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PENSIONS COMMITTEE SUPPLEMENTARY AGENDA

18 March 2025

The following report is attached for consideration and is submitted with the agreement of the Chairman as an urgent matter pursuant to Section 100B (4) of the Local Government Act 1972

Zena Smith
Head of Committee & Election Services

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Havering
LONDON BOROUGH

PENSIONS COMMITTEE 18 MARCH 2025

Subject Heading:	**PENSION FUND PERFORMANCE MONITORING FOR THE QUARTER ENDED DECEMBER 2024**
ELT Lead:	**Kathy Freeman**
Report Author and contact details:	***Debbie Ford*** ***Pension Fund Manager (Finance)*** ***01708 432 569*** ***Debbie.Ford@havering.gov.uk***
Policy context:	Pension Fund performance is regularly monitored to ensure investment objectives are being met and to keep the committee updated with Pension related developments.
Financial summary:	This report comments upon the performance of the Fund for the period ended 31 December 2024

The subject matter of this report deals with the following Council Objectives

People – Supporting our residents to stay safe and well	X
Place – A great place to live, work and enjoy	X
Resources – Enabling a resident-focused and resilient Council	X

SUMMARY

LOLA Module 6 – Investment Performance and Risk Management and LOLA Module 7 – Financial Markets and products applies

This report provides an overview of how the Fund's investments are performing, how the individual Investment Managers are also performing against their set targets and any relevant Local Government Pension Scheme (LGPS) updates for the quarter ending **31 December 2024**.

Significant events that occur after production of this report will be addressed verbally at the meeting.

The Fund's value increased by **£20.1m** over the quarter. The overall fund performance of 2.11% underperformed the tactical benchmark by -0.60% and outperformed the strategic benchmark by 7.58%.

The total value of the Fund's assets increased by c.£20.1m over the quarter to £1,018.6m as at 31 December 2024.

The increase in valuation is primarily due to the Fund's allocation to 'Growth' assets – as equity allocations generated positive returns over the period, particularly as US equities continued to outperform following Trump's presidential victory (i.e. with expectations of tax cuts, deregulation, a more US nationalist trade policy) and their exposure to the Technology sector.

The Fund's allocation to 'Income' assets also increased in value but remained slightly below the Fund's target allocation.

The Fund's allocation to 'Protection' assets decreased in value – as index-linked gilts fell in value over the period, as real gilt yields rose substantially; driven by expectations of both larger and sooner interest rate cuts and declining bond prices.

The Fund's overall allocation to index linked gilts increased over the quarter to c.4.6% (c.2.4% as at 30 September 2024) as £27.0m of 'surplus cash' (i.e. held across the Fund's in-house Treasury, Russell FX Account and Northern Trust General Cash Account) was invested into the Royal London Asset Management Index-Linked Gilts Fund in December 2024, to bring this allocation back in line with its strategic benchmark target.

The general position of the Fund is considered plus other matters including any current issues as advised by Hymans. The manager attending the meeting will be:

Stafford – Global Infrastructure Manager

Hymans will discuss the Fund's performance after which the manager will be invited to join the meeting, make their presentation and answer any questions.

Hymans and Officers will discuss with Members any issues arising from the monitoring of the other managers.

RECOMMENDATIONS

That the Committee:

1) Consider Hymans Market Background, Strategic Overview and Manager Performance Report (Appendix A)
2) Consider Hymans Performance Report and views (Appendix B **Exempt)**
3) Receive presentation from the Funds Global Infrastructure Manager (Stafford) for an overview on the fund's performance (Appendix C – **Exempt**)
4) Consider the quarterly reports sent electronically, provided by each fund manager.
5) Note the analysis of the cash balances.

REPORT DETAIL

1. Elements from Hymans report, which are deemed non-confidential, can be found in **Appendix A.** Opinions on fund manager performance will remain as exempt and shown in **Appendix B.**

2. Where appropriate, topical LGPS news that may affect the Fund will be included.

3. BACKGROUND

a. The Committee adopted an updated Investment Strategy Statement (ISS) in September 2023.

b. The objective of the Fund's ISS is to deliver a stable long-term investment return in excess of the expected growth in the Fund's liabilities.

c. The Fund's assets are monitored quarterly to ensure that the long-term objective of the ISS is being delivered.

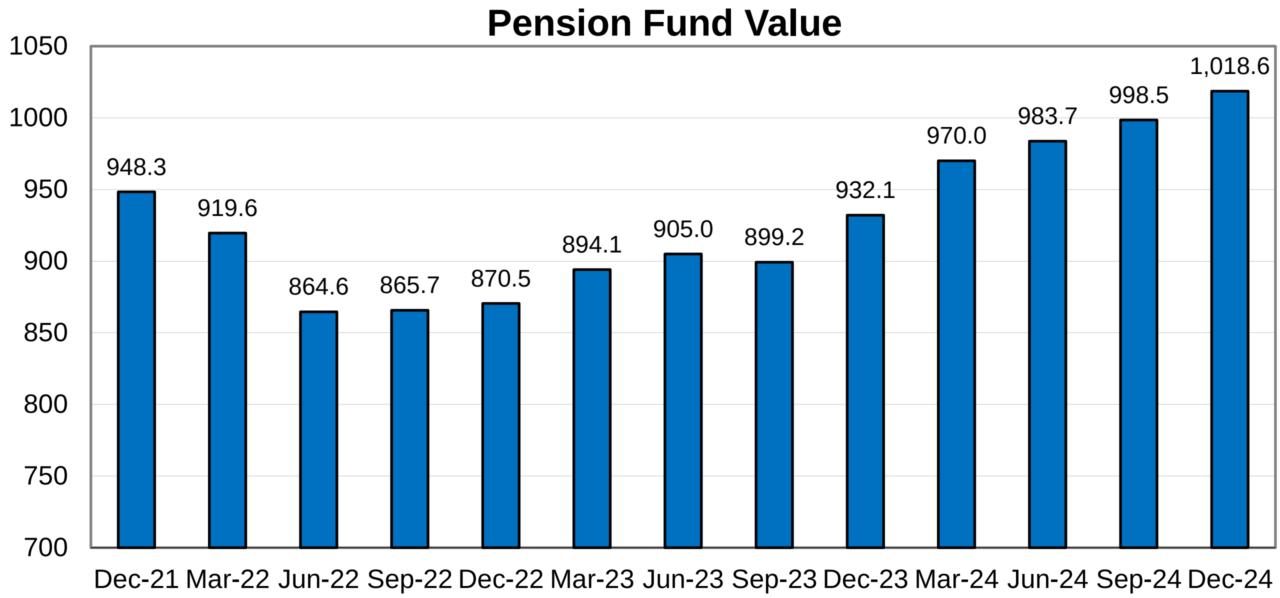
d. We measure returns against tactical and strategic benchmarks.

4. PERFORMANCE

a. The Fund's invested asset value at 31 December 2024 was £1,018.6m compared with £998.5m at 30 September 2024; an increase of £20.1m (decrease in cash (£31.7m), increase in assets

£51.8m). Movement in cash was utilised for fund rebalancing purposes (para 8b also refers)

Chart 1 – Pension Fund Asset Value



Source: Northern Trust Performance Report

b. The overall net performance of the Fund against the **Tactical Benchmark** - Each asset manager has been set a specific (tactical) benchmark as well as an outperformance target against which performance will be measured. This benchmark is determined according to the type of investments being managed. This is not directly comparable to the strategic benchmark as the majority of the mandate benchmarks are different but contributes to the overall performance.

Table 1: Tactical Performance

	Quarter to 31/12/2024 %	**12 Months to 31/12/2024 %**	**3 Years to 31/12/2024 %**	**5 years to 31/12/2024 %**
Fund	2.11	8.82	1.69	5.41
Benchmark	2.73	10.88	5.98	7.16
*Difference in return	-0.62	-2.06	-4.29	-1.75

Source: Northern Trust Performance Report
Totals may not sum due to geometric basis of calculation and rounding

c. The overall net performance of the Fund against the **Strategic Benchmark** (i.e. the strategy adopted of Gilts + 1.8% Net of fees). The strategic benchmark represents the expected rate at which the Fund's liabilities are growing (or falling) in value. The asset performance relative to the strategic benchmark performance gives an indication of whether the funding level has improved or weakened over a given period.

Table 2: Strategic Performance

	Quarter to 31/12/2024 %	12 Months to 31/12/2024 %	3 Years to 31/12/2024 %	5 years to 31/12/2024 %
Fund	2.11	8.82	1.69	5.41
Benchmark	-5.47	-6.62	-13.20	-4.80
*Difference in return	7.58	15.44	14.89	10.20

Source: Northern Trust Performance Report

*Totals may not sum due to geometric basis of calculation and rounding.

d. Further detail on the Fund's investment performance is detailed in **Appendix A** in the performance report which will be presented by the Investment Adviser (Hymans)

5. CASH FORECAST

a. At the end of December 2024, the cash balance stood at £14m, which is invested with London Borough of Havering Treasury and available for operational cash requirements as needed.

Table 3: Cash Flow Forecast

	ACTUALS TO 31/12/2024 £000	ESTIMATE Year to 31/03/2025 £000	ESTIMATE Year to 31/03/2026 £000	ESTIMATE Year to 31/03/2027 £000
Balance b/f	24,276	14,036	13,802	10,333
Benefits paid	(25,969)	(8,700)	(35,363)	(36,070)
BACS expenses*	(9,817)	(3,300)	(13,379)	(13,647)
Lump sums by faster payment	(3,298)	(1,070)	(4,368)	(4,368)
Transfers in	3,320	1,500	4,820	4,820
Contributions received**	34,959	10,506	44,374	40,261
Pension strain	197	50	247	300
Interest	-	780	200	100
Sweep	368	-	-	-
Transferred to NT	(10,000)	-	-	-
Balance c/f	14,036	13,802	10,333	1,728

* BACS expenses also includes some grants i.e. lump sums made to members via payments team

** Contributions received from LBH are net of pension payroll deductions (e.g. HMRC)

b. Members updated the cash management policy at their committee meeting on the 19 March 2024.

c. An operational cash balance in the range of £5m to £13m has been set. In the event that cash levels rise above the upper limit of £13m cash will be invested in the most underweight liquid asset allocation.

d. Cash balance may be retained above the upper limit at the discretion of the Section 151 officer.

e. The Section 151 officer approved the use of £10m surplus cash for portfolio rebalancing. This took place in December and is included in the above table (para 8b also refers).

