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LOCAL PENSION BOARD

Wednesday, 26th June, 2024 at 10:00am in the Place Shaping Room Civic Centre, Silver Street, Enfield, EN1 3XA

Membership:
(Chair) Pauline Kettless (Employee Nominated Member)
Cllr Alev Cazimoglu (Employer Side Nominated Member)
Cllr Ahmet Oykener (Employer Side Nominated Member)
Cllr Chris Joannides (Employer Side Nominated Member)
Paul Bishop (Employee Nominated Member)
Tracey Adnan (Employee Nominated Member)
Alison Cannur (Employer Nominated Member)
David Dollemore (Employee Nominated Member)

AGENDA – PART 1

1. WELCOME AND APOLOGIES

2. DECLARATION OF INTERESTS

To receive any declarations of interest.

3. APPOINTMENT OF THE CHAIR AND VICE CHAIR

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

To agree the minutes of the previous meeting held on 13 March 2024.

5. QUARTERLY MONITORING REPORT OF PENSIONS ADMINISTRATION PERFORMANCE TARGETS & INDICATORS (Pages 5 - 22)

6. REVIEW OF INVESTMENT STRATEGY STATEMENT (Pages 23 - 38)

The Pension Board are recommended to note the contents of this report and the attached appendix.

7. **INVESTMENT PERFORMANCE 2023-24** (Pages 39 - 46)

The Pension Board are recommended to note the contents of this report and the attached appendix.

8. **INVESTMENT MANAGER FEES** (Pages 47 - 56)

The Pension Board are recommended to note the contents of this report and the attached appendix.

(This item contains 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 to the Local Government Act 1972, as amended).

9. **LONDON CIV UPDATE** (Pages 57 - 134)

The Pension Board are recommended to note the contents of this report and the attached appendix.

10. **LAPPF - QUARTERLY UPDATE** (Pages 135 - 150)

The Pension Board are recommended to note the contents of this report and the attached appendix which give details on the LAPFF company engagements for the quarter.

11. **MINUTES OF PPIC** (Pages 151 - 154)

To note the minutes of the last Pension, Policy and Investment Committee held on 20 March 2024.

12. **ANY OTHER BUSINESS**

13. **DATES OF FUTURE MEETINGS**

To note the dates of the future meetings:

Wednesday 18 September 2024
Wednesday 04 December 2024
Wednesday 12 March 2025

14. **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 the public from the meeting for the items listed as part 2 on the agenda on the ground that they involve 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).

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MINUTES OF THE MEETING OF THE LOCAL PENSION BOARD HELD ON WEDNESDAY, 13TH MARCH, 2024

MEMBERS: Pauline Kettless (Chair), Cllr Ergin Erbil (Vice Chair), Cllr Chris Joannides, Paul Bishop, Tracey Adnan and Alison Cannur

Officers:

Ravi Lakhani (Head of Pension Investments), Tim O'Connor (Exchequer Manager Pension), Josiah Burton (Communications and Employer Liaison Manager) and Nicola Lowther (Governance Manager)

1. WELCOME & INTRODUCTION

The Chair welcomed everyone to the meeting.

Apologies were received from Cllr Guney Dogan and Julie Barker.

Apologies for lateness were received from Paul Bishop.

2. DECLARATION OF INTERESTS

Pauline Kettles declared a non-pecuniary interest as she is in receipt of a LGPS Pension from Enfield.

3. MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 13 December 2023, with a slight amendment on page 2, were **AGREED**.

4. ENFIELD PENSION FUND QUARTERLY ADMINISTRATION REPORT

Tim O'Connor (Exchequer Manager Pension) provided an update on current pension issues developments and performance highlighting the key points from the report.

The Pensions Regulator (TPR) published its new code of practice which has now been laid in parliament which covers the following five sections; the governing body, Funding and Investment, Administration, Communications and disclosure and Reporting to TPR. IT is expected to come into force on 27 March 2024 and replaces Code of Practice 14 for public service pension schemes and brings together 10 previous TPR Codes into one code.

The HMRC Newsletter 155 which included several updates about the abolition of the Lifetime Allowance (LTA), where further legislative changes will or may be needed to implement the policy and answers to frequently asked questions.

New GAD guidance that that has been published does not contain any new factors but does provide additional information about how McCloud remedy will affect certain calculations namely; early repayments of pension guidance, late retirement guidance, individual incoming, and outgoing transfers guidance and interfund transfers.

ACTION: Tim O'Connor (Exchequer Manager Pension) - Board to receive training and a training plan is to be brought to the next board meeting.

The report was **NOTED**.

5. CONTRIBUTIONS REPORT

Ravi Lakhani, Head of Pension Investments presented this item and highlighted key points from the report.

The Enfield Pension Fund has set the 19 days following the month in which the contributions were deducted from payroll to determine if a payment has been received on time. There have been 74 days of late payments of contributions out of 345 expected payments which is a significant increase on 2022/23. This is mainly attributed to one employer who were responsible for 51 late days this year which was due to technical issues and not unusual for a new employer to the Fund. In total, there were 5 different employers who were responsible for late payments in the Fund, which was two fewer than last year.

Under legislation, if payments are late, the Fund is entitled to charge interest should they wish to which Enfield has chosen not to do at this point. There has not been any interest levied on late payments as when payment is late, this is usually due to administrative errors and staff absence.

The report was **NOTED**.

6. PENSION FUND WORK PLAN

Ravi Lakhani, Head of Pension Investments presented this item and highlighted the key points.

The report outlines the general remit and core functions of the Enfield Pension Board, the terms of reference and the work programme for 2024/25.

The report and terms of reference were **NOTED**, and the work programme was **AGREED** with the following to be included:

1. Two London CIV updates throughout the year.
2. Training Plan for Members to be devised in conjunction with the code of practice and to be brought to the next Board meeting.

ACTION: Ravi Lakhani, Head of Pensions Investments

7. APPOINTMENT OF ACTUARY

Ravi Lakhani, Head of Pension Investments presented this item and highlighted key points from the report referred to an error on the report which states approve should read to note. Hymans Robertson were awarded a 5-year contract to provide both Actuarial Services and Benefits Consultancy which is expected to cost £80-£120k (actuarial services) and £10-20k (benefits consultancy) per annum. The exact costs will depend on the level and volume of work likely to be requested by the fund which will be funded by the pension fund.

Thanked Aon for their years of service and will be written to formally to express thanks.

The report was **NOTED**.

8. LAPFF QUARTERLY ENGAGEMENT UPDATE FOR QUARTER ENDING 31 DECEMBER 2023 AND DRAFT WORK PLAN FOR 2024-25

Ravi Lakhani, Head of Pension Investments highlighted key points from the report.

The LAPFF currently comprises of 71 local authority pension funds with combined assets of over £210 billion. The Forum exists to promote investment interest of local authority pension funds, and in particular to maximise their influence as shareholders to promote social responsibility and high standards of corporate governance amongst the companies in which they invest.

Cllr Doug Taylor attended the LAPFF Conference in 2023 on behalf of Enfield which covered issues such as electric vehicle supply chain and the biodiversity

The report was **NOTED**.

9. MINUTES OF PPIC

The minutes of the Pension Policy and Investment Committee which was held on 17 January 2024 were **NOTED**.

ACTION: Ravi Lakhani/Governance to look into the possibility of having the Pension Policy and Investment Committee and Local Pension Board meetings held on the same day.

10. AOB - INCLUDING REVIEW OF AGM

Victor Ktorakis stood down as the Employee Representative and was replaced by David Dollemore who was elected at the recent Unison AGM so will need to undertake online training.

Alison Cannur has resigned as the Employer Side Representative so this vacancy will need to be filled – not leaving until August 2024. The Chair thanked Alison for all her hard work, long service and wished her well in her retirement.

11. DATE OF NEXT MEETING

This was **NOTED** by the Board.

12. EXCLUSION OF THE PRESS AND PUBLIC
13.

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).

13. LAPFF QUARTERLY ENGAGEMENT UPDATE FOR QUARTER ENDING 31 DECEMBER 2023 AND DRAFT WORK PLAN FOR 2024/25

Following the part 2 discussion, the part 2 appendix was **NOTED**.

Agenda Item 5

London Borough of Enfield

Report Title	LBE of Enfield Pension Fund administration report
Report to	Local Pension Board
Date of Meeting	26th June 2024
Cabinet Member	
Executive Director / Director	Fay Hammond
Report Author	*Tim O'Connor* *Tim.O'Connor@enfield.gov.uk*
Ward(s) affected	
Key Decision Number	Non-Key
Classification	Part 1 Public
Reason for exemption	

Purpose of Report

1. The purpose of this report is to provide the Local Pension Board with an update on current pension issues, developments, and performance in relation to the Local Government Pension Scheme (LGPS)

Recommendations

I. To note the contents of this report

1. Background and Options

1.1 McCloud

McCloud protection
The LGA clarified a query regarding which pension accounts qualify for McCloud protection. These queries relate to the section of the McCloud administrator guide that covers disqualifying gaps.

A disqualifying gap is a period of more than five years when a member was not in pensionable service in a McCloud remedy scheme. A McCloud remedy scheme is a public service pension scheme in England, Wales, Scotland, or Northern Ireland that covers:

- civil servants
- teachers
- the judiciary
- local government workers
- NHS staff
- firefighters
- police officers
- armed forces personnel.

A gap that ended before 31 March 2012 is not disqualifying.

We need to assess whether there is a disqualifying gap if an individual:
- was a member of the LGPS or another McCloud remedy scheme on or before 31 March 2012, and
- joined the LGPS after 31 March 2012.

If the individual was a member of a McCloud remedy scheme on 31 March 2012, a disqualifying break could only start after that membership ended. If the individual was not a member of a McCloud remedy scheme on 31 March 2012, the earliest a disqualifying gap could start is the day after their last period of membership ended before 31 March 2012.

Non-club spreadsheet 2024/2025
The LGA have advised us of the publication of the 2024/25 version of the spreadsheet for calculating the McCloud element of a non-Club transfer value. It can be used for relevant dates between 8 April 2024 and 31 March 2025.

1.2 Pension Dashboards

Data standards version 1.2

On 30 April 2024, the Pensions Dashboards Programme (PDP) published version 1.2. On 13 May 2024, it published a blog on the new version of the data standards.

The data standards cover the data requirements for ‘finding’ and ‘viewing’ pensions information and are mandatory for providers and schemes connecting to the ecosystem. They are there to build a common set of message handling tools to receive and reply with data.

PDP understand most administering authorities will connect to the ecosystem by an already-connected third party - an integrated service provider (ISP).

The ISP will use their processes to meet the data standards. However, as the standards apply to administering authorities, they remain responsible for compliance, even if implementation is delegated to an ISP.

Further guidance on connection and the technical, reporting and design standards will be published once tested and validated by the volunteer participants.

PASA dashboards working group – Spring 2024 update.

On 14 May 2024, the Pensions Administration Standards Association (PASA) published an update from its dashboards working group.

The update outlines the ongoing development of guidance and resources related to:

- additional voluntary contributions
- test case matrix
- matching
- administration readiness.

Please refer to Appendix 1 for more information

1.3 SAB update

Gender Pay gap.

The Scheme Advisory Board (SAB) has sent a letter regarding the gender pensions gap to the Chief Secretary to the Treasury, Laura Trott MP. The letter suggests that the Government takes a consistent and active approach to the gender pensions gap across public sector pension schemes.

Cllr Roger Phillips, the Board Chair, argued that a gender pensions gap analysis, like that commissioned by the Board, would give a dynamic picture of how scheme members’ salaries change over time and illustrates the different trajectories of men and women’s careers. As such it would add context and richness to the statutory gender pay analysis that public sector employers already undertake.

Please refer to Appendix 2 for more information

1.4 SAB - Audit information guide

The Scheme Advisory Board (SAB) along with the Institute for Chartered Accountants in England and Wales has commissioned a guide to explain the timeline and information flow for triennial valuation and accounting/audit purposes.

The guide will be published imminently on the Board's website. The aims of the guide are:

- to aid mutual understanding, explaining some of the background and respective constraints
- to include signposting for the different parties to where they should be requesting the information, they need
- to provide visual maps showing the flow of information between employers, actuaries, funds, custodians, and auditors
- to provide a model questionnaire with key questions for actuaries to complete each year and provide to scheme employer auditors.

The intended audience are auditors, fund practitioners and employers. Once published, administering authorities will be encouraged to share the guide with employers.

1.5 SAB - opt out survey.

On 20 May 2024, the Scheme Advisory Board issued a short survey to local government employers with the aim of improving understanding of the LGPS membership and why some people choose to opt out.

The Board is interested in what data these employers hold, their experience of staff opting out and the value placed on offering a high-quality defined benefit scheme like the LGPS in recruitment and retention.

The survey was sent to the main HR / personnel contacts within the LGA's member councils. It closed on 7 June 2024.

1.6 Academy LGPS guidance updated.

On 7 May 2024, the Education and Skills Funding Agency published updated guidance on academies and LGPS liabilities. The updated guidance now includes a definition of 'pass-through arrangements.'

The guidance is aimed at academy trusts, administering authorities and actuaries. It covers the LGPS academy guarantee provided by the Department for Education.

Please refer to Appendix 3 for more information

1.7 The Pension Regulator Update

TPO Operating model review blog
Robert Loughlin, Chief Operating Officer at the Pensions Ombudsman (TPO), published a blog on TPO's operating model review on 21 May 2024.

In this blog, Robert primarily discusses the operating model review, which aims to improve TPO's efficiency and reduce waiting times.

Three areas of focus for improvement are mentioned:
- resolution team changes
- expedited determinations
- thresholds for accepting complaints.

TPO plans to deliver the full programme of changes over the next three years. In addition, they have set a target of achieving an improved position over the next 12 to 18 months.

TPR Corporate plan for 2024 to 2027
The Pensions Regulator (TPR) published its new Corporate Plan 2024 to 2027 on 3 May 2024.

The plan sets out TPR's direction for the next three years, explaining how it will protect savers' money, help to enhance the pensions system and support innovation in the interests of savers.

Please refer to Appendix 4 for more information

1.8 The Pensions Scams Industry Group (PSIG)

PSIG is a voluntary body created by the pensions industry to combat pension scams. PSIG is primarily focused on sharing good practice on how to stop these scams.

It is now consulting on its future strategy.

The consultation aims to understand the value provided by PSIG, possible future direction and how this could be achieved, including potential funding options.

The consultation runs for three months and closes on 31 July 2024.

Please refer to Appendix 5 for more information

1.9 HMRC – Newsletter 160

Newsletter highlights:

- **Managing Pension Schemes Service (MPSS)**: information on submitting pension scheme returns, a reminder to migrate and a request for volunteers to assist HMRC with their plans to move the lifetime allowance protection look-up service onto the MPSS.

- **Contacting PPSS**: a reminder of the correct routes for pension administrators to raise queries.

Please refer to Appendix 6 for more information

1.10 Pensions Admin Team Update

With the restructure of the admin team almost complete, a new approach for more specific reporting from each area [Communications, Governance, Systems, admin plus overview]

Communications – Update and demo by Josiah Burton

Presentations

A new programme of face-to-face presentations to employers and members have started. They deliver informative pension information and updates. Webinar sessions are also being offered.

The presentations cover several topics including:

- Opting in and opting out
- Annual Benefit Statements
- 50/50 Pensions
- Additional Voluntary Contributions
- Retirement
- Ill Health Retirement
- Redundancy
- Spouse/Partner Benefits
- Member Self-Service
- Q&A session

Positive feedback has been received following the initial presentations. More are booked in for June and Pension Clinics are being arranged in the Autumn which will enable members to have 1 to 1 sessions with pension officers following the distribution of annual benefit statements.

Videos
Short informative videos have been created and will be made available to members. Videos available cover the following:

- 50/50 Pensions
- Expression of Wish for payment of a Death Grant

Further videos are planned which will address subjects which members frequently ask questions about.

Please refer to Appendix 7 for more information

Gov.uk/notify.
To improve our communication channels, we have set up an account with Gov.uk notify which will assist with communicating to members.

It will enable us to ensure members receive timely updates about Member Self-Service portal, McCloud, and Annual Benefit statements.

Website
The pensions website has been updated to include pension payment dates and the pension increase which is in line with the Consumer Price Index (CPI). The content from this year's AGM has also been uploaded.

Latest google analytics which show the number of visits members make to the website have been included in the appendix and will become a standing item of future communication updates.

Governance

Bulk Calculations

- Processing bulk calculations to update approx. 15,500 member records with annual pension increase.
- Processing bulk calculations to update approx. 7,500 member records with annual Revaluation applicable to Career Average pensions.

Year-End Return and i-Connect Data

- Updating pension records with year-end, annual data returns received from various employers not using the Council payroll service. These are mainly Admitted Bodies in the Fund.
- Updating pension records via i-Connect data transfer received from Enfield Council and other Schedule Bodies like academies who do not use the Councils payroll service. This tends to cover a much higher number of members in comparison to Admitted Bodies.

Annual Benefit Statements

- Preparation work to produce extract for approx. 7,500 deferred member statements has commenced, on target to issue these in early July.
- Preparation work to produce extract for approx. 5,000 Enfield Council active member statements has also started, on target to issue in mid-July.

- Year-end return and i-Connect data work in progress to enable the preparation the production of approx. 2,500 active member statements relating to non-Enfield Council employers.

i-Connect Rollout & Associated Issues

- Ongoing communications with Oasis Community Learning (Oasis Academies Enfield and Hadley) to implement i-Connect. This will replace the year-end return and will mean all Academies in the Fund are using i-Connect.
- Ongoing communications with Capel Manor College regarding the correctness of i-Connect files produced by their payroll provider.
- Ongoing communications with ARK John Keats Academy, Wren Academy Enfield, and their payroll providers regarding the correctness of i-Connect files and their lateness in submitting to us.

External Audit 2023/2024

- Currently completing various Grant Thornton spreadsheets/templates requesting information.
- Running various reports to provide supporting information and evidence where requested.
- Areas covered so far or in progress are workflow processes and Altair (pension administration database) controls.

Admission Agreements & Associated Issues.

- Liaising with approx. 12 employers to arrange Admission Agreements for members TUPE transferred to their employment to continue participation in the Fund. These agreements are a mixture of first generation (initial outsourcing) and subsequent outsourcing.
- Ongoing communications regarding member level queries with Fusion Lifestyle and Greenwich Leisure Limited, the latter having taken over service provision from the former. Delays and data correctness issues from both.
- Ongoing communications with various other contractors to agree the list of members transferring at subsequent transfer date, namely KGB Southwest Cleaning, Radish (Churchill Catering) and The Pantry.

Systems Team Update

Various large scale data cleansing project has begun.

a) Frozen refunds – short service cases where a member hasn't previous responded, have been contacted again. Comparison with the NI database has been run which highlighted where former members are or have worked at another authority.
b) The systems team have also chased members who have passed their normal retirement date but have not yet claimed their pension benefits. If no response, the outstanding members will be part of the following data tracing and cleansing project with a 3rd party to trace.
c) Mortality screening project - working with a 3rd party to review member data against government records.

d) Contact detail checks for members of the scheme, focusing on missing members who are deferred, having left the pension scheme.

Admin Team Update

- Team will be focusing on reducing the transfer backlog.
- New staff have had refund training, so will be able to start processing refunds.
- 2 member of team return from maternity leave
- Retirement deadline this week. 63 retirement actuals so far (lots came in because of the chaser letters being sent)

Team Overview

Re-structure – Interviews for the Senior Pension Officer full time and part time posts and the Data and Protects Team Leader took place between on Tuesday 11th – Thursday 13th June.

Training review of team is currently being compiled to assess any additional external training requirements for the team.

The Pension Manager is also covering the Data & Projects Team Leader role to ensure that work is progressing in this area.

Professional Pensions Conference - 22nd May.

Opening keynote speech from Nausicaa Delfas, Chief Executive at TPR.
Nausicaa covered the following topics:
• TPR's corporate plan
• driving value for money
• securing the future for defined benefit schemes
• raising standards across all scheme types
• data quality
• TPR's future approach to regulation.

The full transcript of the speech can be viewed on the TPR's website.

Other sessions included.

- Preparing your members for retirement – AON
- Innovating Pensions – The British Business Bank
- Dashboards in practicality – Chris Curry
- Stretched too thin – Capacity strains – ITM.
- Streamlined for success (data scheme transfer) – Lane, Clark & Peacock
- Security breaches – Margaret Snowden (Industry scam group)
- Accurate, Clean, Reliable Data, What, How, why – Target Ltd
- How to protect members in a digital world – Target Ltd
- Working together to support DB members – Pensions Protection fund.
- A Behavioural science view on personalised guidance – THINKS

1.11 Pension Team Key Performance Indicators

Turnover of admin work	Performance - Quarter 4 (January 2023 to March 2024)
2,003	Work completed within timescales
330	Work completed outside timescales
2,333	Total of work completed
85.86%	Overall completion % rate

Process	No. of cases commenced in Q3	No. of cases completed within timescale	Good Practise timescales	% completed in Q3
Deaths – initial letter acknowledging death of members	25	20	2 months	80.00%
Retirements – letter notifying estimate retirement benefits	63	53	2 months	84.13%
Retirements – letter notifying actual retirement benefits	105	64	2 months	60.95%
Deferment – calculate and notify deferred benefits	105	95	2 months	90.48%
Transfers in/out – letter detailing transfer quote	143	100	2 months	69.93%
Transfers in/out – letter detailing actual transfer	125	54	2 months	43.20%
Refund – Process & pay a refund	25	18	2 months	72.00%
Divorce quote – letter detailing cash equivalent value and other benefits	4	3	2 months	75.00%
Divorce settlement – letter detailing implementation of pension sharing orders	0	0	3 months	0%
Joiners – notification of date of enrolment	475	475	2 months	100.00%

Complaints

There were no IDRP cases received during Q4 but there were some complaints relating to individual retirements where the team had not kept the member updated or emails were not of an expected standard.

The Communications Officer ran a customer services session in April with the whole team on how to manage expectations and how to keep members informed.

Pension Team Key Performance Indicators

Turnover of admin work	Performance – Annual figures (April 2023 to March 2024)
8,454	Work completed within timescales
1,354	Work completed outside timescales
9,808	Total of work completed
86.19%	Overall completion % rate

Process	No. of cases commenced in year	No. of cases completed within timescale	Good Practise timescales	% completed in year
Deaths – initial letter acknowledging death of members	**147**	**119**	2 months	**80.95**%
Retirements – letter notifying estimate retirement benefits	**258**	**231**	2 months	**89.54**%
Retirements – letter notifying actual retirement benefits	**469**	**294**	2 months	**62.69**%
Deferment – calculate and notify deferred benefits	**579**	**533**	2 months	**92.06**%
Transfers in/out – letter detailing transfer quote	**528**	**385**	2 months	**72.92**%
Transfers in/out – letter detailing actual transfer	**398**	**221**	2 months	**55.53**%
Refund – Process & pay a refund	**119**	**101**	2 months	**84.87**%
Divorce quote – letter detailing cash equivalent value and other benefits	**24**	**21**	2 months	**87.50**%
Divorce settlement – letter detailing implementation of pension sharing orders	**1**	**0**	3 months	**100%**

Joiners – notification of date of enrolment	**1822**	**1822**	2 months	**100.00**%

A new set of KPIs are being reviewed which will cover a wider area of admin including communications. These are currently voluntary but it is expected that they will be adopted and the Pension Fund will be working towards them this year.

1.12 Pension Team Risk Register

Area	Risk Register	Risk Rating Impact	Likelihood	X	Level of Risk	Project work	Cause of Risk	Risk Owner	Impact	Controls in place	Further action required	Review date
Benefits	Processing of Benefits	2	2	4	Low	No	Pension benefits not paid out accurately or at the right time	Pensions Administration Team - Tracey Rogers with support from Tim O'Connor	member not paid causing financial hardship. Plus financial and reputational damage to pension fund	Members identifed with reporting controls in place and contacted in time. Benefits are checked by another officer and audit checks in place.	Controls and checks in place to be continued to be reviewed to ensure no errors.	31/07/2024
	Scape - Change of factors,	2	3	6	Medium	No	Backlog of work building up due to delay in receiving new factors required for calculation	Pensions Administration Team - Tracey Rogers with support from Andreas Andreas & Tim O'Connor	member not paid causing financial hardship. Plus financial and reputational damage to pension fund	Team informing affected members of delay	To continue to monitor and keep upto date awareness of factor changes in relation to benefits	31/12/2024
	Overage deferred records not paid	1	4	4	Low	No	Benefits not paid out to eligible members as not claimed by member	Pensions Administration Team	member not paid causing financial hardship. Plus financial and reputational damage to pension fund	All identified have been written to but a Project plan in progress to find these members required	Project plan in progress to use external outscource to find missing members addresses. Systems Team to identify amount.	31/12/2024
	Over 75 benefits not paid - insert figures	1	4	4	Low	No	Benefits not paid out to eligible members	Pensions Administration Team	member not paid causing financial hardship. Plus financial and reputational damage to pension fund	Members identifed and payroll notified - involves low numbers but vigilance required when reporting	Systems team to run future reports for 2021 to identify any future members reaching 75 this year. Missing member address tender required	31/12/2024
	AVCs at leaving	2	3	6	Medium	No	PF not notifying member of AVCs held so they are either not claimed or forgotten by the member	Pensions Administration Team	member not paid, could cause financial hardship. Also financial and reputational damage to pension fund	Checks are completed and further discussion is due with new client managers at Prudential	Constant communication with Prudential has been required to ensure work is on track	30/09/2024
	AVCs -Prudential annual statements	3	1	9	Medium	No	Prudentail not notifying member of AVCs held within the agreed timelines so they are either not claimed or forgotten by the member	Pension Fund	Reputational damage and complaints direct to the Fund regarding Prudentials poor service.	Prudential to inform us if any delay	To review when AVC annual statements are sent out to ensure they go out by the statutory deadline	30/09/2024
Projects	Aggregation of benefits - pre and post April 14	2	3	6	Medium	Yes	Failure to offer linking of member services.	Tracey Rogers with support from Pensions Administration Team and where required Tim O'Connor	member not notified of benefits. Plus financial and reputational damage to pension fund	Project in place - training, and new specialist in post to assist - starting 1/7/24	Historical Members identifed - administration team working through both old and new cases as they appear each month	31/12/2024
	McCloud review	2	3	6	Medium	Yes	Government lost a test case which resulted in all public sector funds to review their data to ensure no one has lost out	Systems Team	member not paid the crrect benefits. Plus financial and reputational damage to pension fund	Project plan in place to move to next stage of McCloud resolution now that legislation is in place	Ensure new legistlation updates are reviewed. Systems Team to contact employers re data retention - esp hours previously held	31/10/2024
	Frozen Refund Project	2	3	6	Medium	Yes	Large scale project to reduce the amount of frozen refunds held in the fund.	Systems Team	2435 frozen refunds to contact and process.	Project report run and Systems team plus support from Apprentice and Scale 5 role.	To ensure that project is running as expected and numbers are reducing by way of refund or transfer	31/07/2024
	Mortality screening (monthly)	1	4	4	Low	Yes	Introduction of monthly mortality screening to help identify members as soon as possible	Admin Team lead by Carrie Ellis (Senior admin officer)	Overpayments if pension continues to be paid.	Yes, Tell us once and National Fraud Initiative already running, this is a supplementary tool to assist those.	To review overpayments in 12 months time to compare with previous 12 months.	31/07/2025
	Tracing missing members contacts	1	4	4	Low	Yes	To ensure new website working to full capability	Systems Team	With the introduction of the National Database, the need to trace all members is imperative.	Yes, new reporting functions to be introduced as part of this project.	Project team - Systems and Governance to meet with Heywoods to move the projecton	31/08/2024
Projects	Annual Allowance	1	3	3	Low	Yes	All cases identified and notified within timelines	Andreas Andrea	Tax implications for both member and member if incorrectly notified	project team in place - also testing new app.	Andreas to produce project plan for 2024 and App with Agewage tested and signed off for use	31/08/2024
	Lifetime Allowance [INCLUDE PROTECTIONS]	1	3	3	Low	Yes	All processed correctly?	Andreas Andrea	Tax implications for both member and member if incorrectly notified	All complex queries are referred to risk owner	Andreas to produce project plan for 2024 and review direction of new governement post election as LTA phased out.	31/12/2024
	Triennial Valuation 2025	1	4	4	Low	Yes	Completion of the administration side of the triennial valuation in a timely manner.	Ravi Lakhani	Incorrect benefits paid out. Financial and reputational damage to fund.	Final stage - Investments to notify all new rates to employers.	Risk owner to outline project timelines along with appropriate stakeholders.	31/03/2025
	GMP - HMRC	1	4	4	Low	Yes	All GMP related work to have been completed in line with the closedown of GMP related work at the DWP.	Tim O'Connor	Incorrect data on records leading to incorrect payment. Taking on the responsibility of cases because we have not data cleansed sufficiently.	Final Cut of data received from HMRC - and referred to on a daily basis for each member coming into payment	project plan in place and cases reviewed against the data when retirements go into payment.	31/03/2025
	ABS	1	3	3	Low	Yes	Sent out correctly and in line with prescribed timescales	Systems Team/Governance and Communications	Incorrect statements can lead to members making incorrect financial decisions. Causing reputational damage.	Project plan in place - to complete for 2024	To continue to work to timescale	31/08/2024
	Workflow aligning with SLAs and all procedures captured	1	4	4	Low	Yes	Workflow completion timescales are currently more generous and consequently out of sync with SLA timescales and with disclosure of Regulations timescales this means our KPIs are reporting inaccurate data	Tim O'Connor with support from Systems Team	This could incur fines from the Pensions Regulator. Also impossible to plan resources when KPIs giving a different slant on work completion/outstanding.	Project plan in place - to review retirement actuals - further meeting with Heywoods planned	Project to align all the workflows to SLA and Disclosure of Regs timescales, this needs to be documented in test as steps within the workflows. Retirement actuals to look at plus adding additional mandatory checks to workflows	30/09/2024
	Correctly uploading factor tables	1	1	1	Low	No	are the correct factors in place in Altair?	Andreas Andrea	Incorrect factor tables could lead to incorrect payments of benefits if anomalies are not identified by the Benefits Team	Project plan in place - work is double checked by system team	None required at present	31/12/2024
	Event reporting	2	3	6	Medium	No	Capturing all area's of work	Andreas Andrea	HMRC fines for both fund and member. Reputational damage to fund in the event of any fine.	Project plan in place	System team to complete a written procedure for the procedure matrix	31/12/2024
	End of year updating (LGPS 2021 scheme and employer data issues)	3	3	9	Medium	Yes	Year updating of Altair IT System. Pensions Increase programme. Plus EOY factor tables. Employee data for salaries and contributions - if incorrect. Member could be wrongly paid.	Andrea Andrea	Impact on both members payments and incorrect ABS	Project plan in place - work is double checked by system team	None required at present - a written process to be produced for new systems team members to follow	31/03/2025
	Data cleansing meeting TRP record-keeping - New code of practice	2	3	6	Medium	No	Establish a clear and consistent data cleansing programme. Expansion of pensions dashboard.	Tim O'Connor with support from both administration and Systems teams	Without a clear, consistent and routine data cleansing programme, the fund cannot be confident that errors will not occur, Pension Regulator targets will not be met causing reputational damage	new project plan to put into place following the issue of the New Code of practice from March 24	To review all data cleansing processes in place against the new code of practice and introduce new areas if applicable to ensure full compliance with the new code.	30/09/2024
	Staffing levels	2	3	6	Medium	No	Capacity issues: 2 Senior members of staff returning from maternity leave - over summer. 4 new members of staff, 2 started, 2 to start. 1 member starting flexible ret.	Tim O'Connor & Julie Barker	Resourcing work and all other projects will be hindered or slowed down by lack of experienced team members plus training for new staff.	Recruitment plan in place, almost complete, systems/project team - main area to complete	Completion of restructure and recrutiment to new posts in Systems and 1.5 S01 roles in admin to complete	30/06/2024
	LGA Bulletins – bullet points being actioned	1	4	4	Low	No	all action points addressed by Managers?	Tim O'Connor, Andreas Andrea, Tracey Rogers, Josiah Burton	Action from Bulletin not completed could have financial implications for members. Risk of reputational damage	Bulletins are reviewed monthly, actions required	To review at Monthly team meeting meeting	31/03/2025
	Data Protection / Cyber training	2	3	6	Medium	No	Everyone adhering to the new data protection rules?	All	Member or other body wrongly notified of personal data. Heavy Fine from ICO plus reputational damage to pension fund.	Training, procedures. Routine reminders. - ilearn reminders	Annual refresher training before end of 31/12/2024 required. Auditing of cases on a routine basis.	31/08/2024
Governance	Local Pension Board - administration papers	1	3	3	Low	Yes	Providing administration data to the LPB	Tim O'Connor	Board members not being able to access information at the right time.	Yes. Dates of meetings and also dates of issue of papers to Committee members to be confirmed	To ensure all administration reports are sent by the deadline given - dates of issue to the Committee to be confirmed from Bola Tobun.	31/12/2024
Employer	Employer data provided on time	1	2	2	Low	No	Work received from all employers in a timely manner on a monthly basis which contains minimal errors	Karen Bennett	member could be paid incorrectly. Plus financial and reputational damage to pension fund	unknown - risk owner to confirm	establishment of procedure and routine monitoring of performance against targets	31/08/2024
	Legal turnaround times for Admission Agreements	2	3	6	Medium	No	Internal legal not responding to request or moving work in a timely manner.	Julie Barker with support from Andreas Andreas and Josiah Burton plus if required - Tim O'Connor	Reputational risk with employers and lead to commercial issues occurring.	Project plan in place as part of employer specific work	To review all employers following presentation from Andreas and update	30/09/2024
	Communications Quality Assurance	1	4	4	Low	No	letters, newsletters, website, emails, telephone calls clinics.	Tim O'Connor with main support from Josiah Burton and all Pensions Team	Members not been updated at the right time.	Yes	Employer newsletter being worked on. Active & Pensioner newsletter to start work on.	31/08/2024
	Website	1	4	4	Low	No	To ensure new website working to full capability	Josiah Burton / Tim O'Connor with support from Andreas Andrea and all Pensions Team	Members reading incorrect information could lead to incorrect decisions been made	Yes - project plan and review in place at present	To review and develop new online forms for death notification, divorce requests, Rule of 85 and MSS documents	31/08/2024

	Data cleansing meeting TRP record-keeping - New code of practice	2	3	6	Medium	No	Establish a clear and consistent data cleansing programme. Expansion of pensions dashboard.	Tim O'Connor with support from both administration and Systems teams	Without a clear, consistent and routine data cleansing programme, the fund cannot be confident that errors will not occur, Pension Regulator targets will not be met causing reputational damage	new project plan to put into place following the issue of the New Code of practice from March 24	To review all data cleansing processes in place against the new code of practice and introduce new areas if applicable to ensure full compliance with the new code.	30/09/2024
Management	Procedure matrix	3	3	9	Medium	Yes	procedures all captured and up to date?	Tim O'Connor with main support from Andreas Andrea and both administration and Systems teams	Without an up to date procedure matrix it will be impossible to know who is following the correct procedure. This could lead to cases been incorrect benefits been paid, also risk of reputational damage	Procedure project in progress	Team Leaders to routinely capture any missing processes and monthly reviews on updates	30/09/2024
	Training matrix	3	3	9	Medium	No	Up to date with all training work - 4 new team members and 2 returning officers from maternity leave over summer 24	Tim O'Connor	Without an up to date training matrix it will be impossible to know who is skilled in what area, what training is required and this could lead to incorrect calculations due to a lack of knowledge	unknown - risk owner to confirm update	to complete upto date training matrix	01/10/2024
	KPI - statistic's	1	4	4	Low	No	Accurate and up to date?	Tim O'Connor	Without accurate and clear data it is impossible to plan the resources of the team. This has several risks	Yes - to review new KPI in discussion.	Review and annual update - new tasks to add - to review and introduce new workflows, update some current ones - including retirement actuals	30/09/2024
	Discretions Employers	1	2	2	Low	No	All admin auth discretions made?	Tim O'Connor and Andreas Andrea with support from new Communications Officer	Members may suffer if Employers have not been a clear discretions policy as required.	Project plan in place as part of employer specific work	To chase remaining Employers to obtain a written discretions policy - arrange and visit remaining employers, i.e. attendance at town council meetings. Briefing paper to outline this area.	31/08/2024
Communications	Presentations/online	1	4	4	Low	No	Various Managers trying to cover both this role and their own.	Tim O'Connor with direct support fromJosiah Burton and the Pensions Team	Not having the resources to cover adequately. Information not getting to the right people at the right time.	Yes	look at recording online presentations to be held on the website and sent as a link to members. Offering presentations to employers.	31/08/2024
	Pension Webinars	1	4	4	Low	Yes	Offering members online webinars or links to, to add understanding of members pensions	Tim O'Connor with direct support fromJosiah Burton and the Pensions Team	Members don't receive the service and are not as well informed as they should be.	Yes	1:1 online pension meetings - clinic to be held after AGM - to review how this went and look to book another clinic in Sept 24 after issue of ABS to be set up with booking system. LGA also looking at national webinars	31/08/2024
	Member Self Service	1	3	3	Low	Yes	Members having issues accessing MSS and not seeing the correct screens - has been resolved but continue to watch	Systems Team	Members don't receive the service and are not as well informed as they should be.	Yes - a Systems team project plan is also in place - to look at when pensioners invited to see if any similar issue	Completion of pensioners review of SAP and Altair systems and then to invite pensioners to sign upto MSS - need to review how link with epay will work.	31/12/2024
Security	Cyber security	2	3	6	Medium	Yes	Increased risk of online attack due to pandemic	Julie Barker with support from Tim O'Connor and IT	Fraud, reputational damage	Yes	Team to complete llearn cyber security modules and team to look at any industry information which will assist in this area	31/03/2025

2. Preferred Option and Reasons for Preferred Option – n/a

3. Relevance to Council Plans and Strategies

The Local Pension Board is responsible for ensuring that the Enfield Administering Authority complies with LGPS regulations and associated legislation as well as adhering to requirements as set out by The Pensions Regulator.

This report is to assist members of the Local Pension Board with their role and responsibilities. The Pension Team are required to provide regular updates.

4. Financial Implications – n/a

5. Legal Implications – n/a

6. Equalities Implications

The Enfield Pension Fund is committed to fairness for all to apply throughout all work and decisions made. The Administration Authority serves all members of the Enfield Pension Fund and employees who are eligible to join the scheme fairly, tackling inequality through the provision of excellent services for all.

