Taking action

Laura Blows looks at the shareholder activism implemented by the LGPS during this AGM season

The Local Government Pension Scheme (LGPS) has been leading the way with shareholder activism over the past month.

In April, Brunel Pension Partnership (BPP) and Merseyside Pension Fund (MPF), urged Barclays to 'firm up' on its climate commitments ahead of the bank's annual general meeting (AGM) on 7 May.

The investors confirm they would vote in favour of Barclays' proposal to have the "ambition to become a net-zero bank by 2050 and a commitment to align all of its financing activities with the goals and timelines of the Paris Agreement".

BPP and MPF describe the board's proposal as "a significant step forward for the bank reflecting the positive pressure of shareholders and stakeholders" and applaude Barclays' "commitment to transition its provision of financial services across all sectors to align with the goals and timelines of the Paris Agreement".

However, they state that they would be voting for the resolution previously filed by ShareAction to bring the bank's energy financing in line with the goals of the Paris Agreement.

The ShareAction proposal, co-filed by 11 institutional investors, including BPP and MPF, directs the bank to set and disclose targets to phase out its financing of fossil fuel companies within the energy and power sector that are not aligned with the goals of the Paris climate agreement.

The LGPS investors also query the transparency of Barclays' planned virtual AGM, which would not allow investors to ask questions on the day, with questions submitted in advance and the 'appropriateness' and responses determined by Barclays.

According to *The Guardian,* Barclays says in response: "We are working to help tackle climate change, and we meet with ShareAction and other shareholders regularly to update them on our progress."

Commenting, ShareAction campaign manager, Lauren Peacock, says: "Pension funds, as fiduciary investors looking after the savings of millions of young people, need to think about what is material to the lives of their members now and when they retire. It's not in members' best interests to live in a world of high air pollution and wracked by a climate crisis.

"Concretely, they need to ask their asset managers to vote for special climate shareholder resolutions that aim to reduce the level of greenhouse gas emissions created and financed by companies, simultaneously mitigating the risks inherent in their portfolio, and making them more resilient to economic shocks in the long term."

Meanwhile, the Local Authority Pension Fund Forum (LAPFF), a voluntary association of 82 public sector pension funds and six pools, issued a voting alert recommending members vote against Boeing board members who have been in place for over a year. At least 24 LAPFF members hold Boeing shares directly, with others holding the stock in pooled funds.

While the forum is pleased that Boeing replaced Dennis Muilenburg by separating the chair and CEO positions, the new chair, Lawrence Kellner, has been a Boeing board member since 2011. According to LAPFF, this means Kellner cannot provide independent oversight in guiding Boeing through the 737 Max plane crashes and subsequent grounding. Kellner's board membership during the Max crisis also raises questions about his

ability to lead the company through coronavirus impacts, it adds.

According to *Bloomberg*, 52 per cent of Boeing's shareholders voted to separate the chief executive officer and chairman roles permanently at the virtual AGM held on 27 April. After the vote, Kellner said the company would take the advisory votes into account, *Bloomberg* states.

In February, the PLSA stated in its annual *Stewardship Guide and Voting Guidelines* that pension fund investors must be prepared to hold directors accountable on issues such as executive remuneration, which must "demonstrate some recognition of wider societal expectations, the general economic environment and the returns to long-term shareholders".

However, given the current crisis, the PLSA adds that investors must keep an eye on how those firms in which they invest manage the pandemic and consider voting against directors who they believe did not behave appropriately towards their workforces this AGM season.

The guidelines state that one of the most effective ways of investors using a vote to effect change is through holding relevant directors individually accountable.

"This AGM season it is worth investors remembering that the post-crisis memories of the public and policymakers tend to be long," PLSA policy lead for investment and stewardship, Caroline Escott, says.

"How companies behave now towards their workforces will likely have a material impact on their future revenue, operating costs and even the post-Covid-19 regulatory environment. This in turn has consequences for scheme investors' risk-adjusted returns and ultimately for the value of beneficiaries' savings."

Written by Laura Blows