6. REPORTING ARRANGEMENTS

a. At each reporting cycle, the Committee will see a different fund manager until members have met them all unless there are performance concerns that demand a manager be brought back again for further investigation.

b. Summary fund manager reviews are included within Hymans performance report at **Appendix A.**

c. All fund manager's quarterly reports are distributed electronically prior to this meeting. Where applicable, quarterly voting information, from each fund manager, detailing the voting history of the fund managers is also included in the manager's quarterly report.

d. The fund manager attending this meeting is **Stafford** who manage the Funds Global Infrastructure portfolio**.** Their report is attached at **Appendix C (Exempt).**

8. FUND UPDATES:

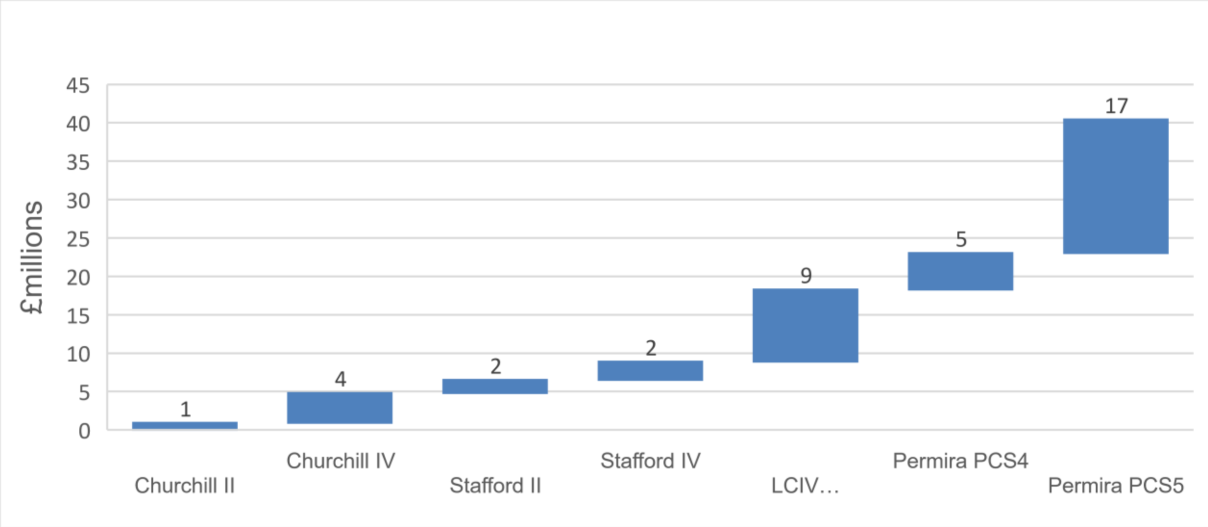
8.1 Changes since the last report and forthcoming changes/events:

a. In the quarter ending 30 December 2024, the Fund completed £4m of capital draw down requests, which were funded from investment income received and held with the Custodian.

b. Underweight positions were rebalanced to target during the Quarter to December 2024, using cash withdrawn from Havering Treasury (£10m) and Northern Trust (£30m):
- £13m increase to the LCIV Absolute Return Fund (was 1.3% underweight)
- £27m increase to Royal London Index Linked Bonds (was 2.7& underweight)

c. At 31 December 2024 there was £43m of outstanding capital commitments as follows:

Chart 2 – Outstanding capital commitments at 31 December 2024



8.2 **London CIV UPDATES -**The LCIV is the appointed asset pool manager for the Fund and the governance of investments held with the LCIV is their responsibility. It is therefore crucial that regular communication and contact is upheld and activity updates are reported and covered here as follows:

8.2.1 LCIV meetings (since the last report)

a. Virtual weekly "Coffee with the CIO" are held to share news, learn and develop opportunities. Recordings can be made available to members on request.

b. Business Update Meetings take place monthly – since the last report, meetings were held on the 28 November 2024 and 12 February 2025. Recordings can be made available on request. These meetings will move to quarterly to align with the release of London CIV's Quarterly Investment Reports (QIRs). Each business update meeting includes an update from LCIV Chief Officers covering current fund offerings, fund performance; fund updates (including those funds for which enhanced monitoring is in place) and the pipeline for new fund launches. In addition, relevant topical issues are included as appropriate. Highlights as follows:

- **Fund Activity - New/Changes to Sub Fund Launches:**

  - *New:* Natural Capital/ Nature Based Solution - Fund is now available and first was on 10 December 2024. Havering currently has no plans to invest in this fund
  - *New*: Private Debt II Fund – The Fund is now available and first close was on 9 December 2024. Potential for consideration when the Fund reviews its allocation to this asset class.
  - *New*: Indirect Property Pooling – Draft legal documents being finalised and shared with Partner Funds. Aim to

launch by 31 March 2025, subject to notice periods of existing arrangement.

- *New:* Global Equity Value – was launched on the 28 October 2024. Havering currently has no plans to invest in this fund
- *New:* Buy and maintain Fund - was launched on the 9 October 2024. Havering currently has no plans to invest in this fund

c. **Meet the manager meeting**: These sessions are open for investors to attend to receive information on manager's current investment strategies, a summary of meeting that relate to the mandates held by the Fund:

- **13 November 2024** – Stonepeak are the Investment Manager of the LCIV Renewable Infrastructure Fund's (LRIF) largest investment, Stonepeak Global Renewables Fund. The key individuals who manage the fund provided a market update on the renewables sector across North America, Europe, and Asia Pacific, as well as a deep dive into LRIF's first co-investment.

d. **Fund Manager monitoring updates** - All LCIV sub funds undergo investment reviews and annual in-depth reviews unless there are any concerns, in which case the frequency of the in-depth reviews occurs every six months. Havering investment funds are on **"normal" except the LCIV Absolute Return Fund which is now on 'enhanced' monitoring.** Investment reviews and update meetings have taken place over the last quarter and a summary follows of those that relate to mandates held by Fund:

- **29 January 2025 – Monitoring status update meeting Fixed Income - LCIV Global Bond Fund (GBF) -** this deep dive review covered performance as at the end of December (outperformed benchmark over the quarter by 0.01% and 0.33% since inception). The LCIV uses traffic light for scoring and the GBF achieved a GREEN rating for the categories; Resourcing, Investment Process, Responsible Investment & Engagement, Business Management, Strategy Execution and Value for money. AMBER ratings for Risk Management and Performance score was upgraded to 'Light Green'.
- **5 February 2025 – Investment Review Webinar – London CIV Multi Asset Funds** – This incorporated the LCIV Absolute Return Fund. Performed poorly in Q4 and overall had a disappointing year in 2024 (underperformed benchmark by -5.06% in the quarter and underperformed by – 9.4% over the year). Using the traffic light basis for scoring the fund received GREEN rating for categories; Resourcing, Investment process, Responsible Investment & Engagement, Strategy execution. AMBER rating for categories Risk Management and Business Management. Overall rating score is 4, this is the lowest score

available. Given concerns, this Fund is now on 'enhanced 'monitoring status and an in-depth review scheduled for later in February 2025. Officers will report the outcome once known.

e. Staffing Updates:

- **Jenny Buck,** former Tesco Pension Investment Limited's Chief Investment Officer (CIO), joins LCIV's as their new CIO this month. Rob Treich, was Interim CIO returns to his role as Head of Public Markets
- **Liz Lynxwiler** has been appointed as Company Secretary, succeeding Kristina Ingate who retired in January.
- Christopher Gardiner has been appointed Chief Financial Officer (CFO) after undertaking this role as interim CFO

8.3 Training Requirements - UPDATE

a. The Fund subscribes to the LGPS Online Learning Academy (LOLA) Launched by our Actuaries (Hymans) – this is an online platform designed to support the training needs of Pensions Committees, Local Pension Boards and Officers. The training is split into a number of modules covering the CIPFA Knowledge & Skills Framework (KSF) and The Pension Regulator's Code of Practice 14. Each module contains short 'video on demand' presentations with supplemental learning materials and quizzes.

b. In addition to an induction training session, members are expected to complete the LOLA training modules v1.0 (modules 1- 5) or LOLA V2.0 Training modules (1- 8) in support of meeting the Committee procedure rules.

c. The Fund transitioned over to LOLA v2.0 on the **1 October 2023.**

d. New committee members yet to complete modules under version 1.0 will now be required to undertake the LOLA v2.0 to meet the committee procedure rules.

e. New committee members will have 6 months from **1 October 2023** or date of joining to complete the LOLA v2.0 modules.

f. Officers will provide the Committee with regular progress reports allowing it to easily evidence member's development and progress, as follows:

