, but especially in the medium and long-term. This is true not just in terms of protecting and enhancing long-term investment return, but also increasingly in terms of the interests expressed by stakeholders.

Maintaining a strategic RI commitment includes the setting of objectives against which to measure progress. This means that it is appropriate to set RI objectives which are defined in the short, medium and long-term.

Short-term objectives – 1 to 3 years – these objectives may be more likely to be activity-related (for example, committing to a defined number of engagements).

Output-related targets are not irrelevant (for example – annual reporting of climate risk related metrics such as asset-generated Green House Gas (GHG) emissions attributable to the investments) but are more likely to become significant when viewed over the longer term.

Voting-related measures lend themselves particularly well to short-term objectives setting, such as the proportion of meetings voted, and alignment of voting with RI strategic engagement priorities.

Additionally, there are a number of regulatory and market initiatives which themselves bring annual reporting requirements, such as the UK Stewardship Code 2020, Task Force on Climate-Related Financial Disclosures (TCFD) and the Principles for Responsible Investment (PRI), all of which also provide a framework for reporting of metrics which can be included in short term objective setting.

Medium-term objectives – 3 to 5 years – these objectives can include output or impact-related metrics which should aim to demonstrate a positive trend over multiple years. In terms of climate risk, positive trends in terms of portfolio progress towards Paris Agreement alignment and climate scenario analysis might be reasonable to expect.

Long-term objectives – over 5 years – may include fixed long-term strategic targets such as a commitment to 'Net Zero', or achievement of Paris Agreement/ COP26 alignment.

Climate risk is arguably the most prominent thematic concern. As the regulatory environment evolves towards requiring the reporting of climate risk strategy and management by LGPS pension funds, short, medium and long-term metrics are equally significant. In the short term, activity-related metrics such as annual asset-related GHG emissions, investment manager reviews (including policy as well as performance review) and strategic engagement progress targets can all contribute towards a consistent approach to medium and long-term objective delivery.

Medium term objectives should include positive progress towards long-term targets, using Paris Alignment and scenario analysis as metrics.

3.1.3 Implementation Roles in ACCESS' Governance Structure

The Joint Committee's Terms of Reference are set out in the Inter Authority Agreement (IAA), and as such the Joint Committee will recommend the adoption of the agreed ACCESS RI Guidelines to the Councils.

ACCESS, through the ASU, oversees certain specific functions in relation to the pooled assets through the IAA, and will be responsible for overseeing the implementation of the RI Guidelines by third party service providers such as Link.

The Officer Working Group (OWG) is responsible for supporting the Section 151 Officers and, in turn, the Joint Committee, with each Council being represented in the OWG. The OWG will assist ACCESS in terms of the implementation of the RI Guidelines by providing support, expertise and discussion in the creation and update of the RI Guidelines.

The fulfilment of statutory duties lies with the Councils themselves, who remain responsible for the following decisions:

- Determining their own investment beliefs
 - Setting their own Fund's strategic asset allocation
 - Producing asset stewardship policies
 - Arrangements for holding ACCESS to account
 - Requesting specific investment sub-funds
 - The timing of any transition of assets to ACCESS
-

3.2 ACCESS' RI Expectations & Third Parties

3.2.1 ACCESS' RI Beliefs and Agents/ Third Parties

The investment manager selection and ongoing monitoring process is central to the effective implementation of the RI Guidelines. ACCESS expects any appointed agent to clearly demonstrate how the identification, consideration and management of ESG factors and RI issues is embedded into their respective processes, and how those processes support the ACCESS RI Guidelines. They must be prepared to enable ACCESS to monitor and report on any RI related objectives.

3.2.2 ACCESS' Main Agents/Third Parties

ACS (Link Financial Services): Link will play a central role in the management and monitoring of mandate performance. This will include management and monitoring of RI-specific elements of mandate delivery (for example, ensuring on-going strategic alignment between the mandates and the RI Guidelines), with which ACCESS can track progress towards any RI objectives. Link will also ensure that investment manager procurement and selection processes take the ACCESS RI Guidelines into account.

UBS: The Pool-Aligned Asset Manager is UBS, who were appointed following a joint procurement exercise in 2017. UBS act as the ACCESS investment manager for passive assets.

Investment Managers: Active investment managers must be able to clearly demonstrate how the topic of ESG is embedded into their investment processes and are expected to fully support ACCESS and Link in monitoring and reporting on any ACCESS's RI objectives.

Custodian: The Link-appointed custodian of the ACS, Northern Trust, will be expected to fully support the service providers in carrying out their respective roles in the execution of the ACCESS RI Guidelines, as well as in relation to services provided by Northern Trust themselves which are relevant (for example securities lending and reporting).

Advisors: ACCESS advisors are expected to support and, where relevant to their engagement, help ACCESS with the implementation and further development of the RI Guidelines.

