

<b>Meeting Name:</b>	Pensions Advisory Panel
<b>Date:</b>	30 September 2024
<b>Report title:</b>	Update on Approach to Engagement and Voting
<b>Ward(s) or groups affected:</b>	Not applicable
<b>Classification:</b>	Open
<b>Reason for lateness (if applicable):</b>	Not applicable
<b>From:</b>	ESG Manager – Treasury and Pensions

## **RECOMMENDATION**

1. The Pension Advisory Panel is asked to note the Fund's engagement and voting activity for the quarter ended 30 June 2024 for the underlying investments of the Fund.

## **UPDATE ON THE FUND'S ENGAGEMENT AND VOTING ACTIVITY**

2. This report outlines the key engagement and voting themes across the Fund's listed assets for both segregated and pooled mandates. It also summarises the engagement and voting activity undertaken by LAPFF, active equities managers (Newton and Comgest) and passive equities managers (LGIM and Blackrock) up to the quarter ended 30 June 2024.

## **KEY ENGAGEMENT AND VOTING THEMES**

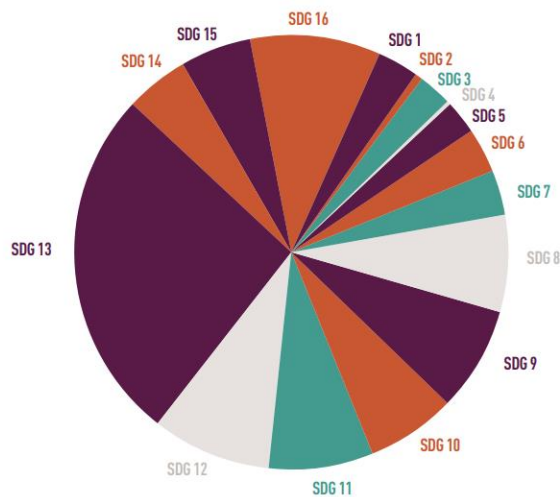
3. Through the investment managers, the Fund engages with and votes on various ESG-focused themes and topics.
4. During the quarter, some of the key ESG-focused engagement and voting themes for the listed assets are listed below:
  - a. Environment-focused themes:
    - i. Climate change
    - ii. Environmental risk

- b. Social themes:
    - i. Human Rights
    - ii. Employee Diversity
  - c. Governance related themes:
    - i. Board and leadership quality
    - ii. Lobbying.
5. The investment managers summarise their engagement themes and voting decisions in reports which are subsequently shared with us on a quarterly and an annual basis.
6. The above themes, particularly the focus on climate change, are aligned with the Fund's net-zero agenda. There is limited oversight and follow up with the investment managers on their wider ESG-focused engagement and voting decisions.

## **ENGAGEMENT AND VOTING SUMMARY**

### **LAPFF (Quarter ended 30 June 2024)**

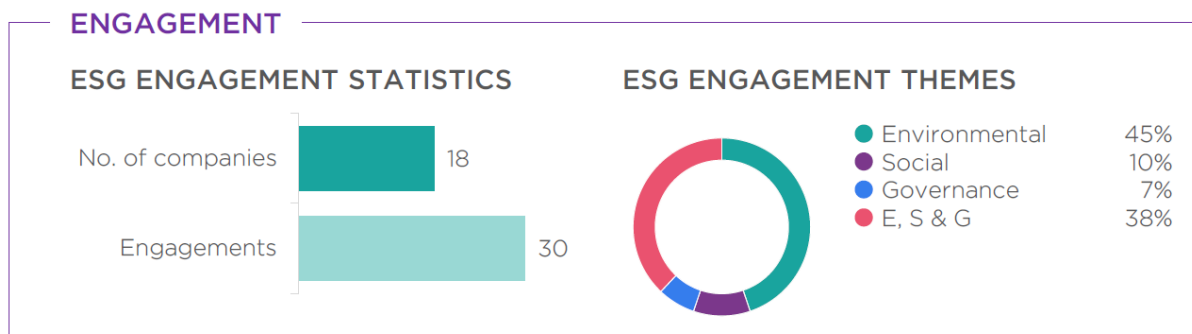
7. The link to the LAPFF website which includes historical reports of the stakeholder engagement activity it undertakes on an ongoing basis is available at:
- <https://lapfforum.org/engagements/>
8. The report for the period 1 April 2024 to 30 June 2024 is available at:
- [https://lapfforum.org/wp-content/uploads/2024/07/LAPFF\\_QER\\_Q2\\_2024.pdf](https://lapfforum.org/wp-content/uploads/2024/07/LAPFF_QER_Q2_2024.pdf)
9. During the quarter from April to June 2024, LAPFF engaged with 101 companies through meetings, AGM attendance and letters/email correspondences.
10. The primary areas of engagement were climate change and environmental risk, followed by human rights, governance, and social risk.
11. Other engagement topics include employment standards, supply chain management, diversity, equity and inclusion, and finance and accounting.
12. An overview of the engagement themes undertaken by LAPFF across the 17 UN Sustainable Development Goals is captured in the below chart:



