



PENSIONS COMMITTEE 12 January 2021

Subject Heading:	REVIEW OF VOTING AND ENGAGEMENT ACTIVITY
CLT Lead:	Jane West
Report Author and contact details:	<i>Debbie Ford</i> <i>Pension Fund Manager (Finance)</i> <i>01708432569</i> <u>Debbie.ford@onesource.co.uk</u>
Policy context:	To meet objectives set out in the Investment Strategy Statement
Financial summary:	No financial implications

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

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[X]
Connections making Havering	[X]

SUMMARY

The attached report, produced by the Fund's Investment Advisor (Hymans), presents a summary on the Fund's investment managers' voting and engagement activities over the 12 month period to 30 June 2020.

RECOMMENDATIONS

That the committee:

1. Note Hymans summary review of fund manager voting and engagement activity attached as **Appendix A**.
2. Note the recommendations as set out in Appendix A and,
3. Agree to continue to engage with London CIV to progress and investigate the possibility of adopting a combined pool policy and,
4. Consider and agree to select a small number of issues to be more actively monitored.

REPORT DETAIL

1. Background

1. The attached report at **Appendix A**, from the Fund's Investment Advisor (Hymans), summarises the Fund's investment managers' voting and engagement activities in support of the Committee's ongoing monitoring requirement as set out in the Investment Strategy Statement (ISS). The review focused on the period for the year to **30 June 2020**.
2. The Fund recognises that its equity assets are invested in pooled vehicles and the Fund's engagement and voting activity is delegated to its investment managers. The Fund does not have its own voting policy, having delegated this responsibility to its investment managers and it remains subject to the voting policies of the managers of these vehicles.
3. The Committee is reminded that they agreed to adopt the belief that effective stewardship can be achieved through voting and engagement to influence corporate behaviours. They also agreed to an increased direct scrutiny of its equity investment managers on their stewardship and, where appropriate, challenge managers on the action they have taken.
4. In line with the Fund's ISS the Committee will on an annual basis:

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- a. Monitor the voting decisions made by all its investment managers and receive reports from their advisers to support this on an annual basis.
 - b. Request its investment manager 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. Reviews voting activity by its investment manager 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.
5. Hymans report attached as **Appendix A** addresses the above for the Committee's consideration.
 6. At present, LCIV allows managers to vote in line with their respective house policies with only the Local Authority Pension Fund Forum (LAPFF) voting guidelines being provided in the way of greater direction.
 7. The London CIV (LCIV) held a number of meetings with client funds in early 2020 to discuss the options for the voting and engagement process and stewardship monitoring. The majority of the client funds use LAPFF for their voting decisions, which indicates that there should be a greater ground of commonality in voting requirements than differences.
 8. LCIV are also exploring the option of appointing an external provider to provide the proxy voting and engagement services.
 9. A new Head of Responsible Investment was appointed in June 2020 who is reviewing work undertaken in this area before progressing.

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 are regularly reviewed and updated to ensure that changing practices and regulation can continue to be reflected where necessary. The purpose of influencing behaviour is that they make for better returns over the long term

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 Eq EIA is not considered necessary regarding this matter as the protected groups are not directly or indirectly affected

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