PENSION POLICY & INVESTMENT COMMITTEE

Wednesday, 20 March 2024 at 10.00 am
Conference Room, Civic Centre, Silver Street, Enfield, EN1 3XA

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PENSION POLICY & INVESTMENT COMMITTEE

Wednesday, 20th March, 2024 at 10.00 am in the Conference Room, Civic Centre, Silver Street, Enfield, EN1 3XA

Membership:

Councillors: Doug Taylor (Chair), Sabri Ozaydin (Vice Chair), Susan Erbil, Gina Needs, David Skelton and Edward Smith

AGENDA – PART 1

1. WELCOME AND APOLOGIES

2. DECLARATIONS OF INTEREST

3. MINUTES OF PREVIOUS MEETING (Pages 1 - 4)

To agree the minutes from the Pension Policy & Investment Committee meeting held on 17 January 2024.

4. CHAIR'S UPDATE

To receive a verbal update from the Chair.

5. INVESTMENT STRATEGY STATEMENT (Pages 5 - 20)

To agree the investment Strategy Statement for the London Borough of Enfield Pension Fund.

6. BUDGET IMPACT (Pages 21 - 30)

To introduce and note the report from the London Borough of Enfield Pension Fund's investment advisor, detailing the impact of the UK spring budget on Local Government Pension Schemes (LGPS).

7. INVESTMENT UPDATE ON ENFIELD PENSION FUND INVESTMENTS & MANAGERS (Pages 31 - 120)

To note an update on the Enfield Pension Fund investments and their performance as at 31 December 2023; and a paper from the Fund's Investment advisors presenting a market update and investment outlook.

These items will contain exempt information as defined in Paragraph 3 (information relating to the financial or business affairs of any particular person – including the authority holding that information) of Schedule 12A 3 to the Local Government Act 1972, as amended.

8. FOSSIL FUEL EXPOSURE (Pages 121 - 134)

To note the report updating members of the Pension Fund exposure to fossil fuels as of 31 December 2023.

These items will contain exempt information as defined in Paragraph 3 (information relating to the financial or business affairs of any particular person – including the authority holding that information) of Schedule 12A 3 to the Local Government Act 1972, as amended.

9. LAPFF (Pages 135 - 186)

PPIC are recommended to note the contents of this report and the attached appendices which give details on the LAPFF company engagements for the quarter and the draft plan for 2024/25.

These items will contain exempt information as defined in Paragraph 3 (information relating to the financial or business affairs of any particular person – including the authority holding that information) of Schedule 12A 3 to the Local Government Act 1972, as amended.

10. UPDATE FROM PENSION BOARD

This will be a verbal update.

11. AOB

12. DATE OF NEXT MEETING

To note that future meetings of the Pension Policy & Investment Committee will be confirmed at the Annual Council meeting on Wednesday 15 May 2024.

13. EXCLUSION OF THE PRESS AND PUBLIC

To consider passing a resolution under Section 100(A) of the Local Government Act 1972 excluding the press and public from the meeting for the items of business listed on part 2 of the agenda on the grounds that they involve the likely disclosure of exempt information as defined in those paragraphs of Part 1 of Schedule 12A to the Act (as amended by the Local Government (Access to Information) (Variation) Order 2006). (Members are asked to refer to the part 2 agenda.)

AGENDA – PART 2

14. INVESTMENT UPDATE ON ENFIELD PENSION FUND INVESTMENTS & MANAGERS

Item 7 above refers.

15. FOSSIL FUEL EXPOSURE

Item 8 above refers.

16. LAPFF

Item 9 above refers.

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MINUTES OF THE MEETING OF THE PENSION POLICY & INVESTMENT COMMITTEE HELD ON WEDNESDAY, 17 JANUARY 2024

COUNCILLORS

PRESENT	Doug Taylor, Susan Erbil, Sabri Ozaydin, Edward Smith and Ruby Sampson
ABSENT	Gina Needs (Cabinet Member for Community Safety and Cohesion) and David Skelton
OFFICERS:	Ravi Lakhani (Head of Pension Investments) and Petra Stephenson (Governance Officer).
Also Attending:	Colin Cartwright (Associate Partner, Aon), and Carolan Dobson

1
WELCOME AND APOLOGIES

The Chair welcomed everyone to the meeting.

Apologies were received from the following: Cllr David Skelton who was substituted by Cllr Ruby Sampson, and Cllr Gina Needs.

2
DECLARATIONS OF INTEREST

Cllr Ruby Sampson declared a Pecuniary interest she is a member of the LBE Pension Fund.

3
MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 15 November 2023 were **AGREED**.

4
CHAIR'S UPDATE

The AGM is scheduled for the 5th March.

It will be online, in person and a drop-in session will also be available.

Existing Pensioners, Members, deferred and active contributors are encouraged to attend.

5

SOUTHGATE COLLEGE TRANSFER

Ravi Lakhani presented this item explaining that assets and liabilities should have transferred to Barnet College when it merged with Southgate College in 2011.

Actuaries for the Enfield Pension Fund and Barnet Pension fund, Aon and Hymans Robertson respectively, have agreed the terms of the transfer.

The proposed date of transfer is the 1st April subject to Secretary of State consent Should there be any delay in receiving this the transfer will also need to delayed.

The basis for the transfer was **AGREED.**

6
PENSION FUND ANNUAL REPORT & STATEMENT OF ACCOUNTS

Ravi Lakhani presented this item highlighting key headlines from the statutory annual report and explained the principal reasons for negative investment performance in 2022/23.

Primary drivers for the negative investment performance were due to market conditions, the fall in equity markets and the fall in the value of the bond portfolio because of interest rates increasing.

Equity markets have recovered, and stabilised and bond yields have increased since that time.

Members suggested that in future a breakdown of the analysis of fees paid in respect of running a pension fund are in one place in the report with specifics to provide clarity. Or a separate report at a future meeting.

Members also requested a report on fee transparency and how it compares to other boroughs.

Action: Ravi Lakhani to bring a paper to the July PPIC meeting.

Members also sought clarity on the terminology and analysis on management fees and expenses for full knowledge and to understand consequences.

Action: Ravi Lakhani to provide a breakdown on fees and the fee level for each individual manager within the pension fund.

The report was **APPROVED**.

7
INVESTMENT UPDATE ON ENFIELD PENSION FUND INVESTMENTS & MANAGERS - PART 1 & PART 2 CONFIDENTIAL

The Chair requested that going forward the meeting is extended by an hour so that teaching on each asset class can be provided on a continued learning basis. In terms of the underlying way it works, what the performance is and what the future holds, in detail, so Members can learn and have an in-depth discussion.

Members **AGREED**.

Ravi Lakhani and Colin Cartwright (Consultant, Aon) presented this item providing a market update and an overview on current asset performance.

Action: Ravi Lakhani to decide on the priorities with respect to which asset classes should be reviewed for a deep dive and training,

Action: Ravi Lakhani/Colin Cartwright to share an additional paper with Members produced by Aon on the investment outlook for 2024.

Action: Ravi Lakhani to calculate LBE investments indifferent geographical markets.

The report and part 2 appendices were **Noted**.

The Chair called for a 10-minute break.

8
STRATEGIC ASSET ALLOCATION PAPER - PART 1 & PART 2 CONFIDENTIAL

Following a brief adjournment, the meeting resumed.

Ravi Lakhani presented options for the Strategic Asset Allocation for the Enfield Pension Fund and recommendations.

Members are in favour of reviewing the Strategic Asset Allocation on an annual basis rather than every 3 years.

Next steps: The bond portfolio should be reviewed with the intention of reducing the number of managers to reduce complexity and possibly allocate to Private Credit.

Action: Ravi Lakhani is to organise an additional meeting in February for 2-3 hours for a training session to review the bond portfolio and the decision is to be taken at the March meeting in how to proceed

AGREED the proposed Strategic Asset Allocation.

9
UPDATE FROM PENSION BOARD

The Pension administration report provided a number of changes in relation to McCloud which is a highly complex issue affecting Pension Funds.

The Chair raised the idea of having the Pension Board immediately before or after the Pension Policy & Investment Committee, on the same day, next year. Members felt this was an excellent idea to be discussed with Governance.

10
DATES OF FUTURE MEETINGS

NOTED the dates of the future meetings:

Wednesday 20 March 2024.

11
EXCLUSION OF THE PRESS AND PUBLIC

If necessary, to consider passing a resolution under Section 100A(4) of the Local Government Act 1972 excluding the press and public from the meeting for any items of business moved to part 2 of the agenda on the grounds that they involve the likely disclosure of exempt information as defined in those paragraphs of Part 1 of Schedule 12A to the Act (as amended by the Local Government (Access to Information) (Variation) Order 2006). (Members are asked to refer to the part 2 agenda).

12
PROCUREMENT AND APPOINTMENT OF ACTUARY

Colin Cartwright (Aon) excused himself from the meeting.

Following a part 2 discussion the recommend appointment was **APPROVED**.

13
INVESTMENT UPDATE ON ENFIELD PENSION FUND INVESTMENTS & MANAGERS

Following a part 2 discussion the report was **NOTED** & **AGREED.**

14
STRATEGIC ASSET ALLOCATION PAPER

Following a part 2 discussion recommendation 2 was **AGREED**.

London Borough of Enfield

Report Title	Investment Strategy Statement
Report to	Pension, Policy & Investment Committee (PPIC)
Date of Meeting	20 March 2024
Cabinet Member	Cllr Tim Leaver
Executive Director / Director	Fay Hammond
Report Author	Ravi Lakhani (Head of Pension Investments). Ravi.Lakhani@enfield.gov.uk

Purpose of Report

1. This report introduces the investment strategy statement (ISS) (Appendix 1) that outlines the objectives, policies, and processes for managing the Enfield pension fund assets. The ISS is a legal requirement under the Pension Schemes Act 2015 and the Occupational Pension Schemes (Investment) Regulations 2016. It also serves as a communication tool between the Pension, Policy &investment Committee (PPIC), the investment managers, and the members of the pension scheme.

Recommendations

I.	PPIC are asked to agree the investment Strategy Statement (Appendix 1) for the London Borough of Enfield Pension Fund ("Fund")

Background and Options

2. Enfield Council (the Council) is the Administering Authority of the Enfield Pension Fund Local Government Pension Scheme. In this capacity, the Council has responsibility to ensure the proper management of the Fund.

3. The Council has delegated to PPIC "all the powers and duties of the Council in relation to its functions as Administering Authority except for

those matters delegated to other committees of the Council or to an officer."

4. The primary objective of the pension fund is to provide benefits to the members in accordance with the scheme rules and to meet the statutory funding requirements.

5. The secondary objective is to achieve a long-term return on the assets that exceeds the liabilities, while maintaining an appropriate level of risk and liquidity.

6. The Fund has a paramount duty to seek the best possible return on its investment taking into account a properly considered level of risk. A well governed and well-managed pension fund will be rewarded by good investment performance in the long term.

7. The primary tool for achieving investment returns is Strategic Asset allocation (SAA). PPIC recently reviewed it's SAA and agreed to a new allocation at the January 2024 meeting of PPIC.

8. The strategic asset allocation is based on the results of the asset-liability modelling exercise, the risk appetite of the PPIC, and the expected returns and risks of the asset classes.

9. The fund employs a diversified portfolio of assets, including equities, bonds, property, and alternatives, to achieve its objectives.

10. Regulations requires an administering authority to publish an investment strategy statement (ISS) which must be in accordance with guidance issued by the Secretary of State. This must be approved by PPIC

11. The ISS is subject to periodic review at least every three years and without delay after any significant change in investment policy

12. The ISS serves several purposes and benefits for the pension fund, such as:

    - It provides a clear and consistent framework for the investment decision-making and governance of the fund.
    - It helps to align the interests and expectations of the PPIC, the investment managers, and the members.
    - It demonstrates PPIC compliance with the legal and regulatory requirements and the best practices of the industry.
    - It enhances the transparency and accountability of the fund's investment activities and performance.
    - It supports the fund's long-term sustainability and resilience in the face of market volatility and uncertainty.

Preferred Option and Reasons For Preferred Option

13. The ISS is a key document that defines the investment strategy and governance of the pension fund. It reflects PPIC's fiduciary duty and the members' interests. It also helps to ensure the fund's compliance with regulations, transparency, and performance.

14. The statutory requirement is for the ISS to be reviewed and updated at least every three years or whenever there is a significant change in the fund's circumstances. However, the new ISS in Appendix 1 recommends an annual review of the SAA and the ISS will be updated following this should there be any changes.

15. The ISS will be communicated to the investment managers, the custodian, the employers, and the members of the Fund. PPIC will also monitor and review the implementation and effectiveness of the ISS on an ongoing basis.

Financial Implications

16. Investment returns have a direct correlation to contribution rates from Employers in the Fund. Any additional investment returns will result in lower future pension contributions from Employers resulting in those employers (including Enfield Council) having additional funds to spend on front line services

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Appendices

Appendix 1: Investment Strategy Statement

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London Borough of Enfield Pension Fund

INVESTMENT STRATEGY STATEMENT – March 2024

1. Introduction

1.1 This is the Investment Strategy Statement (ISS) of the London Borough of Enfield Pension Fund adopted by Enfield Council (the Council) in its capacity as Administering Authority of the Local Government Pension Scheme. In this capacity the Council has responsibility to ensure the proper management of the Fund.

1.2 The Council has delegated to its Pension Policy & Investment Committee ("the Committee") "all the powers and duties of the Council in relation to its functions as Administering Authority except for those matters delegated to other committees of the Council or to an officer."

1.3 The ISS has been prepared by the Committee having taken appropriate advice. It meets the requirements of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the Regulations).

1.4 The ISS is subject to periodic review at least every three years and without delay after any significant change in investment policy.

1.5 The Funding strategy statement for the for the Fund informs the investment strategy of the Fund.

2. Statutory background

2.1 Regulation 7(1) of the Regulations requires an administering authority to formulate an investment strategy which must be in accordance with guidance issued by the Secretary of State.

3. Directions by the Secretary of State

3.1 Regulation 8 of the Regulations enables the Secretary of State to issue a Direction if he is satisfied that an administering authority is failing to act in accordance with guidance issued by the Department of Communities and Local Government.

3.2 The Secretary of State's power of intervention does not interfere with the duty of elected members under general public law principles to make investment decisions in the best long-term interest of scheme beneficiaries and taxpayers.

4. Advisers

4.1 Regulation 7 of the Regulations requires the Council to take proper advice when making decisions in connection with the investment strategy of the Fund. In addition to the expertise of the members of the Pension Policy & Investment Committee and Council officers such advice is taken from:

- Aon Investments Limited – investment consultancy
- Independent investment consultant member with Fund management experience

- .Actuarial advice, which can have implications for the investment strategy, is provided by Hymans Robertson.

5. Objective of the Fund

5.1 The objective of the Fund is to provide pension and lump sum benefits for scheme members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. The sums required to fund these benefits and the amounts actually held (i.e., the funding position) are reviewed at each triennial actuarial valuation, or more frequently as required.

5.2 The target investment strategy is designed to have an expected return in excess of the discount rate while achieving a level of risk the Committee considers to be appropriate. The aim is to ensure contribution rates are set at a level to attain 100% funding within the timescale agreed with the Fund Actuary and set out in the Funding Strategy Statement.

5.3 The discount rate is the interest rate used to calculate the present value of future cash flows. It reflects the time value of money and the risk associated with the investment. A lower discount rate means that future cash flows are worth more in today's terms, while a higher discount rate means that future cash flows are worth less. The discount rate is used by the Fund Actuary to estimate the value of the Fund's liabilities, which are the benefits promised to the scheme members.

6 Investment beliefs

6.1 The Fund’s fundamental investment beliefs which inform its strategy and guide its decision making are:

- The Fund has a paramount duty to seek to obtain the best possible return on its investments taking into account a properly considered level of risk
- A well-governed and well-managed pension fund will be rewarded by good investment performance in the long term
- Strategic asset allocation is the most significant factor in investment returns and risk; risk is only taken when the Fund believes a commensurate long-term reward will be realised
- Risk is managed via diversification and strong due diligence when selecting investment managers and carefully monitoring performance of those investment managers
- Asset allocation should be strongly influenced by the quantum and nature of the Fund’s liabilities and the Funding Strategy Statement
- Since the lifetime of the liabilities is long dated, the time horizon of the investment strategy should be similarly long term in nature
- Risk of underperformance by active equity managers is mitigated by allocating a significant portion of the Fund’s assets to other asset classes
- Long-term financial performance of companies in which the Fund invests is likely to be enhanced if they follow good practice in their environmental, social and governance policies (ESG)
- Costs need to be properly managed and transparent

7. The suitability of particular investments and types of investments

7.1 The Committee decides on the investment policies most suitable to meet the liabilities of the Fund and has ultimate responsibility for investment strategy.

7.2 The Committee has translated its investment objective into a suitable strategic asset allocation benchmark for the Fund. This benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility, risk, and the nature of the Fund's liabilities.

7.3 The approach seeks to ensure that the investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members) and the liabilities arising therefrom, together with the level of disclosed surplus or deficit (relative to the funding bases used) and the Fund's projected cash flow requirements.

7.4 Following the triennial valuation in 2022 and the investment strategy review in 2023, the Committee, as advised by Aon, considered its investment strategy alongside its funding objective, and agreed the following structure:

Asset Class	Target Weighting %	Expected Return (per annum)	Control Range
Equities	40	6-9%	30-50%
Bonds	24	5-6%	20-28%
Inflation protection illiquids	7	5-6%	5-10%
Property (UK)	5	6%	8-12%
Private Equity	8		
Infrastructure/PFI	16	7%	15-25%
Cash	-	-	-
Total	**100**		

7.5 The most significant rationale of the structure is to invest the majority of the Fund's assets in "growth assets" i.e., those expected to generate 'excess' returns over the long term. The structure also includes an allocation to "matching" assets, such as index bonds, gilts, and corporate bonds. The investments in property and infrastructure provide diversification. This strategy is aimed to provide returns in excess of the discount rate used to value liabilities in the triennial valuation.

7.6 The Committee monitors investment strategy on an ongoing basis, focusing on factors including, but not limited to:

- Suitability and diversification given the Fund's level of funding and liability profile
- The level of expected risk
- Outlook for asset returns

7.7 The Committee also monitors the Fund's actual allocation on a regular basis to ensure it does not deviate significantly from within the target range. If such a deviation occurs, a rebalancing exercise maybe carried out to ensure that the allocation remains within the range set. Market conditions and outlook for returns will need to be taken into account. Any material deviation from the strategy will be required to be agreed on by the Committee.

7.8 It is intended that the Fund's investment strategy will be reviewed annually. The investment strategy review will typically involve the Committee, in conjunction with its advisers, undertaking an Asset Liability Modelling exercise to understand the risks within the Fund's current investment strategy and establish other potentially suitable investment strategies for the Fund in the future. This approach was adopted in 2024. The investment strategy statement will only be updated should there be a change to the strategic benchmark allocations.

7.9 The results of the 2022 valuation showed a 104% funding level. An asset liability modelling exercise was undertaken in late 2023 and the strategy/strategic asset allocation was amended by the Committee. The Investment Strategy Statement now reflects the outcome of this strategy review.

8 Asset classes

8.1 The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest, index linked and corporate bonds, infrastructure, and property, either directly or through pooled funds. The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks.

8.2 In line with the Regulations, the Council's investment strategy does not permit more than 5% of the total value of all investments of Fund money to be invested in entities which are connected with the Council within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007".

8.3 With investment returns included, the Fund has a positive cash flow that enables investment in illiquid asset classes e.g., property. The majority of the Fund's assets are highly liquid i.e., can be readily converted into cash, and the Council is satisfied that the Fund has sufficient liquid assets to meet all expected and unexpected demands for cash. However, as a long-term investor the Council considers it prudent to include illiquid assets in its strategic asset allocation in order to benefit from the additional diversification and extra return this should provide.