3.2.3 ACCESS' RI Expectations of Agents/ Third Parties

It is expected that all providers of investment management services will have a verifiable public commitment to RI (for example, being a PRI signatory). It is also expected that all providers of investment management services should have their own standards with regard to sustainable business practices which are also in alignment with the ACCESS RI Guidelines, including socially responsible business practices and commitments in relation to environmental standards including, but not limited to, TCFD reporting.

ACCESS expects investment managers to manage assets in alignment with the ACCESS RI Guidelines at all times. Investment manager RI policies will be reviewed regularly to verify on-going alignment with existing RI Guidelines, in light of evolution to the Guidelines, and any applicable regulatory or best practice standards (including, but not limited to, the UK Stewardship Code 2020 and TCFD).

Investment managers will provide reporting at least annually in terms of any RI-related performance objectives associated with their mandate, and more frequently where their mandates require them to do so (for example with quarterly reporting of voting and engagement activity). Investment managers are required to provide a robust explanation of any positions they have adopted which are not in alignment with either the ACCESS RI Guidelines or any RI-related performance objectives set out in their mandate.

ACCESS expects that voting power will be exercised by investment managers with the objective of preserving and enhancing long-term shareholder value, with regard to the Voting Guidelines on a 'Comply or Explain' basis. Investment managers will report on voting activity, including (but not limited to) all instances where votes were cast out of alignment with the Voting Guidelines, including case study examples of both positive and negative outcomes.

Link will perform an assessment of ESG factor integration, stewardship approach and the consideration of sustainable opportunities before any active investment manager is appointed to a sub-fund within the Pool. Link already requires investment managers appointed to exercise the voting rights attached to investments held in sub-funds in line with its voting guidelines, agreed by the Councils. Where active investment managers on the platform do not adopt the positions set out in the Link policy, they are required to provide a robust explanation of the position adopted on a 'Comply or Explain' basis in each sub-fund prospectus.

ACCESS also expects that investment managers on the ACS platform will be signatories to and comply with any local 'sustainable stewardship' initiatives such as the Stewardship Code 2020 in the UK.

When it comes to engagement, investment managers are expected to engage in constructive dialogue with investee companies, and to use their influence to encourage companies to adopt best practice in key ESG areas. Any engagements undertaken on investments held should be reported to the investors, along with an assessment of the effectiveness of the engagement, and whether the engagement issue has been resolved or is ongoing.

ACCESS will require Link to ensure its investment managers provide adequate and appropriate reporting across mandates for the Councils to use in their own Stewardship Code 2020 and TCFD reporting, including carbon footprinting, scenario analysis and Paris Alignment.

3.2.4 Codifying and Monitoring ACCESS' RI Expectations

Third-party Service Level Agreements (SLAs) will include provisions relating to supporting RI activity, resourcing, strategy, performance, progress towards objectives and reporting. Certain objectives will be contract-specific, reflecting the nature of the service (for example, in relation to the asset class in question for an investment manager, the range of ancillary services provided by a custodian, or the specialist services provided by a third party outsourced service provider).

New Investment Management Agreements (IMAs) will set out specific expectations regarding resourcing, deliverables, targets and/or objectives. Monitoring of these will be carried out by Link and reported to investors and will form a part of the routine investment manager engagement meetings, feeding into the existing investment manager reporting and review processes.

Changes required for existing IMAs to reflect the Councils' RI expectations will be discussed with the incumbent investment managers, and then properly incorporated into the existing contractual arrangements via a side letter or contract addendum.

3.3 RI Collaboration

3.3.1 ACCESS' Approach to Collaboration

ACCESS believe that collaborative action on ESG and RI matters is of fundamental importance to achieving change. Through working with like-minded investors, the expectation is that more can be achieved by having a 'louder' voice.

To that end, one of the RI priorities for the coming year is to explore the options available in terms of collaborating with other institutional investors on ESG and RI matters.

The intention is to assess such options and present the findings to the Joint Committee for their consideration and ultimate decision as to the collaboration approach(es) and partner(s) taken by the Pool.

3.3.2 Furthering ACCESS' RI Objectives Through Collaboration

To date, ACCESS has not undertaken any specific collaborative actions, since this requires the identification of the preferred route for, and topics of, collaborative action – a workstream which is planned to take place in the coming year.

These new RI Guidelines, however, set out the importance of collaboration in terms of helping deliver the Councils' RI beliefs and expectations, and so are part of the ESG 'implementation process' which is formed of:

- Voting at listed company meetings;
 - Engaging with investee companies at fund manager level; and
 - Collaborating with other institutional investors on matters of prioritised importance
-

3.3.3 Key Aims of Any Partnerships or Affiliations

The key aims of any partnerships or affiliations are to ensure that:

- The Councils' RI beliefs and concerns are addressed as efficiently and effectively as possible;
 - The long-term investment performance of the underlying investments is maximised through the identification and minimisation of ESG & RI risks;
 - The Councils' views are amplified with likeminded investors to increase the chance of bringing about meaningful change; and
 - That scheme members' invested monies continue to be managed in a sustainable manner.
-

Section 4:

Stewardship



4.1 ACCESS' Approach to Stewardship

4.1.1 Overview of ACCESS' Approach

Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries, leading to sustainable benefits for the economy, the environment and society.

