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PENSION POLICY & INVESTMENT COMMITTEE
Thursday, 25 November 2021 at 9.30 am
Conference Room, Civic Centre, Silver Street, Enfield, EN1 3XA

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PENSION POLICY & INVESTMENT COMMITTEE

Thursday, 25th November, 2021 at 9.30 am in the Conference Room, Civic Centre, Silver Street, Enfield, EN1 3XA

Membership:

Councillors: Tim Leaver, Claire Stewart, Doug Taylor, Edward Smith and Terence Neville OBE JP

AGENDA – PART 1

1. WELCOME AND APOLOGIES

2. DECLARATIONS OF INTEREST

Members are asked to declare any disclosable pecuniary, other pecuniary or no pecuniary interests relating to items on the agenda

3. MINUTES OF PREVIOUS MEETING (Pages 1 - 6)

To agree the minutes of the previous meeting held on 30 September 2021

4. PENSION BOARD FEEDBACK

To receive feedback from the last Pension Board from the Chair and Vice Chair.

5. QUARTERLY INVESTMENTS UPDATE - 30 SEPT 21 (Pages 7 - 44)

To receive the quarterly investments update from Bola Tobun Finance Manager, Pensions & Treasury

6. MARKET AND PORTFOLIO UPDATE (Pages 45 - 60)

To receive the latest market and portfolio update of Enfield Pension Fund.

7. QUARTERLY LAPFF ENGAGEMENT UPDATE (Pages 61 - 82)

The Pension Policy and Investments Committee are recommended to:

a) Note the contents of this report;

b) The issues discussed by LAPFF, set out in the Quarterly Engagement Report which is available on the LAPFF website: https://lapfforum.org/wp-content/uploads/2021/10/LAPFF_QER03_2021_03.pdf

8. ENFIELD PENSION FUND FOSSIL FUEL EXPOSURE REPORT AS AT 30 SEPTEMBER 2021 (Pages 83 - 90)

The Pension Policy and Investment Committee to note the overall fossil fuel exposure of the Enfield Pension Fund as at 30 September 2021.

9. PROCUREMENT EXERCISE UPDATE (Pages 91 - 98)

Pension Policy and Investments Committee are recommended to:

a) note the contents of this report and
b) nominate, where it considers necessary, Committee representative(s) to participate in the various procurement processes.

10. STRATEGIC OBJECTIVES FOR THE INVESTMENT CONSULTATION

To receive strategic objectives for the investment consultation from Aon.

11. LONDON CIV- AMENDMENTS TO SHAREHOLDER AGREEMENT (SHA) AND ARTICLES OF ASSOCIATION (AA)

To receive update from Bola Tobun on ammendments to the shareholders agreement and articles of association

12. FORMALISING NEXT STEPS HIGHLIGHTED FROM THE RESPONSIBLE INVESTMENT STRATEGY WORKSHOP WITH FURTHER DISCUSSION ON RESPONSIBLE INVESTMENT POLICY AND NET ZERO IMPLEMENTATION PLAN

Committee to discuss the next steps.

13. AOB - AGM PLANNING UPDATE

MINUTES OF THE MEETING OF THE PENSION POLICY & INVESTMENT COMMITTEE HELD ON THURSDAY, 30 SEPTEMBER 2021

COUNCILLORS

PRESENT	Tim Leaver, Doug Taylor, Edward Smith and Terence Neville OBE JP
ABSENT	Claire Stewart
OFFICERS:	Matt Bowmer (Interim Director of Finance) and Bola Tobun (Finance Manager (Pensions and Treasury)
Also Attending:	Carolan Dobson (Independent Advisor), Daniel Carpenter (Aon), and Joe Peach (Aon), Tapan Datta (Aon)

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WELCOME AND INTRODUCTIONS

Councillor Tim Leaver (Chair) welcomed everyone to the meeting and Members and Officers were introduced.

Apologies for absence were received from Claire Stewart and Matt Bowmer

16
DECLARATION OF INTERESTS

None

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MINUTES OF PREVIOUS MEETING: 29TH JULY 2021

The minutes of the meeting held on 29 July 2021 were agreed as a correct record with the following amendments:

- Apologies for Carolan Dobson (Independent Advisor)
- Attendance for Max Meikle (Aon)
- Item 5 Report to change “The funds investments outperformed its benchmark over the 12 month period”
- To change 8.4 to “The issue with LCIV and Longview is still being monitored and AON are content with Longview”
- To change 11 to “committee agreed to take option 1; which will see the current MAC Fund mandate be amended such that the allocation to the underlying managers be 50% to CQS and 50% to PIMCO

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PENSION BOARD FEEDBACK

- The Local Pension Board are happy that AGM will happen, taking place in Jan/Feb and want to be involved in this process.
- Pension Board members are invited to this meeting as a courtesy, they are welcome but never obliged. Cllr Smith would like to see written update from the pension board. Minutes from their meeting are to be circulated.
- TPR pensions regulator monitor the pensions board.

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QUARTERLY INVESTMENTS UPDATE -30 JUNE 21

Bola Tobun presented this item and highlighted the below points:

- The fund is outperforming. June quarter 8 out of 20 mandates delivered returns, matching or achieving returns above the set benchmark.
- A number of mandates have not performed well.
- The cash balance was £101.710m in short term deposits and money market funds. £31.272m with Goldman Sachs and £74.437m with Northern Trust. £60m of this cash balance will shortly go into AON short liquidity fund following legal checks.
- For this quarter end, 8.3% of the Fund's equity portfolio invested in emerging equities
- 6.7% is in private equity

- Cllr Neville noted the outlay on fees is improving but locally we need to keep an eye on investment management fees. The committee needs transparency of fees, the information received needs to be reformatted.
- The performance measurer, Northern Trust may be able to provide different information and noted fees are higher because of strong performance which has led to individual assest mandates increasing given they are based on asset size. Officers agreed to update on fees at a future meeting. Bola could provide fees on annual basis.
- Committee pleased with the performance; the fund is doing well.

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MACRO MARKET OUTLOOK

Tapan Datta (Aon) presented this item and highlighted the following points:

- Stock markets have been doing well and LBE has benefited from this. Returns are likely to lessen in the future as there is a higher likelihood of set backs and increased volatility to the market.
- Economic activity slowed last year due to covid. Inflation is rising rapidly, partly due to covid and Brexit.

- Bank of England is expected to move interest rates twice by August 2022.
- Market returns have been strong for a long time. Yields are low and stock markets are expensive. On a forward-looking basis it will be a struggle to meet market returns so looking at other areas to get returns with manager skills and private market investments.

Cllr Taylor asked if asset allocation should be reconsidered for the future. Aon confirmed we have a good level of diversification.

Cllr Neville highlighted the current energy crisis and its impact on the UK and asked how this could affect us? In response Aon explained OFGEM has to explain how it regulates this industry. Gas prices are expected to be high for the next 6-9 months.

Cllr Smith asked if asset values drop over the next few years how does this affect LBE's pension fund. Aon responded with; it will impact the Fund's funding level, but the funding level will also be impacted by any changes to the funds liablities.

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KEY DEVELOPMENTS AND PORTFOLIO UPDATE

Joe Peach (Aon) discussed key points:

- Aon are working with officers to develop a dashboard for reporting with key points rather than lengthy reports for the committee.
- Funding level has increased to 112% over the quarter, next valuation due March 2022
- Fund assets are £1.5bn
- Aon has developed an ESG dashboard which provides tailored strategy and manager lvel insight and analysis.
- Aon has been confirmed as signatories to the uk Stewardship code. Committed to responsible investment.

Action: Bola Tobun to circulate dashboard

- Cllrs commented that they were unsure what annual means on the chart page 41. They also noted there wasn't any point having 2 reports on the same thing.

22
QUARTERLY LAPFF ENGAGEMENT UPDATE

- Bola Tobun highlighted the purpose of the report; to let the committee know what LAPFF has done over the last 3 months on our behalf.
- Cllrs commented they have no concerns about the work of the LAPFF

ACTION: Bola Tobun to invite representative from LAPFF to discuss what they do in January 2022 meeting.

- For future items the report should be a summary of key points and concerns

23
REVIEW OF GOVERNANCE POLICY AND COMPLIANCE STATEMENT

There will be 2 non voting members of the committee as agreed by full council.

ACTION: Bola to circulate the next steps for the proposals

24
ENFIELD PENSION FUND FOSSIL FUEL EXPOSURE REPORT AS AT 30TH JUNE 2021

AON presented an update report of the pension funds fossil fuel exposure.

- It was agreed Aon should continue to engage with the fund managers to establish the underlying fossil fuel exposure of the fund.
- The fund exposure to fossil fuel has decreased . by c.1.0% of Fund value, or c.£14.7m as at 30 June 2021.This is higher than the exposure as at 31 March 2021 of 0.9%, or £13.1m in sterling terms. The slight increase is largely driven by the BlackRock passive low-carbon equity fund, which had increased in price by c.£1.2m over the period (Energy price inflation).
- It will continue to be monitored on a quarterly basis. LCIV will be also able to help
- Aon gave summary of all accounts held.

25
INVESTMENT STRATEGY IMPLEMENTATION PLAN

- Aon provided recommendations on equity options.
- The committee accepted the proposal and would like an update at the next meeting.
- In particular, the committee agreed to move the funds current holding with Baillie Gifford to the Paris-Aligned Baillie Gifford fund on the LCIV.
- The committee agreed they will monitor and have as a standing agenda item as a part two discussion. The committee agreed to add a

milestone into the implementation plan in May 2022, reflecting the elections that are scheduled to take place at that time and the possibility that the committee may change as a result of these.

26
DISCUSSION ON RESPONSIBLE INVESTMENT POLICY- NET ZERO PLAN

- Held as a post meeting informal discussion as the responsible representative from Aon was unwell.
- Committee will hold a workshop in November to support training and to get a better understanding on engagement, measuring and monitoring.

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ENFIELD Council

London Borough of Enfield

PENSION POLICY AND INVESTMENT COMMITTEE

Meeting Date: 25 November 2021

Subject:	Quarterly Investment Report for September 2021
Cabinet Member:	Cllr Maguire
Executive Director:	Fay Hammond
Key Decision:	**[ ]**

This report informs Members of the performance of the Pension Fund and its investment managers for the second quarter of 2021/22.

Over the quarter to 30 September 2021 the Fund posted a positive return of c.2.69%	Global equities continued to perform well over the quarter. The Fund outperformed its benchmark by 1.31%. Fund value was £1.5bn, a £41m increase from the June quarter end.
For the quarter thirteen mandates matched/achieved benchmark return	For this quarter, thirteen out of twenty mandates delivered returns, matching or achieving returns above the set benchmark. The seven mandates lagging the set benchmark for the quarter LCIV Longview, MFS Global Equity, Insight, Davidson Kempner, CFM Stratus, Blackrock Property and Brockton.
The Fund's investments outperformed its benchmark over the 12-month period	Over the twelve-month period to 30 September 2021, the Fund outperformed its benchmark by 3.78%. For the year to 30 September 2021, fifteen out of twenty mandates delivered returns, matching or achieving returns above the set benchmark.
Longer-term performance, the Fund outperformed its benchmark return	Looking at the longer-term performance, the three-year return for the Fund was 1.17% per annum above its benchmark return and for over five years, the Fund posted a strong return of 8.07% outperforming the benchmark return of 6.57% by 1.50% per annum.
Fund is broadly in line with benchmark weightings	The distribution of the Fund's assets amongst the different asset classes is broadly in line with the strategic benchmark weight, albeit there is a need to rebalance the assets and equities is mildly overweight. The overweight position in equities has helped the fund's performance in recent months.

Purpose of Report

1. The Pension Fund Regulations require that the Council establishes arrangements for monitoring the investments of the Fund. It considers the activities of the investment managers and ensures that proper advice is obtained on investment issues.

2. Officers and fund advisers meet regularly with investment managers to discuss their strategy and performance and if considered necessary may recommend that investment managers are invited to explain further to the Pension Policy & Investment Committee.

Proposal(s)

3. Pension Policy and Investments Committee are recommended to:

   i) note the contents of this report and

   ii) approve $10m or $20m investment in Adam Street Partners.

Reason for Proposal(s)

4. The report informs the Pension Policy and investment Committee of the performance of pension fund managers and the overall performance of the Enfield Pension Fund.

5. **Relevance to the Council's Corporate Plan**

6. Good homes in well-connected neighbourhoods.

7. Build our Economy to create a thriving place.

8. Sustain Strong and healthy Communities.

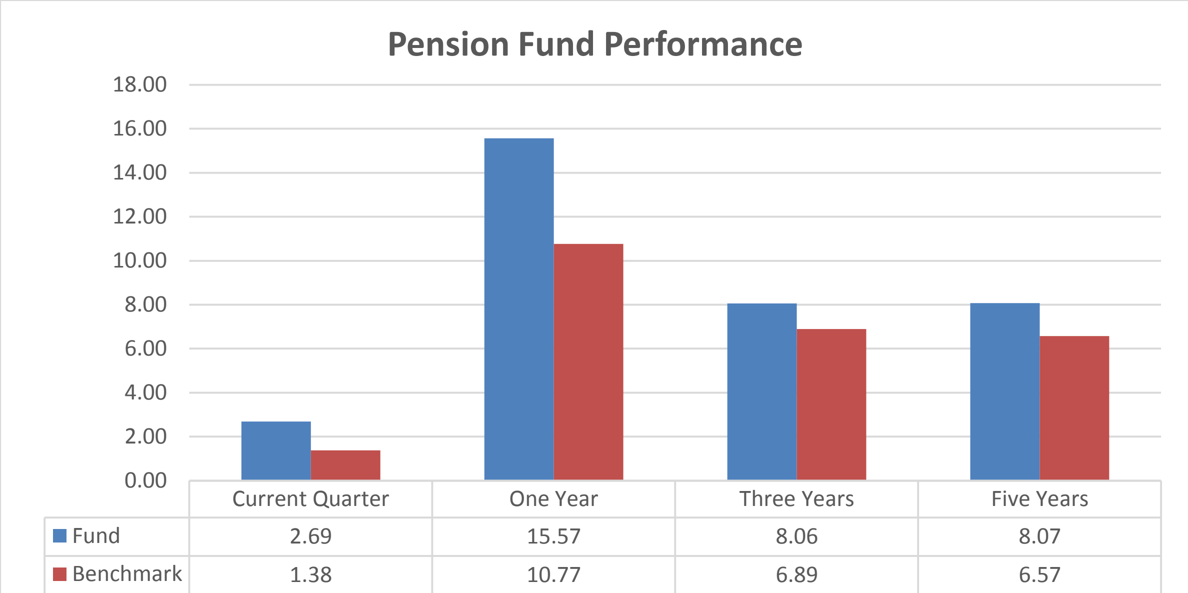
Background

INVESTMENT PERFORMANCE

9. The overall value of the Fund at 30 September 2021 stood at £1,500m, an increase of £41m from its value of £1,459m as at 30 June 2021.

10. The fund outperformed the benchmark this reporting quarter by posting a return of 2.69% against benchmark return of 1.38%. The twelve-month period sees the fund ahead its benchmark by 4.8%.

11. Looking at the longer-term performance, the three years return for the Fund was 8.06%, which was 1.17% per annum ahead its benchmark return. For over five years period, the Fund posted a return of 8.07% outperforming the benchmark return of 6.57% by 1.50% per annum, as shown on the graph below.



12. For September quarter end, two out of the four Fund's active equity mandates underperformed their respective benchmarks. Thirteen out of twenty mandates delivered returns, matching or achieving returns above the set benchmark.

13. For the 12 months to September 2021, fifteen out of twenty mandates outperformed their respective benchmarks or targets. The mandates that delivered negative returns or underperformed their respective benchmark/target were London CIV (BG), MFS, Blackrock Property, LGIM Property and Brockton.

INTERNAL CASH MANAGEMENT

14. Cash is held by the managers at their discretion in accordance with limits set in their investment guidelines, and internally by Enfield Council to meet working cashflow requirements, although transfers can be made to Fund managers to top up or rebalance the Fund.

15. The Pension Fund cash balance is invested in accordance with the Council's Treasury Management strategy agreed by Full Council in February 2021, which is delegated to the Executive Director of Resources to manage on a day to day basis within the agreed parameters.

16. The cash balance as at 30 September 2021, was £103.989m in short term deposits and money market funds. £33.829m with Goldman Sachs and £70.160m with Northern Trust.

ASSET ALLOCATION

17. The current strategic weight of asset distribution and the Fund's assets position as at 30 September 2021 are set out below:

18. The Fund has underweight position of 4.5% in Property, 4.3% underweight position in Bonds and Indexed linked gilts, 2.4% underweight Inflation

Asset Class	Strategic asset allocation as at June 2021 (%)	Fund Position as at 30 Sept. 2021 (%)	Difference as at 30 Sept. 2021 (%)	Difference as at 30 Sept. 2021 (£m)
Equities	35.0	43.9	9.0	134.3
Private Equities	5.0	7.9	2.9	43.5
Total Equities	**40.0**	**51.8**	**11.9**	177.8
Hedge Funds	0.0	4.2	4.2	63.0
Property	5.0	7.4	2.4	36.0
Infrastructure	16.0	4.8	(11.2)	(168.0)
Bonds	29.0	18.9	(10.1)	(152.3)
Inflation protection illiquid	10.0	5.6	(4.4)	(66.0)
Cash	0.0	7.3	7.3	109.5
Total	**100.0**	**100.0**		

19. Asset allocation is determined by several factors including: -

i) The risk profile - there is a trade off between the returns that can be obtained on investments and the level of risk. Equities have higher potential returns, but this is achieved with higher volatility. However, the Fund remains open to new members and able to tolerate the volatility, allowing it to target higher returns, which in turn reduces the deficit quicker and should eventually lead to lower contribution rates by employers.

ii) The age profile of the Fund - the younger the members of the Fund, the longer the period before pensions become payable and investments must be realised for this purpose. This enables the Fund to invest in more volatile asset classes because it has the capacity to ride out adverse movements in the investment cycle.

iii) The deficit recovery term / the surplus amortisation period - Most LGPS funds are fully Funded or almost 100% funded because of great investment returns but being tampered mildly by increasing life expectancy. The actuary determines the period over which the deficit is to be recovered and considers the need to stabilise the employer's contribution rate. For 2019 valuation, the actuary used 16 years as the target of reducing the funding ratio, to illustrate the surplus amortisation.

20. Individual managers have discretion within defined limits to vary the asset distribution. The overweight position in equities has helped the fund's performance in recent months.

Adam Street Partners (ASP)

21. As at 30th September 2021, the portfolio value as audited by Northern Trust, the Fund Global Custodian stood at £109.557m, this represent 7.3% of the total Fund assets. The Fund allocation to private equity is 5% hence we are currently overweight in this asset class by 2.3%. Having said this it has been

advised that looking at current private equity exposure in isolation does not give the full picture, as our Fund's private equity portfolio is relatively mature, and we are at the stage where many of the early year investments are returning cash at a faster rate than new investments are making calls for cash.

22. (It takes ~7-8 years for Global Funds to invest capital, respectively). As shown in the model provided by the manager, hence adding $10m - $20m in 2021 wouldn't make a big impact on near term cash flows. An 'over commitment' is sometimes necessary to reach and maintain the target allocation when older investments within the asset class are maturing and returning funds, and the total value of the overall portfolio is expected to increase.

23. The manager is asking for Enfield Pension Fund continuation of $10m annual commitment and attached to this report as Appendix 1a & 1b, the spreadsheet produced by the Manager modelling the cash flows and NAVs experience. Given the maturity of the investments and expected income/distributions, NAV will continue to decrease (and at a faster pace). Therefore, to maintain our Fund's target exposure to private equity it will be necessary to continue to make the regular annual commitments.

24. As indicated above the manager expect income/distributions coming from our Fund mature and maturing investments to be quite meaningful in coming years. There are still some draws that will take place, but the manager expects those to be funded from the gross distributions. Looking at the model, it is expected net distributions of a total of $54m in the next three years (2021-2023).

25. Verbal update on the following:

i) Transition to London CIV (BG) Paris Aligned mandate

ii) London CIV (Longview)

iii) Investment in Aon's Liquid Credit Fund

iv) London CIV Conference

Safeguarding Implications

26. The report provides clear evidence of sound financial management, efficient use of resources, promotion of income generation and adherence to Best Value and good performance management.

Public Health Implications

27. The Enfield Pension Fund indirectly contributes to the delivery of Public Health priorities in the borough.

Equalities Impact of the Proposal

28. The Council is committed to Fairness for All to apply throughout all work and decisions made. The Council serves the whole borough fairly, tackling inequality through the provision of excellent services for all, targeted to meet the needs of each area. The Council will listen to and understand the needs of all its communities.