Chart 3 – Pension committee progress LOLA v1

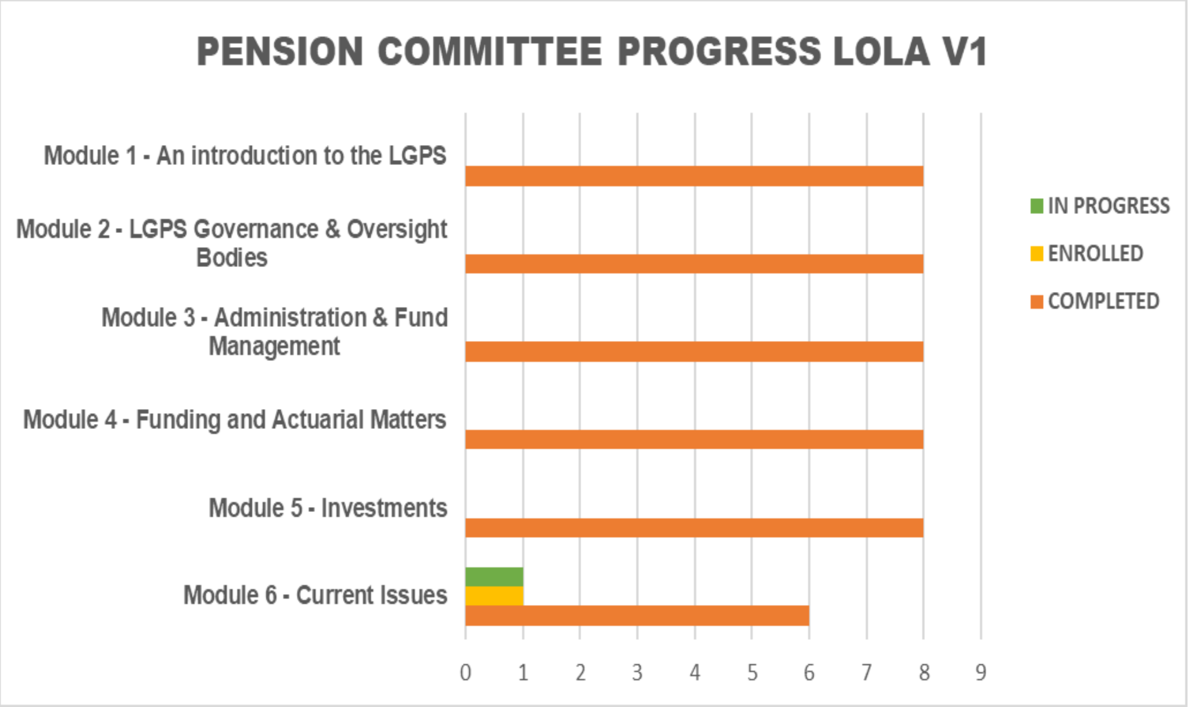
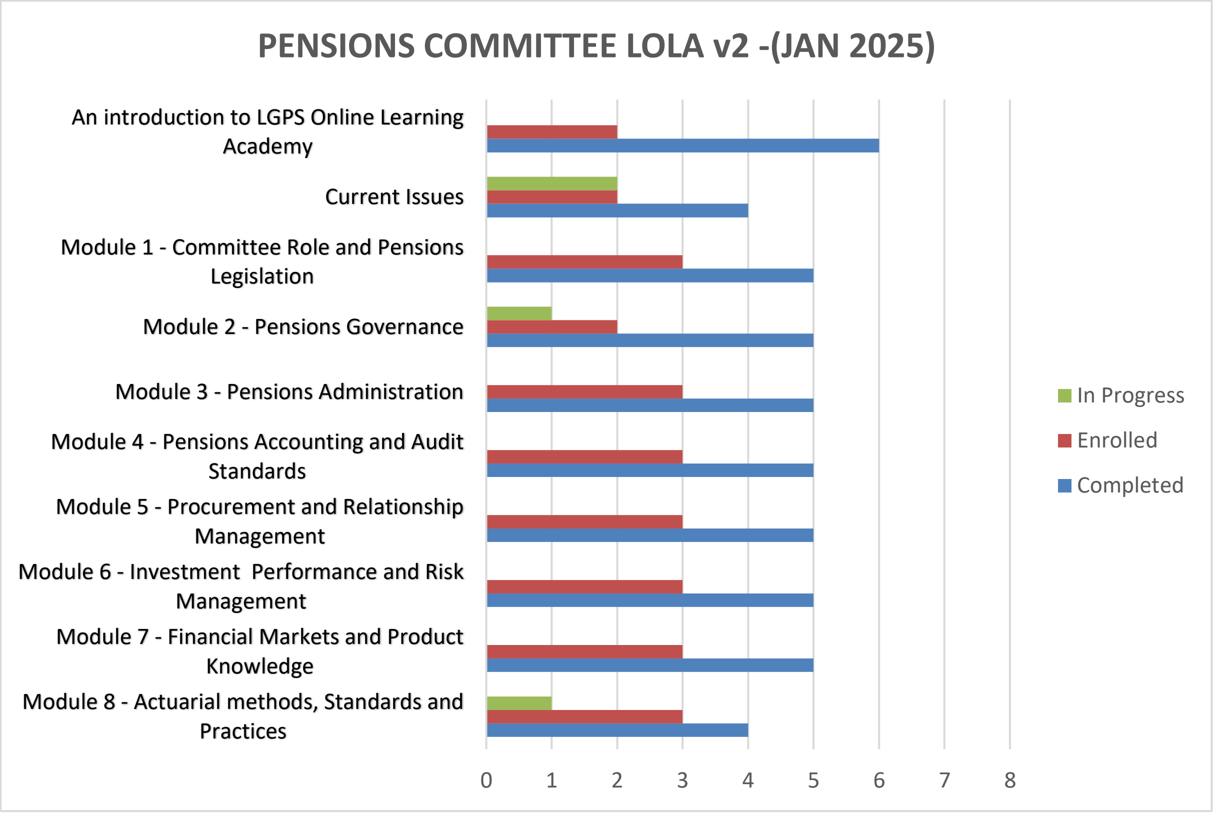


Chart 4 –Pension Committee progress LOLA v2



IMPLICATIONS AND RISKS

Financial implications and risks:

Pension Fund Managers' performances are regularly monitored in order to ensure that the investment objectives are being met and consequently minimise any cost to the General Fund and employers in the Fund

Legal implications and risks:

None arising directly from consideration of the content of the Report.

Human Resources implications and risks:

There are no immediate HR implications.

Equalities implications and risks:

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have 'due regard' to:

(i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
(ii) The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
(iii) Foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are: age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.

An EHIA (Equality and Health Impact Assessment) is usually carried out and on this occasion this isn't required

The Council seeks to ensure equality, inclusion, and dignity for all in all situations.

There are no equalities and social inclusion implications and risks associated with this decision

BACKGROUND PAPERS

None

HYMANS ROBERTSON

London Borough of Havering Pension Fund

Q4 2024 Investment Monitoring Report

Shaun Nicol – Investment Consultant

The person responsible for this advice is Shaun Nicol. Members of the London Borough of Havering client team who contributed to the production of this paper but are not responsible for the advice are Meera Devlia and Jennifer Aitken

Fund Value
£1,018.6m

Over the quarter, the Fund's assets increased by circa £20.1m

Total Return
2.1%

Over the quarter the Fund returned 2.1%, behind the tactical benchmark of 2.7%

Fund performance

	Last 3 months (%)	Last 12 months (%)	Last 3 years (%)	Last 5 years (%)
Total Fund Performance	**2.1**	**8.8**	**1.7**	**5.4**
Tactical Benchmark	2.7	10.9	6.0	7.2
Strategic Benchmark	-5.5	-6.6	-13.2	-4.8

Tactical benchmark – Represents the aggregate performance target of the Fund's assets and is a measure of relative outperformance/ underperformance from the asset managers.

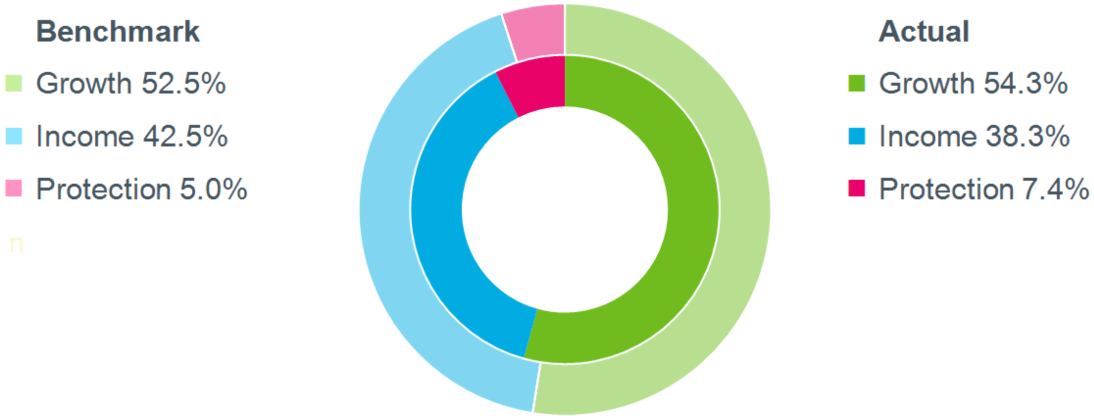
Strategic benchmark – Represents the expected rate at which the Fund's liabilities are growing (or falling) in value. The asset performance relative to the strategic benchmark performance gives an indication of whether the funding level has improved or weakened over a given period.

 Source: Northern Trust and Investment Managers

Key Takeaways

- The Fund's total assets increased in value to over £1bn over the quarter.
- Equities continued to perform well over the quarter, with all the Fund's equity mandates providing positive absolute returns, however with some mandates lagging benchmarks (most notably the LCIV GAGPA fund).
- The LCIV Absolute Return Fund performed negatively because of defensive positioning as equities rallied coupled with the impact of rising real gilt yields over the same period.
- This significant increase in real gilt yields rose meant the RLAM Index-Linked Gilt portfolio delivered a negative return.
- The value of the Fund's liabilities is expected to have decreased due to this over the same period (as proxied by the Fund's strategic benchmark).
- Due to limited reporting available for the Fund's private market funds as at quarter-end, performance figures predominantly account for cashflows/currency movements only over the period.
- Sterling weakened significantly against the US Dollar over the quarter, leading to strong performance of private market assets and CBRE in unhedged Sterling terms. The Russell currency overlay strategy served to mitigate this impact
- UK property capital values increased over the quarter, driven by the Industrial and Retail sectors.

Asset allocation



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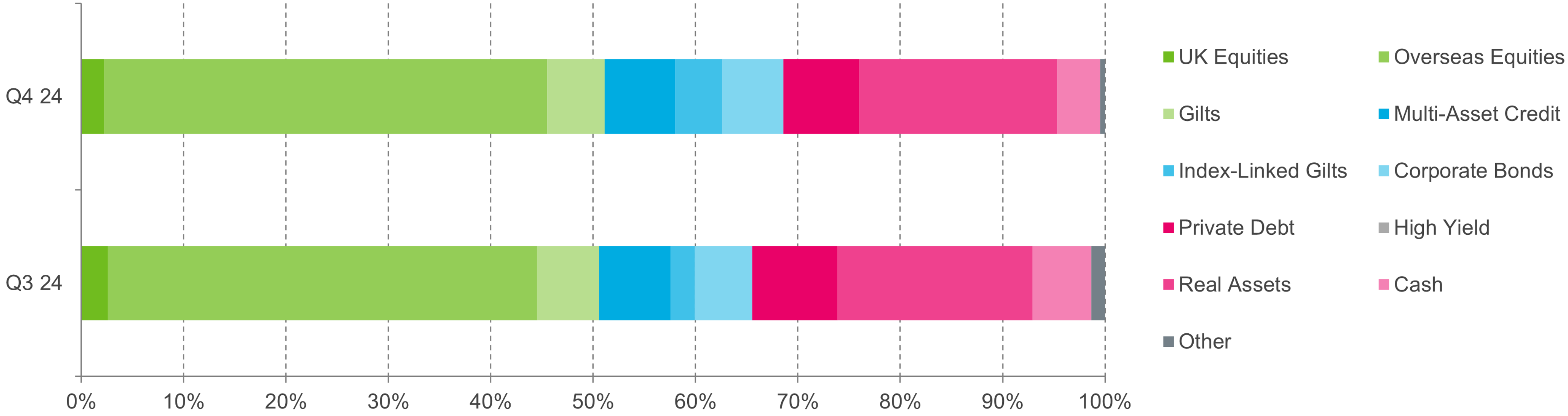
Underlying exposures



Source: Investment Managers

Asset allocation

		Valuation (£m)		Actual Proportion	Benchmark	Relative
		Q3 24	Q4 24			
Total Growth		**524.9**	**553.0**	**54.3%**	**52.5%**	**1.8%**
LGIM Global Equity	LCIV Aligned	43.1	45.7	4.5%	5.0%	-0.5%
LGIM Emerging Markets	LCIV Aligned	41.5	41.9	4.1%	5.0%	-0.9%
LGIM Future World Fund	LCIV Aligned	110.1	114.7	11.3%	10.0%	1.3%
LCIV Global Alpha Growth Paris Aligned Fund	LCIV	160.4	167.2	16.4%	15.0%	1.4%
LCIV PEPPA Passive Equity	LCIV	57.7	61.9	6.1%	5.0%	1.1%
LCIV Absolute Return Fund	LCIV	112.1	121.4	11.9%	12.5%	-0.6%
Total Income		**387.8**	**389.9**	**38.3%**	**42.5%**	**-4.2%**
LCIV Global Bond Fund	LCIV	48.7	47.4	4.7%	5.0%	-0.3%
UBS Property	Retained	50.0	50.3	4.9%	6.0%	-1.1%
CBRE	Retained	30.1	33.2	3.3%	4.0%	-0.7%
JP Morgan	Retained	48.1	53.7	5.3%	5.5%	-0.2%
Stafford Capital Global Infrastructure SISF	Retained	44.0	42.8	4.2%	3.5%	0.7%
LCIV Renewable Energy Infrastructure Fund	LCIV	16.1	17.2	1.7%	3.5%	-1.8%
RLAM Multi-Asset Credit	Retained	69.1	70.0	6.9%	7.5%	-0.6%
Churchill Senior Loan Funds	Retained	29.5	30.2	3.0%	3.0%	0.0%
Permira Credit	Retained	52.2	45.1	4.4%	4.5%	-0.1%
Total Protection		**85.7**	**75.8**	**7.4%**	**5.0%**	**2.4%**
RLAM Index-Linked Gilts	Retained	23.3	47.0	4.6%	5.0%	-0.4%
Cash at Bank	Retained	50.3	28.4	2.8%	0.0%	2.8%
Currency Hedging P/L	Retained	12.1	0.4	0.0%	0.0%	0.0%
Total Scheme		**998.5**	**1,018.6**	**100.0%**	**100.0%**	

Source: Northern Trust. Note: The target allocations were agreed in August 2023 as part of the last investment strategy review.