7. HR and Workforce Implications – n/a

Appendices

1. **Pension Dashboards**

https://www.pensionsdashboardsprogramme.org.uk/2024/05/13/data-standards-2/

https://www.pasa-uk.com/an-update-from-the-pasa-dashboards-working-group-spring-2024/

2. **SAB Update – Gender pay gap.**

https://lgpsboard.org/images/PDF/letters/17052024_LettertoLauraTrottMPfromCllrPhillips_GPG.pdf

3. **Academy LGPS guidance updated.**

https://www.gov.uk/government/publications/academies-and-local-government-pension-scheme-liabilities

4. **The Pension Regulator Update**

https://www.pensions-ombudsman.org.uk/news-item/operating-model-review-blog-robert-loughlin

https://www.thepensionsregulator.gov.uk/en/document-library/corporate-information/corporate-plans/corporate-plan-2024-27

5. **The Pensions Scams Industry Group (PSIG)**

https://pensionscamsindustrygroup.co.uk/future-strategy-consultation/

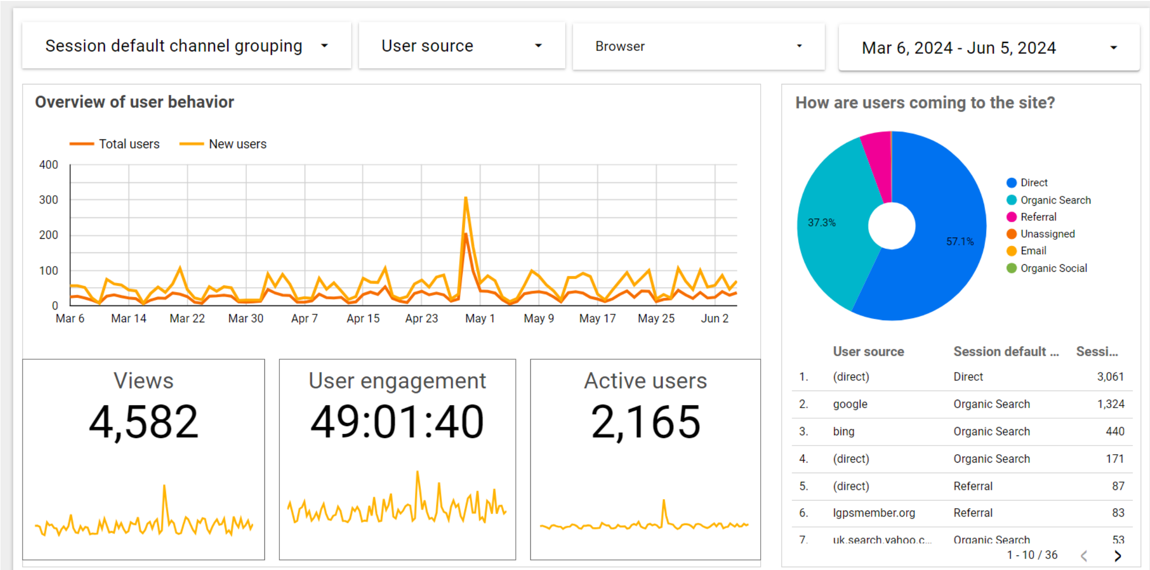
6. **HMRC – Newsletter 160**

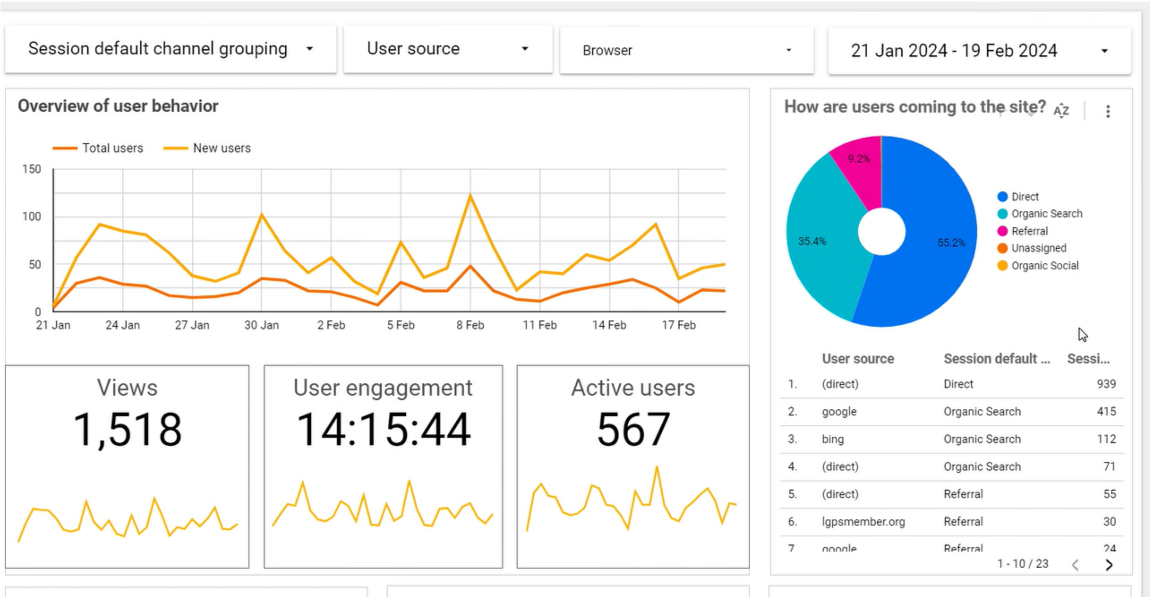
https://www.gov.uk/government/publications/pensions-schemes-newsletter-160-may-2024/newsletter-160-may-2024

7. **Short informative video – 50/50**

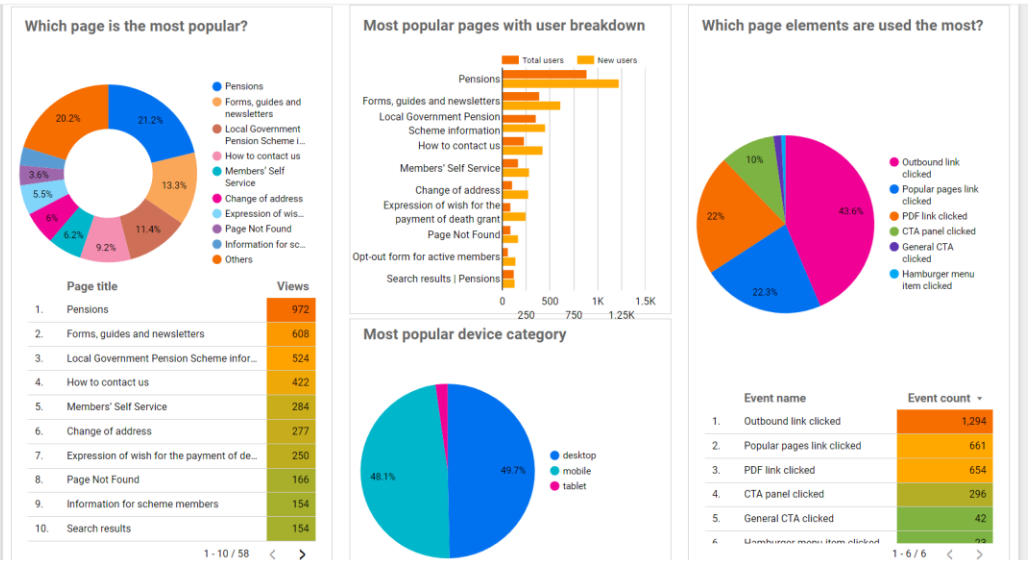
enfield365-my.sharepoint.com/personal/josiah_burton_enfield_gov_uk/Documents/Adobe/Premiere Pro/24.0/5050 Pensions Video.mp4?clickparams=eyAiWC1BcHBOYW1lIiA6ICJNaWNyb3NvZnQgT3V0bG9vayIsICJYLUFwcFZlcnNpb24iIDogIjE2LjAuMTY3MzEuMjA1NTAiLCAiT1MiIDogIldpbmRvd3MiIH0%3d

8. Pensions Website

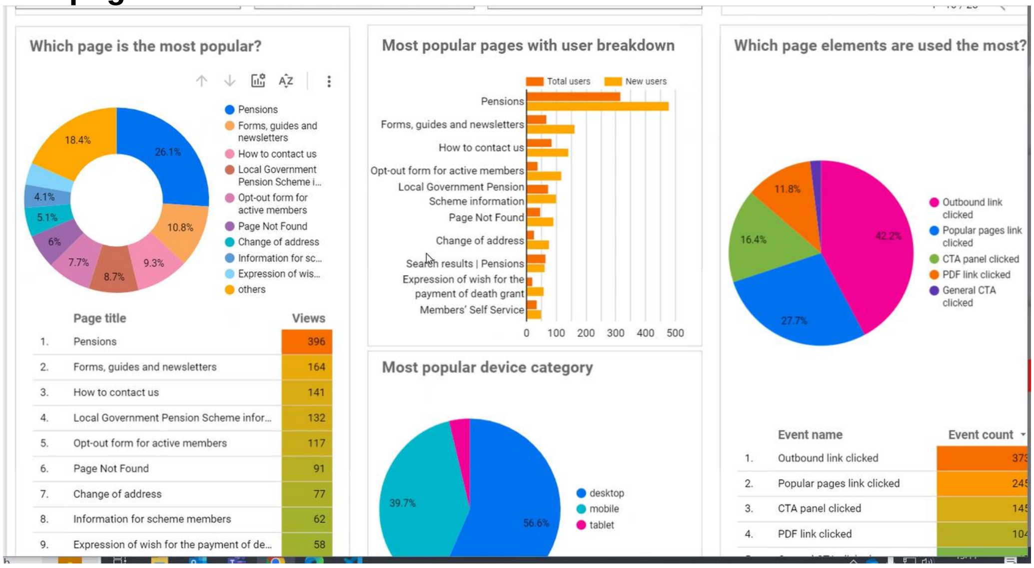




March to June



Feb page views



Background Papers

None

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London Borough of Enfield

Report Title	Review of Investment Strategy Statement
Report to	Pension Board
Date of Meeting	26 June 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. The Pension Board is recommended to note the contents of this report and the attached Appendix.

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. A local pension board has been in place since April 2015 to assist in:
   a) securing compliance of Fund matters; and
   b) ensuring the efficient and effective governance and administration of the Fund.

5. 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. In order to do this, the pension fund has significant assets, built up from member and employer contributions. These assets are invested in order to generate a return to keep pace with inflation and ensure that there are sufficient funds to meet future liabilities.

6. Therefore, 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.

7. 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.

8. 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.

9. 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.

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

11. 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.

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

13. 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

14. 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.

15. 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.

16. 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

17. 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 due 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 illiqud 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.
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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	Investment performance 2023-24
Report to	Pension Board
Date of Meeting	26 June 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 presents the investment performance of the Enfield Pension Fund ("Fund") Local Government Pension Scheme for the financial year 2023-24.

Recommendations

2. The Pension Board is recommended to note the contents of this report and the attached Appendix and provide any feedback to the Pension, Policy & Investment Committee (PPIC).

Background and Options

3. 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.

4. 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."

5. A local pension board has been in place since April 2015 to assist in:
   a) securing compliance of Fund matters; and
   b) ensuring the efficient and effective governance and administration of the Fund.

6. The primary objective of the pension fund is to provide benefits to the members, now and in the future, in accordance with the scheme rules and to meet the statutory funding requirements. In order to do this, the pension fund has significant assets, built up from member and employer contributions. These assets are invested in order to generate a return to keep pace with inflation and ensure that there are sufficient funds to meet current and future liabilities.

7. Therefore, 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.

8. 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.

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

10. This report provides an overview of the investment performance of the Fund in the financial year 2023/24. It does not focus on the reasons for individual investment manager performance as this is the remit of the PPIC. The pension board is asked to provide any feedback for PPIC to take under consideration.

2023/24 Investment Performance

11. The overall investment performance for the Fund in 2023/24 was 8.8%. This compares to a –5.5% in 2022/23. The 3- and 5-year annualised performance was 4.0% and 5.7% respectively.

12. The Fund is a long-term investor and therefore it is important to analyse performance over long periods of time rather than taking individual years performance in isolation.

13. Individual asset class annualised performance is presented in the table below:

Asset class	**One year**	**3 year**	**5 year**
	%	**%**	**%**
Equities	**18.2**	**8.1**	**10.7**
Benchmark	21.3	9.9	11.4
Excess return	*(3.1)*	*(1.8)*	*(0.7)*
Bonds	**5.8**	**(2.0)**	**0.2**
Benchmark	4.5	(1.3)	0.5
Excess return	*1.3*	*(0.7)*	*(0.3)*
Inflation protection illiquid	**(0.2)**	**(5.5)**	**(2.1)**
Benchmark	4.8	5.7	4.8
Excess return	(5.0)	(11.2)	(6.9)
Private Equity	**(1.8)**	**11.5**	**15.9**
Benchmark	21.0	10.2	11.6
Excess return	(22.8)	1.3	4.3

Infrastructure	**(6.0)**	**(0.8)**	**4.0**
Benchmark	(8.5)	(4.8)	0.7
Excess return	2.5	4.0	3.3
Property	**(2.3)**	**0.3**	**1.1**
Benchmark	(0.7)	1.5	1.4
Excess return	(1.6)	(1.2)	(0.3)
Cash	6.0	4.8	2.6
Overall Fund Performance	**8.8**	**4.0**	**5.7**
Benchmark	8.6	4.5	5.6
Excess return	0.2	0.5	0.1

14. Overall Fund performance is line with the benchmark over 1, 3 and 5 years.

15. Equites was the best performing asset class for the Fund in 2023/24 at 18.2%. There were a few underlying factors that led to this positive performance:
    - Monetary pauses by the major central banks and increasing expectation of rate cuts.
    - 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 the results for the MSCI World index.

16. Infrastructure assets had a small decease in the year due to valuations decreasing in the light of a rising interest rate environments.

17. Similarly, the high interest rate environment during the year meant that the Fund earned a 6% return on the cash it was holding.

18. At the time of writing comparative performance with other Local Government Pension Funds is not available. This data will be bought to a future pension board meeting.

Financial Implications

19. Investment returns have a direct correlation to contribution rates from Employers in the Fund. Any additional investment returns may 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: Northern Trust investment performance

Appendix 1

Northern Trust Investment Performance Summary

			% Rate of Return							
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
London Borough of Enfield	**1,579,721,464**	**100.00**	**1.54**	**3.75**	**3.75**	**8.75**	**3.95**	**5.70**	**8.11**	**31/03/1987**
Enfield Strategic BM			*1.38*	*2.08*	*2.08*	*8.59*	*4.48*	*5.64*	-	*31/03/1987*
Excess Return			*0.17*	*1.67*	*1.67*	*0.16*	*-0.53*	*0.06*	-	*31/03/1987*
Total Equities	**675,126,894**	**42.74**	**2.22**	**8.39**	**8.39**	**18.19**	**8.12**	**10.74**	**9.52**	**31/03/1987**
Enfield Equities BM			*3.36*	*8.98*	*8.98*	*21.29*	*9.86*	*11.34*	-	*31/03/1987*
Excess Return			*-1.14*	*-0.59*	*-0.59*	*-3.10*	*-1.74*	*-0.60*	-	*31/03/1987*
Blackrock Low Carbon	**305,592,382**	**19.34**	**1.65**	**9.38**	**9.38**	**24.42**	**11.45**	**12.95**	**13.44**	**31/03/2009**
LEFD02 MSCI Wld Lw CrbnTgtxFsl			*3.53*	*9.41*	*9.41*	*24.08*	*11.03*	*12.11*	*12.49*	*31/03/2009*
Excess Return			*-1.88*	*-0.03*	*-0.03*	*0.34*	*0.42*	*0.85*	*0.95*	*31/03/2009*
LCIV - JP Morgan (EM)	**31,430,905**	**1.99**	**1.67**	**1.02**	**1.02**	**-1.34**	**-4.36**	**2.22**	**3.25**	**24/10/2018**
LEFD05018 MSCI EM Mrkts ND			*2.62*	*3.30*	*3.30*	*5.86*	*-2.22*	*2.86*	*4.57*	*24/10/2018*
Excess Return			*-0.94*	*-2.29*	*-2.29*	*-7.19*	*-2.14*	*-0.63*	*-1.31*	*24/10/2018*
LCIV - Longview (FOCUS GE)	**130,760,519**	**8.28**	**3.37**	**9.11**	**9.11**	**18.01**	**12.70**	**11.19**	**11.52**	**24/10/2018**
LEFD05019 MSCI ACWI ND			*3.28*	*9.19*	*9.19*	*20.60*	*10.15*	*11.61*	*11.90*	*24/10/2018*
Excess Return			*0.09*	*-0.07*	*-0.07*	*-2.59*	*2.56*	*-0.42*	*-0.38*	*24/10/2018*
LCIV-Baillie Gifford(ALPHA GE)	**119,300,099**	**7.55**	**2.10**	**8.73**	**8.73**	**15.98**	**0.89**	**9.64**	**10.89**	**30/09/2016**
LEFD05016 MSCI ACWI ND			*3.28*	*9.19*	*9.19*	*20.60*	*10.15*	*11.61*	*11.09*	*30/09/2016*
Excess Return			*-1.18*	*-0.45*	*-0.45*	*-4.62*	*-9.26*	*-1.97*	*-0.20*	*30/09/2016*
MFS Global Equity	**88,042,688**	**5.57**	**2.90**	**6.34**	**6.34**	**10.04**	**6.94**	**9.22**	**12.16**	**31/07/2010**
LEFD05005 MSCI ACWI ND			*3.28*	*9.19*	*9.19*	*20.60*	*10.15*	*11.61*	*11.38*	*31/07/2010*
Excess Return			*-0.38*	*-2.85*	*-2.85*	*-10.56*	*-3.21*	*-2.38*	*0.78*	*31/07/2010*
Transition Account For Enfield	**300**	**0.00**	**0.13**	**0.81**	**0.81**	**4.26**	**-3.87**	-	**-2.73**	**05/03/2021**
Trilogy	**0**	**0.00**	-	-	-	-	-	-	-	**30/09/2007**
LEFD04 MSCI ACWI ND			-	-	-	-	-	-	-	*30/09/2007*
Excess Return			-	-	-	-	-	-	-	*30/09/2007*
Total Bonds and Index Linked	**465,941,441**	**29.50**	**1.47**	**0.41**	**0.41**	**5.78**	**-2.03**	**0.23**	**4.53**	**30/06/2005**
Enfield Bonds & IL BM			*1.27*	*0.11*	*0.11*	*4.53*	*-1.34*	*0.48*	-	*30/06/2005*
Excess Return			*0.20*	*0.30*	*0.30*	*1.25*	*-0.69*	*-0.26*	-	*30/06/2005*
AON Diversified Liquid Credit	**69,494,876**	**4.40**	**0.71**	**1.86**	**1.86**	**7.36**	-	-	**2.12**	**06/12/2021**
LEFD07003 1 month SONIA + 1.5%			*0.53*	*1.64*	*1.64*	*6.50*	-	-	*4.74*	*06/12/2021*
Excess Return			*0.19*	*0.22*	*0.22*	*0.86*	-	-	*-2.63*	*06/12/2021*
Blackrock IL Gilts	**117,195,125**	**7.42**	**1.42**	**-0.72**	**-0.72**	**0.00**	**-4.11**	**-1.91**	**3.52**	**30/09/2005**
LEFD01 Blended Benchmark			*1.44*	*-0.71*	*-0.71*	*0.06*	*-4.12*	*-1.95*	*5.17*	*30/09/2005*
Excess Return			*-0.02*	*-0.02*	*-0.02*	*-0.06*	*0.01*	*0.04*	*-1.66*	*30/09/2005*

Account/Group	Ending Market Value GBP	Ending Weight	% Rate of Return One Month	Three Months	Year to Date	One Year	Three Years	Five Years	Inception to Date	Inception Date
Insight Bonds	**32,973,040**	**2.09**	**0.71**	**2.51**	**2.51**	**8.62**	**1.82**	**1.70**	**1.05**	**31/12/2013**
LEFD05006 SONIA 3 Month GBP+2%			*0.57*	*1.77*	*1.77*	*7.11*	*5.81*	*5.34*	*3.99*	*31/12/2013*
Excess Return			*0.14*	*0.74*	*0.74*	*1.51*	*-3.98*	*-3.64*	*-2.94*	*31/12/2013*
LCIV - CQS (MAC)	**59,726,800**	**3.78**	**1.41**	**2.32**	**2.32**	**11.52**	**2.97**	**3.27**	**3.33**	**30/11/2018**
LEFD05020 3 Month GBP SONIA			*0.40*	*1.27*	*1.27*	*5.11*	*2.67*	*1.86*	*1.82*	*30/11/2018*
Excess Return			*1.00*	*1.05*	*1.05*	*6.41*	*0.30*	*1.42*	*1.52*	*30/11/2018*
LCIV Global Bond Fund	**82,306,067**	**5.21**	**1.35**	**0.54**	**0.54**	**6.39**	-	-	**7.01**	**16/11/2022**
LEFD05021 Bloomberg Global Agg			*1.19*	*-0.01*	*-0.01*	*4.87*	-	-	*8.42*	*16/11/2022*
Excess Return			*0.16*	*0.56*	*0.56*	*1.52*	-	-	*-1.42*	*16/11/2022*
Western	**104,245,533**	**6.60**	**2.43**	**-1.10**	**-1.10**	**6.18**	**-7.23**	**-1.98**	**4.43**	**31/03/2003**
LEFD03 ML Stg Non-Gilts 10+			*2.36*	*-1.03*	*-1.03*	*5.93*	*-7.55*	*-2.40*	-	*31/03/2003*
Excess Return			*0.07*	*-0.07*	*-0.07*	*0.25*	*0.32*	*0.42*	-	*31/03/2003*
Inflation Protection Illiquids	**100,586,047**	**6.37**	**0.32**	**0.66**	**0.66**	**-0.23**	**-5.50**	**-2.08**	**-1.34**	**30/11/2018**
Enfield Inflation Iliquids BM			*-1.09*	*-0.18*	*-0.18*	*4.76*	*5.66*	*4.81*	*4.69*	*30/11/2018*
Excess Return			*1.41*	*0.84*	*0.84*	*-4.99*	*-11.15*	*-6.89*	*-6.03*	*30/11/2018*
CBRE Long Income Fund	**36,245,091**	**2.29**	**-4.11**	**-3.25**	**-3.25**	**1.23**	**-3.42**	**-2.28**	**-2.16**	**17/12/2018**
LEFD06007 BMK			*-4.11*	*-3.25*	*-3.25*	*1.23*	*-3.42*	*-2.28*	*-2.16*	*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	**64,340,956**	**4.07**	**3.00**	**3.00**	**3.00**	**-1.12**	**-6.47**	**-2.32**	**2.77**	**30/04/2013**
LEFD05010 UK RPI +2.5%			*0.73*	*1.67*	*1.67*	*6.79*	*11.36*	*8.59*	*6.51*	*30/04/2013*
Excess Return			*2.27*	*1.32*	*1.32*	*-7.91*	*-17.83*	*-10.91*	*-3.74*	*30/04/2013*
Total Hedge Funds	**1,986,645**	**0.13**	**15.47**	**14.95**	**14.95**	**17.08**	**12.72**	**5.21**	**5.19**	**31/07/2007**
Enfield Hedge Funds BM			*0.56*	*2.25*	*2.25*	*2.97*	*4.12*	*2.18*	-	*31/07/2007*
Excess Return			*14.91*	*12.69*	*12.69*	*14.11*	*8.60*	*3.03*	-	*31/07/2007*
York Capital	**1,986,645**	**0.13**	**15.47**	**14.95**	**14.95**	**31.09**	**20.14**	**-2.97**	**2.17**	**31/12/2009**
LEFD05011 SOFR 3 Month GBP			*0.56*	*2.25*	*2.25*	*2.97*	*6.06*	*3.09*	*2.74*	*31/12/2009*
Excess Return			*14.91*	*12.69*	*12.69*	*28.12*	*14.08*	*-6.06*	*-0.57*	*31/12/2009*
Private Equity	**104,888,778**	**6.64**	**1.91**	**2.70**	**2.70**	**-1.81**	**11.47**	**15.85**	**12.79**	**31/03/2007**
Enfield PE BM			*3.28*	*9.19*	*9.19*	*20.60*	*10.15*	*11.61*	-	*31/03/2007*
Excess Return			*-1.37*	*-6.49*	*-6.49*	*-22.41*	*1.33*	*4.24*	-	*31/03/2007*
Adams Street	**104,888,778**	**6.64**	**1.91**	**2.70**	**2.70**	**-1.81**	**11.47**	**15.85**	**11.71**	**31/12/2004**
LEFD06005 MSCI ACWI ND			*3.28*	*9.19*	*9.19*	*20.60*	*10.15*	*11.61*	*8.19*	*31/12/2004*
Excess Return			*-1.37*	*-6.49*	*-6.49*	*-22.41*	*1.33*	*4.24*	*3.52*	*31/12/2004*
Infrastructure	**60,570,443**	**3.83**	**-0.19**	**-5.67**	**-5.67**	**-5.95**	**-0.79**	**4.01**	**2.37**	**30/06/2016**
Enfield Infrastructure BM			*-1.50*	*-8.98*	*-8.98*	*-8.48*	*-4.78*	*0.70*	*1.38*	*30/06/2016*
Excess Return			*1.31*	*3.31*	*3.31*	*2.53*	*3.99*	*3.31*	*1.00*	*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	**20,665,395**	**1.31**	**2.58**	**1.27**	**1.27**	**-0.60**	**7.43**	**11.16**	**8.48**	**31/12/2017**
INPP	**35,827,148**	**2.27**	**-1.74**	**-9.75**	**-9.75**	**-9.04**	**-4.98**	**0.58**	**5.68**	**31/12/2008**
LEFD05015 Fund returns			*-1.74*	*-9.75*	*-9.75*	*-9.04*	*-4.98*	*0.58*	*2.14*	*31/12/2008*
Excess Return			*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*-0.00*	*3.53*	*31/12/2008*
LCIV Renewable Infra	**4,077,900**	**0.26**	**0.00**	**0.00**	**0.00**	-	-	-	**0.00**	**29/09/2023**
LEFD05022 8.5% BMK			*0.68*	*2.06*	*2.06*	-	-	-	*4.16*	*29/09/2023*
Excess Return			*-0.68*	*-2.06*	*-2.06*	-	-	-	*-4.16*	*29/09/2023*
Property	**80,868,538**	**5.12**	**-0.57**	**-0.93**	**-0.93**	**-2.28**	**0.26**	**1.05**	**8.06**	**31/03/1987**
Enfield Property BM			*0.31*	*0.51*	*0.51*	*-0.70*	*1.50*	*1.39*	-	*31/03/1987*
Excess Return			*-0.89*	*-1.44*	*-1.44*	*-1.59*	*-1.24*	*-0.33*	-	*31/03/1987*
Blackrock UK FD	**32,399,463**	**2.05**	**-0.06**	**-0.18**	**-0.18**	**-3.29**	**-0.44**	**0.32**	**2.84**	**31/07/2002**
LEFD05012 IPD All Balncd Prpty			*0.31*	*0.51*	*0.51*	*-0.70*	*1.50*	*1.39*	*5.50*	*31/07/2002*
Excess Return			*-0.37*	*-0.69*	*-0.69*	*-2.59*	*-1.94*	*-1.07*	*-2.66*	*31/07/2002*
Brockton Capital Fund	**11,406,111**	**0.72**	**-3.81**	**-6.54**	**-6.54**	**-10.29**	**-5.47**	**0.21**	**2.94**	**30/11/2014**
LEFD06001 IPD All Balncd Prpty			*0.31*	*0.51*	*0.51*	*-0.70*	*1.50*	*1.39*	*2.69*	*30/11/2014*
Excess Return			*-4.13*	*-7.06*	*-7.06*	*-9.60*	*-6.97*	*-1.17*	*0.25*	*30/11/2014*
Legal & General Property	**37,062,964**	**2.35**	**0.01**	**0.17**	**0.17**	**1.10**	**2.42**	**2.10**	**5.44**	**31/01/2010**
LEFD05013 IPD All Balncd Prpty			*0.31*	*0.51*	*0.51*	*-0.70*	*1.50*	*1.39*	*5.63*	*31/01/2010*
Excess Return			*-0.31*	*-0.35*	*-0.35*	*1.79*	*0.92*	*0.71*	*-0.18*	*31/01/2010*
Cash	**89,752,679**	**5.68**	**0.66**	**4.27**	**4.27**	**5.98**	**4.81**	**2.59**	**2.35**	**30/06/2016**
Cash & Other Assets	**1,938,958**	**0.12**	**0.20**	**1.26**	**1.26**	**49.45**	**19.97**	**11.54**	**1.49**	**30/06/2016**
Cash & Other Transition Assets	**0**	**0.00**	**0.00**	**-3.48**	**-3.48**	**-12.39**	**-6.78**	**-12.66**	**-8.21**	**30/11/2018**
Goldman Sachs Funds	**22,746,727**	**1.44**	**0.57**	**2.19**	**2.19**	**4.93**	**4.79**	**2.49**	**2.28**	**30/06/2016**
LEFD07001 SONIA 7 Day			*0.40*	*1.27*	*1.27*	*4.93*	-	-	-	*30/06/2016*
Excess Return			*0.17*	*0.92*	*0.92*	*-0.00*	-	-	-	*30/06/2016*
PE Cash & Other Assets	**23,528,215**	**1.49**	**0.46**	**1.65**	**1.65**	**3.63**	**4.87**	**1.73**	**1.35**	**30/06/2016**
LEFD06002 SONIA 7 Day			*0.40*	*1.27*	*1.27*	*4.93*	*2.37*	*1.51*	*1.08*	*30/06/2016*
Excess Return			*0.06*	*0.38*	*0.38*	*-1.31*	*2.51*	*0.21*	*0.27*	*30/06/2016*
UT Cash & Other Assets	**41,538,779**	**2.63**	**0.85**	**7.61**	**7.61**	**8.17**	**3.75**	**2.60**	**5.93**	**30/06/2016**
LEFD05002 SONIA 7 Day			*0.40*	*1.27*	*1.27*	*4.93*	*2.37*	*1.51*	*1.08*	*30/06/2016*
Excess Return			*0.45*	*6.34*	*6.34*	*3.24*	*1.39*	*1.09*	*4.85*	*30/06/2016*

London Borough of Enfield

Report Title	Investment Management Fees 2023-24
Report to	Local Pension Board
Date of Meeting	26th June 2024
Cabinet Member	Cllr Tim Leaver
Executive Director / Director	Fay Hammond
Report Author	Dan Menna (Finance Manager Pension Investments). Dan.Menna@enfield.gov.uk
Classification	Part 1 and Part 2 Private
Reason for exemption	By virtue of paragraph(s) marked below with * of Part 1 of Schedule 12A of the Local Government Act 1972: 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 overview of the investment management expenses paid by the Enfield pension fund during the financial year 2023/24 and compares them with the previous year.

Recommendations

I. The Pension Board is recommended to note the contents of this report and the attached Appendix and provide any feedback to Pension, Policy & Investment Committee (PPIC).

Background

1 The Enfield Pension Fund (the “Fund”) is a local government pension scheme (LGPS) that provides retirement benefits for its members, who are employees of the London Borough of Enfield and other admitted employers.

2 The Fund is administered by the London Borough of Enfield (the administering authority), which is responsible for setting the investment strategy, appointing the investment managers, and monitoring the performance and risks of the Fund.

3 The London Borough of Enfield has delegated the key decision making and management of the Fund to the Pension Policy and Investment Committee (PPIC) supported by officers of the Council and advisers to the Pension Fund.

4 A local Pension board has been in place since April 2015 to assist in:
   a) Securing compliance of fund matters.
   b) Ensuring the efficient and effective governance and administration of the Fund.

5 The primary objective of the pension fund is to provide benefits to the members, now and in the future, in accordance with the scheme rules and to meet the statutory funding requirements. In order to do this, the pension fund has significant assets, built up from member and employer contributions. These assets are invested in order to generate a return to keep pace with inflation and ensure that there are sufficient funds to meet current and future liabilities. The assets are invested by external fund managers who have the relevant expertise to manage investments.

6 It is good practice for Local Pension Boards to be updated on investment management expenses to ensure effective governance and oversight of pension fund investments. It is crucial for the boards to have a clear understanding of all costs associated with managing the fund's investments, including management fees, transaction costs, and performance fees. This transparency enables the board to provide effective governance about the fund's investment strategy and to assess the value for money of the investment management services provided.

7 Small savings on management fees can add up to large savings over time due to the power of compounding. Even a small reduction in fees can have a significant impact on the growth of an investment over a long period. This is because every pound saved on fees is a pound that remains invested and has the potential to earn returns year after year. Over time, this can lead to a substantial difference in the value of an investment portfolio. While investment returns can fluctuate and are not guaranteed, management fees are typically charged regardless of performance. This means that fees will consistently erode the value of an investment over time. Therefore, minimising fees is an important part maximising long-term investment return.

8 The Board should note that while minimising fees is important, it should not be the sole focus. The overall value provided by the investment, including returns, risk management, and other services, should also be considered. Balancing cost with value is key to effective investment management.

9 The fund follows the CIPFA guidance on accounting for management expenses in the LGPS. The guidance defines management expenses as the costs incurred by the fund in relation to the administration, oversight and governance, and investment management of the scheme.

10 **Administrative costs** are the costs of running the pension scheme, such as paying benefits, collecting contributions, maintaining records, and providing information and advice to members and employers.

11 **Oversight and governance costs** are the costs of ensuring the proper management and accountability of the fund, such as the costs of the local pension board, the internal and external audit, the actuarial and legal services, and the training and development of the staff and board members.

12 **Investment management costs** are the costs of managing the fund's assets, such as the fees paid to external investment managers, the costs of the internal investment team, the custody and transaction costs, and the costs of the investment consultants and advisers.

13 This report focuses on the investment management costs of the fund, which are the most significant and variable component of the management expenses.

14 Within the CIPFA guidance, investment management expenses are categorised into three types: Management, Transaction, and Performance Fees. These categories are further explained within the analysis of the Funds costs in paragraphs 20 to 37 below.

15 The CIPFA guidance requires the Fund to report the full cost of investment management expenses, this means including any fees and charges that are deducted directly from the net asset value (NAV) of an investment as well as any fees invoiced directly to the Fund. In order, to compile the information, the Fund relies on investment managers providing the data on a standardised template created as part of a joint arrangement between the LGPS Scheme Advisory Board (SAB), the Pensions and Lifetime Savings Association (PLSA) and the Investment Association (IA).

16 As each manager within the Fund operates a different reporting timetable, the Fund has not received returns for all mangers in relation to the 2023/24 financial year (ending 31 March 2024). Where a return has not yet been provided, cost has been estimated by either using data from the most recently reported quarter (Dec 23) or using the template provided from the prior year updating for changes in assets under management (AUM).

Total Investment Management Expenses for 2023/24

17 Details of investment expenses, listed by investment manager, are shown in Appendix A. Total investment management expenses for 2023/24 were £7.2m, representing 0.46% of the Fund’s total nets assets as at 31 March 2024.

18 This was a decrease of £1.8m or 0.17% from the previous year, when the investment management expenses were £9.0m (0.63% of the Fund’s net assets as at 31 March 2023).

19 This total reduction in fees was primarily driven by the Fund’s divestment from the Davidson Kempner and Stratus Feeder Hedge fund investments in the final quarter of 2022/23. Although some of these proceeds were reinvested across the portfolio, The bulk of it has been earmarked to cover commitments made to Infrastructure investments which have yet to be called. Whilst these proceeds are held in cash, investments management expenses are lower.

20 When the impact of the hedge fund divestment is excluded, fees for most managers has increased compared to last year – this was to be expected as the value of the underlying investments increased.

Management Fees

21 In the context of the LGPS, management fees refer to the charges levied by investment managers for the administration and active management of the fund's assets. These fees are typically calculated as a percentage of the assets under management and cover the costs associated with making investment decisions, executing trades, and providing regular reports on fund performance.

22 This means the fees in this category cover not just the fee paid to the investment manager but also any associated cost of running the investment. Charges are therefore likely to differ based on the complexity or nature of the investment product. For example, a passive equity mandate is likely to be cheaper than an active mandate as you do not need to pay for active investment decisions. A pooled property fund is likely to have higher management costs than a pooled bond fund as the cost of running and maintaining a portfolio of properties is greater than that of a portfolio of bonds.

23 During 2023/24 total management fees decreased by £1.5m, a significant proportion of this is explained by the aforementioned divestments (see para 18). If we exclude the impact of divested assets management fees have still fallen but by a more modest £0.2m. The reasons for this are analysed by individual manager and asset class in the following paragraphs.

24 Total fees for equity mandates have stayed relatively flat compared to last year, although there was a notable increase in management fees paid on the LCIV (Baillie Gifford) mandate and a reduction on the MFS mandate. This is in line with expectations as during 2022/23 the equity allocations were rearranged, and the Fund invested in the LCIV (Baillie Gifford) mandate and reduced holdings in MFS and the LCIV (Global Alpha) mandates. Now that

these changes have been in place for a full period the net reduction in fees is reflected in the data.

25 Similarly, total management fees across the fixed income mandates have maintained a similar level to last year. This contrary to expectations as, all else being equal, it would be expected that fees increase as AUM increases. The main reason this did not occur was due to the investment with Insight novating into a cheaper share class.

26 Private equity and infrastructure have seen a reduction in management fees compared to last year of £0.3m. Some of this reduction is attributable to movements in foreign exchange rates. The Adams Street and Antin investments are in USD and EUR respectively. As the Pound strengthened against these currencies during 2023/24, fees paid in USD and EUR have been booked at a lower price in Sterling. The Board should also note that as private market investments report on a quarterly lag we are yet to receive the full fee templates from Adams Street. Currently direct costs have been included but there may be some additional indirect costs to add on when the final returns are confirmed.

27 In contrast to the other asset classes property funds have seen an increase in total management fees during 2023/24. This was driven by an increase in indirect costs in the LGIM mandate.

Transaction Fees

28 Transaction fees within the context of the LGPS and investment management fees are costs associated with the buying and selling of securities within the fund. These fees are important to consider as they can impact the overall return on investment for the fund. There are two types of transaction costs: Explicit costs and Implicit Costs.

29 Explicit costs are the direct costs paid by the fund and include brokerage fees, stamp duty, and other costs directly associated with the transaction.

30 Implicit costs are a type of transaction cost that are not directly observable and can be difficult to quantify. They are costs that are embedded in the bid-offer spread and can include the market's response to a trade, such as market impact, opportunity cost, and delay costs.

31 Total transaction fees fell from £1.2m in 2022/23 to £0.9m in 2023/24. When adjusted for divested assets the reduction in fees from year to year is £0.1m. Although Transaction fees have remained relatively stable there are some noticeable movements in individual mandates.

32 The BlackRock fixed income mandate saw a significant fall in transaction fees this was attributable to a sharp reduction in indirect transaction fees. There was an increase in the transaction fees for the LCIV (PIMCO) fixed income mandate this was caused by the anti-dilution levy paid when the Fund increased its investment in this product.

33 An anti-dilution levy is a charge that investment funds may apply to protect existing investors from the costs associated with investor activity. When investors enter or exit a fund, the transactions can incur costs that affect the fund's value, potentially diluting the value for existing investors. To prevent this, a fund may charge an anti-dilution levy to offset the impact of these transaction costs.

34 Within the two inflation protection mandates transaction fees increased for the M&G investment and reduced for the CBRE fund. The increase for M&G was driven by the fact that the 2022/23 fees included a anti-dilution offset which brought down total transaction fees – this was not replicated in 2023/24. CBRE fees increased following increases in indirect transaction costs.

Performance Fees

35 Performance fees are fees paid to investment managers based on the performance of the investments they manage. These fees are designed to incentivise the manager to achieve returns that exceed a predefined benchmark or target.

36 There was a reduction in total performance fees from 2022/23 to 2023/24 of £11k. However, if we exclude divested assets, there was a significant increase of £1.3m compared to last year.

37 The Enfield fund currently pays performance fees, in the form of carried interest, to three managers: Adams Street, Antin and Brockton. Carried interest is a share of any profits that the general partners of private market funds receive as compensation, regardless of whether they contributed any initial funds. This form of interest is typically a percentage of the fund's profits and is paid only once a certain return level is achieved. Because it is based on the overall profit of the fund the amount charged will vary year to year until crystallised, meaning can be a negative accrual in any given period.

38 During the previous year (2022/23) returns for Adams Street, Antin and Brockton were negative as a result the accrual for carried interest in each fund was also negative (total of -£1.2m). During 2023/24 performance for Antin and Adams Street and has been positive and the previous negative accruals have been reversed. In the Brockton mandate there was a further negative accrual for 2023/24.

Savings from Pooling

39 The Enfield Pension Fund joined the London Collective Investment Vehicle (LCIV) in 2015. The LCIV was established as a collaborative vehicle to enable the London Local Authorities to achieve their pooling requirements. Membership of the LCIV allows the Fund take advantage of economies of scale, reduce costs, and improve investment returns. Pooling assets with other London boroughs allows for greater bargaining power and access to a wider range of investment opportunities. LCIV also provide governance and monitoring capacity of partner fund investments. Additionally, the LCIV's commitment to responsible investment and stewardship aligns with the values and goals of the Enfield Pension Fund.

40 Actual savings from pooling can be hard to quantify for a variety of reasons. However, in order to demonstrate typical savings, the LCIV does provide analysis of the savings compared to the industry average fees. This analysis is shown in the table below:

Savings from Pooling		Annual Saving £000s	Annual Saving as % of AUM
LCIV (Longview)	Equities	293	0.22
LCIV (Baillie Gifford)	Equities (Passive)	153	0.13
LCIV (JP Morgan)	Equities	59	0.19
LCIV (PIMCO)	Fixed Income	157	0.19
LCIV (CQS & PIMCO)	Fixed Income	64	0.11

41 The table demonstrates that significant savings are likely to have been made by the Fund from investing as part of LCIV.

Summary

42 Although the Enfield Pension Fund has seen significant reduction in total fees during 2023/24 this was largely driven by divestment from hedge funds and the resulting capital being deployed in cash funds. The Fund’s investment strategy is for these funds to eventually be allocated to infrastructure investments, as this happens over the next couple of years it is likely to put upward pressure on fees. At the same time as more of the Fund’s assets come under the management of the LCIV investment pool this should exert downward pressure on fees.

Financial Implications

43 It's important to look at management fees in the context of investments as a whole, including return and risk. Management fees are just one part of the total cost of investment, but they are recurring expenses that can erode the gross returns over time. Therefore, it's crucial to consider them alongside the investment's return and risk profile to assess whether the investment is achieving its financial objectives efficiently. For instance, a high management fee might be justified if the investment is delivering superior returns above its benchmark after all costs. However, if the returns are not commensurate with the fees or the investment is taking on excessive risk, it may not be a prudent choice.

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Appendices

Appendix A – Investment Management Fees 2022-23 and 2023-24 – PART 2 – Private & Confidential

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London Borough of Enfield

Report Title	London CIV responsible investment update
Report to	Local Pension Board
Date of Meeting	26 June 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 2024 (for the year ending 31 December 2023) London CIV Responsible Investment and Stewardship Outcomes report.

Recommendations

2. The Pension Board are recommended to note the contents of this report and the attached appendix.

Background and Options

3. In 2015, the U.K. government introduced the concept of investment pools to increase the scale of LGPS investments. The main goals were to improve returns though scale and reduce investment costs.

4. London CIV is one of eight U.K. LGPS asset pooling companies. The London Boroughs and City of London who are the 32 shareholders are also clients.

5. London CIV was established in 2015 as a collaborative vehicle to pool LGPS pension fund assets with the intention of achieving cost savings on investment products and delivering best value. The purpose of the company is ***"to be the LGPS pool for London to enable the London Local Authorities (LLAs) to achieve their pooling requirements".***

6. Pool members are both shareholders and investors. Beyond the practical purpose to deliver pooling, LCIV aspires to be “***a best-in-class asset pool delivering value for Londoners through long term sustainable investment strategies.”*** This statement has been updated to emphasise their commitment to responsible investment and stewardship.

7. The Enfield Pension Fund has approximately 47% of its assets in the London CIV pool.

Reason for Recommendation

8. The Enfield Pension Fund's responsible investment strategy is defined by the United Nations' 'Principles for Responsible Investment' and aims to incorporate environmental, social, and governance (ESG) factors into investment decisions. The strategy is aligned with the Fund's investment beliefs and recognises ESG factors as central themes in measuring the sustainability and impact of its investments. The Fund favours engagement with companies and sectors over blanket divestment, believing it to be the most effective strategy for promoting change in line with ESG principles and protecting long-term investment interests.

9. The attached appendix, demonstrates how London CIV assists partner funds in delivering on its responsible investment strategy and stewardship for the Enfield Pension Fund

Relevance to Council Plans and Strategies

10. Clean and green places
11. Strong Healthy and safe communities
12. An economy that works for everyone

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Appendices

Appendix 1: London CIV Responsible Investment and Stewardship Outcomes Report 2024

London CIV

Responsible Investment and Stewardship Outcomes Report 2024

For the reporting year ending 31st December 2023

About London CIV: Who We Are

London CIV manages the investment of pension assets for the 32 Local Government Pension Scheme (LGPS) Funds in London. We are one of eight LGPS pools, bringing together c.£30.6 billion investments of 32 Partner Funds across 20+ public and private market investment solutions.