Environmental and Climate Change Considerations

29. There are no environmental and climate change considerations arising from this report.

Risks that may arise if the proposed decision and related work is not taken

30. Any form of investment inevitably involves a degree of risk.

31. To minimise risk the Pension Policy and Investment Committee attempts to achieve a diversification portfolio. Diversification relates to asset classes and management styles.

32. The monitoring arrangement for the Pension Fund and the work of the Pension Policy & Investment Committee should ensure that the Fund optimises the use of its resources in achieving the best returns for the Council and members of the Fund.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

33. Not noting the report recommendations and not adhering to the overriding legal requirements could impact on meeting the ongoing objectives of the Enfield Pension Fund.

Financial Implications

34. This is a noting report which fulfils the requirement to report quarterly performance of the Pension Fund investments portfolio to the Pension Policy and Investment Committee. There are no direct financial implications arising from this report, however the long-term performance of the pension fund will impact upon pension contribution rates set by this Committee.

Legal Implications

35. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 govern the way in which administering authorities should manage and make investments for the fund. There are no longer explicit limits on specified types of investment and instead administering authorities should determine the appropriate mix of investments for their funds. However, administering authorities must now adhere to official guidance; broad powers allow the Government to intervene if they do not. Under regulation 8, the Secretary of State can direct the administering authority to make changes to its investment strategy; invest its assets in a particular way; that the investment functions of the authority are exercised by

the Secretary of State and that the authority complies with any instructions issued by the Secretary of State or their nominee.

36. The Council must take proper advice at reasonable intervals about its investments and must consider such advice when taking any steps in relation to its investments.

37. The Council does not have to invest the fund money itself and may appoint one or more investment managers. Where the Council appoints an investment manager, it must keep the manager's performance under review. At least once every three months the Council must review the investments that the manager has made and, periodically, the Council must consider whether or not to retain that manager.

38. One of the functions of the Pension Policy & Investment Committee is to meet the Council's duties in respect of investment matters. It is appropriate, having regard to these matters, for the Committee to receive information about asset allocation and the performance of appointed investment managers. The Committee's consideration of the information in the report contributes towards the achievement of the Council's statutory duties.

39. When reviewing the Pension Fund Investment Performance, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector duty). The Committee may take the view that good, sound investment of the Pension Fund monies will support compliance with the Council's statutory duties in respect of proper management of the Pension Fund.

Workforce Implications

40. The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will allow the Council to meet this obligation easily and could also make resources available for other corporate priorities.

Property Implications

41. None

Other Implications

42. None

Options Considered

43. There are no alternative options.

Conclusions

44. The overall value of the Fund at 30 September 2021 stood at £1,500m, an increase of £41m from its value of £1,459m as at 30 June 2021.

45. The fund outperformed the benchmark this reporting quarter by posting a return of 2.69% against benchmark return of 1.38%. The twelve-month period sees the fund ahead its benchmark by 4.8%.

46. Looking at the longer-term performance, the three years return for the Fund was 8.06%, which was 1.17% per annum ahead its benchmark return. For over five years period, the Fund posted a return of 8.07% outperforming the benchmark return of 6.57% by 1.50% per annum.

47. For the 12 months to June 2021, sixteen out of twenty mandates outperformed their respective benchmarks or targets. The mandates that delivered negative returns or underperformed their respective benchmark/target were Blackrock Property, LGIM Property, M&G Inflation and York Capital -20.53%

48. For September quarter end, two out of the four Fund's active equity mandates underperformed their respective benchmarks. Thirteen out of twenty mandates delivered returns, matching or achieving returns above the set benchmark.

49. For the 12 months to September 2021, fifteen out of twenty mandates outperformed their respective benchmarks or targets. The mandates that delivered negative returns or underperformed their respective benchmark/target were London CIV (BG), MFS, Blackrock Property, LGIM Property and Brockton.

50. The distribution of the Fund's assets amongst the different asset classes is broadly in line with the strategic benchmark weight, albeit there is a need to rebalance the assets and equities is mildly overweight. The overweight position in equities has helped the fund's performance in recent months.

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Date of report 16th November 2021

Appendices

Appendix 1 – Northern Trust Report: Enfield PF Asset Class Performance
Appendix 2 – London CIV Sub-Funds Quarterly Report

Background Papers
None

NORTHERN TRUST

London Borough of Enfield

Investment Risk & Analytical Services

September 30, 2021

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SECTION 1

London Borough of Enfield

Investment Risk & Analytical Services

September 30, 2021

Investment Hierarchy

Account/Group	Ending Market Value GBP	Ending Weight	% Rate of Return: One Month	Three Months	Year to Date	One Year	Three Years	Five Years	Inception to Date	Inception Date
London Borough of Enfield	**1,500,435,817**	**100.00**	**-0.32**	**2.69**	**9.86**	**15.57**	**8.06**	**8.07**	**8.58**	**31/03/1987**
Enfield Strategic BM			*-1.17*	*1.38*	*6.08*	*10.77*	*6.89*	*6.57*	-	*31/03/1987*
Excess Return			*0.85*	*1.31*	*3.78*	*4.80*	*1.17*	*1.50*	-	*31/03/1987*
Total Equities	**659,979,992**	**43.99**	**-2.13**	**2.01**	**12.76**	**23.61**	**12.15**	**13.33**	**9.77**	**31/03/1987**
Enfield Equities BM			*-1.86*	*1.89*	*13.03*	*22.79*	*11.55*	*12.52*	-	*31/03/1987*
Excess Return			*-0.27*	*0.13*	*-0.26*	*0.82*	*0.60*	*0.81*	-	*31/03/1987*
Blackrock Pooled	**246,028,312**	**16.40**	**-1.39**	**3.91**	**17.08**	**26.81**	**13.00**	**13.68**	**14.34**	**31/03/2009**
LEFD02 Blackrock Blended BM			*-1.39*	*3.91*	*16.99*	*26.60*	*12.53*	*13.17*	*13.45*	*31/03/2009*
Excess Return			*-0.00*	*-0.00*	*0.09*	*0.21*	*0.47*	*0.50*	*0.89*	*31/03/2009*
Henderson Global	**35,887,020**	**2.39**	**-2.18**	**-3.22**	**-0.28**	**16.87**	-	-	**11.01**	**24/10/2018**
LEFD05018 MSCI EM Mrkts ND			*-1.99*	*-5.84*	*0.12*	*13.33*	-	-	*10.68*	*24/10/2018*
Excess Return			*-0.20*	*2.62*	*-0.40*	*3.53*	-	-	*0.33*	*24/10/2018*
London LGPS	**123,800,686**	**8.25**	**-2.78**	**-0.56**	**8.84**	**20.94**	**17.34**	**17.63**	**17.63**	**30/09/2016**
LEFD05016 MSCI ACWI ND			*-2.15*	*1.37*	*12.65*	*22.19*	*11.33*	*12.35*	*12.35*	*30/09/2016*
Excess Return			*-0.63*	*-1.93*	*-3.81*	*-1.24*	*6.01*	*5.27*	*5.27*	*30/09/2016*
LongView Partners	**100,380,407**	**6.69**	**-2.49**	**3.76**	**17.14**	**28.50**	-	-	**11.83**	**24/10/2018**
LEFD05019 MSCI ACWI ND			*-2.15*	*1.37*	*12.65*	*22.19*	-	-	*14.80*	*24/10/2018*
Excess Return			*-0.35*	*2.38*	*4.49*	*6.31*	-	-	*-2.97*	*24/10/2018*
MFS Global Equity	**153,042,877**	**10.20**	**-2.53**	**1.34**	**12.02**	**21.69**	**11.79**	**12.18**	**13.90**	**31/07/2010**
LEFD05005 MSCI ACWI ND			*-2.15*	*1.37*	*12.65*	*22.19*	*11.33*	*12.35*	*12.02*	*31/07/2010*
Excess Return			*-0.39*	*-0.03*	*-0.63*	*-0.50*	*0.46*	*-0.18*	*1.88*	*31/07/2010*
Transition Account For Enfield	**14,331**	**0.00**	**0.47**	**-4.30**	-	-	-	-	**-19.43**	**05/03/2021**
Trilogy	**826,358**	**0.06**	-	-	-	-	-	-	-	**30/09/2007**
LEFD04 MSCI ACWI ND			-	-	-	-	-	-	-	*30/09/2007*
Excess Return			-	-	-	-	-	-	-	*30/09/2007*
Total Bonds and Index Linked	**287,368,072**	**19.15**	**-1.96**	**-0.07**	**-1.39**	**1.96**	**4.46**	**2.78**	**5.77**	**30/06/2005**
Enfield Bonds & IL BM			*-2.12*	*-0.32*	*-2.57*	*-0.36*	*4.03*	*2.81*	-	*30/06/2005*
Excess Return			*0.16*	*0.25*	*1.18*	*2.32*	*0.43*	*-0.03*	-	*30/06/2005*
Blackrock IL Gilts	**93,671,523**	**6.24**	**-2.08**	**0.63**	**-0.95**	**-0.41**	**3.01**	**1.55**	**5.03**	**30/09/2005**
LEFD01 Blended Benchmark			*-1.99*	*0.64*	*-0.95*	*-0.42*	*2.93*	*1.48*	*6.99*	*30/09/2005*
Excess Return			*-0.09*	*-0.01*	*-0.00*	*0.01*	*0.07*	*0.07*	*-1.96*	*30/09/2005*
CQS MAC A GBP	**56,459,692**	**3.76**	**0.27**	**1.20**	**5.34**	**10.90**	-	-	**4.28**	**30/11/2018**
LEFD05020 3 Month GBP Libor			*0.01*	*0.03*	*0.07*	*0.09*	-	-	*0.63*	*30/11/2018*
Excess Return			*0.27*	*1.18*	*5.27*	*10.82*	-	-	*3.65*	*30/11/2018*

Category: **Total Fund Gross of Fees**

Account/Group	Ending Market Value GBP	Ending Weight	% Rate of Return One Month	Three Months	Year to Date	One Year	Three Years	Five Years	Inception to Date	Inception Date
Insight Bonds	**32,293,298**	**2.15**	**1.00**	**0.93**	**3.17**	**4.82**	**1.06**	**0.31**	**0.86**	**31/12/2013**
LEFD05006 Libor 3 Month GBP+4%			*0.33*	*1.01*	*3.05*	*4.08*	*4.64*	*4.62*	*3.30*	*31/12/2013*
Excess Return			*0.66*	*-0.08*	*0.12*	*0.74*	*-3.59*	*-4.31*	*-2.44*	*31/12/2013*
Western	**104,943,559**	**6.99**	**-3.87**	**-1.66**	**-6.26**	**-1.07**	**7.00**	**4.06**	**6.41**	**31/03/2003**
LEFD03 ML Stg Non-Gilts 10+			*-4.05*	*-1.74*	*-6.73*	*-1.82*	*6.59*	*3.58*	-	*31/03/2003*
Excess Return			*0.18*	*0.09*	*0.47*	*0.75*	*0.41*	*0.48*	-	*31/03/2003*
Inflation Protection Illiquids	**119,736,704**	**7.98**	**-0.44**	**4.20**	**4.91**	**7.68**	-	-	**5.21**	**30/11/2018**
Enfield Inflation Iliquids BM			*0.41*	*1.63*	*4.75*	*6.55*	-	-	*4.27*	*30/11/2018*
Excess Return			*-0.85*	*2.57*	*0.16*	*1.13*	-	-	*0.94*	*30/11/2018*
CBRE Long Income Fund	**36,191,677**	**2.41**	**0.00**	**0.51**	**0.73**	**4.63**	-	-	**-0.03**	**17/12/2018**
LEFD06007 BMK			*0.00*	*0.51*	*0.73*	*4.63*	-	-	*-0.03*	*17/12/2018*
Excess Return			*0.00*	*0.00*	*0.00*	*0.00*	-	-	*-0.00*	*17/12/2018*
M&G Inflation Opportunities Fd	**83,545,027**	**5.57**	**-0.63**	**5.72**	**6.63**	**8.98**	**6.61**	**5.87**	**6.87**	**30/04/2013**
LEFD05010 UK RPI +2.5%			*0.58*	*2.10*	*6.34*	*7.38*	*5.30*	*5.61*	*5.06*	*30/04/2013*
Excess Return			*-1.21*	*3.63*	*0.29*	*1.60*	*1.31*	*0.26*	*1.81*	*30/04/2013*
Total Hedge Funds	**63,666,458**	**4.24**	**0.75**	**1.49**	**9.61**	**6.04**	**-3.87**	**-1.34**	**3.76**	**31/07/2007**
Enfield Hedge Funds BM			*1.12*	*1.35*	*0.82*	*-2.27*	*0.29*	*0.41*	-	*31/07/2007*
Excess Return			*-0.36*	*0.14*	*8.79*	*8.31*	*-4.16*	*-1.76*	-	*31/07/2007*
CFM Stratus	**29,213,193**	**1.95**	**-0.74**	**-0.08**	**11.01**	**7.86**	**4.14**	**2.90**	**0.35**	**31/12/2015**
LEFD06004 Libor 3 Month GBP			*0.01*	*0.03*	*0.07*	*0.09*	*0.65*	*0.62*	*0.62*	*31/12/2015*
Excess Return			*-0.74*	*-0.11*	*10.94*	*7.77*	*3.50*	*2.28*	*-0.27*	*31/12/2015*
Davidson Kemper	**31,566,154**	**2.10**	**2.31**	**2.24**	**9.31**	**7.12**	**4.75**	**5.00**	**5.13**	**30/11/2014**
LEFD05004 Libor 3 Month USD			*2.08*	*2.51*	*1.60*	*-3.82*	*0.50*	*0.95*	*1.24*	*30/11/2014*
Excess Return			*0.23*	*-0.26*	*7.71*	*10.95*	*4.25*	*4.05*	*3.88*	*30/11/2014*
York Capital	**2,887,110**	**0.19**	**-0.70**	**9.08**	**7.88**	**-2.98**	**-20.76**	**-9.70**	**-1.43**	**31/12/2009**
LEFD05011 Libor 3 Mnth USD			*2.08*	*2.51*	*1.60*	*-3.82*	*0.50*	*0.95*	*2.00*	*31/12/2009*
Excess Return			*-2.78*	*6.57*	*6.28*	*0.84*	*-21.27*	*-10.65*	*-3.43*	*31/12/2009*
Private Equity	**109,557,323**	**7.30**	**15.86**	**16.30**	**56.47**	**64.93**	**27.07**	**22.38**	**14.63**	**31/03/2007**
Enfield PE BM			*-2.15*	*1.37*	*12.65*	*22.19*	*11.33*	*12.35*	-	*31/03/2007*
Excess Return			*18.00*	*14.92*	*43.82*	*42.74*	*15.73*	*10.02*	-	*31/03/2007*
Adams Street	**109,557,323**	**7.30**	**15.86**	**16.30**	**56.47**	**64.93**	**27.07**	**22.38**	**13.13**	**31/12/2004**
LEFD06005 MSCI ACWI ND			*-2.15*	*1.37*	*12.65*	*22.19*	*11.33*	*12.35*	*8.13*	*31/12/2004*
Excess Return			*18.00*	*14.92*	*43.82*	*42.74*	*15.73*	*10.02*	*4.99*	*31/12/2004*
Infrastructure	**72,574,802**	**4.84**	**-2.65**	**1.41**	**3.40**	**7.51**	**8.82**	**3.94**	**4.48**	**30/06/2016**
Enfield Infrastructure BM			*-4.06*	*-0.73*	*-0.52*	*4.79*	*6.91*	*4.73*	*5.07*	*30/06/2016*
Excess Return			*1.41*	*2.14*	*3.92*	*2.73*	*1.90*	*-0.80*	*-0.59*	*30/06/2016*

Account/Group	Ending Market Value GBP	Ending Weight	% Rate of Return One Month	Three Months	Year to Date	One Year	Three Years	Five Years	Inception to Date	Inception Date
Antin Infrastructure	24,676,217	1.64	0.21	5.83	12.06	13.51	12.98	-	9.87	31/12/2017
INPP	47,898,585	3.19	-4.06	-0.73	-0.52	4.79	6.91	4.73	8.17	31/12/2008
LEFD05015 Fund returns			-4.06	-0.73	-0.52	4.79	6.91	4.73	3.86	31/12/2008
Excess Return			0.00	0.00	0.00	0.00	-0.00	0.00	4.31	31/12/2008
Property	83,563,920	5.57	1.37	3.54	10.29	11.99	4.10	5.40	8.83	31/03/1987
Enfield Property BM			1.88	4.50	10.86	13.19	3.99	6.00	-	31/03/1987
Excess Return			-0.51	-0.96	-0.57	-1.20	0.11	-0.60	-	31/03/1987
Blackrock UK FD	37,604,161	2.51	1.63	3.76	8.96	11.33	3.47	4.07	3.62	31/07/2002
LEFD05012 IPD All Balncd Prpty			1.88	4.50	10.86	13.19	3.99	6.00	6.44	31/07/2002
Excess Return			-0.25	-0.74	-1.90	-1.86	-0.52	-1.94	-2.82	31/07/2002
Brockton Capital Fund	8,615,686	0.57	-2.51	-3.69	16.86	10.78	8.29	11.96	6.06	30/11/2014
LEFD06001 IPD All Balncd Prpty			1.88	4.50	10.86	13.19	3.99	6.00	4.25	30/11/2014
Excess Return			-4.39	-8.19	6.00	-2.41	4.30	5.96	1.80	30/11/2014
Legal & General Property	37,344,073	2.49	2.02	5.02	10.50	12.96	4.19	5.54	6.72	31/01/2010
LEFD05013 IPD All Balncd Prpty			1.88	4.50	10.86	13.19	3.99	6.00	7.21	31/01/2010
Excess Return			0.14	0.52	-0.35	-0.22	0.20	-0.46	-0.49	31/01/2010
Cash	103,988,547	6.93	1.03	1.39	1.04	-1.32	-0.07	0.95	1.02	30/06/2016
Cash & Other Transition Assets	222	0.00	0.50	1.92	-6.08	-6.57	-	-	-7.90	30/11/2018
Goldman Sachs cash funds	33,829,334	2.25	1.20	1.42	0.79	-2.65	0.33	0.85	0.91	30/06/2016
PE Cash & Other Assets	24,395,195	1.63	2.04	3.24	2.67	-2.58	-1.40	-0.48	-0.12	30/06/2016
LEFD06002 LIBID 7 Day			-0.01	-0.02	-0.06	-0.09	0.25	0.24	0.24	30/06/2016
Excess Return			2.05	3.27	2.73	-2.50	-1.65	-0.72	-0.36	30/06/2016
UT Cash & Other Assets	45,763,796	3.05	0.42	0.50	0.43	-0.26	0.78	7.06	6.73	30/06/2016
LEFD05002 LIBID 7 Day			-0.01	-0.02	-0.06	-0.09	0.25	0.24	0.24	30/06/2016
Excess Return			0.42	0.52	0.49	-0.17	0.54	6.82	6.48	30/06/2016

Market Value Summary - One Month

Account/Group	31/08/2021 Market Value	Net Contribution*	Income	Fees	Appreciation	30/09/2021 Market Value
London Borough of Enfield	**1,504,103,509**	**1,100,000**	**1,466,946**	**0**	**-6,234,639**	**1,500,435,817**
Total Equities	**674,333,476**	**0**	**1,134**	**0**	**-14,354,618**	**659,979,992**
Blackrock Pooled	249,504,946	0	0	0	-3,476,634	246,028,312
Henderson Global	36,688,070	0	0	0	-801,050	35,887,020
London LGPS	127,335,156	0	0	0	-3,534,470	123,800,686
LongView Partners	102,947,149	0	0	0	-2,566,742	100,380,407
MFS Global Equity	157,021,306	0	0	0	-3,978,428	153,042,877
Transition Account For Enfield	14,263	-0	67	0	0	14,331
Trilogy	822,586	0	1,066	0	2,706	826,358
Total Bonds and Index Linked	**293,105,824**	**0**	**271,360**	**0**	**-6,009,112**	**287,368,072**
Blackrock IL Gilts	95,657,253	0	0	0	-1,985,731	93,671,523
CQS MAC A GBP	56,305,008	0	0	0	154,684	56,459,692
Insight Bonds	31,975,130	0	0	0	318,168	32,293,298
Western	109,168,432	0	271,360	0	-4,496,233	104,943,559
Inflation Protection Illiquids	**120,264,128**	**0**	**0**	**0**	**-527,424**	**119,736,704**
CBRE Long Income Fund	36,191,677	0	0	0	0	36,191,677
M&G Inflation Opportunities Fd	84,072,452	0	0	0	-527,424	83,545,027
Total Hedge Funds	**63,538,842**	**-347,869**	**0**	**0**	**475,485**	**63,666,458**
CFM Stratus	29,429,843	0	0	0	-216,650	29,213,193
Davidson Kemper	30,853,600	0	0	0	712,554	31,566,154
York Capital	3,255,400	-347,869	0	0	-20,420	2,887,110
Private Equity	**96,054,780**	**-1,686,091**	**0**	**0**	**15,188,634**	**109,557,323**
Adams Street	96,054,780	-1,686,091	0	0	15,188,634	109,557,323
Infrastructure	**74,551,327**	**0**	**1,092,150**	**0**	**-3,068,675**	**72,574,802**
Antin Infrastructure	24,624,463	0	0	0	51,754	24,676,217
INPP	49,926,864	0	1,092,150	0	-3,120,429	47,898,585
Property	**81,518,852**	**919,156**	**102,227**	**0**	**1,023,685**	**83,563,920**
Blackrock UK FD	37,074,244	-72,894	102,227	0	500,585	37,604,161
Brockton Capital Fund	7,839,861	992,051	0	0	-216,226	8,615,686
Legal & General Property	36,604,747	0	0	0	739,325	37,344,073
Cash	**100,736,280**	**2,214,804**	**75**	**0**	**1,037,387**	**103,988,547**
Cash & Other Transition Assets	221	0	1	0	-0	222
Goldman Sachs cash funds	32,342,708	1,100,000	94	0	386,531	33,829,334
PE Cash & Other Assets	22,240,725	1,694,041	-13	0	460,443	24,395,195