The Councils support the aims and objectives of the **UK Stewardship Code 2020** which set high standards for those investing money on behalf of UK savers and pension scheme members. As global investors, the Councils seek to apply good stewardship standards globally, whilst recognising local markets specificities.

ACCESS believes in making long-term sustainable investments, whilst integrating ESG risk considerations into the investment process and promoting good governance and stewardship for themselves and their investments. ACCESS believes that good stewardship practices can have a material impact, in terms of:

- Avoiding value destructions;
- Identifying significant risks; and
- Locating investment opportunities.

4.1.2 ACCESS' Approach and Agents/ Third Parties' Approaches

ACCESS's RI approach is a direct representation of the Councils' RI beliefs and expectations. By being responsible for the appointment of all ACCESS third parties – such as Link – the Councils are able to set their expectations of them, and also their expectations of Link when it comes to manager appointment, monitoring and termination.

The Councils set certain expectations of what they expect from their agents in terms of ESG factor and RI issue implementation – and the feedback from these agents will be used on an ongoing basis to ensure clarity of purpose and shared direction of travel.

4.1.3 Stewardship Monitoring

ACCESS' stewardship activity takes place through four main routes:

- Indirectly through the activities of investment managers (such as voting at company meetings and undertaking direct engagements with investee companies);
- Indirectly through the discretionary activities of the Councils (such as collaborating on voting actions on specific shareholder resolutions at company meetings);
- Directly through any activities directed by ACCESS itself (such as any prioritised engagement activity as approved by the Joint Committee); and
- Indirectly through working collaboratively with other investors (such as working with other LGPS Pools on issues such as TCFD reporting from investee companies or asset managers).

The stewardship activities of ACCESS' investment managers are reported back to Link and their appointed agent Northern Trust, and this existing information is currently made available to the Councils. Some of this information is publicly reported via the ACCESS website – specifically, the voting activity of the ACCESS investment managers. More generally, stewardship activity reporting is submitted to the Joint Committee for consideration.

4.2 Voting

4.2.1 ACCESS' Approach to Voting

The 11 Councils have agreed a set of ACCESS Voting Guidelines which seek to protect and enhance the value of shareholdings by promoting good practice in the corporate governance and management of listed companies. The ACCESS Voting Guidelines set out the principles of good corporate governance and the means by which influence on companies is exercised.

4.2.2 ACCESS' Voting Guidelines

ACCESS Voting Guidelines provide a unified approach to voting and are reflected in the Link Voting Policy for active investment managers. Where any active

investment manager does not adopt the positions set out in the Link Voting Policy, they are required to provide a robust explanation of the reason for divergence, and their position adopted. It is currently a requirement for the active investment managers to report on their voting activity quarterly.

The implementation of ACCESS's Voting Guidelines is supported by Link, which recognises that as the manager of the ACS, it has a responsibility to promote good corporate governance and management in the underlying companies in which the Councils invest. Link requires the investment managers appointed to the ACS to exercise the voting rights attached to any listed investments held.

The areas covered by the Voting Guidelines are:

- Report & Accounts
- Audit-related Matters
- Directors & Remuneration
- Shareholder Rights
- Environmental Issues

4.2.3 Investment Managers & Voting

The Joint Committee receives a report on all voting activity, including details of any votes which have not been cast, and explanations where votes have not been cast in line with the Voting Guidelines, on a regular basis.

ACCESS actively engages with the investment managers initially through the Investment User Group (IUG) to discuss any issues of concern identified from their voting activities. Furthermore, ACCESS reviews the Voting Guidelines periodically, taking current or developing stewardship issues into account at that time, and also incorporating any feedback received from the ongoing discussions with the investment managers.

4.2.4 ACCESS' Stewardship Expectations of Agents/Third Parties

Whilst the active investment managers are responsible for the day to-day investment decisions – including undertaking voting and engagement activities – the consideration of ESG issues are integrated into ACCESS' appointment process and third-party

agreements through Link. All active investment managers will be required to provide a statement setting out the extent to which they take ESG considerations into account in their respective investment processes and are expected to participate in a continuing dialogue with Link, ACCESS and the Councils on the impact of their voting and engagement activity, to provide evidence of any active ownership activities on investments held.