Our Partner Funds are also our shareholders and we work collaboratively to deliver our agreed purpose, which is: *Working together to deliver sustainable prosperity for the communities that count on us all*. Our statement of Investment Beliefs sets out how we work in collaboration with Partner Funds to improve investment returns and manage risk. It articulates how we set out to achieve our commitment to be responsible investors and good stewards.

Our Partner Funds retain responsibility for their asset allocation and investment strategy, and thus exposure to environmental, social and governance (ESG) risks. We see our role as helping them implement their strategy and to understand and manage the associated risks, whilst also addressing global issues and working to drive progress.

Contents

Our purpose

Working together to deliver sustainable prosperity for the communities that count on us all

Our values

Collaboration

We work together to build and sustain strong partnerships both internally and externally

Responsibility

We are committed to deliver on our promises, meet the needs of our stakeholders and go the extra mile

Diversity

We respect and celebrate our differences and create an inclusive environment where everyone feels welcome

Integrity

We act with honesty, ethics, and respect in everything we do

Key Facts

£30.6bn

of total assets deemed pooled by our Partner Funds[1]

£14.3bn

Assets Under Management (AUM) in our ACS and **£2.7bn** in Private Market

75%

AUM in our ACS funds covered in Climate Risk analysis

Net Zero

by **2040** and operationally by **2025**

28%

of our infrastructure investments are committed towards renewable energy and we have a standalone **renewable energy fund**

35%

London CIV listed corporate equity and corporate fixed income portfolio assets have **35% lower carbon intensity** than the MSCI World[2]

2.5%

Total **Fossil Fuel** Exposure for London CIV funds is **68% lower** than the MSCI World at **2.5%** in total

2,426

EOS actively engaged with **490 companies** across **2,426 ESG topics** on behalf of London CIV

21,681

votes cast on management proposals in 2023

1,007

votes cast on shareholder proposals in 2023

22,688

votes in total

2832

engagement meetings held in 2023 by our investment managers

17

Engagement Initiatives and Membership Groups were supported by London CIV in 2023

56%

We supported 56% of shareholder proposals in 2023

100%

investment managers committed to cost transparency

100%

of investment managers are signatories of **PRI**

18 out of 21

of our funds managed by signatories of TCFD[1]

£250bn

Asset owners with a collective AUM of over £250bn co-signed the London CIV pass-through voting advocacy letter

3

Public Policy Consultations responded to by London CIV

1 Source: Northern Trust, as of 31st December 2023

2 Covers consolidated LCIV pool Listed Equity and Corporate Fixed Income Exposure, as per 31.12.23. Figures are based on Direct + First Tier Indirect emissions data from S&P Global Trucost, and calculated on a carbon to value basis.

"Working together to deliver sustainable prosperity for the communities that count on us all".

Letter from our CEO

I am delighted to present our fourth Stewardship Outcomes Report, and my second as CEO of London CIV. I am proud of the progress we have made over the past year, while at the same time noting the increased stewardship challenges we, as institutional investors, all now face.

2023 vividly underscored the critical importance of (ESG) considerations. The devastating impacts of climate change made frequent headlines, prompting new and renewed Net Zero commitments from countries and corporations alike. Global developments – including the launch of the TNFD framework and the focus on natural capital at COP28 – highlighted the urgent need to protect our planet's precious ecosystems.

We have responded to these challenges with a sharpened focus. In 2023 we published the second edition of our Voting guidelines which set out our **key stewardship priority themes**. We also continued to deliver the Climate Analytics Service, empowering Partner Funds to meet their TCFD reporting requirements
and more importantly understand their carbon footprint and advance their own net zero ambitions. We believe so strongly in the potential impact of this service that we made it available on a no-cost basis. In light of the events of the past year, we are also developing a specific policy in respect to conflict zones, recognising the importance of this topic for our client funds from both an investment and human rights perspective.

This year's report showcases our commitment to responsible investment, featuring expanded case study examples from our investment managers, our stewardship partner EOS at Federated Hermes, and, importantly, our team at London CIV. These examples highlight the positive impact that our investments can have on society.

As active asset owners, we understand the power of our investments to shape the world. We are committed to working closely with our Partner Funds and stakeholders to address the complex challenges represented by our priority themes and achieve positive change.

I would like to take this opportunity to thank our Partner Funds, our staff, investment managers, and other partners for their hard work and dedication to responsible investment. We could not have achieved these outcomes without their contributions.

Thank you for your ongoing support.

Dean Bowden , CEO, London CIV

Approved May 2024

Message from our Chief Sustainability Officer

Throughout the year the global energy crisis sparked by Russia's invasion of Ukraine continued to force asset owners and managers alike to grapple with complex questions about energy security, climate goals, and portfolio resilience[3].

This tension was further amplified by a surge in legal challenges against fossil fuel projects, as evidenced by the ClientEarth lawsuit against Shell's Board of Directors for failing to manage climate risk adequately[4]. This was coupled with concerning actions from oil majors like Shell attempting to sue Greenpeace[5] for protests against Arctic drilling, and ExxonMobil actively opposing shareholder resolutions aimed at improving climate disclosures[6]. Despite these complexities, we remained committed to our stewardship efforts and 2023 has been a transformative year for us, as we continue to make great strides towards our responsible investment and sustainability objectives.

We were delighted to have been approved as an asset owner signatory of the Stewardship Code again, as we continued to improve the quality of our case studies to demonstrate the stewardship work we have undertaken throughout the year. Most notably, we have added our own direct engagement and work beyond what our investment managers and EOS have conducted on our behalf. As active owners, we believe that stewardship is a powerful tool for achieving our net zero ambitions, mitigating risk, maximising returns, and driving positive social and environmental impact. We recognise that divestment alone would leave us with no voice or opportunity to encourage responsible corporate behaviour or add value for our Partner Funds.

In this era of rapid technological advancement, we are acutely aware of the dynamic interplay between artificial intelligence (AI) and sustainability. While AI's growing carbon footprint is a concern, its potential to revolutionise sectors like energy management and climate modelling presents an equally compelling narrative. As responsible investors, we are beginning to consider how to harness the transformative power of AI, while mitigating its environmental impact.

This year's Stewardship and Engagement Report showcases our ongoing efforts to promote responsible investment practices and provide sustainable investment opportunities for our Partner Funds. We remain committed to our policy and governance framework, which underpins our stewardship and engagement work.

At London CIV, we are proud to be leading the way towards a more sustainable future, navigating the complex challenges of our time with innovation and resilience. We look forward to continuing our journey with you.

Jacqueline Amy Jackson, CSO, London CIV

This Stewardship Report was approved in May 2024.

Signed Dean Bowden Chief Executive

3 Russia's War on Ukraine – Topics- IEA
4 Exxon accused of 'bullying' tactics in legal pursuit of climate activist investors (ft.com)
5 Shell sues Greenpeace for $2.1m in damages over fossil fuel protest in North Sea | Shell | The Guardian
6 Exxon, Chevron shareholders soundly reject climate-related petitions | Reuters

Our Responsible Investment Milestones

2015

- London CIV is authorised and regulated by the Financial Conduct Authority (FCA)

2018

- Joined UN PRI
- London CIV's LCIV Global Bond Fund goes tobacco-free
- London CIV's first RI Policy is approved by the Board

2019

- LCIV Infrastructure Fund launches, with a focus on renewable energy
- ESG review is presented to the Board, with six priority areas for action agreed

2020

- London CIV launches the LCIV Sustainable Equity Exclusion Fund, managed by RBC Global Asset Management
- London CIV submits its first UN PRI report
- Responsible Investment Reference Group (RIRG) established
- London CIV appoints first Head of Responsible Investment
- London CIV joins Pensions for Purpose
- Signatory to the Task Force for Climate-Related Disclosures (TCFD)
- London CIV joins ClimateAction100+
- RI Team expands with new hire to deliver enhanced climate risk analysis
- London CIV develops climate change risk analytics capabilities with S&P Global
- The London Fund is launched

2021

- The LCIV Renewable Infrastructure Fund is launched
- London CIV builds on its stewardship capabilities with Hermes EOS
- RI Team expands with new hire to deliver better stewardship outcomes
- London CIV commits to short and long-term net zero targets: 2025 for operational net zero; 2030 for 60% decarbonisation, and 2040 for net zero
- London CIV appoints EOS at Federated Hermes (EOS) as its stewardship partner for listed equities and corporate fixed income. London CIV joins Investors for Human Rights
- London CIV becomes a member of Asset Owner Diversity Charter Working Group
- London CIV launches the LCIV Passive Equity Progressive Paris Aligned (PEPPA) Fund

2022

- RI Policy second edition
- Publishes first Voting Guideline
- London CIV Climate Analytics service launched
- London CIV signs Financial Sector Commitment Letter on Eliminating Commodity-Driven Deforestation

2023

- The LCIV UK Housing Fund is launched
- The LCIV Buy and Maintain Credit funds (Long and Short Durations) are launched
- The Responsible Investment Reference Group (RIRG) re-launched as the Sustainability Working Group (SWG), with an emphasis on working collaboratively with Partner Funds to achieve improved outcomes
- RI Team expands with new hire and strengthens its climate risk reporting capability
- Transition of voting responsibility on WS Thames Absolute Return Fund from investment manager Ruffer to London CIV
- London CIV's Climate Analytics becomes a nil-charge service for all Partner Funds
- London CIV becomes an early adopter of the TNFD Framework
- Head of Responsible Investment becomes Chief Sustainability Officer, reporting directly to CEO, reflecting the strategic importance of sustainability

Responsible Investment and Sustainability at London CIV

We believe responsible investment and sustainable business practices are not only a moral imperative, but an economic necessity. An efficient, sustainable and resilient global financial system is essential for long-term value creation. Whilst our primary purpose is to help our Partner Funds pay pensions to current and future beneficiaries, this will only prove sustainable by managing ESG risks and opportunities for our funds and supporting a financial system fit for the future. Systemic risks pose financially material threats, but they also present an opportunity. By encouraging long-term responsible investment, we can create a financial system that benefits the environment and society. This aligns with our fiduciary duty to maximise the long-term economic health of our portfolio companies and the overall market. Our funds have long-term investment horizons and allocate capital across a wide range of asset classes and sectors. We outsource 100% of our AUM and specialise in portfolio construction and risk management through the selection, appointment and monitoring of investment managers. We actively collaborate with other investors, policymakers and regulators to build the collective capacity needed to manage these risks and realise potential opportunities.

Working together to create a sustainable future

Our stewardship priorities are assessed on an annual basis within the World Economic Forum (WEF) framework of People, Planet, Principles of Governance and Prosperity to highlight the systemic risks and sustainability challenges faced across our investment universe. Here's how the World Economic Forum (WEF) Pillars guide our actions:

Figure 1: People, Planet, Principles of Governance and Prosperity as defined by the World Economic Forum and how this relates to London CIV.

Environmental, social, and governance: Stakeholder capitalism: aligning value creation with protection of values to achieve prosperity

People

"To end poverty and hunger, in all their forms and dimensions, and ensure that all human beings can fulfil their potential in dignity and equality in a healthy environment"

What it means for LCIV: recognising that assets are dependent on human capital, and human capital itself as an asset that can positively or detrimentally impact society.

Planet

"To protect the planet from degradation, including through sustainable consumption and production, sustainably managing its natural resources and taking urgent action on climate change, so that it can support the needs of the present and future generations."

What it means for LCIV: environmental issues pose critical financial and economic risks to long-term investment returns, impacting not just markets but also people and communities.

Principles of Governance

"The definition of governance evolves as organisations are increasingly expected to define and embed their purpose at the centre of their business. But principles of agency, accountability, and stewardship are vital."

What it means for LCIV: Well managed companies and assets are poised for better returns due to effective resource management, increased employee productivity and enhanced reputation.

Prosperity

"To ensure that all human beings can enjoy prosperous and fulfilling lives and that economic, social, and technological progress occurs in harmony with nature."

What it means for LCIV: our primary goal is to pay pensions, ensuring that people are not vulnerable to financial and technological challenges that could harm the ability to prosper.

Investment Beliefs

Our Investment Beliefs are the foundation of our investment strategy. Aligned with our purpose, these beliefs guide our collaboration with Partner Funds. Our Beliefs help us define how we create value for Partner Funds in the context of future uncertainty, risk and opportunity. They also help us make practical decisions around the suitability of investment strategies, the selection and monitoring of investment managers and pooled funds, as well as performance objectives and the integration of best practice in sustainable investment and active ownership. We work together to achieve their pooling requirements and deliver long-term value through sustainable investment strategies. A summary of our beliefs is highlighted below and a more detailed statement is available on our website.

1. **Long-term investors earn better returns net of costs.**
2. **Careful calibration of risk against objectives, together with robust risk management, leads to better risk-adjusted returns.**
3. **Responsible Investment improves outcomes, mitigates risks and creates opportunities through:**

a. **Good corporate governance**

b. **Active stewardship and collective engagement**

c. **Effective management of climate change risk**

d. **Promoting diversity and inclusion**

4. **Providing value for money is critical and it is essential to manage fees and costs.**
5. **Collaboration, clear objectives, robust research and evidence-based decision-making adds value.**
6. **Targeting opportunities across the public and private asset markets is aligned to the needs of Partner Funds.**

Responsible Investment Strategy and Policy

Our Responsible Investment Policy is supported by our more detailed Climate and Stewardship Policies and Voting Guidelines. Our SWG provides an important sounding board for our Responsible Investment activity and the Shareholder Committee is also consulted when there are significant revisions to our policies and priority themes. These are kept under review on an annual basis.

The three priority themes set out in the current policy are: climate change; human rights and human capital; and natural capital. For 2024, we will add two further themes to the framework to expand the scope of our stewardship concerns: technology and cyber and health, safety and wellbeing.

Our Stewardship Policy governs our approach on the use of active ownership to drive real-world outcomes at scale. It details how we integrate ESG considerations throughout the investment process and outlines the strategy with measurable objectives. We use robust data sources to measure ESG risk exposure across all investments and have detailed targeted methods to approach engagement by asset class, geography and fund structure.

Figure 2: London CIV's Responsible Investment and Engagement Strategy

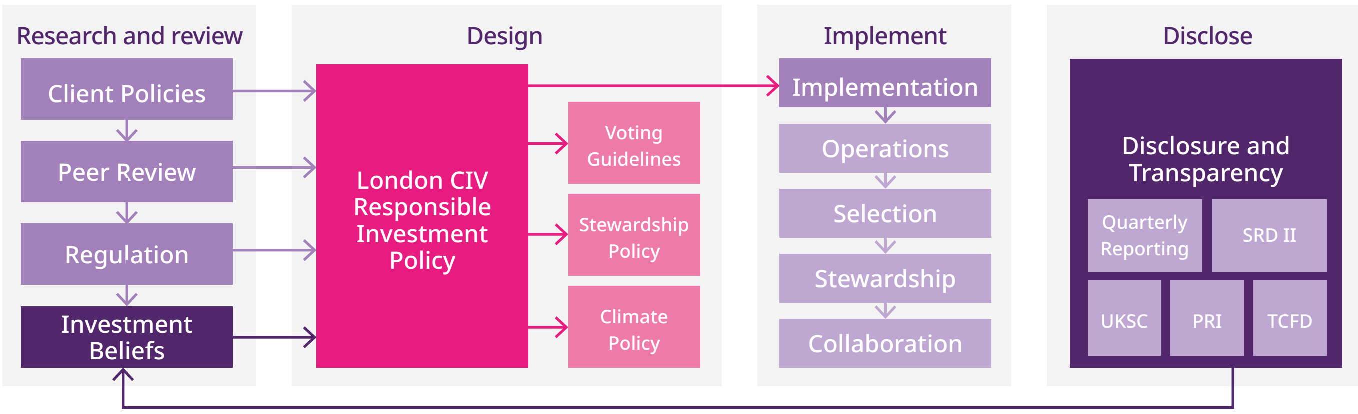


Figure 2: Source: London CIV

Policy updates and development begin with **research and review**. The Responsible Investment (RI) Team works with the Client Relations Team (CRT) to understand Partner Fund policies and priorities; the LGPS RI Cross Pool Working Group to leverage best practice; and the Compliance and Risk Team to monitor and advise on regulatory requirements and potential risks. Our Investment Beliefs serve to contextualise this research.

We have policies in place to integrate guidance from the RI team into all operations and decision-making processes. The RI team reports into the chief executive officer (CEO) of the business, whilst working closely with the investment team to support the selection of investment managers and monitoring of investments. Collaborative initiatives also help us to drive outcomes at scale with other financial institutions and industry bodies.

We currently disclose the outcomes of our RI activities by reporting on voting, engagement and investment manager monitoring to Partner Funds on a quarterly basis and commit to disclosing our climate risk exposure and ESG factors at least annually. Our reports and regulatory disclosures are illustrated below. We also include summary information in the London CIV Annual Report, which is published together with the statutory financial statements.

ESG Reporting and Disclosures	Frequency
Quarterly Investment Reports ("QIRs")[7]- ESG commentaries, voting and climate metrics at fund level	Quarterly
Stewardship Outcomes Report (this report)	Annually
Task Force for Climate-Related Disclosures (TCFD) Report	Annually
Shareholder Rights Directive (SRD) II Report	Annually
UN Principles for Responsible Investment (PRI) Report	Annually
Publication of Voting and Engagement Highlights on our website	Quarterly

7 Report is only available to investors of each fund

Fund Ranges and Assets under Management

We develop and operate a variety of managed investments across a range of asset classes in both public and private markets

Given that we manage pension assets from a long-term view, a sustainable future is a guiding principle evident throughout our purpose, culture and investment belief statements. Our funds are designed, and our investment managers selected, to reflect our long-term investment time horizon and strategy. Our product range includes public equity, fixed income, multi-asset and private market funds.

The below illustrates how we operate to provide a variety of funds through internal and external expertise.

Figure 3: Fund Tree

LONDON CIV

	Authorised Contractual Scheme (ACS) (Public Markets) **Total £14.3bn**									Exempt Unauthorised Unit Trust (EUUT) (Private Markets) **Total £2.4bn*/ £1.3bn****		Scottish Limited Partnership (SLP) (Private Markets) **Total £250m*/£93m****
	Global Equities									Infrastructure		Real Estate / Infrastructure
Fund	LCIV Global Alpha Growth Fund	LCIV Global Alpha Growth Paris Aligned Fund	LCIV Global Equity Fund	LCIV Global Equity Quality Fund	LCIV Global Equity Focus Fund	LCIV Emerging Market Equity Fund	LCIV Sustainable Equity Fund	LCIV Global Sustainable Equity Exclusion Fund	LCIV Passive Equity Progressive Paris Aligned Fund	LCIV Infrastructure Fund	LCIV Renewable Infrastructure Fund	The London Fund
AUM	£1,403m	£2,212m	£561m	£524m	£1,164m	£555m	£1,271m	£679m	£851m	£399m*/£260m**	£984m*/£382m**	£250m*/£93m**
Launch Date	11/04/16	13/04/21	22/05/17	21/08/20	17/07/17	11/01/18	18/04/18	11/03/20	01/12/21	31/10/19	29/03/21	15/12/20
Manager	Baillie Gifford	Baillie Gifford	Newton	MSIM	Longview	JP Morgan	RBC	RBC	State Street	Stepstone	London CIV	LPPI
No. of Investors	5	11	3	2	6	8	8	5	4	6	14	2

	Multi Asset				Fixed Income					Private Debt	Property	
Fund	LCIV Global Total Return Fund	LCIV Diversified Growth Fund	LCIV Absolute Return Fund	LCIV Real Return Fund	LCIV Global Bond Fund	LCIV Short Duration Buy and Maintain Credit Fund	LCIV Long Duration Buy and Maintain Credit Fund	LCIV MAC Fund	LCIV Alternative Credit Fund	LCIV Private Debt Fund	LCIV Real Estate Long Income Fund	LCIV UK Housing Fund
AUM	£100m	£675m	£1,001m	£178m	£952m	£84M	£165m	£1,549m	£396m	£625m*/£420m**	£213m*/£213m**	£195m*/£2m**
Launch Date	17/06/16	15/02/16	21/06/16	16/12/16	30/11/18	06/12/23	06/12/23	31/05/18	31/01/22	29/03/21	11/06/20	31/03/23
Manager	Pyrford	Baillie Gifford	Ruffer	Newton	PIMCO	Insight	Insight	CQS & PIMCO	PIMCO	London CIV	Aviva	London CIV
No. of Investors	1	6	10	2	10	2	3	14	3	8	3	3

Figure 3: Source: London CIV, As of 31 December 2023 *Denotes committed amount ** Denotes drawn amount

ACS and PM Funds data is at 31 December 2023

Breakdown of our Assets Under Management

As of 31 December 2023, the total assets deemed pooled Partner Funds stood at £30.6 billion. Assets under management in our ACS stood at £14.3 billion and amounts drawn from our private market funds since their respective first close stood at £1.4 billion (committed of £2.7 billion). The value of 'pooled' passive assets was £13.6 billion, with £9.8 billion managed by Legal and General Investment Management and £3.8 billion managed by BlackRock.

Figure 4: AUM by Asset Class

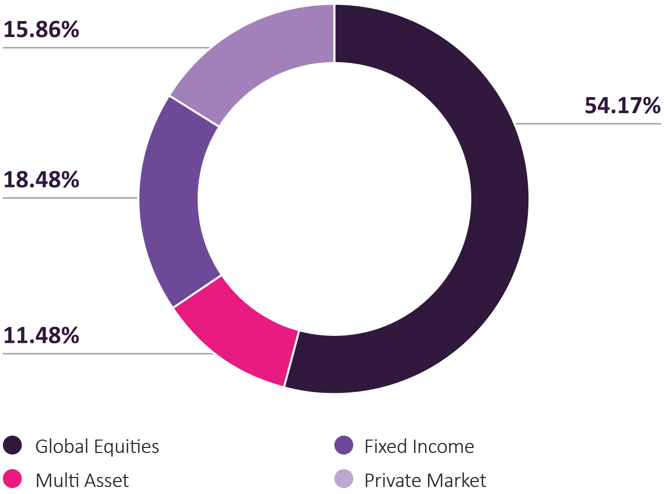


Figure 4: Source London CIV, as of 31 December 2023

Figure 5: AUM by Region (ACS Funds)

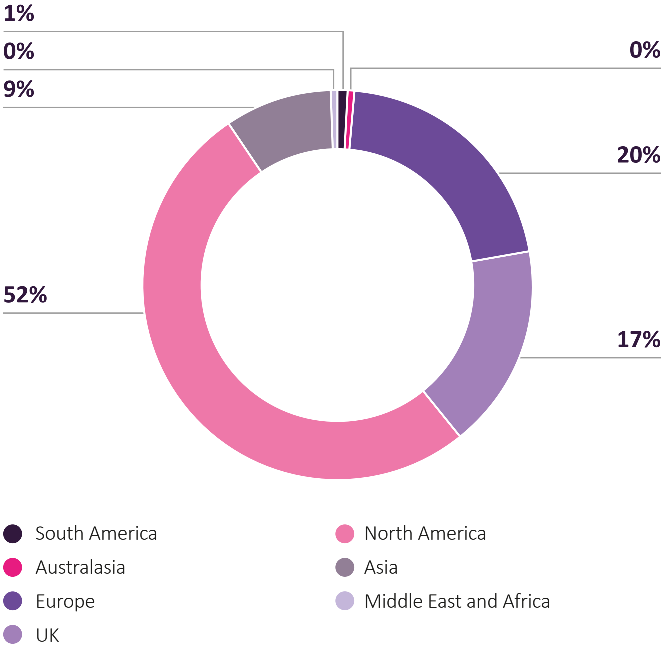


Figure 5: Source London CIV, as of 31 December 2022

Partner Funds

How we evaluate our effectiveness in serving the best interests of our Partner Funds

Our Annual Report sets out a s172 (of the Companies Act) statement, which provides an overview of how we engage with key stakeholder groups throughout the year. We work collaboratively to deliver our agreed purpose: *"Working together to deliver sustainable prosperity for the communities that count on us all"*. We engage with our Partner Funds through four key workstreams. These communication channels help us to capture their views, which then guides us on how we develop our investment solutions, provide additional investment services, assess whether our current arrangements remain fit for purpose, and reflect on the effectiveness of our stewardship and engagement operating model.

- **Appropriate Governance Oversight:** There are formal shareholder arrangements and informal forums in which we engage and collaborate with our Partner Funds. The Cost Transparency Working Group (CTWG), and (SWG) are the two main informal forums, which complement the two Shareholder General Meetings and Shareholder Committee.
- **Product Development:** Our Seed Investor Group (SIG) meetings serve as a collaborative platform for our Partner Funds to voice their needs, ensuring our products meet their investment strategies. For example, the launches of the LCIV UK Housing Fund and LCIV Buy and Maintain Credit funds, as well as our current activity in respect of our sustainable fund range.
- **Group Engagement:** A monthly **Business Update** meeting serves as a platform for our Partner Funds to stay informed about their investments and relevant developments at London CIV, providing the opportunity for clarifying their understanding of the content discussed. To supplement these, **Regular Investor Update** meetings offer Partner Funds the opportunity to understand and question the conclusions drawn from monitoring conducted on each of our managers. These meetings promote open dialogue and transparency between Partner Funds and London CIV, ensuring clarity regarding the results of thorough due diligence. **Meet The Manager** is another forum that provides Partner Funds with access to the underlying investment manager, who are responsible for the performance for the mandate to which they have been appointed.
- **The London CIV Annual Conference** is the largest event held for all our Partner Funds. Conducted over two consecutive days, it provides a broad forum for education, exchanges of thoughts and opinion, and for attendees to meet those we entrust to manage assets. We actively encourage an open dialogue in each of these group discussions.
- **Reporting –** We provide transparency for our Partner Funds via regular reporting on fund performance and monitoring status, based on London CIV's Investment Due Diligence process. We continue to make improvements to our quarterly investment reports to further illustrate the climate risk analytics and enhanced stewardship commentary. This provides Partner Funds with a fuller snapshot of our consistent progress across these key areas.

Climate change risk management remains a critical area of focus for our Partner Funds. 30[8] of the London Local Authority Councils have declared a climate emergency, joining over 570[9] local governing bodies across the UK. As of 2023, 11 of our Partner Funds have announced net zero targets averaging 2040. To further assist our Partner Funds to interpret the footprint of their portfolio and meet their future reporting obligations, we have launched a Climate Analytics Service, of which 17 of our Partner Funds are active users. This service is provided at no additional charge and covers the entire public equities and fixed income universe of our Partner Funds, not just their investments pooled with London CIV. The service also includes additional time for our dedicated climate data specialist to share and discuss their analysis with Partner Funds.

Natural capital is an increasingly important priority for our Partner Funds, in particular the focus on impacts, risks and investment opportunities. Recognising the importance of this, our 2023 annual conference included a key segment for natural capital and the launch of the Taskforce for Nature-Related Disclosures (TNFD). Additionally, we committed to launching a Nature-based Solutions fund in 2024, which will seek to invest in strategies which protect, sustainably manage or restore natural ecosystems, and address challenges related to climate change, human well-being and biodiversity.

8 According to London CIV 2024 research, 11 client funds have set net zero targets, which when averaged in terms of AUM, reach mid-2040.
9 https://climateemergencydeclaration.org/climate-emergency-declarations-cover-15-million-citizens/

Below are the number of events held to engage with our Partner Funds collectively during the year:

Group Engagement	Total: 54
Business Update (BU)	9
Independent Advisors Update	4
Investment Consultant Update	11
London CIV Annual Conference	1
Meet the Manager (MTM)	8
Seed Investment Group (SIG)	17
Pooling Progression Strategy (PPS)	2
Shareholder General Meeting (Budget /AGM)	2

Case Study:
Partner Fund capital allocation advisory

Background: The London CIV Climate Analytics Service is an integral part of London CIV's broader stewardship approach to responsible investment, whether by identifying top contributors to negative environmental impacts for targeted engagement, supporting engagement with investment managers, or informing Partner Funds' capital allocation decisions.

During their triennial valuation period, both the London Borough of Sutton and the Royal Borough of used our Climate Analytics Service to review their respective investment strategies. As a first step, the boroughs reviewed their respective investment strategies and applied three objective criteria:

1. De-risking by reducing its overweight to equities;
2. Focusing on income generating strategies, and;
3. Contributing to the achievement of their respective net zero targets through responsible investment outcomes.

Sutton and Kingston also wanted to address the Sustainable Development Goals (SDGs) that closely aligned with their investment strategy. These were identified as:

- 3 Good Health and Wellbeing;
- 7 Affordable and Clean Energy;
- 8 Decent Work and Economic Growth;
- 9 Industry, Innovation and Infrastructure;
- 10 Reduced Inequalities;
- 13 Climate Action.

Action: Our Climate Analytics Service played a vital role in helping both Sutton and Kingston in presenting key investment portfolio adjustment recommendations to their respective Pension Committees. These recommendations involved a vertical investment strategy aimed at incorporating intentionality, additionality, measurability, and financial return. The following funds were identified as among the most compelling asset types contributing to the transition towards a more equitable and green economy:

- The LCIV Renewable Infrastructure Fund and LCIV Passive Equity Progressive Paris Aligned (PEPPA) Fund, aligned to SDGs 3, 7, 9, 10, and 13.
- The London Fund and the LCIV UK Housing Fund, aligned to SDGs 3, 7, 8, and 10.
- The LCIV Renewable Infrastructure Fund, aligned to SDGs 7, 19 and 13.

Outcome: Following the delivery of our Climate Risk Analysis report, compiled with asset liability modelling undertaken by Sutton and Kingston's actuaries, the following London CIV impact funds were determined by all parties to meet their investment objectives:

Fund	Asset Class	Stewardship Outcome Met
LCIV Renewable Infrastructure Fund	Infrastructure	Net Zero Alignment
LCIV Passive Equity Progressive Paris Aligned Fund	Public Equities	Net Zero Alignment
The London Fund	Real Estate	Levelling Up (Place-Based Social and Environmental Impacts)
LCIV UK Housing Fund	Real Estate	Levelling Up (Place-Based Social and Environmental Impacts)

Stewardship

As signatories of the UK Stewardship Code 2020, we support the FRC's definition of stewardship:

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

Our role

We strongly believe that stewardship is the most powerful tool investors have at their disposal to align our economy and society with the interests of beneficiaries and wider stakeholders.

We are committed to protecting the interests of our Partner Funds and members by acknowledging that climate-related risks and ESG factors are a source of financial risk and opportunity. Due to our Partner Funds' future liabilities and long-term investment strategies, we must consider the financial implications of natural resource constraints and social inequalities whilst understanding how well-equipped our portfolio companies are to manage risk. The industry influence of London CIV and our Partner Funds means we have a responsibility to drive change. We are committed to using our expertise to drive leadership.

Our approach

Collaborative stewardship is at the heart of our approach. We engage with a diverse range of stakeholders—investment managers, companies, regulators, peers, and others—to tackle systemic issues and achieve collective goals. We believe in active ownership as a key driver for managing risk and maximising positive outcomes across financial, social, and environmental dimensions.

Recognising the evolving nature of ESG risks and opportunities, we continuously review and refine our stewardship approach. Through research and collaboration, we identify annual engagement themes and update our policies and guidelines to ensure they remain effective in driving real-world impact.

1. **Define priorities:** Focus efforts.
2. **Implement voting and engagement:** Drive outcomes.
3. **Collaborate:** Deliver outcomes at scale.

Each stage of our approach is underpinned by **disclosure**: Transparent reporting to track outcomes at scale and appropriate governance and oversight.

How we work with Investment Managers

Our Responsible Investment Policy sets out our measures and expectations that company directors and investment managers will adopt to promote stewardship and long-term decision making. We recognise that investment managers play a crucial role in enhancing the performance of invested businesses through active engagement. Responsible investment practices are integrated into our investment manager selection process through robust criteria evaluated at each stage. Once selected, our expectations for incorporating ESG factors into their investment strategy and reporting are formalised in Investment Management Agreements or Side Letters. We rigorously monitor investment managers on a quarterly basis to ensure they meet our standards. This approach aims to ensure that the assets we oversee achieve appropriate risk-adjusted financial returns, generate savings, and support a fair transition to a sustainable world for our Partner Funds' and their members.

Manager Monitoring and Reporting

Public Markets

How we monitor: We continuously strive to improve our stewardship reporting. In 2022, we implemented a comprehensive Investment Due Diligence (IDD) process, enhancing our monitoring and reporting framework for all public market managers. We require quarterly reports on stewardship activities that include examples of active engagements, ESG-influenced investment decisions and updates on responsible investment resources and policies. The questionnaire below illustrates the information we gather.

We conduct individual meetings with each manager throughout the reporting period to discuss investment performance and address any questions stemming from the completed questionnaire. This activity is reported back to our Partner Funds in our Quarterly Investment Report (QIR), including summarised voting and climate risk analytics. This process is supported by monthly IDD reviews, which include updates on responsible investment performance. The Investment Committee reviews the RAG (red, amber, green) status of each fund and its respective investment manager to address any risks, breaches and/or concerns. Highlighted issues are reported upwards to the Executive Committee.

Our Expectations: In our monthly RAG status review, we set criteria of our expectations of fund and manager performance across eight key categories. Our monitoring status is set as Normal, Enhanced and Watch List. The eight criteria are illustrated below:

1) Performance
2) Resourcing
3) Process/Strategy
4) Responsible Investment and Engagement
5) Business Risk
6) Risk Management and Compliance
7) Cost Transparency and Value for Money
8) Best Execution/Liquidity/Deployment

An example of the questionnaire is below:

Questions:
Have there been any changes to your ESG integration process over the reporting period (e.g. additional resources, information sources)? If so, what were these and why?
What are some specific examples of how ESG factors have impacted investment decisions?
What are some specific examples of major ESG risks that you identified in the holdings or assets in the portfolio over the reporting period, and what have you done to mitigate them?
Please provide one engagement example in our fund
Please provide another engagement example in our fund
Please provide a third engagement example in our fund
Optional additional engagement example
Do you have a dedicated Responsible Investment Team in your organisation? Please highlight existing team structure and roles.
Have you changed any policies or procedures recently to address ESG risks or opportunities within your own organisation?
Please highlight which initiatives you are currently a member of
Please provide your Net Zero target date
Do you have a Responsible Investment and Engagement Policy? If so, please share a link here:
Do you have a specific Climate Change Risk Policy? If so, please share a link here:
Do you have a Diversity and Inclusion Policy? If so, please share a link here:
Do you have a policy on biodiversity risk or deforestation risk? If so, please share a link here.

An example of how this functions in practice is if an investment manager fails to meet our expectations for "Responsible Investment and Engagement" criteria and fails a key metric. For example, if they are no longer a signatory to the FRC Stewardship Code we will take that into account in their overall monitoring status, at both the fund and investment manager level, as well as their rating for that specific category. The RAG update will be presented and communicated to the Investment Committee, who will agree an action plan. We will then engage directly with the investment manager to understand their reasons and request action is taken to achieve improvement. We also report fund RAG statuses to our Partner Funds in our Business Update meetings, which take place on a monthly basis.

Private Markets

Investors in private markets, especially those with direct exposure to private equity or real assets, are in a unique position when it comes to stewardship practices. This is due to their degree of influence and control, often holding controlling interests in portfolio companies or investments, and serving on their boards. Unlike public markets, investors are not subject to the short-term results pressures of capital markets[10]. Conversely, responsible investment in private markets can also present specific challenges for investors to navigate. Unlike publicly traded securities with readily available information and frequent reporting cycles, portfolio companies require a more tailored approach to ESG monitoring. Therefore, we factor this into our quarterly calls with General Partners, where we perform a deep dive into the ESG practices of the underlying portfolio companies alongside investment performance. This allows us to gain a more comprehensive understanding of their commitment to responsible investment. We continuously strive to refine our responsible investing practices and actively seek new and innovative ways to enhance our monitoring and engagement within the private markets space.

How we work with our stewardship partner

In April 2021, London CIV appointed EOS at Federated Hermes (EOS) as our stewardship provider for voting and engagement on listed equities and corporate fixed income. Their expertise strengthens our ability to engage with companies and investment managers on critical ESG issues.

Partnering with EOS enhances our reach across the portfolio and strengthens our ability to engage companies on critical ESG issues through constructive dialogue. The team's connections, language skills and cultural understanding strengthens our ability to create and maintain constructive relationships with company boards, helping to drive incremental change over time. EOS' four-stage milestone system measuring progress over the long-term brings continuity to our engagement plan. This system tracks engagement progress against the objectives set for each company. Progress is then regularly assessed and evaluated against the original engagement proposal to ensure the objectives are met. Please see pg.31 for milestones progress by EOS.

How we monitor: We conduct monthly reviews of EOS's quality of service using RAG (rating systems as part of our service provider due diligence process, to make sure they continue to meet our performance expectations. This combined approach – proactive monitoring, regular reviews, and the expertise of EOS – demonstrates our firm commitment to responsible investing.

Voting oversight: Our RI team performs monthly reviews to ensure votes have been executed in line with our Voting Guidelines. The RI team is also responsible for reviewing daily voting alerts for each vote that EOS casts on its behalf. In some cases, we decide to override EOS' recommendations when we believe their recommendation is not aligned with our stewardship priorities and policies. Where we believe votes have not been executed appropriately, the RI team will escalate the issue to the Investment Committee and EOS. Additionally, the RI team also hold quarterly meetings with EOS to oversee their stewardship services. Twice a year, London CIV participates in EOS's Client Advisory Council meetings to collaborate with their other clients and offer direct feedback to EOS on their engagement, voting and other services.

10 https://www.unpri.org/download?ac=12686

Case study:
Keeping our stewardship partner accountable

Background: In October 2023, London CIV received a voting alert issued by PIRC for BHP ahead of the company's November AGM. Over the last four years, PIRC has consistently raised significant concerns about BHP's environmental, social, and governance (ESG) practices, particularly regarding issues relating to climate change and community relations. PIRC highlighted BHP's unsatisfactory response to the Samarco tailings dam collapse as a critical concern.

Engagement: We reviewed PIRC's voting recommendations, backed by comprehensive analysis, and compared them against EOS' suggestions. We sought EOS' rationale for supporting three directors that PIRC recommended opposing. EOS stated they had no immediate concerns justifying opposition to these directors, citing satisfactory board diversity and independence. Despite acknowledging issues related to BHP's performance on climate change, EOS recommended a vote for the re-election of the Board chair. EOS emphasised they had received satisfactory assurance from the board Chair and suggested that PIRC may not have had the requisite level of access.

Outcome: As a result of the engagement, we decided to align our votes with PIRC's recommendations and instructed EOS to change the votes to oppose the re-election of the three directors.

How we work with portfolio companies

We engage with companies primarily through our investment managers, EOS and industry collaboration. We require UK companies to adhere to the UK Corporate Governance Code on a comply or explain basis and expect other companies to follow international corporate governance principles, while acknowledging local application and development.

Whilst most of our engagement takes place via collaboration, we've established clear guidance outlining what we expect from companies and what companies can expect from us. This ensures that our investment managers, General Partners (GPs) and stewardship partners are evaluated against consistent standards. We have published our Voting Guidelines which set out our specific expectations and thresholds for certain issues. For further details, please refer to our Guidelines.

In 2023, we escalated our engagement directly with companies we believe pose high material risks. Please see pg.36 and pg.62 to read our escalation.

Figure 6: Fund monitoring schematic

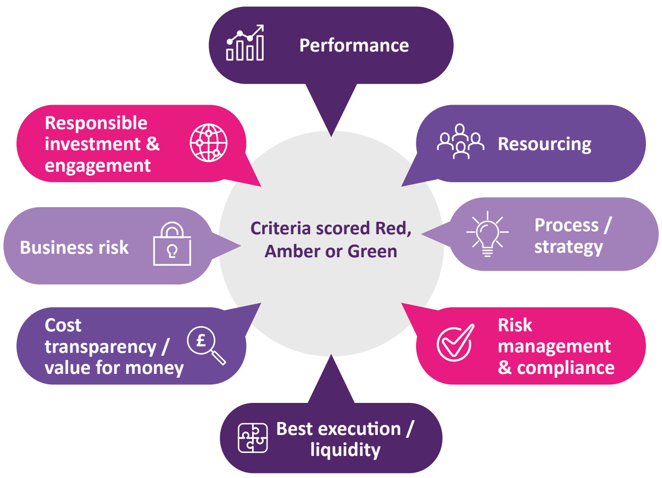


Figure 6: Source, London CIV, fund monitoring schematic

Step one:
Defining our priorities

Stewardship Priorities

Our current engagement priorities and broader ESG issues that we seek to address are illustrated below. Our current engagement priorities and broader ESG issues that we seek to address are illustrated below. In 2023, we intensified our focus on nature-related risks and incorporated AI into our priorities.

Key priorities

People Categories

- Human rights and labour standards
- Human capital management
- Reduced inequalities: including education, poverty alleviation
- Digitalisation: including digital rights, social media, gaming
- Health and wellbeing: including antimicrobial resistance (AMR), public health, nutrition
- Levelling Up

Planet Categories

- Climate Change: including physical risk and adaptation
- Biodiversity loss
- Deforestation and land use change
- Water risk
- Resource efficiency
- Pollution: Air, Water, Soil, Plastics

Principles of Governance

- Board composition and effectiveness
- Diversity, equity and inclusion
- Executive remuneration
- Technology: including AI, cyber security, data protection
- Tax and cost transparency
- Investor protection and rights
- Anti-bribery and corruption
- Geopolitical risks

Prosperity

- Economic returns
- Paying pensions
- No poverty
- Innovation: products and services

"We aim to identify market-wide and systemic risks at least annually and respond to them on an ongoing basis to promote a well-functioning financial system."

Risk identification methodology

Our risk identification methodology is developed to address the complex interconnectivity of a myriad of issues prior to determining our ESG priorities. At the macro-level we are affected by top-down global risks and client priorities. From a bottom-up perspective, we recognise micro-risks to our assets and specific areas where we can have influence.