Asset allocation commentary

- The total value of the Fund's assets increased by c.£20.1m over the quarter to £1,018.6m as at 31 December 2024.
- The increase in valuation is primarily due to the Fund's allocation to 'Growth' assets – as equity allocations generated positive returns over the period, particularly as US equities continued to outperform following Trump's presidential victory (i.e. with expectations of tax cuts, deregulation, a more US nationalist trade policy) and their exposure to the Technology sector.
- The Fund's allocation to 'Income' assets also increased in value but remained slightly below the Fund's target allocation.
- The Fund's allocation to 'Protection' assets decreased in value – as index-linked gilts fell in value over the period, as real gilt yields rose substantially; driven by expectations of both larger and sooner interest rate cuts and declining bond prices.
- The Fund's overall allocation to index linked gilts increased over the quarter to c.4.6% (c.2.4% as at 30 September 2024) as £27.0m of 'surplus cash' (i.e. held across the Fund's in-house Treasury, Russell FX Account and Northern Trust General Cash Account) was invested into the RLAM Index-Linked Gilts Fund in December 2024, to bring this allocation back in line with its strategic benchmark target.
- The Fund paid the following capital calls during the quarter:
    - c.£374k to the Stafford Secondaries IV Fund.
    - c.£1.6m to the LCIV Renewables Fund.
    - c.£1.2m to the Churchill Senior Loan IV Fund.
    - c.£658k to the Permira Credit Solutions V Fund.

- The Fund's investment strategy is implemented through the London Collective Investment Vehicle ("LCIV") and retained assets including life funds (with fee structures aligned with LCIV).
- The target allocation to LCIV and life funds totals 61.0% of Fund assets. Other retained assets will be delivered through external managers, with the position reviewed periodically.

Manager performance

	Last 3 Months (%)			Last 12 Months (%)			Last 3 Years (% p.a.)			Since Inception (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
Growth												
LGIM Global Equity*	6.0	5.9	**0.1**	19.2	19.8	**-0.5**	8.5	8.7	**-0.2**	12.1	12.2	**-0.1**
LGIM Emerging Markets	1.1	0.2	**0.9**	14.6	14.7	**-0.1**	3.2	3.4	**-0.2**	5.6	5.8	**-0.2**
LGIM Future World Fund	4.2	4.4	**-0.2**	12.9	13.4	**-0.5**	5.9	6.1	**-0.2**	6.6	6.8	**-0.2**
LCIV Global Alpha Growth Paris Aligned Fund*	4.3	6.9	**-2.5**	15.6	20.8	**-4.3**	0.3	9.2	**-8.1**	12.4	12.5	**-0.1**
LCIV PEPPA Passive Equity	7.3	7.1	**0.1**	23.3	23.0	**0.2**	10.0	9.0	**0.9**	9.7	8.3	**1.3**
LCIV Absolute Return Fund*	-3.1	2.2	**-5.2**	-1.1	9.3	**-9.5**	-0.3	7.8	**-7.5**	4.1	5.5	**-1.3**
Income												
LCIV Global Bond Fund	-1.6	-1.6	**0.0**	3.9	3.1	**0.7**	-	-	**-**	8.8	9.9	**-1.0**
UBS Property*	1.2	2.4	**-1.2**	3.8	5.4	**-1.5**	-1.9	-2.0	**0.1**	4.9	5.5	**-0.6**
CBRE	10.1	2.2	**7.7**	2.8	7.6	**-4.4**	3.3	10.6	**-6.6**	5.0	8.9	**-3.6**
JP Morgan	11.7	2.2	**9.3**	15.6	7.6	**7.5**	10.9	10.6	**0.3**	9.1	8.9	**0.2**
Stafford Capital Global Infrastructure SISF II	-0.1	2.2	**-2.3**	-3.3	7.6	**-10.2**	6.9	10.6	**-3.4**	6.1	8.8	**-2.4**
Stafford Capital Global Infrastructure SISF IV	-2.2	2.2	**-4.3**	-1.6	7.6	**-8.5**	12.3	10.6	**1.5**	12.8	10.9	**1.7**
LCIV Renewable Energy Infrastructure Fund	-2.7	2.2	**-4.8**	-3.4	7.6	**-10.2**	7.1	10.6	**-3.1**	7.8	10.9	**-2.8**
RLAM Multi-Asset Credit*	1.6	1.3	**0.3**	8.0	8.3	**-0.3**	3.0	4.0	**-1.0**	3.8	6.7	**-2.7**
Churchill Senior Loan Fund II	10.4	2.2	**8.0**	13.1	9.3	**3.5**	11.5	7.8	**3.4**	7.2	6.1	**1.0**
Churchill Senior Loan Fund IV	9.9	2.2	**7.5**	12.9	9.3	**3.3**	10.7	7.8	**2.7**	10.7	7.8	**2.7**
Permira IV	2.0	2.2	**-0.2**	9.9	9.3	**0.6**	8.0	7.8	**0.2**	5.8	6.3	**-0.5**
Permira V	2.6	2.2	**0.5**	10.9	9.3	**1.5**	-	-	**-**	9.5	9.2	**0.2**
Protection**												
RLAM Index-Linked Gilts	-6.2	-6.0	**-0.2**	-11.6	-9.5	**-2.3**	-20.1	-17.5	**-3.2**	-10.6	-8.8	**-2.0**
Total Scheme	2.1	2.7	**-0.6**	8.8	10.9	**-1.9**	1.7	6.0	**-4.0**	7.7	-	**-**

*Source: 3m, 12m and 3yr performance returns – Northern Trust and Royal London. *SI returns are calculated using available data from Q2 2012. Individual SI performance returns – Hymans calculated chain-linked. **Includes cash at bank and currency hedging. Benchmark performance provided by Northern Trust and Investment Managers*

Manager performance commentary

- The Fund's assets returned 2.1% over the quarter, underperforming the tactical benchmark of 2.7%.
- Although global equities declined in December 2024 (as a result of investors cashing in on the strong equity rally seen over the rest of 2024, overall global equities still rose over the period – with all regions returning positively, as markets anticipate the impact of interest rate cuts, and US equities also outperforming. As a result, all the Fund's equity mandates returned positively – however, the LCIV Global Alpha Growth Paris Aligned Fund underperformed its benchmark over the quarter.
- The LCIV Absolute Return Fund and LCIV Global Bond Fund posted negative returns – the former due its defensive positioning as equities rose, with rising bond yields negatively impacting both mandates.
- Sub-investment grade credit spreads continued to narrow, leading the RLAM MAC Fund to deliver modest positive returns.
- Real gilt yields rose significantly over the quarter – as a result the RLAM Index-Linked Gilt portfolio delivered negative returns.
- Following review of the RLAM mandate, the Fund completed the process of disaggregating the MAC and ILG components within the RLAM mandate structure and updating the Index-Linked Gilt benchmark to the FTSE Actuaries UK Index-Linked Gilts All Stocks Index (from the FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index). This change was effective from 1 October 2024.
- Due to Q4 2024 investment manager valuation/performance reporting not being available for private market funds at time of writing, the performance figures shown are sourced from Northern Trust which allow for cashflows/currency movements only over Q4 2024.
- Sterling weakened significantly against the US Dollar over the quarter, leading to strong performance of private market assets and CBRE in unhedged Sterling terms. The Russell currency overlay served to mitigate this impact

LGIM Global Equity mandate was managed by SSGA prior to November 2017, and we have retained the performance history for these allocations.

Longer term performance for the Baillie Gifford Global Equity Fund and Ruffer Absolute Return Fund is inclusive of performance prior to their transfer into the LCIV.

All asset performance is in GBP terms and does not make an allowance for currency hedging. The total Fund performance includes the impact of the Russell currency overlay mandate. Please see separate slide for further detail on the Russell mandate, along with asset performance excluding the impact of currency fluctuations.

Manager analysis

Q4 2024 performance

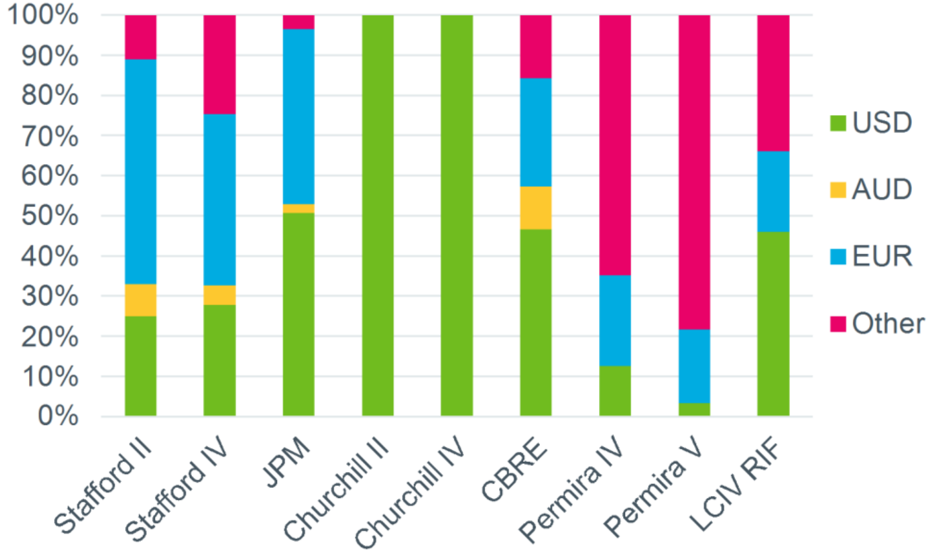
	Asset return (inc. FX impact)	Currency return (via Russell mandate)	Asset return (ex. FX impact)	BM return	Relative return (ex. FX impact)
Stafford II	-0.1	-0.9	-1.0	2.2	**-3.2**
Stafford IV	-2.2	-1.3	-3.5	2.2	**-5.6**
JPM	11.7	-2.7	9.1	2.2	**6.7**
Churchill II	10.4	-6.8	3.5	2.2	**1.3**
Churchill IV	9.9	-6.8	3.1	2.2	**0.9**
CBRE	10.1	-2.5	7.6	2.2	**5.2**
Permira IV	2.0	-0.3	1.7	2.2	**-0.5**
Permira V	2.6	-0.9	1.7	2.2	**-0.4**
LCIV RIF	-2.7	-2.6	-5.2	2.2	**-7.3**

