

**London Borough of Enfield**

**ENFIELD PENSION BOARD**

**Meeting Date: 15 March 2022**

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**Subject: LAPFF Quarterly Engagement Update for Dec 2022**

**Cabinet Member: Cllr Leaver**

**Executive Director: Fay Hammond**

**Key Decision: [ ]**

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**Purpose of Report**

1. 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.
2. This report provides an update on various Environmental Social & Governance (ESG) issues that the Local Authority Pension Fund Forum (LAPFF) have been involved in, for the attention of the Pension Board.

**Proposal(s)**

3. The Pension Board are recommended to:
  - a) Note the contents of this report;
  - b) The issues discussed by LAPFF, set out in the Quarterly Engagement Report which is available on the LAPFF website:  
<https://lapfforum.org/wp-content/uploads/2023/01/LAPFF-Q4-QER.pdf>

**Reason for Proposal(s)**

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

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

5. Good homes in well-connected neighbourhoods.
6. Build our Economy to create a thriving place.
7. Sustain Strong and healthy Communities.

## **Background**

8. The Fund currently delegates the exercise of its voting rights to its external equity managers, who are asked to comply as far as possible with the Fund's voting policies. The move to a pooled structure over the medium term would significantly impact this arrangement as voting rights would need to be exercised at pool level rather than fund level. The Fund will therefore need to ensure that it works with other London funds as well as the pool itself to ensure that in the future it is able to effectively express its views through the exercise of voting rights.
9. The Fund also currently delegates broader engagement with investee companies around ESG issues to its external managers. The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), which currently comprises 71 local authority pension funds with combined assets of £205 billion. The Forum exists to promote the investment interests of local authority pension funds, and in particular to maximise their influence as shareholders to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they invest.

## **LAPFF Engagement Outcomes**

10. For this reporting period, LAPFF engaged with various companies on different topics detailed information is in the attached Appendix 1 - **Quarter Ending 31 December 2022**.

## **Safeguarding Implications**

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

## **Public Health Implications**

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

## **Equalities Impact of the Proposal**

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

## **Environmental and Climate Change Considerations**

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

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

15. The rigorous robust management of LBE Pension Fund results in better quicker and more effective decision making which can lead to better Fund performance and reduction in the contribution required from the Council towards the Fund.
16. Ensuring good corporate governance and the adoption of sustainable business models at the companies in which the Fund invests should over the longer term ensure that they are able to deliver superior returns to the Fund.

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

17. This is a noting report.

**Financial Implications**

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

**Legal Implications**

20. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 Regulation 7 requires Administering Authorities to publish and maintain an Investment Strategy Statement which includes, amongst other items, details of:
  - a) The authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments.
  - b) The authority's policy on the exercise of the rights (including voting rights) attaching to investments.
21. In addition, Government guidance on the preparation and maintenance of the Investment Strategy Statement states that Administering Authorities should explain their policy on stewardship with reference to the Stewardship Code, the seven principles of which apply on a 'comply or explain' basis.
22. There are no immediate legal implications arising from this report.

**Workforce Implications**

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

### **Property Implications**

24. None

### **Other Implications**

25. None

### **Options Considered**

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

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Date of report 24<sup>th</sup> February 2023

### **Appendices**

Appendix 1 – LAPFF Quarterly Engagement Report for December 2022

### **Background Papers**

<https://lapfforum.org/wp-content/uploads/2023/01/LAPFF-Q4-QER.pdf>

<https://lapfforum.org/wp-content/uploads/2022/10/LAPFF-QER-2022-Q3-Final.pdf>

<https://lapfforum.org/wp-content/uploads/2022/07/LAPFF-Q2-QER.pdf>

<https://lapfforum.org/wp-content/uploads/2022/04/LAPFF-QER-2022-Q1.pdf>