This ever-evolving system of prioritisation is nuanced by a **values** versus **value-based** approach that sees risk as greater in terms of magnitude and likelihood when financial and social materiality combine. This approach also influences what is viewed as best practice by the industry and other stakeholders, and thus what policy and regulation will soon unfold. The next section discusses the most pressing market-wide and systemic risk that we have identified using this methodology.

Figure 7: London CIV ESG risk identification methodology

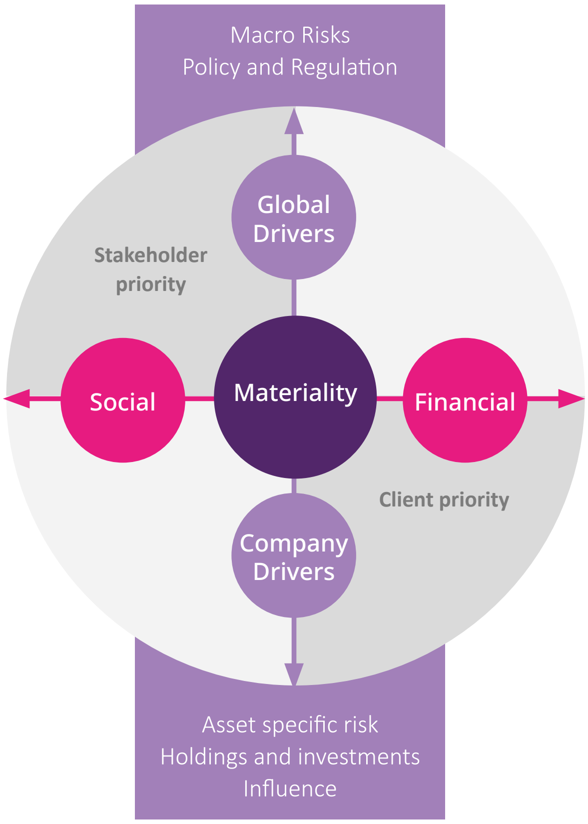


Figure 7: Source, London CIV, fund monitoring schematic

Risk assessment process

We perform monthly stress tests, which show a set of scenarios that have been modelled on previous world events and simulate the effects on the portfolio and benchmark values should that scenario occur again. See example below:

Sample monthly stress testing results

	Scenario	Portfolio Value Change	Benchmark Value Change	Active Value Change
Sample London CIV Portfolio 1	No Scenario			
Sample London CIV Portfolio 2	2008 Financial Crisis	-31%	-26%	-5%
Sample London CIV Portfolio 3	2010 Euro Sovereign Crisis	-11%	-10%	-2%
Sample London CIV Portfolio 4	2011 Japan Earthquake	-5%	-5%	1%
Sample London CIV Portfolio 5	9-11 2001	-23%	-20%	-3%
Sample London CIV Portfolio 6	Asian Crisis 1997	-17%	-15%	-2%
Sample London CIV Portfolio 7	LTCM Collapse	-18%	-12%	-5%
Sample London CIV Portfolio 8	Mortgage Crisis 2007	-8%	-8%	0%
Sample London CIV Portfolio 9	Russian Default 1998	-25%	-21%	-4%
Sample London CIV Portfolio 10	Sovereign Downgrade Crisis 2011	-19%	-17%	-2%
Sample London CIV Portfolio 11	WorldCom 2002	-27%	-24%	-3%

For example, if the 2008 Financial crisis were to reoccur, Sample LCIV Portfolio 2 will decrease by 31% and the benchmark will fall 26%, resulting in underperformance of the benchmark by 5%. Other adverse scenarios tend to see small underperformance of the portfolio versus the benchmark and a small outperformance if the Japanese earthquake or the US mortgage crisis were to reoccur, for example. Overall, this analysis shows that the portfolio will follow the index reasonably, but is likely to underperform in bad scenarios.

When risks are identified in the monthly stress-testing, issues are reported to the Investment Committee. The model used for scenario/stress testing is Bloomberg Port Enterprise. The system is flexible and allows for both historical and hypothetical scenarios. The model can highlight ESG risks that have already happened as a historical scenario (e.g. 2011 Japan Earthquake) and also allows for modelling of hypothetical scenarios. This can be in terms of shocking future curves and volatility for three categories: Agriculture and livestock (e.g. corn or soybean), Energy and environment (e.g. emissions or crude oil) and Metals and Industrials (e.g. precious metals or industrial metals).

The RI Team has integrated forward-looking physical risk and transition analysis into TCFD reporting as a basis for engagement.

We delegate the investment management function to third-party investment managers.. We conduct quarterly meetings and annual deep-dive reviews as part of our manager oversight. During these meetings, the Investment Committee discusses the risk management of the portfolio. Every month, the Investment Committee reviews the RAG status of each fund and fund manager to ensure any risks and breaches are addressed, with concerns escalated to the Executive Committee. The next section details the key risks for London CIV in 2023 and how we have managed them.

Promoting and improving well-functioning markets

London has established itself as a prominent global hub for sustainable finance, with a significant contribution to the establishment of carbon trading, green bond underwriting, and a high concentration of responsible investment assets and expertise. In 2023, London retained its number one place in the Global Green Finance Index[11], which assesses the green finance offerings of 84 major financial centres worldwide. This index provides valuable insights into the development of green finance policies and opportunities in cities.

With access to the largest pool of capital, London's deep and broad markets hold a significant responsibility in creating a financial system that supports a sustainable future. As a global long-term investor and steward of capital, we're committed to taking positive action, promoting collaboration, and demonstrating leadership that will have an impact not only in the UK, but worldwide. We believe that incorporating ESG considerations into our investment strategy is crucial for our role as responsible investors, which can lead to improved economic performance and significant environmental and social benefits.

10 https://www.longfinance.net/publications/long-finance-reports/the-global-green-finance-index-13-supplement-h2-go-the-hydrogen-economy-pipedream-or-panacea/

Market-wide and systemic risk

Climate change

Climate change poses an existential threat to both people and the planet[11]. It presents immediate systemic risks to the ecological, societal, and financial stability of every economy, country, asset type and sector[12]. It will result in substantial physical and economic impacts across most aspects of human activity[13], leading to multiple implications for our Partner Funds and their beneficiaries. In recent history, the Earth's temperature has continued to rise faster than ever before, as evidenced by the increasing frequency and severity of weather events, rising sea levels, and warming marine temperatures[14]. Agriculture and food supply, infrastructure, and water availability are already being affected, leading to increased migration and conflict. Human activities are responsible for approximately 1.0°C of global temperature increase above pre-industrial levels, with current emission patterns indicating that this could reach 1.5°C by 2040. If carbon dioxide emissions continue their current path, the temperature is projected to increase by 3-5°C by the end of the century[15].

We are committed to becoming a net zero entity by 2040 in line with the Paris Agreement objectives to limit global temperature rise below 1.5°C. We are also committed to becoming a net zero company across operational and supply chain emissions by 2025. Alongside our main commitment, we have set interim targets for investments. This includes a 35% carbon intensity reduction by 2025 (relative to 2020), and 60% by 2030 across the London CIV fund range.

We plan to achieve our goals by decarbonising existing funds through targeted engagement, contributing to avoided emissions, launching new net-zero funds and eventually contributing to negative emissions. In 2023, we calculated the impact of our passive funds included in the London CIV pool worth £14.6bn. We expect to release a detailed roadmap to demonstrate a credible course of action to achieve a pathway to net-zero during our reporting year 2024.

Please refer to the Deep Dive: Climate Change section on pg.33 for our collaborative actions in addressing climate change risks with our investment managers, EOS, external initiatives and through policy advocacy .

Lessons from COP28

While the commitments from the first global stock-take of climate action under the Paris Agreement at the 2023 UN Climate Change Conference (COP 28) set a political precedent in terms of ambition, collective action to remain on track to limit global warming needs to rapidly accelerate if we are to reach the 1.5 degrees Celsius target by 2050. At COP28, it was clear that urgent and significant progress needs to be made on the crucial question of how the world finances a global transition, for which we need to harness US$5-to-$7 trillion of investment per year[16]. The outcomes of 2023's 28th Conference of the Parties (COP28) on climate change elicited mixed opinions. COP28's focus on transitioning away from fossil fuels underscores the importance of our commitment to achieving net-zero emissions by 2040. We were pleased to see the call-to-action to transform the financial system, so as to ensure all financial flows support progress towards the goals in the Paris Agreement - particularly the call on countries to strengthen their regulatory, policy and incentive frameworks in order to unlock private finance in support of the transition and to work together to reform the international financial architecture.

Here are some key takeaways that will directly impact our responsible investment strategy and our diverse fund range:

- **Rigorous Net-Zero Scrutiny:** We'll intensify our assessment of investee companies' net-zero pledges, ensuring they have science-based targets and credible transition plans in line with our own net-zero commitment. This increased scrutiny aligns with our own efforts to update our Climate Policy in 2024 to become the climate change risk policy and net zero strategy, which will provide targeted objectives in line with net-zero.
- **Accelerating Investment in Clean Solutions:** COP28's emphasis on renewables and emerging technologies opens exciting opportunities within our portfolio. We'll carefully evaluate companies providing energy efficiency, sustainable infrastructure, and related innovations that support the global energy transition.
- **Commitment to Climate Justice:** The establishment of the Loss and Damage Fund in 2022 reinforces the need to invest responsibly with a focus on social impact. This aligns with many of our funds and initiatives that support affordable housing and sustainable communities, especially in regions most vulnerable to climate change.

COP28 strengthens London CIV's resolve to be a leader in responsible investing. Our commitment to a sustainable future ensures that we not only meet our ambitious net-zero goals, but also generate long-term value for our Partner Funds, beneficiaries, and the communities we serve.

11 Why do some people call climate change an "existential threat"? | MIT Climate Portal
12 Systemic Climate Risk (europa.eu)
13 What are the impacts of climate change? | Grantham Institute – Climate Change and the Environment | Imperial College London
14 Evidence & Causes of Climate Change | Royal Society
15 Global Warming of 1.5 ºC — (ipcc.ch)
16 https://www.cop28.com/en/climate_finance_framework

Lessons from COP15

COP 28 also saw the release of a Joint Statement on Climate, Nature and People[17] which underscored the criticality of integrated efforts on climate, biodiversity, land and ocean health for resilience and securing sustainable livelihoods. This furthered the goals of the Kunming-Montreal Global Biodiversity Framework[18] from COP15 in 2022.

Our top 3 takeaways from COP15 were:

- **Ambition Meets Implementation:** The Kunming-Montreal Global Biodiversity Framework includes the ambitious "30x30" target (protecting 30% of land and oceans by 2030).
- **Financing and Equity:** Developed countries pledged to increase funding for biodiversity conservation in developing nations. While progress was made, reaching a consensus on financial flows and closing the funding gap remains crucial to achieve the agreed-upon targets. Issues of equity and ensuring benefits reach local communities and Indigenous peoples are also vital for success.
- **The Role of Business:** COP15 highlighted the growing recognition of the private sector's role in addressing biodiversity loss. Companies are increasingly expected to measure, disclose, and reduce their impact on nature. Collaboration with the private sector will be essential for driving change at the scale required by the biodiversity crisis.

Identification of transition and physical risk

Climate change-related financial risks result from a complex interplay between company-specific characteristics, as well as transition and physical risks under a range of different climate change scenarios. Strong action to reduce emissions and limit climate change may avoid the worst physical impacts of climate change, but present significant market, technology, and regulatory transition risks for market participants. Conversely, failure to adequately reduce greenhouse gas emissions may limit transition risks, but will result in increasing climate change and associated physical risks. Since 2021, we've proactively conducted climate risk analysis based on the guidelines provided by the TCFD. The risks associated with climate change are extensive and can be divided into two major categories: those related to the transition towards a lower-carbon economy and those related to the physical impacts of climate change. The TCFD guidelines clearly underscore the significance of incorporating climate scenario analysis models into risk management practices. This is crucial because the interplay between transition and physical risks can have profound implications for fund performance in the short, medium, and long term. By conducting scenario analysis, we can develop climate-resilient strategies that ensure defined benefits are delivered over an extended period.

Please see our 2023 TCFD report for our physical risk analysis.

Actions in 2023:

- Contacted our managers and EOS about deforestation and biodiversity engagement based on exposure
- Continued to work on the Deforestation-free Pension Working Group established by Global Canopy, SYSTEMIQ, and Make My Money Matter. The working group has produced practical guidance for pension funds to manage deforestation risks through effective engagement
- Became an early adopter of the TNFD reporting framework.
- Continued to provide our Partner Funds with a nil-of-charge Climate Risk Analytics Services to help our Partner Funds to understand climate risks in their investment portfolios and set a meaningful net zero ambitions
- Committed to launching a Nature Based Solutions (NBS) Fund in 2024 which seeks to provide real world impact on the health of ecosystems, biodiversity, and the well-being of communities, offering multiple benefits for the environment and nature conservation

17 https://www.cop28.com/en/joint-statement-on-climate-nature
18 https://lordslibrary.parliament.uk/cop15-global-biodiversity-framework/#heading-3

Geopolitical tension and market risk

The complexity of assessing and mitigating geopolitical risk was highlighted in 2022-2023 by the ripple effects of Russia's invasion of Ukraine and the resulting sanctions, as well as the escalation of the Israel-Hamas war, stemming from longstanding geopolitical tensions and human rights concerns in the region.

The unpredictable nature of such events underscores the challenges of relying solely on rational analysis for risk prediction. This reinforces the need for a reactionary approach, continuous monitoring of human rights risks, and investment diversification to mitigate these risks. We uphold the principle of diversification and actively track our exposures to geopolitical issues.

Russia | Ukraine

For example, we have worked to limit the direct impact of Russian and Ukrainian holdings on our funds in achieving their objectives over the long-term and in 2022, reported those actions to our Partner Funds and on our website.

To ensure compliance with sanctions regimes, we conduct operational due diligence and triennial reviews to verify that investment managers have appropriate policies and controls in place. Additionally, we remain vigilant of material events and collaborate with managers to implement changes to sanctions regimes immediately. Our custodian and depositary provide regular updates on sanctions and alert us to potential issues.

Recognising the interlocking risks associated with Russia and Ukraine, we conducted a comprehensive exposure analysis for all holdings linked to these countries. Our investment team conducted a bottom-up risk assessment, while monitoring news flows and manager activities closely. By taking these measures, we can ensure that our investments remain robust and resilient, and our defined members' benefits are protected.

In 2023, we maintained close monitoring of investment activities in Russia and Ukraine amidst ongoing geopolitical tensions.

Israel | Hamas

London CIV has reported its exposure to the companies accused of facilitating human rights abuses in the OPT since 2021, following the Human Rights Watch report[19] and we're committed to engaging with investee companies flagged by United Nations Human Rights Office of the High Commissioner's ("OHCHR") A/HRC/37/39 Report, the WhoProfits Online Database and Information Centre[20], as well as the AFSC | Investigate flagged list[21], with demands for timely responses to our questions.

In 2023, we updated this list and continue to engage with companies, investment managers, EOS and other relevant stakeholders to consider how we will support Partner Funds concerned about exposure to the issue.

Our Actions in 2023:

- Provided evidence on the impact of the Economic Activity of Public Bodies (Overseas Matters) Bill on stewardship activities[22]
- Recalculated our exposure to Israel and companies accused of being complicit with human rights abuses as of 31st December 2023
- Contacted all of our investment managers and engagement partner EOS to understand their responses to the war
- Reached out to Investor Alliance for Human Rights to ask for advice on human rights matters and stewardship. Followed up with ongoing engagements and informed our Partner Funds

19 A Threshold Crossed: Israeli Authorities and the Crimes of Apartheid and Persecution, 27th April 2021.
20 Who Profits- The Israeli Occupation Industry
21 Palestine | AFSC Investigate
22 Economic Activity of Public Bodies (Overseas Matters) Bill (6th September 2023) (parliament.uk)

Step two:
Implementing Voting and Engagement

Optimising our voting procedures and using our voting rights

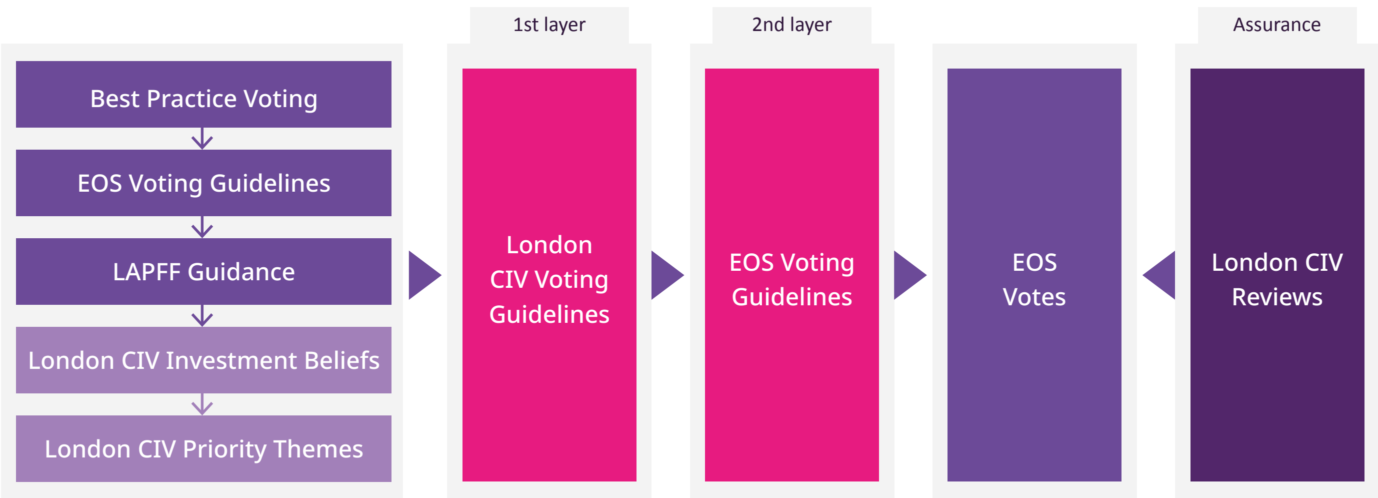
As stewards of capital, exercising voting rights is a vital part of our duty of care. We believe that voting on shareholder resolutions is a powerful part of our stewardship strategy as it helps communicate our views to companies. Being transparent about disclosing our voting records further supports this aim.

EOS makes voting recommendations for our segregated listed equities funds and provides engagement services to our segregated public market funds (listed equities and fixed income funds). We believe we can drive positive outcomes that are tailored to our priority themes by consolidating our votes, rather than outsourcing voting activities to our investment managers. Our Voting Guidelines are reviewed and updated by the RI team on an annual basis.

For our passive and pooled funds, votes are cast by their fund managers. Additionally, we actively seek opportunities to split voting rights and assume control of a vote over critical issues. In 2023, we successfully assumed voting rights for the LCIV Absolute Return Fund, which invests in a pooled vehicle managed by Ruffer LLP. This strategy enabled us to blend the advantages of pooled and passive funds with our dedication to responsible investing and active stewardship. In 2024, we will continue to explore options with our other investment managers regarding taking on the active ownership for voting across our investments.

The Voting Guidelines (the Guidelines) outline London CIV's voting approach, detailing how and why we make our voting decisions, as well as the execution of our voting process. The Guidelines also explain how voting decisions are assessed and implemented, allowing for flexibility to adapt to market, company, and meeting specifics. Our Voting Guidelines can be accessed here.

Figure 8: Our new way of voting:



CIV

Voting record

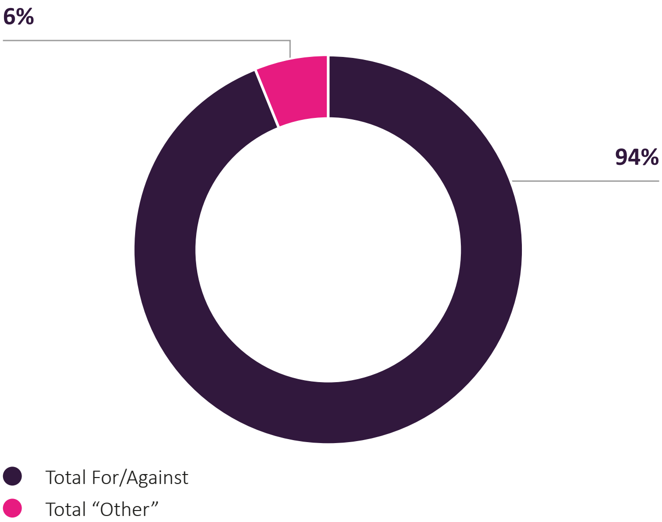
We publish our voting records on a quarterly basis and managers are required to provide a rationale for all voting activity on a "comply or explain" basis. In 2023, our investment managers and EOS voted on 22,688 proposals compared with 23,411 proposals in 2022. This represents a 97% voting execution in 2023 compared to 96% in the previous year (Figure 9). Investment managers and EOS voted against management propositions on 2,488 occasions. Director-related and non-salary compensation remain the areas of highest dissent (Figure 10).

Our investment managers and EOS also voted on 1,007 shareholder proposals in 2023 compared to 1,108 shareholder proposals in the previous year, supporting 56% (compared to 59% in 2022) of the proposals. Shareholder proposals may be submitted to encourage greater transparency in sustainability practices, changes in governance, or support improvements in corporate social responsibility. However, it's important to note that shareholder proposals vary in quality and are not necessarily aligned with EOS and/or London CIV's views as to changes that would be effective or appropriate. For example, we reviewed 637 shareholder proposals on the topic of Social/Human Rights. This topic includes instructions for companies to report on diversity and inclusion and assess human rights impacts. Of these 637 proposals, 63% of our voting instructions were in favour of these proposals.

We have also voted on 49 shareholder proposals regarding Health and the Environment, this topic includes instructions for companies to have more robust reporting on climate change and environmental impacts, set targets for Greenhouse Gas ("GHG") emissions in alignment with the Paris Agreement, or improve disclosure and policies on health, safety and wellbeing at work. 24% of our voting execution was in favour of these 49 proposals. We have included some examples of how we and our managers exercise our voting rights in the following case studies available in this report:

- **Case Study:** Goldman Sachs: Climate resolutions advocating for time bound policy of fossil fuels phase out tabled (pg.29)
- **Case Study:** Amazon Inc. (pg.62)
- **Case Study:** Meta (pg.49)

Figure 9: 2023 Total Voting Execution



2022 Total Voting Execution

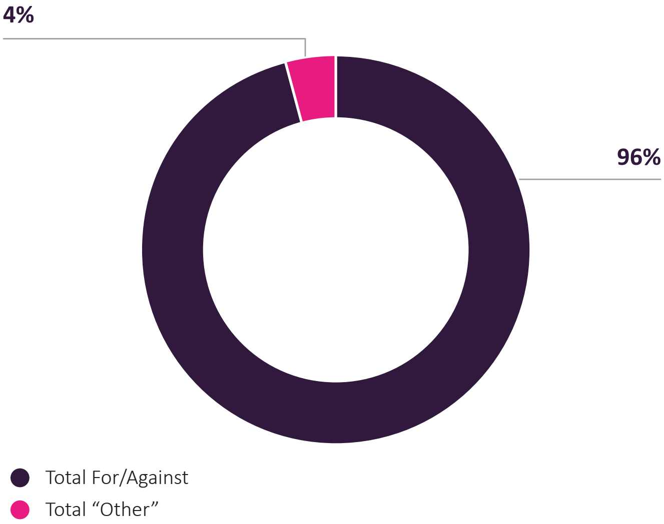
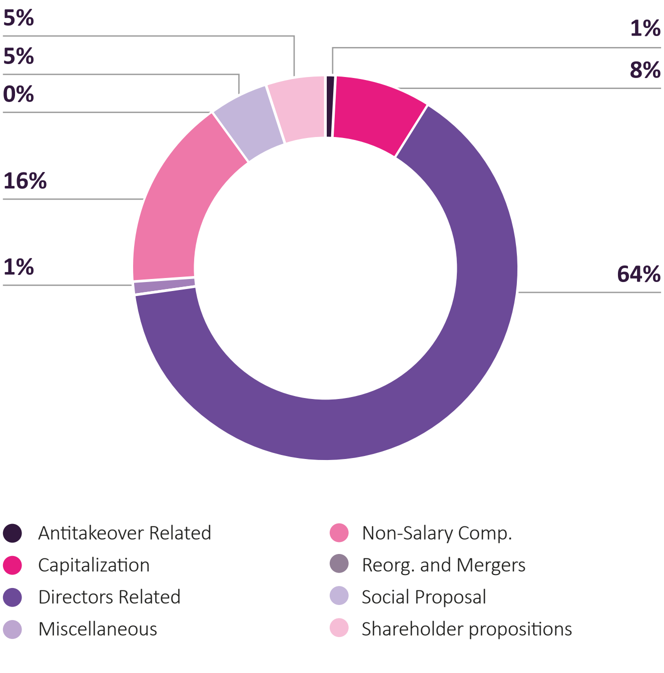


Figure 9: 2022 vs 2023 Total Voting Execution, Source: Investment managers, EOS, As of 31 December 2023

Step two: Implementing Voting and Engagement continued

Figure 10: 2023 Proposals breakdown



2022 Proposals breakdown

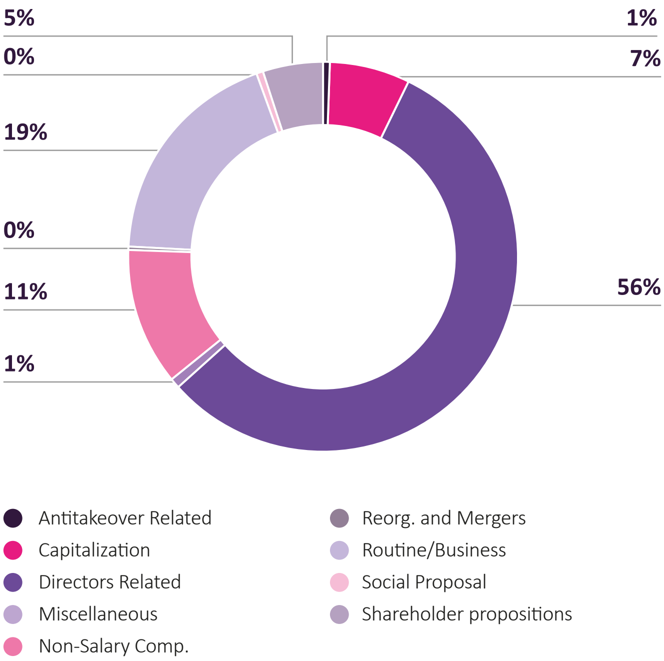
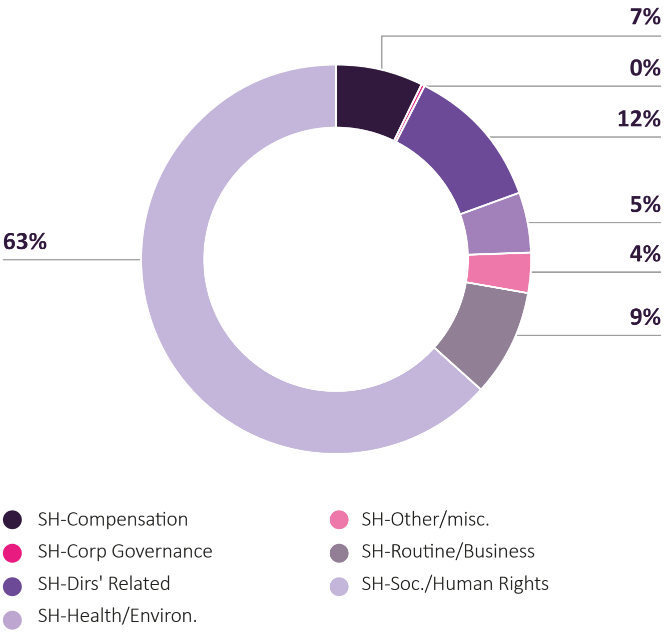


Figure 10: 2022 vs 2023 Proposal Breakdown, Source: Investment managers, EOS, As of 31 December 2023

Figure 11: 2023 Shareholder Proposals



2022 Shareholder Proposals

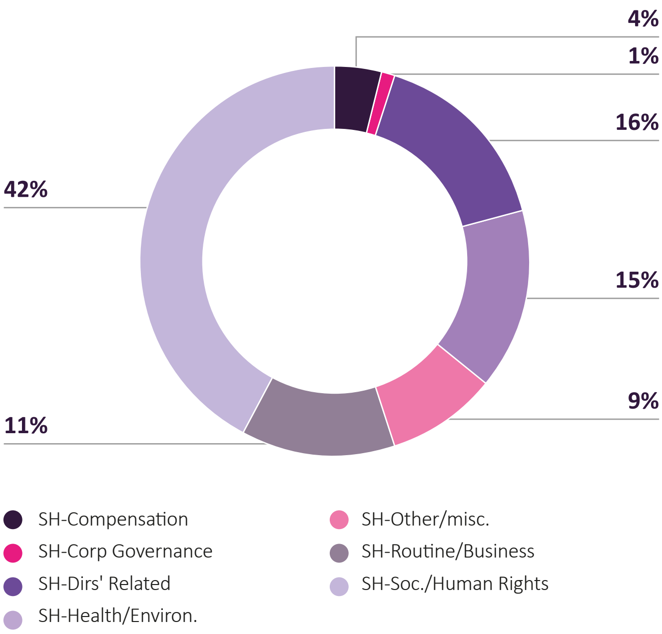
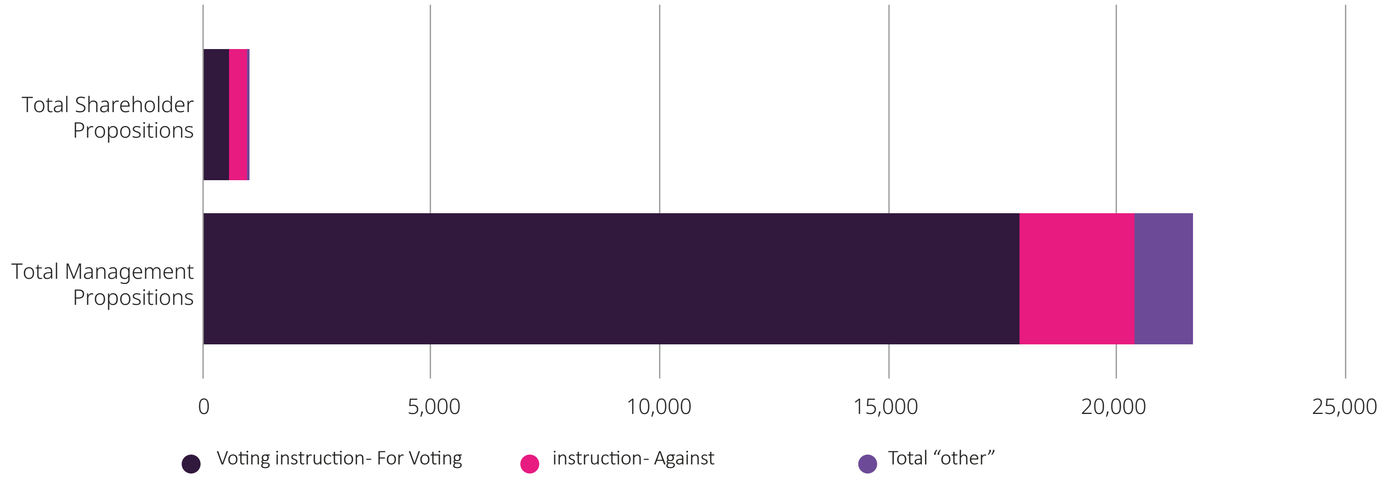


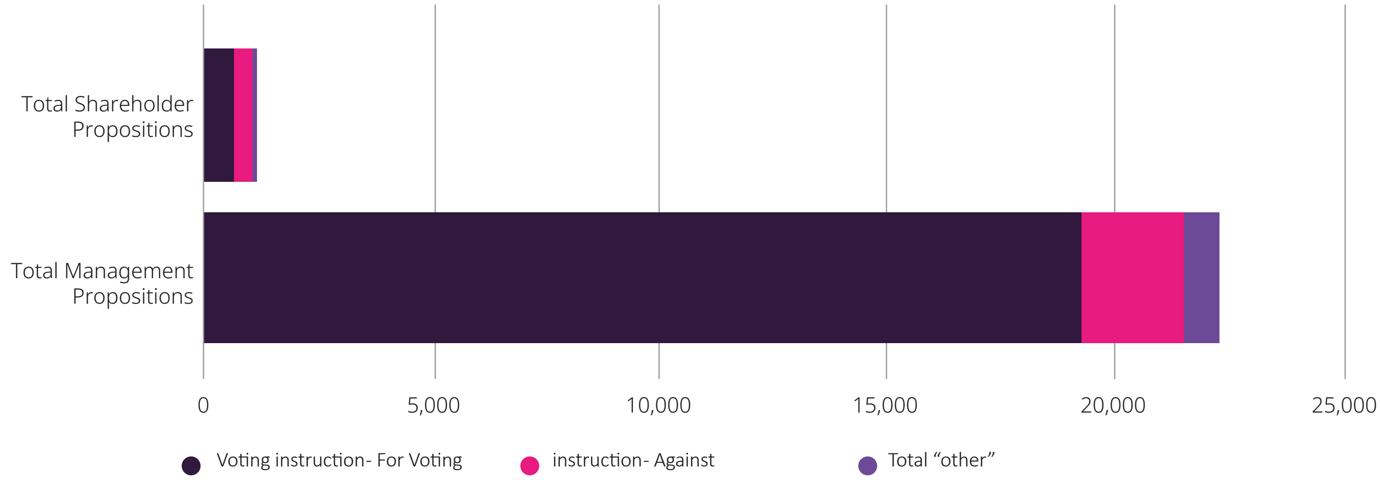
Figure 11: 2022 vs 2023 Shareholder Proposals, Source: Investment managers, EOS, As of 31 December 2023

Step two: Implementing Voting and Engagement continued

Figure 12: Shareholder Propositions vs. Management Propositions 2023

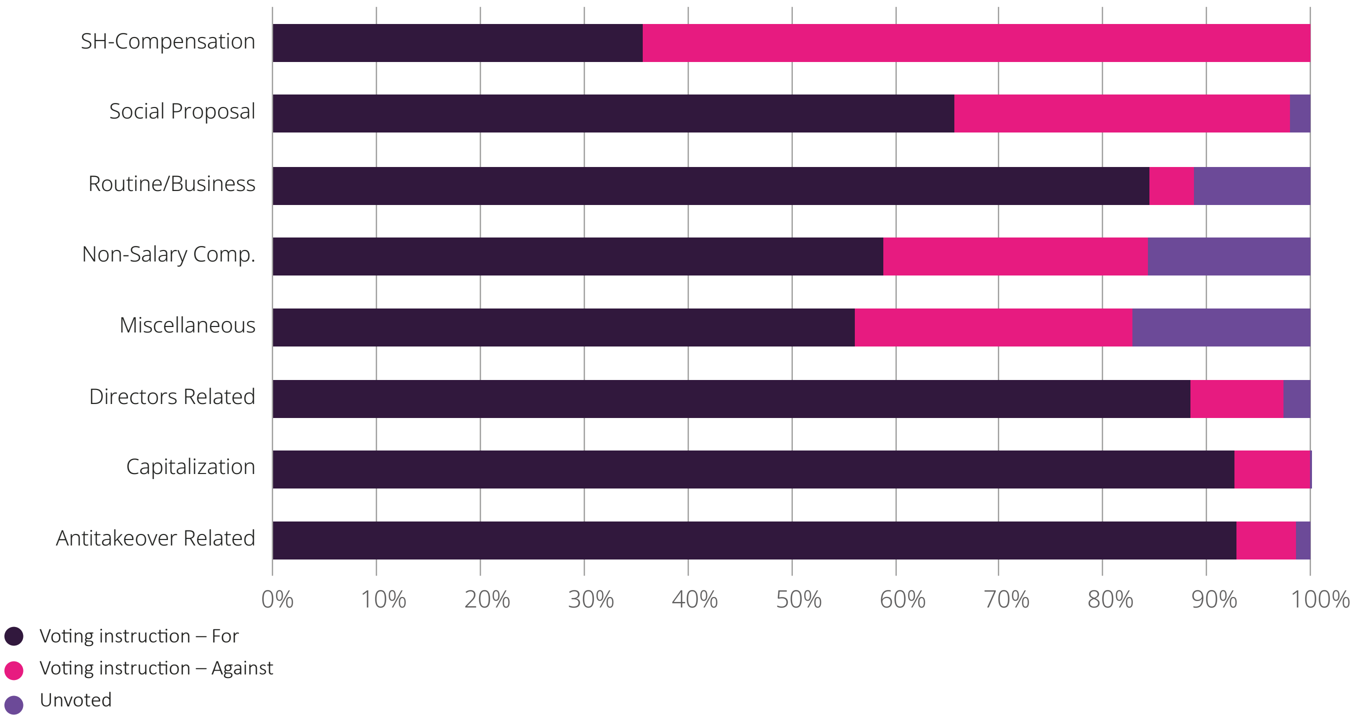


Shareholder Propositions vs. Management Propositions 2022



Step two: Implementing Voting and Engagement continued

Figure 13: 2023 Voting Instruction Breakdown



2022 Voting Instruction Breakdown

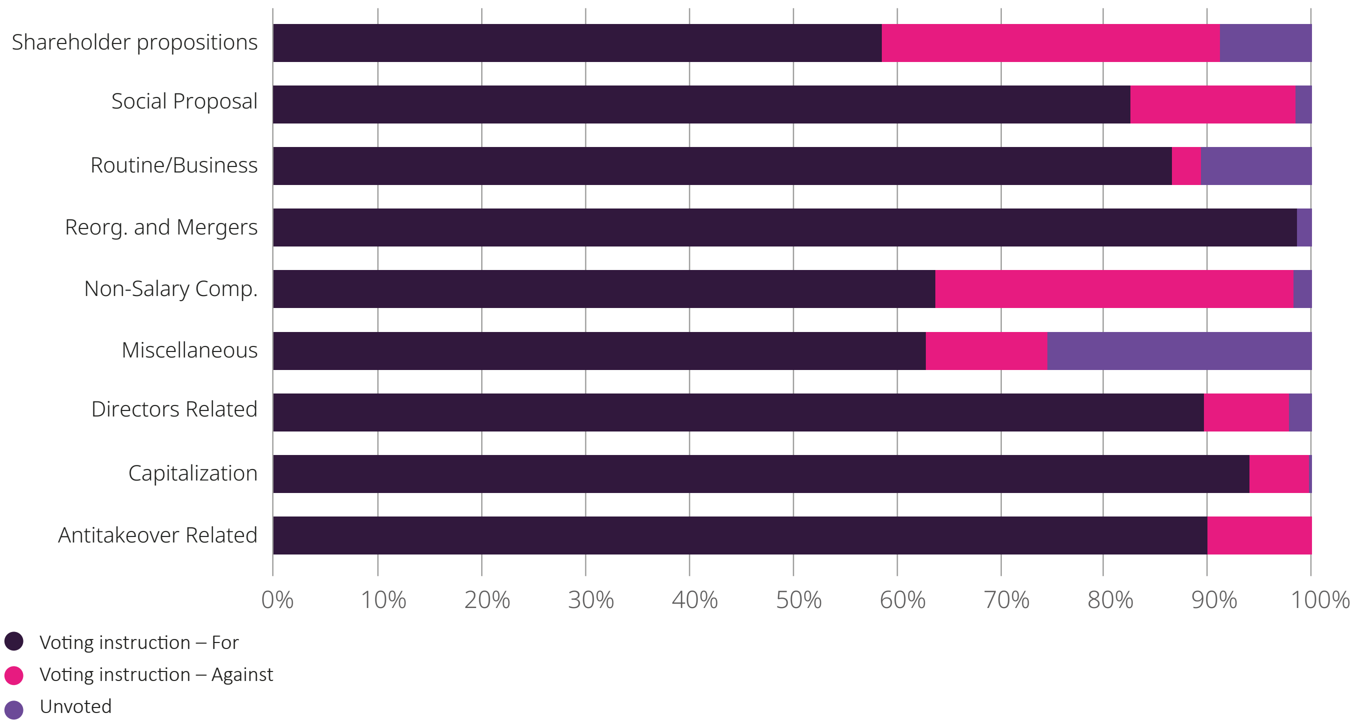


Figure 13: 2022 vs 2023 Voting Instruction, Source: Investment managers, EOS, As of 31 December 2023

Case Study:
The Goldman Sachs Group [Accepted shareholder proposals against management recommendation]

Background and Action: Unfortunately, none of the shareholder proposals we supported were accepted. This was especially disappointing given the lack of shareholder support for a time-bound phase-out policy for new fossil fuel financing. However, two proposals received at least 30%, including support for a Climate Transition Plan aligned to GHG targets, which demonstrates positive momentum for better ESG practices from investors.

Outcome: Unfortunately, none of the shareholder proposals we supported were accepted. This was especially disappointing given the lack of shareholder support for a time-bound phase-out policy for new fossil fuel financing. However, two proposals received at least 30%, including support for a Climate Transition Plan aligned to GHG targets, which demonstrates positive momentum for better ESG practices from investors.