Performance since mandate inception*

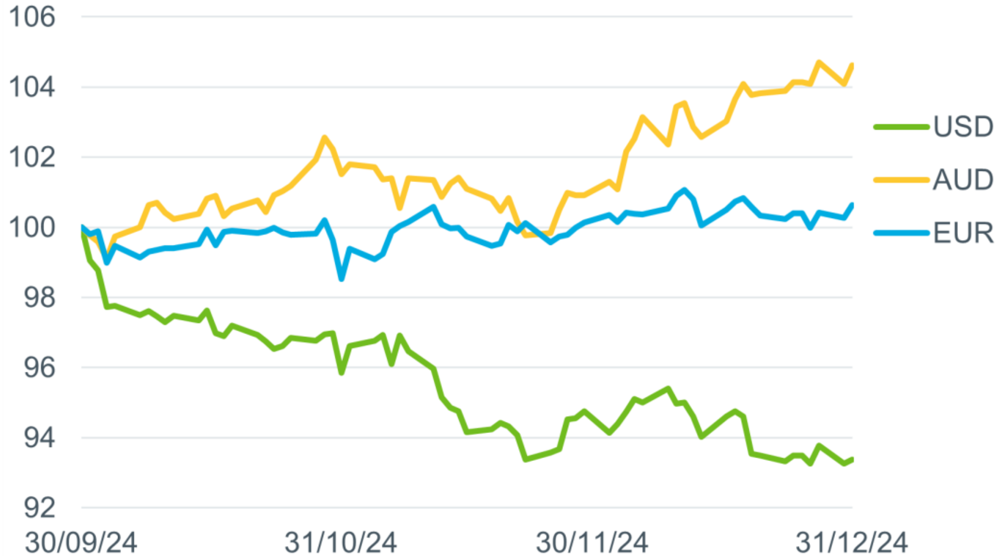
	Asset return (inc. FX impact)	Currency return (via Russell mandate)	Asset return (ex. FX impact)	BM return	Relative return (ex. FX impact)
Stafford II	6.6	0.3	6.8	8.8	**-1.8**
Stafford IV	14.5	-0.3	14.1	10.9	**3.0**
JPM	8.2	-0.1	8.1	8.9	**-0.7**
Churchill II	6.7	-1.9	4.8	6.1	**-1.2**
Churchill IV	8.0	-3.0	5.0	7.8	**-2.6**
CBRE	3.1	-0.2	2.9	8.9	**-5.5**
Permira IV	5.7	0.7	6.4	6.3	**0.0**
Permira V	7.8	0.0	7.9	9.2	**-1.2**
LCIV RIF	9.2	-0.4	8.8	10.9	**-1.9**

Page 22

Hedged currency exposure**



Sterling performance vs. foreign currencies (rebased to 100 at 30 September 2024)



 *Source: Northern Trust and Investment Managers. *Since inception performance is since individual fund inception or inception of the currency hedging mandate, whichever is more recent. **As at 30 September 2024 (latest available).*

Manager analysis commentary

- Russell Investments have been appointed to manage the Fund's currency overlay mandate.
- The current policy is to hedge non-sterling exposures in the Fund's private markets mandates.
- Currency exposure in equity mandates is retained.
- At present, 100% of the exposure to USD, EUR and AUD from the private market investments is hedged with any residual currency exposure retained on a de-minimis basis.
- The volatility of returns (measured as the standard deviation of quarterly returns since inception) is c.4.6% to date when the impact of currency fluctuations is included and c.4.0% when currency movements are stripped out by the Russell currency overlay mandate.
- This continues to indicate that the Russell mandate is reducing overall volatility and increasing the predictability of returns, as intended.

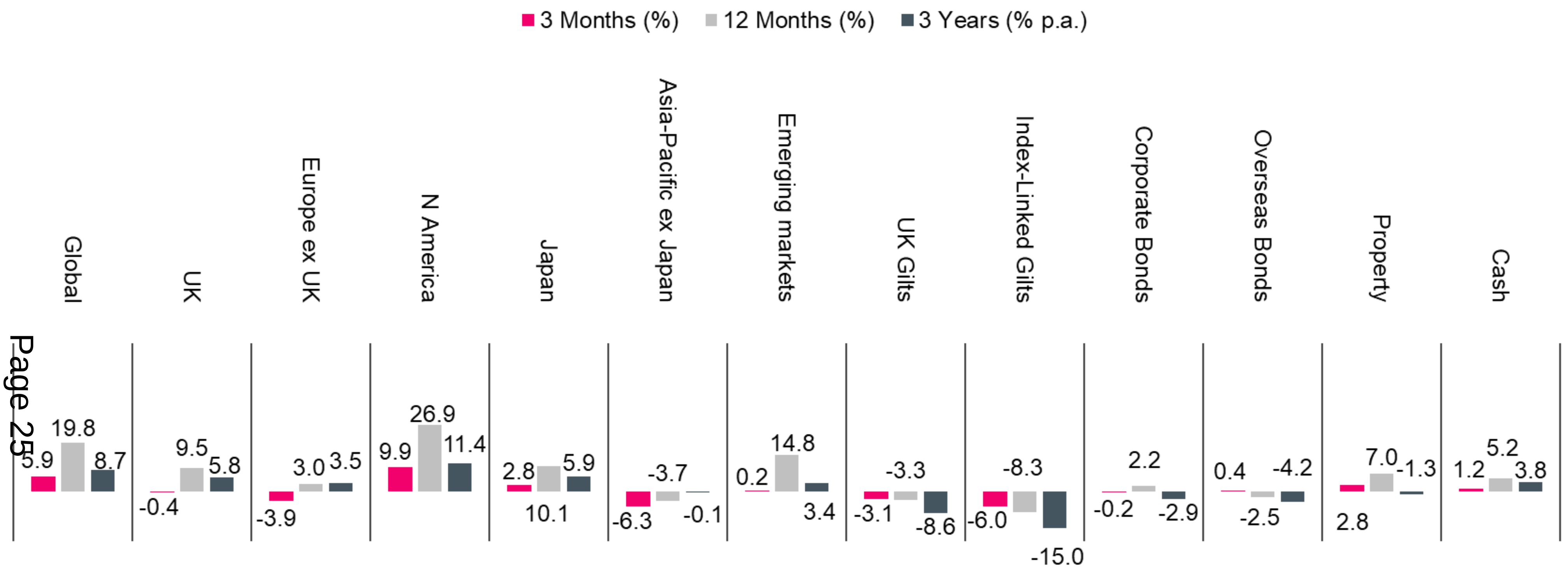
Private Market Investments

Vehicle	Infrastructure			Private Debt		
	Stafford Infrastructure Secondaries Fund II	Stafford Infrastructure Secondaries Fund IV	LCIV Renewable Energy Infrastructure Fund	Churchill Middle Market Senior Loan Fund IV	Permira Credit Solutions IV Senior Fund	Permira Credit Solutions V Senior Fund
Commitment Date	25/04/2018	18/12/2020	30/06/2021	29/09/2021	01/12/2018	07/11/2022
Fund Currency	EUR	EUR	GBP	USD	EUR	EUR
Gross Commitment	€28.5m	€30m	£25m	$26.5m	£36.0m	£43.0m
Gross Commitment (GBP estimate)	£23.6m	£24.8m	-	£21.2m	-	-
Capital Called During Quarter (Payments Less Returned Capital)	-	£0.4m	£1.6m	£1.2m	-	£0.7m
Capital Drawn To Date	£26.3m	£19.9m	£14.9m	£18.9m	£31.2m	£19.0m
Distributions/Returned Capital To Date (Includes Income and Other Gains)	£15.5m	£2.4m	-	£6.3m	£18.9m	£3.3m
NAV at Quarter End	£18.0m	£24.8m	£17.2m	£16.3m	£19.1m	£25.9m
Net IRR Since Inception*	7.4% p.a.	10.4% p.a.	7-10% p.a. (Target)	9.2% p.a.**	8.2% p.a.	12.8% p.a.
Net Cash Yield Since Inception*	6.4% p.a.	3.3% p.a.	3-5% p.a. (Target)	-	-	-
Number of Holdings*	38 positions	22 positions	8 investments	141 investments	46 investments	29 investments

 *as at 30 September 2024 (latest available) **Refers to IRR of realised assets in the portfolio. Source: Investment Managers*

Market Background

Historical returns for world markets



Data source: DataStream. [1] FTSE All World Indices. Commentary compares regional equity returns in local currency. [2] Returns shown in Sterling terms and relative to FTSE All World. [3] Returns shown in Sterling terms. Indices shown (from left to right) are: FTSE All World, FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, FTSE Emerging, FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx Corporates All Investment Grade All Maturities, ICE BofA Global Government Index, MSCI UK Monthly Property; UK SONIA.

Market Background

Market update

December's US GDP release showed the economy continued to expand at a robust annualised pace of 3.1% in Q3: as consumer and government spending, and business investment all lent support. The eurozone grew a more modest 0.4%, as service sector activity offset ongoing manufacturing weakness, while the UK economy stagnated.

Year-on-year headline CPI inflation rose in Q4 to 2.9%, 2.5% and 2.4%, in the US, UK and eurozone, respectively, largely due to a smaller negative impact from energy prices relative to last year's sharp declines. Core inflation, which excludes volatile energy and food prices, was little changed, but remains above headline measures, at 3.2% in the US and UK, and 2.7% in the eurozone.