8.4 For most of its investments the Council has delegated to the fund managers responsibility for the selection, retention, and realisation of assets. The Fund retains sufficient cash to meet its liquidity requirements, and cash balances are invested in appropriate interest earning investments pending their use. The investment of these cash balances is managed internally.

9 Fund Managers

9.1 The Council has delegated the management of the Fund's investments to professional investment managers, appointed in accordance with the Local Government Pension Scheme Regulations. Their activities are specified in either detailed investment management agreements or subscription agreements and are regularly monitored. The Committee is satisfied that the appointed fund managers, all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business, have sufficient expertise and experience to carry out their roles.

9.2 Fund managers are only appointed following a due diligence exercise which is carried out in conjunction with the Funds' investment advisors and will include interviews, background checks, legal checks, and reports from the investment advisors.

9.3 The investment style is to appoint fund managers with clear performance benchmarks and place maximum accountability for performance against that benchmark with them. Multiple fund managers are appointed to give diversification of investment style and spread of risk. The fund managers appointed, are mostly remunerated through fees based on the value of assets under management.

9.4 The managers are expected to hold a mix of investments which reflect their views relative to their respective benchmarks. Within each major market and asset class, the managers maintain diversified portfolios through direct investment or pooled vehicles.

9.5 The investment management agreement in place for each fund manager, sets out, where relevant, the benchmark and performance targets. The agreements also set out any statutory or other restrictions determined by the Council. Investment may be made in accordance with The Regulations in equities, fixed interest and other bonds and property, in the UK and overseas markets.

9.6 As at the date of this ISS the details of the managers appointed by the Committee are set out in Appendix 1

9.7 Where appropriate, custodians are appointed to provide trade settlement and processing and related services. Where investments are held through pooled funds, the funds appoint their own custodians.

9.8 Performance targets are generally set on a three-year rolling basis and the Committee monitors manager performance quarterly. Advice is received as required from officers, the professional investment adviser, and the independent advisory member. In addition, the Committee requires all managers to attend a separate manager day when required and called upon, to review and scrutinise performance.

9.9 The Committee also monitors the qualitative performance of the Fund managers to ensure that they remain suitable for the Fund. These qualitative aspects include changes in ownership, changes in personnel, investment administration and ESG factors

10 Stock lending

10.1 The Committee's current policy is not to engage in stock lending.

11 Approach to risk

11.1 The Committee recognise a number of risks involved in the investment of the assets of the Fund.

11.2 Funding risks

i) As described by the investment objectives, the Fund invests in asset classes which are expected to demonstrate volatility when compared to the development of the Fund's liabilities. This policy is adopted in anticipation of achieving returns above those assumed in the actuarial valuation. The Committee considered a number of investment strategies with varying degrees of risk relative to the Fund's liabilities. In determining an appropriate level of risk (or expected volatility) the Committee considered:

a) The strength of the Employer’s covenant and attitude to risk.
b) Contribution rate volatility.
c) Likely fluctuations in funding level.
d) The required return to restore the funding level over a set period in conjunction with the funding policy.
e) The tolerance to a deterioration in the funding level as a result of taking risk.
f) The term and nature of the Fund’s liabilities.

ii) To monitor the volatility of the Fund’s funding level and the success or otherwise of the investment decisions the Committee monitors on a regular basis:-

a) The return on the assets, the benchmark, and the liabilities.
b) Estimated funding level and how it compares to the expected or targeted funding level.
c) The probability of the Fund achieving its long-term funding objectives.

11.3 Manager risks

The Committee monitors the managers’ performance on a quarterly basis and compares the investment returns with the appropriate performance objectives to ensure continuing acceptable performance. The Committee also examines the risk being run by each of the investment managers. In particular, the performance reporting reviewed by the Committee considers the achieved variation in returns between each manager’s portfolio and its benchmark and compares the level of active manager risk and excess return of each manager against a universe of similar mandates and the benchmark.

11.4 Liquidity risk

The Committee have adopted a strategy that makes do allowance of the need for liquidity of the Fund's assets.

11.5 Concentration risk

The Committee have adopted a strategy that ensures that the risk of an adverse influence on investment values from the poor performance of a small number of individual investments is reduced by diversification of the assets:

- by asset class (Global Equities, Bonds, and Property)
- by region (UK, overseas)
- within asset classes, by the use of a range of products with different risk/return profiles

11.6 Market risk

The failure of investment markets to achieve the rate of investment return assumed by the Committee. This risk is considered by the Committee and its advisors when setting the Fund's investment strategy and on an ongoing basis.

11.7 Operational risk

The risk of fraud, poor advice or acts of negligence. The Committee has sought to minimise such risks by ensuring that all advisers and third-party service providers are suitably qualified and experienced, and that suitable liability and compensation clauses are included in all contracts for professional services received.

12 Approach to pooling

12.1 The Fund is a participating member in the London Collective Investment Vehicle (CIV) as part of the Government's pooling agenda. The London CIV has been operational for some time and has a range of sub-funds covering liquid and illiquid asset classes

12.2 The Fund (as at December 2023) has 45%of assets pooled with London CIV and will look to transition further liquid and illiquid assets as and when there are suitable investment strategies available on the platform that meet the needs of the Fund.

12.3 Some illiquid assets in infrastructure, private equity and property will remain outside of the London CIV pool. The cost of exiting these strategies early would have a negative financial impact on the Fund.

13 Social, environmental and governance considerations

13.1 The Fund is committed to being a long-term steward of the assets in which it invests and expects this approach to protect and enhance the value of the Fund in the long term. In making investment decisions, the Fund seeks and receives proper advice from internal and external advisers with the requisite knowledge and skills.

13.2 The Fund requires its investment managers to integrate all material financial factors, including corporate governance, environmental, social, and ethical considerations, into the decision-making process for all fund investments. It expects its managers to follow good practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed.

13.3 The Fund expects its external investment managers (and specifically the London Collective Investment Vehicle through which the Fund will increasingly invest) to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the fund such as corporate governance and environmental factors. The Fund expects its fund managers to integrate material Economic Social Governance (ESG) factors within its investment analysis and decision making.

13.4 The Fund monitors this activity on an ongoing basis with the aim of maximising its impact and effectiveness.

13.5 The Fund will invest on the basis of financial risk and return having considered a full range of factors contributing to the financial risk including social, environment and governance factors to the extent these directly or indirectly impact on financial risk and return.

13.6 The Fund, in preparing and reviewing its Investment Strategy Statement, will consult with interested stakeholders including, but not limited to, Fund employers, investment managers, Local Pension Board, advisers to the Fund and other parties that it deems appropriate to consult with.

14 Exercise of the rights (including voting rights) attaching to investments

14.1 The Fund requires its investment managers to integrate all material financial factors, including corporate governance, environmental, social, and ethical considerations, into the decision-making process for all fund investments. It expects its managers to follow good practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed.

14.2 The Fund recognises the importance of its role as stewards of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Fund recognises that ultimately this protects the financial interests of the Fund and its ultimate beneficiaries. The Fund ensures that when investment managers are selected, they incorporate ESG factors into their decision-making process. Voting is delegated to these managers, but they are asked to vote in accordance with voting alerts issued by the Local Authority Pension Fund Forum as far as practically possible to do so and will hold managers to account where they have not voted in accordance with the LAPFF directions.

14.3 The Fund's investments through the London CIV are covered by the voting policy of the CIV which has been agreed by the Pensions Sectoral Joint Committee. Voting is delegated to the external managers and monitored on a quarterly basis. The CIV will arrange for managers to vote in accordance with voting alerts issued by the Local Authority Pension Fund Forum as far as practically possible to do so and will hold managers to account where they have not voted in accordance with the LAPFF directions.

15 Stewardship

15.1 The Fund has not issued a separate Statement of Compliance with the Stewardship Code, but fully endorses the principles embedded in the Principles of the Stewardship Code.

15.2 The Fund expects its external investment managers to be signatories of the Stewardship Code and reach Tier One level of compliance or to be seeking to achieve a Tier One status within a reasonable timeframe. Where this is not feasible the Fund expects a detailed explanation as to why it will not be able to achieve this level. In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

15.3 The Fund through its participation in the London CIV will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which it invests. In addition, the Fund gives support to shareholder resolutions where these reflect concerns which are shared and represent the Fund's interest.
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16 Compliance with "Myners" Principles

16.1 In Appendix 2 are set out the details of the extent to which the Fund complies with the six updated "Myners" principles set out in the CIPFA publication "Investment Decision-Making and Disclosure in the Local Government Pension Scheme: A Guide to the Application of the Myners Principles".

Appendix 1

Fund Manager Structure (This prescribed in the ISS regulations)

The fund manager structure and investment objectives for each fund manager ("mandates") are as follows (as at January 2024):

Fund manager	Investment objectives
Equities & Private Equity	
BlackRock Advisers UK Ltd (Passively Managed Low Carbon Global Equity)	*To perform in line with the prescribed Equity and Bond indices.*
MFS (Actively Managed Global Equity Portfolio)	*To outperform the MSCI World Index by 4% pa gross of fees over rolling three-year periods.*
London Collective Investment Vehicle (LCIV)	*Manages global equity mandates - JP Morgan, Baillie Gifford, and Longview*
Adam Street Partners (Private Equity Portfolio)	*To outperform the MSCI World Index.*
Bonds	
BlackRock Advisers UK Ltd (Passively Managed Index linked Gilt Portfolios)	*To perform in line with the prescribed Bond indices.*
Insight Bonds	*To generate returns of SONIA 3 month +2%*
LCIV Multi Asset Credit	*To outperform cash +4.5%. Exposures managed by PIMCO and an allocation to the CQS Alternative Credit Fund*
AIL Diversified Liquid Credit	*To generate returns of SONIA +1.5%*
Western Asset Management (Actively Managed corporate Bond Portfolio)	*To outperform the benchmark (composed of a mixture of bond indices) by 0.75% pa gross of fees over rolling three-year periods.*
LCIV Global Bond Fund	*To outperform global bond index.*
Inflation Protection	
M&G Inflation Opportunities Fund	*To outperform the Retail Price Index by 2.5% per annum on a rolling five-year basis.*
CBRE – Inflation protection illiquids	*UK LPI +2.5%pa over a rolling 10-year period*
Property	
Brockton Opportunistic property	*15% net IRR and 1.5xnet multiple*
BlackRock Advisers UK Ltd (Active UK Property Fund)	*To outperform the BNY Mellon CAPS pooled property fund survey median over three and five year periods.*
Legal & General Investment Management Ltd (Active UK Property Fund)	*To outperform the BNY Mellon CAPS pooled property fund survey median over three and five year periods.*

Infrastructure	
Antin	*15% Gross IRR with a gross target of 5% p.a.*
International Public Partnerships Limited *(Private Finance Initiative)*	*To achieve a return of at least 4.5% per annum.*
LCIV Infrastructure Renewable Infrastructure Fund	*Long-term objective is to seek to deliver an IRR (net of fees) of 7 - 10%, with a target yield 3 - 5% per annum.*

Appendix 2

Compliance with "Myners" Principles"

Principle 1: Effective Decision Making
Compliant: The Borough of Enfield has an appointed Pension Fund Committee consisting of elected members and there is a clearly defined decision-making process. The Committee is supported by named offices on investment and administration issues. The Committee has appointed an independent advisory member with experience in investment advice. It also employs an investment consultant and actuary. The Local Pension Board, made up of Fund employers and employees has an oversight and scrutiny function.

Training on investment issues is provided by the Investment Managers at the regular meetings of the Committee. Members of the Committee are also encouraged to attend training sessions offered from time to time by other external bodies.

Principle 2: Clear Objectives
Compliant: The overall objective for the Fund is to keep the employers' contribution rates as low and stable as possible while achieving full funding on an ongoing basis. The Committee had as its starting point the latest actuarial valuation when reviewing the investment arrangements to adopt the risk budget and set the investment strategy. The independent investment adviser gave comprehensive training and advice throughout this exercise. The Investment Managers have been advised of the strategy and have clearly defined investment performance targets. The objectives will be reconsidered following the next actuarial valuation and investment strategy review to ensure they remain appropriate.

Principle 3: Risk and Liabilities
Compliant: The Committee has given due consideration to risks and liabilities as explained in the 'Risk' section above. A strategic asset allocation benchmark has been set for the Fund. The Fund also subscribes to the Pensions & Investment research consultants (PIRC) Local Authority Universe as a broad comparison with other local authority schemes.

Principle 4: Performance Assessment
Compliant: The returns of the Investment Managers are measured independently against their performance objectives, and they are required to report on investment performance each quarter.
.
Principle 5: Responsible Ownership
Compliant: The Panel's policy on Sustainability is detailed in an earlier section of this document. The Investment Managers have been asked to adopt the Institutional Shareholders' Committee (ISC) Statement of Principles on the responsibilities of shareholders and agents, and to report to the Committee on related activity at the regular meetings.

Principle 6: Transparency and Reporting
Compliant: Documents relating to the management of the Pension Fund investments are published on the Council's website – these include the Investment Strategy Statement, the Annual Report and Accounts, the Funding Strategy Statement, and the Governance Compliance Statement.

London Borough of Enfield

Report Title	Impact of Spring budget on Pension Funds
Report to	Pension, Policy & Investment Committee (PPIC)
Date of Meeting	20 March 2024
Cabinet Member	Cllr Tim Leaver
Executive Director / Director	Fay Hammond
Report Author	Ravi Lakhani (Head of Pension Investments). Ravi.Lakhani@enfield.gov.uk
Classification	Part 1 Public

Purpose of Report

1. To introduce a report from the London Borough of Enfield Pension Fund's ("Fund") investment advisor, Aon, detailing the impact of the UK spring budget on Local Government Pension Schemes (LGPS).

Recommendations

I.	Members are asked to note the contents of the report.

Background

2. On Wednesday 6th March 2024, the UK Chancellor, Jeremy Hunt, published the UK spring budget for 2024.

3. A summary of the budget and the main impacts on Pension Fund's is attached in appendix 1.

Impact on LGPS

4. The most significant announcement in the budget impacting the LGPS is the requirement to publicly disclose the breakdown of asset allocations, including UK equities, on an annual basis.

5. These requirements are expected by the end of the month as part of the new Annual Report guidance.
6. The Chancellor has also stated that the Government will review what further action is needed if this reporting does not demonstrate that UK equity allocations are increasing.

7. The Fund invests in listed and unlisted equites through 6 managers. These managers are global in nature and do not specifically invest in UK equities instead targeting those companies who are likely to provide the highest level of returns.

8. PPIC are reminded that although the Government would like to see UK equity investment increasing, the fiduciary duty placed on the LGPS means the priority for Pension Funds is to achieve the highest risk adjusted returns for its members and employers. Increasing investment in UK equities may be in direct conflict to this fiduciary duty. This conflict would need to be resolved pending further announcements the current Government or future government may make

9. The Fund currently has approximately £20m (c.1.3%) invested in listed UK equities through its managers. It should be noted however that the Fund has approx. 5% of investments in the Bond portfolio invested in UK companies in addition to a significant holding in UK gilts. The Fund also holds a 5% allocation to UK property.

10. In addition to the above investments the Fund also has an 8% holding in Private equity. However, the strategy employed by the manager here is a global strategy and only a small proportion of investments are held in the UK (less than 5%),

11. The Chancellor also announced additional funding for children's social care and that the Government will work with the LGPS to consider the role they might play in unlocking investment in new Children's homes. Officers await further detail on this matter.

Preferred Option and Reasons For Preferred Option

12. PPIC members are asked to note the contents of this report and the attached appendices and take into consideration the impacts in future asset allocations

Financial Implications

13. There are no direct financial implications for the Fund arising from this report

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Appendices

Appendix 1: Aon Budget briefing note

Background Papers

None

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In Touch technical update

UK Spring Budget 2024

The Chancellor has published the Spring Budget for 2024, with the further cut to National Insurance grabbing the headlines, whilst attempting to emphasise that the UK economy had reached a turning point. However, in what could be the current government's last fiscal event before a general election, the OBR's forecasts continue to make grim reading, despite some minor upward revisions to growth.

Why bring you this note?

The Chancellor has published the UK's Spring Budget for 2024.

At a glance…

- The Chancellor delivered the Spring Budget against a backdrop of a looming general election. Conservatives will be watching to see whether today's announcements will change the picture in the opinion polls.
- Cutting personal taxes at the top of his agenda, with an eye-catching 2% cut to National Insurance contributions, following on from the 2% cut in the Autumn Statement.
- However, this was paid for by tax rises elsewhere, continued fiscal drag and cuts to departmental spending.
- The overall tax burden is still set to rise by 4% over the 5-year forecast horizon to near post-war highs.
- The OBR revised up growth forecasts but partly due to an increase in the expected population, but also due to lower inflation. Meanwhile real disposable incomes are expected to recover their pre-pandemic peak 2-years earlier than forecast in November. This would still leave the UK trailing many countries in the G7 in terms of trends in living standards, however.
- Inflation forecasts were revised down this year and next, partly due to faster-than-expected falls in energy prices.
- Government debt is expected to continue rising each year, except in the fifth of the 5-year forecast horizon, while deficits are set to fall to the lowest level since 2001.
- In terms of pensions, the government confirmed it is progressing several pensions-specific developments.

Prepared for: Aon clients
Prepared by: Aon's In Touch Group
Date: 6 March 2024

QAS Institute and Faculty of Actuaries ®
Quality Assurance Scheme

AON

A Budget with an eye on the general election

The Chancellor delivered a highly political speech for his second Spring Budget today with more than half an eye on the upcoming general election. In the context of a large lead for the Labour party in the opinion polls, Jeremy Hunt has been under pressure to announce a headline grabbing tax cut. But higher interest rates and a lower-than-expected growth rate have combined to reduce his wriggle room for such an announcement – the fiscal headroom was announced to be £8.9bn, which is significantly less than the £13bn that was available at the time of the Autumn Statement. To resolve this conundrum, Mr. Hunt has decided to raise taxes elsewhere and to continue to limit departmental spending. Conservative politicians will be watching closely in the days ahead to see whether today's Budget will make a dent in the Labour party's poll lead.

Virtually all of the major measures announced today were leaked in the past few days, including:

- A further 2% point cut to National Insurance from 10% to 8%.
- A rise in taxes on non-economy flights, a new tax on vapes and the scrapping of the existing "non-dom" tax breaks for wealthy individuals whose permanent home is overseas.
- An extension to the windfall tax on the oil and gas sector.
- A "British ISA", allowing tax-free investments of up to £5000 per year in UK firms. This is on top of current ISA limits.
- Changes in the thresholds for child benefit.

Overall, today's announcements were relatively light on so-called supply side measures, intended to improve the productivity of business and to increase the labour force. The key measures to mention were the changes to child benefit thresholds and some tax relief for the performing arts. In contrast, partly in order to pay for the headline-grabbing National Insurance contribution cut, the Chancellor announced a wide scale programme of public sector efficiency improvements, including introducing the use of artificial intelligence in healthcare and the digitisation of several services.

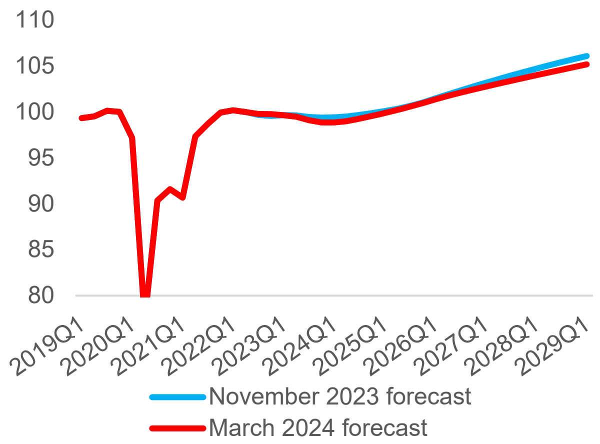
Meanwhile, although the Chancellor would like to highlight today's cut to personal taxation, this needs to be seen in the context of an ongoing freeze to income tax thresholds and other taxation measures, which still results in the overall tax burden of the economy rising by a substantial 4% points over the 5-year forecast horizon to near post-war highs of 37.1% - only slightly less than forecast in November.