Category: **Total Fund Gross of Fees** • Currency: **GBP**

Market Value Summary - One Month

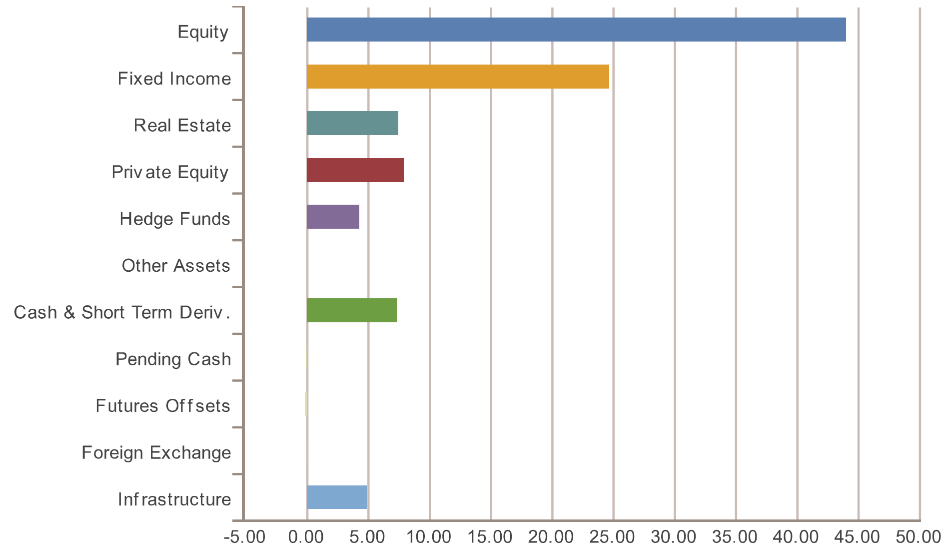
Account/Group	31/08/2021 Market Value	Net Contribution*	Income	Fees	Appreciation	30/09/2021 Market Value
UT Cash & Other Assets	46,152,626	-579,236	-7	0	190,414	45,763,796

**Net Contributions include Cash Contributions/Distributions, Security Deliveries/Receipts, Fees/Fee Rebates, Inter Account transfers for Consolidations & Benefits Payments.*
Copied History or Backloaded Data may not display the correct Contributions/Withdrawals creating misrepresentation.

Category: Total Fund Gross of Fees • Currency: GBP

Asset Class Performance

ASSET CLASS ENDING WEIGHTS



MARKET VALUE SUMMARY OVER TIME

	1 Mo
Beginning Market Value	1,504,104
Net Contribution	1,100
Income	1,467
Fees	0
Appreciation	-6,235
Ending Market Value	1,500,436

**Market Values are in 000s.*

Asset Class	End MV	End Wt	1 Mo	3 Mos	YTD	1 Yr	3 Yrs	5 Yrs	ITD
Equity	**659,498,608**	**43.95**	**-2.13**	**2.02**	**12.78**	**23.65**	**12.10**	**10.90**	
Common Stock	659,498,608	43.95	-2.13	2.02	12.78	23.65	12.18	10.95	
Fixed Income	**369,664,601**	**24.64**	**-1.65**	**1.19**	**0.34**	**3.41**	**4.75**	**2.96**	
Marketable Bonds	157,843,271	10.52	-2.45	-0.67	-2.35	3.02	5.53	3.08	
Inflation Linked Bonds	83,545,027	5.57	-0.63	5.72	6.63	8.98	6.61	5.87	
Other Fixed Income	125,964,820	8.40	-1.31	0.71	0.07	0.88	2.49	1.25	
Fixed Derivatives	2,311,482	0.15	-1.28	0.71	-2.21	-2.16	3.43	-2.31	
Real Estate	**111,139,911**	**7.41**	**1.22**	**3.14**	**6.91**	**9.77**	**2.83**	**4.14**	
Private Equity	**118,173,009**	**7.88**	**14.34**	**14.64**	**52.98**	**59.92**	**25.56**	**21.81**	
Hedge Funds	**63,666,458**	**4.24**	**0.75**	**1.49**	**9.61**	**6.04**	**-3.87**	**7.43**	
Other Assets	**0**	**0.00**	-	-	-	-			
Cash & Short Term Deriv.	**109,338,619**	**7.29**	**1.00**	**1.36**	**1.01**	**-1.31**	**0.76**	**1.33**	
Pending Cash	**-1,212,512**	**-0.08**	-	-	-	-	-	-	-
Futures Offsets	**-2,328,824**	**-0.16**	-	-	-	-	-	-	-
Foreign Exchange	**-78,854**	**-0.01**	-	-	-	-	-	-	-
Infrastructure	**72,574,802**	**4.84**	**-2.65**	**1.41**	**3.40**	**7.51**	**8.82**	**3.94**	
Total Fund Gross of Fees	**1,500,435,817**	**100.00**	**-0.32**	**2.69**	**9.86**	**15.57**	**8.06**	**8.07**	**8.58**
Enfield Strategic BM			-1.17	1.38	6.08	10.77	6.89	6.57	

Asset Class	End MV	End Wt	1 Mo	3 Mos	YTD	1 Yr	3 Yrs	5 Yrs	ITD
Excess Return			*0.85*	*1.31*	*3.78*	*4.80*	*1.17*	*1.50*	

Excess is calculated using arithmetic methodology

ENFIELD Council

London CIV

London CIV Quarterly ACS Investment Review

30 September 2021

Contents

Introduction

We are pleased to present the London CIV Quarterly Investment Report for the London Borough of Enfield Pension Fund for the quarter to 30 September 2021. The Report provides an Investment Summary with valuation and performance data of your Pension Fund's holdings. It includes an update on activities at London CIV, a market update and Fund commentary from the London CIV Investment Team as well as key portfolio data and a summary of ESG activity during the quarter. We hope you find this report informative. Should you require any further information regarding any aspect of your investment, or about our service, please contact our Client Service Team via e-mail (clientservice@londonciv.org.uk).

Investment Summary

The table below shows the Sub-funds held by the London Borough of Enfield Pension Fund by asset class as at 30 September 2021 and how these have changed during the quarter.

ACS	30 June 2021	Net Subscriptions / (Redemptions)	Cash Distributions Paid	Net Market Move	30 September 2021
Active Investments	£	£	£	£	£
Global Equities					
LCIV Global Alpha Growth Fund	124,495,607	-	-	(694,921)	123,800,686
LCIV Global Equity Focus Fund	96,746,077	-	-	3,634,330	100,380,407
LCIV Emerging Market Equity Fund	37,081,250	-	-	(1,194,230)	35,887,020
Fixed Income					
LCIV MAC Fund	55,789,394	-	-	670,298	56,459,692
Total	**314,112,328**	**-**	**-**	**2,415,477**	**316,527,805**

The table below outlines the valuation of investments held per passive manager at the beginning and end of the quarter. A listing of the individual funds held can be found at the end of the Funds section of this report.

	30 June 2021	30 September 2021
Passive Investments †	£	£
Blackrock	329,781,238	339,659,521

† Passive investments are managed in investment funds for which London CIV has no management or advisory responsibility and are shown for information purposes only.

Performance Summary

Please see below the performance for ACS Sub-funds in which you, the Client Fund (CF), are invested. Performance since inception is annualised where period since inception is over 12 months.

Net Performance	Current Quarter %	1 Year %	3 Years p.a. %	5 Years p.a. %	Since CF Inception p.a. %	CF Inception Date
LCIV Global Alpha Growth Fund	**(0.56)**	**20.97**	**17.42**	**17.78**	**17.78**	**30/09/2016**
Benchmark: MSCI All Country World Gross Index (in GBP)	*1.54*	*22.75*	*11.95*	*12.93*	*12.93*	
Relative to Benchmark	**(2.10)**	**(1.78)**	**5.47**	**4.85**	**4.85**	
Comparator Index: MSCI Growth Index Net Total Return	*3.35*	*20.94*	*17.98*	*17.77*	*17.77*	
Relative to Comparator Index	**(3.91)**	**0.03**	**(0.56)**	**0.01**	**0.01**	
LCIV Global Equity Focus Fund	**3.76**	**28.54**	**n/a**	**n/a**	**11.91**	**24/10/2018**
Benchmark: MSCI World (GBP)(TRNet)	*2.45*	*23.51*	*n/a*	*n/a*	*15.39*	
Relative to Benchmark	**1.31**	**5.03**	**n/a**	**n/a**	**(3.48)**	
Comparator Index: MSCI World Quality Price Index Net Total Return	*2.58*	*20.72*	*n/a*	*n/a*	*20.57*	
Relative to Comparator Index	**1.18**	**7.82**	**n/a**	**n/a**	**(8.66)**	
LCIV Emerging Market Equity Fund	**(3.29)**	**16.77**	**n/a**	**n/a**	**10.89**	**24/10/2018**
Benchmark: MSCI Emerging Market Index (TR) Net	*(5.84)*	*13.33*	*n/a*	*n/a*	*10.69*	
Relative to Benchmark	**2.55**	**3.44**	**n/a**	**n/a**	**0.20**	
LCIV MAC Fund	**1.16**	**11.01**	**n/a**	**n/a**	**4.39**	**30/11/2018**
Target Benchmark: 3m LIBOR +4.5%	*1.13*	*4.56*	*n/a*	*n/a*	*4.94*	
Relative to Target Benchmark	**0.03**	**6.45**	**n/a**	**n/a**	**(0.55)**	

Q3 Quarterly Update - Client Relations Team Report

Welcome to the London CIV Quarterly Investment Report ("QIR")

With world leaders gathering in Glasgow for the United Nations Climate Change Conference (COP26) in November 2021, "mobilising finance" emerged as one of the four key pillars of COP26's agenda. We all have a role to play at the London CIV on this matter and indeed do you, our Client Funds. In recent years you have heightened your interest in sustainability and climate-aware funds to decarbonise your investment portfolios. Working in partnership with Seed Investors has enabled us to design and launch a growing range of mutually agreed solutions within our fund range to help all of our Client Funds with the implementation of your individual investment strategies, mitigating your long-term climate related risks, and adding value to your responsible investment policies. This quarter we have witnessed strong demand for our Paris Aligned strategies, for our products with solid ESG engagement, and for our sustainable private market funds. We are and continue to be committed in providing relevant solutions to support you in harvesting yield, diversifying across different asset classes, and achieving your sustainability goals and net-zero emission targets.

We wish to thank all of our investors for your ongoing trust and commitment to the London CIV and for the positive outcomes from the various Pension Committees.

Q3 2021 Activity in Brief

By the time you receive this report we will be heading to our inaugural **London CIV Annual Strategy and Responsible Investment Conference**, scheduled for 28th and 29th October. We have been very pleased to see a high take up on registrations and we will provide a summary of this event in our next quarterly report.

As part of the key objectives of our Climate Change Policy we will set a net zero carbon emissions target alongside an interim emissions reduction target before COP26. We have previously shared with you our recommendation to the London CIV Board at our monthly Business Update webinar held in September 2021 and followed up with a summary which has been shared with Pension Officers. Importantly the strategy that we have worked upon caters to all Client Fund's Climate Policies, from those with a net zero target of 2050 and for those with earlier target dates. Please contact your dedicated Client Relations Manager at clientservice@Londonciv.org.uk should you have any thoughts and observations you wish to share with us on this matter.

Current Position

On 30 September 2021, the total assets deemed pooled by our Client Funds were circa £25.9 billion, of which £12.9 billion are in funds managed by the London CIV. Assets under management in public markets via London CIV's Authorised Contractual Scheme (ACS) stood at £12.6 billion and drawn down assets in private market funds totalled £347.8 million. Over the third quarter, we are pleased to announce that a further £387.5 million of additional commitments have been allocated by Client Funds to our private market funds, bringing a total of commitments raised by our private market funds as at the end of September 2021 to £1. 8 billion. The value of 'pooled' passive assets was £13 billion, with £9.7 billion managed by Legal and General Investment Management and £3.3 billion managed by BlackRock.

Fund Activity

ACS

As promised to the Seed Investors of what was formerly termed as our low carbon passive equity fund, we are proud to announce that the Passive Equity Progressive Paris Aligned (PEPPA) Fund is now ready for investment. We have attracted two initial investors who have agreed contributions totalling £495m to PEPPA. We anticipate these assets to be onboarded by the year-end. During the third quarter we saw net flows of £359 million into the London CIV's ACS funds. Most notable transactions included three investors transferring £578 million from the LCIVLCIV Global Alpha Growth Fund to the LCIV Global Alpha Growth Paris Aligned Fund, furthered by an additional new investor into the LCIV Global Alpha Growth Paris Aligned Fund boosting the Fund with a contribution of £247 million funded by assets that currently reside outside of the London CIV pool. Two new investors have agreed to allocate assets to the LCIV Sustainable Equity Fund with a combined contribution of £250 million. Additionally, we have attracted a new investor allocating assets into the LCIV Emerging Market Fund with an investment of £86m. We have also noted other rebalancing activities with which we have dealt. We continue to make progress on the changes anticipated for the LCIV Global Bond Fund with LCIV MAC Fund and the launch of the LCIV Alternative Credit Fund both of which, as promised, will be launched in late Q4 2021 to early Q1 2022.

Private Market Funds

We have witnessed a total of £63 million in drawdowns across the LCIV Private Debt Fund, LCIV Infrastructure Fund, and LCIV Inflation Plus Fund over the quarter. We also completed a second close for the **LCIV Renewable Infrastructure Fund** in July 2021 taking the number of investors from five to ten and the committed assets from £435m to £682.5m. We have committed 74% of the existing investors' commitments to four primary funds have deployed 7.5% or £51.6 million of the capital through to 30 September 2021. It is estimated that the fund will be c.10% drawdown by the end of this year.

The **LCIV Infrastructure Fund** had one close in October 2019 with £399m from six investors. The investment manager – Stepstone – has committed 75% of the existing investors' commitments to primary funds and has deployed 27% of this total. There have been no commitments to primary funds year to date, and we should expect one more commitment to a primary fund.

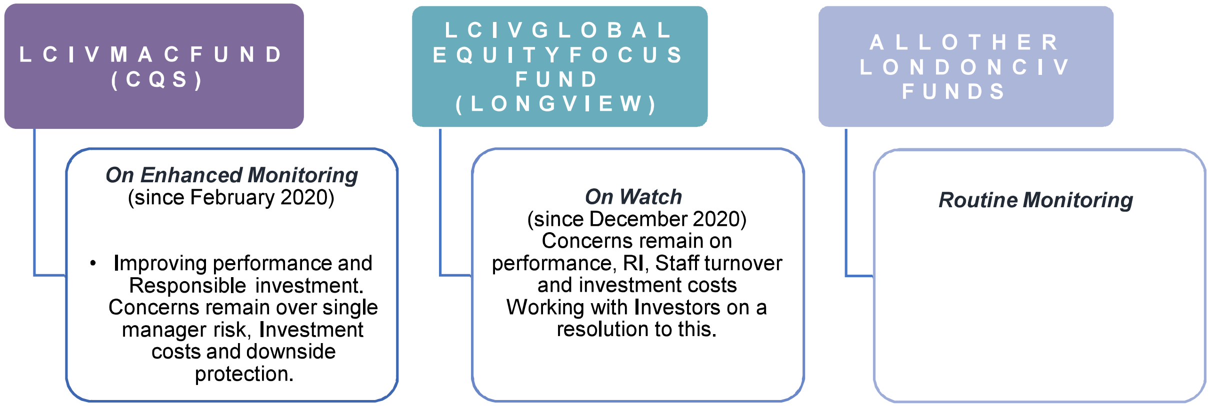
The **LCIV Inflation Plus Fund** invests in UK real estate long income. Since its inception in June 2020, we have held two closes with a total of £207m from three investors. The investment manager – Aviva - is currently working on a transaction and it is expected that this Fund will be fully funded by year-end.

The **LCIV Private Debt Fund's** first close was in March 2021 with £290m from three investors. As of 30 September 2021, 32% of the total commitment, or £91.5m, was drawdown. We expect a second close of £245m with four additional investors during Q4 of 2021. Looking ahead, we anticipate a 3-year investment period for this Fund and an 8% drawdown per quarter over 12 quarters. In monetary terms we expect this 8% per quarter drawdown to be approximately £130m, and due to its very nature can be "lumpy" when calls are made based on how the managers wish to invest.

Since its inception **The London Fund** has held three closes with total commitments now at £195m from two investors. We had success at the recent Investment & Pensions Real Estate Awards 2021 that were held in Copenhagen in September, with The London Fund receiving its first award in the "Newcomer" category. We continue to review the pipeline of investments for this Fund which will help alleviate the housing and infrastructure challenges facing London and, at the same time, generate sustainable returns combined with positive social and environmental outcomes for Londoners, thereby creating a double bottom line.

Investment Manager Monitoring

Below is a summary of the status of the London CIV investment manager monitoring programme as of 30 September 2021:



Group Engagement

We hosted 10 group meetings over the quarter. The table below shows the types of meetings held:

Meeting Type	Quantity
Seed Investment Group (SIG)	3
Business Update (BU)	2
Investment Consultant Update	2
Independent Advisors Update	1
Meet the Manager (MTM)	1
Shareholder Event (MTFS/Annual meeting)	1

Our Meet the Manager webinar in July 2021 featured an annual review of the LCIV Infrastructure Fund currently managed by Stepstone. The session was chaired by Pruthvi Odedra, Portfolio Manager for Private Markets at the London CIV. Discussions revolved around the evolution of the Fund since its inception, compliance with the Fund design, portfolio diversification, pace of capital deployment, Stepstone's engagement with the General Partners, and the outlook for the Fund.

With Seed Investor Group ('SIG') actions on the LCIV Passive Equity Progressive Paris Aligned Fund, aka **PEPPA,** over the quarter we have successfully completed all stages of our six-step Fund Launch Framework and we are now preparing to receive the first investments. London CIV have worked particularly hard to meet client expectations and it is pleasing to report that the PEPPA fund is now operational and ready to receive assets. We have again met with the agreed timescales that were set by the SIG. We also hosted a SIG discussion on **Sterling Credit** over the quarter, and we are hosting another meeting on 2 November 2021. We are currently working towards Stage 2: Mandate Development, as we work with interested investors to determine whether there is sufficient demand to launch this solution.

On 26 October 2021, we held a meeting with the existing investors of the LCIV Private Debt Fund and those participating on the second close to discuss the details related to the equalisation payments. We continue to host our Business Update webinars and SIG discussions every month, so if you wish to join any of these meetings and you are not getting the invitations, please contact your Client Relations Manager at clientservice@Londonciv.og.uk.

Client Fund Meetings

Our Client Relations Managers continue to contact Pension Officers for periodic catch-up calls. Over the third quarter we have recorded over 49 meetings/calls between the London CIV and our Client Funds. The table below shows the types of meetings held during Q3 2021:

Meeting Types	Quantity
Update/Catch Up	17
Specific Pooling Opportunity	13
Pension Committee	7
Preparation Meeting	5
Pooling Progression Strategy (PPS)	4
Issue Resolution	2
Relationship Building	1

Pooling Strategy

Feedback from our Client Funds responses to the September 2021 MHCLG Annual Survey on pooling suggests that:

- overall pooling ratio will increase by 14% from March 2021 to March 2025 to 67% broken down as
- an increase of 6% of the pooling ratio by March 2022, and a further increase of 8% by March 2025.
- By March 2025, we anticipate 29 of the 32 of our Client Funds will have at least a 50% pooling ratio.