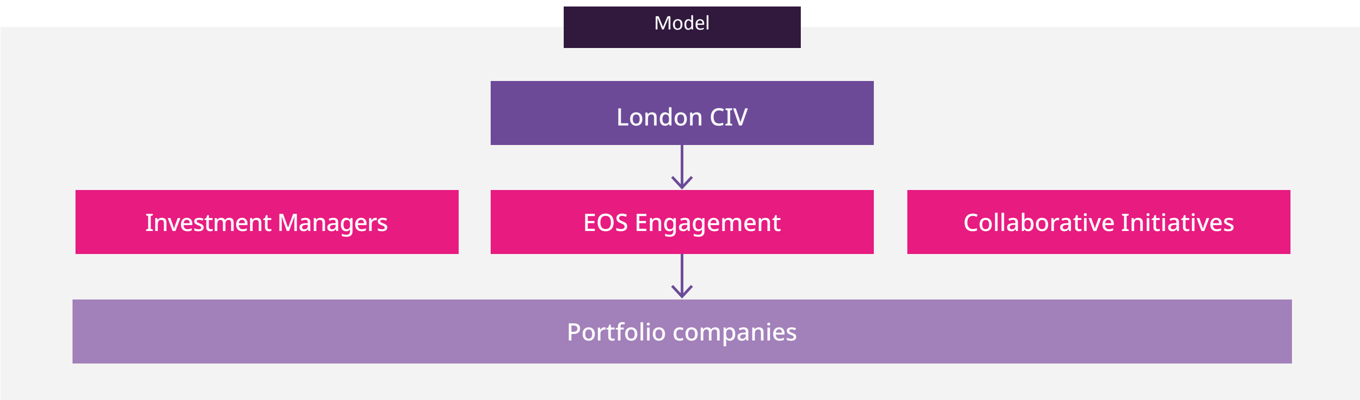
Outcome	Proposal	Management Recommendation	London CIV Vote	% For
Rejected	Report on Lobbying Payments and Policy	Against	For	35.37
Rejected	Require Independent Board Chair	Against	For	16.19
Rejected	Oversee and Report a Racial Equity Audit	Against	For	11.77
Rejected	Adopt Time-Bound Policy to Phase Out Underwriting and Lending for New Fossil Fuel Development	Against	For	6.81
Rejected	Disclose 2030 Absolute GHG Reduction Targets Associated with Lending and Underwriting	Against	For	12.48
Rejected	Report on Climate Transition Plan Describing Efforts to Align Financing Activities with GHG Targets	Against	For	29.72
Rejected	Report on Median Gender/Racial Pay Gap	Against	For	30.09

Source: ProxyExchange, ISS Governance

Integrating engagement

Following effective voting, we believe that a strong engagement strategy is critical to help deliver real-world outcomes at scale and, in turn, improve the performance of our funds. We also believe that collaborating with other like-minded institutional investors and service providers is an effective way to pool knowledge and information, as well as share both costs and risks to influence corporate management.

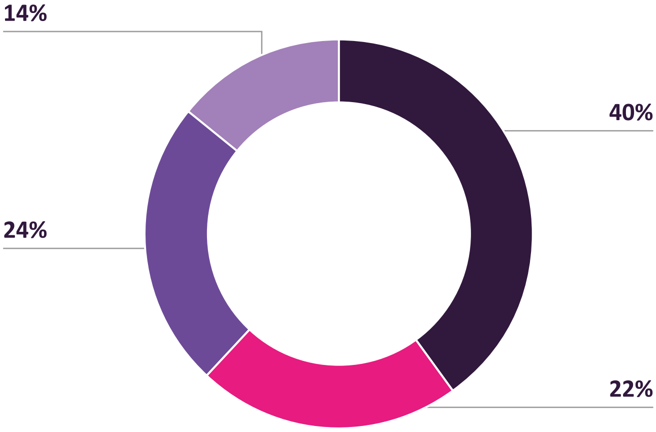
We advance our stewardship objectives through the following channels:



Investment manager engagement breakdown

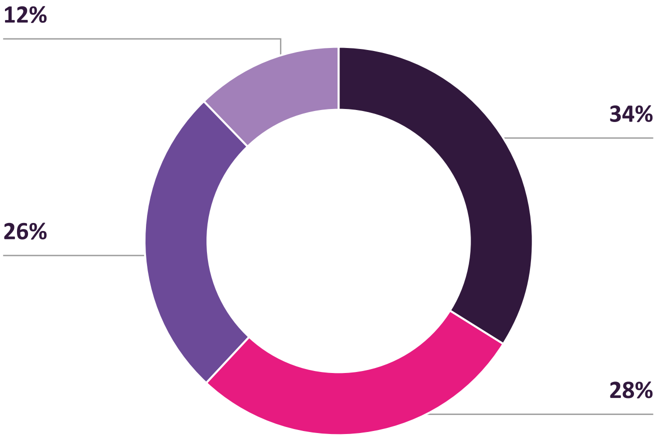
In 2023, our investment managers held 2,832 engagement meetings with portfolio companies compared to 1,274 in the last reporting period. Specific areas of interest were climate change (discussed in 41% of the 573 meetings) and human rights and human capital concerns (raised with issuers on 641 separate occasions (45%)) (Figure 10).

Figure 14: 2023 Issues discussed: ESG coverage.



- Governance
- Social
- Environmental
- Other

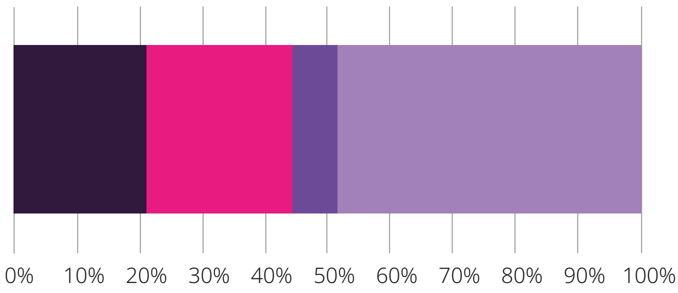
2022 Issues discussed: ESG coverage.



- Governance
- Social
- Environmental
- Other

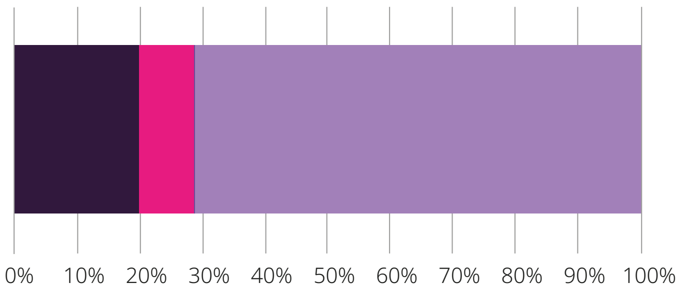
Figure 14: 2023 vs 2022 Issues Discussed, Source: Investment managers, As of 31 December 2022

Figure 15: 2023 Detailed engagement activity breakdown



- Climate change
- Diversity
- Tax
- Other

2022 Detailed engagement activity breakdown



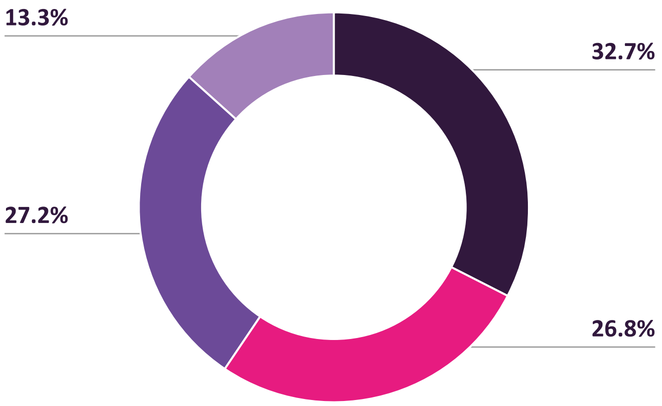
- Climate change
- Diversity
- Tax
- Other

Figure 15: 2023 Detailed Engagement Activity Breakdown, Source: Investment managers, As of 31 December, 2023

EOS engagement breakdown

EOS engaged with 490 companies across 2,426 ESG topics on behalf of London CIV in addition to the engagements carried out by our investment managers.

Figure 16: EOS Engagement Breakdown



We engaged with 418 companies over the last year.

- Environmental
- Social and Ethical
- Governance
- Strategy, Risk and Communication

Figure 16 Source: EOS 2023

Engagement progress (2023)

The below chart demonstrates how much progress has been made in achieving milestones set for each engagement. During 2023, 53% of objectives moved forward for at least one milestone compared with 56% in 2022.

Figure 17: Engagement progress (2022)

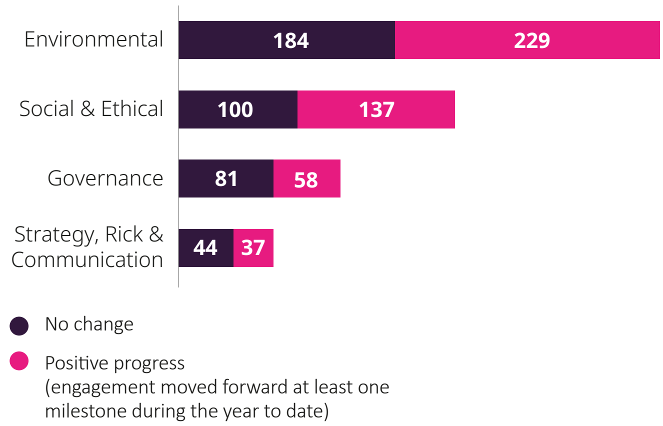


Figure 17 Source: EOS

Engagement milestones

EOS use a proprietary milestone system that tracks engagement progress against their objectives set with the company. They categorise these milestones as illustrated below:

- **Milestone 1** Concern raised with the company at the appropriate level
- **Milestone 2** The company acknowledges the issue as a serious investor concern
- **Milestone 3** Development of a credible strategy/stretching targets set to address the concern
- **Milestone 4** Implementation of a strategy or measures to address the concern

		Engagement objective status (last milestone completed)			Closed engagement objectives	
Theme	**Total Engagement Objectives**	**Milestone 1**	**Milestone 2**	**Milestone 3**	**Completed**	**Discontinued**
Environmental	413	82	199	93	30	9
Social	237	54	106	44	26	4
Governance	139	26	54	28	23	8
Strategy, Risk & Communication	81	9	36	18	15	3
Total engagements	**870**	**171**	**395**	**183**	**94**	**24**

Source: EOS

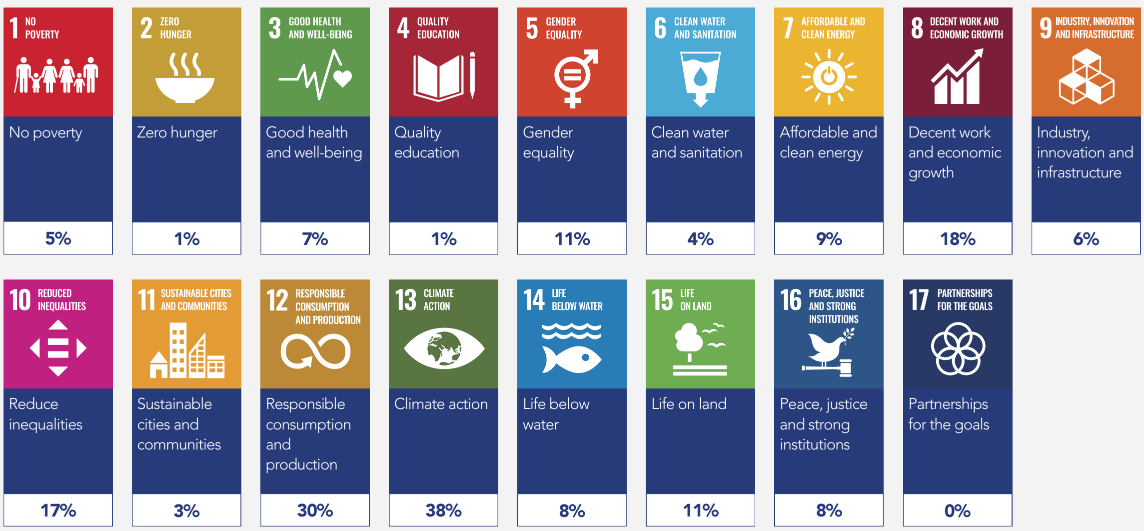
Linking Engagement to Sustainable Development Goals ("SDGs")

London CIV supports the delivery of the UN SDGs. We believe in creating positive outcomes for society through investments and engagement, as the goals recognise the role of the private sector in financing sustainable development.

The SDGs provide a common framework and language for investors and companies to work towards the achievement of the shared goals, with measurable indicators of progress. We believe EOS' and our own engagement with companies encourages them to act responsibly and reduce their negative impacts on society throughout their value chains. EOS' engagement methodology links each engagement objectives to a specific SDG target across our portfolio.

Supporting the UN Sustainable Development Goals

The chart below illustrates the proportion of **1,605** engagement objectives and issues on which we have engaged in 2023, which we believe are directly linked to an SDG (noting that one objective or issue may directly link to more than one SDG).



Source: EOS 2023

Figure 18: EOS Milestone Progress of SDG-linked Engagements Bar Chart

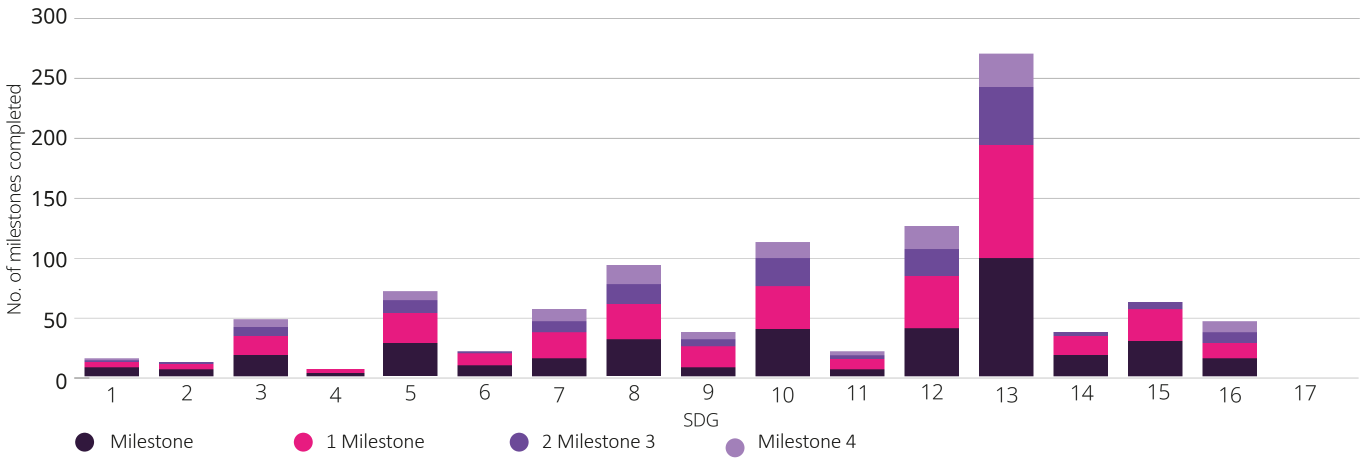


Figure 18: Source: EOS data for 2023

Deep Dive:
Climate Change

The Earth's temperature continues to rise faster than at any time in recent history, as evidenced by more numerous and volatile weather events in 2023, rising sea levels and warming marine temperatures. These changes are impacting agriculture and food supply, infrastructure and water availability, which in turn lead to increased migration and conflict. Climate change presents an immediate systemic risk to the ecological, societal and financial stability of every economy, country, asset type and sector on the planet. It will have significant and substantive physical and economic impacts on most aspects of human activity and, as a result, multiple implications for our Partner Funds and their pension fund beneficiaries. As significant asset owners, we have a key role to play in accelerating the transition to a net-zero economy. Addressing climate change is therefore part of our fiduciary duty and a strategic investment priority for London CIV.

Economic and geopolitical instability continued throughout 2023. Higher interest rates hindered the growth of renewables, which are typically financed with significant levels of debt, resulting in major offshore wind projects being scrapped across several regions. However, the International Energy Agency's (IEA's) updated net-zero emissions (NZE) by 2050 Scenario depicted economies transitioning away from all fossil fuels faster than previously expected, to remain aligned with 1.5°C[23].

We have continued with our engagement themes on climate change since 2020 and focused on the following outcomes:

- Improving the market quality of climate-related financial disclosure
- Reducing our Partner Funds' financial risk exposure from stranded assets

This year, our outreach continued to focus on escalating engagement with oil and gas companies and other high-emission sectors, which collectively account for ~65% of our portfolio's emissions. This targeted approach aligns with our net zero strategy to reduce our overall carbon footprint and mitigate climate-related financial risks.

Improving Disclosure

Accurate and timely disclosure of climate-related financial information is central to the effective implementation of the commitments set out in the climate policy. We work with investee companies to encourage better disclosure practices and improve data quality, thereby to strengthening its ability to assess climate-related risks. The chart below shows the underlying sources of corporate scope 1 and scope 2 emissions disclosure across London CIV's ACS portfolio by AUM. This has been assessed by calculating the value-of-holdings: The sum of the weights of each holding within each of the four disclosure data source categories.

The graph below shows the underlying sources of the scope 1 and 2 emissions data for our ACS portfolio by AUM. 66% of coverage is based on emissions or energy-use data directly reported to CDP or in a company's annual / CSR report (PCAF data quality score 2). A further ~9% of AUM is modelled based on revenue or other financial indicators and sector averages (PCAF data quality score 4).

This leaves approximately 25% of AUM not currently covered in our analysis – this may be due to the asset class (e.g. sovereign exposure, derivatives), missing data, our inability to match the ISIN to the issuer, or other data quality issues.

Figure 19: Scope 1 & 2 emissions for LCIV ACS portfolio

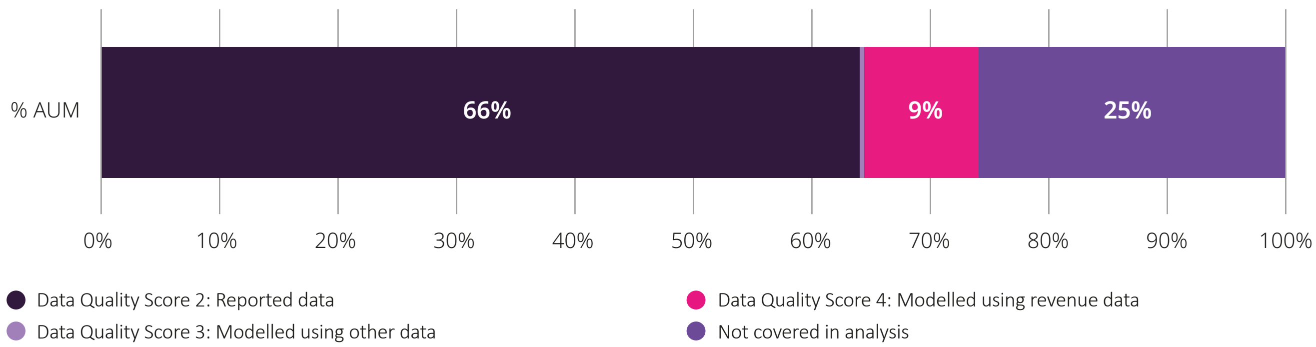


Figure 19: Scope 1 and Scope 2 Emissions Data Sources, Source: S&P Global Trucost

Note: Data quality scores are assigned on a scale of 1-5, 1 being best quality, following methodology from PCAF (Partnership for Carbon Accounting Financials).

23 London CIV Public 2023 Voting and Engagement Report, EOS

Case Study:
London CIV- helping our Partner Funds improve climate-related disclosures

13 CLIMATE ACTION

Background and Action: In 2022, we launched the London CIV Climate Analytics service ("the Service") for our Partner Funds. The service consists of a detailed report covering the carbon footprint, fossil fuel exposure and net-zero alignment (i.e. implicit portfolio temperature ^{0}C in line with the Paris Agreement) of all listed equity and corporate fixed income instruments held in an entire Pension Fund investment portfolio. Our Service provides an analysis at the bottom-up level, calculating the carbon footprint metrics against an emissions scope 1, 2 and 3, which are based on specific climate data associated to the specific companies and/or issuers at fund level and in aggregate, regardless of investments deemed pooled or not. Our service includes a presentation to explain the aggregated results, which is delivered by our specialist who also discusses climate metrics at the fund level. This exercise aims at facilitating the considerations pension committee members will make, alongside their respective investment consultants, to set targets to reduce the carbon emission of their overall investment portfolios. Our climate reports help inform how pension committees will set such climate target ambitions.

Progress and Outcome: By the close of 2023 we had successfully delivered seven reports to our Partner Funds, with 17 signed up to the service in total. We also expanded the RI team, adding a skilled responsible investment analyst and an experienced climate change risk manager to build capacity and expertise that will better service our Partner Funds and meet our own ambitions on net-zero alignment.

Case Study:
CRH (Listed Equity)

13 CLIMATE ACTION

Background: CRH is a diversified building materials company specialising in producing and distributing cement and other aggregates. Due to its significant contribution to the carbon footprint of the LCIV Global Alpha Growth Fund, Baillie Gifford has conducted rigorous analysis concerning its climate-related risks and mitigation efforts. Baillie Gifford's long-term objective for CRH is for the company to become an influential example of good practice in an emissions-intensive sector.

Action and Engagement: Baillie Gifford has been engaging with CRH since 2008, with discussions centred on the company's initiatives to reduce carbon emissions. Our investment manager informed us that this has involved advocating for increased transparency in CRH's Sustainability Reporting and Accounts, particularly regarding Board and auditor oversight of climate-related issues. These efforts also included urging CRH to disclose assumptions about future costs, potential policy shifts, accounting considerations, and its analysis of climate scenarios. In 2023, Baillie Gifford met with the company as part of a collaborative engagement coordinated by Climate Action 100+. As a result of the engagement, they reported that CRH has strengthened its decarbonisation targets, demonstrating leadership within the construction materials industry, a "hard to decarbonise" sector. The company announced new targets to support its net zero emissions by 2050 ambition, including a 30% absolute reduction in scope 1 and 2 emissions by 2030 compared to 2021 levels. These targets have been validated by the Science-Based Targets initiative (SBTi) in line with a 1.5 degree pathway. Recent discussions with CRH centred on the potential impacts of meeting these long-term objectives on the company's financial accounts and auditors' reports, in order for shareholders to make informed investment decisions.

Outcomes and Next Steps:
Our investment manager reported the following outcomes were achieved:

- Increased confidence in CRH's sustainability commitment, particularly regarding carbon pricing and their group-wide carbon intensity reduction target, which has been fully integrated into all business decisions.
- The 2022 annual report, released in March 2023, demonstrated a significant improvement in the disclosure of how climate-related issues are factored into strategy discussions and financial assessments.
- The company has quantified the incremental capex required to meet its 2030 decarbonisation goals.

Overall, our investment manager considers CRH to be a leader in its sector and will maintain constructive dialogue with the company on its climate transition plan, particularly around oversight of climate risks and climate scenario analysis.

Case Study: Company A (Fixed Income)

Background: Company A, an Italian multinational manufacturer and distributor of electricity and gas, stands as a flagship issuer of Sustainability Linked Bonds (SLBs). Company A has committed to a near-term core greenhouse gas emission reduction target, which includes reducing exposure to coal within its SLB framework. Our investment manager PIMCO played a key role in shaping Company A's sustainability-linked bond framework. PIMCO advised us that the company maintains a strong market position due to its best-in-class climate strategy and credentials. However, PIMCO emphasised that despite its ambitious goals, Company A faced challenges meeting its SLB Principles target due to various external factors hampering progress. These included adverse weather conditions, and, to a lesser extent, energy upply disruptions stemming from the Russia-Ukraine war.

Action: PIMCO has a long-standing engagement with the issuer regarding the implementation of Company A's climate strategy and identification of key performance indicators (KPIs) relevant to the coupon trigger mechanism associated with its Sustainability Linked Bonds (SLBs). In early 2023, discussions underscored the potential for Company A to fall short of its SLB target, thereby triggering a step-up provision. This assessment hinges on the comparison between the Carbon Emissions value and the target associated with the SLB, expected to be announced in April 2024, determining whether the target is missed or achieved. PIMCO informed us that the target for renewables installed capacity, also linked to the SLBs, remains firmly on track. Further, PIMCO recommended that Company A expand the SLB framework to encompass scope 3 and taxonomy metrics, and suggested enhancements for the issuer's sustainability-linked bonds progress reporting. Additionally, our investment manager reported they encouraged Company A to highlight drivers of carbon emissions compared to the set targets, to aid investors in understanding the influence of external and internal factors.

Progress and Outcome: In February 2023, Company A became the largest utilities issuer to update their Sustainability Linked Bond (SLB) framework to include the additional targets on scope 3 and taxonomy-aligned CAPEX, considered by PIMCO to be a best-in-class approach for all SLB issuers. This effort by Company A demonstrates the issuer is committed to the direct measurement and transparent reporting of its SLB targets. The investment manager confirmed Company A will publish an update on the carbon target linked to the issuer's SLBs in its 2023 sustainability report.

Looking Forward: We anticipate the release of the issuer's 2023 sustainability report. Our manager has also announced plans to engage with the issuer for an understanding of recently reported human rights controversies and their potential implications for compliance with international norms.

Reducing risk exposure from fossil fuels

Future emissions from fossil fuel reserves far outweigh the allowable carbon budget that will limit global warming to 2 degrees Celsius above pre-industrial levels. Industry experts refer to assets that may suffer from unanticipated or premature write-downs, devaluations or conversion to liabilities as stranded assets.

London CIV assesses exposure to such assets by monitoring revenue-weighed exposure to fossil fuels across our public markets funds, associated with business activities in either fossil fuel extraction or fossil fuel energy generation industries. This helps us to identify potentially stranded assets that may become more apparent as economies move towards a low-carbon economy. Since 2021, fossil fuel revenues have consistently made up <1% of our AUM. We are consistently outperforming both of our passive pooled funds held with BlackRock and LGIM, as well as the MSCI World index.

Based on this analysis, we work to identify the companies that contribute the most to the consolidated pool apportioned embedded emissions to engage with them and understand their strategies for mitigating the exposure of their stranded assets.

Figure 20: Apportioned Future Emissions by Reserve Type

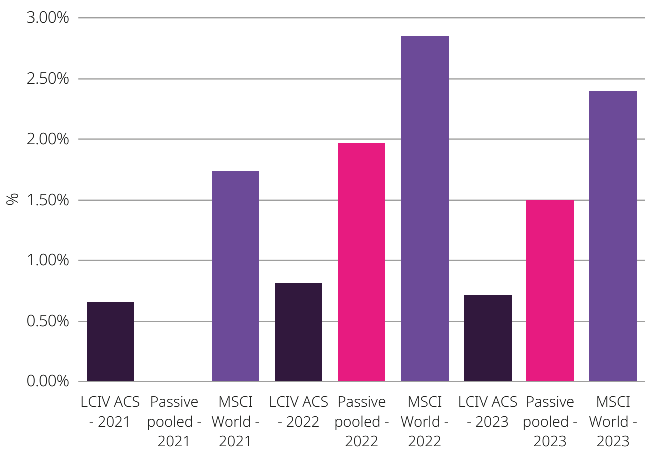


Figure 20: London CIV and S&P Trucost 2023

Case Study:
EOG Resources (Listed Equity)

Background: EOG Resources (EOG) is a US company engaged in hydrocarbon exploration. Their aim is to be the most cost-effective, low-emission, and high-return producers of oil, shaping the long-term future of the market. The company continues to prioritise producing the lowest carbon barrel of oil, as long as there continues to be demand for fossil fuels. The company cited a lack of financial incentives and expertise required to transition to renewable energy. The company has announced an ambition to reach net zero operational emissions by 2040.

Engagement Action: RBC's engagement with EOG began in 2021 and centred on its climate strategy, which is organised into three categories: reduce, capture and offset. RBC reported that while EOG has made significant strides in direct methane capture, achieving a 99.8% wellhead gas capture rate in 2021 and 2022, improvements to its emissions reporting were necessary, specifically the disclosure of scope 3 emissions. These concerns were flagged to the company in Q4 2022 and as part of ongoing engagement meetings. RBC decided to escalate their concerns at EOG's Annual General Meeting (AGM) by opposing one of the directors' re-election on the grounds of EOG's insufficient climate mitigation strategy. In a June meeting with the CEO, RBC confirmed that the company was researching scope 3 reporting standards and industry benchmarks. A second focus of engagement was on the expansion of a Carbon Capture and Storage (CCS) pilot project initiated in 2022, connected to EOG's natural gas facilities in the Permian region. RBC expressed confidence in the company's expertise, anticipating its leadership role in Carbon Capture and Storage (CCS) and its contribution to emissions reduction efforts.

Outcomes and Next Steps: In 2023, the company initiated reporting on its scope 3 emissions. Presently, management is focusing on disclosing category 11 data, with RBC expressing its intent to expand coverage where material and to enhance transparency.

Our investment manager will continue to monitor the company's progress in implementing their CCS project and achieving their carbon emissions reporting goals.

Case Study:
Royal Dutch Shell (Listed Equity), London CIV's Climate Change Escalation

Background: Royal Dutch Shell Plc engages in the oil and natural gas production, operating in the following segments: Integrated Gas, Upstream, Downstream, and Corporate. We have been engaging with Shell since 2021, as reflected by the fact that this has been an ongoing case study for the past two years. At Shell's 2022 AGM, we voted 'Against' Shell's Energy Transition resolution due to concerns about inadequate key disclosures and misalignment with a 1.5°C target. We also voted in favour of a resolution[24] demanding that Shell set Paris-aligned targets for all emissions. We later wrote to the company inquiring whether the Board intended to change course to reduce its impact on the climate. Regrettably, no response was received.

Action and Engagement:

- In 2023, we escalated our concerns by publicly endorsing ClientEarth's groundbreaking lawsuit against Shell's board of directors for their mishandling of climate-related risks, emphasising our shared concerns regarding Shell's Energy Transition Strategy and the Board's responsibility to address climate change risks.
- At Shell's 2023 AGM in June, we We voted 'Against' the reappointment of the Chair alongside its six directors, due to Shell's failure to manage climate-related risks. We opposed Shell's Energy Transition resolution due to continued misalignment with a 1.5°C target. Instead, we supported a shareholder proposal introduced by Follow This[25], advocating for the introduction of a 2030 emissions reduction target which includes scope 3 GHG emissions, particularly around the use of its energy products.
- In November 2023, we issued a press statement in response to Shell's recent lawsuit against Greenpeace, highlighting the multifaceted risks posed by climate change and the need for companies to address climate risks adequately.
- In December 2023, we joined a group of investors in co-filing a further resolution led by Follow This at Shell aimed at addressing the climate crisis holistically in 2024.

24 https://www.follow-this.org/wp-content/uploads/2021/12/Follow-This-Shell-Climate-Resolution-2022.pdf
25 https://www.follow-this.org/wp-content/uploads/2023/02/Follow-This-Shell-Climate-Resolution-2023.pdf

Category	Proposal	Management Recommendation	London CIV Votes	% For
Board Related	Re-elect Dick Boer as Director	For	Against	99.6%
Board Related	Re-elect Neil Carson as Director	For	Against	99.4%
Board Related	Re-elect Ann Godbehere as Director	For	Against	98.8%
Board Related	Re-elect Jane Lute as Director	For	Against	99.8/%
Board Related	Re-elect Catherine Hughes as Director	For	Against	98.3%
Board Related	Re-elect Sir Andrew Mackenzie as Director	For	Against	93.1%
Board Related	Re-elect Abraham Schot as Director	For	Against	99.8%
Climate	Approve the Shell Energy Transition Progress	For	Against	80%
Climate	Request Shell to Align its Existing 2030 Reduction Target Covering the Greenhouse Gas (GHG) Emissions of the Use of its Energy Products (Scope 3) with the Goal of the Paris Climate Agreement	Against	For	20%

Outcomes:

- In February 2023, the case was filed against Shell's Board of Directors for failing to move away from fossil fuels fast enough: the first ever case of its kind seeking to hold corporate directors personally liable. In May 2023, the UK High Court of England and Wales (Chancery Division) dismissed the case, and ClientEarth appealed the decision.
- 20% of shareholders supported the shareholder proposal requesting Shell to align its existing 2030 reduction target covering the greenhouse gas (GHG) emissions of the use of its energy products (scope 3) with the goal of the Paris Agreement, and voted 'Against' their Energy Transition plan
- In November 2023, The Court of Appeal refused permission to appeal, primarily citing procedural grounds (including that ClientEarth's status as a minor small shareholder), and a general reluctance to intervene in the duties of a directors.
- In December 2023, we divested Shell from our Global Equity portfolio. The position was liquidated in part because London CIV and the investment manager had lost confidence in the company's green energy operations' growth trajectory. We still retain a position in Shell within our Real Return portfolio.

Next Steps:

- We will continue to engage with Shell as part of the collaborative engagement efforts with other investors, alongside our investment manager and EOS.
- We will support and publicly advocate for the revised Follow This resolution, which has been confirmed by Shell to be tabled at its 2024 AGM, to be passed by shareholders.

ClientEarth

London CIV

London, 27 January 2023

Dear ClientEarth,

ClientEarth's anticipated derivative claim against the Board of Directors of Shell plc regarding climate risk mismanagement

Over the next few years one billion lives[1] and trillions of pounds will be at risk due to a single issue: climate change.

Recognising the dual materiality of this global emergency and the associated financial opportunities associated with the green transition, London LGPS CIV Limited ('London CIV') has a fiduciary duty to its 672,000 beneficiaries[2] to understand climate risk, maximize associated opportunities and reduce its carbon footprint.

Due to our future liabilities and long-term investment strategy, we support the Paris Agreement and must consider the financial implications of global warming, encouraging emissions reductions now, rather than later. Furthermore, recognizing that funding the transition is likely to mobilise over £240tn[3] in capital by 2050, more investment in renewables would be a significant competitive advantage.

In light of this, we are writing both to express our support for your anticipated shareholder claim and to set out our shared concerns with Shell's Energy Transition Strategy in light of the Board's responsibility of managing climate change risk.

1. London CIV

London CIV, established in 2015 by London Local Authorities manages London Local Government Pension Scheme ('LGPS') assets. London CIV is one of eight UK LGPS asset pooling companies. The London Boroughs and City of London who are the 32 shareholders, are also our clients ('client funds').

"As responsible investors, it is our duty to not only seek financial returns but also to drive positive change. Engagement with companies and active ownership are essential tools to influence sustainable practices and create long-term value for our clients' beneficiaries."

Deep Dive: Natural Capital

Biodiversity and Deforestation

In 2023, we continued to prioritise biodiversity and deforestation as key topics in our stewardship evaluation to address the urgent need to protect forests and their link to climate, biodiversity, and human rights. Since 2021, London CIV has been one of the early pension fund group members of the deforestation-free pensions guidance working group, set up by Global Canopy, Systemiq and Make My Money Matter. In 2022, the group released guidance[26] on how pension funds can reduce and make best efforts to eliminate deforestation exposure.

Our actions in 2023:

- Requested EOS to escalate engagement on biodiversity and deforestation with exposed companies.
- Engaged with investment managers regarding exposed companies.
- Incorporated deforestation and biodiversity risks in our updated voting and engagement policies and guidelines.
- Continued to vote in favour of proposals asking companies to abstain from operating in, or using materials extracted from, areas deemed at risk of deforestation; as well as against the relevant Director for firms deemed as not adequately managing deforestation-related risks.
- Continued to request and review managers' deforestation policies where available.
- Engaged on policy and collaborated with external groupsto support an enabling environment for businesses to avoid deforestation risks and impacts, as a member of the Investor Policy Dialogue on Deforestation (IPDD) working group.

Natural resource stewardship also continues to be an engagement focus for EOS. Their engagement on this issue with companies in our portfolio has centred on the protection, preservation and restoration of natural resources and biodiversity through systemic solutions such as transitioning to sustainable food systems, avoiding antimicrobial resistance and managing water stress to enable more affordable access to food and clean water16[27].

Case Study: The Yakult Honsha Company, Deforestation (Listed Equity)

Background: Yakult Honsha, a prominent Japanese manufacturer of food, beverage, pharmaceutical, and cosmetic products, utilises commodities such as palm oil, soy, pulp, and paper, which are often associated with deforestation. EOS identified these deforestation risks within Yakult's supply chain.

Engagement Action: In 2021, concerns were raised with Yakult, urging the company to establish clear targets for mitigating deforestation risks and implement transparent policies for its suppliers to ensure a deforestation-free supply chain. Yakult acknowledged these concerns and committed to addressing them in its environmental initiatives. However, due to the lack of concrete action, engagement was escalated, leading to opposition to the re-election of the president at Yakult's 2021 AGM over concerns about insufficient management of deforestation risks and biodiversity impact. In 2022, further discussions were held at the company's headquarters in Tokyo, emphasising the importance of evaluating biodiversity risks throughout its operations and supply chain.

Outcomes and Next Steps: In 2023, in response to the engagement, Yakult implemented a "Deforestation and Conversion Free (DCF) Commitment to Responsible Sourcing" policy. This policy outlines specific actions and key performance indicators (KPIs) for pulp and paper, palm oil, soy, and dairy products, aiming to eradicate deforestation from its supply chain. London CIV will continue to engage with Yakult via EOS on the effective implementation of this policy, ensuring alignment with the TNFD recommendations and sustainable agriculture practices.

26 https://guidance.globalcanopy.org/further-guidance/pension-funds/
27 Source: EOS 2023-2025 Public Engagement Plan, 2023

Case Study:
Ørsted, Biodiversity (Listed Equity)

Background: Ørsted A/S is the largest energy company in Denmark. In 2021, Ørsted set out its 2030 ambition for all new projects to have a net positive impact on biodiversity. To deliver on this, Ørsted set up regional biodiversity teams with biodiversity specialists, who work with local business units to advance the net-positive agenda.

Engagement Action: Our investment manager Baillie Gifford, engaged with Ørsted's UK biodiversity specialist at a Scottish blue economy event to discuss the use of standardized biodiversity metrics and potential approaches for Ørsted. They learned that Ørsted's current focus is on establishing a standardised unit of measurement. This will enable the aggregation of progress from business units to the corporate level and facilitate clear communication of progress with external stakeholders. Baillie Gifford reported that Ørsted is committed to publishing a methodology by 2024, which will introduce new metrics for key habitats and species, going beyond DEFRA's[28] Biodiversity Net-Gain (BNG) approach focused on habitats. Ørsted ultimately aims to share their methodology with the industry and strive to outperform competitors. A second objective is testing the implementation process. Baillie Gifford stated that while onshore renewables are part of the target, most pilot projects have focused on marine ecosystems due to their complexity in achieving 'net gain'. Challenges include the dynamic nature, expanse, and depth of these ecosystems, necessitating collaboration with various stakeholders to collect data, coordinate actions, measure outcomes, and provide compensation. Additionally, lessons learned in one habitat or region may not necessarily be transferable elsewhere, leading to additional costs and resource needs.

Outcomes and Next Steps:

- A biodiversity ambition and measurement framework was piloted, with the final framework still under development.
- While the precise business case for this work is still developing within Ørsted, the company's strong environmental practices, evidenced by consistent dialogue with the Crown Estate Scotland, Scottish Government, and Scottish Environment Protection Agency (SEPA), contribute to a significant amount of goodwill. This intangible asset, in turn, positively influences Ørsted's financial performance. Additionally, the rapid pace of regulatory changes and growing public awareness further incentivise Ørsted to maintain its leadership position in this area.

Baillie Gifford will continue to engage with Ørsted on their progress as a provider in the renewable transition.

28 Department for Environment, Food and Rural Affairs

Deep Dive:
Human Capital

Diversity, equity and inclusion (DEI) remained a priority sub-theme for London CIV this year. As more corporations carry on pledging to improve racial and gender diversity, we believe better data and greater transparency is key to improve progress on racial gender and socioeconomic equality. This data can be used to evaluate companies on key social issues such as pay parity, employee discrimination and other diversity and inclusion policies. These risks, if not effectively managed, can lead to reputational harm, an inability to attract and retain a quality workforce and even legal action.

We're committed to engage with companies to improve disclosure across key DEI metrics and actions to achieve equality in the workplace. Regarding our engagements, **45%** of EOS' engagements conducted on our behalf were on human capital. **43%** of engagements were on the topic of human rights.

Figure 21 summarises the overall level of disclosure on female representation at the corporate level across the London CIV consolidated asset pool. The coverage rates were calculated as the sum of weights in each holding within each of the two disclosure categories. We continue to use such results as the basis for our engagement with companies.

Based on corporate disclosures by companies within the London CIV pool, we were able to calculate gender diversity at board level as well as workforce female diversity. Figure 22 indicates the weighted average female board representation at London CIV consolidated pool-level.

We remain increasingly concerned about progress on diversity in corporate companies and the investment management industry. The analysis shows only 7% representation of women on company boards and 5% of ethnic minorities in the management position.

Further, we believe our assessment of managers' DEI practices at the operational level are a valuable indicator of whether the investment team have the right cultural diversity internally to contextualise engagements.

Regarding voting, our guidelines relating to DEI advocate for increased representation of women and ethnic minorities on boards and in leadership teams. In 2023, we opposed **3,118** responsible Director proposals due to concerns about insufficient diversity.