Upward revisions to growth forecasts but the trend remains moderate

The Office for Budget Responsibility's (OBR's) previous forecasts last Autumn contained sharp downward revisions to the growth forecasts. In contrast, today's update has revealed some offsetting upward revisions to those growth numbers. GDP growth is expected to be 0.8% this year, while the largest upward revision is seen in 2025, with a 0.5%-point increase to 1.9%, as inflation has eased back. Nonetheless, growth is only set to peak at 2.2% in 2026, before falling back and the overall picture remains of a UK economy that is struggling to grow strongly.

It is also noteworthy that one major reason cited by the OBR for the improved growth forecasts is an upward revision to population growth, partly through higher immigration. The result of this is that output per person (or GDP per capita) is now forecast to grow more slowly than the already quite moderate rates published in November.

Per capita GDP growth is set to grow more slowly than forecast in November
(Real GDP per person, Q4 2019 = 100)

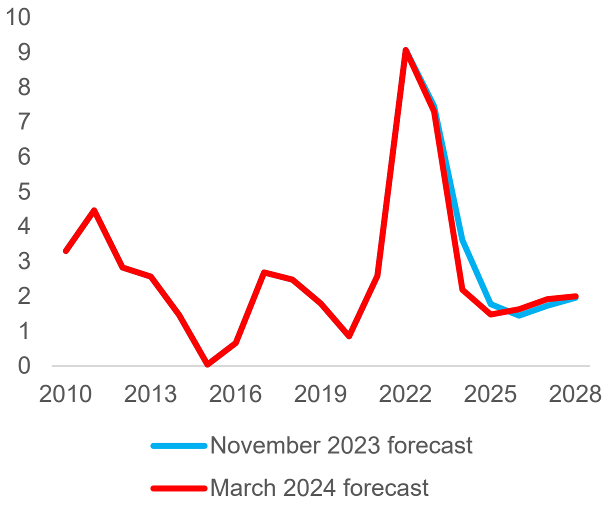


Source: OBR

Nonetheless, the OBR also now believes that living standards are likely to recover a little faster than previously forecast, with real disposable incomes expected to recover its pre-pandemic peak by 2025-26, which is two years earlier than forecast in November. The underlying reasons for this include the further reduction to National Insurance (giving a boost of 0.5%) and the quicker than expected fall in energy prices. Of course, this follows the largest drop in living standards since the statistics began in 1950 last year and a recovery to the pre-pandemic peak would still leave the UK trailing some of its G7 peers.

Meanwhile, the inflation forecasts have been revised lower, especially this year and next, which are then counteracted somewhat by small upward revisions in later years. This is a reversal from the upward revisions we saw in the November set of forecasts. Overall, with inflation expected to fall to 2.2% in 2024 and 1.5% next year, the OBR believes that the Bank of England's inflation target will be met. The OBR also assumes in its forecasts that monetary policy will be cut in line with current market expectations – this may not turn out to be the case if we are correct that inflation remains a little stickier than these latest forecasts.

Inflation revised lower in the next two years (CPI inflation, year-on-year %)



Source: OBR

Government debt continues to rise, only falling slightly at the end of the 5-year forecast horizon

The measures announced today have not fundamentally changed the government's debt prospects, with public sector net debt rising from 88.8% of GDP to 93.2% by 2027-28, before falling back slightly to 92.9%, thus meeting one of the Chancellor's key fiscal rules – that debt as a percentage of GDP should be falling by the end of the 5-year forecast horizon.

Meanwhile, the deficit is still expected to fall sharply throughout the forecast horizon, from 4.2% of GDP in this fiscal year, all the way down to 1.2% in 2028-29. This would be the lowest annual borrowing rate since 2001. However, these forecasts are based on sharp cuts to departmental spending – a 1% of GDP reduction in departmental spending is forecast over the next 5 years. Will the Labour party stick to these spending cut plans, should they win the upcoming general election? Alternatively, will they decide to raise taxes at a time when the overall tax take is set to rise to a near post-war high and government debt is approaching 100% of GDP? Budgets are often a political event as much as a fiscal event but the edge in today's announcements cannot be escaped.

In terms of debt issuance, total Gilt issuance was revised higher by the Debt Management Office. The DMO's Net Financing Requirement was reported as £265bn versus the previous estimate of £258bn. This is compared with a financing requirement for the previous fiscal year of £232.3bn.

Market reaction and our Medium-Term View

At the time of writing (3pm), the markets have moved relatively little in response to today's Budget, probably because so much of its contents was leaked beforehand, not leaving much to surprise. 10-year and 2-year Gilt yields are down by 3bps and 4bps respectively on the day, likely due to the downward revision to the inflation forecasts. Meanwhile, the FTSE 100 index is up 0.6% on the day, while sterling is little moved versus the US dollar and the euro. The biggest boost initially occurred in the domestically-focused FTSE 250, probably following the announcement of a new "British ISA".

In terms of our Medium-Term Views, today's Statement and the accompanying OBR forecasts continue to paint a difficult picture of current and future growth. The current technical recession may be short-lived in our view but any recovery is also likely to be shallow – the UK economy's challenges continue to be weak productivity growth, low business and infrastructure investments, a large inactive population and the need to improve vocational training. When it comes to inflation, we believe that price measures are likely to remain uncomfortably high for the Bank of England, meaning interest rates may not be cut by as much as markets expect. We have maintained a moderately positive view on Gilts, emphasising the longer duration segments of the yield curve, but we have moved to a neutral view on investment grade bonds as spreads have narrowed substantially. In terms of equities, we moved to neutral across the developed markets, including the UK, late last year and we maintain that view.

Pension announcements

The anticipated Value for Money framework for DC schemes will highlight schemes that focus on short-term costs savings at the expense of long-term investment outcomes. Proposals will require schemes to compare their performance, costs and other metrics against those of at least two schemes managing over £10 billion in assets. The FCA and TPR will be given powers to close schemes to new employer entrants and, where necessary, wind up a scheme. The FCA will consult on this framework in the spring.

Requirements will be introduced for DC pension funds to publicly disclose the breakdown of their asset allocations, including UK equities.

The government confirmed that it remains committed to exploring a lifetime provider model for DC pension schemes in the long-term.

The winners of the Long-Term Investment for Technology and Science (LIFTS) competition, intended to generate over a billion pounds of investment into UK science and technology companies, were also announced.

Local Government Pension Scheme

The Chancellor announced that requirements will also be introduced for Local Government Pension Scheme funds to publicly disclose the breakdown of their asset allocations, including UK equities, on an annual basis. These requirements are expected by the end of the month as part of the new Annual Report guidance. The Chancellor also stated that the government will review what further action is needed if this reporting does not demonstrate that UK equity allocations are increasing.

There are also various announcements for how productivity can be improved in the public sector, including a requirement for local authorities to produce plans by July 2024 setting out how they will *improve service performance, utilise data and technology, and reduce wasteful spend*. The Chancellor also announced additional funding for children's social care and that Government will *work with the LGPS to consider the role they might play in unlocking investment in new children's homes*.

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London Borough of Enfield

Report Title	Update on Enfield Pension Fund Investments & Managers, Economic/market update, and investment outlook.
Report to	Pension Policy & Investment Committee (PPIC)
Date of Meeting	20 March 2024
Cabinet Member	Cllr Tim Leaver
Executive Director / Director	Fay Hammond
Report Author	Ravi Lakhani (Head of Pension Investments). Ravi.Lakhani@enfield.gov.uk
Classification	Part 1 Public and Part 2 Private
Reason for exemption	3 Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Purpose of Report

1. To provide the Pension, Policy & Investment committee (PPIC) with an update on the Enfield Pension Fund ("Fund") investments and their performance as at 31 December 2023.

2. To introduce a paper from the Fund's Investment advisors (Aon) presenting a market update and investment outlook. (Appendix 4)

(Disclaimer: No information contained in this report should be considered investment advice and is for the purposes of the Enfield Pension Fund only.)

Recommendations

I. Members are asked to note the contents of this report.

Reason for Recommendation

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

4. Officers and Aon (the Fund's investment advisors) meet regularly with investment managers to discuss their strategy and performance and if considered necessary may recommend that investment managers are invited to PPIC to explain performance further.

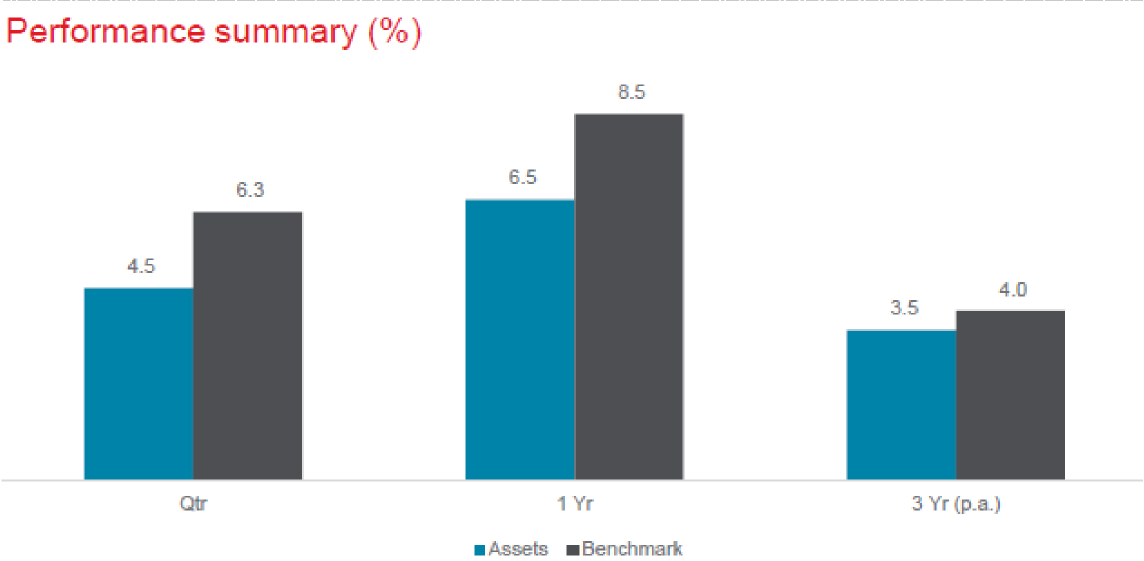
5. All investment managers will be reviewed over the next 12-24 months, as part of the Strategic Asset Allocation (SAA) review exercise, to ensure their mandates and performance align with the objectives of the Enfield Pension Fund.

Main Considerations for the committee

6. The value of the fund as at 31 December 2023 was £1,521m which was a £67.6m increase in the quarter.

Fund performance:

7. The graph below summaries the Fund's annual performance over recent time periods :



8.
*Figures are on an annual basis

Asset Class and Manager performance (significant issues)
Performance of the Fund's managers over this time frame and since inception can be found in Appendix 1: (Northern Trust Enfield PF performance)

A quarterly investment dashboard and a comprehensive evaluation of manager performance is provided by the Fund's investment advisor's Aon and can be found in Appendix 2 and 3 respectively.

Equities

Account/Group	Ending Market Value GBP	Ending Weight	% Rate of Return: One Month	Three Months	Year to Date	One Year	Three Years
Total Equities	623,648,146	40.99	4.32	6.99	13.14	13.14	6.46
Enfield Equities BM			*4.36*	*6.71*	*15.33*	*15.33*	*7.90*
Excess Return			*-0.03*	*0.28*	*-2.19*	*-2.19*	*-1.44*
Blackrock Low Carbon	279,382,762	18.36	4.89	7.71	17.33	17.33	9.96
LEFD02 MSCI Wld Lw CrbnTgtxFsl			*4.80*	*7.55*	*16.83*	*16.83*	*8.87*
Excess Return			*0.09*	*0.16*	*0.50*	*0.50*	*1.08*
LCIV - JP Morgan (EM)	31,115,064	2.05	2.67	2.08	0.45	0.45	-4.73
LEFD05018 MSCI EM Mrkts ND			*3.19*	*3.27*	*3.63*	*3.63*	*-2.84*
Excess Return			*-0.52*	*-1.19*	*-3.19*	*-3.19*	*-1.89*
LCIV - Longview (FOCUS GE)	119,840,265	7.88	2.87	6.19	12.62	12.62	11.83
LEFD05019 MSCI ACWI ND			*4.08*	*6.31*	*15.31*	*15.31*	*8.24*
Excess Return			*-1.20*	*-0.12*	*-2.69*	*-2.69*	*3.59*
LCIV-Baillie Gifford(ALPHA GE)	109,717,109	7.21	5.00	8.06	11.61	11.61	-1.18
LEFD05016 MSCI ACWI ND			*4.08*	*6.31*	*15.31*	*15.31*	*8.24*
Excess Return			*0.93*	*1.75*	*-3.70*	*-3.70*	*-9.42*
MFS Global Equity	82,761,731	5.44	4.32	6.30	8.09	8.09	5.75
LEFD05005 MSCI ACWI ND			*4.08*	*6.31*	*15.31*	*15.31*	*8.24*
Excess Return			*0.25*	*-0.01*	*-7.22*	*-7.22*	*-2.49*

9. In Q4 2023, global equity markets rose due to a strong rally in November and December as market participants expected a greater chance of interest rate cuts in 2024. The MSCI AC World index rose 9.5% in local currency terms. However, sterling appreciation against the US dollar pushed down returns in sterling terms to 6.4%

10. An important factor to consider is the strong leadership of a handful of US technology stocks that have been boosted by the Artificial Intelligence theme. Not only has this driven the performance of the US market, but it also skewed results for the MSCI World index. Furthermore, it has pushed US valuations into expensive territory. Once these companies are adjusted for, however, valuations and performance are less eye-catching. At the same time, valuations relative to bonds will likely continue to present a challenge for equities this year.

11. Most equity managers performed in line with their benchmarks with the exception of Baillie Gifford and JP Morgan emerging market equities.

12. Baillie Gifford – Global Alpha Growth Fund – (London CIV) -outperformed benchmark by 1.75%. The strategy outperformed in Q4 2023, narrowing underperformance for the year. Longer periods of performance remain highly influenced by the weak returns in 2021 and 2022. A pause in performance of large US tech related stocks, or the “Magnificent Seven”, and peaking US interest rates set a favourable backdrop for a diversified growth strategy such as this.

13. LCIV – JP Morgan Emerging market equity fund - The Sub-fund dropped in value by 1.7% over the last quarter and underperformed its benchmark, MSCI

Emerging Market Index, by 2.8%. The portfolio's exposure to China was a key detractor where value stocks outperformance weighed heavily on the Sub-fund on a relative basis, and the continued muted reopening of the Chinese economy also impacted the portfolio on an absolute basis. Stock selection in India, the portfolio's second largest geographical exposure (aggregating China and Hong Kong), was a detractor due to HDFC bank, which had a lacklustre performance after its merger with HDFC.

Bonds

			% Rate of Return				
Account/Group	Ending Market Value GBP	Ending Weight	One Month	Three Months	Year to Date	One Year	Three Years
Total Bonds and Index Linked	465,180,161	30.58	3.93	6.83	7.88	7.88	-3.25
Enfield Bonds & IL BM			*3.48*	*5.97*	*6.69*	*6.69*	*-2.68*
Excess Return			*0.45*	*0.86*	*1.20*	*1.20*	*-0.57*
AON Diversified Liquid Credit	69,324,186	4.56	0.95	2.36	7.57	7.57	-
LEFD07003 1 month SONIA + 1.5%			*0.52*	*1.62*	*6.17*	*6.17*	-
Excess Return			*0.43*	*0.74*	*1.40*	*1.40*	-
Blackrock IL Gilts	118,049,569	7.76	3.62	5.29	3.15	3.15	-4.84
LEFD01 Blended Benchmark			*3.67*	*5.36*	*3.03*	*3.03*	*-4.87*
Excess Return			*-0.05*	*-0.07*	*0.12*	*0.12*	*0.03*
Insight Bonds	32,166,374	2.11	0.74	2.32	6.18	6.18	1.58
LEFD05006 SONIA 3 Month GBP+2%			*0.56*	*1.74*	*6.82*	*6.82*	*5.54*
Excess Return			*0.18*	*0.57*	*-0.65*	*-0.65*	*-3.96*
LCIV - CQS (MAC)	58,373,012	3.84	3.00	5.90	11.23	11.23	2.89
LEFD05020 3 Month GBP SONIA			*0.41*	*1.28*	*4.82*	*4.82*	*2.24*
Excess Return			*2.59*	*4.62*	*6.41*	*6.41*	*0.65*
LCIV Global Bond Fund	81,863,414	5.38	3.89	7.50	9.06	9.06	-
LEFD05021 Bloomberg Global Agg			*3.68*	*6.99*	*7.64*	*7.64*	-
Excess Return			*0.21*	*0.51*	*1.42*	*1.42*	-
Western	105,403,606	6.93	8.03	13.46	10.69	10.69	-9.28
LEFD03 ML Stg Non-Gilts 10+			*7.93*	*13.26*	*10.57*	*10.57*	*-9.74*
Excess Return			*0.10*	*0.20*	*0.12*	*0.12*	*0.45*

14. Global bond yields moved lower as major central banks around the world kept their interest rates unchanged. The FTSE All Stocks Gilts Index and the FTSE All Stocks Index-Linked Gilts Index rose 8.1% and 8.7% respectively. Investment grade (corporate) bond credit spreads narrowed over the quarter

15. Most Bond fund managers performed in line with their benchmarks with the exception of the London -CQS- Multi asset credit (MAC) fund.

16. London -CQS- Multi asset credit (MAC) fund- In the fourth quarter, the CQS sub-fund returned 5.8%, ending the year strongly with an outperformance of 2.4%, against its objective. Over one year, the portfolio gained 11.3% and outperformed the target by 1.9%. In the period since inception of this Sub-fund, it has gained 2.9% on an annualised basis, 3.1% less than its absolute return target. In a change of fortune from the previous two quarters, investment grade credit outperformed high yield debt in Q4, benefitting from both falling yields and lower spreads. The Sub-fund particularly benefitted from a timely increase in exposure to U.S. duration ahead of Q4.

17. PPIC carried out a deep dive on the Bond/Fixed income portfolio in early 2024. This resulted in a number of proposed changes to the portfolio subject to clarity on exit costs being obtained. These changes will be bought to a later PPIC meeting for agreement once further information has been obtained by officers.

Inflation Protection Illiquids

Account/Group	Ending Market Value GBP	Ending Weight	% Rate of Return One Month	Three Months	Year to Date	One Year	Three Years
Inflation Protection Illiquids	100,264,701	6.59	1.55	2.08	1.04	1.04	-5.65
Enfield Inflation Iliquids BM			*0.39*	*1.60*	*7.18*	*7.18*	*5.98*
Excess Return			*1.15*	*0.49*	*-6.15*	*-6.15*	*-11.63*
CBRE Long Income Fund	37,796,989	2.48	0.00	3.02	6.19	6.19	-2.45
LEFD06007 BMK			*0.00*	*3.02*	*6.19*	*6.19*	*-2.45*
Excess Return			*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
M&G Inflation Opportunities Fd	62,467,711	4.11	2.51	1.52	-1.86	-1.86	-7.27
LEFD05010 UK RPI +2.5%			*0.64*	*0.75*	*7.66*	*7.66*	*11.16*
Excess Return			*1.87*	*0.77*	*-9.52*	*-9.52*	*-18.44*

18. Over 1 year the asset class and managers within it have continued to produce negative returns. The allocation to the asset class will be reviewed by the investment committee, over the next 12 months as part of the Strategic Asset Allocation (SAA) review to ensure that an allocation still meets the needs of the Enfield Pension Fund.