During this period:

- 12 Client Funds are looking to have at least 75% of pension fund assets pooled.
- 11 Client Funds plan to increase their current pooling ratio by a range from 20% to 48% from where they currently stand
- A further 11 Client Funds are projecting an increase by a range from of 5% to 19% from their current status, and
- 8 Client Funds have indicated that their current pooling ratio will remain unchanged or will experience a minor decline.

Please see below a summary of the London CIV Sub-funds, including both those in which you are invested, and those you are not. All performance is reported Net of fees and charges with distributions reinvested. For performance periods of more than a year performance is annualised.

ACS	Size	Current Quarter %	1 Year %	3 Years p.a. %	5 Years p.a. %	Since Inception p.a. %	Inception Date	No. of Investors
Global Equities								
LCIV Global Alpha Growth Fund	**£2,730m**	**(0.56)**	**20.97**	**17.42**	**17.78**	**20.14**	**11/04/2016**	**11**
Benchmark: MSCI All Country World Gross Index (in GBP)		1.54	22.75	11.95	12.93	15.23		
Performance Against Benchmark		**(2.10)**	**(1.78)**	**5.47**	**4.85**	**4.91**		
Comparator Index: MSCI Growth Index Net Total Return		3.35	20.94	17.98	17.77	19.40		
Performance Against Comparator Index		**(3.91)**	**0.03**	**(0.56)**	**0.01**	**0.74**		
LCIV Global Alpha Growth Paris Aligned Fund	**£1,377m**	**(1.63)**	**n/a**	**n/a**	**n/a**	**1.40**	**13/04/2021**	**6**
Benchmark: MSCI All Country World Gross Index (in GBP)		1.54	n/a	n/a	n/a	5.09		
Performance Against Benchmark		**(3.17)**	**n/a**	**n/a**	**n/a**	**(3.69)**		
Comparator Index: MSCI Growth Index Net Total Return		3.35	n/a	n/a	n/a	7.37		
Performance Against Comparator Index		**(4.98)**	**n/a**	**n/a**	**n/a**	**(5.97)**		
LCIV Global Equity Fund	**£787m**	**2.26**	**21.44**	**12.56**	**n/a**	**12.46**	**22/05/2017**	**3**
Benchmark: MSCI All Country World Index Total Return (Gross)		1.48	22.71	11.89	n/a	12.01		
Performance Against Benchmark		**0.78**	**(1.27)**	**0.67**	**n/a**	**0.45**		
LCIV Global Equity Core Fund	**£552m**	**2.49**	**11.72**	**n/a**	**n/a**	**11.05**	**21/08/2020**	**2**
Benchmark: MSCI All Country World Index (with net dividends reinvested)		1.44	22.23	n/a	n/a	20.33		
Performance Against Benchmark		**1.05**	**(10.51)**	**n/a**	**n/a**	**(9.28)**		
Comparator Index: MSCI World Quality Price Index Net Total Return		2.58	20.72	n/a	n/a	19.56		
Performance Against Comparator Index		**(0.09)**	**(9.00)**	**n/a**	**n/a**	**(8.51)**		
LCIV Global Equity Focus Fund	**£964m**	**3.76**	**28.54**	**8.94**	**n/a**	**10.52**	**17/07/2017**	**5**
Benchmark: MSCI World (GBP)(TRNet)		2.45	23.51	11.89	n/a	11.98		
Performance Against Benchmark		**1.31**	**5.03**	**(2.95)**	**n/a**	**(1.46)**		
Comparator Index: MSCI World Quality Price Index Net Total Return		2.58	20.72	16.58	n/a	16.65		
Performance Against Comparator Index		**1.18**	**7.82**	**(7.64)**	**n/a**	**(6.13)**		
LCIV Emerging Market Equity Fund	**£582m**	**(3.29)**	**16.77**	**8.67**	**n/a**	**4.19**	**11/01/2018**	**7**
Benchmark: MSCI Emerging Market Index (TR) Net		(5.84)	13.33	7.38	n/a	3.78		
Performance Against Benchmark		**2.55**	**3.44**	**1.29**	**n/a**	**0.41**		
LCIV Sustainable Equity Fund	**£1,246m**	**2.63**	**25.33**	**15.98**	**n/a**	**16.62**	**18/04/2018**	**8**
Benchmark: MSCI World Index Total Return (Net) in GBP		2.45	23.51	11.89	n/a	14.32		
Performance Against Benchmark		**0.18**	**1.82**	**4.09**	**n/a**	**2.30**		
Comparator Index: MSCI World ESG Leaders Net Index Total Return		3.12	23.74	12.84	n/a	14.95		
Performance Against Comparator Index		**(0.49)**	**1.59**	**3.14**	**n/a**	**1.67**		

ACS	Size	Current Quarter %	1 Year %	3 Years p.a. %	5 Years p.a. %	Since Inception p.a. %	Inception Date	No. of Investors
Global Equities								
LCIV Sustainable Equity Exclusion Fund	**£430m**	**3.77**	**28.59**	**n/a**	**n/a**	**45.25**	**11/03/2020**	**3**
Benchmark: MSCI World Index Net (Total Return)		2.45	23.51	n/a	n/a	29.39		
Performance Against Benchmark		**1.32**	**5.08**	**n/a**	**n/a**	**15.86**		
Comparator Index: MSCI World ESG Leaders Net Index Total Return		3.12	23.74	n/a	n/a	28.65		
Performance Against Comparator Index		**0.65**	**4.85**	**n/a**	**n/a**	**16.60**		
Multi Asset								
LCIV Global Total Return Fund	**£244m**	**0.26**	**5.50**	**2.77**	**2.11**	**3.25**	**17/06/2016**	**3**
Target Benchmark: RPI + 5%		2.37	9.67	7.80	8.17	8.22		
Performance Against Target Benchmark		**(2.11)**	**(4.17)**	**(5.03)**	**(6.06)**	**(4.97)**		
Comparator Index: UK Base Rate +3.5%		0.90	3.60	3.92	3.90	3.90		
Performance Against Comparator Index		**(0.64)**	**1.90**	**(1.15)**	**(1.79)**	**(0.65)**		
LCIV Diversified Growth Fund	**£695m**	**1.13**	**11.73**	**4.96**	**4.67**	**5.81**	**15/02/2016**	**7**
Target Benchmark: UK Base Rate +3.5%		0.90	3.60	3.92	3.90	3.91		
Performance Against Target Benchmark		**0.23**	**8.13**	**1.04**	**0.77**	**1.90**		
LCIV Absolute Return Fund	**£1,117m**	**0.57**	**13.61**	**7.23**	**4.94**	**6.44**	**21/06/2016**	**10**
Target Benchmark: 1m LIBOR +3%		0.76	3.04	3.38	3.39	3.39		
Performance Against Target Benchmark		**(0.19)**	**10.57**	**3.85**	**1.55**	**3.05**		
Comparator Index: UK Base Rate +3.5%		0.90	3.60	3.92	3.90	3.90		
Performance Against Comparator Index		**(0.33)**	**10.01**	**3.31**	**1.04**	**2.54**		
LCIV Real Return Fund	**£181m**	**(0.17)**	**9.13**	**6.99**	**n/a**	**5.54**	**16/12/2016**	**2**
Target Benchmark: 1m LIBOR +4%		1.01	4.04	4.39	n/a	4.39		
Performance Against Target Benchmark		**(1.18)**	**5.09**	**2.60**	**n/a**	**1.15**		
Comparator Index: UK Base Rate +3.5%		0.90	3.60	3.92	n/a	3.91		
Performance Against Comparator Index		**(1.07)**	**5.53**	**3.07**	**n/a**	**1.63**		
Fixed Income								
LCIV MAC Fund	**£1,174m**	**1.16**	**11.01**	**3.87**	**n/a**	**3.89**	**31/05/2018**	**12**
Target Benchmark: 3m LIBOR +4.5%		1.13	4.56	4.96	n/a	4.99		
Performance Against Target Benchmark		**0.03**	**6.45**	**(1.09)**	**n/a**	**(1.10)**		
LCIV Global Bond Fund	**£496m**	**0.17**	**2.57**	**n/a**	**n/a**	**6.23**	**30/11/2018**	**5**
Benchmark: Barclays Aggregate – Credit Index Hedged (GBP) Index		0.01	1.19	n/a	n/a	5.81		
Performance Against Benchmark		**0.16**	**1.38**	**n/a**	**n/a**	**0.42**		
Total LCIV ACS Assets Under Management	**£12,575m**							

Please see below a summary of the London CIV Private Market Funds, including both those in which you are invested, and those you are not. The figures are as at 30 June 2021 as the valuations for private markets are calculated and released during the following quarter so are unavailable at the date this report is produced.

Private Markets	30 June 2021 Total Commitment	Called to Date	Undrawn Commitments	30 June 2021 Fund Value	Inception Date	No. of Investors
EUUT	£'000	£'000	£'000	£'000		
LCIV Infrastructure Fund	399,000	110,184	288,816	108,752	31/10/2019	6
LCIV Inflation Plus Fund	107,000	33,432	73,568	32,112	11/06/2020	2
LCIV Renewable Infrastructure Fund	435,000	51,606	383,394	47,491	29/03/2021	5
LCIV Private Debt Fund	290,000	40,010	249,990	39,274	29/03/2021	3
SLP	£'000	£'000	£'000	£'000		
The London Fund	150,000	22,101	127,899	20,908	15/12/2020	1

**For details on remaining current capacity available for further investment please contact the Client Service Team at clientservice@londonciv.org.uk.*

London CIV Fund Performance

12-month relative performance has been led by the LCIV MAC Fund (by CQS), LCIV Absolute Return Fund (by Ruffer) and the LCIV Equity Focus Fund (by Longview). This performance has been driven by the improving economic outlook, expressed through the value and small cap equity factors and better credit performance. Poor performance versus the benchmark year to date has come from the LCIV Global Alpha Growth and Global Alpha Growth Paris Aligned Funds (by Baillie Gifford) which have seen a pull back after the strong performance over the previous two years. The LCIV Global Equity Core Fund (by MSIM) has stabilised performance after a poor start but still remains below its benchmark since its inception in August 2020. In the Multi-asset Funds LCIV Global Total Return (by Pyrford) has continued to lag its very challenging RPI+5% benchmark. All the performance data can be found in the table above.

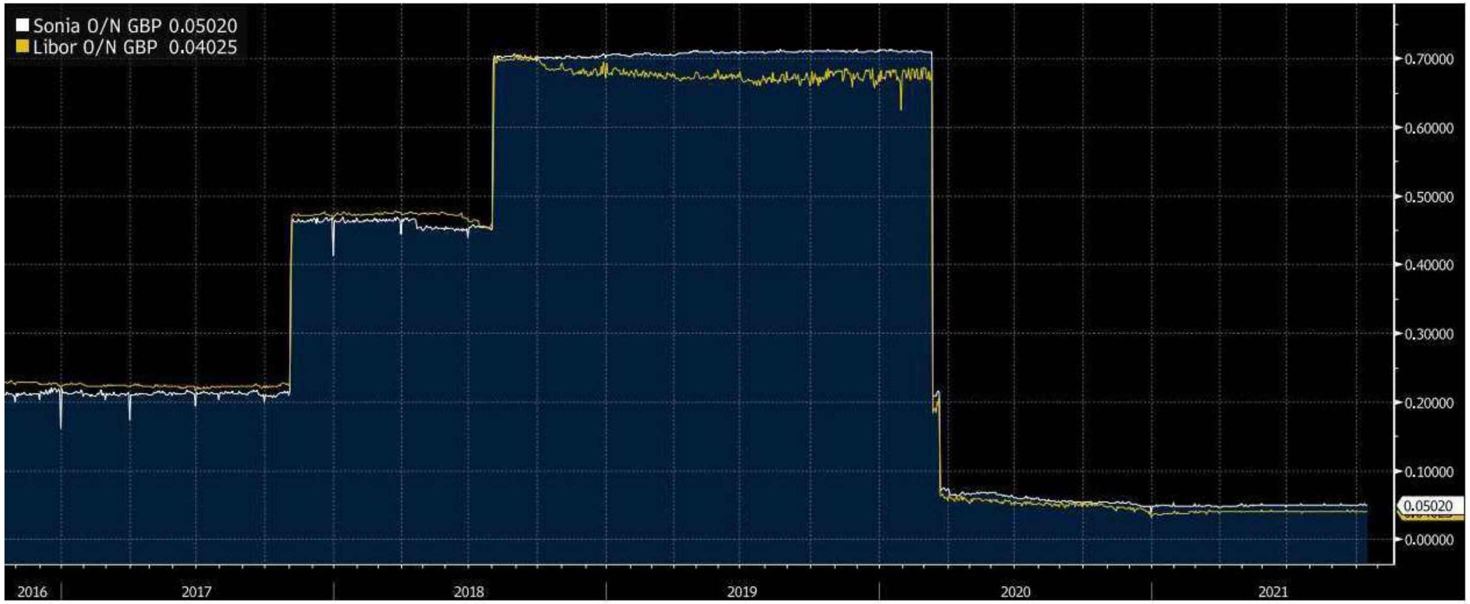
Long term performance (since inception) has exceeded the index/ passive investments on the average £ invested in London CIV funds and also beaten the benchmark outperformance targets stated at the top of each Sub fund QIR) on average. This is a fine achievement when 75%of actively managed funds have underperformed the index (source Morningstar March 2021, 10 years data). The Index funds managed by LGIM and Blackrock detailed in this report have broadly performed in line with their Indices as expected.

On the ACS, the LCIV MAC Fund remains on 'enhanced monitoring' and the LCIV Global Equity Focus Fund remains on our 'watch list'. We are working with investors in these two Sub-funds and both have seen improved performance since being placed on enhanced monitoring. In the case of the LCIV MAC Fund we are seeing improving trends on staffing and RI and the concerns will also be lessened when the second investment manager, Pimco, is added to the Fund. We have seen an uptick in staff turnover with a number of our investment managers recently and also have some concerns regarding the costs of some of the funds with the full CTI reporting that has been shared recently. London CIV is engaging with those investment managers where we feel investment costs are higher than similar sized asset owners. Generally, our investment managers have been making good progress on Responsible Investment, though it has been noted that some have failed to get accepted as signatories for the UK Stewardship code. We are seeking to resolve these issues with the investment managers and have detailed this work in the respective Sub-fund pages in this report. All other London CIV Sub-funds are on standard monitoring, though we are reviewing Pyrford and Morgan Stanley Investment Management funds given their long term and short term performance respectively.

In the next quarterly report, we are looking to introduce performance versus the prospectus outperformance target in a band to show where investment managers are beating the index and also where they are beating the outperformance target. Some of our equity funds are expected to outperform their respective benchmarks by +1.5-2.5% on an annualised basis. Though these are sometimes challenging targets this is the expected return we are seeking for the active management over the passive equivalents and London CIV expect these investment managers to be taking a commensurate level of risk to deliver these targets.

London CIV is moving the Sub-funds that use a Libor as a Benchmark to a Sonia Benchmark at the end of this year. However, the LCIV Real Return Fund (by Newton) has adopted this change at the end of the current quarter. We will be engaging with all our investment managers that utilise Libor in their investment process to ensure that they are moving to Sonia benchmark due to the discontinuation of the Libor rate. Sonia is calculated and published by the Bank of England using a transparent methodology based on actual transactions. The impact of this change is very small as can be seen in the following chart.

Chart 1 Libor versus Sonia on Overnight Rate



Source: Bloomberg 19/10/21

We will ensure that future reporting will be against Sonia and past performance measured against Libor.

Markets

Growth assets have continued to perform well in the third quarter of 2021 with global equities returning 3.2% (source Bloomberg chart 1 shown below) in Sterling terms. Emerging market equities and fixed income returns have been disappointing, but listed proxies for property, infrastructure and private equity have performed very well.

Chart 1: Asset Class returns

	Last Price	Last 3 months	Last 12 months	3yr	5yr	10y
		%	%	cagr %	cagr %	cagr %
Global Equities £	16408.3	4.8	23.9	14.8	12.3	14.3
Emerging Market Equities £	689.6	-2.0	10.4	10.5	7.2	7.6
Global Credit £	846.7	-1.5	-1.4	3.7	1.8	3.1
High Yield Credit £	565.0	-0.2	7.7	4.8	4.0	6.7
UK Property listed Proxy £	165.5	8.9	42.6	10.5	7.1	8.9
Global Infrastructure Proxy (US$)	2762.4	6.7	23.1	8.6	7.2	7.8
Global Private Equity Proxy (US$)	228.9	6.6	68.3	24.7	20.3	16.5
Source Bloomberg Date 20/10/21						

Source: Green–Red formatting by time period Global Credit Index: Bloomberg Global AGG index

Responsible Investment

The Key work of the Responsible Investment team has been in setting a Net Zero target for the London CIV funds. We have set a 2040 net zero target for our collective funds with 5-year progress intervals set. We have also set ourselves (London CIV Office and staff) a 2025 Net zero target for emissions. These targets have been approved by the Board and shared with shareholders and investors. The London CIV continues to work with Client Funds through the Responsible Investment Reference Group ("RIRG") and with partners outside the LGPS. We are developing TCFD reporting with S&P/ Trucost data services and looking to expand reporting outside of the London CIV Sub-funds with a pilot study with Haringey to help with TCFD reporting on your funds. Partnering with Hermes EOS, we are developing our stewardship and engagement policies and working on providing an aggregated voting and engagement service for London CIV funds and Client Funds. We are reviewing the Voting and Engagement policy and looking to start voting consolidated votes in the new year along with the launch of the LCIV Passive Equity Progressive Paris Aligned Fund. Responsible Investment is a critical factor in developing the London CIV Roadmap and also the changes being made to our existing funds. It is also an increasingly important component in the selection and ongoing monitoring of the investment managers that we select to manage your funds.

Cost Transparency and Value Assessment

London CIV continue to work with our Client Funds (as Investors and Shareholders) through the Cost Transparency Working Group ("CTWG"). We will work with you to improve cost reporting and look to manage those full investment costs effectively on your behalf. We published the London CIV funds cost transparency in the SAB/Byhiras portal. In addition, we shared our second annual ACS Assessment of Value this quarter. We have appointed CACEIS to assist in this reporting and to expand the analysis adding to market impact measurement across all Sub-funds and also the reporting for private markets funds. This work will be used to marry the return and cost data into a full value assessment.

Investment/Economic Outlook

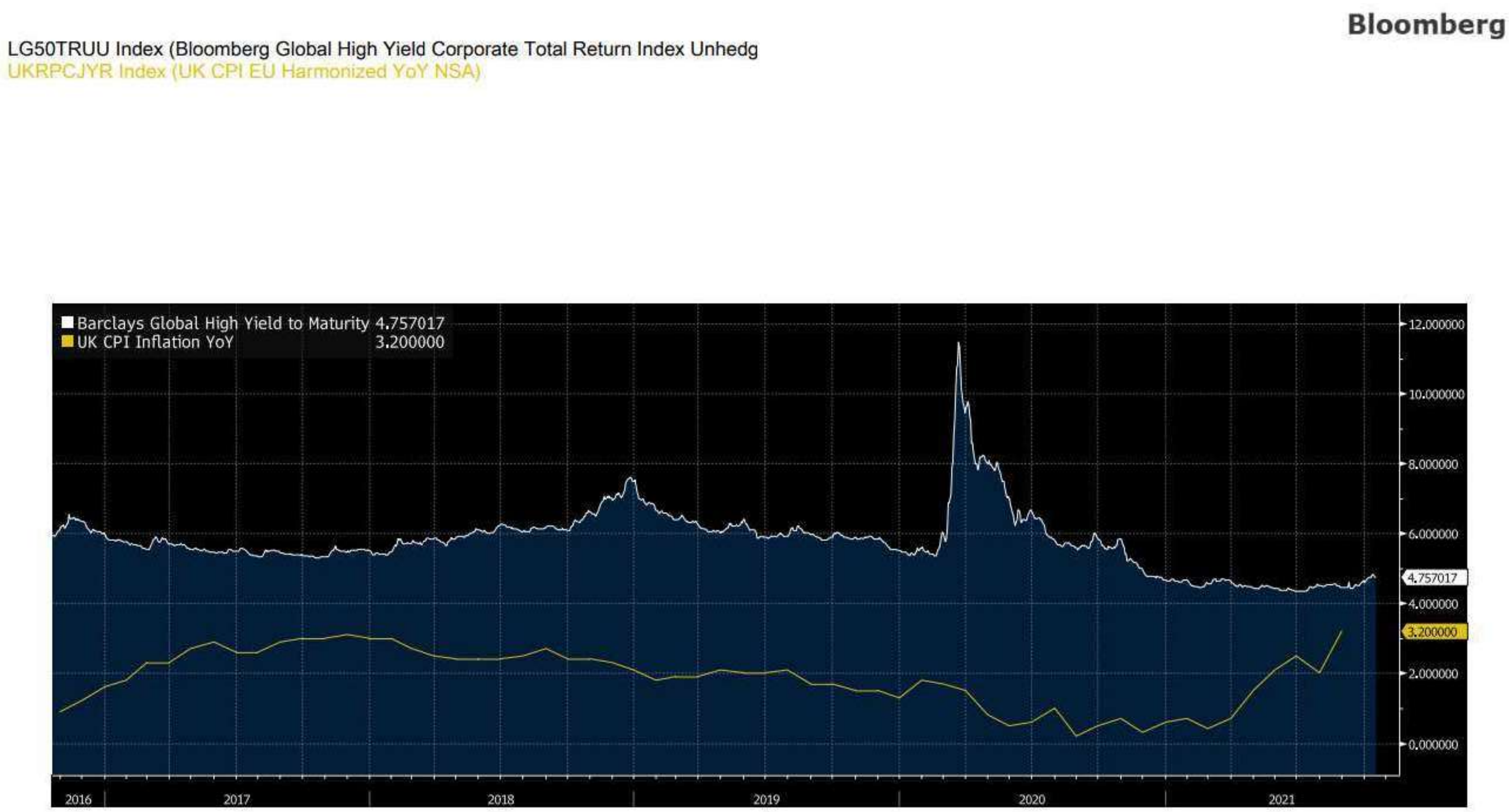
Global economic activity has continued to recover this year, but the real story is the pick-up in inflationary expectations which has led some central banks to start reducing bond buying programmes and even raising interest rates. Consensus expectations for inflation and interest rates have all risen sharply over the last six months for 2021, though long-term economic forecasts have stayed constant. The assumption that inflation is only transitory is beginning to be questioned.

