



London Borough of Enfield

Report Title	LAPFF Quarterly Engagement Update for quarter ending 30 September 2023
Report to	Local Pension Board
Date of Meeting	13 December 2023
Cabinet Member	Cllr Tim Leaver
Executive Director / Director	Fay Hammond
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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 September 2023, 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:

- LAPFF welcomes its new member, the ACCESS pool, bringing the membership to 87 LGPS funds and seven pooled companies.
- LAPFF engages with global insurers on approaches to decarbonisation and natural resources.
- The 'Say on Climate' initiative grows to encourage more companies to put a vote on climate transition plans.
- Mining and Human Rights engagements continue with Anglo American, BHP, Glencore, Rio Tinto, and Vale and with a new mining company, Grupo Mexico, as LAPFF was approached by community members affected by a 2014 leak at one of the company's tailings ponds in Sonora, Mexico.
- LAPFF's chair, Cllr Doug McMurdo, meets the chairs of three water companies to ensure that reputational risks and regulatory scrutiny around environmental performance are addressed.
- LAPFF meets with Volkswagen and Volvo Group, both for the first time, on the issue of critical mineral sourcing.
- Doug McMurdo meets the chair of Shell to discuss its unsatisfactory Energy Transition Plan.
- LAPFF joins calls with Mizuho Financial Group, China Construction Bank (CCB), and Huaneng Power through Asia Research and Engagement's Energy Transition Platform.

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.

Workforce Implications

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

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Appendices

Appendix 1: LAPFF Quarterly Engagement Report