Agreements with other service providers will also set out the requirement that each explains their approach to addressing ESG issues in the specific service they provide, where relevant. This means that ACCESS considers the potential impact of ESG matters on many different aspects of the pensions investment industry, looking to understand where ESG issues could have a material impact. ACCESS will monitor and challenge its providers on their ESG implementation through a process of ongoing feedback and scrutiny.

ACCESS expects that UK-based investment managers will be signatories to, and comply with, the Financial Reporting Council's Stewardship Code 2020 (the Code). ACCESS expects non-UK-based investments managers to provide a formal statement on their approach to stewardship of client assets.

ACCESS also expects asset managers to provide reporting in line with the Task Force on Climate-Related Financial Disclosures (TCFD).

4.2.5 Voting and Securities Lending

Securities lending is an activity where assets are borrowed by a third party, in return for a fee. Collateral is provided at the point of the asset being borrowed, which is held until the asset is returned. One aspect of securities lending is that the legal title of the asset is transferred to the borrower, which means that any votes attached to the asset transfer to the borrower.

ACCESS is of the view that as responsible asset stewards, they should vote at all company meetings for the assets they own. Accordingly, ACCESS will inform its agents – specifically Link and their master custodian Northern Trust – that it expects any assets that are out on loan to be recalled with sufficient time to permit votes to be cast. ACCESS will monitor this requirement with Link and Northern Trust through quarterly reporting from them.

4.3 Engagement

4.3.1 ACCESS' Approach to Engagement

As long-term asset stewards, the approach taken by ACCESS will be to positively influence companies' ESG approaches through the use of voting rights and formal shareholder engagement.

ACCESS expects the active investment managers to follow this model of responsible asset stewardship, but the services of other third-party providers may be sought when necessary to help identify issues of concern and engage with investee companies.

ACCESS believe that the best way to influence companies on RI matters is through an ongoing process of responsible ownership:



This process of engagement is circular and ongoing; however, it may be the case that after several attempts at constructive engagement with an investee company that the initial concerns expressed have not been addressed satisfactorily, and so divestment from the asset is then a viable option.

4.3.2 Engagement Responsibilities

The responsibility for undertaking engagements is shared between the investment managers, Link, the Councils and the Pool itself, insomuch as:

- Individual investment managers follow their own approaches towards engaging with investee companies on all matters that have the potential to affect investment performance;
- Link currently uses the services of Hermes REO, to report on engagements undertaken by the managers it has appointed;
- The Councils are able to set any engagement priorities for their investment managers – both those within the Pool, and the legacy managers currently sitting outside the ACS structure; and
- The Pool itself, via any decisions approved by the Joint Committee, can instigate any engagement activity so authorised, either through individual investment managers, Link, or through collective action with likeminded investors.

4.3.3 Engagement & RI Themes

ACCESS does not currently have an identified engagement policy or RI themes, pending the creation of these up-to-date RI Guidelines. Once they have been agreed and the initial 'benchmarking' phase takes place – which will look closely at the current ESG and RI reality of the Councils' existing investment arrangements – it will then be possible to consider some prioritised ESG and RI themes, for development, action and reporting. These will be discussed and set by the Joint Committee in due course.

4.3.4 Position on a 'Just Transition' and Divestment

ACCESS believes in a 'just transition' to a low carbon economy that ensures fair treatment for employees and communities that would otherwise bear the brunt of industrial change.

ACCESS believes in constructively engaging with investee companies on any identified ESG & RI issues, rather than immediate divestment from these assets. However, selling individual stocks remains an option for the Pool active asset managers should any identified

ESG or RI issues not be address satisfactorily, as an escalation of an engagement process which has reached an impasse.

Divestment is most often cited in relation to the issue of climate change, and carbon-intensive industries or companies. ACCESS believes that climate change presents material financial risks over the short, medium and long-term that should be better understood and mitigated where possible. Investment action is an important area for ACCESS to further develop its approach, including collaborative engagement opportunities.

ACCESS supports the objectives of the Paris Agreement and believes that keeping a global temperature rise this century to well below +2°C relative to pre-industrial levels is entirely consistent with securing strong financial returns. Accordingly, they expect the investment managers to make climate risk a key component of any engagement process on ACCESS investments.

4.3.5 Securities Litigation/Class Actions

There may be instances where voting and/or engagement activity fails to bring about the required stewardship results, or information becomes available concerning shortcomings or inappropriate actions taken by investee companies. In such instances, the Councils may participate in securities litigation, commonly referred to as Class Actions – where a group of likeminded investors seek redress through a legal process for any financial loss they believe they have suffered.

ACCESS will support any Councils that choose to take this route in terms of helping coordinate action across Councils and working with the Councils and Link to ensure any portfolio holding information needed to evidence any claim is sourced and provided in a timely manner.