Chart 2: G8 Economic forecasts

G8EconomicForecasts										
Indicator	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
EconomicActivity										
Real GDP (YoY%)	1.8	2	1.5	2.2	2.1	1.7	-4.7	5.2	4	2.2
CPI (YoY%)	1.9	0.9	1	1.8	2.1	1.6	0.9	3.2	2.5	2
Unemployment (%)	6.6	5.9	5.6	5.1	4.7	4.4	7	5.7	4.8	4.4
External Balance										
Curr. Acct. (% of GDP)	-0.5	-0.3	-0.1	0.1	0	0	-0.5	-0.8	-0.8	-0.7
Fiscal Balance										
Budget (% of GDP)	-2.9	-2.5	-2.7	-2.6	-2.6	-3	-11.9	-10.5	-5.4	-3.9
Interest Rates										
Central Bank Rate (%)	1.29	0.84	0.88	1.32	1.94	1.47	0.35	0.41	0.45	0.76
3-Month Rate (%)	0.22	0.37	0.49	0.89	1.53	1.04	0	0.01	0.17	0.54
2-Year Note (%)	0.42	0.57	0.5	0.97	1.36	0.84	-0.09	0.05	0.34	0.74
10-Year Note (%)	1.57	1.66	1.61	1.65	1.82	1.23	0.49	1.04	1.35	1.65
Source Bloomberg Concensus data 13/10/21										
highlighted Forecasts										

To add to the fears on inflation we now have a credit issue to deal with in China. The largest property company in the world, China Evergrande, has defaulted on its short-term debt and has more than U$300bn of outstanding debt. A large number of Chinese property companies are also understood to be in severe financial difficulties. Based on the stability of credit spreads in September, when interest rate volatility increased, the consensus view is that this problem can be contained in China. Credit markets are not discounting any worsening in defaults at this stage and spreads remain tight. As shown below, yields on sub-investment grade bonds (unhedged) are only offering a 1.5% real return before defaults.

Chart 3 High yield (YTM) versus Inflation UK



Source Bloomberg 19/10/21

The OECD has successfully negotiated a 15% minimum corporation tax rate on overseas income after convincing Ireland to sign up and to carve out a 2-year block on new digital taxes in Europe. This will help Governments bring their post Covid-19 high debt levels under control. The UK Treasury will target carried interest and the tax benefits from debt financing and indeed pension savings in the future.

Summary and Outlook

London CIV welcomes Rob Treich and Yiannis Vairamis to the investment team to focus on the London CIV Sub-funds. We are also looking to hire a Senior Portfolio Manager for Private markets and three analysts to work across all the funds.

So, where do you find returns to meet and beat your liabilities? After the 21% (source table 1 above) move in equities over the last year, returns seem likely to moderate in the future with the risk of a significant decline rising. Laggard regional markets including the U.K. and merging Markets may represent good relative value currently. Bonds and credit will likely remain under pressure from rising inflation, interest rates and defaults which leaves income assets (private markets, property and infrastructure despite valuations being fairly rich) as the favoured asset classes, given their inflation protection and income attributes. Property will likely be a key focus as many of you are underweight your strategic allocation post Covid-19 and the long-term shift from Office and retail to residential, warehousing and logistics has accelerated. The newer asset class of Real Estate Long Income (RELI) could be a more liquid and stable alternative to property. We will monitor the progress of those funds that adopt Net Zero Targets and report back on both returns and risk in accordance with the NZT.

London CIV believe the long-term transition to climate stability and responsible investment will continue to offer better risk-adjusted returns over the long term and also help clients meet their own Net Zero targets. The London CIV is endeavouring to improve client reporting, assisting clients in meeting their requirements and building your trust.

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London Borough of Enfield

PENSION POLICY AND INVESTMENT COMMITTEE

Meeting Date: 25 November 2021

Subject:	Market and portfolio Update
Cabinet Member:	Cllr Maguire
Executive Director:	Fay Hammond
Key Decision:	**[ ]**

This report introduces Aon report attached as Appendix 1 to this report, it is the latest market and portfolio update of Enfield Pension Fund.

Purpose of Report

1. The Pension Fund Regulations require that the Council establishes arrangements for monitoring the investments of the Fund. It considers the activities of the investment managers and ensures that proper advice is obtained on investment issues.

2. Officers and fund advisers meet regularly with investment managers to discuss their strategy and performance and if considered necessary may recommend that investment managers are invited to explain further to the Pension Policy & Investment Committee.

Proposal(s)

3. Pension Policy and Investments Committee are recommended to note the contents of Aon's report set as Appendix 1 to this report.

Reason for Proposal(s)

4. The report informs the Pension Policy and investment Committee of the latest macro market outlook and its overall effects on the Enfield Pension Fund.

5. **Relevance to the Council's Corporate Plan**

6. Good homes in well-connected neighbourhoods.

7. Build our Economy to create a thriving place.

8. Sustain Strong and healthy Communities.

Workforce Implications

9. The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will allow the Council to meet this obligation easily and could also make resources available for other corporate priorities.

Property Implications

10. None

Other Implications

11. None

Options Considered

12. There are no alternative options.

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Date of report 16th November 2021

Appendices
Appendix 1 – AON Market and Portfolio Update **(Confidential – Exempt Report)**

Background Papers
None

Document is Restricted

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London Borough of Enfield

PENSION POLICY AND INVESTMENT COMMITTEE

Meeting Date: 25 November 2021

Subject:	**LAPFF Quarterly Engagement Update for Sept 2021**
Cabinet Member:	**Cllr Maguire**
Executive Director:	**Fay Hammond**
Key Decision:	**[ ]**

Purpose of Report

1. The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and the Committee has previously agreed that the Fund should cast its votes at investor meetings in line with LAPFF voting recommendations.

2. This report provides an update on various Environmental Social & Governance (ESG) issues that the Local Authority Pension Fund Forum (LAPFF) have been involved in, for the attention of the Pension Board.

Proposal(s)

3. The Pension Policy and Investments Committee are recommended to:
   a) Note the contents of this report;

   b) The issues discussed by LAPFF, set out in the Quarterly Engagement Report which is available on the LAPFF website: https://lapfforum.org/wp-content/uploads/2021/10/LAPFF_QER03_2021_03.pdf

Reason for Proposal(s)

4. The exercise of voting rights and engagement with investee companies are a key part of the Fund's role as a long term steward of assets. Ensuring good corporate governance and the adoption of sustainable business models at the companies in which the Fund invests should over the longer term ensure that they are able to deliver superior returns to the Fund.

Relevance to the Council's Corporate Plan

5. Good homes in well-connected neighbourhoods.

6. Build our Economy to create a thriving place.

7. Sustain Strong and healthy Communities.

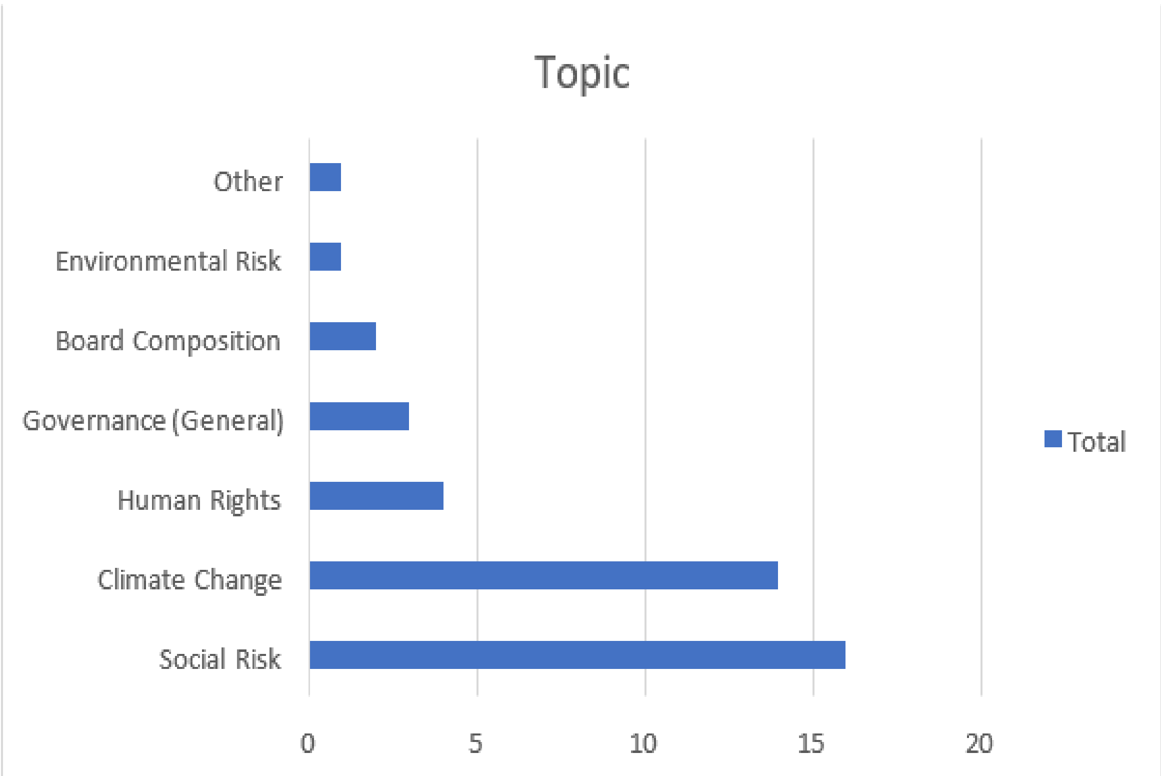
Background

8. The Fund currently delegates the exercise of its voting rights to its external equity managers, who are asked to comply as far as possible with the Fund's voting policies. The move to a pooled structure over the medium term would significantly impact this arrangement as voting rights would need to be exercised at pool level rather than fund level. The Fund will therefore need to ensure that it works with other London funds as well as the pool itself to ensure that in the future it is able to effectively express its views through the exercise of voting rights.

9. The Fund also currently delegates broader engagement with investee companies around ESG issues to its external managers. The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), which currently comprises 71 local authority pension funds with combined assets of £205 billion. The Forum exists to promote the investment interests of local authority pension funds, and in particular to maximise their influence as shareholders to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they invest.

LAPFF Engagement Outcomes

10. For this reporting period, LAPFF engaged with various companies on different topics as shown in the below chart.



11. The LAPFF had engaged with 32 companies as listed in the below table e during this reporting period; **Quarter Ending 30 September 2021**.

Thirty two Companies engaged over the quarter

Company/Index	**Activity**	**Topic**	**Outcome**
A G BARR PLC	Meeting	Other	Small Improvement
AJINOMOTO CO INC	Sent Correspondence	Social Risk	Awaiting Response
ALSTOM SA	Meeting	Human Rights	Small Improvement
ANGLO AMERICAN PLC	Meeting	Climate Change	Change in Process
ARCELORMITTAL SA	Meeting	Climate Change	Change in Process
BANK LEUMI LE-ISRAEL BM	Sent Correspondence	Human Rights	Awaiting Response
CAMPBELL SOUP COMPANY	Sent Correspondence	Social Risk	Awaiting Response
COCA COLA BEVERAGES PLC	Sent Correspondence	Social Risk	Awaiting Response
CONAGRA BRANDS INC.	Meeting	Social Risk	Awaiting Response
DANONE	Sent Correspondence	Social Risk	Dialogue
GENERAL MILLS INC	Sent Correspondence	Social Risk	Awaiting Response
HSBC HOLDINGS PLC	Meeting	Climate Change	Change in Process
KELLOGG COMPANY	Meeting	Social Risk	Awaiting Response
KEURIG DR PEPPER	Sent Correspondence	Social Risk	Awaiting Response
MEIJI HOLDINGS CO LTD	Sent Correspondence	Social Risk	Awaiting Response
MITSUBISHI UFJ FINANCIAL GRP	Meeting	Climate Change	Change in Process

MONDELEZ INTERNATIONAL INC	Sent Correspondence	Social Risk	Awaiting Response
NESTLE SA	Sent Correspondence	Social Risk	Awaiting Response
NEXTERA ENERGY INC	Received Correspondence	Climate Change	Substantial Improvement
PEPSICO INC.	Sent Correspondence	Social Risk	Awaiting Response
PERSIMMON PLC	Meeting	Climate Change	Moderate Improvement
RIO TINTO PLC	Meeting	Climate Change	Change in Process
ROYAL DUTCH SHELL PLC	Sent Correspondence	Climate Change	Awaiting Response
ROYAL DUTCH SHELL PLC	Meeting	Governance (General)	Dialogue
SAINSBURY (J) PLC	AGM	Environmental Risk	Dialogue
SANWA HOLDINGS CORP	Sent Correspondence	Board Composition	Dialogue
SSE PLC	Meeting	Climate Change	Change in Process
STANDARD CHARTERED PLC	Sent Correspondence	Climate Change	Awaiting Response
SUMITOMO MITSUI FINANCIAL GROUP	Sent Correspondence	Board Composition	Substantial Improvement
SUNTORY BEVERAGE & FOOD LTD	Sent Correspondence	Social Risk	Awaiting Response
THE KRAFT HEINZ COMPANY	Sent Correspondence	Social Risk	Awaiting Response
UNILEVER PLC	Sent Correspondence	Social Risk	Awaiting Response

12. Detailed below are some of the LAPFF engagements with some companies, carried out during this reporting period; **Quarter Ending 30 September 2021** with *Shell, Rio Tinto, Anglo American, SSE, Standard Chartered, HSBC, Mitsubishi Financial and Sainsbury.*

13. **Shell** - LAPFF had some serious concerns about the out-going Shell Chair's statement that oil and gas would be needed as part of the company's portfolio for the foreseeable future. Various conversations and interactions with the CEO had also raised concerns about the company's trajectory, both from a carbon perspective and from a business perspective. Consequently, LAPFF was keen to meet the new Shell Chair, Andrew Mackenzie, formerly CEO of BHP and no relation to current BHP Chair, Ken MacKenzie.

14. The meeting took place in early September, with the conversation focused primarily on Shell's financial performance and how the company's approach to fossil fuels would impact on that performance. LAPFF Chair, Cllr Doug McMurdo, noted that compared to BHP's total shareholder returns over the last ten years, Shell had performed poorly and that net zero objectives would not enable the company to achieve Paris-aligned climate targets. While LAPFF was grateful to Sir Andrew for his engagement and welcomed his willingness to take suggestions, significant inconsistencies in Shell's business strategy, business model, and climate strategy appear to persist. LAPFF will continue to engage with Shell to work toward a truly Paris-aligned climate and business plan for the company.

15. **Rio Tinto** - This year, LAPFF attended Rio Tinto's AGM to push the company on recognising the financial impacts of its social challenges. Cllr McMurdo met with Rio Tinto's Chief Financial Officer, Peter Cunningham, to discuss this issue further. Mr. Cunningham took over as interim CFO when Jakob Stausholm became CEO but has been made permanent recently. It appears that Mr Cunningham understands and agrees with the proposition that social impacts affect financial materiality at companies. However, everyone LAPFF has spoken to at Rio Tinto acknowledges that despite progress since Juukan Gorge, the company has some way to go to regain investor and affected community trust in its operations.

16. One area where Rio Tinto has improved substantially is in its willingness to engage with LAPFF. After the destruction of the Juukan Gorge rock shelters, LAPFF tried in vain to obtain meetings with the Chair to discuss what had happened but did not manage to do so for over six months after the shelters were destroyed. This year, LAPFF has met not only with Peter Cunningham but also with Mr. Stausholm and Chair Simon Thompson. The company continues to offer meetings with various specialist staff and affected community members with which the company engages.

17. LAPFF recognizes that engagement is not progress. It also recognizes that the staff and community members put forward by Rio Tinto probably have a particular bias or perspective on Rio Tinto's activities, especially since LAPFF continues to hear contradictory information from affected community representatives. However, engagement with all affected parties is useful for LAPFF to understand what questions to ask the various parties involved.

LAPFF is continuing to liaise with other interested investors, Rio Tinto, and affected communities and their representatives in Australia, the US, Papua New Guinea, and elsewhere. This triangulated communication helps to paint a more complete picture for LAPFF of Rio Tinto's progress from a financial, social, and financial perspective.

18. **Anglo American** - LAPFF has been concerned that Anglo American's board and management have not been sufficiently engaged with community members affected by the company's operations. However, LAPFF learned at the Anglo American AGM that the company's CEO, Mark Cutifani, had visited the company's controversial Colombian joint venture with Glencore and BHP, Cerrejon.

19. Cllr McMurdo met with Mr Cutifani to hear about the CEO's experience of visiting the project. LAPFF appreciated Mr Cutifani's openness in discussing the political, cultural, and environmental challenges surrounding Cerrejon. The project is a thermal coal mine, and just days after speaking to both Mr Cutifani and BHP Chair, Ken MacKenzie, LAPFF received news that both Anglo American and BHP were pulling out of the joint venture to leave Glencore as the sole mining giant involved with the project. Subsequently, LAPFF representatives also met with Anglo American to discuss the company's next 'say on climate' resolution.

20. Anglo American has also developed a detailed community engagement approach as part of its Social Way programme. However, the fact remains that all three companies have been investors in Cerrejon during a time when there have been allegations of severe human rights and environmental violations. All three companies have been named in a complaint filed with a number of OECD National Contact Points on these grounds. LAPFF will continue to engage with Anglo American on its community engagement approach and its climate approach.

21. **SSE** - Cllr Rob Chapman met with SSE to discuss the company's 'say on climate' resolution ahead of SSE's AGM in July. LAPFF and SSE have a longstanding dialogue on environmental, social, and governance issues, including a just transition. The Forum is keen to continue this dialogue as SSE has been particularly constructive in its discussions with LAPFF over the years and has undertaken some innovative work in both the social and the environmental areas, not least a just transition to a zero carbon economy.

22. Acknowledging that SSE is ahead of the game on much of its transition planning, LAPFF raised some concerns in particular around Scope 3 emissions measurement and targets. A number of just transition challenges for the company were also discussed, along with a further discussion on the relevance of and uses for carbon capture and storage (CCS).

23. After the engagement meeting, Cllr Chapman also attended SSE's AGM by virtual means to ask questions around CCS and grid structure in relation to SSE's climate goals. LAPFF and SSE have agreed to continue dialogue and speak as necessary, but in particular prior to SSE's next 'say on climate' resolution.

24. **HSBC** - The LAPFF chair met with HSBC representatives to ascertain how HSBC will be assisting its clients to set and implement coal phase-out plans in line with the bank's own commitment and timeline. Clarity was also sought on how the company is progressing on pulling out of coal-intensive industries.

25. Representatives noted that the International Energy Agency scenario 'net zero by 2050' will be used to benchmark progress. The company has undertaken new analysis, with more data to be considered. The company joined the net zero banking alliance in April to help understand the transition journeys clients are on, and how the bank can have impact. On retreating from coal intensive industries, it was noted that coal exposure represents 0.2% of wholesale loans and advances as measured under the Taskforce on Climate Related Financial Disclosure metrics in 2020.