Figure 21: Female representation Corporate disclosure (AUM)

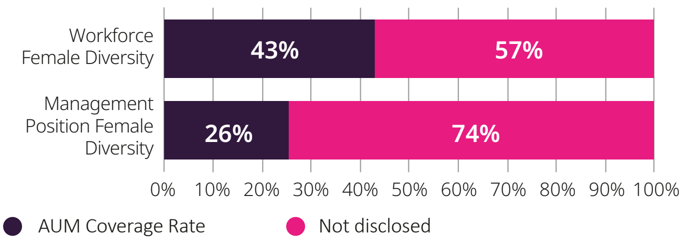


Figure 21: Source London CIV Research

Figure 22: Management position female Diversity

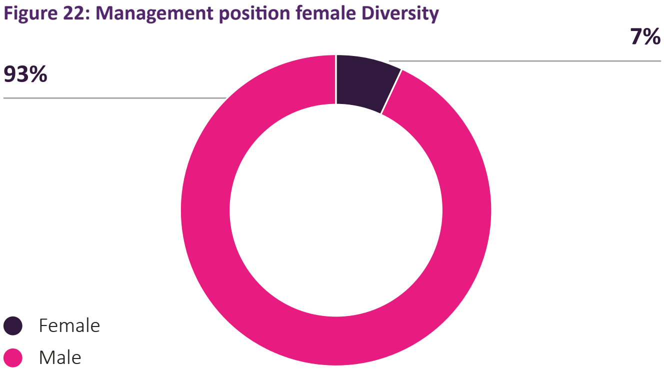


Figure 22: London CIV Research based on Bloomberg Data

Figure 23: Workforce female Diversity

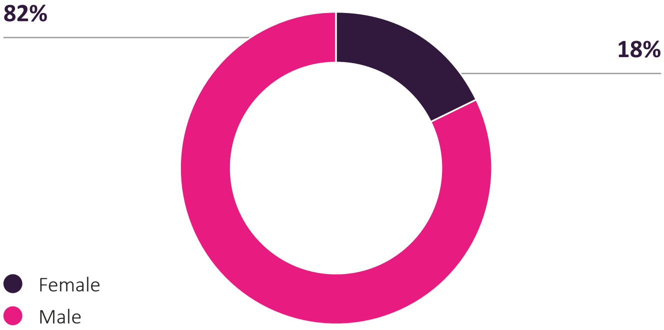


Figure 23: Workforce Female Diversity, Source: London CIV Research based on Bloomberg Data, 2022

Figure 24: Minority representation Corporate disclosure (AUM)

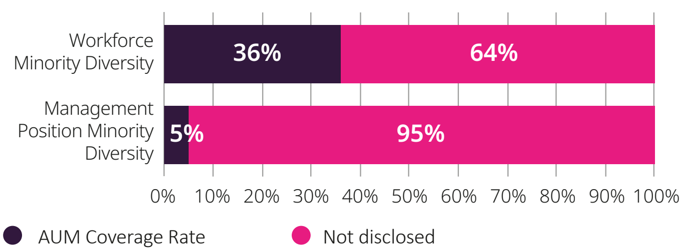


Figure 24: Minority Representation Corporate Disclosure, Source: London CIV Research based on Bloomberg Data

Case Study:
London CIV Asset Owner Diversity Charter

asset owner diversity charter

Background: Since 2022, London CIV has engaged with all underlying investment managers to disclose their diversity data by using the Asset Owner Diversity Charter (AODC) Questionnaire. The charter has two key components: the asset manager diversity and inclusion questionnaire and the asset owner charter toolkit. The questionnaire aims to standardise diversity metrics to enhance disclosures, with results informing a progress report to support engagement and improve DEI efforts. The the toolkit supports the charter's implementation and covers essential topics such as manager selection and monitoring.

As a signatory and active working group member, we request our managers to compile DEI data on an annual basis. The questionnaire contains both qualitative and quantitative questions across five key areas.

The lack of harmonisation of metrics in DEI adds extra burdens for asset managers, as their clients and stakeholders may request workforce data in various metric categories. The AODC quantitative questionnaire aims to resolve this issue, as we seek to provide a comprehensive template for asset managers containing metrics that are important to asset owners and consultants.

Progress and Outcomes: In 2023, our chief aim was to increase the disclosure rate across our investment manager universe. We successfully achieved this goal, with 100% of our managers responding to our questionnaire. However, the quality of responses varied, with 26% of managers leaving the quantitative section of the questionnaire blank. Despite this, there was a notable increase in engagement from our investment managers, with 48% completing the questionnaire for the first time this year. Managers across both public and private markets acknowledged the importance of this disclosure, with many noting that the activity also served as a valuable learning process for their firms.

We recognise that the data collection process requires time from our investment managers, but one of the ambitions of this initiative is to enable managers to respond to standardised requests for information.

Key achievements in 2023:

- We partnered with CAMRADATA to conduct detailed analysis on key qualitative and quantitative metrics, which informed our ongoing assessment of our managers.
- Our active involvement on Asset Owner Diversity Charter (AODC) Working Group continued this year, in partnership with other asset owners committed to industry transformation on DEI. Our expertise assisted the group in furthering its objectives.
- We maintained our commitment to integrating DEI principles into manager selection and monitoring procedures. In the tender process for our Nature Based Solutions fund, we mandated consultants and managers under consideration to address diversity-focused screening questions.
- We responded to the (FCA's) Diversity and Inclusion Public Policy consultation. We provided an asset owner perspective feedback and advocated for our questionnaire's adoption as an industry best practice.

Focus for 2024: Our main goal for 2024 is to boost the quality of quantitative data responses and expand beyond gender to include ethnicity and socioeconomic status metrics. Socioeconomic factors will be based on the City of London's Socioeconomic Taskforce's recommendations[29]. Additionally, we will continue our involvement with the AODC working group, with plans for the charter to launch the next phase of its growth strategy at its 2024 annual conference.

Board	Who has responsibility and oversight for the diversity strategy and targets? If there are no targets, explain why?
Promotion	How do you ensure you operate an equal opportunity development and promotion process?
Culture	How are you fostering inclusivity? Do you undertake staff surveys, ensure polices are accessible? Is take up measured?
Recruitment	Often sighted as a barrier. How are barriers being broken and how are firms ensuring the process in inclusive and bias is removed?
Industry	How are firms improving representation and perception of the industry? How can they be involved and supporting collaborative initiatives?

29 https://www.gov.uk/government/publications/socio-economic-diversity-taskforce-in-financial-and-professional-services

Case Study:
Huntington Bancshares, Inc., Diversity, Equity and Inclusion

5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES

Background: Huntington Bancshares, Inc. operates as a bank holding company. It provides a range of financial products and services including commercial and consumer banking services, mortgages, vehicle financing, investment management, and insurance.

Engagement: In 2022, EOS urged Huntington Bancshares to establish a clear workforce diversity strategy with time-bound targets to increase representation from under-represented groups, including gender, ethnicity, LGBTQ+, and disability. In 2023, EOS met with the bank to discuss DEI and its employee talent pipeline and informed us that Huntington Bancshares emphasised its successful internship programme. Additionally, EOS advocated for more detailed disclosure on promotion retention rates by demographic, and LGBTQ+ representation on the board. In response, the bank highlighted that although it does not explicitly incorporate ESG metrics into compensation, various aspects related to DEI are considered in annual awards.

Outcomes and Next Steps: In 2023, the bank set comprehensive diversity targets encompassing racial and ethnic diversity, as well as diversity in hiring and promotions. Furthermore, EOS urged continued transparency regarding progress and diversity programmes, highlighting the company's commitment to diversity even in the face of regulatory changes.

Case Study:
Multinational Software Company, Diversity, Equity and Inclusion

5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES

Research shows that gender-diverse executive teams tend to have higher profitability, foster innovation, and strengthen governance. Boards with greater gender diversity also face fewer governance-related controversies.

Background: In 2023, our investment manager, Morgan Stanley Investment Management (MSIM), met with a German multinational software company to discuss its failure to meet the target of 30% women in management positions within 2022. MSIM believe a strong DEI strategy is critical for attracting top talent, creating a positive culture, and improving overall financial performance.

Action: The company has been embedding DEI in its business for two decades through various initiatives and policies. MSIM reported that the company attributed its shortfall in meeting its women in management target to the hiring limitations imposed by the COVID-19 pandemic. The company confirmed it prioritises promoting from within, investing in internal development programs and is on track to meet its target by year-end. The company’s goal, set in 2020, to double the representation of Black and African American employees in the U.S., excluding leadership teams. Currently, representation stands at 3.7%, as the company recognises the original target was overly ambitious, it has now shifted its focus to increase self-disclosure and set more accurate diversity targets.

Outcomes and Next Steps:

- The company is on track to meet its gender diversity target within 2023.
- The company published its inaugural DEI report, providing stakeholders with progress against set targets and objectives.
- The Chief Diversity & Inclusion officer of the company has exhibited effective leadership through the establishing a credible DEI strategy and building an inclusive culture from within.

Confident in the company's ability to effectively deliver and implement its DEI strategy, MSIM will continue to engage with the company on improving gender parity and greater racial and ethnic diversity, supported by realistic, time-bound milestones.

Deep Dive:
Human and Labour Rights

Heightened awareness and urgency surrounding human rights issues, along with a deeper understanding of our influence in achieving real-world outcomes through our investments, has raised the bar for human rights protection. As institutional investors, London CIV has a duty to uphold human rights, as codified by the UN and the OECA in 2011. This issue has been a top priority for us since 2021, as detailed in our Stewardship Policy.

In 2023, 38% of EOS' engagements on Social and Ethics focused on Human Rights.

Our public statements:

In 2023, we published statements disclosing our exposures to exposures to Israeli-related investments:

Our public statement on our response to the Israel-Hamas War

Our public statement and exposure on the Uyghurs in the Xinjiang region of China.

Case Study:
Thermo Fisher Scientific Inc. (Listed Equity)

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Background: EOS has been engaging with Thermo Fisher since 2019, and in the previous year we reported on their engagement with the company regarding allegations over its DNA kits being used for genetic surveillance over consecutive years of the Uyghur minority in the Xinjiang region of China. EOS informed us that they will continue to engage with the company to enhance its human rights policy to align with the UN Guiding Principles framework, and disclose a comprehensive due diligence process that includes digital rights and facial recognition, access to remedy, and external human rights expertise on the board.

Action: In 2023, EOS asked Thermo Fisher to explain how it is managing risks associated with human rights violations, considering allegations that its DNA kits are being used to discriminate against subsets of populations in Xinjiang and Tibet. The company explained that its products do not have the capability inbuilt for end-users to identify the source of origin for DNA samples, because it may facilitate product misuse, for example to discriminate against population subsets. EOS also reported that they do not believe that the company itself has access to the underlying sample data and results produced through customer use of its DNA profiling kits, ensuring greater confidentiality.

Outcomes:

- In 2023, the company aligned its Human Rights policy with the UN Guiding Principles (UNGP's) framework.
- A bioethics committee was established following the identification of misuse, implementing new controls and participating in all product design decisions. EOS advised that the committee reports to the board and provides oversight of emerging risks including diversity in clinical trials and artificial intelligence.

Enhanced due diligence processes were implemented for high-risk regions, providing impacted parties with access to remedy.

Case Study: Hon Hai Technology Group (Listed Equity), Labour Rights

Labour rights violations, including forced labour, long working hours, and poor working conditions, pose significant risks in global supply chains, particularly in complex and labour-intensive industries. Poor transparency in large-scale supply chains can also lead to companies unknowingly violating labour rights laws.

Background: Hon Hai is a Taiwanese multinational electronics contract manufacturer. Since 2010, EOS has pressed Hon Hai to improve its labour practices, resulting in progress on long-term sustainability initiatives. In 2017, EOS specifically addressed labour standard concerns and the high turnover rate among Hon Hai's workforce, which exceeds one million globally. This followed reports of underage workers and inadequate working conditions. Due to EOS's involvement, Hon Hai terminated its student worker program and increased the minimum working age to 18, aligning to international standards.

Engagement and Action: In 2022, EOS re-engaged with the company following fresh media reports sparked by protests at Hon Hai's Indian iPhone plant in December 2021 on working conditions[30]. EOS' efforts included advocating for addressing working conditions, increasing disclosure of audit findings and remedial actions to address labour issues identified. Despite the company's commitment to disclose ESG information outside of Chinese operations, it was still gathering data for reporting. In November 2022, Hon Hai assured that it was addressing the issues flagged over protests at its Zhengzhou factory concerning highly stringent Covid-19 rules and plans to delay bonus payments. In April 2023, EOS visited the company's Zhengzhou production campus to witness first-hand the implementation of a sufficient human capital management strategy. This involved assessments of living and working conditions, and interactions with senior management. Notably, the company allowed EOS unfettered access to its dormitories.

Outcomes and Next Steps:

- In 2020, the company introduced a board-approved labour strategy prohibiting student workers under 18 from production roles.
- In 2021, the chair affirmed the commitment to respecting workers' rights and communicated the company's new code of conduct.
- In May 2022, a new ESG strategy was announced, featuring ten social goals with milestones and associated metrics surpassing 2025, including, human rights, labour standards, employee feedback mechanisms, and inclusion and diversity.
- In April 2023, the company updated its value chain code of conduct and reported on how it had addressed labour issues reported in December 2022, confirming 100% of its production plants are internally audited before undergoing independent third-party audits.
- The company committed to including disclosure outside of China in its upcoming ESG report, to be released in 2024.

Overall, this shows that Hon Hai have made significant strides towards a robust human capital management strategy. EOS will continue to engage with the company, alongside other critical long-term sustainability drivers such as climate change risk mitigation.

30 https://www.reuters.com/world/india/foxconn-indias-iphone-plant-restarts-production-after-dec-protests-2022-01-12/

Case Study:
Compass Group, EOS, Human Rights (Modern Slavery)

Background: Compass Group Plc is a UK-based business focused on providing outsourced food and targeted support services around the world, with key markets in North America, Europe, and rest of World. In October 2020, Compass Group Plc faced criticism over alleged human rights abuses relating to modern slavery in its supply chain and so engagement took place regarding the lack of effectiveness of its policies and processes designed to uncover modern slavery in its operations.

Engagement and Action: In 2020, EOS encouraged Compass Group to adopt a human rights policy and conduct an impact assessment. While the subsequent policy and commitment to combatting modern slavery were positive steps, EOS questioned the effectiveness of Compass's efforts to uncover such practices within its operations.

The following year, EOS inquired about the company's migrant worker recruitment practices and recommended an independent review of worker experiences. Compass confirmed it was considering additional actions, like employee training, and welcomed further input.

EOS continued to engage with Compass in 2022, focusing on revisions to its Code of Business Conduct. In 2023, progress was assessed, with EOS noting efforts to measure compliance and track high-risk areas but calling for greater transparency through public reporting. In response, Compass announced the launch of a group-wide Third-Party Integrity Due Diligence Policy and Migrant Labour Working Group.

Outcomes and Next Steps:

- In 2021, the company announced it was commissioning an independent review to assess recruitment practices and worker treatment in seven countries, whilst bolstering its human resources function.
- In 2022, Compass confirmed an independent review had been conducted and found the company to be compliant with the International Labour Organisation’s (ILO) forced labourstandards .
- In 2023, the company created a new Group Supply Chain Risk Management (SCRM) Committee, to further develop and embed a strategic framework and integrated approach to mitigating human rights risks in its supply chain.
- It also launched a new Group-wide Third-Party Integrity Due Diligence Policy (TPIDD) and Migrant Labour Working Group (MLWG).
- The company also published an integrated Business Integrity Policy and updated Code of Business Conduct to enhance risk reduction and compliance.

EOS will continue engaging with the company on modern slavery and human capital management. It is making progress and committed to further embedding its Supply Chain Risk Management (SCRM) strategy,, advocacy of ethical recruitment practices, and amplifying collaborations with external experts on human rights and modern slavery.

Deep Dive:
Technology and Cyber

Based upon our proprietary prioritisation methodology, described in our Stewardship Policy, technology and cyber rose up the agenda of London CIV's priorities this year.

Responsible investment necessitates active engagement with technology's impact. From artificial intelligence (AI) shaping industries to cybersecurity threats evolving, navigating this dynamic landscape requires collaboration. We promote responsible development and adoption of AI, encouraging ethical considerations and potential risks. We advocate for robust cybersecurity measures and proactive threat mitigation strategies. By engaging with investee companies, we strive to ensure technology empowers a sustainable and secure future, contributing to long-term value creation for our Partner Funds' beneficiaries.

Our action in 2023:

- Using our voting rights for privacy and digital rights. Please see pg.49 for case study on Meta and pg.62 for case study on Amazon.
- Engaged with our Stewardship provider to enhance technology and cyber engagements.

Case Study:
Tencent | EOS | Digital Rights, Data Privacy and Ethical AI

Background: Tencent Holdings Ltd. is a Chinese multinational technology company engaging in the provision of value-added services and online advertising services. Its stated mission is to "improve the quality of life through internet value-added services"[31]. Since 2019, EOS have been engaging with the company on our behalf.

Action and Engagement: EOS pressed Tencent to implement robust strategies for safeguarding consumers and upholding ethical AI use. This included disclosing its code of business ethics, incorporating AI ethics, in its ESG reporting and adopting its own ethical AI guidelines, given the company's extensive use of machine learning.

In 2020, the focus shifted to data privacy concerns. EOS asked Tencent to publish its security and privacy practices, in response to reports of WeChat surveillance[32]. EOS sought clarification on legal compliance in offshore jurisdictions and requested transparency reporting on government and third-party data requests. Tencent affirmed its commitment to complying with China's Personal Information Protection Law.

By 2022, EOS had communicated its Digital Rights Principles to Tencent, outlining further expectations for AI and data privacy. They included transparency of algorithmic systems, user control, bias mitigation, and adherence to data privacy best practices. In 2023, EOS addressed Tencent's reported UN Global Compact breach and its low Ranking Digital Rights score, urging a commitment to user consent to its privacy policies.

Engagement Outcomes:

- In 2021, the company released its first Explainable AI Report, highlighting its "AI for Good" vision centred on improving people's quality of life and possibilities for social development. The report, a first for a Chinese company, outlined Tencent's regulatory policies, development principles, and industry practices for explainable AI.
- Tencent also pioneered industry standards in the Shenzhen AI Industry Association covering minors' cybersecurity and facial recognition technology and outlined its ethical use of AI.
- The company issued a WeChat Governmental Request Policy detailing it's response to government data requests and emphasising user data privacy protection.
- In 2023, Tencent implemented an AI Data Security Management Policy mandating key principles for AI data handling.
- The company established a Personal Information Protection and Data Compliance Management Taskforce, governing privacy assessment of its products and services. EOS were subsequently notified that Tencent's Sustainalytics score had been upgraded to "Low Risk".

31 Source: https://www.weforum.org/organizations/tencent-holdings/
32 We Chat, They Watch: How International Users Unwittingly Build up WeChat's Chinese Censorship Apparatus- The Citizen Lab

Case Study:
Meta Platforms Inc. [Exercising our Voting Rights]

Background: Meta Platforms, Inc., formerly named Facebook, Inc., is an American multinational technology conglomerate based in California. As a leading technology provider, risks such as content governance, data privacy, cybersecurity, artificial intelligence, human and digital rights remain key investor concerns.

Action: As a material holding for London CIV, we are committed to actively engaging with the company on priority ESG issues. Ahead of the company's 2023 AGM, we received voting recommendations from PIRC and the Investor Alliance for Human Rights regarding several social shareholder proposals being tabled. After careful consideration and consultation with EOS, we aligned our votes with PIRC and EOS for 10 out of 11 resolutions. We voted 'Against' a proposal calling for Meta to calibrate pay to externalised costs due to concerns with the proponent's wording and their interpretation of fiduciary duty. Instead, we voted Against the re-election of two directors to highlight our concerns over board compensation. Additionally, we supported PIRC's recommendation on a proposal regarding reproductive rights and data privacy, against EOS' advice.

Outcome: Shareholder proposals regarding dual-class capital structure, a human rights impact assessment of targeted advertising, lobbying activities, and child safety and harm prevention received the highest level of support from investors, however none were passed. Despite not receiving a majority vote, we believe they signify increasing concern among shareholders regarding human and digital rights risks impacting the company's reputation and financial performance.

Category	Proposal	Management Recommendation	London CIV Votes	% For
Digital Rights	Report on Government Takedown Requests	Against	Against	0.42%
Board Related	Approve Recapitalization Plan for all Stock to Have One-vote per Share	Against	For	27.97%
Digital Rights	Report on Human Rights Impact Assessment of Targeted Advertising	Against	For	17.02%
Political Spending	Report on Lobbying Payments and Policy	Against	For	14.56%
Digital Rights	Report on Allegations of Political Entanglement and Content Management Biases in India	Against	For	4.6%
Political Spending	Report on Framework to Assess Company Lobbying Alignment with Climate Goals	Against	For	9.8%
Digital Rights	Report on Reproductive Rights and Data Privacy	Against	For	9.6%
Digital Rights	Report on Enforcement of Community Standards and User Content	Against	For	7.16%
Health & Safety	Report on Child Safety and Harm Reduction	Against	For	16.27%
Board Related	Report on Executive Pay Calibration to Externalized Costs	Against	Against	7.16%
Board Related	Commission Independent Review of Audit & Risk Oversight Committee	Against	For	6.65%

Source: ProxyExchange, ISS Governance

Deep Dive: Health, Safety and Wellbeing

Health, safety and wellbeing intensified as a key sub-theme for London CIV in 2023. We believe a focus on health, safety, and wellbeing isn't just a moral imperative but also a strategic investment.

Proactive health initiatives and safety protocols reduce risks and create a positive work environment, boosting employee engagement and productivity. We encourage investee companies to prioritise employee wellbeing through comprehensive healthcare options, mental health support, and safe working conditions. By fostering a healthy and safe work environment, we contribute to a more resilient and productive workforce, ultimately enhancing long-term value. Ultimately, investing in a healthy and thriving workforce is paramount to financial performance and moral obligations.

Integration by asset class, funds and geographies

London CIV prioritises robust stewardship across all asset classes as a core fiduciary duty. This is reflected in our fund design, selection, appointment, and monitoring of investment managers.

Our investment mandate's asset class, geographic focus, and risk objectives determine which responsible investment and ESG factors we prioritise. We only select external managers with consistently strong ESG integration and stewardship practices, with clear responsible investment criteria and standards defined in our agreements.

We hold managers accountable through ongoing monitoring and reporting to ensure they meet the ESG goals of their fund mandates. While this can be more challenging for pooled, multi-asset, or emerging market funds, we have established robust processes to ensure alignment with fund objectives.

Engaging on both equity and credit allows us to collaborate with other investors and maximise our influence, promoting sustainable investments that benefit all stakeholders. For real estate and infrastructure assets, we conduct due diligence on external managers and monitor environmental performance. For alternative investments, we ensure alignment with our ESG objectives and actively monitor ESG performance.

We expect all our investment managers to adhere to global best practices in engagement and stewardship. Our Stewardship Policy provides further details on our approach across different asset classes.

We recognise the challenges of integrating ESG factors into certain asset classes, particularly in emerging markets, where ESG practices and regulations may differ. However, we are committed to working closely with our investment managers to review leading responsible investment practices and continuously improve our processes to ensure positive ESG impact across our diversified portfolio.

We expect our managers to understand the local context and take the time to understand the local business environment, culture, and evolving regulations when engaging with companies. These differences serve to guide variations in stewardship and engagement activities.

Key Principles:

- **Robust stewardship** across all asset classes is a core fiduciary duty.
- We select managers with **strong ESG integration and stewardship practices.**
- We hold managers **accountable** for meeting ESG goals.
- We engage on both **equity and credit** to maximise influence.
- We recognise the **challenges of ESG integration** in certain asset classes and markets but remain committed to **continuous improvement**.
- We expect our managers to **understand the local context** and adapt their stewardship and engagement activities accordingly.

Case Study:
UnitedHealth Group Inc. (Listed Equity)

3 GOOD HEALTH AND WELL-BEING
5 GENDER EQUALITY
10 REDUCED INEQUALITIES

Background: Our investment manager RBC engaged with UnitedHealth Group Inc., a US multinational health insurance and services company, on our behalf. Material issues in healthcare include diversity and inclusion, equity and inequality, because they have significant impacts on the healthcare quality.

Engagement: UnitedHealth Group views healthcare equity as integral to its strategic purpose, considering it a vital social asset for the long-term well-being of its stakeholders. The company has a focus on HR and DEI, particularly in the US, where racial disparities markedly affect healthcare access, alongside gender considerations. RBC informed us that through long-term engagement, it has encouraged the company to enhance its diversity and inclusion programmes and commit more resources to initiatives. However, the board's female representation dropped below 30% in 2022, which is an issue our investment manager highlighted to the company.

Outcomes and next steps:

- In 2023, UnitedHealth Group's Board of Directors reported 33% female and 33% ethnically diverse representation.
- The company committed to improved sustainability reporting and achieved that goal in 2023, with further transparency planned for 2024.

RBC will continue engaging the company on the implementation of its strategy to build healthier communities, and underscored their belief in the importance of UnitedHealth Group acknowledging that its long-term investors consider these issues critical for long-term value creation.

Deep Dive: Listed Equity

We believe well-governed companies are critical to the creation of long-term value for shareholders, other stakeholders, society and the environment.

We expect companies to comply with regulation and company law in the countries in which they operate, as well as with any relevant regional or international requirements.

Our approach to voting, engagement, voting escalation for listed equities in segregated accounts is detailed in our Stewardship Policy. A segregated account is one in which the shares are held separately from other investors, and we can instruct votes directly at company meetings on behalf of our Partner Funds to support engagement.

Deep Dive: Fixed Income

The investment industry has witnessed a step change in the attention being paid to engagement by fixed income investors.

In 2023, The Institutional Investors Group on Climate Change (IIGCC) released new guidance[33] to support corporate bondholders with their climate stewardship and engagement activities. Bond investors possess a unique advantage as they are a recurring source of capital for companies. They can encourage companies during the fundraising phase to make strong sustainability commitments from the outset. This is in contrast to equities, which are issued indefinitely.

Moreover, holding a financial stake grants bondholders the right and the obligation to engage with the company.

We view engagement holistically and believe that our fixed income managers and EOS should apply best-in-class practices to engagements with our corporate fixed income holdings. In 2025, we plan to explore opportunities for effective stewardship of our sovereign bonds through more public policy advocacy.

We see fixed income engagement as an exciting opportunity for innovation and expect ESG factors to directly affect issuance. Examples of strategies we encourage include promoting issuance of well-designed 'purpose of use' or sustainability bonds and offering margin rachets to borrowers who score more highly on ESG criteria. We see all ESG factors as financially material to whether loan repayments can be made and thus believe it should affect creditworthiness.

Embracing short term differences for long term value creation

ESG factors can affect the investment performance of bonds, both negatively and positively, at the issuer, sector, geographic and system levels. We believe well-governed companies that implement robust ESG and climate impact practices are more likely to make their loan repayments and improve their creditworthiness over the long-term.

Ironing out the short-term differences, over time shareholder and bondholder interests will ultimately align. The table below highlights some examples of the key differences[34]:

Dividend pay-out

Short term impact

- Increase in dividends reduces cashflows available for reinvestment in the business
- Decrease in dividends has a positive impact on cashflow available for bondholders

Over the long run, an increased dividend pay-out reflects a strong balance sheet and signals sustainable cash generation. On the other hand, for shareholders, a decreased dividend is positive if the new level of dividend payout is compatible with long-term growth.

Share Capital

Short term impact

- An increase in share capital will dilute existing shareholders
- However, it will strengthen the capital structure which could improve credit quality

Over the long term, a balanced capital structure should help deliver long-term growth for shareholders. For bondholders, the proceeds of share issues can be used to reduce debt.

Merger and Acquisition

Short term impact

- Could potentially have a positive impact on share prices
- Compromising creditworthiness by increasing debt

Over the long run if re-leveraging is temporary, a successful merger or acquisition will enhance growth potential and creditworthiness. It could also improve the management team by bringing in new talent and skills

33 https://www.iigcc.org/media-centre/iigcc-publishes-bondholder-climate-stewardship-guidance-1
34 Hermes EOS Research

Sovereign Credit

Until recently, this asset class remained largely unexamined from an ESG risk and reporting perspective due to the absence of reliable metrics and actionable intelligence. Our exposure to sovereign credit grew this year as we expanded our Fixed Income product offering to include two new LCIV Short and Long Duration Buy and Maintain Credit funds, managed by Insight.

One of the key risks for sovereign credit in 2023 was the onset of the Israel-Hamas war. In October, S&P Global Ratings revised the outlook on its 'AA-' long-term foreign and local currency ratings on Israel to negative from stable. At the same time, they affirmed the 'AA-/A-1+' long- and short-term foreign and local currency sovereign credit ratings[35].

The negative outlook reflected the risk that the Israel-Hamas war could spread more widely or affect Israel's credit metrics more negatively than expected. Further, consumer spending, imports and exports all reported declines.

We analysed direct and indirect exposure for all holdings related to Israel. Our investment team conducted a comprehensive bottom-up risk assessment while closely monitoring news flows and manager activities. Through these measures, we can ensure the robustness and resilience of our investments while safeguarding the defined members' benefits. We have developed the below control model to manage unpredicted market wide geopolitical risk events.

Our current control – multi-layer assurance

London CIV

By harnessing all information available from our custodian, investment managers and engagement partner, London CIV is monitoring each of our exposures to track changes in prices, liquidity and restrictions on trading. We are also monitoring controls on capital flows which could impact on the ability of foreign investors to receive dividends, principals and interest payments.

Our Investment Managers

Our investment managers use their in-house policies and controls to manage sanctions and breeches in their portfolio. We monitor developments and collaborate with our managers to ensure that any changes to sanctions regimes are implemented immediately.

Our Custodian

Our custodian tracks sanctions and notifies us of any potential breaches and issues daily.

Our Depositary

Our Depositary notifies us on any new sanctions as new announcements are made.

35 https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/3075692

Our Green, Social and Sustainable Bond Exposures

As of December 2023, we have 14% (green, social, sustainability and sustainability-linked) bonds in our LCIV Global Bond Fund compared to the Global Aggregate Credit Index Benchmark at 9.5%.

Summary Statistics – as of 31.12.23	Account	Benchmark
Number of Corporate Issuers	470	3114
Average MSCI ESG Score (0-10; corporates only)	6.72	6.73
Average PIMCO ESG Score (0-5; corporates only)	3.24	3.18
Green Bond Exposure (% PMV)	9.6%	5.1%
Social Bond Exposure (% PMV)	0.7%	1.4%
Sustainability Bond Exposure (% PMV)	1.2%	2.2%
Sustainability-Linked Bond Exposure (% PMV)	2.5%	0.8%

Figure 21 As at 31 December 2023, Source PIMCO, MSCI

The chart below indicates our green, social and sustainability bond exposure over a 3-year period in our LCIV Global Bond Fund. We are pleased to include a greater selection of these sustainable instruments into our portfolio.

We believe there is still room for improvement in reporting on the use of proceeds and engagement for these bonds. We have challenged our investment managers to disclose more quantitative evidence of the impact of these investments. While some managers are building the necessary infrastructure to capture this data, they are currently only able to collect qualitative information. We will continue to engage on better disclosure during 2024.

Figure 25: LCIV Global Bond Fund

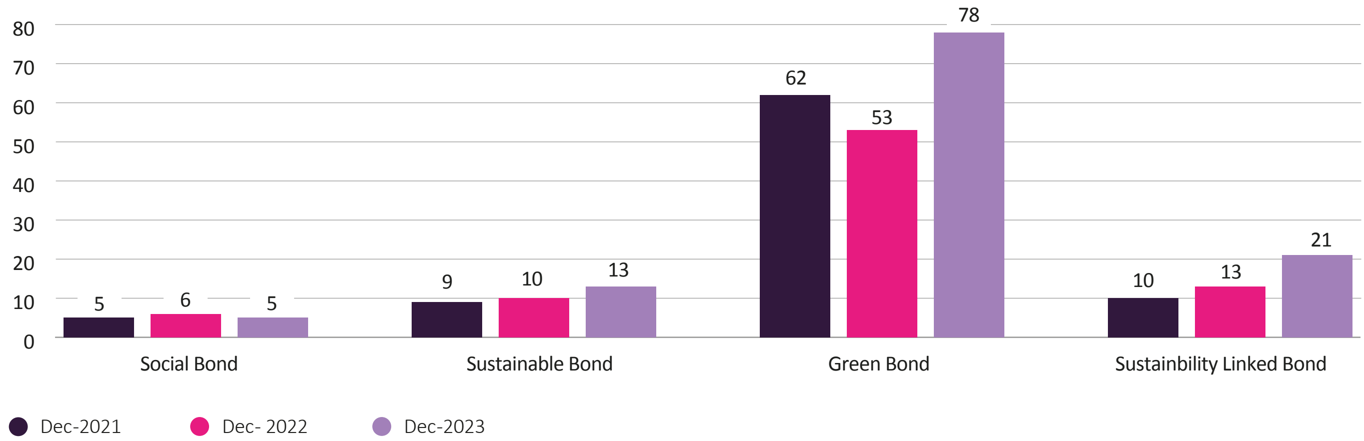


Figure 25: Source: PIMCO as at 31 December 2022

Deep Dive:
Private Markets – Private Debt

We see private markets as an attractive way to diversify our Partner Funds' investment portfolios and enhance long-term returns.

Active ownership can be challenging due to the lack of disclosure and use of general partners and investment managers which provide an additional communication barrier between London CIV, our managers and the underlying assets.

We have further developed our engagement with private debt managers regarding their stewardship activities, building on the foundations established in 2021. We require managers to complete quarterly ESG questionnaires to capture their activities and outcomes, an example of which is provided below:

Category	Description	Reporting Frequency
Pre-Investment	Please describe an investment opportunity where the identification of potentially material ESG risks impacted the decision, for example validating the decision, reducing the amount invested or resulting in declining the investment?	Quarterly
Pre-Investment	Please describe an investment opportunity where the ESG performance of the issuer favourably impacted the investment decision, for example validating the decision or increasing the amount invested?	Quarterly
Pre-Investment	Please describe your commitment to Responsible Investment and ESG at firm level and related RI policies.	Quarterly
Pre-Investment	Please outline the size and structure of your RI/ESG team	Quarterly
Pre-Investment	Please describe your RI/ESG framework and how it aligns with SDGs/global frameworks	Quarterly
Pre-Investment	Integration of RI within the investment process	Quarterly
Pre-Investment	How are key ESG risks are assessed and mitigated (supply chain, natural capital)?	Quarterly
Ongoing Monitoring	Have there been any changes to your firm's RI and ESG commitment, your framework, your team or your policies during the last quarter?	Quarterly
Ongoing Monitoring	Please share details of issuer compliance against ESG questionnaire at MDFIII fund level across each ESG activity categories (%issuers ; %AUM). (e.g. What is the % issuers in the MDFIII with an ESG Policy).	Quarterly
ESG Margin Ratchets	What is the percentage of issuers and %AUM at MDFIII fund level who have been granted ESG margin discounts.	Quarterly
ESG Margin Ratchets	Please share provide some examples of issuers that have been granted ESG margin discounts.	Quarterly
Positive Attributes	What is the percentage of issuers and %AUM at MDFIII fund level with demonstrated "Positive Attributes".	Quarterly
Controversial Activities	What is the percentage of issuers and %AUM at MDFIII fund level with exposure to "Controversial activities" such as (1) Thermal Coal; (2) Oil Sands; (3) Oil and Gas; (4) Controversial Weapons.	Quarterly

Improving disclosure and transparency of material risks to inform investment decisions

We have continued collaborating with private debt managers to improve their ESG practices. We recognise that private debt presents unique challenges, such as limited data availability and smaller borrower enterprises. As a result, we understand that our managers will need to adopt an innovative ESG approach distinct from asset classes with more established ESG practices, such as listed equities and corporate fixed income.

Case Study:

Adoption of the ESG Integrated Disclosure Project ("ESG IDP") Template across private credit transactions

Background: Currently, there is no mandatory sustainability reporting requirement for private mid-market companies, leading to incomplete, and sometimes non-existent, disclosure. This creates challenges for asset owners to ensure effective oversight of ESG factors and stewardship in private markets. The ESG Integrated Disclosure Project (ESG IDP) is an industry initiative formed by the Alternative Credit Council (ACC), the Loan Syndication and Trading Association (LSTA) and the UN PRI, together with alternative asset managers and credit investors[36]. Its goal is to promote greater harmonisation and consistency of ESG data for borrowers in private credit and syndicated loan transactions. This goal is primarily achieved through broad adoption of the ESG IDP Template, a reporting tool that represents a proportionate set of questions designed to solicit a global baseline of information from private companies. The ESG IDP template was last updated in July 2023.

Engagement Action: In 2021, Churchill participated in a UN PRI-led industry initiative that launched the Private Credit – Private Equity ESG Factor Map in 2022[37], designed to facilitate the collection and sharing of ESG information during the pre-investment phase. Later that year, Churchill joined the ESG IDP's Executive Committee to promote industry-wide adoption of the ESG Integrated Disclosure Project (ESG IDP) template, based on the ESG Factor Map.

Churchill actively participated in PRI, LSTA, and ACC meetings to drive implementation, expand the template's scope to infrastructure and private placements, and promote the initiative to peers and issuers. They also engaged their Private Equity sponsor relationships to encourage adoption of the template in middle market direct lending.

In 2023, Churchill contributed to template updates, including more detailed Principal Adverse Impacts (PAIs) data points, to improve data quality and facilitate broader adoption.

Outcomes and Next Steps:

- Our manager conducted due diligence and ongoing portfolio monitoring increasing the availability of ESG data during the pre and post investment stage and contributing to harmonisation of ESG data in private market transactions.
- Churchill believes their role as a key partner to the private equity community, including as an LP to some firms, has been instrumental in driving the template's adoption. They have received positive feedback from PE firms, who find the IDP valuable in streamlining data requests from multiple firms.

Our investment manager will continue to advocate for wider industry adoption to drive data standardisation across all private credit transactions.

36 https://www.esgidp.org/
37 https://www.unpri.org/news-and-events/pri-releases-esg-factor-map-to-support-collaboration-between-private-equity-and-private-credit-investors/10171.article

Active Engagement in Private Credit

By creating incentives for borrowers to report on key ESG metrics, we believe that our managers are leading the way to address the lack of ESG data (especially GHG data) in private markets, which cannot be ignored when addressing climate change and other ESG investment risks.

An important engagement tool in the Private Debt asset class to incentivise progress on sustainability performance are ESG-linked margin ratchets which reduces the loan interest rate if the borrower delivers against pre-defined ESG-related targets.

In our previous report, we highlighted Pemberton's innovative ESG Margin Ratchet, introduced in 2020. This year, they launched an enhanced version (v3.0) which has increased the potential margin reduction from 5 to 10-12.5 basis points per annum. The loan interest margin is now reduced by 0.1% to 0.125% annually for 12 months, following borrower certification and performance improvement against the defined ESG criteria:

a) Introduced a benchmark minimum 4.2% CO2 emissions reduction year-on-year, which is in line with the science-based target initiative-SBTi guidance for a Paris-aligned pathway for small and medium-sized enterprises-SMEs.

b) The setting of 1-2 sector-appropriate KPI targets, enabling companies to align their financing strategy to sustainability ambitions.

c) In line with Pemberton's net zero pathway commitment, there is an additional 'bonus' ratchet (2.5bps) for companies that align within the investment period. This is a novel approach that Pemberton has also communicated to collaborative industry bodies who are leading the development of the methodology for private credit portfolios to be managed in line with net zero. We consider this approach to be at the forefront of the market.

In total, Pemberton have negotiated margin rachets on 76 investments as of March 2024, since first launched in 2020.

Deep Dive: Real Assets and Infrastructure

We work with our real assets investment managers to incorporate ESG and climate considerations into investment due diligence and decision-making. Infrastructure has an essential role to play in mitigating and adapting to climate change as well as achieving the SDGs

We've worked to formalise its ESG integration processes across its real assets investments. This includes an assessment of all managers' responsible investment policies, the formulation of due diligence questionnaires directed to incumbent managers, and reviews of GP track records of ESG and climate assessments, leveraging SASB and GRESB where appropriate. In 2020, we also worked to calculate the environmental footprint of our energy infrastructure investments and their contribution to the SDGs.

Real Estate

The Local Pensions Partnership Investments ("LPPI") and London CIV have jointly set up "The London Fund" to help access investment opportunities in Greater London across real estate, infrastructure, and growth capital opportunities, including digital infrastructure, and clean energy. The London Fund has a secondary objective to invest in projects with sustainable outcomes that address social needs in Greater London such as job creation, area regeneration and a positive environmental impact. As of December 2023, the primary investment in DOOR16 continues to give the portfolio exposure to a mix of private rental sector, student accommodation and affordable housing. These assets are held within Get Living, a Real Estate Investment Trust which has achieved a 5-star GRESB rating in 2020 and was named first among UK build-to-rent sector peers (UK Residential Multi-Family).

Case Study:
DOOR SLP | The London Fund | Local Pensions Partnership Investments (LPPI) | SDG 11.1 and SDG 12.6

11 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Background: DOOR SLP is a ‘build to rent’ housing platform that supports the development of new quality PRS (Private Rented Sector) and affordable housing stock in London. LPPI identified that the investment advisor and asset operating partner for DOOR SLP could improve their Environmental, Social, and Governance (ESG) policies and processes. As part of a broader engagement initiative, a specialist external consultant was commissioned to assess their ESG credentials. The objective of the engagement was to ensure that the investment and operation of DOOR SLP align with ESG best practices to ensure that the fund meets its sustainable outcomes objectives.

Engagement and Action: LPPI informed us that the results of the ESG review provided them with a number of key areas for engagement with DOOR, focused on transparency, integration, and climate action. Regarding EU Marketing and Compliance, the action focused on ensuring DOOR's compliance with relevant EU SFDR regulations, should it be marketed in the EU. On integration, the aim was to assess how ESG factors are considered in DOOR's investment and risk committee decision-making. For reporting, LPPI advised requesting a consolidated ESG data report, including TCFD-aligned disclosures and a net-zero carbon pathway. Specifically on embodied carbon, the action was to agree on strategies with DOOR to minimise it in the development pipeline, including setting lifecycle targets for future projects. Through the Limited Partner Advisory Committee and alongside other sustainability-minded investors, the London Fund Team has engaged with the manager quarterly to seek improvements in RI reporting and net-zero commitments. LPPI also sought to understand the investment advisor's development of in-house ESG expertise and ensure accountability across the business.

Outcomes and Next Steps:

1. The investment advisor for DOOR appointed a Head of ESG, signifying DOOR's commitment to integrating ESG considerations into its investment decision-making.

2. The asset operating partner's continued 5-star GRESB rating demonstrates strong sustainability practices for the fourth consecutive year.

3. DOOR developed a set of core ESG objectives, reviewed by leadership, which will form the basis of a five-year ESG strategy (2024-2029) with annual targets for progress reporting. These are to be presented to the board within 2024.

4. DOOR is actively analysing the implications of aligning their portfolio with the Carbon Risk Real Estate Monitor (CRREM) decarbonisation pathway.

5. The company announced its intention to adopt Global Reporting Initiative (GRI) standards for comprehensive and aligned sustainability reporting, which also align to other the European Public Real Estate (EPRS) Sustainability Best Practices Recommendations (sBPR) Guidelines and the International Sustainability Standards Board (ISSB).