4.3.6 Engagement Across Asset Classes

ACCESS believes that engagement is a key part of being a responsible asset owner; however, some assets are easier than others, in terms of undertaking engagement activity. Set out in the following table are some high-level views on how engagement is, and could be, carried out by ACCESS, the Councils or their agents

– either individually, or collectively with other like-minded investors – across the asset classes in which the Councils are invested. Any specific engagement options would be recommended by the Joint Committee.

Asset Class	Engagement Options
Equities – Index	<ul style="list-style-type: none"> • Implementation of a bespoke ACCESS voting guidelines that codifies ACCESS' RI approach into specific voting actions. • Implementation of an asset manager's own voting policy, with 'Comply or Explain' reporting in place when compared against ACCESS' own voting guidelines. • Direct engagement by asset managers with companies held on an index-driven basis linked to engagements undertaken for any actively held holdings.
Equities – Active	<ul style="list-style-type: none"> • Implementation of a bespoke ACCESS voting guidelines that codifies ACCESS' RI approach into specific voting actions. • Implementation of an asset manager's own voting policy, with 'Comply or Explain' reporting in place when compared against ACCESS' own voting guidelines. • Direct engagement with companies held on an active basis – via direct meeting/letter/email/call/attendance at investor events.
Fixed Interest – Government Bonds	<ul style="list-style-type: none"> • Limited direct engagement options – consideration of RI issues affecting national Governments and their responses to them typically sits at the investment appraisal stage, prior to investing.
Fixed Interest – Corporate Bonds /High Yield/ Emerging Market Debt (Corp.)	<ul style="list-style-type: none"> • Direct engagement is possible for ACCESS asset managers that hold listed companies that also issue debt owned by the Councils. • Engagement with companies issuing debt – via direct meeting/letter/email/call/attendance at investor events.
Real Estate – Pooled	<ul style="list-style-type: none"> • Investment via collective vehicles means that engagement activity has to be at investment manager level, particularly if a fund of funds is the chosen vehicle of investment.
Infrastructure – Direct	<ul style="list-style-type: none"> • Direct ownership of infrastructure assets means that engagement is effectively set at investment manager level, built into their specific approach for buying/building/maintaining/monitoring these assets.
Infrastructure –Pooled	<ul style="list-style-type: none"> • Investment via collective vehicles means that engagement activity has to be at investment manager level, particularly if a fund of funds is the chosen vehicle of investment.
Private Debt/ Equity/Venture Capital-Direct	<ul style="list-style-type: none"> • Direct ownership of private companies, or loans to private companies means that RI considerations and expectations can be established from the outset, and influence can be exerted directly on these investments as a relatively small group of investors are the owners.
Private Debt/ Equity/Venture Capital – Indirect	<ul style="list-style-type: none"> • Investment via collective vehicles means that engagement activity has to be at investment manager level, particularly if a fund of funds is the chosen vehicle of investment.
Cash	<ul style="list-style-type: none"> • For banks holding the Councils' cash deposits that are listed entities, engagement carried out by Link can take place in the same manner as for Equities, if the bank is held as part of an existing investment. Where money market funds are used, engagement would again be possible at a secondary level, engaging with the investment managers of the funds involved.

Section 5:

Monitoring and Reporting



5.1 RI Monitoring

5.1.1 ACCESS' Approach to RI Monitoring

ACCESS believe that the monitoring of RI activities and outputs is vital to ensuring alignment of RI performance with the Guidelines. Through Link, ACCESS will monitor RI activities in relation to the short, medium and long-term objectives set out in the ACCESS RI Guidelines and in any individual Investment Management Agreements.

5.1.2 Reporting Expectations of ACCESS' Asset Managers

Individual Investment Management Agreements (IMAs) or Service Level Agreements (SLAs) with investment managers will set out the information transparency requirements necessary for monitoring alignment between the RI performance of the mandate and the RI performance deliverables pursuant to the ACCESS RI Guidelines required by the mandate.

Whilst specific asset classes bring their own specific requirements, all investment managers are expected to support the Councils in reporting on climate risk mitigation objectives in alignment with TCFD, as well as stewardship activity for the purposes of reporting under the UK Stewardship Code 2020.

Active investment manager reporting should include some elements on their specific business which are universally applicable, including:

- Any material updates to the firm's responsible investment guidelines during the year;
- RI governance developments; and
- Any developments in the responsible investment process.

Additionally, ACCESS expects the active investment managers to disclose some fund level information which is also universally applicable, including:

- Details on alignment with the ACCESS RI objectives and what measures (if any) remain to be carried out;
- ESG data (e.g., details of what data sources and tools are used, verification, scope of portfolio coverage of the data);

- ESG Risk Management (e.g., updates or changes to ESG risk management processes, positive and negative examples of how ESG factors have impacted investment decisions);
- ESG Risks and Opportunities (up to three of each identified in the reporting period);
- Material Incidents (details of incidents, and explanation of any investment actions taken as a result);
- Performance Targets (e.g., material developments in progress towards targets; disclose whether assets are on target, exceeding or under performing their ESG target; any RI related changes made to the performance benchmark);
- Asset class level reporting requirements are asset specific in nature: listed equity, fixed income, private equity and hedge fund manager reporting should include, but not be limited to:
 - Portfolio composition;
 - ESG factor incorporation;
 - ESG performance and action plans.
- Additionally, Private Equity should also include:
 - Monitoring and Incident Response;
 - Exit strategy.
- Infrastructure, Real Estate and Forestry are expected to report on all of the above, save for ESG incorporation.