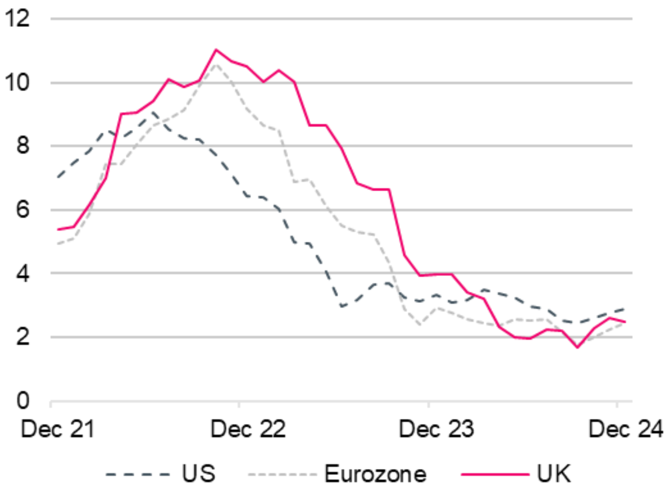
Central banks looked through rising headline inflation and cut rates in Q4. The European Central Bank and Federal Reserve (Fed) both cut rates by 0.5% pa, to 3.0% pa and 4.25–4.5% pa, respectively. Amid signs of more persistent inflation, the Bank of England (BoE) lowered rates by a smaller 0.25% pa, to 4.75% pa. At the end of December, markets were expecting just two rate cuts from the BoE and Fed in 2025, down from five at the end of September.

Expectations that US interest rates will remain higher-for-longer saw the trade-weighted US dollar rise 6.4%. Equivalent sterling, yen, and euro measures fell 1.5%, 4.5%, and 2.0%, respectively. Oil prices rose 3.9% but remained relatively low, at $75 per barrel. Despite reaching new highs in October, gold prices fell 0.3% due to a stronger dollar and profit-taking by investors following gold's large gains in 2024.

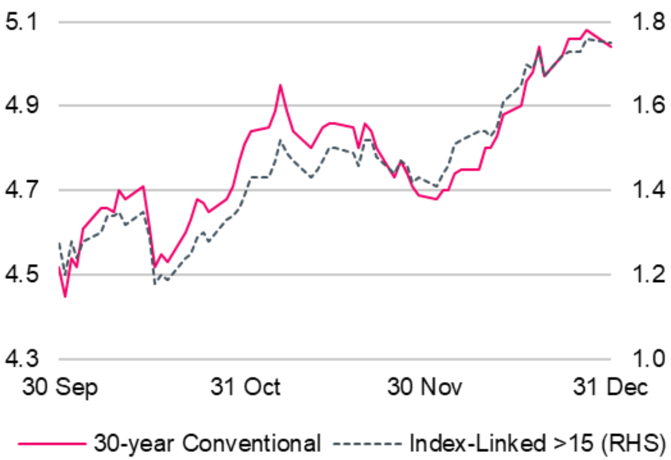
US 10-year yields rose 0.8% pa to 4.5% pa, driven by strong growth, expectations of a more inflationary policy mix under Trump, and anticipated higher bond issuance to fund tax cuts. UK 10-year gilt yields rose 0.6% pa to 4.6% pa, spiking after the Autumn Budget, as investors digested a likely slower pace of rate cuts and higher gilt issuance. French 10-year yields rose 0.3% pa to 3.2% pa as political ructions led Moody's to downgrade the country's debt. Equivalent German and Japanese yields rose 0.2% pa to 2.4% pa and 1.1% pa, respectively.

Credits spreads fell further in Q4, leaving both investment- and speculative-grade spreads near historic lows. Global investment grade credit spreads remained at 0.9% pa while speculative grade credit spreads fell 0.2% pa to 3.1% pa.

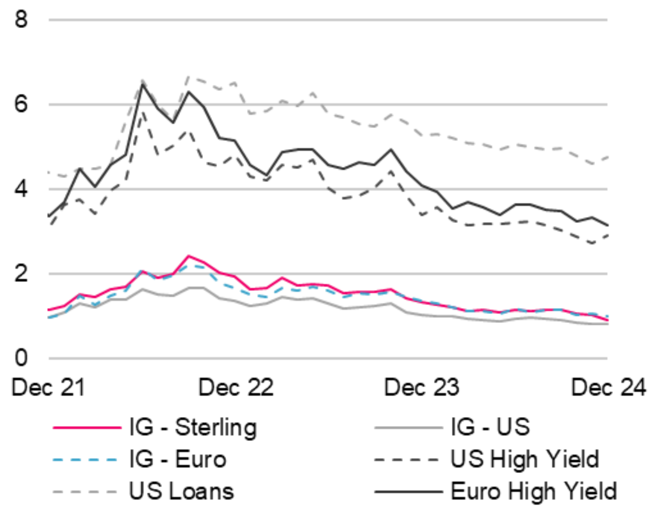
Annual CPI Inflation (% year on year)



Gilt yields chart (% p.a.)



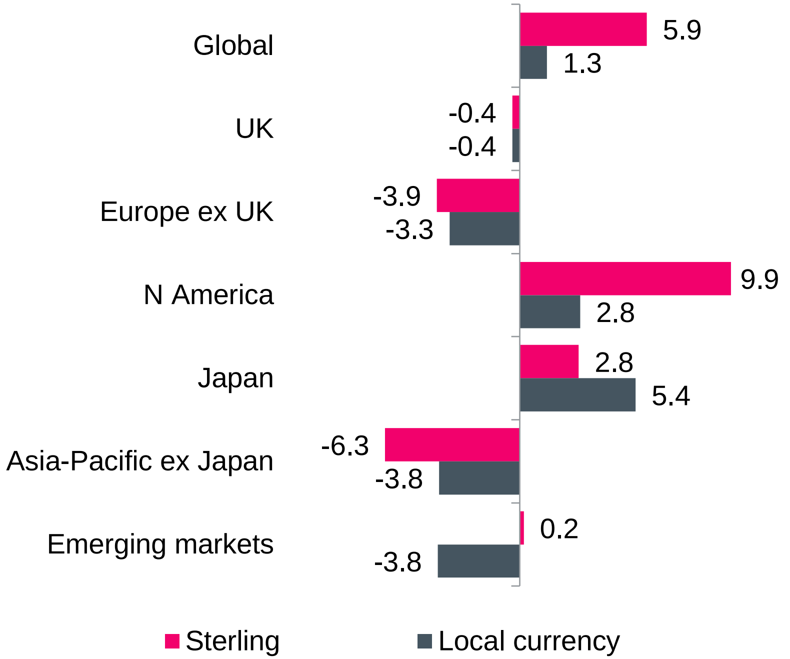
Investment and speculative grade credit spreads (% p.a.)

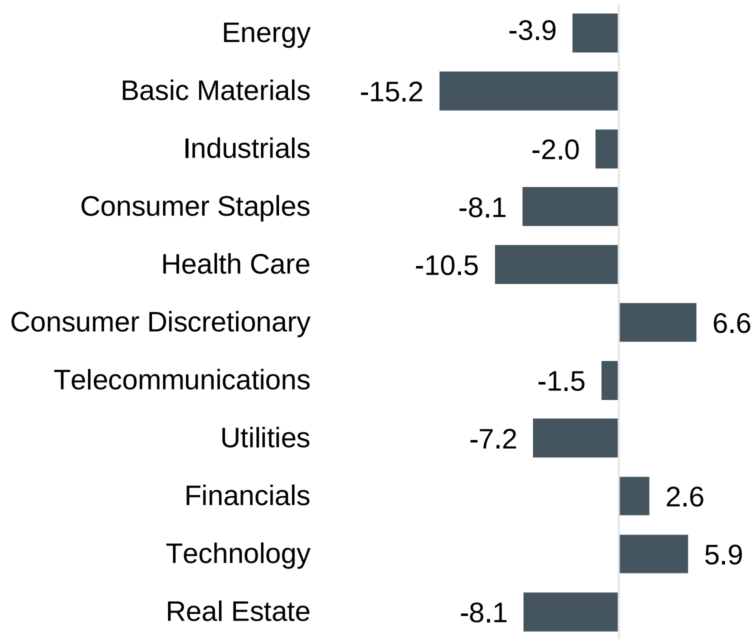


 Source: DataStream, Barings, ICE

Market Background

Regional equity returns [1]





Despite falling in December, the FTSE All World Total Return Index gained 1.3% in Q4. Japan outperformed, as yen weakness lent support to the export-heavy market. The US also outperformed with domestically focused stocks supported by Trump's tax and deregulation policies, and large-cap tech stocks rising on strong earnings. The prospect rising trade frictions, higher US rates, and a stronger dollar contributed to underperformance in other regions, led by emerging and Asian markets, followed by Europe ex-UK and the UK.

The MSCI UK Property Total Return Index rose 2.8% quarter-to-date to end-December, driven by income and a rise in capital values. The 12-month total return to end-December edged up to 7.0%, as 12-month capital growth turned positive in December.

 Data source: DataStream. [1] FTSE All World Indices. Commentary compares regional equity returns in local currency. [2] Returns shown in Sterling terms and relative to FTSE All World

Capital Markets Outlook

Asset Class	Market Summary
Equities	MSCI ACWI full-year earnings growth forecasts for 2024 have settled at 9.4% while forecasts for both 2025 and 2026 stand at just over 12%. Although, we note the 2025 figure has steadily ticked down over Q4. A large proportion of the 20.6% rise in global equity markets over 2024 was driven by multiple expansion, leaving price-to-earning ratios significantly elevated relative to long-term averages. With less scope for increasing valuations to drive returns going forward, global equities look increasingly reliant on robust earnings growth forecasts being realised.
Investment Grade Credit	Attractive yields and ongoing demand from institutional investors continue to draw strong demand for fixed income credit, taking spreads to historically low levels, particularly in sterling and US investment-grade credit markets. While the dramatic rise in yields over the past few years might have enhanced the strategic role of investment-grade corporate credit, very tight spreads would still see us adopt an underweight position relative to strategic benchmark.
Emerging Market Debt	Strong US growth and sticky inflation point to higher-for-longer US rates and dollar strength. Tariffs also have scope to place further pressure on EM currencies and growth. However, high real policy rates give EM central banks room to cut short-term rates. Local currency sovereign yields remain in our neutral valuation range.
Liquid Sub-Investment Grade Debt	Default rates are expected to fall well below long-term averages over the next 12 months and reach 2.5% in October 2025. Effective interest rates will continue to rise, pressuring debt affordability, but strong balance sheets, limited refinancing needs, low credit spreads, and solid earnings support the benign default outlook. However, speculative-grade spreads already price in this optimism, offering little buffer against downside risks. Indeed, the default outlook is, in part, conditioned on credit spreads remaining historically low.
Private Lending	In the floating-rate syndicated loan market leverage is higher, and interest coverage is lower, than in the speculative-grade bond market. Defaults in the loan market, at 7.4% in the 12 months to end November, are as high as they have been since the COVID-19 pandemic. While spreads are less tight than in the speculative-grade bond market, and rate cuts will provide relief to loan fundamentals, spreads are now below long-term medians.
Core UK Property	Investment volumes have been improving but remain below 5- and 10-year averages. Nonetheless, we've become less cautious on commercial property over the last couple of quarters. The latest edition of the Royal Institute of Chartered Surveyors survey cited improvement in occupier demand as well as rent- and capital-value expectations, while availability and inducements declined. Meanwhile, decent, if unspectacular, economic growth is likely to support slower but still-healthy real rental growth, which has been positive for the last 10 months. Furthermore, property yields are substantially above their June 2022 low, and reversionary yields suggest there is scope for capital value appreciation ahead.
Conventional Gilts	UK GDP growth has slowed in H2 2024 from H1's above-trend pace. We anticipate steady but modest growth with slightly above-target inflation over the next two years, aligning with a neutral outlook. Nominal yields look attractive relative to economic fundamentals, even allowing for some persistence in term premia, which have risen. However, revised debt definitions in the UK autumn budget point to even higher gilt issuance, intensifying technical pressures.
Index-Linked Gilts	Real yields have also risen across maturities, with the 10-year yield slightly above our neutral band. Nominal yields have risen a little more than real yields quarter-to-date and the cost of hedging inflation remains expensive relative to our assessed fair value.