6. DOOR has completed scenario analysis and is working to integrate climate risk management into broader risk frameworks, improving climate disclosure quality and timeliness in line with the recommendation of the TCFD framework.

7. DOOR is piloting BREEAM In Use “Part 1” certification, potentially leading to further assessments with the onboarding of their ESG Data Platform.

LPPI will continue to monitor DOOR’s progress towards its five-year ESG strategy and achievement of specific targets.

In 2023, London CIV jointly set up the LCIV UK Housing Fund to enable our Partner Funds to invest in affordable housing characteristics, including income that typically tracks inflation, high occupancy, low void rates, and low correlation compared to other real estate sectors. The fund has a secondary objective to invest in strategies that increase the supply of good quality, affordable UK housing. It was one of the first UK unlisted funds to bring institutional client capital into affordable housing to deliver social impact. It was established to invest in delivering sustainable, high quality and affordable homes for people unable to rent or buy on the open market in the UK.

In May 2023, the fund opened with a £100m investment into CBRE UK's Affordable Housing Fund (CBRE UK AHF). In November 2023, the LCIV UK Housing Fund closed its second investment in Octopus Affordable Housing Fund (Octopus AHF). Octopus AHF seeks to accelerate the UK's much-needed delivery of good quality, affordable homes, and will ensure that new homes are built with robust sustainability standards in mind. More energy-efficient homes not only help reduce carbon emissions, but also address fuel poverty at a time when many low-income households across the country are under severe financial strain due to the cost-of-living increases including energy price inflation. This aligns with our goal to increase the supply of social and affordable housing in the UK, particularly for the most vulnerable.

In January 2024, Octopus AHF made its first deployment through forward funding, committing to acquire 26 homes in Great Haddon, Peterborough, from Vistry Homes. The scheme comprises eight houses and 18 flats and will offer a mix of both affordable rent and shared ownership tenures. The properties will be suitable for both couples and families and will be Energy Performance Certificate B. The scheme will serve an area of high housing need, where the provision of new affordable housing over the past four years has been less than 50% of the required amount.

Vistry are one of the UK's largest housebuilders, with a strong track record of developing affordable homes. All units are expected to be delivered by April 2025.

As of December 2023, the fund is 100% exposed to commitments of £150m, £100m (67%) in CBRE UK Affordable Housing Fund ("UK AHF"), £50m (33%) in the Octopus Affordable Housing Fund ("AHF"), which gives the portfolio exposure to a mix of private rental sector, student accommodation and affordable housing.

Case Study:
Abbey Place, Greenwich | CBRE | Affordable Housing and Community Regeneration

Background: Abbey Place is the CBRE UK Affordable Housing (UK AH) Fund's largest standing asset by value and number of homes, to which the LCIV UK Housing Fund has made a c.£145m commitment. The property is situated in a residential area which is undergoing significant regeneration following the arrival of the Elizabeth Line. The Property is designed as 245 homes comprising 72 affordable market rent and 173 shared ownership homes, set in 2 adjacent apartment blocks.

Action and Engagement: In 2018, planning permission was originally granted providing only 10% exposure to affordable tenures. Following the CBRE UK AH Fund's acquisition in 2020, this was increased to 70% affordable tenure (via affordable ownership) and the remaining 30% a private rented tenure. Construction of the property began in 2021. In Q4 2022, the Fund reached completion of the west block of the Abbey Place development delivering 72 private rented units. At this point, the fund repositioned these private units to become local affordable rent units: homes let at a sustainable level when compared to net local median incomes. Across the scheme, this represented an average discount to the prevailing market rent of c.15 – 20%. Positioning the rent in this manner not only provides affordable access to quality homes but also ensures that the local population are not priced, displaced or uprooted from the area by well-meaning regeneration. Through this process, the entire development has been repositioned to deliver 100% affordable tenures. In Q1 2023, the fund completed on the east block of the Abbey development, which provided 173 shared ownership units.

Outcomes and Next Steps:

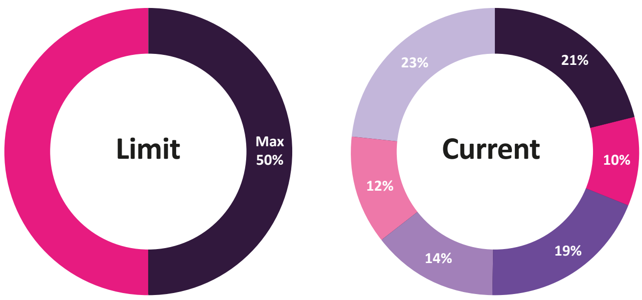
- Due to the homes affordability and specification the units have proved to be very popular. The residents are a mix of young couples, families and working professionals. The property manager holds quarterly resident meetings to gain resident feedback and discuss any issues they may be experiencing.
- In Q4 2022, the fund initially made 58 private rented units available in the west block, and all were occupied within an average 25-day void. The remaining rental units were made available upon completion of the shared ownership block, all of which were reserved to move in within two weeks of completion.
- In Q3 2023, CBRE IM were approaching renewals for the local affordable rent units in the West block. The fund decided to cap rent increases for renewals at 7% as opposed to increasing them by the full RPI increase: 14%. The investment manager confirmed the 7% is in line with the government cap imposed on regulated rent earlier in the year.
- As of March 2024, 90% of the shared ownership homes have been sold, reserved or exchanged.
- The connectivity to the city provided by the recently opened Abbey Wood Elizabeth Line station has played a significant role in attracting residents and building community. The nearest train station is a two-minute walk away and there are amenities nearby.

Infrastructure

Investing in renewable energy infrastructure allows us to both maximise our opportunities and support the low-carbon transition. Infrastructure has an essential role to play in mitigating and adapting to climate change as well as achieving the SDGs. Our fiduciary duty is a primary goal, but we also recognise our responsibility to our Partner Funds' beneficiaries and other stakeholders who demand a just transition. In 2021, we launched the LCIV Renewable Infrastructure Fund, which invests in renewable energy infrastructure assets, including generation, transmission, and distribution assets. The fund focuses on renewable energy sources such as wind, solar, biomass, biogas, hydroelectricity, and enablers, both in brownfield and greenfield investments. As of December 2023, the fund had a total commitment of £983.5m. The chart below displays the current commitment by market segment since its launch:

LCIV Renewable Infrastructure Fund

Figure 26 Fund Allocation of Commitments



Project Type by NAV

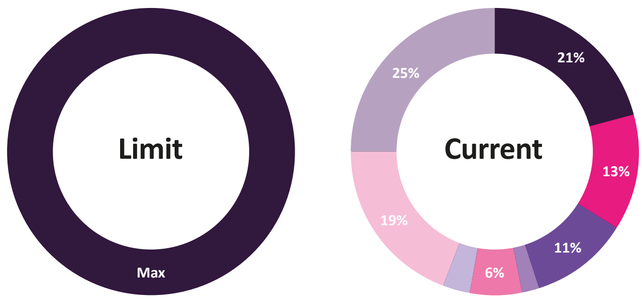
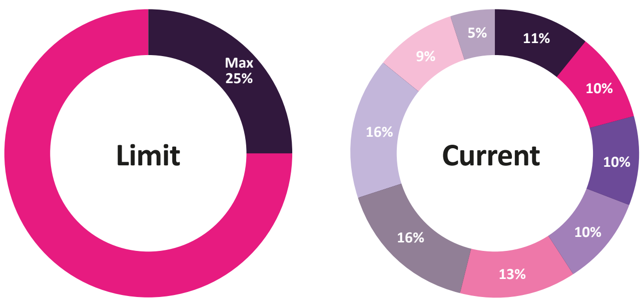


Figure 26: Source London CIV as of 31 December 2023

LCIV Infrastructure Fund

Figure 27 Fund Allocation of Commitments



Sector breakdown by invested capital

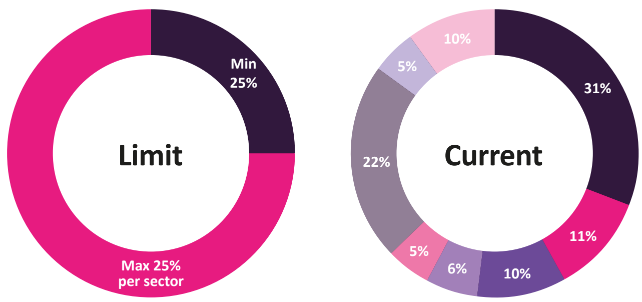


Figure 27: Source London CIV as of 31 December 2023

Case Study:
Foresight Energy Infrastructure Partners Fund 2 – Skaftåsen

Background: Foresight Energy Infrastructure Partners ("FEIP") is Foresight Group's €851m flagship European energy transition strategy. London CIV invested into FEIP in April 2021 through the LCIV Renewable Infrastructure Fund. FEIP invested into Skaftåsen, a 231MW 35-turbine onshore windfarm in rural Sweden. The project is expected to generate 524GWh of green electricity a year, enough to offset 425,000 tonnes of CO2 emissions compared to fossil-fuel powered electricity generation. Community engagement was prioritised at the outset and the project was impacted by supply chains delays during Covid-19.

Action and Engagement: The investment in renewable generation projects such as Skaftåsen are the building blocks in the development of this wider green economy. The Swedish region holds an important place in Sweden's national transition strategy, representing a focal point for the build out of green hydrogen production, data centres and broader industry, such as green steel. Skaftasen aligns with SDG 13 (Climate Action) and SDG7 (affordable and clean energy) by promoting renewable energy and creating green jobs. Ultimately, by seeking to address renewable energy assets, Skaftasen showcases the transformative impact of large-scale, nationally strategic renewable energy projects, mobilising capital into rural regions to partner with local stakeholders. The municipality needed to extend the permit due to the change in the development plans. Working closely with local stakeholders ensured permit approval and fostered positive relationships.

Outcomes and Next Steps:

- In 2023, Skaftåsen had generated 340.7GWh of renewable energy and supplied 126,199 households across the region.
- The Skaftåsen Grand Opening Ceremony in October 2023 marked a community open day and celebrated the collaborative partnerships that have brought the project to take-over. Over 200 attendees, including municipal representatives, regional businesses, schools, and project stakeholders, witnessed speeches from Developers, Foresight, Rural funds association, and the Municipality.
- On community engagement, Foresight was invited and attended the local gymnasium to educate school children on wind farm construction and industry job opportunities, aiding a lasting, multi-generational impact from the investment.
- On job creation, the manager reported stakeholder feedback validating the positive impact the development had on the community and the town, such as job creation and more footfall for the local businesses.
- On income generation, the Rural Funds Association will receive 1% of the project's annual revenue, aimed at creating more jobs in the region and principles of circularity and social mobility will be further championed.

Escalation

We apply our escalation approach consistently across asset classes, geographies and funds, while recognising market-specific and non-listed equity asset class factors. One-on-one engagement is not always effective. However, we do not view see selling holdings as an immediate solution, as it results in losing influence and the opportunity for future dialogue. Therefore, escalation remains a key crucial tool in our engagement strategy. The below illustrate some channels related to listed equities. When necessary to trigger corporate reaction. We choose escalation in cases where prior engagement with companies has proved unsuccessful, or where we need to exercise our voting rights on a key issue. Actions may can include:

- **Voting:** voting against management on key resolutions, including voting against the chairs of relevant committees and the company chair.
- **Attending AGMs:** to trigger more dialogue with boards and executives.
- **Filing or co-filing shareholder resolutions:** supporting requests to improve company strategy, board accountability and ESG disclosures.
- **Divestment:** selling a holding. London CIV only use this as a last resort when previous persistent engagement activities were unsuccessful.

Please see pg.36 for our climate escalation for Shell in 2023.

Case Study:
Amazon Inc. [Escalation with voting and collaboration]

Background: Previously reported in our 2021 and 2022 Stewardship Outcomes reports, we engaged with Amazon on tax transparency, co-signing a statement to the SEC Chair and expressing our concerns with PIRC and EOS. We voted against management on 12 shareholder resolutions related to human rights due diligence, diversity data, and climate-conscious retirement plan options, but were in the minority on all.

Action: In 2023, we engaged with both PIRC and EOS once again regarding all shareholder proposals being tabled at the company's 2023 AGM. This year shareholders had submitted proposals for a range of social issues, including human rights and workers' rights, as well as climate. EOS engaged with the company and communicated that the proposals on alternative tax transparency and animal welfare standards offered Amazon opportunities to show leadership. They urged Amazon to demonstrate compliance with its own human rights and digital rights policy by improving reporting on grievance mechanisms and effectiveness of remedies, disclose, at minimum, summaries of human rights impact assessments, enforce its data privacy policies, obtainuser consent for data collection, and clarify compliance with government takedown requests. We voted against management recommendations for 14 of the shareholder proposals calling for better social, governance and environmental concerns. Two of these conflicted with PIRC's recommendations, concerning board-related matters.

Outcome: Five of the shareholder proposals have reached above 30%. Whilst they have not passed, we believe they signify positive momentum towards better ESG practices. PIRC and EOS also recommended a 'For' vote for the Tax shareholder proposal and all other social, governance and environmental proposals, against management. In 2024, EOS will continue engaging with the company on freedom of association and collective bargaining arrangements on the behalf of London CIV and other institutional investors.

Examples of votes against Amazon Inc. in 2023

Category	Proposal	Management Recommendation	London CIV Votes	% For
Climate	Report on Climate Risk in Retirement Plan Options	Against	For	7%
Climate	Report on Impact of Climate Change Consistent with Just Transition Guidelines	Against	For	27%
Digital Rights	Report on Customer Due Diligence	Against	For	34%
Digital Rights	Revise Transparency Report to Provide Greater Disclosure on Government Takedown Requests	Against	For	11%
Digital Rights	Report on Government Takedown Requests	Against	Against	2%
Board Related	Adopt a Policy to Include Non-Management Employees as Prospective Director Candidates	Against	For	18%
Pollution	Report on Efforts to Reduce Plastic Use	Against	For	32%
Diversity, Equity, & Inclusion	Report on Cost/Benefit Analysis Of Diversity, Equity, And Inclusion Programs	Against	Against	<1%
Diversity, Equity, & Inclusion	Consider Pay Disparity Between Executives and Other Employees	Against	For	25%
Cost Transparency	Publish a Tax Transparency Report	Against	For	18%
Board Related	Amend Bylaws To Require Shareholder Approval of Certain Provisions Related to Director Nominations by Shareholders	Against	Against	12%
Board Related	Establish a Public Policy Committee	Against	Against	6%
Human Rights	Commission Third Party Assessment on Company's Commitment to Freedom of Association and Collective Bargaining	Against	For	35%
Political Spending	Report on Climate Lobbying	Against	For	24%
Social	Report on Animal Welfare Standards	Against	For	6%
Health & Safety	Commission a Third Party Audit on Working Conditions	Against	For	35%
Diversity, Equity, & Inclusion	Report on Median Gender/Racial Pay Gap	Against	For	29%
Human Rights	Commission Third Party Study and Report on Risks Associated with Use of Rekognition	Against	For	37%

Source: ProxyExchange, ISS Governance

Step three: Collaboration

How we work collaboratively

We believe that our voice has greater influence and is more effective when we work together with stakeholders . We are committed to collaborating with peers and Partner Funds around initiatives covering a range of ESG issues. London CIV joined 1 new initiative in 2023, highlighted below:

Initiative	Description	London CIV's Role and Outcomes
Asset Owner Diversity Charter	An asset owner led initiative set up by Brunel, Cambridge, Camden, London CIV, Lothian and NEST pension funds to develop a formal set of actions the industry can commit to in order to improve diversity, in all forms, across the investment industry.	We've supported the initiative by contributing to the consultations with investment managers to date and development of the questionnaires. The initiative seeks to first assess the scale of the issue before setting targets.
ClimateAction100+	An investor initiative to drive corporate action on climate change. Over 700 investors responsible for $68 trillion in assets under management are engaging 170 systemically important emitters (accounting for two thirds of global emissions) on improving governance, curbing emissions and strengthening disclosures.	We're invested in 78 corporate issuers targeted by the initiative. These issuers represented 46% of Direct and First-Tier Indirect Corporate-level emissions within the London CIV pool.
Cost Transparency Initiative (CTI)	An independent group tasked by the Financial Conduct Authority FCA in 2018 with delivering a standardised template for the disclosure of costs and charges to institutional investors.	By 2020 we achieved agreement from 100% of our investment managers to disclose costs in line with CTI.
TCFD	A market-driven initiative, set up to develop a set of recommendations for voluntary and consistent climate-related financial risk disclosures in mainstream filings.	As a signatory, we'll continue to publish a climate risk analysis in line with TCFD guidelines covering listed equity, fixed income, infrastructure and sovereign debt.
LAPFF	LAPFF promotes the highest standards of corporate governance to protect the long-term value of local authority pension funds. The Forum leads the way on issues such as executive pay, reliable accounting and a just transition to a net zero economy.	We're a pool member of the Local Authority Pension Fund Forum (LAPFF) and track PIRC guidance on voting and engagement against our own voting where they cross over.
Marine Conservation Society: Microplastics Pollution	First State Investors and the Marine Conservation Society convene like-minded investors, to engage with the manufacturers of domestic and commercial washing machines to fit, (as standard), filters to their products to prevent plastic microfibres entering the world's precious marine ecosystems.	Outcomes of the engagement programme will continue to provide a significant contribution to Sustainable Development Goal 14, "Life under Water" specifically Target 14.1, "Reduce Marine Pollution".
Pensions for Purpose	A collaborative initiative of impact managers, pension funds, social enterprises and others involved in impact investment. Aimed at promoting understanding of impact investment.	As an affiliate of Pensions for Purpose, we participate in thought leadership discussions and publications to enhance and share our knowledge of impact investment.
ShareAction: The Good Work Coalition	An evolution of its existing Living Wage Coalition, The Good Work Coalition focusses on a broader range of international topics including: Living Wage, Insecure Work and Gender Equality for Low Paid Women.	We attend workshops to discuss these challenging issues and help contribute ideas to a way forward
ShareAction: Healthy Markets Coalition	A group of investors with over $1 trillion in AUM aimed at increasing accountability of food retailers and manufacturers for their role and impact on people's diets and the growing concerns surrounding increasing levels of obesity.	We've signed up to this initiative and have continued to include health and wellbeing as a sub-theme for all stewardship activity.
UN backed Principles for Responsible Investment (PRI)	The PRI is the world's leading proponent of responsible investment which encourages institutional investors to commit to and promote six guiding principles including incorporating ESG issues into investment decision making, active ownership, better disclosure, collaboration and reporting on progress.	In signing the Principles, we have publicly committed to adopting and implementing them, where consistent with our fiduciary responsibilities. We encourage other investors to implement the principles and do not work with Asset Managers who have not already adopted the Principles. In 2020 we achieved a median score of "A" against the modules on which we were assessed.

Step three: Collaboration continued

Initiative	Description	London CIV's Role and Outcomes
Investor Alliance for Human Rights	The alliance is a collective platform for responsible investment that is grounded in respect for people's fundamental rights. The initiative helps investors to navigate their responsibility to respect human rights. They utilise corporate engagements to drive positive business conducts and set human rights standards for businesses.	We are a signatory and joined two working groups addressing human rights issues in the technology sector and human rights concerns in conflict-affected and high risk areas. Through these working groups we are able to better understand the key human rights issues when engaging with our investment managers and EOS.
Deforestation Free Pensions Working Group	This working group was established by Global Canopy, Systemiq and Make My Money Matter to develop a practical guidance to enable pension funds to identify, address, and eliminate deforestation, conversion, and associated human rights abuses from their investments.	We are an active member of the Deforestation-free pensions guidance working group with the ambition to provide practical guidance and consultation for Global Canopy and partners.
UNPRI Tax Reference Group	The PRI established this working group to collaborate closely with investors and broader stakeholders on corporate tax responsibility and transparency. The lack of corporate disclosure on tax issues is a key impediment for investors that want to understand companies' positions on tax issues and assess tax risks in their portfolio.	We've been a member of the working group since 2022. The group meets regularly to discuss tax disclosures, engagements and tax escalations.
UNPRI Advance	The PRI launched Advance in 2022, focused on advancing human rights and social issues through investor stewardship. The initiative aims to drive change primarily by leveraging investors' influence with portfolio companies. The PRI will facilitate collaborative engagement between investors and companies, and support further escalation if necessary. Additionally, the PRI will assist investors in engaging with policymakers and other stakeholders to achieve the overarching objective.	We've been a member of Advance since 2022, which continues to support our key stewardship themes.
IPDD	The IPDD is an investor sovereign engagement initiative created in July 2020 to tackle deforestation by engaging with public agencies and industry associations in select countries. Its aim is to promote sustainable land use and forest management, respect for human rights, and ensure long-term financial sustainability of investments in tropical forests and natural vegetation. It works with stakeholders to encourage the adoption and implementation of regulatory frameworks that protect natural assets and human rights. The TFA provides secretariat support, and the PRI supports the IPDD.	We joined the IPDD in 2022 to support our commitment to deforestation and its associated human rights issues.
TNFD Forum	The TNFD Forum is a consultative group consisting of institutions from various disciplines across the globe. Membership is open to a diverse range of institutional types, such as corporates, financial institutions, public sector institutions (including regulators), pension funds, sovereign wealth funds, academic and research organizations, business associations, inter-governmental organizations, conservation groups, and civil society organizations.	We became a member of the TNFD Forum in 2023 to support our biodiversity stewardship theme and disclosures.

We continue to consider whether further formal partnerships are appropriate and collaborate in initiatives where issues align with our priority areas and/or where we feel we can have a positive impact. We are committed to tracking this involvement in terms of outcomes and will aim to further increase disclosure in 2024.

Disclosure and Transparency

We are committed to best practice disclosure and transparency. We take account of client and beneficiary needs and expect to communicate the activities and outcomes of stewardship and investment activities on a quarterly and annual basis.

The information in this report sets out how we have complied with the UK Stewardship Code 2020 during the 2023 calendar year.

Limitations of the data

Engagement, voting and outcomes data referred to in this report has been aggregated from the activities and reports of each of our investment managers and EOS in 2023. As a result, the way in which we categorise themes may be inconsistent and the quality of outcomes has relied on the quality of our managers' own engagement policies, which vary from manager to manager.

Assurance

All policies, public disclosures and reports published by London CIV are required to go through a formal review and internal assurance process. This is to ensure that our policies and any internal and external communications are in line with London CIV's objectives and that what is communicated is fair, clear and accurate. RI policies and reports are drafted by the RI Team and reviewed by the Governance Team, Compliance and Risk Team and Chief Investment Officer (CIO) and approved and reviewed in line with our governance arrangements including by the CEO, Executive Committee (ExCo) and the Board or governance committees. Compliance and Risk undertake periodic reviews of the RI framework to ensure we are compliant with our regulatory obligations and identify and assess any risks.

Looking ahead

The information in this report sets out how we have complied with the FRC's UK Stewardship Code (UKSC) as an asset owner. The UKSC sets high expectations for how investors, and those that support them, invest and manage money on behalf of UK savers and pensioners, and how this leads to sustainable benefits for the economy, the environment and society. We have used the FRC's 12 Principles coupled with guidance from the PRI to shape our approach to active ownership. A summary of how we have addressed the 12 Principles is detailed in the Appendix. In 2023, we continued to enhance the quality of our case studies to showcase the stewardship work we have done throughout the year. We also expanded our RI team to increase our capabilities.

We welcome the introduction of the FCA's Sustainability Disclosure Requirements (SDR) in 2024, designed to prevent greenwashing and promote greater accountability in ESG investing. As our approach to the SDR framework matures, we will leverage it to rigorously assess the ESG claims and targets of our investee companies and investment managers. By scrutinising their disclosures, we will gain a clearer picture of the ESG credentials of our funds. This will empower us to have more informed stewardship conversations, enabling us to challenge potential discrepancies, advocate for transparency, and push for credible, measurable progress on ESG priorities.

Governance

Governance structures

As signatories to the UKSC, London CIV is committed to ensuring that our governance structures, resources and incentives support best practice stewardship. The diagram below outlines our high level formal governance structure and also the arrangements for informal engagement with our 32 Partner Funds, who are also our shareholders. These arrangements, which are kept under ongoing review, provide a high level of engagement on Responsible Investment and ESG matters, including the development of funds. The governance framework also provides for shareholder decision-making in setting London CIV's budget and strategic objectives. This leverages the impact of the invested assets of the LGP) pooled funds.

The Executive Committee supports the CEO in his leadership of London CIV and the Chief Sustainability Officer reports direct to the CEO, recognising the strategic significance of sustainability and responsible investment. An Investment Committee formed of the Heads of Desk in the investment function, and attended by key staff in other teams such as Operations and Compliance and Risk meets monthly as part of the management level oversight arrangements for our investment activity.

London CIV committee structure

Formal Governance

Our stewardship responsibilities and incentives

The London CIV Board approves and is collectively accountable for London CIV's overall strategy and governance and approves its Statement of Investment Beliefs and Responsible Investment Policy including its Stewardship Priorities. The Board approves the company's annual budget and objectives in the context of a mid-term plan, this includes responsible investment/ESG objectives, including London CIV's net zero ambition.

The Executive Team, led by the CEO, is responsible for the day-to-day management of London CIV development and delivery of our overall strategy and active ownership strategy whilst ensuring the whole organisation supports our own operations in at least meeting or exceeding best practice standards.

The (ICO) oversees the implementation of our investment strategy on behalf of the board including its approach to active ownership and engagement.

The CIO is responsible for managing the integration of ESG considerations into portfolio construction, implementation and overall investment decision making.

We now have a dedicated ESG team of four staff together with an outsourced voting and engagement service provider. Operational accountability on a day-to-day basis is held by the Chief Sustainability Officer (CSO) who reports to the CEO, recognising the strategic importance of sustainability and responsible investment, with two specialist managers one of whom leads on stewardship and engagement and the other on climate activity. The Investment team work closely with investment managers to ensure that London CIV's Stewardship Policy and Voting Guidelines are integrated in their engagement activities.

The integration and implementation of responsible investment is explicit in the roles of all members of the investment and client services teams, and in the purpose statement and values that underpin the work of the whole staff team. However, London CIV does not have a financial bonus structure as part of its remuneration package so it is not built into an incentives package.

This report has been approved on behalf of the Board by the Chair of the Board and signed by the CEO following review by members of the Board and ExCo. It is informed by ongoing reporting throughout the year to the Board, ICO, Shareholder Committee, SWG, and the monthly Business Updates to partner funds.

"Our governance and policy framework is designed to provide a robust foundation for our collaboration with our shareholder partner funds -making make sure our stewardship and engagement activity has the maximum impact and delivers a sustainable future for London Local Authority pension funds and their beneficiaries."

Mike Craston, London CIV Board Chair

Managing Conflicts of Interest

London CIV is required by the FCA to maintain and operate effective organisational arrangements to ensure all reasonable steps are taken to prevent conflicts of interest from adversely affecting the interest of Partner Funds and their beneficiaries.

Our **Conflict of Interest Policy** describes the circumstances that could give rise to a conflict of interest and the principles to be followed in order to identify, avoid, manage, or in the event the other routes are not possible, to disclose clearly to our Partner Funds any conflicts should they arise.

Conflicts of Interest in Practice

We may vote or engage with companies in which our Partner Funds have commercial relationships. These activities will be guided by Stewardship Policy and Voting Guidelines reviewed annually. We share voting and engagement reports with Partner Funds via the client portal on a quarterly basis.

In undertaking these activities, the following conflicts may arise:

- We may engage with or vote the shares of a company which has a strong commercial relationship, including as a service provider, with London CIV and/or our Partner Funds
- We may engage with or vote shares of a company where staff own securities or have a personal relationship with senior staff members in a company
- We may engage or vote shares of a company where client representatives work on the Board of the organisation
- We may engage with a government or government body which is the sponsor or associate of the sponsor of one of our Partner Funds
- We may vote on a corporate transaction, the outcome of which would benefit one client more than another
- We may otherwise act on behalf of Partner Funds who have differing interests in the outcome of our activities

London CIV maintains policies and procedures that mitigate perceived or potential conflicts. Examples of how we reduce the risk of conflicts occurring include:

- Ensuring all staff report any foreseen potential conflict of interest from voting or engagement to their line manager
- Any potential conflicts arising over our approach to voting or engagement are escalated to the CIO if required
- Split voting in exceptional circumstances in the event of a potential conflict

London CIV places the interests of our Partner Funds and their beneficiaries first at all times and demands that when acting on our behalf, our suppliers do the same and publicly disclose their Conflict of Interest Policies. The Conflict of Interest Policy by our current stewardship and engagement provider can be viewed here.

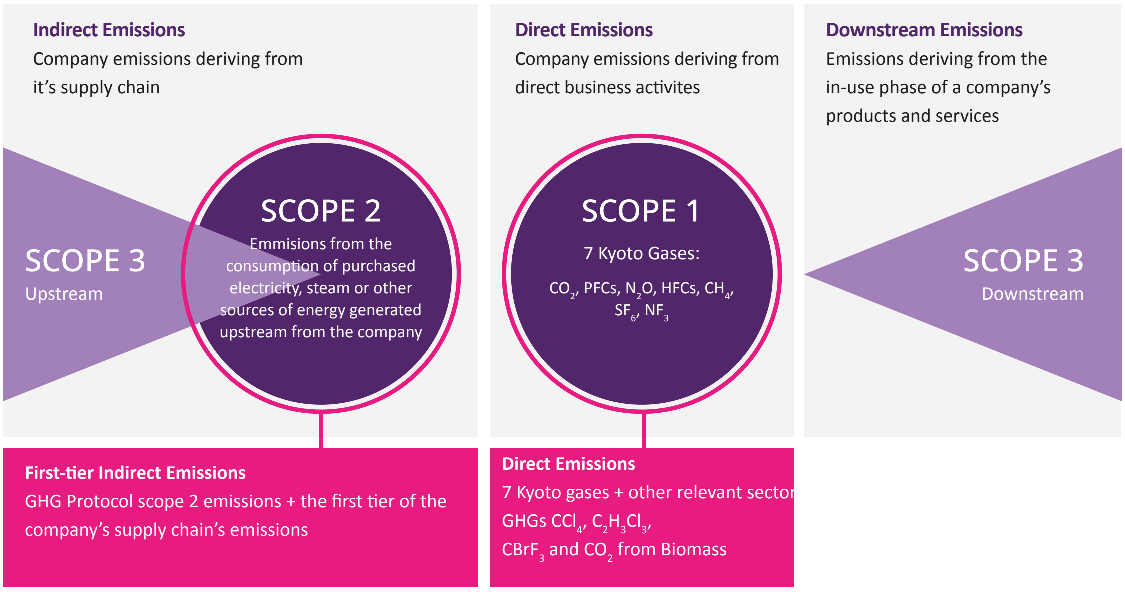
Appendix A

Description	Detail
Principle 1 Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long term value for Partner Funds and beneficiaries leading to sustainable benefits for the economy, the environment and society.	The following sections provide the framework of how London CIV creates long term value for our Partner Funds and deliver sustainable benefits: • "CEO and CSO statements Policy Framework" • "Investment Beliefs" • "Responsible Investment Strategy and Policy" • "Partner Funds" (This includes how we assess our effectiveness in serving the best interests of our Partner Funds) The subsequent sections in this report explain how we make this tangible.
Principle 2 Signatories governance, resources and incentives support stewardship.	The following sections demonstrate our governance, resources and incentives to support stewardship: • "Governance" section • Throughout the report we illustrated how the governance and policy framework and resources support stewardship The SWG was established to improve client consultation and promote best practice. An Executive-level ESG Action Group was also formed to oversee the implementation of the six-point action plan. Both complement our Seed Investment Groups (SIGs), which involve Partner Funds, in fund development. The London CIV Board approves and is collectively accountable for London CIV's strategy and governance, including its approach to active ownership. The ICO oversees the implementation of our investment strategy on behalf of the Board. The Executive Team, led by the Chief Executive Officer, is responsible for day-to-day organisational management whilst the Chief Investment Officer (CIO) is accountable for integrating ESG considerations throughout the design, selection and management of our investment decisions. The CSO leads an RI team of three with 18 years of collective experience across climate change risk and positive impact analysis covering all sectors and asset classes. External providers support the team with services such as ESG analytics, voting and engagement The integration of ESG is explicit in the roles of all staff and in the culture and values statement that underpins our work. It is not part of a financial incentives structure as London CIV does not currently have a bonus structure within its remuneration package.
Principle 3 Signatories manage conflicts of interest to put the best interests of Partner Funds and beneficiaries first.	Conflict of interests is considered in the following section: "Managing Conflicts of Interest"
Principle 4 Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system	How we identify and respond to market-wide and systemic risks to promote a well-functioning financial system is located across the "Step One: Defining Our Priorities" chapter. Throughout the report, we have included examples on how we collaborate with stakeholders to manage the system risks we have identified.
Principle 5 Signatories review their policies, assure their processes and assess the effectiveness of their activities	The policies section sets out how we review our high-level belief statements and our policy framework to make ongoing improvements- and have done so in collaboration with our client shareholders.

Appendix A continued

Description	Detail
Principle 6 Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them	London CIV's 32 LGPS Partner Funds are long-term investors and committed to responsible investment. Consultation takes place via surveys and committee meetings provide opportunities to ensure partner views are reflected. Their priorities are considered in the development of all policies and are at the forefront of our manager monitoring and company engagement. This is described in the Partner Funds section of the report. The "Disclosure and Transparency" section sets out how we report and the steps we have taken to improve reporting. The Responsible Investment Strategy and Policy section provides the frequencies of our ESG reporting and disclosures. We have provided additional "Deep Dive" reports this year to assist understanding and summary information on key deliverables at the beginning of this report and throughout the year on our website and monthly partner briefings
Principle 7 Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.	London CIV engage on ESG issues across four pillars: People, Planet, Principles of governance and Prosperity. Themes are then prioritised using global risks, partner priorities, asset specific risk and exposure. We have added additional case studies this year about how we work with companies, investment managers and implement engagement by theme and asset class.
Principle 8 Signatories monitor and hold to account managers and/or service providers	We describe how we hold managers and service providers to account in "Our collaborative approach to stewardship" section and in improvements made this year.
Principle 9 Signatories engage with issuers to maintain or enhance the value of assets.	We appointed EOS as our service provider for voting and engagement in 2021. Our Stewardship Policy provides the framework for manager engagement to monitor that they are undertaking monitoring as we expect. This is described in "London CIV's Responsible Investment Strategy and Policy" section
Principle 10 Signatories, where necessary, participate in collaborative engagement to influence issuers	Our collaborations are set out in p. 63 and we keep these under review in collaboration with Partner Funds through our SWG. We participate in co-signatory engagements. These are described throughout the report. Our case studies describe the impact of these collaborations.
Principle 11 Signatories, where necessary escalate stewardship activities to influence issuers	Our Stewardship Policy explains the expectations we have set for investment managers that escalate stewardship activities on our behalf. Case studies across the report and more specifically in the "Escalation" section illustrate how we have exercised those rights including in collaboration with others.
Principle 12 Signatories actively exercise their rights and responsibilities	We have described how we actively exercise our rights in the case studies and facts and figures summary at the beginning of the report and in Case study Shell Plc (pg. 36) Case study Amazon (pg. 62) illustrate the impact of our activity.

Glossary Acronyms and Terms

Antitakeover Related	Typically include proposals to adopt or remove anti-takeover provisions like poison pills or supermajority voting requirements.
Capitalisation	Typically include proposals to add additional shares to the charter or affect stock splits.
Directors Related	Typically include proposals to elect directors or change the board composition.
Emissions:	 • **Direct (Scope 1)** = CO_2e emissions based on the Kyoto Protocol greenhouse gases generated by direct company operations. • **Direct (Other)** = Additional direct emissions, including those from CCl_4, $C_2H_3Cl_3$, $CBrF_3$, and CO_2 from Biomass. • **Purchased Electricity (Scope 2)** = CO_2e emissions generated by purchased electricity, heat or steam. • **Non-Electricity First Tier Supply Chain (Scope 3)** = CO_2e emissions generated by companies providing goods and services in the first tier of the supply chain. • **Other Supply Chain (Scope 3)** = CO_2e emissions generated by companies providing goods and services in the second to final tier of the supply chain. • **Downstream (Scope 3)** = CO_2e emissions generated by the distribution, processing and use of the goods and services provided by a company.
Miscellaneous	Proposals to that are atypical or one-off requests.
Non-Salary Comp	Proposals to adopt or amend equity plans; say-on-pay.
Preferred/Bondholder	Proposals to amend aspects of a preferred share class or bond covenant.
Reorg. and Mergers	Proposals to merger with or acquire another company.
Routine/Business	Proposals to approve the annual report or prior meeting minutes.
SH-Compensation	Shareholder proposals to affect some aspect of executive pay.
SH-Corp Governance	Shareholder proposals to change some aspect of the company's governance profile, like classified board structure.
SH-Dirs' Related	Shareholder proposals to committee or board structure, like adopting a new board committee.
SH-Health/Environ.	Shareholder proposals to enhance disclosure around an environmental or health issue.
SH-Other/misc.	Shareholder proposals on one-off issues.
SH-Routine/Business	Shareholder proposals to separating the chair/CEO position.
SH-Soc./Human Rights	Shareholder proposals to enhance disclosure on human rights issues.
SRD II	The Shareholder Rights Directive II is a European Union (EU) directive, which sets out to strengthen the position of shareholders and to reduce short termism and excessive risk taking within companies traded on EU regulated markets.
Social Proposal	Shareholder proposals to address worker or supply chain issues.

Use of data providers

We utilise a variety of data sources to inform our stewardship activities. We recognise that ESG data is an ever-evolving discipline and we consistently encourage improved disclosure from our investment managers. In addition to our investment managers' and London CIV's own analysis of ESG exposure within our portfolio, we use third party proprietary and public data sources. At present these include:

Provider	Description	Website
Trucost, part of S&P Global	Trucost, part of S&P Global, assesses risks relating to climate change, natural resource constraints, and broader environmental, social, and governance factors. Data includes carbon emissions for scope 1, 2 and 3 emissions, coal power generation, fossil fuel reserves, physical risk, transition risk and broader environmental factors. London CIV uses its data sets to inform our environmental portfolio risk analysis.	trucost.com
EcoInvent	The EcoInvent database is an lifecycle inventory database, providing documented process data for thousands of products, including renewable energy assets. London CIV uses its database to model the embedded emissions of its infrastructure investments as part of its wider climate risk analysis.	ecoinvent.org
Forest500	For nine years, Global Canopy's Forest 500 has tracked the policies and performance of the 350 most influential companies and 150 financial institutions linked to deforestation in their supply chains and investments.	forest500.org
Transition Pathway Initiative (TPI)	The LSE Transition Pathway Initiative Centre (the TPI Centre) is an independent, authoritative source of research and data on the progress of the financial and corporate world in transitioning to a low-carbon economy. The TPI Centre's analysis considers corporate climate governance and carbon emissions.	transitionpathwayinitiative.org

A lack of standardisation and transparency across ESG data means that analysis can be subject to inconsistencies. To ensure the quality of our data outputs we assess the Quality Control (QC) procedures for any new datasets we use and maintain our own QC checks by way of internal assurance. Owing to the complex and nuanced nature of ESG data, analysis is always reported alongside qualitative insights. We use data where possible in our everyday monitoring and report on insights in our quarterly reports to support the stewardship activities and oversight of our Partner Funds. As ESG data evolves, we review our provision and aim to increase the information available to us on an annual basis. Whilst our focus has been largely on climate risk to date, we seek to increase our analysis on other material ESG factors in order to work effectively with our managers on a broader spectrum of investment risks.

EOS regional principles

Australia	The ASX Corporate Governance Principles
Brazil	Brazilian Corporate Governance Code
Canada	The Canadian Coalition for Good Governance
Mainland China & Hong Kong	The Code of Corporate Governance for Listed Companies The Corporate Governance Code
Denmark	Committee on Corporate Governance Recommendations for corporate governance
France	Corporate Governance Code of Listed Corporations
Germany	The German Corporate Governance Code
India	2013 Companies Act
Italy	The Italian Corporate Governance Code
Japan	The Asian Corporate Governance Association's "White Paper on Corporate Governance in Japan
Mexico	The Code of Best Practices in Corporate Governance
The Netherlands	Dutch Corporate Governance Code
Russia	The Federal Commission for the Securities Markets' "Code of Corporate Conduct", and the OECD's "White Paper on Corporate Governance in Russia
South Africa	King Code of Corporate Governance
South Korea	Act on Corporate Governance of Financial Institutions
Spain	The Comisión Nacional del Mercado de Valores' "Unified Good Governance Code of Listed Companies
Sweden	The Swedish Code of Corporate Governance
Switzerland	The Swiss Code of Best Practice for Corporate Governance
United States	EOS US Corporate Governance Principles

London CIV

Getting in touch with the team

If you have any questions or comments about this report please email Jacqueline Amy Jackson, Chief Sustainability Officer (CSO) at RI@LondonCIV.org.uk

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Important information

London Borough of Enfield

Report Title	LAPFF Quarterly Engagement Update for quarter ending 31 March 2024
Report to	Local Pension Board
Date of Meeting	26 June 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 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 March 2024, for the attention of the Pension Board.

Recommendations

2. The Pension Board are recommended to note the contents of this report and the attached appendix which give details on the LAPFF company engagements for the quarter.

Background and Options

3. 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.

4. 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.

5. 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

6. For this reporting period, LAPFF engaged with various companies on different topics including Human Rights, Climate change and Governance. Highlights from the report include:

   - Engagement with banks on climate change, including meetings with HSBC and Barclays.
   - Updates on LAPFF's continued engagement with Drax Energy.
   - Water Stewardship engagements with UK water companies.
   - Mining and human rights
   - Human rights risk in the luxury goods sector

Reason for Recommendation

7. 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

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

Financial Implications

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

13. 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.