ACCESS expects the following stewardship reporting from the investment managers:

- All investment managers should report on stewardship and engagement activity, in terms of:
 - Explaining implementation of stewardship policies;
 - How ownership rights have been exercised;
 - Changes to engagement processes;
 - Examples of engagement and how they relate to monitoring and investment decisions;
 - Details on measurement of engagement success;
 - Information on how portfolio managers have been involved in active ownership activities;

- Additionally, listed equity and fixed income investment managers should include details of any collaborative engagements and how they have contributed to their stewardship and engagement strategy.

Any listed equity voting reporting should cover:

- Any changes in voting guidelines;
- Specific results of voting activities and decisions, including summary statistics, policy alignment as well as case studies;
- Stock-on-loan related voting issues (where investment managers are responsible for their own securities lending programme);
- Outcomes of voting audits;
- Examples of results of resolutions voted;
- Proportion of shares voted in the period;
- Breakdown of votes cast against management;
- Some rationale for votes against management or where deviated from Link's policy.

ACCESS expects all investment managers in all asset classes to provide climate change reporting in line with TCFD recommendations. This is to include:

Climate change governance

- Engagement with companies regarding addressing climate change;
- Change in the board's oversight;
- Describing management's role in assessing and managing risks and opportunities.

Climate Change Strategy

- Describe risks and opportunities over the short, medium or long-term (according to reporting horizon);
- How these are factored into strategies;
- Describe strategy resilience in the face of climate scenarios, including a 2 degrees or lower.

Climate Change Risk Management

- Any changes in processes for integration of these risks into the overall risk management process.

Metrics and Targets

- Disclose the metrics used and how these have changed over time;
- Scopes 1, 2 and 3 GHG emissions, weighted average carbon intensity;
- Describe the targets used to manage climate related risks, opportunities and performance against targets (including any targets deriving from the current ACCESS Guidelines).

5.1.3 RI Reporting Standards and Agents/Third Parties

Where specialist agents or third parties (such as, for example, RI consultancy, third party ESG portfolio reporting, proxy voting services, engagement services or securities litigation specialists) are appointed to provide services to ACCESS which contribute to the implementation of the ACCESS RI Guidelines, reporting requirements will be set out in the contractual arrangements, reflecting by reference to the elements of the RI Guidelines to which the services relate.

5.1.4 Aligning Reporting Requirements

It is key to ensure that the scope and nature of the RI monitoring requirements placed upon service providers, to the extent they relate to internal monitoring of any Pool or Pool Aligned Assets of processes, is in alignment with RI reporting commitments in order to adequately support RI reporting for both ACCESS and the Councils.

5.2 RI Reporting

5.2.1 ACCESS' Approach to RI Reporting

Any reporting arrangements put in place need to be able to meet the many and varied reporting requirements of the Councils, now and in the future. Whereas historic investment reporting has predominantly focussed on asset holdings and performance, future reporting requirements are likely to place a greater emphasis on stewardship matters, such as:

- Voting activity, and variances from the Voting Guidelines;
- Engagement activity, along with outcomes achieved;
- Details of divestments made on ESG factors;
- Carbon intensity of specific investments and portfolios;
- Content to enable the Councils to complete their own Stewardship Code 2020 and TCFD reporting.

5.2.2 Meeting Councils' Reporting Expectations

ACCESS intends to ensure that whatever the reporting requirements of the Councils – whether they are existing requirements, regulatory-driven or aspirational – that the ASU, Link, Northern Trust and the investment managers work together to meet these requirements.

There is likely to be considerable overlap in terms of the content needed for different reports such as the Stewardship Code 2020 and TCFD reporting, and it is therefore important that the information provided can be used flexibly by the Councils to meet any number of purposes.

5.2.3 RI Reporting Delivery Methods

ACCESS will ensure that RI reporting is accessible to its stakeholders. Whilst a separate project will start shortly to look at reporting requirements in more detail, ACCESS' core expectations are that key RI information will be communicated with its stakeholders via a number of routes:

- On the ACCESS website;
- In the ACCESS annual report;
- To individual Councils, to meet their own specific reporting needs.