LAPFF SDG ENGAGEMENTS	
SDG 1: No Poverty	8
SDG 2: Zero Hunger	1
SDG 3: Good Health and Well-Being	6
SDG 4: Quality Education	1
SDG 5: Gender Equality	6
SDG 6: Clean Water and Sanitation	8
SDG 7: Affordable and Clean Energy	8
SDG 8: Decent Work and Economic Growth	17
SDG 9: Industry, Innovation, and Infrastructure	19
SDG 10: Reduced Inequalities	16
SDG 11: Sustainable Cities and Communities	19
SDG 12: Responsible Production and Consumption	21
SDG 13: Climate Action	64
SDG 14: Life Below Water	11
SDG 15: Life on Land	13
SDG 16: Peace, Justice, and Strong Institutions	23
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

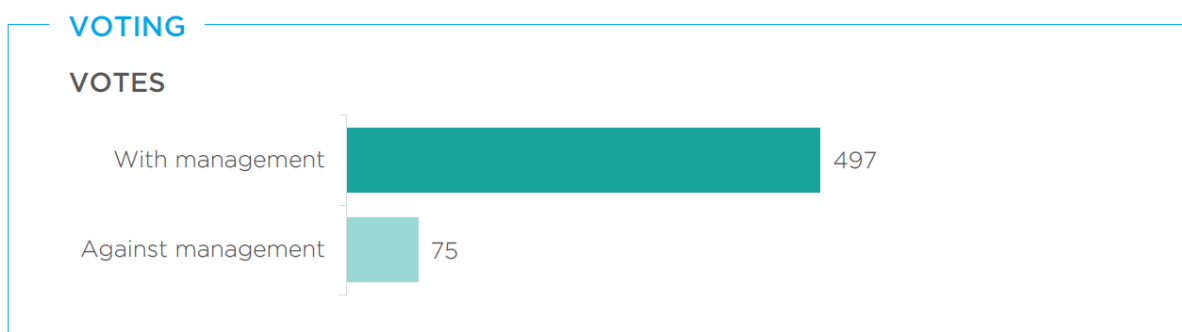
### Comgest (1 April 2023 – 31 March 2024) <sup>1</sup>

13. Comgest’s Voting and Engagement Policy can be found at:   
<https://www.comgest.com/-/media/comgest/esg-library/esg-en/voting-and-engagement-policy.pdf>.
14. On a quarterly basis Comgest provides information on the voting undertaken and their engagement across ESG matters over the previous 12 month period.
15. Over the 12 month period from 1 April 2023 to 31 March 2024, Comgest had 30 engagements with 18 companies. Breakdown of the engagement themes is captured in the chart below.



16. The voting activity for the 12 month period is captured below:

<sup>1</sup> Source: Comgest Quarterly Report shared on 09/07/2024



### **Newton (April – June 2024)**

17. Newton’s Voting and Engagement Policy can be found at:

<https://www.newtonim.com/uk-lgps/special-document/governance-principles-and-voting-guidelines/>

and

<https://www.newtonim.com/uk-lgps/special-document/stewardship-and-sustainability-policy/>

18. On a quarterly basis, Newton provides information on the voting undertaken and their engagement across ESG matters.

19. During the period from April – June 2024<sup>2</sup>, for our segregated portfolio, Newton had stewardship meetings with various companies on:

- a. Environmental aspects like use climate transition risk and net-zero strategy.
- b. Social aspects like human capital including safety, working conditions, employee engagement and diversity and inclusion aspects.
- c. Governance aspects like Board and leadership quality, skills and experience, conduct and culture, lobbying, internal controls, risk management, audit and tax.

