



London Borough of Enfield

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

Purpose of Report

1. This report provides an update on various Environmental, Social & Governance (ESG) issues that the Local Authority Pension Fund Forum (LAPFF) have been engaged with for the quarter ending December 2023, for the attention of PPIC.
2. The report also introduces the LAPFF plan of activities for the 2024/25 financial year.

Recommendations

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

Background and Options

4. The Enfield Pension Fund (“the Fund”) is a member of the Local Authority Pension Fund Forum (LAPFF) and the Fund has previously agreed that its votes will be casted at investor meetings in line with LAPFF voting recommendations where the Fund’s investment managers do not have a proxy voting policy.
5. The LAPFF, currently comprises 71 local authority pension funds with combined assets of over £210 billion. The Forum exists to promote the investment interests of local authority pension funds, and in particular to maximise their influence as shareholders to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they invest.
6. The Fund currently delegates the exercise of its voting rights to its external equity managers, who are asked to comply as far as possible with the Fund’s voting policies (generally LAPFF voting recommendations). The move to a pooled structure (with London CIV) over the medium term may impact this arrangement as voting rights would need to be exercised at pool level rather than fund level. The Fund will therefore need to ensure that it works with other London funds as well as the pool itself to ensure that in the future it is able to effectively express its views through the exercise of voting rights.

LAPFF engagement

7. For this reporting period, LAPFF engaged with various companies on different topics including Human Rights, Climate change and Governance. The full report is included in appendix 1. Highlights from the report include:
 - An overview of the 2023 LAPFF conference, detailing discussions on various important topics including electric vehicle (EV) supply chains and the biodiversity crisis.
 - A continued push on the ‘Say on Climate’ initiative, aimed at encouraging more companies to present their climate transition plans for shareholder voting.
 - Active engagement with insurance companies regarding climate change, which included meetings with AIA, AXA, Legal & General, Lloyds Banking Group, and Ping An.
 - Engagement efforts focused on mining and human rights, particularly with Grupo Mexico and Glencore. This included organising a seminar for investors featuring communities from Colombia and Peru impacted by Glencore’s mining projects.
 - Discussions with German technology giant SAP to address the management of adverse human rights impacts, including issues of discrimination, arising from advancements in artificial intelligence (AI) technologies.

- Issuance of a voting alert concerning BHP, highlighting concerns over the company's climate-related practices and its corporate culture regarding human rights.
 - Continued engagement with The Home Depot through the Investor Alliance for Human Rights' Uyghur Working Group, aimed at addressing the company's response to allegations of Uyghur forced labour within its supply chains.
8. The draft LAPFF workplan for 2024/25 is included in appendix 2. The main point to consider from this work plan are:
- Summary of LAPFF workplan 2024/2025: The document outlines the current and anticipated engagement areas for LAPFF, a responsible investment organisation, for the coming year. The document covers topics such as climate change, human rights, natural resources, governance, and policy engagement. The document also explains the objectives, methods, and longer-term goals for each engagement area, as well as the relevant Sustainable Development Goals (SDGs) that they align with.
 - Climate and strategic resilience, environmental protection, and fair and just transition: LAPFF considers climate change and its impacts to be a top priority for its members and aims to engage with companies on their decarbonisation strategies, transition plans, and climate scenario analysis. LAPFF also emphasises the importance of biodiversity, natural resources, and water stewardship, and the inter-dependence of these issues with climate and social factors. LAPFF supports a just transition that does not leave behind the poorer and more vulnerable members of society. LAPFF collaborates with other investors and stakeholders on various climate and environmental initiatives and seeks to influence policy frameworks that enable effective and rapid climate action.
 - Social factors: Human rights and employment practices: LAPFF has a humanitarian and human rights strategy that covers three categories of engagement: sovereign-based, sector-based, and issue-based. LAPFF engages with companies on their human rights impacts and risks in various countries and regions, such as the Occupied Palestinian Territories, Myanmar, Ukraine, and Xinjiang. LAPFF also focuses on specific sectors that have significant human rights challenges, such as mining, apparel, technology, and care. LAPFF also addresses cross-cutting issues such as joint ventures, discrimination, supply chain transparency, and modern slavery. LAPFF works with affected stakeholders, such as communities and workers, and responds to policy developments and consultations on humanitarian and human rights issues.
 - Promoting good governance: LAPFF engages with companies on various aspects of corporate governance, such as anti-bribery and corruption, board diversity, executive remuneration, and reliable accounts. LAPFF also seeks to improve the regulatory environment and the standards of

accounting and auditing, as well as the governance of capital markets. LAPFF supports initiatives that aim to align executive pay with long-term performance and sustainability goals, and to ensure that company accounts reflect the true and fair view of their financial position and risks. LAPFF also challenges the governance practices of technology companies, especially in relation to content management and artificial intelligence.

- **Leadership: Emerging and developing initiatives:** LAPFF aims to identify and respond to emerging investment concerns and responsible investment issues that affect its members and their holdings. LAPFF also seeks to collaborate with other investors and organisations on initiatives that provide added value and increase its impact. LAPFF monitors and assesses new trends and developments in the market and the regulatory landscape and adapts its workplan accordingly. LAPFF also supports member liaison, services, support, and training, as well as communication and media outreach.
- **APPG, Party Conference Fringe Meetings, Asset Managers, LGPS Events:** LAPFF supports the All-Party Parliamentary Group for Local Authority Pensions Funds, which aims to discuss and inform the work of LAPFF on LGPS issues with policymakers and stakeholders. LAPFF also hosts fringe meetings at the party conferences to build relationships with parliamentarians and ministers, and to lead the debate on reforms that promote well-functioning markets and responsible investment. LAPFF also engages with asset managers, regulatory bodies, and other relevant experts on matters such as stewardship practices, shareholder voting, stock-lending, and infrastructure. LAPFF also provides educational and explanatory materials to its members and supports their participation in external events.

Reason for Recommendation

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

Relevance to Council Plans and Strategies

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

Financial Implications

14. This is a noting report and there are no direct financial implications as a result of the contents of this report.
15. The exercise of voting rights and engagement with investee companies are a key part of the Fund's role as a long-term steward of assets. Ensuring good corporate governance and the adoption of sustainable business models at the companies in which the Fund invests should over the longer term ensure that they are able to deliver superior returns to the Fund. Poor corporate governance and unsustainable business practices can impact on share prices and increases the risk that the Fund may experience a loss of value in its investments in the future.

Workforce Implications

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

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Appendices

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