Over time, the reporting is expected to expand to include climate scenario modelling, TCFD and Councils' Stewardship Code 2020 reporting information. Stakeholders will be kept updated on progress to expand reporting requirements via the ACCESS and Councils' websites. Contact details will also be provided for stakeholders who have specific requirements in terms of reporting accessibility, to ensure that the information available can be accessed by all relevant parties.

5.2.4 Key Reporting Expectations of Agents/Third Parties

ACCESS expects their agents and third parties to support them in the delivery of, and reporting against, these RI Guidelines and the RI expectations, in addition to their normal investment-related reporting. Set out in the table below is a short description of the information that ACCESS expects its agents to provide, split across the three main current third parties – Link, Northern Trust and the external investment managers:

Agent/Third Party	Reporting Expectations
Link	<ul style="list-style-type: none"> • Monitoring of the investment managers, covering their ongoing appropriateness to manage assets on behalf of the Councils. • Any other existing reporting that ACCESS or the Councils currently receive from Link.
Northern Trust	<ul style="list-style-type: none"> • Investment accounting & valuation information relating to the investment arrangements managed by the investment managers. • Performance information relating to the investment arrangements managed by the investment managers. • Custody safekeeping reconciliations relating to the assets, derivatives and cash associated with the investment arrangements of the investment managers. • Securities lending activity, including information covering the recall of assets on loan for voting. • Confirmation of the successful submission of votes cast on behalf of the Councils through its agents. • Any other existing reporting that ACCESS or the Councils currently receive from NT.
Investment Managers	<ul style="list-style-type: none"> • Investment performance information relating to the investment arrangements managed by each investment manager. • Details of their specific ESG/RI policies. • Details of their approach towards TCFD reporting. • Details of their approach to climate modelling of their specific investments. • Details of any engagements undertaken in relation to the investments they manage on behalf of the Councils. • Any other existing reporting that ACCESS or the Councils currently receive from the investment managers.

5.2.5 Supporting the Councils on Reporting

One of the priorities for the coming year relates to establishing the detailed reporting requirements of the Councils, which will also set out the information available from the ASU, Link, Northern Trust and the investment managers to help the Councils with this evolving area.

5.3 Stakeholder RI Communications

5.3.1 Reporting RI Issues to Stakeholders

In terms of stakeholder reporting requirements associated with RI, due consideration will be given to the reporting requirements of all key stakeholders, including:

- The 11 Councils;
- Scheme members;
- Interested third parties.

The current expectation is that RI issues will be reported to stakeholders via a number of channels, including the ACCESS and Councils' websites, Pensions Committee papers, Annual Reports, and also by other avenues such as individual Councils' Stewardship Code 2020 reporting. ACCESS plans to support the Councils in communicating RI issues directly to scheme members by way of providing specific RI content for member communications.

5.3.2 RI Reporting Content, Access, and Frequency

ACCESS aims to report its RI activities in a manner which is deemed to be in line with best practice. This includes regular disclosures that demonstrate to the Councils and their stakeholders how ACCESS oversees the implementation of the agreed RI approach. From providing content for Councils' Annual Report & Accounts, member communications and for ACCESS' own website, the intention is to provide RI information that is accurate, engaging, accessible and timely.

Section 6:

Glossary



ACS Operator	The ACS Operator is Link Fund Solutions Limited ('Link'). Appointed in 2018, Link is the FCA regulated entity overseeing an Authorised Contractual Scheme (ACS) for the sole use of ACCESS Councils. Link is responsible for establishing and operating the ACS, along with the creation of a range of investment sub-funds for active listed assets and the appointment of the investment managers to those sub-funds.
Active Investment Manager	Any investment manager that does not have an investment mandate that specifically requires them to track or replicate a specific benchmark or index.
ASU	The ACCESS Support Unit provides the day-to-day support for running the Pool and has responsibility for programme management, contract management, administration and technical support services. There are five full time ASU roles, hosted by Essex County Council.
COP26	The UK will host the 26th UN Climate Change Conference of the Parties (COP26) in Glasgow on 31 October – 12 November 2021. The COP26 summit will bring parties together to accelerate action towards the goals of the Paris Agreement and the UN Framework Convention on Climate Change.
Councils	The 11 LGPS Administering Authorities who were the founding partners of ACCESS: Cambridgeshire County Council (CC), East Sussex CC, Essex CC, Hampshire CC, Hertfordshire CC, Isle of Wight Council, Kent CC, Norfolk CC, West Northamptonshire Council, Suffolk CC and West Sussex CC.
Custodian	An entity – usually a bank – that provides custody of assets, along with associated services such as investment accounting, cash management, dividend collection and repatriation, proxy voting, securities lending and investment performance measurement & reporting.
ESG	Environmental, Social and Governance – usually used in reference to ESG 'factors' or 'characteristics', in the content of a Fund's, portfolio's or investee company's approach to sustainability issues or risks.
IAA	Inter-Authority Agreement – the formal process through which cooperation between the Councils forming ACCESS was established and is maintained.
IMA	Investment Management Agreement – the formal contract between the procurer of investment management services and the firm providing them. Contains specific details of the nature of the investment services required, along with other details such as any benchmark to be used, risk controls, fees paid and client reporting requirements.
Investee Company	Relates to an underlying investment in a listed equity, corporate bond or private equity in which an investment manager has made an investment on behalf of the Pool.
IUG	Investment User Group – made up of Officer representatives of the ACCESS Councils and members of the ASU, which regularly meets with investment managers to discuss investment performance, amongst other topics
JC	The Joint Committee has been appointed by the 11 ACCESS Councils under s102 of the Local Government Act 1972, to exercise specific functions in relation to the Pooling of LGPS assets. The JC's functions include the specification, procurement and recommendation of appointment of Pool Operators (for active asset management) and Pool-Aligned Asset Manager (for passive asset management), to the Councils. The JC also reviews ongoing performance.

