

“Principle 3 – Use your voice to make change”

October 2021

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Discussion topics from Pensions for Purpose’s third Impact Investing Adopter Forum (IIAF) event, run in partnership with the Impact Investing Institute, hosted by The Investor Forum and featuring LGPS Central.



Introduction

Who knew that using your engagement and stewardship activities could be so powerful in getting companies to change practices and thereby avoid risks and seek opportunities? To ensure that your impact objectives are progressed it is important for pension funds to set stewardship guidelines and ensure your investment managers are representing your views. But more than this – by working collectively with other pension funds and institutional investors, you can have even more impact. In this session, The Investor Forum and LGPS Central provided a case study on how they achieved a new standard in plastic pellet pollution by acting collectively and creating the change that they wanted to see.

So, who is The Investor Forum?



THE INVESTOR FORUM

The Investor Forum: Overview

PURPOSE	OBJECTIVES
Position stewardship at the heart of investment decision making by facilitating dialogue, creating long-term solutions and enhancing value	<ul style="list-style-type: none"> Make the case for long-term investment approaches Facilitate collective engagement with UK companies

Who we are	What we do	How we do it	Why we do it
<ul style="list-style-type: none"> A not-for-profit, practitioner-led membership organisation A team of 8 professionals with an average of over 25 years investment experience Funded by 52 Investors*, accounting for 33% of the FT-All Share 	<ul style="list-style-type: none"> Work with investors to escalate material issues with companies in a constructive manner. These can be Strategic, Financial, or ESG in nature Develop stewardship best practice Promote well-functioning markets 	<ul style="list-style-type: none"> Listen to investor concerns and explain these to Boards in a comprehensive and consistent manner Safe and effective model for collective engagement 	<ul style="list-style-type: none"> To help build and restore trust between companies and their shareholders Recover, protect and enhance long-term value

The Investor Forum helps create collective member level engagement by determining the level of interest in a particular action or engagement activity, whether a constructive solution is possible and what the long-term goal is. When they've decided to initiate an activity they develop a strategy, target constructive outcomes and engage with the company to achieve these. They will then evaluate the outcomes and lessons learned.

For this particular case study, The Investor Forum was focused on plastic pellet pollution – why and what was the outcome?

Use your voice to make change



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S-360 – Case Study: Marine Plastic Pollution

❑SDG 14- "Life below water" - setting out targets for the conservation and sustainable use of the World's oceans, including reducing pollution of all kinds, particularly from land-based activities

❑Plastic industry's own initiative (Operation Clean Sweep) acknowledged but general consensus that there was room for improvement

❑Investors own

- ❑retailers who use plastics for packaging;
- ❑chemical companies who manufacture plastics;
- ❑logistics companies who transport pre-production plastics



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S-360 – Marine Plastic Pollution PAS 510: 2021



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Outcome:

PAS 510: 2021 launched July 2021

Overarching goal to help companies achieve and maintain zero pellet loss.

Use your voice to make change

S-360 – Marine Plastic Pollution PAS 510: 2021



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❑ How the voice of the investor has made change

- ❑ Sponsored a standard to improve corporate behaviour - an impactful way to change behaviour throughout the supply chain
- ❑ Demonstrated the strength of bringing together investors who want to play their part in catalysing change
- ❑ Investors can now engage on this issue to encourage compliance, and have the ability to hold companies to account



Q&A discussion with attendees

Should stewardship be divided up between engagement with the individual companies and then government or wider standard setting, or is this a false way of looking at this issue?

The power of bringing in a new standard that companies need to comply with and that sets minimum thresholds is that it applies to all companies. It creates a new regime for an entire industry and means that investors are helping to shape the market and not just the behaviour of one company. By being part of that process, we are in the privileged position of seeing how companies behave in relation to the standard setting, which informs our views about how they might perform.

Question to Val at LGPS Central – you helped to fund the standard and work with the organisation to get the standard setting to happen. I see that as quite a challenge for small and medium sized pension schemes. How did you get approval and a budget for that?

Often there are membership fees to join these stewardship or collective engagement groups – such as The Investor Forum – and they take on the engagement activities on behalf of their members. On this issue, we identified that this was something we wanted to engage on and took our proposals on helping to fund the work towards the standard to our executive committee. The amount we had to contribute was actually relatively small because we shared the costs among the group. There were 16 signatories to the original letter.

Question to Val at LGPS Central – I know that social issues and technology are very important to LGPS Central. Please could you tell us a bit about this?

There are a number of issues that are important to us and the social impact of technology is one of those. There are issues around founder/owner status and a lack of good governance in terms of separating out the Chairman and CEO roles. This presents particular risks in the decision making of these firms. We engage on this to ensure governance is addressed. We are also concerned about how they manage social media and the impact of negative/false news and images. Therefore we have been active in engaging on these issues and have, with time, seen some gradual change.

How do we ensure that we are having genuine social and environmental impact?

We need to understand the difference between ESG processes and social and environmental outcomes. We have to address this holistically to understand best practice as well as making sure we know what impact we are having, as these things present risks and opportunities as we transition to a sustainable economy. This is why everything from your investment objectives through to your stewardship and measurement processes need to be joined up.

Thank you to The Investor Forum and LGPS Central for this fascinating case study demonstrating the power of collaboration and engagement to affect change.

Next steps

We will be taking this discussion forward into our next Impact Investing Adopter Forum event in November which will focus on Principle 4 – Manage and review your impact. If you would be interested in joining or participating in the event, please contact [Charlotte O’Leary](#).