19. M&G inflation opportunities Fund - Continuing challenging market conditions have meant the fund has significantly underperformed over the 12-month period by -9.5%.

Private Equity

Account/Group	Ending Market Value GBP	Ending Weight	% Rate of Return One Month	Three Months	Year to Date	One Year	Three Years
Private Equity	102,437,197	6.73	-3.08	-6.61	-8.10	-8.10	17.61
Enfield PE BM			*4.08*	*6.31*	*15.31*	*15.31*	*8.24*
Excess Return			*-7.15*	*-12.92*	*-23.41*	*-23.41*	*9.38*
Adams Street	102,437,197	6.73	-3.08	-6.61	-8.10	-8.10	17.61
LEFD06005 MSCI ACWI ND			*4.08*	*6.31*	*15.31*	*15.31*	*8.24*
Excess Return			*-7.15*	*-12.92*	*-23.41*	*-23.41*	*9.38*

20. There is only 1 fund manager for private equity – Adams Street. On a one-year time frame it has performed negatively on an absolute and relative basis. Rising interest rates across major economies will have contributed to private equity valuations reducing substantially. It should be noted however as the private equity fund has matured it has become cashflow positive over recent

years (the fund is receiving more in distributions than is being called up through drawdown requests).

21. Over longer time periods (3 and 5 years) Adams Street has produced positive returns significantly beating the benchmark. Over a 5-year period Adams Street has been the best performing asset for the fund producing returns of +14% p.a.

Infrastructure

Account/Group	Ending Market Value GBP	Ending Weight	% Rate of Return One Month	Three Months	Year to Date	One Year	Three Years
Infrastructure	61,730,355	4.06	4.64	6.13	-4.73	-4.73	1.46
Enfield Infrastructure BM			*6.90*	*10.74*	*-3.96*	*-3.96*	*-2.13*
Excess Return			*-2.26*	*-4.61*	*-0.77*	*-0.77*	*3.59*
Antin Infrastructure	20,405,939	1.34	0.54	-1.95	-6.18	-6.18	8.94
INPP	39,698,791	2.61	7.01	11.00	-3.73	-3.73	-2.06
LEFD05015 Fund returns			*7.01*	*11.00*	*-3.73*	*-3.73*	*-2.06*
Excess Return			*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
LCIV Renewable Infra	1,625,625	0.11	0.00	0.00	-	-	-
LEFD05022 8.5% BMK			*0.68*	*2.06*	-	-	-
Excess Return			*-0.68*	*-2.06*	-	-	-

22. On a one-year basis, performance is negative for the infrastructure asset class (-4.7%). Relative performance to the benchmark is -0.77%. The negative return is partly attributable to all Pension funds needing greater liquidity thereby creating a fall in demand and therefore values in illiquid funds such as infrastructure. For those less liquidity constrained, the weaker demand for illiquid assets could, in fact, present an eventual buying opportunity.

23. The Fund is currently underweighting the asset class when compared to the strategic allocation. (4% actual allocation v 16% strategic allocation)

24. The committee has recently made a number of commitments to infrastructure mangers as follows:

- LCIV Renewable Infrastructure Fund - £75m
- Copenhagen Infrastructure Partners -£50m
- Blackrock Global Infrastructure Fund - £41m

These commitments are expected to be called in stages over the next 2-4 years.

Property

Account/Group	Ending Market Value GBP	Ending Weight	% Rate of Return One Month	Three Months	Year to Date	One Year	Three Years
Property	78,682,683	5.17	-0.62	-1.17	-2.70	-2.70	1.87
Enfield Property BM			*-0.34*	*-1.16*	*-1.40*	*-1.40*	*2.06*
Excess Return			*-0.28*	*-0.01*	*-1.30*	*-1.30*	*-0.19*
Blackrock UK FD	32,758,802	2.15	-1.24	-2.07	-2.91	-2.91	0.44
LEFD05012 IPD All Balncd Prpty			*-0.34*	*-1.16*	*-1.40*	*-1.40*	*2.06*
Excess Return			*-0.90*	*-0.91*	*-1.51*	*-1.51*	*-1.62*
Brockton Capital Fund	8,922,197	0.59	0.00	-4.32	-8.55	-8.55	3.13
LEFD06001 IPD All Balncd			*-0.34*	*-1.16*	*-1.40*	*-1.40*	*2.06*

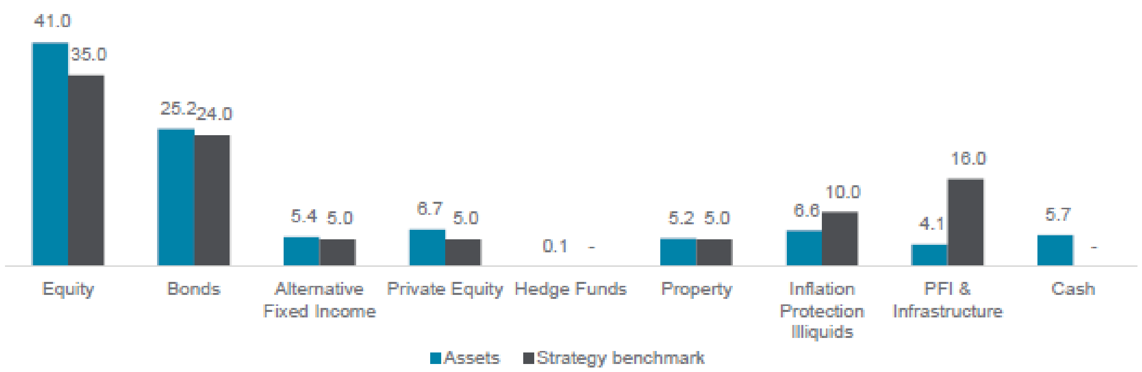
Prpty							
Excess Return			*0.34*	*-3.15*	*-7.15*	*-7.15*	*1.06*
Legal & General Property	37,001,684	2.43	-0.22	0.45	-1.01	-1.01	3.07
LEFD05013 IPD All Balncd Prpty			*-0.34*	*-1.16*	*-1.40*	*-1.40*	*2.06*
Excess Return			*0.12*	*1.61*	*0.39*	*0.39*	*1.01*

25. The property asset class produced a negative return of -1.17% over the quarter. On a 1 year basis the asset class for the Fund has shown -2.7% performance which is 1.3% below the benchmark. Over 5 years the return has been 1.45% p.a. in line with benchmark.

Strategic Allocations

26. Asset allocation when compared to benchmark can be seen below:

31 December 2023 strategic allocation & benchmark (%)



*Note – this chart refers to the 2023 strategic asset allocation and not the strategic asset allocation agreed in 2024.

27. The fund is significantly underweight infrastructure. As mentioned above the committee has recently made a number of commitments to the asset class. However, due to the nature of these funds it will take between for 2-4 years for all the funds to be called/drawndown.

28. Changes in funds in line with previous Committee decisions (for quarter 4 - as at 31 December 2023)

Additions/Investments - none
Disposals/redemptions – none

29. Changes coming up in Q1 2024 in line with previous Committee decisions
Additions/Investments – none
Disposals/redemptions – none
Changes in the Bond Portfolio may occur in Q2 dependent on PPIC decisions

Cash Position

30. The cash position as at 31 December was £87.3m.

31. The cash balance is currently invested in short term Money Market funds in line with the treasury management strategy. These funds offer an overnight rate of rate return, offer instant liquidity, are heavily diversified and are only invested

with the highest quality credit rated instruments. At the end of the quarter, they were yielding approximately 4-5%.

Economic & Market performance

32. A market update and investment outlook is covered in Appendix 4 provided by Aon covering Inflation, Recession and interest rates, Economic highlights, and market outlook.

Relevance to Council Plans and Strategies

33. An economy that works for everyone.

Financial Implications

34. The Pension fund is invested in a mix of assets in order to generate a return to ensure that it can meet its liabilities (pension payments) when they fall due. Higher investment returns will ensure that employers in the fund (including Enfield Council) have a lower level of contributions thereby enabling budgets to be utilised on other service areas.

35. The Fund is 104.9% funded as at 30th September 2023. This means that there are more assets in the Fund then the liabilities (i.e., pension payments to members as they fall due). This is based on a number of assumptions and will constantly change due to investment returns, inflation, changes in membership etc.

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Appendices

Appendix 1 – Northern Trust – Enfield PF performance -Part 1
Appendix 2 - Quarterly Investment dashboard
Appendix 3 – Manager Monitoring report – **Part 2 – Exempt Confidential**
Appendix 4 – Market update & Investment outlook – **Part 2 – Exempt Confidential**

NORTHERN TRUST

London Borough of Enfield

Investment Risk & Analytical Services

December 31, 2023

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	**1,521,291,851**	**100.00**	**2.97**	**4.49**	**6.54**	**6.54**	**3.51**	**5.88**	**8.06**	**31/03/1987**
Enfield Strategic BM			*3.86*	*6.26*	*8.53*	*8.53*	*3.95*	*6.16*	*-*	*31/03/1987*
Excess Return			*-0.90*	*-1.77*	*-1.99*	*-1.99*	*-0.45*	*-0.27*	*-*	*31/03/1987*
Total Equities	**623,648,146**	**40.99**	**4.32**	**6.99**	**13.14**	**13.14**	**6.46**	**11.07**	**9.35**	**31/03/1987**
Enfield Equities BM			*4.36*	*6.71*	*15.33*	*15.33*	*7.90*	*11.45*	*-*	*31/03/1987*
Excess Return			*-0.03*	*0.28*	*-2.19*	*-2.19*	*-1.44*	*-0.38*	*-*	*31/03/1987*
Blackrock Low Carbon	**279,382,762**	**18.36**	**4.89**	**7.71**	**17.33**	**17.33**	**9.96**	**13.07**	**13.00**	**31/03/2009**
LEFD02 MSCI Wld Lw CrbnTgtxFsl			*4.80*	*7.55*	*16.83*	*16.83*	*8.87*	*12.15*	*12.03*	*31/03/2009*
Excess Return			*0.09*	*0.16*	*0.50*	*0.50*	*1.08*	*0.92*	*0.96*	*31/03/2009*
LCIV - JP Morgan (EM)	**31,115,064**	**2.05**	**2.67**	**2.08**	**0.45**	**0.45**	**-4.73**	**2.94**	**3.21**	**24/10/2018**
LEFD05018 MSCI EM Mrkts ND			*3.19*	*3.27*	*3.63*	*3.63*	*-2.84*	*3.66*	*4.14*	*24/10/2018*
Excess Return			*-0.52*	*-1.19*	*-3.19*	*-3.19*	*-1.89*	*-0.73*	*-0.93*	*24/10/2018*
LCIV - Longview (FOCUS GE)	**119,840,265**	**7.88**	**2.87**	**6.19**	**12.62**	**12.62**	**11.83**	**10.81**	**10.23**	**24/10/2018**
LEFD05019 MSCI ACWI ND			*4.08*	*6.31*	*15.31*	*15.31*	*8.24*	*11.70*	*10.62*	*24/10/2018*
Excess Return			*-1.20*	*-0.12*	*-2.69*	*-2.69*	*3.59*	*-0.89*	*-0.38*	*24/10/2018*
LCIV-Baillie Gifford(ALPHA GE)	**109,717,109**	**7.21**	**5.00**	**8.06**	**11.61**	**11.61**	**-1.18**	**10.36**	**10.01**	**30/09/2016**
LEFD05016 MSCI ACWI ND			*4.08*	*6.31*	*15.31*	*15.31*	*8.24*	*11.70*	*10.15*	*30/09/2016*
Excess Return			*0.93*	*1.75*	*-3.70*	*-3.70*	*-9.42*	*-1.33*	*-0.14*	*30/09/2016*
MFS Global Equity	**82,761,731**	**5.44**	**4.32**	**6.30**	**8.09**	**8.09**	**5.75**	**10.40**	**11.89**	**31/07/2010**
LEFD05005 MSCI ACWI ND			*4.08*	*6.31*	*15.31*	*15.31*	*8.24*	*11.70*	*10.88*	*31/07/2010*
Excess Return			*0.25*	*-0.01*	*-7.22*	*-7.22*	*-2.49*	*-1.30*	*1.01*	*31/07/2010*
Transition Account For Enfield	**16,203**	**0.00**	**2.21**	**2.43**	**1.79**	**1.79**	**-**	**-**	**-3.25**	**05/03/2021**
Trilogy	**815,011**	**0.05**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**30/09/2007**
LEFD04 MSCI ACWI ND			*-*	*-*	*-*	*-*	*-*	*-*	*-*	*30/09/2007*
Excess Return			*-*	*-*	*-*	*-*	*-*	*-*	*-*	*30/09/2007*
Total Bonds and Index Linked	**465,180,161**	**30.58**	**3.93**	**6.83**	**7.88**	**7.88**	**-3.25**	**0.90**	**4.57**	**30/06/2005**
Enfield Bonds & IL BM			*3.48*	*5.97*	*6.69*	*6.69*	*-2.68*	*1.14*	*-*	*30/06/2005*
Excess Return			*0.45*	*0.86*	*1.20*	*1.20*	*-0.57*	*-0.24*	*-*	*30/06/2005*
AON Diversified Liquid Credit	**69,324,186**	**4.56**	**0.95**	**2.36**	**7.57**	**7.57**	**-**	**-**	**1.47**	**06/12/2021**
LEFD07003 1 month SONIA + 1.5%			*0.52*	*1.62*	*6.17*	*6.17*	*-*	*-*	*4.50*	*06/12/2021*
Excess Return			*0.43*	*0.74*	*1.40*	*1.40*	*-*	*-*	*-3.03*	*06/12/2021*
Blackrock IL Gilts	**118,049,569**	**7.76**	**3.62**	**5.29**	**3.15**	**3.15**	**-4.84**	**-1.23**	**3.61**	**30/09/2005**
LEFD01 Blended Benchmark			*3.67*	*5.36*	*3.03*	*3.03*	*-4.87*	*-1.29*	*5.29*	*30/09/2005*
Excess Return			*-0.05*	*-0.07*	*0.12*	*0.12*	*0.03*	*0.06*	*-1.68*	*30/09/2005*

Account/Group	Ending Market Value GBP	Ending Weight	One Month	Three Months	Year to Date	One Year	Three Years	Five Years	Inception to Date	Inception Date
			% Rate of Return							
Insight Bonds	32,166,374	2.11	0.74	2.32	6.18	6.18	1.58	1.23	0.82	31/12/2013
LEFD05006 SONIA 3 Month GBP+2%			*0.56*	*1.74*	*6.82*	*6.82*	*5.54*	*5.24*	*3.91*	31/12/2013
Excess Return			*0.18*	*0.57*	*-0.65*	*-0.65*	*-3.96*	*-4.01*	*-3.08*	31/12/2013
LCIV - CQS (MAC)	58,373,012	3.84	3.00	5.90	11.23	11.23	2.89	3.34	3.03	30/11/2018
LEFD05020 3 Month GBP SONIA			*0.41*	*1.28*	*4.82*	*4.82*	*2.24*	*1.66*	*1.65*	30/11/2018
Excess Return			*2.59*	*4.62*	*6.41*	*6.41*	*0.65*	*1.68*	*1.38*	30/11/2018
LCIV Global Bond Fund	81,863,414	5.38	3.89	7.50	9.06	9.06	-	-	8.11	16/11/2022
LEFD05021 Bloomberg Global Agg			*3.68*	*6.99*	*7.64*	*7.64*	-	-	*10.40*	16/11/2022
Excess Return			*0.21*	*0.51*	*1.42*	*1.42*	-	-	*-2.29*	16/11/2022
Western	105,403,606	6.93	8.03	13.46	10.69	10.69	-9.28	-0.43	4.54	31/03/2003
LEFD03 ML Stg Non-Gilts 10+			*7.93*	*13.26*	*10.57*	*10.57*	*-9.74*	*-0.91*	-	31/03/2003
Excess Return			*0.10*	*0.20*	*0.12*	*0.12*	*0.45*	*0.48*	-	31/03/2003
Inflation Protection Illiquids	100,264,701	6.59	1.55	2.08	1.04	1.04	-5.65	-1.46	-1.53	30/11/2018
Enfield Inflation Illiquids BM			*0.39*	*1.60*	*7.18*	*7.18*	*5.98*	*4.94*	*4.96*	30/11/2018
Excess Return			*1.15*	*0.49*	*-6.15*	*-6.15*	*-11.63*	*-6.40*	*-6.50*	30/11/2018
CBRE Long Income Fund	37,796,989	2.48	0.00	3.02	6.19	6.19	-2.45	-1.63	-1.62	17/12/2018
LEFD06007 BMK			*0.00*	*3.02*	*6.19*	*6.19*	*-2.45*	*-1.63*	*-1.62*	17/12/2018
Excess Return			*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*-0.00*	*-0.00*	17/12/2018
M&G Inflation Opportunities Fd	62,467,711	4.11	2.51	1.52	-1.86	-1.86	-7.27	-2.10	2.55	30/04/2013
LEFD05010 UK RPI +2.5%			*0.64*	*0.75*	*7.66*	*7.66*	*11.16*	*8.32*	*6.50*	30/04/2013
Excess Return			*1.87*	*0.77*	*-9.52*	*-9.52*	*-18.44*	*-10.43*	*-3.95*	30/04/2013
Total Hedge Funds	2,088,142	0.14	5.29	-7.32	4.18	4.18	9.56	2.22	4.38	31/07/2007
Enfield Hedge Funds BM			*-0.28*	*-2.99*	*0.31*	*0.31*	*3.19*	*1.65*	-	31/07/2007
Excess Return			*5.57*	*-4.33*	*3.87*	*3.87*	*6.37*	*0.57*	-	31/07/2007
York Capital	2,088,142	0.14	5.29	-7.32	4.76	4.76	14.72	-6.18	1.20	31/12/2009
LEFD05011 SOFR 3 Month GBP			*-0.28*	*-2.99*	*-0.83*	*-0.83*	*4.98*	*2.32*	*2.62*	31/12/2009
Excess Return			*5.57*	*-4.33*	*5.59*	*5.59*	*9.74*	*-8.50*	*-1.43*	31/12/2009
Private Equity	102,437,197	6.73	-3.08	-6.61	-8.10	-8.10	17.61	14.71	12.81	31/03/2007
Enfield PE BM			*4.08*	*6.31*	*15.31*	*15.31*	*8.24*	*11.70*	-	31/03/2007
Excess Return			*-7.15*	*-12.92*	*-23.41*	*-23.41*	*9.38*	*3.01*	-	31/03/2007
Adams Street	102,437,197	6.73	-3.08	-6.61	-8.10	-8.10	17.61	14.71	11.72	31/12/2004
LEFD06005 MSCI ACWI ND			*4.08*	*6.31*	*15.31*	*15.31*	*8.24*	*11.70*	*7.81*	31/12/2004
Excess Return			*-7.15*	*-12.92*	*-23.41*	*-23.41*	*9.38*	*3.01*	*3.91*	31/12/2004
Infrastructure	61,730,355	4.06	4.64	6.13	-4.73	-4.73	1.46	5.17	3.25	30/06/2016
Enfield Infrastructure BM			*6.90*	*10.74*	*-3.96*	*-3.96*	*-2.13*	*2.59*	*2.70*	30/06/2016
Excess Return			*-2.26*	*-4.61*	*-0.77*	*-0.77*	*3.59*	*2.59*	*0.55*	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	20,405,939	1.34	0.54	-1.95	-6.18	-6.18	8.94	10.73	8.62	31/12/2017
INPP	39,698,791	2.61	7.01	11.00	-3.73	-3.73	-2.06	2.63	6.50	31/12/2008
LEFD05015 Fund returns			7.01	11.00	-3.73	-3.73	-2.06	2.63	2.88	31/12/2008
Excess Return			0.00	0.00	0.00	0.00	0.00	-0.00	3.62	31/12/2008
LCIV Renewable Infra	1,625,625	0.11	0.00	0.00	-	-	-	-	0.00	29/09/2023
LEFD05022 8.5% BMK			0.68	2.06	-	-	-	-	2.06	29/09/2023
Excess Return			-0.68	-2.06	-	-	-	-	-2.06	29/09/2023
Property	78,682,683	5.17	-0.62	-1.17	-2.70	-2.70	1.87	1.45	8.15	31/03/1987
Enfield Property BM			-0.34	-1.16	-1.40	-1.40	2.06	1.34	-	31/03/1987
Excess Return			-0.28	-0.01	-1.30	-1.30	-0.19	0.11	-	31/03/1987
Blackrock UK FD	32,758,802	2.15	-1.24	-2.07	-2.91	-2.91	0.44	0.38	2.88	31/07/2002
LEFD05012 IPD All Balncd Prpty			-0.34	-1.16	-1.40	-1.40	2.06	1.34	5.54	31/07/2002
Excess Return			-0.90	-0.91	-1.51	-1.51	-1.62	-0.96	-2.66	31/07/2002
Brockton Capital Fund	8,922,197	0.59	0.00	-4.32	-8.55	-8.55	3.13	3.50	3.79	30/11/2014
LEFD06001 IPD All Balncd Prpty			-0.34	-1.16	-1.40	-1.40	2.06	1.34	2.71	30/11/2014
Excess Return			0.34	-3.15	-7.15	-7.15	1.06	2.15	1.09	30/11/2014
Legal & General Property	37,001,684	2.43	-0.22	0.45	-1.01	-1.01	3.07	2.28	5.53	31/01/2010
LEFD05013 IPD All Balncd Prpty			-0.34	-1.16	-1.40	-1.40	2.06	1.34	5.69	31/01/2010
Excess Return			0.12	1.61	0.39	0.39	1.01	0.93	-0.16	31/01/2010
Cash	87,260,466	5.74	-0.29	-2.53	0.55	0.55	3.23	1.56	1.86	30/06/2016
Cash & Other Assets	2,081,301	0.14	0.45	1.10	70.04	70.04	19.47	11.27	1.38	30/06/2016
Cash & Other Transition Assets	184	0.00	4.08	1.08	-12.55	-12.55	-8.03	-8.11	-7.96	30/11/2018
Goldman Sachs Funds	23,772,667	1.56	-0.75	-2.85	2.43	2.43	3.84	1.99	2.06	30/06/2016
LEFD07001 SONIA 7 Day			0.40	1.27	4.57	4.57	-	-	-	30/06/2016
Excess Return			-1.15	-4.12	-2.14	-2.14	-	-	-	30/06/2016
PE Cash & Other Assets	25,710,379	1.69	-0.03	-2.12	-0.75	-0.75	4.08	1.01	1.18	30/06/2016
LEFD06002 SONIA 7 Day			0.40	1.27	4.57	4.57	1.93	1.28	0.95	30/06/2016
Excess Return			-0.43	-3.39	-5.32	-5.32	2.16	-0.28	0.23	30/06/2016
UT Cash & Other Assets	35,695,936	2.35	-0.23	-2.83	0.25	0.25	1.21	1.11	5.10	30/06/2016
LEFD05002 SONIA 7 Day			0.40	1.27	4.57	4.57	1.93	1.28	0.95	30/06/2016
Excess Return			-0.63	-4.10	-4.32	-4.32	-0.72	-0.17	4.16	30/06/2016