20. During the quarter, Newton voted with the management of portfolio companies on 15 resolutions and against the management on 12 resolutions.

### **LGIM (12-month period ended 30 June 2024)**

21. LGIM’s Corporate Governance Policy can be found at:

<https://www.lgim.com/landg-assets/lgim/document-library/capabilities/lgim-uk-corporate-governance-and-responsible-investment-policy.pdf>

<sup>2</sup> Source: Newton Quarterly RI Report shared on 15/08/2024

22. LGIM also publishes its approach to voting in the public domain. Its voting intentions for 2024 are outlined in a blog available at:  
<https://blog.lgim.com/categories/esg-and-long-term-themes/lgims-voting-intentions-for-2024/>
23. For the Low Carbon Transition Developed Markets Equity Index Fund, LGIM voted with the management on 78.32% resolutions and against the management on 21.20% of the resolutions. Total resolutions where LGIM was eligible to vote were 21,781.
24. During the 12 month period, Low Carbon Transition Developed Markets Equity Index Fund, LGIM had 1,116 engagements with 677 companies comprising 72% of the fund value.
25. Top five engagement topics were Climate Impact pledge, climate change, remuneration, corporate strategy, and capital management.
26. The summary of the engagement activity is captured below<sup>3</sup>.

#### Engagement (12 month period)<sup>xx</sup>



#### BlackRock (1 April 2024 - 30 June 2024)

27. BlackRock's policies and approach to Investment Stewardship and Engagement can be found at:

<https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf> and  
<https://www.blackrock.com/corporate/literature/publication/blk-stewardship-priorities-final.pdf>

<sup>3</sup> [https://fundcentres.lgim.com/srp/lit/XaeGby/ESG-report\\_Low-Carbon-Transition-Developed-Markets-Equity-Index-Fund\\_30-06-2024.pdf](https://fundcentres.lgim.com/srp/lit/XaeGby/ESG-report_Low-Carbon-Transition-Developed-Markets-Equity-Index-Fund_30-06-2024.pdf)

28. BlackRock's voting intentions and approach differs by geographies. Its proxy voting guidelines for equity assets in various are available at:

<https://www.blackrock.com/corporate/insights/investment-stewardship>

29. During the quarter, for the ACS World Low Carbon Equity Tracker Fund, BlackRock voted with the management on 89.95% resolutions and against the management on 2.93% of the resolutions. It did not vote on 7.2% of the resolutions. Total resolutions where BlackRock was eligible to vote were 9,357.

## **ENGAGEMENT AND VOTING ACTIVITY NEXT STEPS**

30. The Fund intends to adopt a more proactive approach to engagement and voting activity.
31. The Fund is in discussions with the investment managers to explore 'pass-through' voting for the pooled equity assets, to better align with the priorities in the Responsible Investment Policy.
32. The Fund will also review the voting and engagement activity and provide specific guidance and action points to the fund managers to ensure it is aligned with our strategic priorities and the ISS and RI Policy.

## **Community, equalities (including socio-economic) and health impacts**

### **Community impact statement**

33. There are no immediate implications arising from this report.

### **Equalities (including socio-economic) impact statement**

34. There are no immediate implications arising from this report.

### **Health impact statement**

35. There are no immediate implications arising from this report.

### **Climate change implications**

36. There are no immediate implications arising from this report.

### **Resource implications**

37. There are no immediate implications arising from this report.

### **Legal implications**

38. There are no immediate implications arising from this report.

## Financial implications

39. There are no immediate implications arising from this report.

## Consultation

40. There are no immediate implications arising from this report.

## AUDIT TRAIL

<b>Lead Officer</b>	Clive Palfreyman, Strategic Director of Resources	
<b>Report Author</b>	Spandan Shah, ESG Manager – Treasury and Pensions	
<b>Version</b>	Final	
<b>Dated</b>	15 September 2024	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments Included</b>
Assistant Chief Executive - Governance and Assurance	No	No
Strategic Director of Resources	No	No
<b>Cabinet Member</b>	No	No
<b>Date final report sent to Constitutional Team</b>	17 September 2024	