26. However, it was recognised this still represents investments of £1.2 billion, but as existing, not new, commitments. Representatives noted that they are developing the methodology for a transition risk questionnaire for clients and that commitments would be made in 2021. A further request was made to disclose fossil fuel investments in the annual report. This is done at 'top level' but would not separate out renewables investments made by such companies. At this stage, the outcome was considered 'change in progress'.

27. **Mitsubishi Financial** - Cllr Glyn Caron, of the LAPFF executive, joined a collaborative investor call organised by Asia Research and Engagement with Mitsubishi UFJ Financial (MUFJ). The meeting sought to cover constituent details of a plan which would align financing to the goals of the Paris agreement and the setting of a net zero financed emissions target. This call followed LAPFF correspondence with the company on the issuing of a voting alert for the company's June AGM supporting the company issuing a plan to align financing with the Paris Agreement. The engagement was followed by media coverage on concerns over the bank's provision of finance to fossil fuel expansion and deforestation.

28. In May MUFJ made a net zero declaration, and as part of this commitment joined the net zero banking alliance. The company is committed to developing a plan but has only just started addressing policy formulation and implementation. This initial activity has been through setting up working groups to see if improvement can be made on the current investment threshold of 50% coal, which is 50% of 'total capacity'. The company representative noted this standard would be revised and a goal set, which will be shown in due course. On physical risk, currently only flooding impact is mapped.

29. It was agreed further correspondence would follow, including sharing examples of good practice from other financial institutions and benchmarking of these companies on coal policies. It was noted further physical risks could be considered going forward. Overall, the outcome from the meeting illustrated there was a 'change in process'.

30. **Sainsbury** - LAPFF attended Sainsbury's 'Plan for Better' event and posed questions, both at this event and at the AGM, on the company's packaging

practices, electric vehicles, supply chains, climate change and Say on Climate.

31. Sainsbury's 'Plan for Better' ESG event covered a broad range of ESG topics, noting targets and progress against them. In 2020, Sainsbury announced its climate target to be net zero by 2040 and has this year announced Scope 3 emissions target, which followed with a key theme of this year's ESG event being that the company was engraining ESG at the core of its business strategy. It is taking a number of steps in stores to tackle plastic packaging, opting for loose veg as opposed to prepacked. These steps have led Sainsbury to be recognised by Greenpeace as the retailer with the second highest proportion of loose fruit and vegetables in the market.

32. A large part of Sainsbury's strategy with plastic packaging is attempting to enable a circular economy, having launched an initiative in June, offering customers the opportunity to bring back any flexible plastic packaging to front of store collection points in 520 supermarkets for recycling. LAPFF has also co-led an engagement with Sainsbury in a coalition led by First Sentier Investors, pushing for suppliers and distributors of domestic and commercial washing machines to fit, as a standard procedure, filters to their products to prevent plastic microfibres entering the world's ecosystems. Sainsbury responded that they had engaged with white goods suppliers and were looking at viable options. LAPFF will be meeting with Sainsbury in Q3 for a more in-depth conversation on the company's approach to a zero-carbon transition and will be querying the company further on a Say on Climate vote.

Occupied Palestinian Territories (OPT) Engagements

33. There are short-term and long-term objectives with this engagement. The short-term objective is to have the LAPFF target companies operating in this area engage meaningfully with LAPFF on their human rights practices in the OPT. The long-term objective is to have these companies produce credible, robust, independent human rights impact assessments of their practices in the OPT so that LAPFF members can assess whether the companies' human rights practices meet international human rights and humanitarian law standards.

34. In line with the UN Guiding Principles on Business and Human Rights, LAPFF has engaged a business and human rights expert to help with this engagement. This expert has joined LAPFF an engagement with Altice this quarter, providing invaluable contributions to the engagements and ideas for how to proceed with the engagement.

35. LAPFF sent a follow up meeting request to the target companies and was able to schedule a few more meetings this time round. It will continue to approach companies for engagement and to request meaningful responses to information requests. Specifically, LAPFF is not content with the explanation that companies are abiding by the relevant law in the way they conduct business in the OPT. In all of LAPFF's work globally, this response is a red flag to LAPFF that companies are treading a thin line between legality and illegality in their conduct. This margin is not acceptable to LAPFF.

Persimmon

36. LAPFF has been engaging with Persimmon over a number of years following serious concerns about excessive executive pay, customer care and build quality. The Forum has also identified housebuilders as an important sector for climate change engagements, given the level of emissions from residential property. The Forum therefore sought to meet with the Chair of Persimmon, Roger Devlin, to discuss improvements in customer care and executive pay alongside how it was seeking to move to a net zero business model.

37. It was noted how the company had made changes to its approach to customer care following a review by Stephanie Barwise QC. The meeting covered inspections of properties following historic build quality concerns and the company's improved customer ratings. The issue of executive pay was covered, including resolving issues that led to the high pay award of the former chief executive.

38. On climate change, Persimmons' targets to reach net zero were discussed. Persimmon has made a commitment that all new homes will be net-zero by 2030 and for the company, including its operations, to be net zero by 2040. Gas boilers are being banned in new homes from 2025 and the discussion focused on how Persimmon was seeking to get ready for this change.

39. The company has made improvements to customer care but there is scope for further improvements. While emission targets have been set it will be important to monitor their progress towards net zero.

Safeguarding Implications

40. Poor corporate governance and unsustainable business practices can impact on share prices and increases the risk that the Fund may experience a loss of value in its investments in the future

Public Health Implications

41. The Enfield Pension Fund indirectly contributes to the delivery of Public Health priorities in the Borough.

Equalities Impact of the Proposal

42. The Council is committed to Fairness for All to apply throughout all work and decisions made. The Council serves the whole borough fairly, tackling inequality through the provision of excellent services for all, targeted to meet the needs of each area. The Council will listen to and understand the needs of all its communities.

Environmental and Climate Change Considerations

43. Environmental and climate change considerations are all over this report.

Risks that may arise if the proposed decision and related work is not taken

44. The rigorous robust management of LBE Pension Fund results in better quicker and more effective decision making which can lead to better Fund performance and reduction in the contribution required from the Council towards the Fund.

45. Ensuring good corporate governance and the adoption of sustainable business models at the companies in which the Fund invests should over the longer term ensure that they are able to deliver superior returns to the Fund.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

46. This is a noting report.

Financial Implications

47. This is a noting report and there are no direct financial implications as a result of the contents of this report.

48. The exercise of voting rights and engagement with investee companies are a key part of the Fund's role as a long term steward of assets. Ensuring good corporate governance and the adoption of sustainable business models at the companies in which the Fund invests should over the longer term ensure that they are able to deliver superior returns to the Fund. Poor corporate governance and unsustainable business practices can impact on share prices and increases the risk that the Fund may experience a loss of value in its investments in the future.

Legal Implications

49. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 Regulation 7 requires Administering Authorities to publish and maintain an Investment Strategy Statement which includes, amongst other items, details of:

    a) The authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments.

    b) The authority's policy on the exercise of the rights (including voting rights) attaching to investments.

50. In addition, Government guidance on the preparation and maintenance of the Investment Strategy Statement states that Administering Authorities should explain their policy on stewardship with reference to the Stewardship Code, the seven principles of which apply on a 'comply or explain' basis.

51. There are no immediate legal implications arising from this report.

Workforce Implications

52. The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will allow the

Council to meet this obligation easily and could also make resources available for other corporate priorities.

Property Implications

53. None

Other Implications

54. None

Options Considered

55. The Fund would remain a member of LAPFF but to ensure the Fund's Responsible Investment (RI) approach is enhanced the engagement approach can be improved by procuring an overlay service rather than relying on delegation to fund managers.

Report Author: Bola Tobun
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Date of report 13th November 2021

Appendices
Appendix 1 – LAPFF Quarterly Engagement Report for September 2021

Background Papers
https://lapfforum.org/wp-content/uploads/2021/10/LAPFF_QER03_2021_03.pdf

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Quarterly Engagement Report

July-September 2021

Local Authority Pension Fund Forum

Shell, Rio Tinto, ArcelorMittal, National Grid, SSE, Anglo American

CLIMATE EMERGENCY

LAPFF Chair Visits Tailings Dam in Devon

Objective: Although LAPFF's plans to visit Brazilian communities affected by tailings dams have been postponed due to Covid, LAPFF's work with the communities has continued apace over the last year and a half. As part of building an understanding of how tailings dams function, LAPFF Chair, Cllr Doug McMurdo, visited a mine in Devon that has a tailings dam (pictured above and on cover).

Achieved: Cllr McMurdo visited the tungsten mine at the beginning of July. He was shown round the various mining functions by the mine's CEO and other staff, and part of this tour included the tailings dam. The Devon tailings dam was of a downstream construction. When asked about the construction type, the mine staff explained that they would not use an upstream dam because this type of construction is too dangerous. One of the big problems faced by communities affected by tailings dams globally is that they are potentially in the path of run off from upstream dams.

In Progress: LAPFF is continuing to engage with companies, communities, and other stakeholders, as well as undertaking research to prepare for its visit to Brazil, whenever that might be.

Shell

Objective: LAPFF had some serious concerns about the out-going Shell Chair's statement that oil and gas would be needed as part of the company's portfolio for the foreseeable future. Various conversations and interactions with the CEO had also raised concerns about the company's trajectory, both from a carbon perspective and from a business perspective. Consequently, LAPFF was keen to meet the new Shell Chair, Andrew Mackenzie, formerly CEO of BHP and no relation to current BHP Chair, Ken MacKenzie.

Achieved: The meeting took place in early September, with the conversation focused primarily on Shell's financial performance and how the company's approach to fossil fuels would impact on that performance. LAPFF Chair, Cllr Doug McMurdo, noted that compared to BHP's total shareholder returns over the last ten years, Shell had performed poorly and that net zero objectives would not enable the company to achieve Paris-aligned climate targets. While LAPFF was grateful to Sir Andrew for his engagement and welcomed his willingness to take suggestions, significant inconsistencies in Shell's business strategy, business model, and climate strategy appear to persist.

CLIMATE EMERGENCY

In Progress: LAPFF will continue to engage with Shell to work toward a truly Paris-aligned climate and business plan for the company.

Rio Tinto

Objective: This year, LAPFF attended Rio Tinto's AGM to push the company on recognising the financial impacts of its social challenges. Therefore, Cllr McMurdo was pleased to meet Rio Tinto's Chief Financial Officer, Peter Cunningham, to discuss this issue further. Mr. Cunningham took over as interim CFO when Jakob Stausholm became CEO but has been made permanent recently.

Achieved: It appears that Mr Cunningham understands and agrees with the proposition that social impacts affect financial materiality at companies. However, everyone LAPFF has spoken to at Rio Tinto acknowledges that despite progress since Juukan Gorge, the company has some way to go to regain investor and affected community trust in its operations.

One area where Rio Tinto has improved substantially is in its willingness to engage with LAPFF. After the destruction of the Juukan Gorge rock shelters, LAPFF tried in vain to obtain meetings with the Chair to discuss what had happened but did not manage to do so for over six months after the shelters were destroyed. This year, LAPFF has met not only with Peter Cunningham but also with Mr. Stausholm and Chair Simon Thompson. The company continues to offer meetings with various specialist staff and affected community members with which the company engages.

LAPFF recognises that engagement is not progress. It also recognises that the staff and community members put forward by Rio Tinto probably have a particular bias or perspective on Rio Tinto's activities, especially since LAPFF continues to hear contradictory information from affected community representatives. However, engagement with all affected parties is useful for LAPFF to understand what questions to ask the various parties involved.

In Progress: Therefore, LAPFF is continuing to liaise with other interested investors, Rio Tinto, and affected communities and their representatives in Australia, the US, Papua New Guinea, and elsewhere. This triangulated communication helps to paint a more complete picture for LAPFF of Rio Tinto's progress from an environmental, social, and financial perspective.

As a follow-up, the LAPFF Chair also met with Rio Tinto staff to discuss the forthcoming 'say on climate' vote at the 2022 AGM. The challenge as ever is addressing Scope 3 emissions, which comprise 95% of total emissions. In doing so, the pace of roll-out of zero-carbon technologies by the company's steel customers was noted.

Anglo American

Objective: LAPFF has been concerned that Anglo American's board and management have not been sufficiently engaged with community members affected by the company's operations. However, LAPFF learned at the Anglo American AGM that the company's CEO, Mark Cutifani, had visited the company's controversial Colombian joint venture with Glencore and BHP, Cerrejon. Therefore, Cllr McMurdo met with Mr. Cutifani to hear about the CEO's experience of visiting the project.

Achieved: LAPFF appreciated Mr. Cutifani's openness in discussing the political, cultural, and environmental challenges surrounding Cerrejon. The project is a thermal coal mine, and just days after speaking to both Mr. Cutifani and BHP Chair, Ken MacKenzie, LAPFF received news that both Anglo American and BHP were pulling out of the joint venture to leave Glencore as the sole mining giant involved with the project. Subsequently, LAPFF representatives also met with Anglo American to discuss the company's next 'say on climate' resolution.

Anglo American has developed a detailed community engagement approach as part of its Social Way programme. However, the fact remains that all three companies have been investors in Cerrejon during a time when there have been allegations of severe human rights and environmental violations. All three companies have been named in a complaint filed with a number of OECD National Contact Points on these grounds.

In Progress: LAPFF will continue to engage with Anglo American on its community engagement approach and its climate approach.

BHP Voting Alert

LAPFF issued a voting alert to oppose BHP's climate plan. While LAPFF commended BHP for putting its plan to a vote, the plan is not aligned with the goals of the Paris Agreement. BHP has undoubtedly made progress on climate, but given the pressing nature of the climate crisis, LAPFF expects all climate plans to be Paris-aligned at this stage. As the alert stated, climate change is not a negotiation.

BHP

Objective: There is a debate raging in Western Australia about a proposed cultural heritage law to increase protections for Indigenous communities in the area. LAPFF had spoken to Rio Tinto about the law, and the company had not seen the final draft. However, affected communities are apparently not pleased with either the process or the content of the law. As BHP is another company affected by the law, LAPFF had a meeting with the company's Indigenous Affairs representative to find out more about the law. LAPFF is also seeking a meeting with the affected Indigenous communities.

Achieved: LAPFF was able to understand from the discussion with BHP that the main point of contention appears to be the level of say affected communities have over whether projects move forward, a so-called 'right of veto'. While there are apparently improvements from the last piece of legislation, the question is whether sufficient positive change will be made to the new legislation to protect affected communities from another Juukan Gorge.

In Progress: LAPFF will continue to engage with BHP, Rio Tinto, and affected community members to see if there is a role for LAPFF to play in promoting a positive outcome to this debate and the eventual legislation.

COMPANY ENGAGEMENT

ArcelorMittal

Objective: After the long-awaited issuing of the company's second Group Climate Action report, a meeting was held with company representatives and other CA100+ investors to discuss company progress.

Achieved: ArcelorMittal now has a group-wide emission intensity reduction target for 2030 of 25%, and 35% for Europe. The LAPFF Vice-Chair, Cllr Chapman commended the strengthening of targets and announcements of zero carbon steel plants in Spain and Canada. On request, the report also included a mapping of the company progress against the CA100+ benchmark. This mapping will be used by many investors to inform AGM voting. Also raised were Paris-aligned accounts, climate considerations in remuneration, consulting shareholders on a transition plan vote at the 2022 AGM and requesting that the company run the 2022 AGM as openly as it did the 2021 AGM when the meeting was run on a virtual platform.

In Progress: Given the strengthened decarbonization targets and 'real world' impact of the new zero carbon steel plants, this engagement was considered to have shown substantial progress.

National Grid

Objective: LAPFF has had long-term ongoing engagement with National Grid, most recently as joint-lead investor in the Climate Action 100+ (CA100+) engagement. This engagement culminated in the board putting a 'say on climate' resolution to the AGM, which asked shareholders, from 2022, to approve annual reporting on the company's net zero strategy, 2030 action plan, and progress against emission reduction targets. Cllr Rob Chapman, the LAPFF Vice-Chair, met with the new chair, Paul Rasput Reynolds, and attended the AGM to encourage robust decarbonization plans.

Achieved: A voting alert recommended that members support the board's accountability for annual approval of a transition plan as well as article amendments supporting provisions for holding 'hybrid' annual meetings. The latter provides greater opportunities for shareowners to participate and ask questions of board members. At the meeting with the chair, LAPFF questions focused on seeking more ambition due to the new International Energy Agency Net Zero pathway, on phasing out gas, on setting short term targets up to 2025, and on looking for changes in planned capex to allow for a larger take up of electrification for heating. At the AGM the following week, LAPFF posed questions; the questions and responses from the board can be viewed here. Ms. Reynolds noted there would be a board meeting following the AGM to consider how the UK and US transition plans are implemented and remain fit for purpose.

In Progress: It was considered the outcome of the meeting was 'change in progress'.

SSE

Objective: Cllr Rob Chapman also met with SSE to discuss the company's 'say on climate' resolution ahead of SSE's AGM in July. LAPFF and SSE have a long-standing dialogue on environmental, social, and governance issues, including a just transition. The Forum is keen to continue this dialogue as SSE has been particularly constructive in its discussions with LAPFF over the years and has undertaken some innovative work in both the social and the environmental areas, not least a just transition to a zero-carbon economy.

Achieved: Acknowledging that SSE is ahead of the game on much of its transition planning, LAPFF raised some concerns in particular around Scope 3 emissions measurement and targets. A number of just transition challenges for the company were also discussed, along with a further discussion on the relevance of and uses for carbon capture and storage (CCS).

After the engagement meeting, Cllr Chapman also attended SSE's AGM by virtual means to ask questions around CCS and grid structure in relation to SSE's climate goals.

In Progress: LAPFF and SSE have agreed to continue dialogue and speak as necessary, but in particular prior to SSE's next 'say on climate' resolution.

HSBC

Objectives: The LAPFF chair met with HSBC representatives to ascertain how HSBC will be assisting its clients to set and implement coal phase-out plans in line with the bank's own commitment and timeline. Clarity was also sought on how the company is progressing on pulling out of coal-intensive industries.

Achieved: Representatives noted that the International Energy Agency scenario 'net zero by 2050' will be used to benchmark progress. The company has undertaken new analysis, with more data to be considered. The company joined the net zero banking alliance in April to help understand the transition journeys clients are on, and how the bank can have impact. On retreating from coal-intensive industries, it was noted that coal exposure represents 0.2% of wholesale loans and advances as measured under the Taskforce on Climate-related Financial Disclosure metrics in 2020. However, it was recognised this still represents investments of £1.2 billion, but as existing, not new, commitments.

In Progress: Representatives noted that they are developing the methodology for a transition risk questionnaire for clients and that commitments would be made in 2021. A further request was made to disclose fossil fuel investments in the annual report. This disclosure is done at 'top level' but would not separate out renewables investments made by such companies. At this stage, the outcome was considered 'change in progress'.

Standard Chartered

Objectives: The LAPFF chair met with the Standard Chartered chair, José Viñals, to ascertain how the company is progressing working with clients on climate change to reduce emissions and align with the bank's net zero by 2050 policy.

Achieved: Of concern has been the bank's funding of Adaro, a major coal supplier which Standard Chartered's own analysis shows to be aligned with an increase of 5-6°C in global warming. Standard Chartered will be issuing a roadmap setting out its route to net zero in October 2021, and the board is putting a 'say on climate' resolution to the 2022 AGM.

COMPANY ENGAGEMENT

In Progress: It appears that an NGO is considering filing a resolution to the Standard Chartered AGM asking for commitments not yet evident in the company's current transition plans. LAPFF met with this NGO to hear more of its concerns.

Mitsubishi Financial

Objective: Cllr Glyn Caron, of the LAPFF Executive, joined a collaborative investor call organised by Asia Research and Engagement with Mitsubishi UFJ Financial (MUFJ). The meeting sought to cover constituent details of a plan which would align financing to the goals of the Paris agreement and the setting of a net zero financed emissions target. This call followed LAPFF correspondence with the company on the issuing of a voting alert for the company's June AGM supporting the company issuing a plan to align financing with the Paris Agreement. The engagement was followed by media coverage on concerns over the bank's provision of finance to fossil fuel expansion and deforestation.

Achieved: In May, MUFJ made a net zero declaration, and as part of this commitment joined the Net Zero Banking Alliance. The company is committed to developing a plan but has only just started addressing policy formulation and implementation. This initial activity has been through setting up working groups to see if improvement can be made on the current investment threshold of 50% coal, which is 50% of 'total capacity'. The company representative noted this standard would be revised and a goal set, which will be shown in due course. On physical risk, currently only flooding impact is mapped.

In Progress: It was agreed further correspondence would follow, including sharing examples of good practice from other financial institutions and benchmarking of these companies on coal policies. It was noted further physical risks could be considered going forward. Overall, the outcome from the meeting illustrated there was a 'change in process'.