Quarterly Investment Report

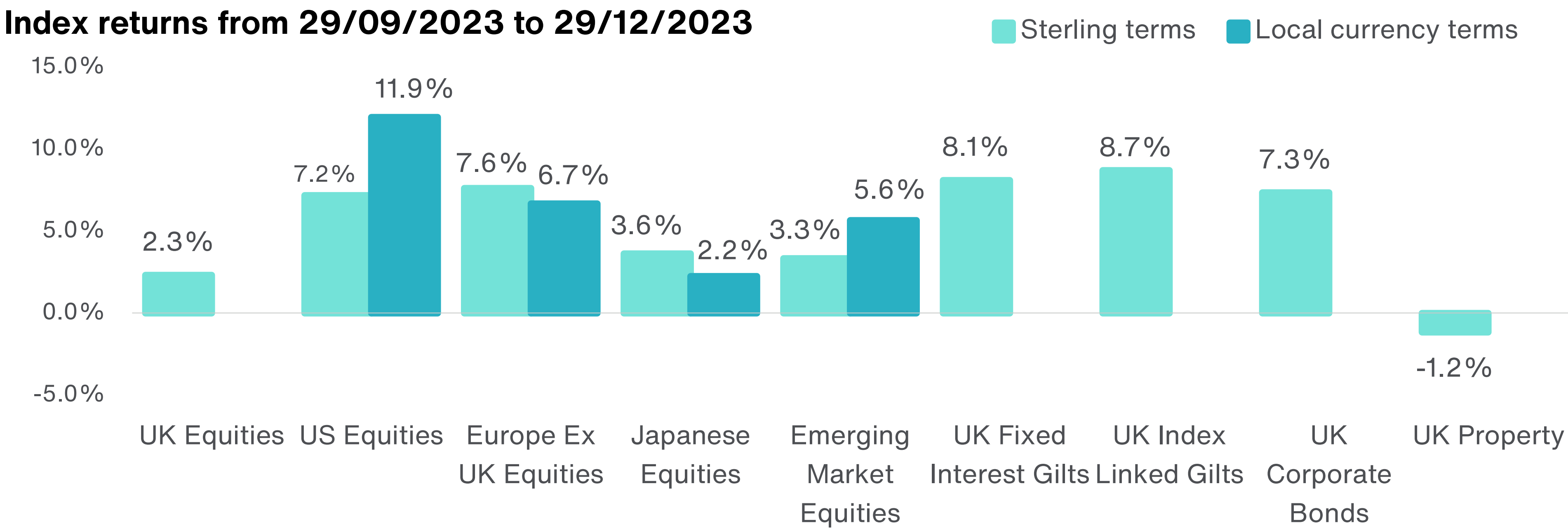
London Borough of Enfield Pension Fund

Prepared for:	The London Borough of Enfield Pension Policy & Investment Committee
Prepared by:	Colin Cartwright
Date:	31 December 2023

Signatory of: UK STEWARDSHIP CODE | 2021

AON

Q4 2023 Index Returns

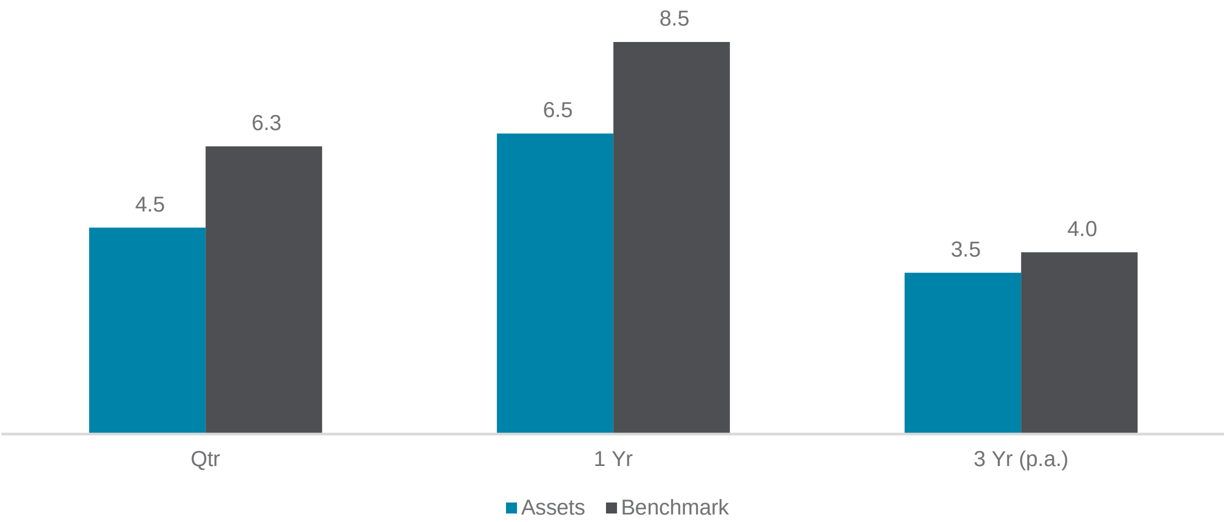


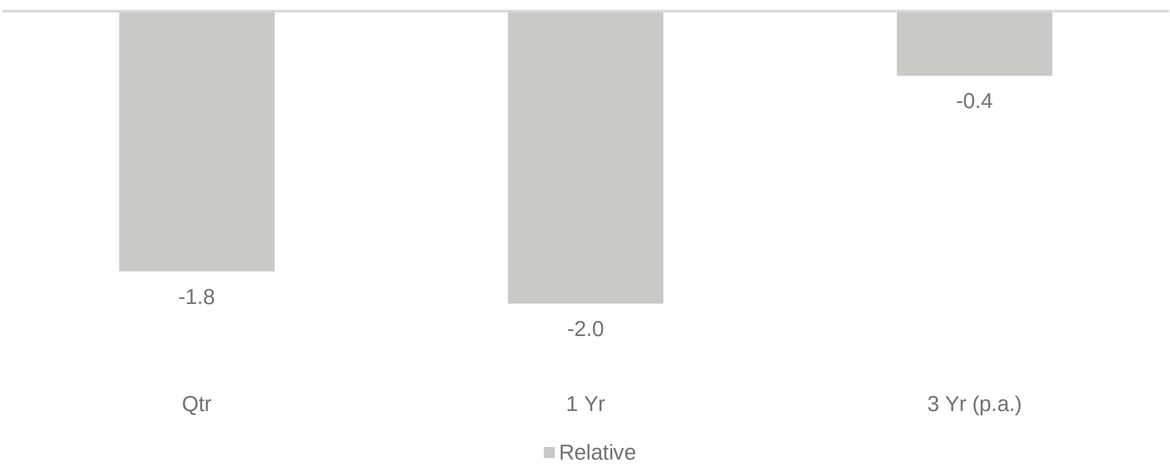
Source: FactSet, MSCI (Equities, Property), FTSE (Gilts), iBoxx (Credit).

- In Q4 2023, global equity markets rose due to a strong rally in November and December as market participants expected a greater chance of interest rate cuts in 2024. The MSCI AC World index rose 9.5% in local currency terms. However, sterling appreciation against the US dollar pushed down returns in sterling terms to 6.4%.
- Global bond yields moved lower as major central banks around the world kept their interest rates unchanged. The FTSE All Stocks Gilts Index and the FTSE All Stocks Index-Linked Gilts Index rose 8.1% and 8.7% respectively. Investment grade (corporate) bond credit spreads narrowed over the quarter
- The US Federal Reserve (Fed) kept its benchmark policy rate over Q4 at 5.25%-5.5% for the third consecutive meeting. Fed chair Jerome Powell commented that the interest rate is now “likely at or near its peak for this tightening cycle”.
- The Bank of England (BoE) also kept the bank rate unchanged at 5.25% for the third consecutive meeting. The MPC indicated that interest rates would likely need to be kept high for an “extended period of time” and kept the option open for further rate rises “if there were evidence of more persistent inflationary pressures”.

At a glance…

Performance summary (%)





Source: Northern Trust

Assets

£1521.3m

Assets increased by £67.6m over the quarter.

Key performance drivers

It was a strong quarter for traditional asset classes with the Fund's equity and fixed income holdings up 7.0% and 6.8% respectively. Adams Street (-6.6%) was the largest detractor from performance.

Funding level

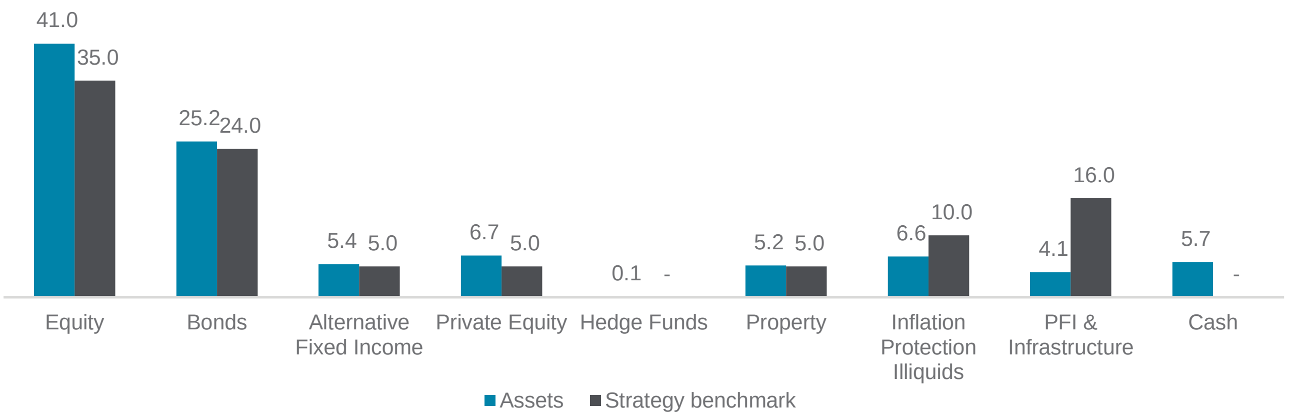
104.9%

Funding level as at 30 September 2023.

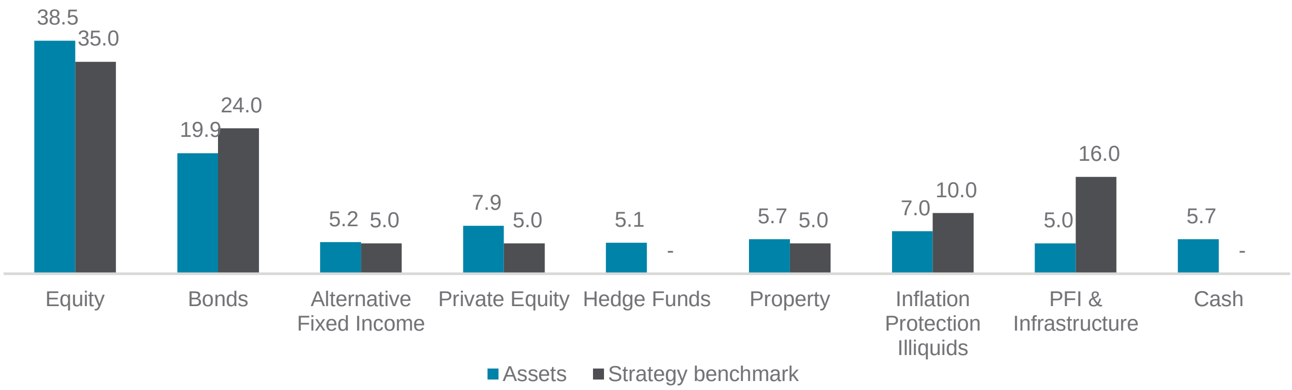
Source: Aon.

Strategic allocation

31 December 2023 strategic allocation & benchmark (%)



31 December 2022 strategic allocation & benchmark (%)



Strategic allocation

The strategic allocations shown are those agreed in 2021.

Source: Northern Trust
Note: Totals may not sum due to rounding.

Key developments

LGIM Property Fund

The LGIM Managed Property Fund’s rating has been changed from Qualified to Buy.

The LGIM Managed Fund is a UK balanced commercial property fund and this rating change will provide our DC clients with an alternative to TPEN, which has been for some time the only Buy rated UK balanced fund capable of accepting DC investors. The fund can accept both DC and DB investors, however we note in the report that given its bias to DC investors (now 78% of the fund by value), there are several structural points that mean that other property funds are likely to be more suitable for DB investors undergoing a new manager search and they should be considered instead.

These issues include the requirement to maintain a higher cash holding and a pressure to invest large DC inflows (which is over £300mn per year now) regardless of the prevailing market conditions.

This situation also has its benefits, that includes removing the risk from redeeming DB investors destabilising the fund. The cash balance has been a positive contributor to performance in the short term given higher cash returns and falling real estate values.

	Rating	%	ESG	Change
Equities		**40.1**		
BlackRock World Low Carbon	Buy	18.6	Integrated	-
MFS Global Unconstrained*	Qualified	5.4	Advanced	-
London CIV Baillie Gifford	Buy	7.2	Integrated	-
London CIV Longview Partners	Buy	7.9	Integrated	-
London CIV JP Morgan	Qualified	2.1	-	-
Private Equity		**6.7**		
Adams Street	Qualified	6.7	-	-
UK Property		**5.5**		
Blackrock	Buy	2.3	-	-
Legal & General	Buy	2.5	-	Yes
Brockton	Buy (closed)	0.6	-	-
PFI & Infrastructure		**4.1**		
IPPL Listed PFI	Not rated	2.6	-	-
Antin	Buy (closed)	1.3	-	-
London CIV Renewable Infrastructure	Buy	0.1	-	-
Bonds		**25.2**		
BlackRock Passive Gilts and ILGs	Buy	7.7	Integrated	-
Western Active Bonds	Not Rated	6.9	-	-
Insight Absolute Return Bonds	Buy	2.1	Integrated	-
London CIV Multi-Asset Credit	Qualified	3.8	-	-
AIL Diversified Liquid Credit	Not Rated	4.6	-	-
Alternative Fixed Income		**5.4**		
London CIV Global Bond Fund	Buy	5.4	Advanced	-
Inflation Protection Illiquids		**6.6**		
M&G Inflation Opportunities	Buy	4.1	-	-
CBRE	Buy	2.5	-	-

1. Aon does not rate the London CIV. Ratings are shown for underlying managers where appropriate.
2. Aon's process for reviewing property, private equity & infrastructure strategies has changed. Therefore, from 31 March 2019 onwards Aon's manager research specialists will not include sub-ratings for property, private equity & infrastructure strategies.
3. Ratings shown for BlackRock equity are for BlackRock's passive equity capabilities and not specific to the Low Carbon Index in which the Fund is now invested, which is yet to be approved by our research team.
4. We have omitted the legacy Trilogy and York holdings due to the small allocations that are being redeemed over time. Total sum does not add to 100% due to omission of Trilogy, York and cash holdings.
5. Ratings for LCIV MAC are based on CQS as an underlying manager. Please see London CIV Global Bond Fund ratings for the other underling manager PIMCO.