Just Transition	A ' just transition ' for workers and communities as the world's economy responds to climate change was included as part of the 2015 Paris Agreement on climate change, highlighting the need for the transition to a low carbon global economy to be both fast and fair. It is hoped that the shift to a resilient, low-carbon economy will boost prosperity and be a net driver of job creation. However, there will be transitional challenges for workers, communities and countries as this shift takes place. As fiduciaries, investors can make an important contribution to achieving a just transition, as stewards of assets, allocators of capital, and as influential voices in public policy.
OWG	The Officer Working Group is comprised of Officers identified by each of the ACCESS Councils, whose role is to provide a central resource for advice, assistance, guidance and support for the Joint Committee.
Paris Agreement	The Paris Agreement is a legally binding international treaty on climate change. It was adopted by 196 Parties at COP 21 in Paris, on 12 December 2015 and entered into force on 4 November 2016. Its goal is to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels.
Pool-Aligned Asset Manager	The Pool-Aligned Asset Manager is UBS. Appointed following a joint procurement exercise in 2017, UBS act as the ACCESS Councils' investment manager for passive assets.
PRI	Principles for Responsible Investment – initially a United Nations-backed organisation but is now a freestanding commercial entity. Asset owners and asset managers can subscribe to have their responsible investment approaches assessed and graded by PRI. For further information see: https://www.unpri.org/
RI	Responsible Investment – a broad term used to cover sustainability issues in investment management.
Section 151 Officers	The Section 151 Officers of the Councils provide advice to the JC, to ensure appropriate resourcing and support is available to implement the Committee's decisions and to run the Pool.
SLA	Service Level Agreement – a document put in place between the procurer and provider of services to establish certain aspects of the service delivery, usually around service standards, timeliness, deliverables and reporting.
Stakeholder	Relates to parties that have an interest in the investment arrangements of the Councils – this covers LGPS scheme members, employers and other bodies in the scheme, but also includes local taxpayers.
TCFD	Task Force on Climate-related Financial Disclosures – created by the Financial Stability Board in 2015 to improve and increase reporting of climate-related financial information. For further information see: https://www.fsb-tcfd.org/
Third Party	In the context of these RI Guidelines, third party means an agent working on behalf of the Pool, but not necessarily directly appointed by them; e.g., ACCESS are the first party, Link (appointed by the Councils) are the second party and asset managers (appointed by Link) in the ACS are third parties.
UK Stewardship Code 2020	Established by the Financial Reporting Council, The UK Stewardship Code 2020 sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them.

About Minerva

Minerva helps investors and other stakeholders to overcome data disclosure complexity with robust, objective research and voting guideline tools. Users can quickly and easily identify departures from good practice based on their own individual preferences, local market requirements or apply a universal good practice standard across all markets.

For more information please email hello@minerva.info or call + 44 (0)1376 503500

Copyright

This analysis has been compiled from sources which are believed to be reliable. No warranty or representation of any kind, whether express or implied, is given as to the accuracy or completeness of the report or its sources and neither Minerva Analytics nor its officers, directors, employees, or agents accept any liability of any kind in relation to the same. All opinions, estimates, and interpretations included in this report constitute our judgement as of the publication date, information contained with this report is subject to change without notice.

Other than for the Pension Scheme for which this analysis has been provided, this report may not be copied or disclosed in whole or in part by any person without the express written authority of Minerva Analytics. Any unauthorised infringement of this copyright will be resisted. This report does not constitute investment advice or a solicitation to buy or sell securities, and investors should not rely on it for investment information.

Conflicts of Interest

Minerva Analytics does not provide consulting services to issuers, however issuers and advisors to issuers (remuneration consultants, lawyers, brokers etc.) may subscribe to Minerva Analytics' research and data services.



For any enquiries, please contact the Access Support Unit (ASU) on ASU@accesspool.co.uk

accesspool.org