Sainsbury

Objective: LAPFF attended Sainsbury's 'Plan for Better' event and posed questions, both at this event and at the AGM, on the company's packaging practices, electric vehicles, supply chains, climate change and 'say on climate'.

Achieved: Sainsbury's 'Plan for Better' ESG event covered a broad range of ESG topics, noting targets and progress against them. In 2020, Sainsbury announced its climate target to be net zero by 2040 and has this year announced Scope 3 emissions target, which followed with a key theme of this year's ESG event being that the company was engraining ESG at the core of its business strategy. It is taking a number of steps in stores to tackle plastic packaging, opting for loose veg as opposed to prepacked. These steps have led Sainsbury to be recognised by Greenpeace as the retailer with the second highest proportion of loose fruit and vegetables in the market.

A large part of Sainsbury's strategy with plastic packaging is attempting to enable a circular economy, having launched an initiative in June, offering customers the opportunity to bring back any flexible plastic packaging to front of store collection points in 520 supermarkets for recycling. LAPFF has also co-led an engagement with Sainsbury in a coalition led by First Sentier Investors, pushing for suppliers and distributors of domestic and commercial washing machines to fit, as a standard procedure, filters to their products to prevent plastic microfibres entering the world's ecosystems. Sainsbury responded that they had engaged with white goods suppliers and were looking at viable options.

In Progress: LAPFF will be meeting with Sainsbury for a more in-depth conversation on the company's approach to a zero-carbon transition and will be querying the company further on a 'say on climate' vote.

COMPANY ENGAGEMENT

Persimmon

Objective: LAPFF has been engaging with Persimmon over a number of years following serious concerns about excessive executive pay, customer care and build quality. The Forum has also identified housebuilders as an important sector for climate change engagements, given the level of emissions from residential property. The Forum therefore sought to meet with the Chair of Persimmon, Roger Devlin, to discuss improvements in customer care and executive pay alongside how it was seeking to move to a net zero business model.

Achieved: It was noted how the company had made changes to its approach to customer care following a review by Stephanie Barwise QC. The meeting covered inspections of properties following historic build quality concerns and the company's improved customer ratings. The issue of executive pay was covered, including resolving issues that led to the high pay award of the former chief executive.

On climate change, Persimmon's targets to reach net zero were discussed. Persimmon has made a commitment that all new homes will be net-zero by 2030 and for the company, including its operations, to be net zero by 2040. Gas boilers are being banned in new homes from 2025 and the discussion focused on how Persimmon was seeking to get ready for this change.

In progress: The company has made improvements to customer care but there is scope for further improvements. While emission targets have been set it will be important to monitor their progress towards net zero.

OCCUPIED PALESTINIAN TERRITORIES (OPT) ENGAGEMENTS

Objective: There are short-term and long-term objectives with this engagement. The short-term objective is to have the LAPFF target companies operating in this area engage meaningfully with LAPFF on their human rights practices in the OPT. The long-term objective is to have these companies produce credible, robust, independent human rights impact assessments of their practices in the OPT so that LAPFF members can assess whether the companies' human rights practices meet international human rights and humanitarian law standards.

Achieved: In line with the UN Guiding Principles on Business and Human Rights, LAPFF has been working for some months with a business and human rights expert to help with this engagement. This expert has joined LAPFF engagements with Altice and Booking Holdings this quarter, providing invaluable contributions to the engagements and ideas for how to proceed with the engagement. Both companies provided insights into their human rights due diligence processes and Booking Holdings has publicly announced that it is in the process of drafting its Human Rights Statement.

In Progress: LAPFF sent a follow up meeting request to the target companies and was able to schedule a few more meetings this time round. It will continue to approach companies for engagement and to request meaningful responses to information requests. Specifically, LAPFF is not content with the explanation that companies are abiding by the relevant law in the way they conduct business in the OPT. In all of LAPFF's work globally, this response is a red flag to LAPFF that companies are treading a thin line between legality and illegality in their conduct. This margin is not acceptable to LAPFF.

COMPANY ENGAGEMENT

PHARMACEUTICAL COMPANY ENGAGEMENTS

Objective: Some of LAPFF's largest holdings are in pharmaceutical companies. Many of these companies have been contributing to the development of Covid vaccines and have faced significant challenges over the last couple of years. LAPFF is interested in finding out how the Covid pandemic has affected these companies.

Achieved: LAPFF has written to five of the companies in which members hold a large number of shares in aggregate to find out whether the Covid pandemic has had an impact on their business strategies or business models. The companies of interest are AstraZeneca, GlaxoSmithKline, Novartis, Roche Holding, and Sanofi.

In Progress: LAPFF is in the process of arranging meetings with these companies, most of whom have responded that they are willing to meet and discuss this issue.

COLLABORATIVE ENGAGEMENTS

Chair's Quote: "The speed with which the 'say on climate' initiative has taken root is indicative of its importance. I am heartened to see the number of companies putting their climate plans to a vote. However, the number of plans that fail to meet the goals of the Paris Agreement is alarming. I have always shared the view that Covid is a dress rehearsal for climate change; we must learn and take meaningful action much more quickly on both fronts."

The Institutional Investor Group on Climate Change has published a guide on Investor Expectations of Companies on Physical Climate Risks and Opportunities. LAPFF has co-signed letters to 50 companies in sectors highly exposed to physical climate risk asking them to adopt the expectations set out in the guide. These expectations very broadly are to establish a climate governance framework, to undertake physical climate risk and opportunity assessment, to develop and implement a strategy for building climate resilience, and to identify and report against metrics to demonstrate progress over time.

COLLABORATIVE INVESTOR MEETINGS

LAPFF continued to engage with other investors in the 30% Club, the Investors for Opioid and Pharmaceutical Accountability (IOPA) and the 'Financing a Just Transition Alliance'. It is also continuing to work with CA100+ on carbon reduction at widely held companies, and with Sarasin on Paris-aligned auditing of accounts. LAPFF continues to participate in investor collaborations to combat modern slavery too and is considering how best to expand engagement on this topic.

COLLABORATIVE COMMUNITY MEETINGS

LAPFF was pleased to learn that JGP Credito, a Brazilian investor with which LAPFF has been liaising in relation to the Samarco and Brumadinho tailings dam collapses in Brazil, visited communities affected by those disasters at the end of August. One of the main asks from the communities was that LAPFF get Brazilian investors involved to help highlight the communities' struggles in the wake of the dam collapses. JGP has been an excellent partner in this regard, but it has been a struggle for LAPFF to engage other Brazilian investors. In any case, LAPFF is planning to continue its quarterly meetings with affected community members to monitor their experiences and to see what LAPFF can do to help meet their needs.

POLICY ENGAGEMENT

Further to the setting up of the UK Accounting Standards Endorsement Board, which has taken over from the EU Commission in endorsing international accounting standards for use in the UK, the Chair of LAPFF has written to the Chair of the Board, Pauline Wallace. The letter requests production of the guidance used by the UKEB in endorsing standards in respect of 'true and fair view'. This request comes after the former CEO of the FRC told Parliament that government lawyers had "concluded that they agreed" with "legal advice from Martin Moore QC who [had] concluded almost exactly the opposite of what [George Bompas, QC for the Local Authorities Pension Fund Forum (LAPFF)] had concluded." However, a Freedom of Information request revealed the government position: "We have never said that the views [of the LAPFF] are incorrect and may be disregarded. … Ultimately, whether the views of the LAPFF are incorrect would be a matter for the courts".

In September, LAPFF – as part of a 587 investors strong group representing over USD $46 trillion in assets – participated in sending the 2021 Global Investor Statement to Governments on the Climate Crisis. Considered the 'strongest ever call by global investors for governments to raise their climate ambition and implement meaningful policies to support investment in solutions to the climate crisis' the statement calls on all governments to undertake five priority actions in 2021. For further information on this statement, please access here.

CONSULTATION RESPONSES

There has been a series of consultations by the government relating to the UK's commitments on carbon reductions, including the interim goal of reducing emissions by 78% by 2035 over 1990 levels.

Transport, is the sector with the fastest growing source of carbon emissions and LAPFF has provided three related responses to relevant government consultations. In its response to the Department of Transport's 'Jet Zero' consultation on the strategy for net zero aviation, LAPFF considers that the government should take the opportunity to support the development of UK leadership in electric flight. In the response to the DWP consultation on ending the sale of new non-zero emission heavy goods vehicles, LAPFF supports a clearly identified legislative framework for carbon reductions, so companies can make the necessary decisions and financial commitments to provide the crucial short and long-term solutions to decarbonising the economy. Responding to the Department for Transport Consultation on a new CO_2

ENGAGEMENT

emissions regulatory framework, LAPFF supports deploying the zero-emission vehicle mandate. To maximise zero emission capability, the government should ensure there is a focus on electric drivetrain technology for all road vehicles. For cars or vans, the Department for Business, Energy and Industrial Strategy has already recognised that this approach is the lowest cost route to zero emissions. All responses can be viewed here.

MEDIA COVERAGE

Investors with $4 trln assets aim to tackle Asian firms on climate change goals https://www.reuters.com/article/marketsNews/idUSL8N2QU68V?il=0
https://finance.yahoo.com/news/investors-4-trln-assets-aim-013000164.html
https://www.dealstreetasia.com/stories/investors-asian-firms-climate-change-262764/
https://www.straitstimes.com/business/economy/investors-handling-54-trillion-throw-weight-behind-new-platform-pushing-for-green

LGPS – Making Net Zero Add up To Something Real https://www.room151.co.uk/blogs/lgps-making-net-zero-add-up-to-something-real/

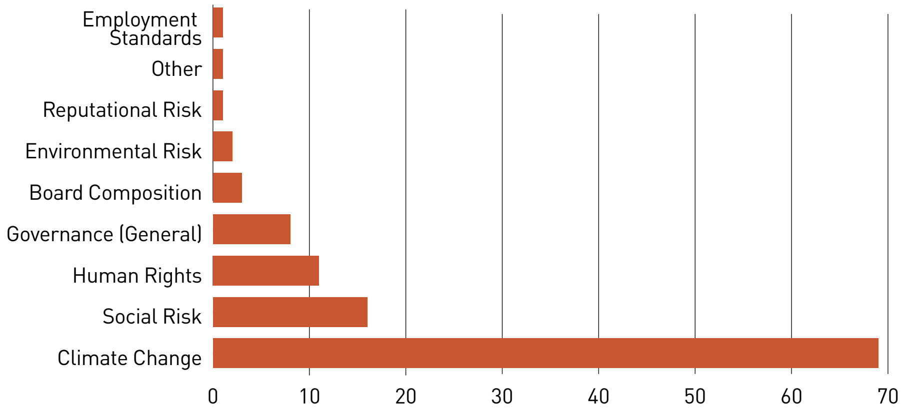
Legal Experts Warn on Issues with ICAEW Dividends guidance https://www.ipe.com/news/legal-experts-warn-on-issues-with-icaew-dividends-guidance/10055010.article

Phil Triggs: LGPS needs fine judgement on climate change and pooling https://www.lgcplus.com/investment/phil-triggs-lgps-needs-fine-judgement-on-climate-change-and-pooling-08-09-2021/

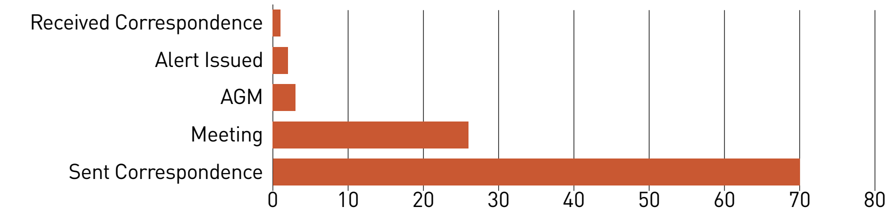
Sharp drop in LGPS fund and Pool signatories of stewardship code https://www.lgcplus.com/investment/sharp-drop-in-lgps-fund-and-pool-signatories-of-stewardship-code-06-09-2021/

ENGAGEMENT DATA

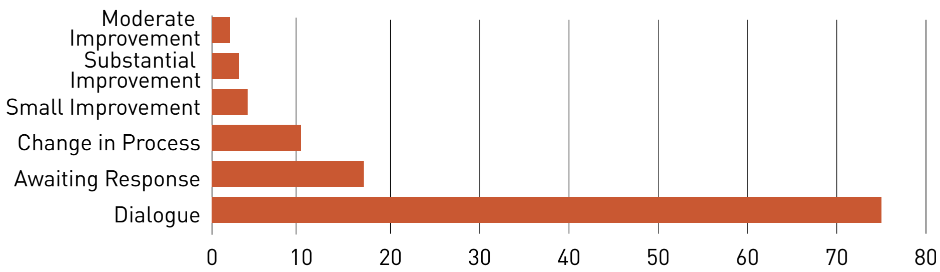
ENGAGEMENT TOPICS



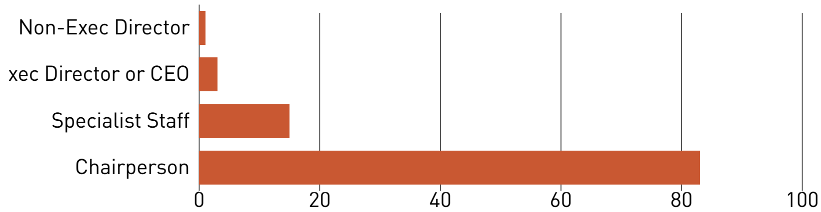
ACTIVITY



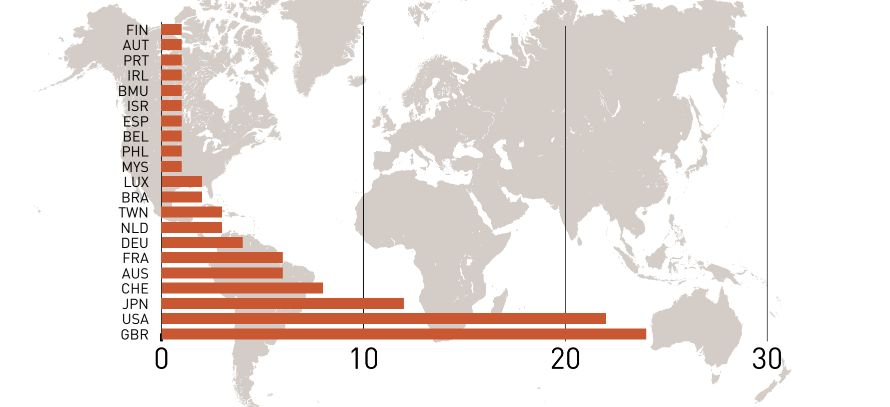
MEETING ENGAGEMENT OUTCOMES



POSITION ENGAGED



COMPANY DOMICILES



COMPANY PROGRESS REPORT

82 Companies engaged over the quarter

*The table below is a consolidated representation of engagements so reflects the number of companies engaged, not the number of engagements

Company/Index	Activity	Topic	Outcome
A G BARR PLC	Meeting	Other	Small Improvement
ABOITIZ EQUITY VENTURES INC	Sent Correspondence	Climate Change	Dialogue
AIR LIQUIDE SA	Sent Correspondence	Climate Change	Dialogue
AJINOMOTO CO INC	Sent Correspondence	Climate Change	Dialogue
ALLERGAN PLC	Sent Correspondence	Climate Change	Dialogue
ALSTOM SA	Meeting	Human Rights	Small Improvement
AMS AG	Sent Correspondence	Climate Change	Dialogue
ANGLO AMERICAN PLC	Meeting	Climate Change	Change in Process
ARCELORMITTAL SA	Meeting	Climate Change	Substantial Improvement
ARKEMA	Sent Correspondence	Climate Change	Dialogue
ASTRAZENECA PLC	Sent Correspondence	Governance (General)	Dialogue
BANK LEUMI LE-ISRAEL BM	Sent Correspondence	Human Rights	Awaiting Response
BHP GROUP LIMITED (AUS)	Alert Issued	Climate Change	Dialogue
BOOKING HOLDINGS INC.	Meeting	Human Rights	Small Improvement
CAMPBELL SOUP COMPANY	Sent Correspondence	Climate Change	Dialogue
CENTRICA PLC	Sent Correspondence	Climate Change	Dialogue
COCA COLA BEVERAGES PLC	Sent Correspondence	Social Risk	Awaiting Response
CONAGRA BRANDS INC.	Meeting	Social Risk	Awaiting Response
COVESTRO AG	Sent Correspondence	Climate Change	Dialogue
CSX CORPORATION	Sent Correspondence	Climate Change	Dialogue
DANONE	Sent Correspondence	Social Risk	Dialogue
DELTA AIR LINES INC	Sent Correspondence	Climate Change	Dialogue
DIALOG SEMICONDUCTOR PLC	Sent Correspondence	Climate Change	Dialogue
DOMINION ENERGY INC	Sent Correspondence	Climate Change	Dialogue
ENDO INTERNATIONAL PLC	Sent Correspondence	Climate Change	Dialogue
FIRSTGROUP PLC	Sent Correspondence	Climate Change	Dialogue
FORMOSA PLASTICS CORP	Sent Correspondence	Climate Change	Dialogue
GALP ENERGIA SGPS SA	Sent Correspondence	Climate Change	Dialogue
GENERAL MILLS INC	Sent Correspondence	Social Risk	Awaiting Response
GLAXOSMITHKLINE PLC	Sent Correspondence	Governance (General)	Dialogue
GRIFOLS SA	Sent Correspondence	Climate Change	Dialogue
HSBC HOLDINGS PLC	Meeting	Climate Change	Change in Process
INFINEON TECHNOLOGIES AG	Sent Correspondence	Climate Change	Dialogue
JABIL CIRCUIT INC	Sent Correspondence	Climate Change	Dialogue
KELLOGG COMPANY	Meeting	Social Risk	Awaiting Response
KERRY GROUP PLC	Sent Correspondence	Climate Change	Dialogue
KEURIG DR PEPPER	Sent Correspondence	Social Risk	Awaiting Response
LANXESS AG	Sent Correspondence	Climate Change	Dialogue
LITEON TECHNOLOGY CORP	Sent Correspondence	Climate Change	Dialogue
LOGITECH INTERNATIONAL S.A.	Sent Correspondence	Climate Change	Dialogue
LONZA GROUP AG	Sent Correspondence	Climate Change	Dialogue
LYONDELLBASELL INDUSTRIES N.V.	Sent Correspondence	Climate Change	Dialogue
MARVELL TECHNOLOGY GROUP LTD	Sent Correspondence	Climate Change	Dialogue
MEDTRONIC PLC	Sent Correspondence	Climate Change	Dialogue
MEIJI HOLDINGS CO LTD	Sent Correspondence	Social Risk	Awaiting Response
MISC BERHAD	Sent Correspondence	Climate Change	Dialogue
MITSUBISHI UFJ FINANCIAL GRP	Meeting	Climate Change	Change in Process
MONDELEZ INTERNATIONAL INC	Sent Correspondence	Social Risk	Awaiting Response
NAN YA PLASTICS CORP	Sent Correspondence	Climate Change	Dialogue
NATIONAL GRID PLC	AGM	Climate Change	Change in Process
NESTLE SA	Sent Correspondence	Climate Change	Dialogue
NEXTERA ENERGY INC	Received Correspondence	Climate Change	Substantial Improvement
NIPPON EXPRESS CO LTD	Sent Correspondence	Climate Change	Dialogue
NISSIN FOOD HLDGS CO LTD	Sent Correspondence	Climate Change	Dialogue
NOKIA OYJ	Sent Correspondence	Climate Change	Dialogue

COMPANY PROGRESS REPORT

82 Companies engaged over the quarter

*The table below is a consolidated representation of engagements so reflects the number of companies engaged, not the number of engagements