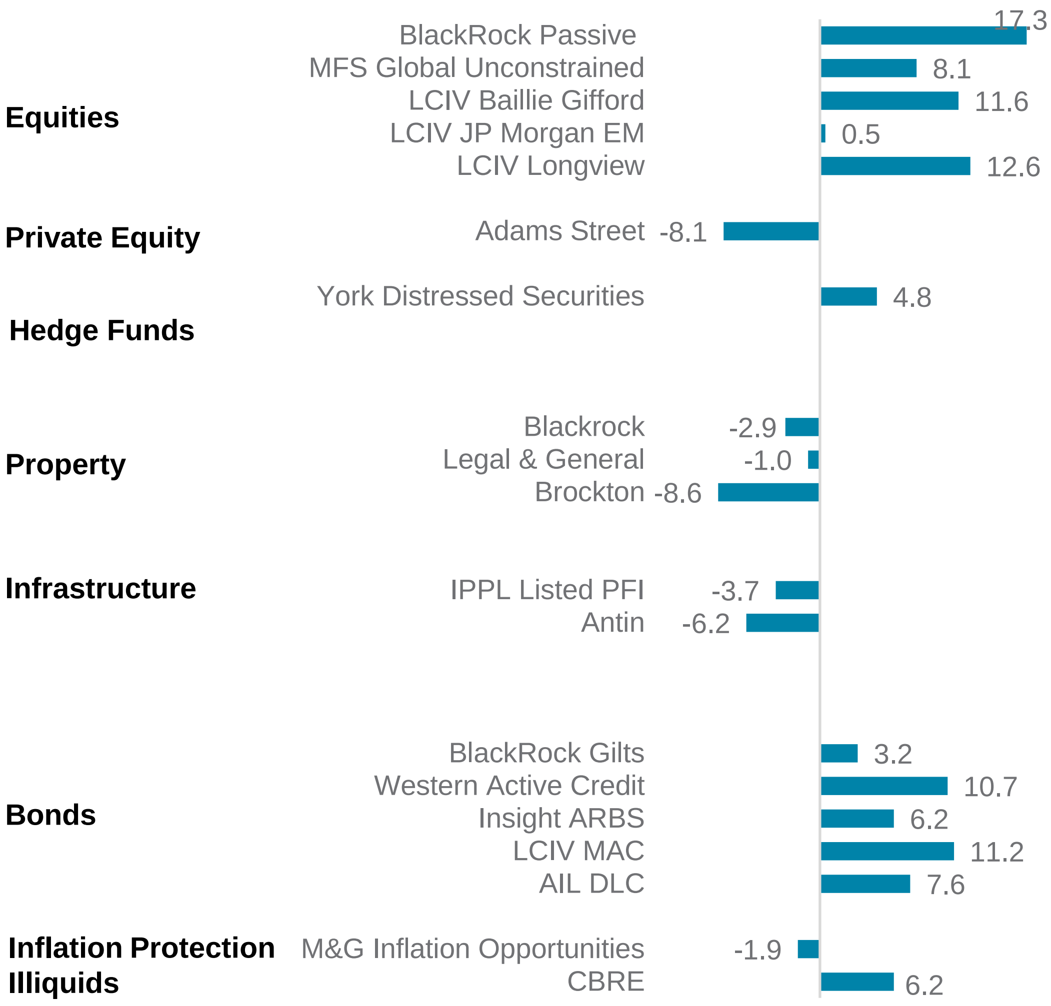
Managers – Quarterly performance

		Q4 2023 absolute performance (% pa)	Q4 2023 relative performance (% pa)
Equities	BlackRock Low Carbon	7.7	0.2
	MFS Global Unconstrained	6.3	0.0
	LCIV Baillie Gifford	8.1	1.8
	LCIV JP Morgan EM	2.1	-1.2
	LCIV Longview	6.2	-0.1
Private Equity	Adams Street	-6.6	-12.9
Hedge Funds	York Distressed Securities	-7.3	-
Property	Blackrock	-2.1	-0.9
	Legal & General	0.5	1.6
	Brockton	-4.3	-3.2
Infrastructure	IPPL Listed PFI	11.0	0.0
	Antin	-2.0	-
Alternative Fixed Income	LCIV Global Bond	7.5	0.5
Bonds	BlackRock Gilts	5.3	-0.1
	Western Active Credit	13.5	0.2
	Insight ARBS	2.3	0.6
	LCIV MAC	5.9	4.6
	AIL DLC	2.4	0.7
Inflation Protection Illiquids	M&G Inflation Opportunities	1.5	0.8
	CBRE	3.0	0.0

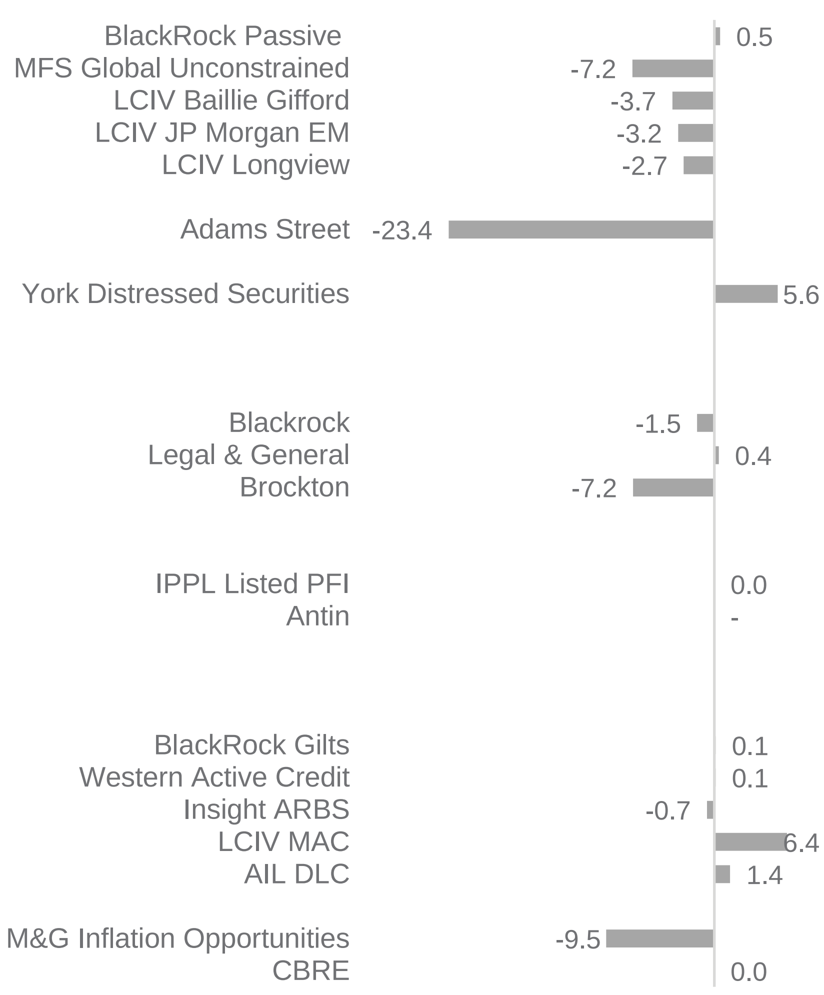
Source: Northern Trust. Performance is net of fees. Relative performance may be rounded.

Managers – Annual performance

1 year absolute performance (% pa)



1 year relative performance (% pa)



Source: Northern Trust. Performance is net of fees. Relative performance may be rounded.

Appendix

Additional comments on performance data

IPPL is measured against the UK Retail Price Inflation (RPI) index.

Adams Street and Brockton are close ended funds and traditional time weighted returns are not reflective of true performance. Adam Street numbers are IRR figures. Returns are lagged by a quarter due to the nature of the asset class.

The Adams Street and York returns will partly reflect currency movements.

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London Borough of Enfield

Report Title	Fossil Fuel exposure report as at 31 December 2023
Report to	Pension, Policy & Investment Committee (PPIC)
Date of Meeting	*20 March 2024*
Cabinet Member	Cllr Tim Leaver
Executive Director / Director	Fay Hammond
Report Author	Ravi Lakhani (Head of Pension Investments). Ravi.Lakhani@enfield.gov.uk
Classification	*Part 1 Public and Part 2 Private*
Reason for exemption	3 Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Purpose of Report

1. This report informs the Pension Policy and Investment committee (PPIC) of the Pension Fund ("Fund") exposure to fossil fuels as of 31 December 2023.

Recommendations

I.	PPIC are asked to note the contents of the report.

Background and Options

2. Aon (the Fund's investment advisors) were commissioned to analyse the exposure to fossil fuels in the Fund's investments. The attached appendices present these findings.

3. Each of the Fund's managers were asked to provide a full breakdown of the Fund's exposure to oil, gas and coal, with the intention of establishing 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.

Main considerations for the Committee

4. 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 0.7% of Fund value, or c.£11.2m as at 31 December 2023. – This compares to the Divest Enfield press release figure as at 31 December 2020 of 2.6%, or £30.0m. It should be noted that a number of the Fund's managers have zero exposure.

5. This is a reduction from the exposure as at 31 December 2022 of 1.6% or £23m.

Preferred Option and Reasons For Preferred Option

6. 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.

7. The PPIC 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 to integrate Environmental, Social and Governance views within future investment decisions.

Financial Implications

8. There are no direct financial implications arising from this report

---

Report Author: Ravi Lakhani
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Appendices

Appendix 1 – High Level fossil fuel exposure
Appendix 2 – Detailed fossil fuel exposure – part 2 **Confidential report exempt**

Review of fossil fuel exposure

Quantifying the Fund's holdings as at 31 December 2023

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 0.7% of Fund value, or c.£11.2m as at 31 December 2023.
  - 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: 31 December 2023

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.

Q4 2023	Market Value (£m)	Percentage (%)	Fossil fuel exposure (%)	Fossil fuel exposure (£m)
Equities	**623.6**	**41.0**	**0.5**	**3.1**
Private Equity*	**102.4**	**6.7**	**2.3**	**2.4**
Hedge Funds	**2.1**	**0.1**	**81.2**	**1.7**
UK Property	**78.7**	**5.2**	**-**	**-**
PFI & Infrastructure	**61.7**	**4.1**	**-**	**-**
Bonds	**383.3**	**25.2**	**0.7**	**2.7**
Alternative Fixed Income	**81.9**	**5.4**	**1.6**	**1.3**
Inflation protecting illiquids	**100.3**	**6.6**	**-**	**-**
Cash	**87.3**	**5.7**	**-**	**-**
Total Assets	**1521.3**	**100.0**	**0.7**	**11.2**

*Data as at 30 September 2023, as 31 December 2023 data not available at time of writing.

Were there any limitations?

Within the Fund's Bond holdings, there was some omission of data reported due to difficulty in categorisation of certain underlying securities, however this had a negligible impact on the asset class's fossil fuel exposure.

The Fund's private equity manager was unable to provide data as at 31 December 2023 as this information was not available at time of writing. We have therefore used lagged information as at 30 September 2023 for this mandate.

Finally there may be companies that some managers have included in their 'fossil fuel' subset that are not directly affiliated with oil, gas or coal production, extraction or exploration as a material part of its business model. We have avoided manipulation of the data provided by the underlying manager data to minimise risk involved in production of the report.

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London Borough of Enfield

Report Title	LAPFF Quarterly Engagement Update for quarter ending 31 December 2023 and draft work plan for 2024-25
Report to	Pension, Policy & Investment committee (PPIC)
Date of Meeting	20 March 2024
Cabinet Member	Cllr Tim Leaver
Executive Director / Director	Fay Hammond
Report Author	Ravi Lakhani (Head of Pension Investments). Ravi.Lakhani@enfield.gov.uk
Classification	Part 1 and Part 2
Reason for Exemption	3 Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Purpose of Report

1. This report provides an update on various Environmental, Social & Governance (ESG) issues that the Local Authority Pension Fund Forum (LAPFF) have been engaged with for the quarter ending December 2023, for the attention of PPIC.

2. The report also introduces the LAPFF plan of activities for the 2024/25 financial year.

Recommendations

3. PPIC are recommended to note the contents of this report and the attached appendices which give details on the LAPFF company engagements for the quarter and the draft plan for 2024/25.

Background and Options

4. The Enfield Pension Fund (“the Fund”) is a member of the Local Authority Pension Fund Forum (LAPFF) and the Fund has previously agreed that its votes will be casted at investor meetings in line with LAPFF voting recommendations where the Fund’s investment managers do not have a proxy voting policy.

5. The LAPFF, currently comprises 71 local authority pension funds with combined assets of over £210 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.

6. 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 (generally LAPFF voting recommendations). The move to a pooled structure (with London CIV) over the medium term may 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.

LAPFF engagement

7. For this reporting period, LAPFF engaged with various companies on different topics including Human Rights, Climate change and Governance. The full report is included in appendix 1. Highlights from the report include:

   - An overview of the 2023 LAPFF conference, detailing discussions on various important topics including electric vehicle (EV) supply chains and the biodiversity crisis.

   - A continued push on the ‘Say on Climate’ initiative, aimed at encouraging more companies to present their climate transition plans for shareholder voting.

   - Active engagement with insurance companies regarding climate change, which included meetings with AIA, AXA, Legal & General, Lloyds Banking Group, and Ping An.

   - Engagement efforts focused on mining and human rights, particularly with Grupo Mexico and Glencore. This included organising a seminar for investors featuring communities from Colombia and Peru impacted by Glencore’s mining projects.

   - Discussions with German technology giant SAP to address the management of adverse human rights impacts, including issues of discrimination, arising from advancements in artificial intelligence (AI) technologies.

- Issuance of a voting alert concerning BHP, highlighting concerns over the company's climate-related practices and its corporate culture regarding human rights.

- Continued engagement with The Home Depot through the Investor Alliance for Human Rights' Uyghur Working Group, aimed at addressing the company's response to allegations of Uyghur forced labour within its supply chains.

8. The draft LAPFF workplan for 2024/25 is included in appendix 2. The main point to consider from this work plan are:

- Summary of LAPFF workplan 2024/2025: The document outlines the current and anticipated engagement areas for LAPFF, a responsible investment organisation, for the coming year. The document covers topics such as climate change, human rights, natural resources, governance, and policy engagement. The document also explains the objectives, methods, and longer-term goals for each engagement area, as well as the relevant Sustainable Development Goals (SDGs) that they align with.

- Climate and strategic resilience, environmental protection, and fair and just transition: LAPFF considers climate change and its impacts to be a top priority for its members and aims to engage with companies on their decarbonisation strategies, transition plans, and climate scenario analysis. LAPFF also emphasises the importance of biodiversity, natural resources, and water stewardship, and the inter-dependence of these issues with climate and social factors. LAPFF supports a just transition that does not leave behind the poorer and more vulnerable members of society. LAPFF collaborates with other investors and stakeholders on various climate and environmental initiatives and seeks to influence policy frameworks that enable effective and rapid climate action.

- Social factors: Human rights and employment practices: LAPFF has a humanitarian and human rights strategy that covers three categories of engagement: sovereign-based, sector-based, and issue-based. LAPFF engages with companies on their human rights impacts and risks in various countries and regions, such as the Occupied Palestinian Territories, Myanmar, Ukraine, and Xinjiang. LAPFF also focuses on specific sectors that have significant human rights challenges, such as mining, apparel, technology, and care. LAPFF also addresses cross-cutting issues such as joint ventures, discrimination, supply chain transparency, and modern slavery. LAPFF works with affected stakeholders, such as communities and workers, and responds to policy developments and consultations on humanitarian and human rights issues.

- Promoting good governance: LAPFF engages with companies on various aspects of corporate governance, such as anti-bribery and corruption, board diversity, executive remuneration, and reliable accounts. LAPFF also seeks to improve the regulatory environment and the standards of accounting and auditing, as well as the governance of capital markets. LAPFF supports initiatives that aim to align executive pay with long-term performance and sustainability goals, and to ensure that company accounts reflect the true and fair view of their financial position and risks. LAPFF also challenges the governance practices of technology companies, especially in relation to content management and artificial intelligence.

- Leadership: Emerging and developing initiatives: LAPFF aims to identify and respond to emerging investment concerns and responsible investment issues that affect its members and their holdings. LAPFF also seeks to collaborate with other investors and organisations on initiatives that provide added value and increase its impact. LAPFF monitors and assesses new trends and developments in the market and the regulatory landscape and adapts its workplan accordingly. LAPFF also supports member liaison, services, support, and training, as well as communication and media outreach.

- APPG, Party Conference Fringe Meetings, Asset Managers, LGPS Events: LAPFF supports the All-Party Parliamentary Group for Local Authority Pensions Funds, which aims to discuss and inform the work of LAPFF on LGPS issues with policymakers and stakeholders. LAPFF also hosts fringe meetings at the party conferences to build relationships with parliamentarians and ministers, and to lead the debate on reforms that promote well-functioning markets and responsible investment. LAPFF also engages with asset managers, regulatory bodies, and other relevant experts on matters such as stewardship practices, shareholder voting, stock-lending, and infrastructure. LAPFF also provides educational and explanatory materials to its members and supports their participation in external events.

Reason for Recommendation

9. 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 a high level of Responsible Investing including good corporate governance, 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 Council Plans and Strategies

10. Clean and green places
11. Strong Healthy and safe communities
12. Thriving children and young people
13. An economy that works for everyone

Financial Implications

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

15. 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.

Workforce Implications

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

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Appendices

Appendix 1: LAPFF Quarterly Engagement Report
Appendix 2: **Part 2 Private & Confidential**- LAPFF draft workplan for 2024-25

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Quarterly Engagement Report

October-December 2023

Local Authority Pension Fund Forum

Say on Climate, National Grid, BP, UN Forum on Business and Human Rights, Rio Tinto

UPDATES

LAPFF Conference

LAPFF held its 2023 annual conference in Bournemouth, covering a range of topics with a particular focus on climate-related issues. On the first afternoon, delegates heard from Richard Eadie and Simon Davy on how water companies can better deliver environmental value. This was followed by a discussion panel on how LGPS funds are managing climate-related financial risks. The first day closed with a review of the 2023 shareholder resolutions and a glimpse of the ones to come in 2024.

The second day kicked off with a discussion panel on the significance of proxy voting choices for investors in passive funds and the breakthrough introduction of passthrough voting. This allows asset owners to adopt their own voting policies in pooled funds. Delegates then heard from asset managers on how they respond to the recent headline phenomenon of an ESG backlash. This was followed by a deep dive from Sir Philip Augar on whether investors should be concerned about the listing rules review.

The afternoon had a strong climate-related focus, opening with a discussion on how clean and equitable EV supply chains can be ensured, an emerging area of importance in the endeavor to decarbonise. This was accompanied by a session on how nature-related risks and the biodiversity crisis are managed and tackled. Another session outlined the role of alternatives in the race to achieving net zero by 2050. Also in the afternoon, delegates engaged in a poignant discussion on investors' role in ending modern-day slavery, highlighting the pressing need and methods to take action and make change.

The final morning of the conference opened with a session with economic commentator, Will Hutton, on the great pay divide between executives and employees, followed by a discussion on the Living Wage with a representative from the Living Wage Foundation. This was followed by a presentation from LGA adviser, Barry Quirk, on levelling up. The conference closed with an inspirational story by Dave Fishwick about his journey to creating the Bank of Dave to help local businesses and communities in the wake of the 2008 financial crisis.

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CLIMATE ENGAGEMENTS

LAPFF engages on climate change through both policy and company engagement channels. This dual approach is necessary to ensure that companies have an enabling environment to promote their climate change mitigation and adaptation work.

Say on Climate

Objective: Despite the significant investment risks of climate change, investors are not provided with a specific vote by investee companies on how they are seeking to decarbonise their business models. Against the backdrop of growing climate risks, rising expectations from investors for companies to outline their climate strategy, continued ratcheting up of climate regulations and emerging recommendations from the Transition Plan Taskforce, LAPFF has been engaging companies for the past few years on putting their transition plans to a shareholder vote. Last quarter, LAPFF coordinated an investor letter to 35 FTSE companies in high emitting sectors requesting such a vote. The letter was signed by 18 other investors with around £1.8tn AUM.

Achieved: LAPFF has received substantive responses to the letter, with some companies outlining their approach to climate and stating that they are considering such a vote for their AGM next year. Some companies outlined previous votes and their intention to continue to hold similar votes in the future. However, others stated either that they did not plan to hold such a vote and engaged shareholders through other means or that while having a vote in the past, they did not have immediate plans to do so again.

In progress: Despite additional companies having transition plan votes, they are not standard practice and often absent at AGMs where climate risks are most acute. LAPFF will continue to work with other investors engaging companies on having transition plan votes to enable investors to have a specific say on the climate strategies of investee companies.

LAPFF's main company engagements on climate this quarter were with National Grid and BP.

National Grid

Objective: LAPFF, along with two other investors of CA100+ Working Group, Church of England and Northern Trust, has been seeking to improve National Grid's disclosure and accountability on direct and indirect lobbying. The CA100+ benchmark on National Grid places it below its peer companies under indicator 7 on lobbying. In June 2023, National Grid pledged to publish its trade association memberships and updated climate policy ahead of the next AGM. LAPFF therefore is seeking to ensure the company's disclosure is timely and of a high standard.

LAPFF has also been seeking to ensure the company is more transparent about its plans to support the energy transition and reducing grid connection. The objective was to encourage disclosure and to offer the opportunity to provide feedback on the company's approach in both respects. LAPFF also sought a separate climate meeting with the company and to write a lobbying letter to National Grid seeking disclosure of industry associations and an updated climate policy.