Risk warning

This report is addressed to the Pensions Committee (‘the Committee’) and Officers of the London Borough of Havering Pension Fund (‘the Fund’). It should not be released or otherwise disclosed to any third party except as required by law or regulatory obligation or without our prior written consent. We accept no liability where the report is used by, or released or otherwise disclosed to, a third party unless we have expressly accepted such liability in writing. Where this is permitted, the report may only be released or otherwise disclosed in a complete form which fully discloses our advice and the basis on which it is given.

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investment in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

In some cases, we have commercial business arrangements/agreements with clients within the financial sector where we provide services. These services are entirely separate from any advice that we may provide in recommending products to our advisory clients. Our recommendations are provided as a result of clients’ needs and based upon our independent research. Where there is a perceived or potential conflict, alternative recommendations can be made available.

This report may contain fund and fund manager specific research ratings and comments based on the views of our investment research team. Please speak to your investment adviser before taking any investment decisions or actions. They will advise whether formal investment advice is necessary, including a risk assessment and investment suitability information where appropriate.

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Havering
LONDON BOROUGH

PENSIONS COMMITTEE **18 March 2024**

Subject Heading:	**REVIEW OF VOTING AND ENGAGEMENT ACTIVITY 30 JUNE 2024**
CLT Lead:	**Kathy Freeman**
Report Author and contact details:	***Debbie Ford*** ***Pension Fund Manager (Finance)*** ***01708432569*** ***Debbie.ford@havering.gov.uk***
Policy context:	To meet objectives set out in the Investment Strategy Statement
Financial summary:	No direct financial implications

The subject matter of this report deals with the following Council Objectives

People – Supporting our residents to stay safe and well	X
Place – A great place to live, work and enjoy	X
Resources – Enabling a resident-focused and resilient Council	X

SUMMARY

LOLA Module 6 – Responsible Investments - for background on what is Environmental, Social & Governance factors that influence voting & engement issues.

LOLA Climate workshop slides - outlines engagement vs disinvestment

The attached report as Appendix A, produced by the Fund's Investment Advisor (Hymans), presents a summary of the Fund's investment mangers' Voting and Engagement activities over the 12-month period to **30 June 2024.**

RECOMMENDATIONS

That the committee:

1. Note Hymans review of Fund Manager Voting and Engagement activity attached as **Appendix A**.

2. Consider the recommendations as set out in **Appendix A (page 2),** namely

   (a) Comparison of the managers' voting activity against LAPFF voting alerts.

   (b) Assessment of alignment of managers' voting activity against their stated policies, particularly in relation to climate change.

3. Consider the next steps as set out in **Appendix A (page 10).**

REPORT DETAIL

1. Background

1. The attached report at **Appendix A**, produced by the Fund's Investment Advisor (Hymans), summarises the Fund's investment managers' Voting and Engagement activities' over the 12-month period to **30 June 2024**. This is in support of the Committee's ongoing annual monitoring requirement as set out in the Investment Strategy Statement (ISS) as follows:

   a. The Committee monitors the voting decisions made by all its investment managers and receive reporting from their advisers to support this on an annual basis.
   b. The Committee will request its investment managers provide details of any change in policy on an annual basis. The Committee will review these changes and, where necessary, will challenge managers to explain the reasoning for any change.
   c. The Committee reviews voting activity by its investment managers on an annual basis and may also periodically review managers' voting patterns. The Committee will challenge its managers to explain voting decisions on certain issues, particularly with regard to climate risk disclosure

2. The Fund does not have its own voting policy and in line with the Fund's current ISS, engagement and voting activity is delegated to the Fund's Investment managers with the Fund reviewing their approach on an annual basis. This review having been undertaken by the Fund's Investment Advisor. Hymans report attached as **Appendix A** addresses the above for the Committee's consideration

3. Appendix A also includes information on the Fund's equity managers that are signatories to the Principles for Responsible Investment (PRI):

   - PRI - is voluntary and allows organisations to publicly demonstrate its commitment to responsible investment, incorporating environmental, social and governance (ESG) factors into its investment decision making and ownership practices. Signatories must report annually against 6 principles.

IMPLICATIONS AND RISKS

Financial implications and risks:

No direct financial implications but the Committee has set an objective of seeking to ensure that voting policies and engagement are regularly reviewed and updated to ensure that changing practices and regulation can continue to be reflected where necessary.

The cost of producing the report is included within the core contract costs as set out in the National LGPS Framework for Investment Management Consultancy Services agreed with Hymans.

Costs are met by the Pension Fund

Legal implications and risks:

There are no apparent legal implications in noting the content of the Report and making the requested decisions.

Human Resources implications and risks:

None arise from this report.

Equalities implications and risks:

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

i. the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
ii. the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
iii. foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are: age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment/identity.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants

An EHIA (Equality and Health Impact Assessment) is usually carried out and on this occasion this isn't required

None arise from this report as this report is required to be published in order to comply with Local Government Pension Scheme Regulations 2013.

BACKGROUND PAPERS

Background Papers List
None

London Borough of Havering Pension Fund

Review of Voting & Engagement Activity

Simon Jones, Partner

March 2025

Executive Summary

Introduction

- This paper is addressed to the Pensions Committee ("the Committee") of the London Borough of Havering Pension Fund ("the Fund").
- The purpose of this paper is to summarise the Fund's investment managers' voting and engagement activities over the 12-month period to 30 June 2024.
- This paper should not be released or otherwise disclosed to any third party except as required by law or regulatory obligation without our prior written consent.
- We accept no liability where this note is used by, or released or otherwise disclosed to, a third party unless we have expressly accepted such liability in writing. Where this is permitted, the note may only be released or otherwise disclosed in a complete form which fully discloses our advice and the basis on which it is given.

Summary and recommendations

- During the year, the Fund had equity exposure across six mandates, with two managers (LGIM and LCIV). LCIV's policy is currently to delegate voting implementation to EOS at Federated Hermes ("EOS") for global equity funds and to the underlying manager (Ruffer) for the multi-asset fund.
- As expected, the proportion of votes exercised by these managers was high. Exercise rates for LCIV were above 98.4%, and LGIM above 99.6%.
- The proportion of votes cast against management was broadly in line with previous years for LGIM mandates, albeit this proportion increased materially for the Baillie Gifford and Ruffer funds.
- The majority of engagements undertaken by each of the managers were in relation to 'environment' themes (over 'social' and 'governance').
- As an evolution of this analysis, we note the following exercises could be undertaken in future to provide greater insight and understanding on managers' stewardship and engagement activities:
  - Comparison of the managers' voting activity against LAPFF voting alerts
  - Assessment of alignment of managers' voting activity against their stated policies, particularly in relation to climate change.
- We look forward to discussing this paper with the Committee.

Background – Voting and Engagement

Delegation of Voting

- The Fund has voting rights through its equity investment with LGIM and with LCIV (both directly via LGIM and indirectly via the LCIV).
- The Fund has delegated its voting responsibility to its investment managers.
- The LCIV currently delegate voting to EOS, a stewardship services provider, to conduct proxy voting activities for all LCIV's global equity funds. The LCIV has also taken action to evolve its approach to stewardship with EOS as a voting and engagement partner, examples of which are outlined within this paper.
- The LCIV also currently delegate voting to the respective investment managers appointed for all LCIV's multi-asset funds.
- The Fund has also delegated engagement with underlying companies, within the Fund's mandates, to its underlying investment managers. Therefore, the Fund's engagement in this respect is carried out in line with the house engagement policy of LGIM, Baillie Gifford, State Street ("SSGA") and Ruffer for the respective investments.

Key Topics

- This paper specifically focusses on the voting and engagement activity of the Fund's equity investment managers (LGIM and LCIV).
- We note that 'climate change' and 'diversity and inclusion' have been identified as areas of interest for Committee in the past. Therefore, where possible, we have highlighted examples of these in our review of key votes and engagement themes to aid in further discussions with investment managers.

Voting Activity

Year to 30 June 2024	LGIM			LCIV (Baillie Gifford)	LCIV (SSGA)	LCIV (Ruffer)
	Global	Emerging Markets	Future World	GAGPA	PEPPA	Absolute Return
# eligible resolution votes	65,037	35,796	22,184	860	9,000	473
% votes exercised	99.8	99.9	99.6	100.0	98.4	100.0
% against management	20.1	19.4	19.4	19.8	13.1	8.0
% abstained / withheld	0.9	1.3	0.3	2.0	0.9	0.0
% meetings with at least one vote against management	63.8	56.4	70.8	38.0	49.0	71.0

- The Fund has direct exposure to equities via LGIM and LCIV (SSGA and Baillie Gifford) mandates, with additional exposure obtained through the multi-asset mandate managed by Ruffer.
- The table above provides a summary of voting over the respective 12-month period to 30 June 2024. We can observe the following from this data:
  - The exercise of voting rights was high across both LGIM and SSGA mandates. Baillie Gifford and Ruffer voted on all eligible resolutions.
  - Similar to last year, the percentage of abstentions/withheld votes was relatively low.
  - LGIM was the most active managers in terms of voting against management, however the proportion of votes cast against management increased materially relative to last year's analysis for both Baillie Gifford (11.0% previously) and Ruffer (1.0% previously).
  - The index-tracking LGIM funds have a significantly larger stock listing than Baillie Gifford and Ruffer, hence the LGIM funds are eligible for a larger number of votes.