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Appendices

Appendix 1: LAPFF Quarterly Engagement Report

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Quarterly Engagement Report

January-March 2024

HSBC, Barclays, Water Stewardship, Luxury Goods

Local Authority Pension Fund Forum

ENGAGEMENTS

BANKS AND CLIMATE:

Barclays and HSBC

Objective: Banks have a significant role to play in addressing climate change, through providing finance to the energy transition and by moving capital away from the fossil fuel sector, as well as using their influence more widely as lenders to support and encourage companies to transition. From the perspective of the banks, financing the energy transition represents a significant and growing business opportunity, while lending to the fossil fuel sector carries with it the risks of "stranded assets" and potential reputational damage.

LAPFF's objective in engaging with the sector is to see banks developing and implementing clear policies, together with evidence of progress, in the following areas:

- Support for the energy transition through financing activities supporting renewable and clean energy, energy efficiency and other climate solutions.
- Managing and scaling down exposure to the fossil fuel industry, particularly in regard to long term and new projects and activities.
- A clear commitment to assessing all relevant client businesses on their exposure to climate change, assessment, and support on developing transition plans and activities, including appropriate assessment of key risk areas.

LAPFF's priority in the banking sector has been the two UK banks HSBC and Barclays, as they have significant exposure to the fossil fuel sector and are among the world's largest lenders to the infrastructure and energy sectors.

This quarter LAPFF met with HSBC and has an upcoming meeting with Barclays. LAPFF engaged with both Barclays and HSBC extensively in 2023, with climate change being a key focus. It was therefore reassuring to see that both banks have made progress this year, with HSBC publishing its latest transition report in January and Barclays publishing in February 2024 an updated Climate Change Statement covering, in particular, its lending to the fossil fuel industry together with its updated transition plan.

HSBC's 2024 transition plan was generally very strong, with a clear understanding of climate change and the energy transition, and significant commitment on climate lending and integrated climate assessment in lending. The company is clearly interested in the potential of financing the energy transition, particularly in Asia where there are very significant lending opportunities. The tone and approach was notably positive, providing some reassurance of the company's general

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commitment.

Barclays has faced particular criticism, including from the Forum, for its ongoing lending to the fossil fuel industry and its lack of meaningful policies in this area. This has resulted in calls for consumer boycotts, as well as a shareholder resolution organised by ShareAction. In response to this external pressure, including multiple engagements by LAPFF, the company issued and updated its climate change statement, which goes some way to addressing these concerns. The statement is clearly aiming to show Barclays is taking account of the IEA's (International Energy Agency) net zero energy scenario, which states there is no need for new oil and gas projects if we are to achieve net zero by 2050. Key highlights include:

- A commitment to provide no project finance or other direct finance to oil and gas companies for new upstream oil and gas "expansion" projects or related infrastructure.
- From 2025, a provision that Barclays will only provide financing (new or renewal) by exception for existing upstream oil and gas clients where more than 10% of their total planned oil and gas capital expenditure is for new long lead projects.
- A commitment to withhold financing to new oil and gas clients if more than 10% of their total planned oil and gas capital expenditure is for new upstream projects.
- Requirements for oil and gas companies to commit to reducing their own emissions, including having 2030 methane reduction targets, a commitment to end all routine / non-essential venting and flaring by 2030, and near-term net zero aligned Scope 1 and 2 targets by January 2026.
- Various more specific restrictions for new energy clients engaged in expansion, on-diversified energy clients engaged in long lead expansion, and on unconventional oil and gas, including Amazon and extra heavy oil.
- An expectation for oil and gas clients to produce transition plans or decarbonisation strategies by January 2025.

The statement is a major step forward for the company and helps address some of our key concerns, in particular recognising that financing new oil and gas exploration infrastructure is unacceptable, given that the IEA has stated such projects are not compatible with achieving net zero. The NGO ShareAction has, as a result, withdrawn its shareholder resolution on climate, which was likely to have attracted significant support from shareholders, including LAPFF.

In Progress: Although the banks have made significant progress on addressing climate risk, LAPFF seeks to encourage further action in the following areas:

- Stronger restrictions on lending to the fossil fuel sector, covering the oil majors and ensuring full compatibility with the limitations on investment in new oil and gas envisaged in the IEA net zero scenario.
- Proper disclosure and analysis of transition plans, so we can be assured the banks are mitigating climate risk and supporting the energy transition, and not being taken in by incomplete or unrealistic transition plans, particularly where companies need to transform more than transition. Caution over the use of expensive, high risk approaches to solving climate risk, such as carbon capture and storage (CCS), both in direct lending exposure and wider analysis of risk.
- Robust commitments to financing the energy transition, involving the deployment of new funds to new projects.

With Barclays, LAPFF would like to see further progress in its climate statement and will be pressing the company to such effect. The current statement is complex and opaque and has many loopholes and exceptions – notably its exclusion of oil majors from any specific restrictions as long as they have a rudimentary transition plan. LAPFF would like significant tightening of the restrictions so that Barclays is not directly or indirectly funding new oil and gas projects. LAPFF also expects to see a steady decline in the actual levels of lending to the sector.

On transition plans Barclays will need to demonstrate it can adequately scrutinise them and hold companies to account where it decides to lend. Transparency around its assessment of oil and gas companies will be crucial. LAPFF will also monitor its involvement in some of the technological so-called climate solutions which the Forum considers expensive and high risk, such as CCS. LAPFF will pressing these points in an upcoming meeting.

HSBC is better placed to address climate risk and appears to have a broader appreciation of climate change and the profound transformation it entails. LAPFF would still like to see the company strengthen its restrictions over oil and gas lending, backed up by evidence of further action on reduced lending. LAPFF will also monitor the rate of lending to fund the energy transition and HSBC's use and understanding of transition plans.

Alongside engagement with Barclays and HSBC, after a review of the global banking sector LAPFF has decided to expand its activity and has approached five Canadian banks to discuss their transition plans and climate related lending. This included Toronto Dominion, Royal Bank of Canada, Bank of Montreal, Scotia Bank and CIBC. These have been selected because the Canadian banks can be seen as laggards on climate action, with several having increased their lending to the oil and gas industry in recent years. LAPFF has significant holdings in these banks and there is ongoing shareholder activity that can provide a platform for engagement.

CLIMATE

Objective: Decarbonising power needs to be a major contributor to reducing global carbon emissions. Limiting global warming to 1.5C requires a rapid shift away from carbon emitting processes.

LAPFF engaged with Drax this quarter as there are questions about the time scale over which new growth of trees will compensate for the >10MT of CO_2 Drax emits each year. The Forum sought to understand the company's business model, associated risks and sustainability of the supply chain for wood pellets for combustion at Drax Power Station, which are mainly imported, and their cost, considering that gas and renewables offer cheaper alternatives.

Achieved: Since their last AGM the chair has been replaced as expected given his tenure and the Forum is arranging

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a meeting with the new chair. LAPFF responded to the consultation from the Department of Energy Security and Net Zero on prolonging the subsidy to Drax.

LAPFF's response to the consultation covered the evidence that Drax's supplies of wood are not carbon neutral, nor sustainable as a supply source (being dependent on US imports). Just after the LAPFF submission, BBC Panorama had its second exposé of Drax's activities. Drax claims to source its wood pellets from sustainable sources by way of waste material. However, the BBC investigation showed that not only has Drax been cutting and using whole trees, but that the trees cut were from rare forest wood, rather than managed plantations. .

The consultation also states the DESNZ position that subsidised biomass burning (in the case of Drax, wood), will increase the cost of electricity and displace renewables.

In progress: LAPFF is awaiting a meeting with the new chair and is following government policy in this area closely. In March 2024, the government announced that new gas plants will be needed for intermittent supply of energy when there is insufficient generation from renewables. That would seem to be relevant to the medium to long-term future of Drax.

ABB

ABB is a Swedish-Swiss multinational corporation headquartered in Zurich, Switzerland

Objective: Transport is a major contributor to global carbon emissions. Limiting global warming to 1.5C requires a rapid shift away from internal combustion engine vehicles towards electric vehicles. To support this transition, adequate charging infrastructure is required to overcome charging anxiety. LAPFF sought to understand progress in scaling up charging infrastructure and the challenges of delivering charging points for a charging point producer.

Achieved: LAPFF met with an ABB E-mobility representative to discuss electric charging infrastructure. The Swedish-Swiss company is a major player in charging infrastructure and describes itself as the world's number one in EV charging solutions. The meeting covered the likely trajectory of EV take-up, demand for charging infrastructure, and the use case for different charging solutions. The engagement covered the impact of regulation in the EU and US, which was starting to increase the requirements on charging, the impact on demand of the price of EVs, future-proofing technology, and how the interoperability of connectors was becoming less of a barrier. The meeting also discussed challenges for charging infrastructure, including around software. At the meeting LAPFF also raised the issue of human rights in its supply chain.

Progress: LAPFF will continue to engage those in the EV charging infrastructure sector given its critical role to the decarbonisation of surface transport. This will cover consistency and coverage of services.

WATER STEWARDSHIP

United Utilities

Objective: Over the past two years, LAPFF has been engaging UK water utility companies on sewage overflows. These engagements have sought to ensure companies are reducing storm overflows and thus reducing the investment risks, including those associated with reputational damage and regulatory intervention. As the sector has acknowledged that more needs to be done and has started to outline plans, LAPFF's focus has expanded to ensure overflows are being reduced against targets and to look more closely at how companies are seeking to deliver future improvements. At the same time, LAPFF has also been engaging the publicly listed companies on the financial resilience of the sector given the situation at Thames Water.

Achieved: LAPFF met with the chief financial officer at United Utilities to discuss the company's plans for reducing overflows. In October, water utility companies set out their plans under Ofwat's price review process. These plans include investment strategies for improving environmental performance (regulated by the Environment Agency) such as storm overflow reductions. The meeting therefore spent some time discussing United Utilities' investment plans under the price review.

The last round of engagements with water companies included discussion around investment needed in infrastructure. An important area LAPFF wanted to follow up on was delivering value for money and ensuring affordability for customers given the additional investment and higher prices needed. The meeting discussed adaptive planning, supply chain capacity,

ENGAGEMENTS

consultation and support for the plans from their customers, and financial assistance for lower income households.

The meeting also discussed gearing levels and implications for United Utilities. This covered the definition of gearing: the traditional debt to equity versus debt to assets, which is used by the regulator, and that the Ofwat definition is less sensitive to increasing debt than the traditional one. The situation at Thames Water was also discussed as was the differences between publicly listed and private equity run firms.

In progress: As additional funding comes into the sector to address storm overflows, LAPFF will engage with water utilities to ensure that plans are being delivered, overflows are being reduced, and the investment represents value for money for shareholders and stakeholders.

HUMAN RIGHTS

Luxury goods

Objective: Legislation globally is increasingly incorporating human rights considerations, including potential fines for companies found to have forced labour or other human rights abuses in their supply chains. Managing such human rights risks is a crucial component of sustainable company practices and increasingly a financially material issue for investors, especially in a sector reliant on branding and reputation. There can be a common misconception that paying a premium for luxury items directly translates into better wages and working conditions for workers. However, the luxury goods sector, like many others, is not immune to the challenges and risks associated with human rights violations, such as forced labour, child labour, unsafe working conditions, and inadequate wages, which are prevalent in industries and supply chains worldwide.

Achieved: During the quarter, LAPFF engaged with five luxury goods companies, several of which were new engagements for the Forum. Meetings were held with key industry players: Richemont SA, Kering SA, and Louis Vuitton Moet Hennessy. Prior to these meetings, it was recognised that LAPFF's requests would need to be varied due to the differing levels of disclosure and transparency regarding human rights programmes, risk management, and supply chain due diligence among the companies. These engagements provided LAPFF with valuable opportunities to initiate dialogues, aiming to establish good relationships and gain a deeper understanding of the companies' current practices. Moreover, these discussions allowed LAPFF to present an investor's perspective on why enhanced disclosures are critical, demonstrating a company's commitment to mitigating legal and reputational risks associated with human rights issues.

In Progress: LAPFF has calls scheduled with Moncler and Burberry for Q2 of

Louis Vuitton Shop in Paris France

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2024 and will also aim to build upon the initial engagements held with companies in Q1 in the upcoming months to ensure robust human rights risk management is viewed as a company responsibility, but also a key factor in safeguarding the companies' long-term value and reputation. LAPFF will continue to monitor these companies' practices and disclosures, providing feedback and recommendations as necessary to ensure that human rights considerations are being adequately addressed and integrated into their business models and supply chain operations.

MINING & HUMAN RIGHTS

Objective: The financial materiality of human rights impacts and mining cannot be overstated. Continuing its work with mining companies and affected communities, one of the main objectives of LAPFF's work on mining and human rights is to make other investors and stakeholders aware of these financial risks.

Achieved: To this end, LAPFF had its report on its visit to Brazilian communities affected by tailings dams translated into Portuguese. This translation took place on calls from Brazilian investor and community partners who explained that it would help to mobilise Brazilian investors on this issue. A press release of the report was issued during the quarter.

LAPFF also attended the 2024 African Mining Indaba in Cape Town, South Africa this quarter. The Indaba takes place annually in South Africa and brings together the international mining community to discuss mining as it relates to the African context. While it was heartening to hear the attention paid to issues such as health and safety, there were two areas of concern from LAPFF's perspective. First, there were almost no mine workers and no affected community members included in the conference panels. Generally, these voices are heard at an alternative Indaba that takes place alongside the main Indaba. LAPFF pointed conference participants to its reports on mining and human rights to highlight the financial materiality of human rights for investors. Second, the main line in relation to climate change was renewables plus coal, rather than a discussion about how to move away from coal and a timeline for doing so. Although LAPFF accepts that there must be a managed decline of coal, the emphasis on use of coal and 'clean uses' for coal were a worry. LAPFF also would have expected a clear timeline to transition away from coal. There were discussions about a just energy transition (JET) at the Indaba, but LAPFF would have liked to hear more concrete plans for this transition and more evidence that it is being taken seriously.

In Progress: LAPFF submitted a response to the UN Working Group's consultation on investors and ESG, which included the submission of its reports and work with affected community members. This focus appears to be of interest at the international level, and LAPFF will continue to work with the UN Working Group and other stakeholders to inform best practice on mining and human rights, while linking the work to financial materiality for investors.

Israeli Armored CAT Caterpillar D9 armored bulldozer in Gaza border Israel

COMPANY PRODUCT USE IN CONFLICT ZONES

Caterpillar, RTX Corp, BAE Systems, Lockheed Martin, Thales

Objective: LAPFF sought engagement with several defense and manufacturing companies regarding humanitarian and human rights impacts in high-risk and conflict-affected areas such as Gaza. These engagements are important for companies operating in or providing products and services involved in conflicts have heightened risks and responsibilities when it comes to upholding human rights standards.

LAPFF aims to ensure companies are implementing robust human rights due diligence practices and are adhering to international standards. Failure to do so could leave a company open to reputational damage, erosion of public trust, and legal liabilities.

Achieved: In letters sent to Caterpillar, RTX Corp, BAE Systems, Lockheed Martin and Thales, LAPFF sought to better understand how these companies manage human rights risks associated

ENGAGEMENTS

with use of their products, particularly in the context of conflict zones.

LAPFF received responses to these letters RTX Corp, Lockheed Martin, and Caterpillar, who provided links to their respective human rights policies but did not provide substantive responses on the issue. LAPFF will be discussing the issues at an upcoming meeting with BAE, but at the time of writing, Thales has failed to respond to LAPFF's request for engagement.

In Progress: LAPFF is continuing to engage and develop its approach to sectors that operate in conflict-affected and high-risk areas. Through these engagements LAPFF seeks greater transparency around companies' human rights policies, encourages companies to prevent or mitigate human rights violations, and urges compliance with international humanitarian laws and the UN Guiding Principles on Business and Human Rights (UNGPs). Companies have a responsibility to undertake heightened human rights due diligence in high-risk conflict areas.

WORKERS' RIGHTS

Starbucks update headline

Last year, LAPFF recommended a vote in favour of a shareholder proposal at Starbucks, which sought a review of workforce practices at Starbucks and was co-filed by LAPFF member Merseyside Pension Fund. This resolution passed with 52% voting in favour.

Over the past year, LAPFF has witnessed significant improvement in employment relations at the company. Starbucks and the Workers United Union have begun work on a "foundational framework" which they say will deliver collective bargaining agreements, and a fair process for organising. After a period of friction within the company, LAPFF welcomes a more collaborative approach.

Apple voting alert

LAPFF has been engaging technology companies on their governance and human rights practices for a number of years. LAPFF policy is to encourage companies to adopt human rights policies and management practices in line with the UNGPs, and it believes these policies and practices should be disclosed to shareholders. Technology companies have a great potential impact on human rights, including the rights to privacy and freedom of expression. Their reach is wide, and they are well-known and used globally, so any mis-steps raise operational, reputational, legal, and consequently financial concerns for investors. Given the financial materiality of their human rights practices, LAPFF routinely issues voting alerts for some of these companies, including Apple.

At the company's 28 February 2024 AGM, LAPFF recommended a vote in favour of two shareholder resolutions that received significant shareholder support. These were resolution 6 requesting racial and gender pay gaps reporting which received 30.85% support, and resolution 7 calling for a report on the use of AI, which received 36.49% support. Whilst these resolutions did not pass, the significant investor support for these resolutions provides a clear signal from shareholders.

COLLABORATIVE ENGAGEMENTS

30% Club Investor Group Global Workstream – KKR & Co

LAPFF remains an active member of the 30% Club Investor Group, taking the lead with companies through the Group's Global Workstream, which aims to increase gender diversity on corporate boards and in senior leadership positions at companies outside of the EU and UK.

Through this workstream, LAPFF met with KKR & Co in January, an American global investment company. LAPFF asked the company questions regarding potential targets on gender diversity, as well as what it might be setting for its portfolio companies. Across the US, it is clear that the ESG backlash and the Fair Admissions v. Harvard case at the US Supreme Court, is causing mounting pressure on companies to stop or reduce DE&I programmes and activities. LAPFF will seek to navigate this environment when engaging with US companies on this issue, and can continue to seek for disclosures such as pay gap reports where companies may be currently cautious to set targets on diversity.

WBA: Calls with Occidental and Equinor over Climate

Objective: The transition to net zero may have a range of positive and negative impacts for workers, communities, supply chains and consumers. The negative impacts, such as loss of employment or loss of a large employer from a local economy, pose risks to company reputations, could lead to operational disruption, and could delay the transition to net zero. Indeed, the decarbonisation of business will require retraining and redeployment of existing skills.

As such, if a climate transition plan is to be credible it will need to consider the social implications of the transition. However, to date, many of the companies that will need to decarbonise have not clearly set out just transition plans or integrated these into climate transition plans. The World Benchmarking Alliance's study of the oil and gas sector found companies falling short on just transition expectations, such as their engagement with stakeholders on the issue, retraining and reskilling workers, and outlining just transition plans. On the back of the study, collaborative engagements have been undertaken seeking to ensure progress in these areas.

Achieved: In the quarter, LAPFF joined calls with Occidental and Equinor.
In the meeting with Occidental, the

ENGAGEMENTS

company outlined its approach to the just transition. The company has made a commitment to a just transition and has identified four groups its pathway will support: energy workers, energy-producing communities, communities susceptible to climate impacts and low-income consumers. The company's commitment to a just transition was positive to hear, whilst the meeting also provided investors the opportunity to outline where they wanted to see further progress. Occidental's transition to net zero is reliant on CCS and direct air capture technologies. These are technologies that LAPFF and a growing number of investors have questions about. This approach therefore raises questions not only about the feasibility of net zero plans, but the impact on workers and communities if these technologies are not scalable.

In another meeting as part of the same WBA initiative, LAPFF joined a collaborative call with Norwegian energy company, Equinor. This followed on from a meeting with the company in October last year which explored how Equinor's just transition policy commitment was being implemented. This meeting involved the company's people and organisation team and focused on the workforce dimension to the transition. The details about their approach to the just transition were more granular than provided in some just transition meetings. As Equinor still has progress to make, it was encouraging that they mapped out how the company was developing its just transition plans further. The discussion touched on social dialogue in Norway and its approach in other countries, the consultation process when decommissioning operations, skills training, and its just transition strategy and metrics.

In progress: LAPFF will be closely following oil and gas companies' progress on just transition planning, including engagement with the workforce, metrics and targets, and overarching plans.

Rathbones Votes Against Slavery

The Votes Against Slavery (VAS) initiative, spearheaded by Rathbones, focuses on addressing and reducing modern slavery practices by targeting non-compliant

Cry for help, sewn into a piece of clothing, made in Bangladesh

companies within the UK's FTSE 350 and, starting from 2024, the FTSE AIM markets. This expansion reflects an effort to encompass a broader range of companies, especially considering the significant impact FTSE AIM companies can have through a variety of supply chains.

LAPFF has endorsed this initiative by signing all letters and has committed to further engagements with companies where LAPFF may have larger holdings. This collaborative approach has proved successful in the past, with good success rates across target companies.

Taskforce on Social Factors – Final Guidance

This quarter saw the launch of the final report of the DWP-backed Taskforce on Social Factors at an event with the pensions minister, Paul Maynard MP. The taskforce was chaired by Luba Nikulina, Chief Strategy Officer at IFM Investors, and LAPFF's chair, Cllr Doug McMurdo, was a member of the groundbreaking initiative.

While the focus on social factors in the pensions industry is not as advanced as on climate change, for LAPFF this has been a core area of work since it was founded over 30 years ago. Indeed, LAPFF's response to a DWP consultation that led to the formation of the taskforce highlighted the extensive work LAPFF has undertaken to address social risks. It is therefore a sign of good progress and a notable outcome for LAPFF that after pushing over the decades for companies and investors to pay due attention to social factors that the taskforce was established and that the guidance has been produced.

The final report highlights why social factors matter to pension funds, fiduciary duties and social factors, data and materiality assessments, and how funds can address social risks. The report makes recommendations to pension fund trustees but also the government on an area that can often pose systemic and market-wide risks. Alongside the main report, DWP published on its website a series of guides, including a quick start for trustees. As the pensions minister emphasised at the launch, social factors are of real importance for pension funds. He also noted that the guide provides practical assistance to the industry in considering and integrating social factors into investment strategies.

CONSULTATION RESPONSES

MEDIA COVERAGE

Water management

Insurance Journal: Rio Tinto Faces Pressure From Investors Over Water Contamination Claims (insurancejournal.com)

Sahm: Mining Giant Rio Tinto Caught Into Water Nightmare At Two Mines: Report (alsahm.com)

Social factors

Pensions Expert: Start work on social and nature risks now, TPR urges - Law & Regulation - Pensions Expert (pensions-expert.com)

Bloomberg Law: Corporate Investors Target Labor, Political Spending in 2024 (bloomberglaw.com)

Climate

Yahoo: UK banks may be holding too little capital for climate risks, investors tell BoE (yahoo.com)

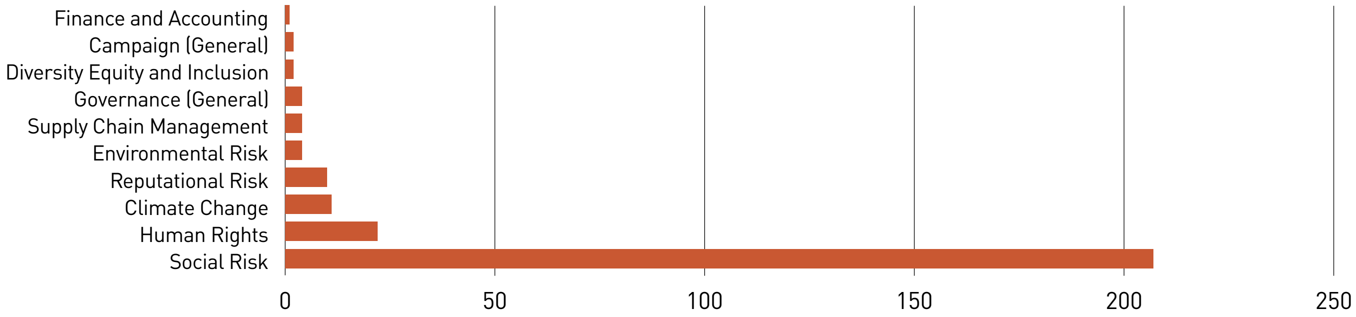
COMPANY PROGRESS REPORT

148 companies were engaged over the quarter. This includes letters signed by LAPFF and sent by Rathbones to companies in the FTSE350 and AIM indexes regarding compliance with s54 of the Modern Slavery Act. Excluding this engagement, 42 were Companies engaged over the quarter. The table below reflects those 42 companies engaged and does not include correspondence related to the Rathbones' Votes Against Slavery engagement.

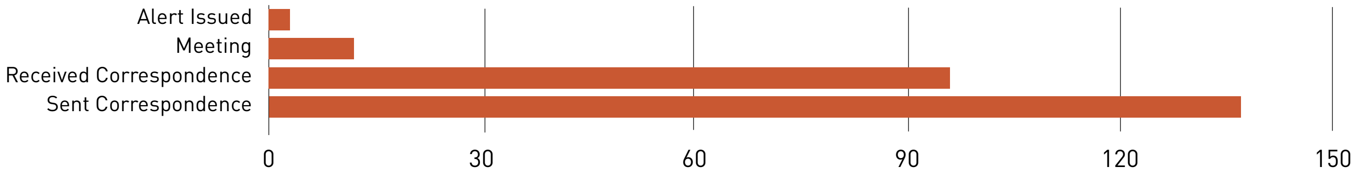
Company/Index	Activity	Topic	Outcome
ABB LTD	Meeting	Campaign (General)	Dialogue
ABBVIE INC	Sent Correspondence	Environmental Risk	Awaiting Response
AP MOLLER - MAERSK AS	Sent Correspondence	Human Rights	Dialogue
APPLE INC	Alert Issued	Human Rights	No Improvement
BAE SYSTEMS PLC	Sent Correspondence	Human Rights	Awaiting Response
BANK OF MONTREAL	Sent Correspondence	Climate Change	Awaiting Response
BANK OF NOVA SCOTIA	Sent Correspondence	Climate Change	Awaiting Response
BURBERRY GROUP PLC	Sent Correspondence	Human Rights	Awaiting Response
CANADIAN IMPERIAL BANK OF COMMERCE	Sent Correspondence	Climate Change	Awaiting Response
CATERPILLAR INC.	Received Correspondence	Human Rights	No Improvement
COMPAGNIE FINANCIERE RICHEMONT SA	Meeting	Human Rights	Change in Process
EQUINOR ASA	Meeting	Climate Change	Small Improvement
FUJITSU LTD	Sent Correspondence	Governance (General)	Awaiting Response
HERMES INTERNATIONAL	Sent Correspondence	Human Rights	Awaiting Response
HSBC HOLDINGS PLC	Meeting	Climate Change	Dialogue
J SAINSBURY PLC	Meeting	Campaign (General)	Dialogue
KERING SA	Sent Correspondence	Human Rights	Awaiting Response
KKR & CO INC	Meeting	Diversity Equity and Inclusion	Dialogue
LENNAR CORPORATION	Alert Issued	Climate Change	No Improvement
LOCKHEED MARTIN CORPORATION	Received Correspondence	Human Rights	No Improvement
LVMH (MOET HENNESSY - LOUIS VUITTON) SE	Meeting	Human Rights	Dialogue
MONCLER SPA	Sent Correspondence	Human Rights	Awaiting Response
NATIONAL GRID PLC	Meeting	Climate Change	Dialogue
NESTLE SA	Meeting	Environmental Risk	Dialogue
OCCIDENTAL PETROLEUM CORPORATION	Meeting	Climate Change	Dialogue
RIO TINTO PLC	Meeting	Environmental Risk	Dialogue
ROYAL BANK OF CANADA	Sent Correspondence	Climate Change	Awaiting Response
RTX CORP	Received Correspondence	Human Rights	No Improvement
SHINHAN FINANCIAL GROUP LTD	Sent Correspondence	Diversity Equity and Inclusion	Awaiting Response
STARBUCKS CORPORATION	Sent Correspondence	Human Rights	Awaiting Response
THALES	Sent Correspondence	Human Rights	Awaiting Response
THE BOEING COMPANY	Sent Correspondence	Governance (General)	Dialogue
THE TORONTO-DOMINION BANK	Sent Correspondence	Climate Change	Awaiting Response
TYSON FOODS INC	Sent Correspondence	Human Rights	Awaiting Response
UNITED UTILITIES GROUP PLC	Meeting	Finance and Accounting	Dialogue

ENGAGEMENT DATA

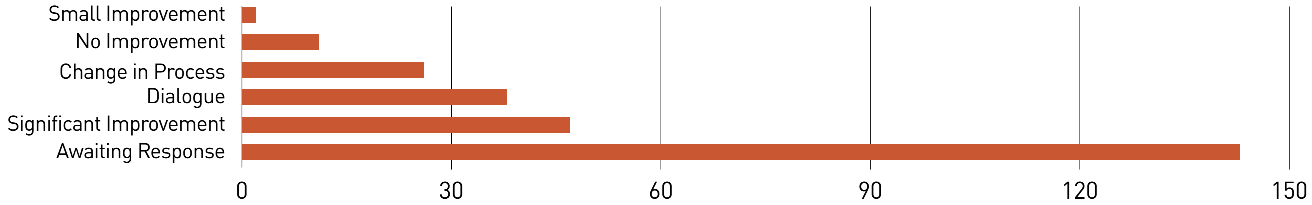
ENGAGEMENT TOPICS



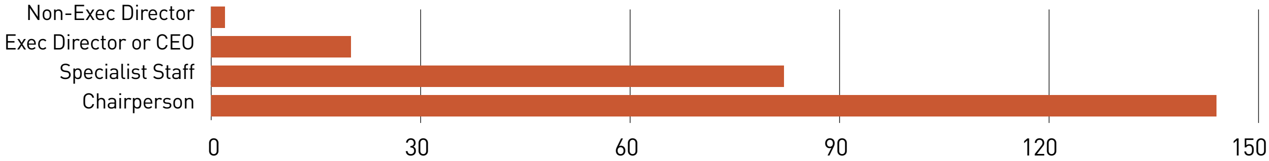
ACTIVITY



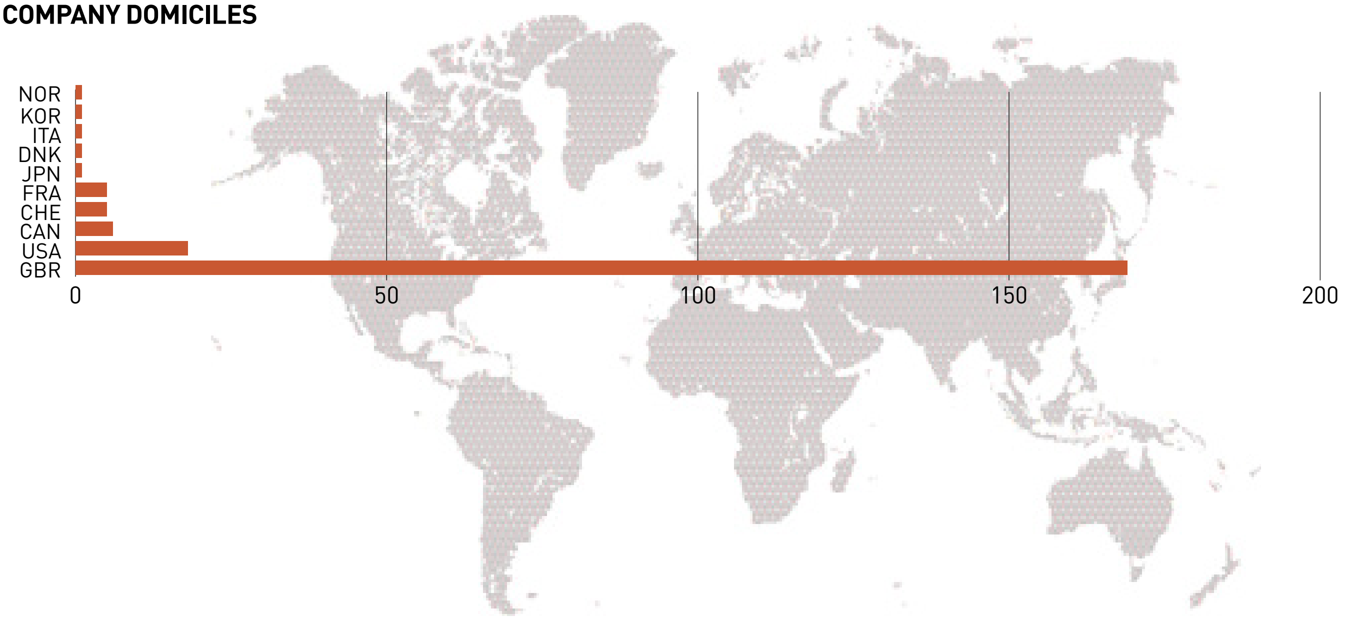
MEETING ENGAGEMENT OUTCOMES



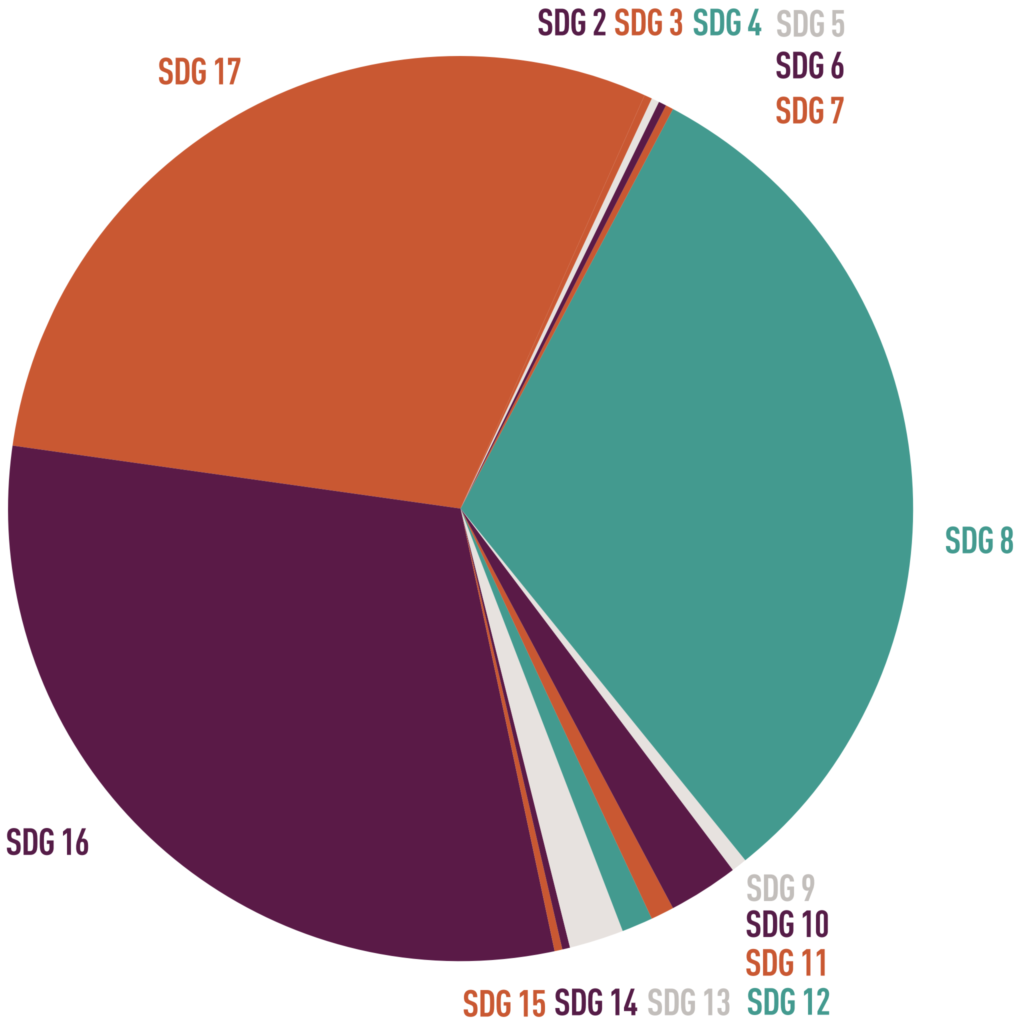
POSITION ENGAGED



COMPANY DOMICILES



ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS	
SDG 1: No Poverty	0
SDG 2: Zero Hunger	1
SDG 3: Good Health and Well-Being	2
SDG 4: Quality Education	0
SDG 5: Gender Equality	2
SDG 6: Clean Water and Sanitation	1
SDG 7: Affordable and Clean Energy	2
SDG 8: Decent Work and Economic Growth	220
SDG 9: Industry, Innovation, and Infrastructure	5
SDG 10: Reduced Inequalities	18
SDG 11: Sustainable Cities and Communities	6
SDG12: Responsible Production and Consumption	7
SDG 13: Climate Action	13
SDG 14: Life Below Water	2
SDG 15: Life on Land	3
SDG 16: Peace, Justice, and Strong Institutions	213
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	206

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)
Brent (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
Hillingdon Pension Fund
Hounslow Pension Fund
Isle of Wight Pension Fund
Islington Pension Fund
Kensington and Chelsea (Royal Borough of)
Kent 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
Scottish Borders 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

MINUTES OF THE MEETING OF THE PENSION POLICY & INVESTMENT COMMITTEE HELD ON WEDNESDAY, 20 MARCH 2024

COUNCILLORS

PRESENT	Doug Taylor, Susan Erbil (Cabinet Member for Licensing, Planning and Regulatory Services), Sabri Ozaydin, David Skelton and Edward Smith
ABSENT	Gina Needs
OFFICERS:	Ravi Lakhani (Head of Pension Investments) and Nicola Lowther (Governance Manager)
Also Attending:	Colin Cartwright (Aon)

1
WELCOME AND APOLOGIES

The Chair welcomed everyone to the meeting and thanked members for their service on the committee for the last 12 months.

Apologies were received from the following:

Cllr Gina Needs

2
DECLARATIONS OF INTEREST

No interests were declared under this item.

3
MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 17 January 2024 were **AGREED**.

4
CHAIR'S UPDATE

The Pension AGM in early March had good attendance both in person and online, 90% of those who attended had individual issues that they wanted to raise with regard to their own pensions. The Council Chamber is not ideal for the AGM and the chair has asked for the conference room to be booked going forward which Ravi has already actioned for next year.

Following a query regarding LGPS compliance with Shaira Law, the LGA has looked at and have discussed with an Islamic Scholar whose view is that there is no impediment to somebody who is Islamic joining the LGPS as it is consistent with Sharia law. The LGA advice was that the individual were not themselves investing. The pension is a promise of a return irrespective of the performance of the instrument and were comfortable with the situation.

The Chair felt that a possible meeting is needed with the CIV particularly around the cost of moving from one provider to another, transition costs and there might be some matching possible to limit costs. The Chair advised that there are two funds that are due to come forward; one around private debt, and the second one is their nature-based fund and would like them both to come and present to the Committee in the future. These two funds may get launched in quarter 2.

5
INVESTMENT STRATEGY STATEMENT

Ravi Lakhani, Head of Pension Investments presented this item outlining the objectives, policies, and processes for managing the Enfield pension fund assets.

The fund has a paramount duty to see 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.

The primary tool for achieving investment returns is Strategic Asset allocation which was recently reviewed at PPIC and agreed to a new allocation at the January 2024 meeting of PPIC.

The strategic asset allocation is based on the results of the asset-liability modelling exercise carried out by Aon.

Regulations requires an administering authority to publish an investment strategy statement which must be in accordance with guidance issued by the Secretary of State and must be reviewed every 3 years and approved by the committee.

The Investment Strategy Statement was **AGREED**.

6
BUDGET IMPACT

Ravi Lakhani, Head of Pension Investments gave an overview of this item report.

Discussions were held around that whilst 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 included discussions on global and American equity markets.

The report was **NOTED**.

7
INVESTMENT UPDATE ON ENFIELD PENSION FUND INVESTMENTS & MANAGERS

Ravi Lakhani and Colin Cartwright (Consultant, Aon) presented this item and covered the overall fund performance and investment manager performance in detail. Ravi Lakhani highlighted that the report covers up to 31 December 2023. The value of the fund as at 31 December 2023 was £1,521m, paragraph 7 illustrates the performance over different time periods. It was stressed that there is no rush to reduce the Bond portfolio in value in line with the Strategic Allocation as the Fund still has a large cash balance. Possible changes in the future are detailed under paragraph 28 and 29 in the report.

Looking forward, markets are continuing to contend with the effects of the interest rate/inflation cycle and the global economy.

It was noted that there is a high level of Government indebtedness and policy makers need to be mindful and must ensure that all commitments are funded.

In response to the issues affecting performance management members were advised that in the business plan for the next quarter will be looking at the equity allocations. There will be a deep dive into the equity portfolio looking at how the funds are managed, and how are the managers performing.

Following a query on the significant cash position detailed in the report, members were advised that while money markets funds are producing a rate of returns of between 4-5 % there is not a requirement to temporarily put more money in bonds. Over the next 12 to 24 months, it is likely that this money will be committed to infrastructure managers and if the fund agrees to investment in private debt and natural capital.

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

8
FOSSIL FUEL EXPOSURE

The Part 1 report in the agenda pack was **NOTED**. All discussions on the report were held under Part 2.

9
LAPFF

The Part 1 report in the agenda pack was **NOTED**. All discussions on the report were held under Part 2.

10
UPDATE FROM PENSION BOARD

The Pensions Regulator released a new single Code of Practice. Previously there were numerous Codes of Practice over lengthy documents. This has been amalgamated into a single document which is 190 pages. This governs how Pension funds should operate, a lot of this covers pension administration, this includes a module on pension investments. There is a significant element covering members training requirements. Pension Officers will carry out a self-assessment and report back to members.

11
AOB

There was no other business.

12
DATE OF NEXT MEETING

NOTED 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

14
INVESTMENT UPDATE ON ENFIELD PENSION FUND INVESTMENTS & MANAGERS

There were no further discussions under part 2.

15
FOSSIL FUEL EXPOSURE

Following part 2 discussions, the report was **NOTED**.

16
LAPFF

Following a part 2 discussion the report and Part 2 appendices was **NOTED**.