Achieved: In November, LAPFF together with the Church of England wrote to the company, stating expectations for its upcoming lobbying report.

At the end of November, LAPFF met the Chief Sustainability Officer of National Grid. In this meeting LAPFF asked for an update on the backlog of grid connections and an update on the transition plan. The recent change in regulations has enabled the backlog to start to be cleared. This has been a main concern as the average time between requesting a connection and being offered one has increased from 18 months in 2019-20 to 5 years in 2023, as reported by the company. The easing of regulations will allow the company to terminate projects not progressing and push projects which are ready to the front of the queue.

Given that the expected power to be generated from these held-up contracts is as much as 400 Gigawatts with connection dates of 2030 or later, this change will help towards decarbonising the power systems by 2030. However, there is still a challenge in speeding up building necessary infrastructure to physically enable the grid connections. LAPFF will monitor the effect of lifting these regulations and how quickly the company clears the backlog and is also looking for clarity in its infrastructure development plans.

The meeting also discussed the new transition plan to be published next year. LAPFF welcomed the fact that this is likely to be updated next year and will be put to a shareholder vote. LAPFF also encouraged the company to ensure the report is not only about reducing emissions but how the company can facilitate new infrastructure to be built, and its wider role in the energy transition. The company also recognised a challenge in reaching long-term targets of net zero by 2040 in absence of a pathway for gas distribution in the US.

In Progress: The release of the lobbying disclosure report next year in good time before the AGM is expected and will enable the Forum to assess the progress made in the company on this area. So far National Grid appears to be responding well.

LAPFF also expects the new transition report to be released and to address the points have raised here. A key outstanding issue is gas distribution in the US, where the company asserts the ongoing importance of gas networks to the business due to its existing infrastructure and cost efficiency and envisage both hybrid solutions and clean gas. To address this LAPFF will seek to understand the US energy market in more detail. On engagement specifics, LAPFF is organising a wider CA100+ meeting in January and will arrange some direct follow up meetings through 2024.

BP

Objective: With the surprise departure of Chief Executive Bernard Looney, LAPFF requested a meeting with the Chair, Helge Lund, to help ascertain whether that departure affected BPs climate commitments.

Achieved: LAPFF attended a meeting with Lund in November, where we were told that the departure of the CEO had

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not changed BPs climate commitments.

In Progress: Since that meeting COP28 has strengthened the emphasis for solutions to the transition away from fossil fuels, which emerged as a last-minute compromise instead of the original goal to "phase out fossil fuels." Prior commitments were in the form of far more malleable goals of "net zero by 2050" and complicating matters with Scope 1, Scope 2 and Scope 3 emissions. LAPFF's policy for several years has been that fossil fuel components of businesses need to be put into managed decline.

With a closer match between COP and LAPFF policy, the emphasis on phase out will be the focus of BP and other oil and gas companies. Scope 3 emissions, originating from the products sold by fossil fuel companies, have been obfuscated by a focus on the comparatively minor Scope 1 and Scope 2 emissions, missing the obvious point that less Scope 3 extraction naturally leads to less Scope 1 and Scope 2.

Housebuilding also has a large impact on climate change. As part of an ongoing engagement with the sector, LAPFF met with **Persimmon** this quarter.

Persimmon

Objective: Minimising the investment risks associated with climate change involves decarbonising housing stock. Housebuilders therefore play an important role in reducing emissions as well as facing regulatory risks if they fail to prepare for higher energy efficiency and emissions standards. As part of LAPFF's engagements with UK housebuilders, LAPFF seeks to ensure that adequate transition plans are in place. With the vast majority of emissions not coming from their own activities, the engagements focus on plans for decarbonising supply chains and decarbonising homes in use.

Achieved: LAPFF met with representatives from the FTSE100 housebuilder Persimmon. In the meeting LAPFF had an open discussion about target setting which covered issues around embodied carbon. The meeting covered transition planning and plans. The discussion touched on so-called hard to abate sectors within the supply chain, such as cement and offsetting,

Persimmon housing estate Suffolk, UK

trial schemes for net zero homes, and engagement with smaller suppliers on the transition.

In progress: LAPFF will be following the development of housebuilders' transition plans and delivering on the targets that they have set.

CLIMATE & INSURANCE

LAPFF has also re-started its 2020 engagement with insurance companies on their climate strategies and practices. After meeting with Munich Re last quarter to discuss the company's progress on assessing its impact on climate change and integrating climate considerations into corporate strategy and operations, LAPFF met with **AIA, AXA, Legal & General, Lloyds Banking Group**, and **Ping An** to discuss the same issues. Given the interest of LAPFF members in natural resources – and specifically biodiversity – LAPFF also asked these insurers how they are addressing natural resources within their climate strategies.

While there has been some progress in insurers' understanding of the need to assess their impacts on climate change in order to understand their climate-related business risks (otherwise known as double materiality), in LAPFF's view there has not been enough progress on this front. In particular, insurers are focusing almost exclusively on their investment businesses in relation to climate mitigation. This approach makes sense at face value, but LAPFF would like to see greater consideration given to the role the insurance products can play in mitigating climate change through setting societal expectations of risk.

All companies engaged are at the beginning of understanding the relationship between climate and natural resources and how to bring natural resources into business decision-making. Therefore, LAPFF will aim to engage with the remaining large insurance holdings before moving on its largest bank holdings under this engagement.

Because there is an increasing recognition of the impact that climate change has on natural resources, LAPFF has engaged a range of companies on their impacts on nature.

TJX Companies – Deforestation

Objective: As a retailer specialising in brand-name clothing, home goods, and outdoor products, TJX Companies is exposed to various commodities that potentially link to deforestation in its supply chain. However, it currently lacks a public deforestation policy and does not address this issue in its vendor code of conduct.

Achieved: LAPFF initiated a dialogue with TJX Companies and met with representatives for the first time to discuss the development of such a policy. The conversation began with an overview of the company's sustainability priorities,

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focusing on climate and energy, before shifting to the topic of deforestation.

In Progress: This marks the commencement of ongoing discussions with TJX, a company substantially held by LAPFF. The Forum aims to continue engaging with TJX to advocate for the benefits of imposing deforestation requirements on its vendors.

Nestlé – Regenerative Agriculture and Climate Change

Objective: In the context of the agri-food sector's shift towards more sustainable practices, LAPFF sought a meeting with Nestlé to assess and understand the integration of regenerative agriculture into its strategy. This includes understanding the company's specific goals, initiatives, and progress in implementing regenerative practices, as well as its contributions to climate change mitigation and biodiversity conservation.

Achieved: During LAPFF's meeting with Nestlé, the Forum gained insights into the strategies and initiatives involved in implementing regenerative agriculture. Discussions looked at how this would be incorporated into their broader climate strategy and covered biodiversity more widely. While the long-term efficacy of these actions is yet to be measured, the conversations indicated a strong commitment from Nestlé, although further evaluation will be required in the future to gauge the impacts of strategies.

In Progress: LAPFF will continue to engage with Nestlé, focusing on monitoring the implementation of their regenerative agriculture practices. LAPFF will also look more widely across the agri-food sector as others are incorporating this into their business strategies as new methods and technologies become available.

Chipotle – Water Stewardship

Objective: LAPFF has been engaged with Chipotle on its approach to water stewardship since 2019. The initial engagement objective was met during 2022, with the company undertaking an ingredient level water risk assessment to identify areas of water stress within the supply chain. The risk assessment found that a significant proportion of the company's suppliers operate in areas of water stress. LAPFF now considers it imperative that the company utilise the results of this risk assessment to set measurable and time-bound targets in order to reduce negative impacts on freshwater.

Chipotle Mexican Grill at Pineapple Commons, Stuart, Florida

Achieved: In October 2023, CERES published a corporate benchmark assessing the water stewardship practices of 72 companies against the six Corporate Expectations for Valuing Water, including Chipotle. Chipotle underperformed relative to the quick service restaurant (QSR) peer group. LAPFF Executive member John Anzani met with the company in December to discuss progress in adopting a more ambitious approach to its water stewardship practices.

In Progress: LAPFF is the lead investor for Chipotle as part of the Valuing Water Finance Initiative (VWFI) and will continue to engage with Chipotle on this basis during 2024. It is LAPFF's expectation that Chipotle leverages the work it has undertaken in mapping exposure to water stress in order to set ambitious targets, particularly given that during Q4 2023 the science-based targets network has released guidance for companies to set the relevant freshwater targets.

HUMAN RIGHTS ENGAGEMENTS

Similar to the climate space, human rights policy and practice must align for companies to be able to implement their human rights responsibilities. Legislation requiring mandatory human rights and environmental due diligence, including the imminent Corporate Sustainability Due Diligence Directive (also know as the 'CS triple D'), makes the need for this alignment pressing. LAPFF has taken a number of measures this quarter to work toward this alignment.

LAPFF's view is that investors are still struggling to understand the link between human rights and financial materiality. LAPFF sees this link more and more clearly, particularly through its work with mining companies. LAPFF regularly undertakes various avenues of engagement on human rights, andwill continue to seek in its engagements with both companies and investors to clarify this link. The goal is that human rights become an investor imperative to the extent that climate change is, not least because of the need for a just transition.

UN Forum and Working Group on Business and Human Rights

On the policy front, LAPFF was again

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invited to present its work at the UN Forum on Business and Human Rights in Geneva on 27 November. LAPFF's video about its visit to Brazil to see communities affected by tailings dams was selected for screening out of, reportedly, a huge number of potential options. The video was well-received, with attendees stating that they would share it with colleagues, clients, and law students to drive home the on-the-ground impact that mining companies can have on people in host communities.

LAPFF also submitted a response to a UN Working Group on Business and Human Rights consultation on investors, ESG, and human rights. The goal of this consultation is exactly to push alignment between law and practice on human rights. One of the main points LAPFF made is that corporate and commercial legal frameworks must align with international human rights law principles, for example of joint ventures, to facilitate good corporate practice.

COMPANY ENGAGEMENTS MEETINGS

In terms of company engagements, **Glencore** and **Grupo Mexico** were companies of focus this quarter. LAPFF generally has at least an annual meeting with the Glencore Chair. This meeting was its second with Chair Kalidas Madhavpeddi. Although LAPFF had requested a meeting with CEO Gary Nagle to discuss both climate and human rights performance at Glencore, Mr. Madhavpeddi was accommodating and helpful. LAPFF asked about the company's engagement with affected communities, but Mr. Madhavpeddi did not share much on this front.

LAPFF subsequently held a seminar for investors with communities from Colombia and Peru who are affected by Glencore's Cerrejon and Antapaccay projects, respectively. It has also been in touch with IndustriALL representatives who worked with investors last year to bring a climate-related resolution to Glencore's AGM. LAPFF's view from speaking to these stakeholders is that in the coming year, Glencore is likely to be the target of a concerted union and community campaign because of its human rights and environmental practices. Therefore, LAPFF has reached out to the company for a follow up meeting to discuss these stakeholder concerns and to push the company to build and disclose stronger stakeholder engagement mechanisms and climate practices.

TECHNOLOGY COMPANIES AND HUMAN RIGHTS

Objective: Governance of new technology is well recognised as an investment risk. However, such risks have come to the fore again with significant advances in AI technologies. Alongside the significant potential benefits of AI, it has the potential to adversely impact people's employment and creates human rights risks, not least around discrimination. These risks are often greatest at companies developing and selling AI services and products. As with other human rights risks, LAPFF expects technology companies to have due diligence policies in place to prevent negative impacts.

Achieved: LAPFF executive member Heather Johnson met with the German tech company SAP. The company faces specific risks related to AI, including products which support HR functions. The meeting covered how the company was managing the risks of adverse human rights impacts, including discrimination. The discussion covered identification of risks and the company set out the framework and processes it has in place for preventing negative impacts. The meeting also covered how the company had responded to the German Supply Chain Due Diligence Act.

In progress: AI is an emerging technology with risks likely to become greater and more complicated. LAPFF will continue to engage technology companies in how these risks are being managed to ensure appropriate frameworks and safeguards are in place.

RESPONSIBLE MINERALS – ELECTRIC VEHICLE MANUFACTURERS (FORD, RENAULT AND MERCEDES)

Objective: As highlighted, there is an increasing trend in international regulations to impose the responsibility for human rights due diligence on companies. These regulations highlight the electric vehicle industry's obligation to ensure ethical and sustainable practices, particularly in supply chains. This development is part of a broader global movement towards enhanced corporate accountability and transparency. Over recent years, LAPFF has consistently engaged with various electric vehicle manufacturers on this matter, advocating for improved due diligence and transparency as these regulations have evolved.

Achieved: LAPFF has maintained ongoing dialogues with Ford, Renault, and Mercedes, meeting with Ford and Renault for the second time, and with Mercedes for the third time on this

Sonora, Mexico: 40,000 cubic meters of copper sulfate were spilled into a damm, property of Grupo Mexico

COMPANY ENGAGEMENTS

issue. All three companies have shown notable progress in their human rights management processes and efforts to comply with regulations, especially in the depth of their public reporting. Despite some areas still requiring improvement, it would appear they are more actively engaging with suppliers and pursuing ethical sourcing to meet international human rights standards.

In Progress: LAPFF will continue to monitor and seek engagement with those companies exposed to the various human rights risks associated with electric vehicles, which become ever more evident as production is scaled up.

COLLABORATIVE ENGAGEMENTS

PRI ADVANCE

LAPFF continued its engagement with **Vale** and **Anglo American** through the PRI Advance human rights initiative, including through bringing investors in other PRI Advance groups into stakeholder engagement meetings on Glencore, BHP, and **Rio Tinto**. These initiatives are moving quite slowly, in part in LAPFF's view, because investors are generally less aware of and less attuned to human rights considerations than they are corporate governance and environmental issues. Therefore, they are still considering how best to engage companies on human rights, which tend to deal with 'soft' issues such as illegal discrimination and freedom of association rather than 'hard' issues like clear financial costs.

LONDON MINING NETWORK AND COMMUNITIES AFFECTED BY MINING

LAPFF continues to find great value in engaging with community groups affected by mining company operations. The meeting with communities affected by Glencore operations in Colombia and Peru was the first in-person meeting of this kind that LAPFF had held since the Covid pandemic. Most community meetings are online because affected community members tend to be in developing countries, and everyone has limited travel budgets (not least for climate reasons). However, LAPFF coordinated with London Mining Network to hold an in-person seminar which six investors attended. The Colombian and Peruvian community members shared the severe environmental impacts Cerrejon was having on its rivers and soil, which is leading to significant health concerns in both countries. A LAPFF representative also met with communities with continued concern about BHP's practices in Brazil.

workers stock the shelves at a Home Depot store

LAPFF held online meetings with communities from Brazil and Mexico. LAPFF continues to engage with the community members with whom it visited in Brazil, particularly in relation to the reparations at Samarco-affected communities. Although over 100 houses have reportedly been built in one of the resettlements – Bento Rodrigues - these community members continue to be concerned that the quality of the houses is poor, and they report that they don't know who to contact at Vale or BHP to complain. Part of the problem is that the Renova Foundation CEO with whom LAPFF met in Brazil has been sacked but not replaced successfully. His immediate successor lasted two months, according to the community members. LAPFF is waiting to hear whether a permanent, successful CEO has now been appointed or whether the search continues.

In relation to Mexico, LAPFF was assured earlier in the year that **Grupo Mexico** had met its reparations obligations in relation to its 2014 tailings pond leak in Sonora, Mexico. However, LAPFF was alerted by a community representative and a news article about a Mexican government lawsuit to reinstate the reparation fund due to inadequate reparations payments. LAPFF has tried three times this quarter to obtain a meeting with the company but has been met with silence. Meanwhile, LAPFF met with the community representative at the UN Forum on Business and Human Rights at the end of November to receive a further update on the case. It appears that LAPFF will now need to investigate options to escalate its engagement with Grupo Mexico, but it will need to do so in consideration of safety concerns for the affected communities.

In Progress: LAPFF's view is that investors are still struggling to understand the link between human rights and financial materiality. LAPFF sees this link more and more clearly, particularly through its work with mining companies. Therefore, LAPFF will continue to seek in its engagements with both companies and investors to clarify this link so that human rights become an investor imperative to the extent that climate change is, not least because of the need for a just transition.

INVESTOR ALLIANCE FOR HUMAN RIGHTS

LAPFF continued to work closely with the

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Investor Alliance for Human Rights, both in relation to the Uyghur Group and in relation to conflict-affected and high-risk areas (CAHRA).

Investor Alliance for Human Rights – The Home Depot Inc

Objective: As a part of the Investor Alliance for Human Rights' Uyghur Working Group, LAPFF led on an engagement with The Home Depot, which was implicated in allegations of Uyghur forced labour in its luxury vinyl tile (LVT) flooring supply chains, with PVC derived from Xinjiang. LAPFF sought to understand how Home Depot responded to these allegations, and how the company has undertaken work to eliminate forced labour risks and comply with human rights standards.

Achieved: LAPFF, alongside other investors, met with Home Depot for a second time following reports in August that shipments of LVT from Asia were being blocked by US Customs, including those destined for Home Depot. During the call, LAPFF sought answers on what the company was doing to ensure that its company supply chain was free of forced labour, potential implications of bifurcation of supply chains, and what new methods Home Depot was implementing to have sufficient audit procedures in place.

In Progress: LAPFF will continue to monitor the company's approach to global human rights due diligence and seek further engagement in due course for updates on the issue, with a focus on the company's implementation of enhanced audit procedures.

CAHRA PILOT PROJECT

LAPFF was invited to join IAHR's CAHRA pilot project. The project has been initiated in part because of the escalation of conflicts globally, including in Ukraine, Nagorno Karabakh, and Israel and Gaza, which reignited this quarter. LAPFF had already been attending a number of IAHR webinars on this topic to understand better how to engage companies on CAHRA issues, so the opportunity to participate in this pilot is welcome, especially given LAPFF's engagements with companies operating in Russia, Myanmar, and the Occupied Palestinian Territories.

VOTING ALERTS

LAPFF also issued a voting alert for BHP expressing concern that the company's rhetoric and practices on climate are not aligned and expressing concerns about the corporate culture in respect of human rights. BHP is currently the subject of potentially costly litigation in Brazil, the UK, and Australia in relation to its failings related to the Samarco tailings dam collapse alone. LAPFF continues to have serious concerns that the company is not taking appropriate accountability and responsibility for its human rights and environmental practices, and that this omission could lead to large financial losses for both the company and investors.

JUST TRANSITION ENGAGEMENTS

LAPFF's aim is to move away from siloed ESG engagements in recognition of the overlap between these three areas in pursuing a just transition. There are currently two dedicated work streams covering a just transition specifically, although the climate and human rights work by definition addresses just transition to a degree.

RIO TINTO SHAREHOLDER RESOLUTION

Within the quarter LAPFF explored the option of filing a just transition shareholder resolution at Rio Tinto's 2024 AGM requesting the company undertake independent water impact assessments at its mine sites. The proposed resolution sought to ensure that the company adequately assesses its impacts on water resources so that it can properly identify operational, reputational, legal, and consequently financial risks to the business and investors.

In the end, LAPFF did not file the resolution. LAPFF is currently in dialogue with Rio Tinto, and Rio Tinto has issued a water impact assessment in relation to its QMM operation in Madagascar. Although the company is not fully meeting the resolution's request, LAPFF is encouraged that the company is willing to discuss how to move forward on the request and continues to be hopeful that the company will meet it. LAPFF is pursuing further dialogue with the company on this issue and will take a view after the 2024 AGM whether the resolution filing process needs to be resumed.

EQUINOR

As part of its involvement with World Benchmarking Alliance just transition initiative, LAPFF participated in a collaborative call with Norwegian energy company, Equinor. Equinor has a policy commitment to a just transition and the engagement provided a useful opportunity to discuss how the policy was being implemented. The meeting covered the company's approach to assessing and mitigating negative social impacts of the energy transition, governance of just transition issues, just transition planning and metrics and targets.