Significant Votes

Mandate	Date	Company	Subject Summary	Manager's Vote and Rationale
LGIM Global Equity PRI rating for equity: 5 out of 5	01/05/24	Shell Plc	Approval of Energy Transition Strategy.	LGIM voted **against** this resolution – which requested the approval of Shell PLC's Energy Transition Strategy. LGIM acknowledge the substantive progress Shell Plc has made in climate related disclosures and commitments to reduce emissions and not pursue frontier exploration activities beyond 2025. However, in light of revisions to Shell Plc's Net Carbon Intensity ("NCI") targets, coupled with Shell Plc's ambition to grow its gas and liquefied natural gas business – LGIM expect Shall Plc to better demonstrate how these plans are consistent with the transition to Net Zero emissions by 2050. LGIM also seek additional clarity on Shell Plc's developing assets, and transparency on lobbying activities and capital expenditure allocated to low carbon as these form a material lever in Shell Plc's decarbonisation strategy.
LGIM Emerging Markets PRI rating for equity: 5 out of 5	27/06/24	Uni-President Enterprises Corp	Approval of Financial Statements.	LGIM voted **against** this shareholder resolution – which requested approval on the financial statements of Uni-President Enterprises Corp. LGIM believe Uni-President Enterprises Corp do not meet the minimum standards with regards to LGIM's deforestation policy.
LGIM Future World PRI rating for equity: 5 out of 5	20/07/23	SSE Plc	Approval of Net Zero Transition Report.	LGIM voted **for** this shareholder resolution – which requests the approval of a Net Zero Transition Report. LGIM expects companies to introduce credible carbon transition plans, consistent with the goals of the Paris Agreement (i.e. limiting the global average temperature increase to 1.5°C). This also includes disclosures of Scope 1, 2 and Material Scope 3 greenhouse gas ("GHG") emissions and short/medium/long-term GHG emissions reduction targets consistent with the 1.5°C goal.

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Significant Votes Cont.

Manager	Date	Company	Subject Summary	Manager's Vote and Rationale
LCIV GAGPA (Baillie Gifford) PRI rating for equity: 5 out of 5	15/05/24	Elevance Health Inc	Adoption of policy to report political expenditures	EOS recommended a vote **against** this shareholder proposal – which requested Elevance Health Inc adopt a new policy to report on political expenditures made by third-party groups (e.g. trade associations and political organisations) Elevance Health Inc has contributed to. EOS believe Elevance Health third-party sufficiently annually disclose political contributions in Elevance Health Inc's Political Action Committee Political Contributions & Related Activity Report and already discloses a list of national and state trade associations to which it has paid membership dues of $50,000 or more in 2023. Additionally, that Elevance Health Inc would have little control of the disclosure practices of the third-party groups it has contributed to.
LCIV PEPPA (SSGA) PRI rating for equity: 4 out of 5	03/04/24	The Walt Disney Company	Director election	EOS recommended a vote **against** this proposal – which requested the election of dissident Director Nelson Peltz for a seat on The Walt Disney Company's Board. EOS believe that sufficient credible groundwork has been laid to warrant support for incumbent Chief Executive, Bob Iger, and appointment of Peltz would not bring additional value to shareholders – despite Trian Group's (i.e. the asset management firm founded by Peltz) deep interest in The Walt Disney Company, as EOS believe Peltz lacks substantive experience in areas critical to the stated goals and core business strategy of The Walt Disney Company.
LCIV Absolute Return (Ruffer) PRI rating for equity: 5 out of 5	25/04/24	BP Plc	Ratification of Executive Officers' compensation	EOS recommended a vote **against** this proposal – which requested ratification on BP Plc's Remuneration Report. EOS believe, as per previous years, there were concerns regarding the high variable pay award for the CEO – noting the variable pay exceeded 600%. EOS recommend higher fixed pay awards and lower variable elements, with substantial portions deferred into long-term, time-restricted stock. EOS also had concerns around the discretion applied to bonuses, in relation to fatalities over the year.

Engagements

Manager	Company	Subject	Engagement Detail	Summary Fund Engagement
LGIM Global Equity	Nippon Steel Corporation	Climate action	**Background** : Nippon Steel Corporation, the largest steelmaker in Japan, is a key player in the global steel industry but has been criticized for lagging in climate policy engagement and is seen as blocking climate policy action. Since early 2022, Nippon Steel Corporation has been engaged through LGIM's Climate Impact Pledge, with a focus on its climate-related lobbying, though the disclosures provided have not met expectations. **Action**: In 2023, a shareholder proposal was co-filed with the Australasian Centre for Corporate Responsibility, urging Nippon Steel Corporation to disclose its climate-related policy positions and align them with its carbon neutrality goal by 2050. **Outcome and next steps**: The shareholder proposal received significant support, signalling investor demands for greater transparency. LGIM will continue to engage as Japan updates its climate policies in 2024.	• Environment, 78% • Social, 6% • Governance, 12% • Other, 4%
LGIM Emerging Markets	*Approx. 400 companies across developed and emerging markets.*	Human rights.	**Background**: LGIM believe human rights are financially material for investors and that managing the business elements of human rights within operations is vital for companies to minimise risks to their business from human rights violations. The aim of LGIM's human rights letter campaign is to communicate expectations to companies in high-risk sectors (i.e. utilities, energy, mining, apparel, technology and automotives) and gather information on their human rights practices through a survey. **Action**: LGIM have sent a letter to the Chair of each company, outlining the importance of human rights in their respective sector and sharing LGIM's expectations, alongside a request for feedback via a questionnaire. **Outcome and next steps**: LGIM plans to engage directly with these companies based on the survey results, publish findings and potentially update its human rights policy based on the feedback, focusing on key human rights topics identified.	• Environment, 92% • Social, 2% • Governance, 4% • Other, 2%

Engagements Cont.

Manager	Company	Subject	Engagement Detail	Summary Fund Engagement
LGIM Future World	Anglo American Plc	Energy transition.	**Background**: The aim was to help Anglo American restructure its portfolio by focusing on copper and high-grade iron ore – i.e. emphasizing the commodities that benefit from the energy transition and also reducing exposure to sectors with uncertain long-term demand. **Action**: LGIM initially proposed portfolio restructuring to Anglo American in April 2024. However, days later and before the proposal could be circulated to the Anglo American Management Team, BHP Ltd made an offer to buy the company. LGIM argued BHP LTD's offer undervalued Anglo American and could slow copper growth globally. LGIM was later consulted by Anglo American on its defence strategy and had several meetings with senior management and the Board. **Outcome and next steps**: As a result of the engagement, Anglo American decided to restructure its portfolio by exiting certain businesses and rejecting BHP Ltd's offer, with the restructuring expected to take 18 to 24 months. LGIM will continue to monitor Anglo American's restructure and engage on operational excellence, decarbonisation and low-carbon ventures.	• Environment, 66% • Social, 10% • Governance, 18% • Other, 6%
LCIV GAGPA (Baillie Gifford)	UnitedHealth Group	Governance – Succession plan for Board members.	**Background**: EOS raised concerns in 2020 regarding the long tenure of the Lead Independent Director ("LID") of UnitedHealth Group. UnitedHealth Group acknowledged the concern and assured EOS that a Board succession plan was in place, though EOS believed this disclosure/plan was initially insufficient. **Action**: Over the next few years, UnitedHealth Group provided updates on Board changes, including new appointments and improvements in diversity – with EOS continuing to request for more robust disclosures on succession planning. **Outcome and next steps**: By 2023, the UnitedHealth Group had increased board diversity to 44% and addressed board independence concerns. Though EOS remain concerned with the LID's 16-year tenure, despite improvements in average director tenure and enhanced disclosures on succession planning.	• Environment, 18% • Social, 39% • Governance, 33% • Other, 10%

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Engagements Cont.

Manager	Company	Subject	Engagement Detail	Summary Fund Engagement
LCIV PEPPA (SSGA)	CNH Industrial	Governance – Board gender diversity.	**Background**: In 2021, CNH Industrial had only one female director. This prompted EOS to advocate for increased female representation on the Boards to at least 30%. EOS also recommended voting against the Chair of the Governance Committee due to lack of progress on this. **Action**: By 2022, CNH Industrial had appointed two additional female directors, surpassing the 30% threshold with women making up 40% of the Board, and in 2023, EOS appointed another female director. **Outcome and next steps:** As at September 2023, there are 4 female directors (making up 44% of the Board). EOS will continue to engage with CNH Industrial on Board composition, effectiveness, and sustainability matters.	• Environment, 36% • Social, 24% • Governance, 24% • Other, 15%
LCIV Absolute Return (Ruffer)	Bank of Ireland Group PLC	Sustainable Finance strategy and policy.	**Objective**: Ruffer's goal for the bank is to articulate a clear sustainable and inclusive investment strategy, disclosing its activities relative to total business, setting medium-term financing targets and identifying activities it will no longer finance due to sustainability risks. **Action**: Through engagement, the bank has increased its sustainable finance commitments, from €5bn for 2021-2024 to €30bn by 2030, and launched innovative sustainability products like the EcoSaver mortgage and an Enviroflex sustainability-linked loan. **Outcome and next steps**: By Q2 2024, the bank was working on granular social impact reporting and is open to expressing future targets relative to total banking activity. With this progress, Ruffer believe the engagement to have been effective and the goal to be completed, given the bank's leadership in sustainable finance.	• Environment, 42% • Social, 27% • Governance, 18% • Other, 12%

Next Steps

- Ensuring stewardship is undertaken in line with the Committee's expectations is a core part of the Climate Action Plan/Risk Policy and the Committee should ensure it is able to effectively scrutinise the actions of its managers at quarterly Committee meetings.
- We continue to recommend that at future Committee meetings where LGIM or LCIV present, focus should be given to voting practices and progress against climate ambitions, including appropriate case studies and short-listing companies over which manager engagement can be challenged.
- As an evolution of this analysis, further exercises could be undertaken in future to provide greater insight and understanding on managers' stewardship and engagement activities. We have set out details of these below.

LAPFF analysis

- The Fund is a member of the Local Authority Pension Fund Forum ("LAPFF"). LAPFF issues voting alerts to members ahead of corporate annual general meetings (AGMs) with recommendations on how to vote on specific resolutions, as an extension of engagement activities undertaken at company level by LAPFF on behalf of its members.
- As the Fund invests in passive global equities in highly diversified portfolios, we expect the Fund to have exposure to most of the companies to which the LAPFF alerts relate, but note that the Fund's equity holdings have a lower exposure than the market index to high emitting companies.
- Analysis could be undertaken to assess how the managers' voting practices have aligned with LAPFF recommendations. Given the Fund is a member of LAPFF, ensuring consistency between its guidance and votes cast by managers on the Fund's behalf would be of benefit.

Independent assessment of voting activities

- As an extension of the LAPFF analysis, managers' voting activities could be independently assessed to check consistency with their stated policies and ambitions, particularly in relation to climate change. This would provide greater insight into how managers are exercising stewardship duties in practice and any inconsistencies highlighted would serve as a basis for further engagement with managers.

We look forward to discussing this paper with the Committee.

Appendix

Principles for Responsible Investment

- The six Principles for Responsible Investment are a voluntary set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice.
- The principles were established in 2006 and are now supported by over 5,000 signatories from over 60 countries.
- Signatories are subject to annual reporting and assessment to demonstrate their compliance with the principles, with signatories being assigned a numerical rating between 1 and 5 (with 5 being the highest rating).

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

Risk Warning

Please note the value of investments, and income from them, may fall as well as rise. This includes but is not limited to equities, government or corporate bonds, derivatives and property, whether held directly or in a pooled or collective investment vehicle. Further, investments in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of investments. As a result, an investor may not get back the full amount of the original investment. Past performance is not necessarily a guide to future performance.

Thank you

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