NORFOLK SOUTHERN CORPORATION	Sent Correspondence	Climate Change	Dialogue
NOVARTIS AG	Sent Correspondence	Governance (General)	Dialogue
PANALPINA WELTTRANSPORT AG	Sent Correspondence	Climate Change	Dialogue
PEPSICO INC.	Sent Correspondence	Social Risk	Awaiting Response
PERSIMMON PLC	Meeting	Climate Change	Moderate Improvement
PUBLIC SERVICE ENTERPRISE GROUP INC	Sent Correspondence	Climate Change	Dialogue
RENESAS ELECTRONICS CORP	Sent Correspondence	Climate Change	Dialogue
RIO TINTO GROUP (AUS)	Meeting	Governance (General)	Dialogue
RIO TINTO PLC	Meeting	Climate Change	Change in Process
ROCHE HOLDING AG	Sent Correspondence	Climate Change	Dialogue
ROHM CO LTD	Sent Correspondence	Climate Change	Dialogue
ROYAL DUTCH SHELL PLC	Meeting	Governance (General)	Dialogue
SAINSBURY (J) PLC	AGM	Environmental Risk	Dialogue
SANOFI	Sent Correspondence	Climate Change	Dialogue
SANWA HOLDINGS CORP	Sent Correspondence	Board Composition	Dialogue
SEAGATE TECHNOLOGY PUBLIC LIMITED COMPANY	Sent Correspondence	Climate Change	Dialogue
SOLVAY SA	Sent Correspondence	Climate Change	Dialogue
SSE PLC	Meeting	Climate Change	Change in Process
STANDARD CHARTERED PLC	Meeting	Climate Change	Dialogue
STMICROELECTRONICS NV	Sent Correspondence	Climate Change	Dialogue
SUMITOMO MITSUI FINANCIAL GROUP	Meeting	Board Composition	Moderate Improvement
SUNTORY BEVERAGE & FOOD LTD	Sent Correspondence	Social Risk	Awaiting Response
SWATCH GROUP AG	Sent Correspondence	Climate Change	Dialogue
THE CLOROX COMPANY	Sent Correspondence	Climate Change	Dialogue
THE KRAFT HEINZ COMPANY	Sent Correspondence	Social Risk	Awaiting Response
UNILEVER PLC	Sent Correspondence	Social Risk	Awaiting Response
VALE SA	Meeting	Human Rights	Dialogue

LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Avon Pension Fund
Barking and Dagenham Pension Fund
Barnet Pension Fund
Bedfordshire Pension Fund
Berkshire Pension Fund
Bexley (London Borough of)
Bromley Pension Fund
Cambridgeshire Pension Fund
Camden Pension Fund
Cardiff & Glamorgan Pension Fund
Cheshire Pension Fund
City of London Corporation Pension Fund
Clwyd Pension Fund (Flintshire CC)
Cornwall Pension Fund
Croydon Pension Fund
Cumbria Pension Fund
Derbyshire Pension Fund
Devon Pension Fund
Dorset Pension Fund
Durham Pension Fund
Dyfed Pension Fund
Ealing Pension Fund
East Riding Pension Fund
East Sussex Pension Fund
Enfield Pension Fund
Environment Agency Pension Fund
Essex Pension Fund
Falkirk Pension Fund
Gloucestershire Pension Fund
Greater Gwent Pension Fund
Greater Manchester Pension Fund
Greenwich Pension Fund
Gwynedd Pension Fund
Hackney Pension Fund
Hammersmith and Fulham Pension Fund
Haringey Pension Fund
Harrow Pension Fund
Havering Pension Fund
Hertfordshire Pension Fund
Hounslow Pension Fund
Islington Pension Fund
Kingston upon Thames Pension Fund
Kensington and Chelsea (Royal Borough of)
Lambeth Pension Fund
Lancashire County Pension Fund
Leicestershire Pension Fund
Lewisham Pension Fund
Lincolnshire Pension Fund
London Pension Fund Authority
Lothian Pension Fund
Merseyside Pension Fund
Merton Pension Fund
Newham Pension Fund
Norfolk Pension Fund
North East Scotland Pension Fund
North Yorkshire Pension Fund
Northamptonshire Pension Fund
Nottinghamshire Pension Fund
Oxfordshire Pension Fund
Powys Pension Fund
Redbridge Pension Fund
Rhondda Cynon Taf Pension Fund
Shropshire Pension Fund
Somerset Pension Fund
South Yorkshire Pension Authority
Southwark Pension Fund
Staffordshire Pension Fund
Strathclyde Pension Fund
Suffolk Pension Fund
Surrey Pension Fund
Sutton Pension Fund
Swansea Pension Fund
Teesside Pension Fund
Tower Hamlets Pension Fund
Tyne and Wear Pension Fund
Waltham Forest Pension Fund
Wandsworth Borough Council Pension Fund
Warwickshire Pension Fund
West Midlands ITA Pension Fund
West Midlands Pension Fund
West Yorkshire Pension Fund
Westminster Pension Fund
Wiltshire Pension Fund
Worcestershire Pension Fund

Pool Company Members

Border to Coast Pensions Partnership
Brunel Pensions Partnership
LGPS Central
Local Pensions Partnership
London CIV
Northern LGPS
Wales Pension Partnership

London Borough of Enfield

PENSION POLICY AND INVESTMENT COMMITTEE

Meeting Date: 25 November 2021

Subject:	Fossil Fuel Exposure Report as at 30th September 2021
Cabinet Member:	Cllr Maguire
Executive Director:	Fay Hammond
Key Decision:	**[ ]**

Purpose of Report

1. This report informs Members, the Pension Fund exposure to fossil fuel as at 30 September 2021 comparing this outcome to the 31 March 2021 fossil fuel exposure analysis carried out by the Fund Investment Consultant (Aon).

2. The Pension Fund Regulations require that the Council establishes arrangements for monitoring the investments of the Fund. It considers the activities of the investment managers and ensures that proper advice is obtained on investment issues.

Proposal(s)

3. Pension Policy and Investments Committee are recommended to note the contents of this report and the attached Appendix 1.

Reason for Proposal(s)

4. The report informs the Pension Policy and investment Committee of the overall fossil fuel exposure of the Enfield Pension Fund as at 30th September 2021.

5. **Relevance to the Council's Corporate Plan**

6. Good homes in well-connected neighbourhoods.

7. Build our Economy to create a thriving place.

8. Sustain Strong and healthy Communities.

Background

9. Aon was commissioned to analyse the exposure to fossil fuels (in % and £ terms) at mandate and aggregate level. It is understandable that there might

be some mandates, who would have zero exposure as a function of their investment process and philosophy, whilst other mandates may have greater-than-benchmark exposure.

10. To do this work, Aon liaise with the Fund's managers to provide them with the relevant data (intention being to have a comparable and consistent basis). The information was then reviewed for comparability and any gaps, providing this to the Committee with a reasonable summary in aggregate.

11. Aon will further discuss the process, findings of this work with the Committee at this meeting.

Workforce Implications

12. The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will allow the Council to meet this obligation easily and could also make resources available for other corporate priorities.

Property Implications

13. None

Other Implications

14. None

Options Considered

15. There are no alternative options.

Conclusion

16. The Fund's exposure to fossil fuels – as measured by investment in physical or synthetic debt or equity of a firm which produces, extracts, or explores for oil, gas, or coal as a material part of its business model – is c.1.2% of Fund value, or c.£17.7m as at 30 September 2021.

17. This is higher than the exposure as at 31 March 2021 of 0.9%, or £13.1m in sterling terms. The increase was largely driven by the CFM Stratus and London CIV Multi-Asset Credit funds which had an increased value of exposure by c.£0.8m and c.£2.5m respectively. It is important to note that the value of the Fund's assets in this fund increased over the quarter, as a result of market movements.

18. As expected, a number of the Fund's managers have zero exposure.

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Date of report 13th November 2021

Appendices
Appendix 1 – Enfield Pension fund Exposure to fossil fuels as at 30 September 2021

Background Papers
None

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Review of fossil fuel exposure

Quantifying the Fund's holdings as at 30 September 2021

Summary

- Each of the Fund's managers were asked to provide a full breakdown of the Fund's exposure to oil, gas and coal, noting that we were looking to establish the extent to which the Fund is invested in debt or equity of a firm which produces, extracts or explores for oil, gas or coal as a material part of its business model; or, where the fund has any synthetic exposure to the same.
- Notably, each of the Fund's managers showed awareness of the importance of these issues to the Fund, and to UK pension funds in general. Each manager was open and transparent in their data provision.
- The Fund's exposure to fossil fuels – as measured by investment in physical or synthetic debt or equity of a firm which produces, extracts, or explores for oil, gas, or coal as a material part of its business model – is **c.1.2% of Fund value, or c.£17.7m** as at 30 September 2021.
  - This compares to the Divest Enfield press release figure as at 31 December 2020 of 2.6%, or £30.0m
  - A number of the Fund's managers have zero exposure.
  - A breakdown of the exposure between asset classes is shown in the table on the following page.
- The Pension Policy & Investment Committee will continue to monitor the Fund's fossil fuel exposure on a regular basis. Furthermore, as part of the implementation of the revised investment strategy which the Committee have recently agreed to, the Committee will have the ability to identify opportunities and integrate Environmental, Social and Governance views within a range of areas.

Prepared for: London Borough of Enfield Pension Fund ("the Fund")
Prepared by: Aon
Date: 15 November 2021

Fund fossil fuel data

Fossil fuel exposure

The table below summarises the exposure of the Fund to oil, gas and coal in various asset classes.

Q3 2021	Market Value (£m)	Percentage (%)	Fossil fuel exposure (%)	Fossil fuel exposure (£m)
Equities	**660.0**	**44.0**	**0.9%**	**5.7**
Private Equity*	**109.6**	**7.3**	**2.4%**	**2.6**
Hedge Funds**	**63.7**	**4.2**	**5.6%**	**3.6**
UK Property	**83.6**	**5.6**	**-**	**-**
PFI & Infrastructure	**72.6**	**4.8**	**-**	**-**
Bonds	**287.4**	**19.2**	**2.0%**	**5.9**
Inflation protecting illiquids	**119.7**	**8.0**	**-**	**-**
Cash	**104.0**	**6.9**	**-**	**-**
Total Assets	**1500.4**	**100.0**	**1.2%**	**17.7**

*includes data as at 30 June 2021, as 30 September 2021 data not available at time of writing.
**where the funds have long and short positions, figures only consider long positions

Were there any limitations?

The Fund's private equity manager were unable to provide data as at 30 September 2021 as this information was not available at time of writing. We have therefore used lagged information as at 30 June 2021 for this mandate.

There may be companies that some managers have included in their 'fossil fuel' subset that may not be directly affiliated with oil, gas or coal production, extraction or exploration as a material part of its business model. We have avoided removing any of these companies from the underlying manager data to minimise any risk involved in manipulation of data, however acknowledge this is a limitation.

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PRIVATE AND CONFIDENTIAL

London Borough of Enfield

PENSION POLICY AND INVESTMENT COMMITTEE

Meeting Date: 25 November 2021

Subject:	**Pension Fund Procurement Plans 2021/22**
Cabinet Member:	**Cllr Maguire**
Executive Director:	**Fay Hammond**
Key Decision:	**[]**

Purpose of Report

1. This report sets out the procurement plans covering the fund's global custodian, actuarial services and independent adviser.

2. The contracts in place for all the above mentioned service providers have been in place for over ten years or do not in fact exist formally and they are therefore long due for formal review. Hence there is a need to re-tender for these services.

Proposal(s)

3. Pension Policy and Investments Committee are recommended to:

   a) note the contents of this report and

   b) nominate, where it considers necessary, Committee representative(s) to participate in the various procurement processes.

Reason for Proposal(s)

4. The Committee acts as quasi-trustee to the Pension Fund and as such acts in the capacity of the Administering Authority of the Pension Fund.

5. The Council has an overarching responsibility to maintain the Pension Fund. It is essential that the Council has a Global Custodian, Investment Consultant, Independent adviser and a Scheme Actuary to assist in the proper management of the Fund. The responsibility for the strategic oversight of all aspects of the Pension Fund has been given to the Pension Policy and Investments Committee (PPIC).

6. Within the PPIC's Terms of Reference, is the requirement: 'to make arrangements for the appointment of and to appoint suitably qualified pension fund administrators, advisers, investment managers and custodians and

periodically to review those arrangements.' The existing contracts for these functions have not been reviewed recently and, in order to demonstrate Best Value, it is now necessary to carry out relevant procurement exercises to achieve that aim.

Relevance to the Council's Corporate Plan

7. Good homes in well-connected neighbourhoods.

8. Build our Economy to create a thriving place.

9. Sustain Strong and healthy Communities.

Background

10. For the scheme actuary and global custodian, these procurements would be a 'call-off' from the National LGPS Frameworks, resulting in considerable procurement costs savings. For the independent adviser this will be undertaken through human resource recruitment and selection process, advertising the position/role in specific dedicated LGA/LGPS websites and national newspapers and on the Council website.

11. The Committee are reminded of the functions undertaken by the various professionals:

12. **Independent Adviser to give advice** on:

    a. asset allocation strategies

    b. the selection of new managers and custodians

    c. the preparation of the various strategy documents required under LGPS regulations

    d. to assist in reviewing and monitoring managers' performance

13. **The Global Custodian** - is responsible for the safekeeping of the fund's securities. This function may be carried out by a custodian appointed directly by the fund, or via appointed fund managers. Current best practice is for funds to appoint their own custodian. Responsibilities may include:

    a. settlement of purchases and sales

    b. advising managers of cash available for investment

    c. safe custody of securities and cash

    d. acting as banker to the fund

    e. cash reconciliations

    f. collection of dividends, income and overseas tax reclaims

g. ensuring correct actions including rights issues, bonus issues and acquisitions are correctly dealt with

h. ensuring the necessary approvals are in place to invest in certain overseas markets

i. providing (monthly) valuations of scheme assets, details of all transactions and accounting reports

14. **The scheme actuary** is an independent and appropriately qualified adviser who carries out statutorily required fund valuations and other valuations as required and who will also provide general actuarial advice. The actuary will**:**

a. prepare fund valuations, including setting employer's contribution rates, after agreeing valuation assumptions with the administering authority

b. agree a timetable for the valuation with the administering authority

c. prepare timely advise and calculations in connection with transfers to other funds and schemes and advise on benefit matters

d. undertake new employer contribution calculations and cessation valuations for employers leaving the scheme

15. Officers will be undertaking a procurement exercise using the National LGPS Framework for Global Custodian and Actuarial and Benefits Services. All the major suppliers of investment consultancy services, custody services and actuarial and benefit services to LGPS are included in the Framework following a rigorous evaluation of their submissions including an evaluation of their costs.

16. The tender document for the Scheme Actuarial and Global Custody is currently being prepared by officers and this will later be made available to the in-house procurement team and legal team for their review as we envisage seeking tenders for these two services by 31st January 2022. Further procurement exercises for the Independent Adviser is anticipated to take place by 31st March 2022.

17. Once the council's legal team approved the relevant procurement documentation, an invitation to tender (ITT) pack will be released and we will give the service providers three weeks to respond to the tender. Officers should be able to evaluate responses/submissions within one week and there will be a presentation from successful service providers.

3.6 Following that process, a short list of 2 providers for the scheme actuary service could be invited to a separate meeting of the PPIC for clarification interviews. A final evaluation will then be completed, considering all elements of the process, to determine contract award. Contract award is scheduled for 30th April 2022 with an estimated contract start date 1st July 2022. An indicative timetable for the scheme actuary procurement exercise is set out below, however at this stage, it should be stressed that this is indicative as there may be a need for some additional detailed legal work on the contract clauses and the appropriate approach to the termination of the existing advisers position in the event that they are not the successful tenderer from this exercise.

TENDER TIMETABLE

The indicative tender timetable is as follows:

Event	Date	Comments
Tender documents issued	31 January 2022	
Deadline for receipt of Clarification questions	14 February 2022	12:00 noon
Date of customer response to supplier questions	21 February 2022	17:00
Tender return deadline	28 February 2022	12:00
Tender evaluations	01-05 March 2022	
Post tender clarifications	14-18 March 2022	
Pension Committee meeting		
Telephone references	March 2022	
Preferred supplier notification and award	March 2022	Proposals for contract award to be finalised, signed off internally and communicated to Tenderers.
Contract signatory	April - June 2022	
Implementation commencement	01 July 2022	

Safeguarding Implications

18. The report provides clear evidence of sound financial management, efficient use of resources and adherence to Best Value and good performance management.

Public Health Implications

19. The Enfield Pension Fund indirectly contributes to the delivery of Public Health priorities in the borough.

Equalities Impact of the Proposal

20. The Council is committed to Fairness for All to apply throughout all work and decisions made. The Council serves the whole borough fairly, tackling

inequality through the provision of excellent services for all, targeted to meet the needs of each area. The Council will listen to and understand the needs of all its communities.

Environmental and Climate Change Considerations

21. There are no environmental and climate change considerations arising from this report.

Risks that may arise if the proposed decision and related work is not taken

22. The report is for noting.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

23. The monitoring arrangement for the Pension Fund and the work of the Pensions Committee should ensure that the Fund optimises the use of its resources in achieving the best returns for the Council and members of the Fund.

24. The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will reduce the contribution and increase the funds available for other corporate priorities. The use of professional advisers is a key element in maximising investment returns and it is important that appointments are regularly reviewed to ensure that best value is being obtained from advisers.

25. A viable pension scheme also represents an asset for the recruitment and retention of staff to deliver services to the residents.

Financial Implications

26. The use of the National Frameworks for the procurement of global custodian and scheme actuary would result in a significant savings in comparison to a full OJEU process. The Fund could also achieve a significant savings from the current ongoing cost of these services.

Legal Implications

27. The Council has the power under s.1(1) Localism Act (2011) to do anything individuals generally may do providing it is not prohibited by legislation and subject to Public Law principles. There is no express prohibition, restriction or limitation contained in a statute against use of the power as proposed in this report. Under s.111 Local Government Act (1972) local authorities may do anything, including incurring expenditure or borrowing which is calculated to facilitate or is conducive or incidental to the discharge of their functions. The proposals outlined in this report are incidental to the functions of the Council.

Workforce Implications

28. The employer's contribution is a significant element of the Council's budget and consequently any robust monitoring and reviewing system will bring about an improvement in the Fund's performance and will allow the Council to meet this obligation easily and could also make resources available for other corporate priorities.

Property Implications

29. None

Procurement Implications

30. All procurement should be carried out in line with the Councils Contract Procedure Rules, EU & UK regulations. All procurement over £25,000 must take place via the London Tenders Portal and once awarded promoted to the contract register and contracts finder. It is expected that services will carry out effective contract management once awarded.

Options Considered

31. To procure the service by following a full OJEU process.

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Date of report 15th November 2021

Appendices
Appendix 1 – Roles and Duties of Service Providers

Background Papers
None

Appendix 1 - Roles and Duties of Service Providers

The Global Custodian - is responsible for the safekeeping of the Fund's securities. This function may be carried out by a custodian appointed directly by the fund, or via appointed fund managers. Current best practice is for funds to appoint their own custodian. Responsibilities may include:

a) settlement of purchases and sales;
b) advising managers of cash available for investment;
c) safe custody of securities and cash;
d) acting as banker to the fund;
e) cash reconciliations; collection of dividends, income and tax reclaims;
f) ensuring correct actions including rights issues, bonus issues and acquisitions are correctly dealt with;
g) ensuring the necessary approvals are in place to invest in certain overseas markets; and
h) providing (monthly) valuations of scheme assets, details of all transactions and accounting reports

The Scheme Actuary is an independent and appropriately qualified adviser who carries out statutorily required fund valuations and other valuations as required and who will also provide general actuarial advice. The actuary will:

a) Fund Triennial Valuation and Rates and Adjustment Certificate
b) Draft Funding Strategy Statement (FSS)
c) Actuarial advice about outsourcing or new employers' bodies including initial funding position, employer contribution rate and bond value for new employers
d) Cessation valuations and post cessation funding agreements
e) Bond value assessments and advice relating to other forms of security
f) FRS102, FRS17 and IAS19 accounting reports
g) Employer covenant assessments
h) Cashflow projections and related advice
i) Data quality reports, advice and support on data cleansing (as required)
j) Commenting on consistency of FSS with Investment Strategy Statement and proposed changes to investment strategy
k) Reviewing administration strategy statement, admission and other policies (as required)
l) Advice concerning administration service structure, processes and targets (as required)
m) Attendance at meetings (as required)
n) Providing training to Members and officers (as required)
o) IDRP support (as required)
p) Advice and support on GMP reconciliations (as required)

Independent Advisor: general role and duty is to advise and support members of the committee and officers by the following activities:

a) To participate in any discussions relating to investment issues arising out of actuarial studies affecting the Fund;
b) To contribute towards determining the asset allocation policy of the Fund and the development of customised benchmarks;
c) To monitor and comment upon the ongoing relevance of the benchmark;
d) To advise on the appropriateness of the management arrangements, targets and mandates adopted by the Fund;
e) To monitor the performance of the investment managers against the mandates and ensure that they are carrying out their duties;
f) To advise as required on the selection of managers;
g) To monitor and identify appropriate investment issues as necessary;
h) To advise on the most appropriate asset allocation and provide market intelligence and comment;
i) To produce a formal report on the Fund’s performance annually;
j) To provide advice on other related issues as requested or as the Panel considers appropriate.
k) To assess the main picks taken against the benchmark, the changes over the quarter and analyse, understand and comment on what has worked well and what hasn’t;
l) To review the Fund’s progression relative to the asset and liability assumptions adopted when setting the benchmark;
m) To comment upon interest rate risk, inflationary expectations, active versus passive management, long term investment returns, etc.;
n) To assess the external influences affecting investment returns and comment upon industry developments, etc.;
o) To monitor the economic and investment climate and report accordingly.