In Progress: As part of LAPFF's involvement in the WBA initiative, it will continue oil and gas companies on just transition plans. LAPFF will continue to engage mining companies on undertaking independent water impact assessments.

BOARD DIVERSITY ENGAGEMENTS

Objective: It is well-documented at this point, both in academic literature and in the corporate governance world, that board diversity improves corporate performance. Diversity covers a range of areas, including gender, cultural, and economic (for example workers on boards). Consequently, LAPFF engages companies on board diversity and composition as a matter of course to work toward improved financial returns across member portfolios.

Achieved: LAPFF is a long-standing member of the 30% Club Investor Group, which began with a focus on gender diversity and has now expanded its work to include racial diversity on boards. Over time, this group has also expanded from focusing on UK companies to engaging

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companies in other countries. The latest round of engagements has been with a range of Asian companies, including KKR & Co and Shinhan Financial Group.

LAPFF also questioned Glencore on its board composition this quarter. The company has a small board compared to its peers in the mining sector, and LAPFF wondered if its small size allowed for enough diversity of views. Although three of the eight board members are female, LAPFF is also looking, for example, for board members with backgrounds in climate change and human rights who are sufficiently independent to challenge the board on its climate, human rights, and internal controls systems, especially given the corruption challenges the company is continuing to face.

In Progress: Board diversity is a continuing workstream for LAPFF, as it pushes companies to move from merely appointing certain numbers of diverse board members to truly considering and integrating their views into company strategy and practice. This objective relies on cultural change which takes a long time to achieve so is something at which LAPFF chips away each quarter on different fronts. LAPFF has also secured a meeting with KKR & Co for Q1 or 2024 to discuss diversity targets.

GOVERNANCE ENGAGEMENT

Barclays

Objective: In October, former Barclays executive Jes Staley was banned by the FCA from holding senior positions in financial services and charged with a £1.8m fine for allegedly misleading the watchdog about his past relationship with convicted sex offender Jeffrey Epstein. In turn, LAPFF felt it imperative to engage with Barclays to discuss learnings from this tumultuous episode and sought to see actions the bank had taken to strengthen corporate governance at both board and management level.
Achieved: LAPFF met with the Chair of Barclays, Nigel Higgins, at the end of October. The Chair openly discussed the event and actions the bank had taken, including freezing deferred bonuses to Stanley at the time of investigation. The company stated it has strengthened their board recruitment practices and remained vigilant. However, LAPFF will be monitoring the governance going forward. More widely, LAPFF requested an update of Barclays's climate policy and have arranged to have a specific meeting on this topic separately.

In Progress: Following the recent board changes earlier this year at Barclays, including the appointment of new executives, LAPFF will continue to watch the corporate governance nominations and succession plans of the company board. LAPFF maintains a cordial dialogue with the chair and aims to continue engaging on this topic.

PUBLIC HEALTH ENGAGEMENT

FAIRR Initiative's Restaurant Antibiotics Engagement – Restaurant Brands International (RBI)

Objective: FAIRR's Restaurant Antibiotics engagement focuses on reducing the use of antibiotics in protein supply chains. This initiative involves companies within the fast-food and casual dining sector, with the aim of mitigating the risks associated with antibiotic resistance due to the overuse of antibiotics in livestock. The objective is to safeguard public health.

Achieved: LAPFF joined a call with FAIRR and other investors with Restaurant Brands International (RBI). As a first call with the company, investors shared key asks of the engagement and pushed for enhanced transparency on the company's efforts to reduce antibiotics in its supply chain.

In Progress: LAPFF signed onto a series of letters sent by FAIRR and will seek to join meetings as appropriate when they become available. LAPFF is also hoping to continue supporting engagement with RBI as the dialogue develops.

Taskforce on Social Factors

LAPFF's chair is a member of the Taskforce on Social Factors, which was established by the DWP with cross-departmental and multi-regulator involvement. The taskforce was established to outline how trustees could and should address social risks and opportunities. Specifically, the group has looked at the materiality of such issues, data on social factors, and the actions pensions funds can take. During the quarter, the group's initial findings were published for consultation. Within the report a series of recommendations were set out to pension trustees, the investment industry, regulators, government, civil society and businesses.

MEDIA COVERAGE

ESG Investor: ESG Overload – ESG Investor
Room 151: LAPFF alongside other investors call for climate vote at high-emitting companies - Room 151
IPE: Investors coalition creates platform to strengthen human rights stewardship | News | IPE
The Point: Global perspective: is ESG paying lip service to human rights? | The Point ESG News
Environmental Finance: CCLA, LAPFF call for climate votes at 'high-emitting' sectors
Pensions & Investments: U.K. investors turn up the heat on boards for climate transition plans
Sustainable Times: Investors Managing £1.8 Trillion Rally for Climate Strategy Votes at Upcoming FTSE 350 AGMs
IPE: Investor group calls for climate vote at high-emitting companies
Net zero investor: £1.8trn investors call for climate vote at high-emitting companies
Funds- Europe.com: Investors seek climate votes at high-risk firms
Pensions Age Magazine: Investor group calls for climate vote at high carbon emitting FTSE 350 firms
TheMJ.co.uk: Council pension funds call for climate vote
LocalGov.co.uk: Council pension funds call for climate vote
Investment Week: Investors overseeing £1.8tn in assets call for AGM votes on climate transition plans

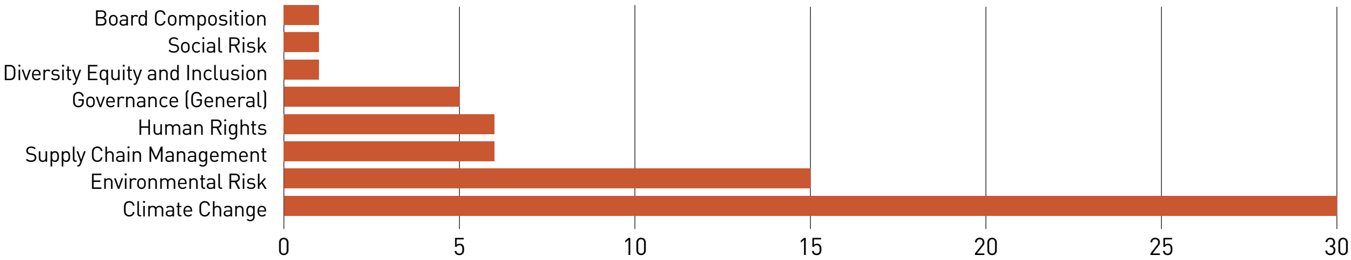
COMPANY PROGRESS REPORT

44 companies were engaged over the quarter.

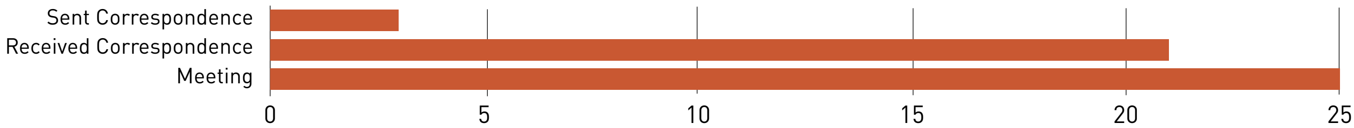
Company/Index	Activity	Topic	Outcome
Company/Index	Activity	Topic	Outcome
AIA GROUP LTD	Meeting	Environmental Risk	Dialogue
ASTON MARTIN LAGONDA GLOBAL HOLDINGS PLC	Received Correspondence	Climate Change	Dialogue
AVIVA PLC	Meeting	Climate Change	Dialogue
AXA	Meeting	Climate Change	Moderate Improvement
BAE SYSTEMS PLC	Received Correspondence	Climate Change	Dialogue
BAKKAVOR GROUP PLC	Received Correspondence	Climate Change	Dialogue
BARCLAYS BANK PLC	Meeting	Governance (General)	Dialogue
BARCLAYS PLC	Received Correspondence	Climate Change	Dialogue
BP PLC	Meeting	Governance (General)	Dialogue
CENTAMIN PLC	Received Correspondence	Climate Change	Dialogue
CHIPOTLE MEXICAN GRILL INC	Meeting	Environmental Risk	Change in Process
CRH PLC	Received Correspondence	Climate Change	Dialogue
EASYJET PLC	Received Correspondence	Climate Change	Dialogue
ENERGEAN PLC	Received Correspondence	Climate Change	Dialogue
EXXON MOBIL CORPORATION	Sent Correspondence	Social Risk	Awaiting Response
FORD MOTOR COMPANY	Meeting	Supply Chain Management	Dialogue
FRESNILLO PLC	Received Correspondence	Climate Change	Dialogue
GLENCORE PLC	Meeting	Board Composition	Dialogue
HARBOUR ENERGY PLC	Received Correspondence	Climate Change	Dialogue
HSBC HOLDINGS PLC	Received Correspondence	Climate Change	Dialogue
INTERNATIONAL DISTRIBUTIONS SERVICES PLC	Sent Correspondence	Governance (General)	Awaiting Response
JOHN WOOD GROUP PLC	Received Correspondence	Climate Change	Dialogue
KKR & CO INC	Received Correspondence	Diversity Equity and Inclusion	Small Improvement
LEGAL & GENERAL GROUP PLC	Meeting	Environmental Risk	Dialogue
LLOYDS BANKING GROUP PLC	Meeting	Environmental Risk	Small Improvement
MERCEDES-BENZ GROUP AG	Meeting	Human Rights	Small Improvement
NATIONAL GRID GAS PLC	Meeting	Climate Change	Dialogue
NATWEST GROUP PLC	Received Correspondence	Climate Change	Dialogue
NESTLE SA	Meeting	Environmental Risk	Change in Process
PERSIMMON PLC	Meeting	Climate Change	Dialogue
PING AN INSURANCE GROUP	Meeting	Climate Change	Change in Process
PRUDENTIAL PLC	Meeting	Climate Change	Change in Process
RENAULT SA	Meeting	Supply Chain Management	Moderate Improvement
RESTAURANT BRANDS INTERNATIONAL INC	Meeting	Supply Chain Management	Dialogue
RIO TINTO PLC	Meeting	Environmental Risk	No Improvement
ROLLS-ROYCE HOLDINGS PLC	Received Correspondence	Climate Change	Dialogue
SANOFI	Received Correspondence	Environmental Risk	Substantial Improvement
SAP SE	Meeting	Human Rights	Dialogue
SHELL PLC	Received Correspondence	Climate Change	Dialogue
STANDARD CHARTERED PLC	Received Correspondence	Climate Change	Dialogue
THE HOME DEPOT INC	Meeting	Supply Chain Management	Moderate Improvement
THE TJX COMPANIES INC.	Meeting	Environmental Risk	Small Improvement
TI FLUID SYSTEMS PLC	Received Correspondence	Climate Change	Dialogue
VALE SA	Meeting	Human Rights	Dialogue

ENGAGEMENT DATA

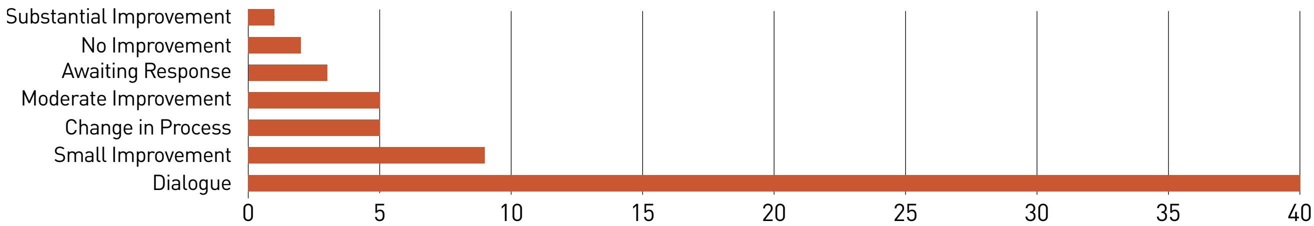
ENGAGEMENT TOPICS



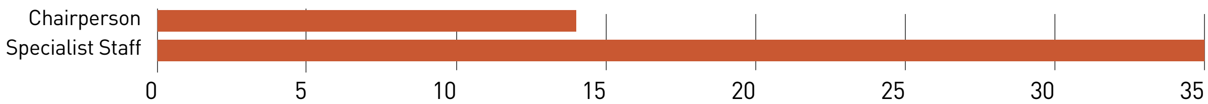
ACTIVITY



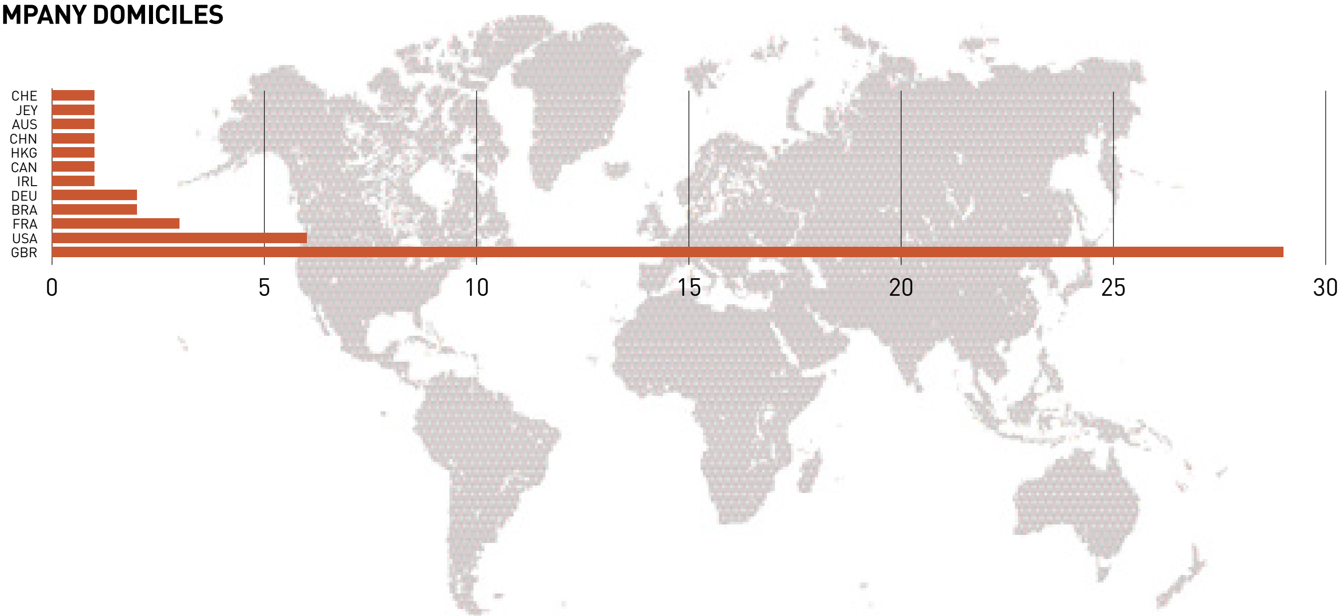
MEETING ENGAGEMENT OUTCOMES



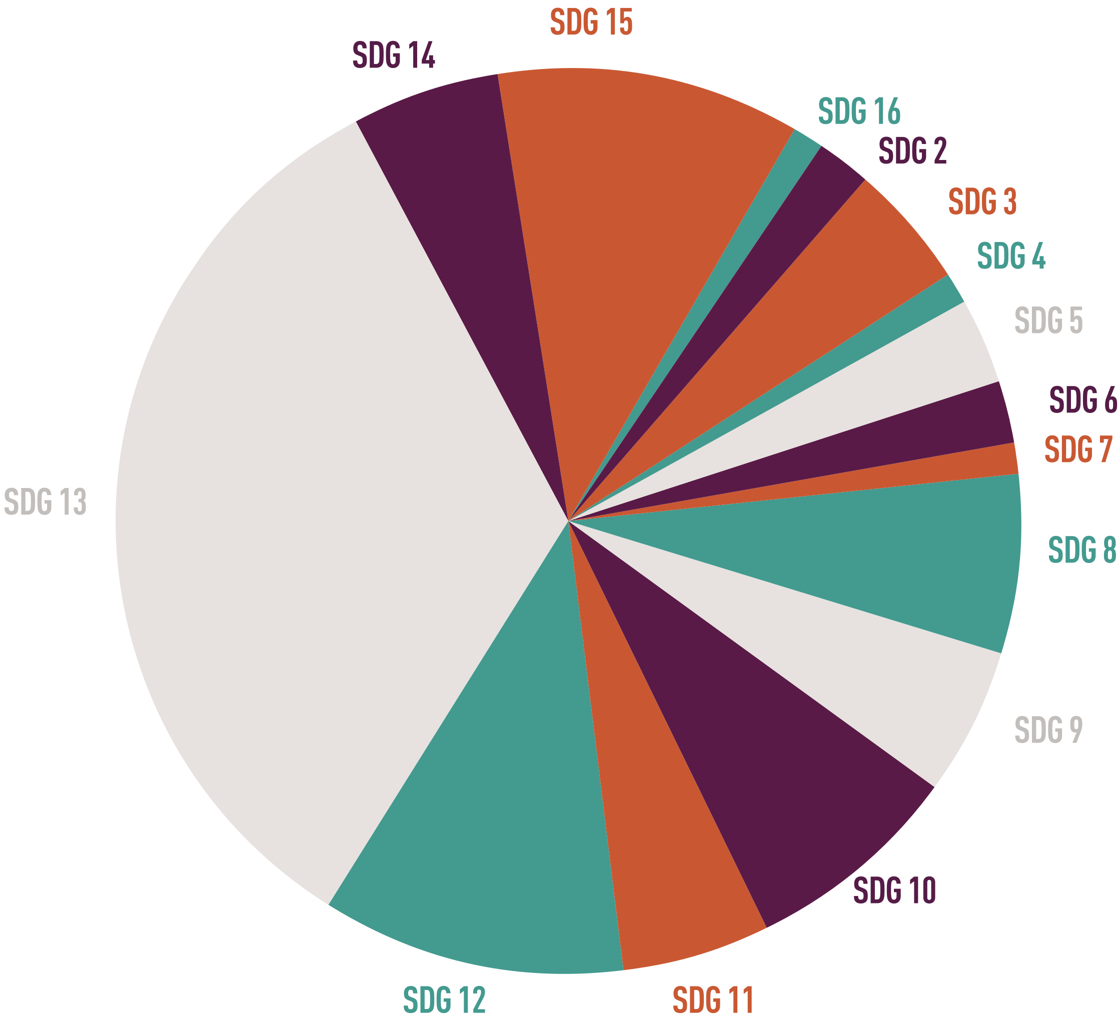
POSITION ENGAGED



COMPANY DOMICILES



ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS	
SDG 1: No Poverty	0
SDG 2: Zero Hunger	2
SDG 3: Good Health and Well-Being	4
SDG 4: Quality Education	4
SDG 5: Gender Equality	3
SDG 6: Clean Water and Sanitation	2
SDG 7: Affordable and Clean Energy	1
SDG 8: Decent Work and Economic Growth	6
SDG 9: Industry, Innovation, and Infrastructure	5
SDG 10: Reduced Inequalities	7
SDG 11: Sustainable Cities and Communities	5
SDG12: Responsible Production and Consumption	10
SDG 13: Climate Action	31
SDG 14: Life Below Water	5
SDG 15: Life on Land	10
SDG 16: Peace, Justice, and Strong Institutions	1
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

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)
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
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 Pension Fund
West Yorkshire Pension Fund
Westminster Pension Fund
Wiltshire Pension Fund
Worcestershire Pension Fund

Pool Company Members
ACCESS Pool
Border to Coast Pensions Partnership
LGPS Central
Local Pensions Partnership
London CIV
Northern LGPS
Wales Pension Partnership

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