

London Borough of Havering Pension Fund

Review of Voting & Engagement Activity

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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 2025.
- This paper should not be disclosed to any third party except as required by law or regulatory obligation or with our prior written consent. We accept no liability where the paper is used by or disclosed to a third party unless we have expressly accepted such liability in writing. Where this is permitted, the paper may only be released or otherwise disclosed in a complete form which fully discloses our advice and the basis on which it is given. Where the subject of this note refers to legal or tax matters, please note that Hymans Robertson LLP is not qualified to give such advice therefore we recommend that you seek independent advice on these matters.

Summary and Recommendations

- During the year, the Fund had equity exposure across six mandates, with two managers (L&G 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, with the latter in line with LCIV policy.
- As expected, the proportion of votes exercised by these managers was high. Exercise rates for LCIV were above 99.8%, and L&G above 99.9%.
- The proportion of votes cast against management has remained broadly aligned with previous years for both L&G mandates and LCIV mandates.
- The proportion of abstentions/withheld votes increased from the previous year, particularly in relation to the LCIV mandates.
- The majority of engagements undertaken by each of the managers continue to be in relation to ‘environment’ themes (over ‘social’ or ‘governance’).
- From 1 April 2026, LCIV will assume delegated responsibility of the implementation of the investment strategy. The Committee should engage with LCIV on the stewardship and engagement reporting to be provided and ensure this reporting allows for the Committee to provide effective oversight of the LCIV’s engagement with underlying managers.

Background – Voting and Engagement

Delegation of Voting

- The Fund has voting rights through its equity investment with L&G and with LCIV (both directly via L&G and indirectly via the LCIV).
- The Fund has delegated its voting responsibility to its investment managers.
- The LCIV currently delegates 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 delegates 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 L&G, 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 (L&G 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 2025	L&G			LCIV (Baillie Gifford)	LCIV (SSGA)	LCIV (Ruffer)
	Global	Emerging Markets	Future World	GAGPA	PEPPA	Absolute Return
# eligible resolution votes	62,938	34,724	21,134	1,269	10,185	1,738
% votes exercised	99.9	99.9	99.9	100.0	99.8	100.0
% against management	17.8	14.8	19.8	16.0	12.0	10.0
% abstained / withheld	1.8	3.1	0.3	16.0	13.0	10.0
% meetings with at least one vote against management	56.8	47.6	68.8	74.0	69.0	65.0

- The Fund has direct exposure to equities via L&G 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 2025. We can observe the following from this data:
 - The exercise of voting rights remains high across both L&G and SSGA mandates. Baillie Gifford and Ruffer voted on all eligible resolutions.
 - The percentage of abstentions/withheld votes has increased from the previous year, particularly in relation to the LCIV mandates.
 - LCIV (Baillie Gifford) was the most active manager in terms of having at least one vote against management (74%). This has increased significantly relative to last year's analysis (38% previously), along with the number of eligible votes increasing from 860 to 1,269.
 - The index-tracking L&G funds have a significantly larger stock listing than Baillie Gifford and Ruffer, hence the L&G funds are eligible for a larger number of votes.

Significant Votes

Mandate	Date	Company	Subject Summary	Manager's Vote and Rationale
L&G Global Equity PRI rating for equity: 5 out of 5	10/12/24	Microsoft Corporation	Report on Artificial Intelligence Data Sourcing Accountability.	L&G voted for this resolution – which requested that Microsoft Corporation report on its AI data-sourcing. L&G acknowledges that Microsoft Corporation is facing increasing legal and reputational risks related to potential copyright infringement arising from its data-sourcing practices. While L&G recognises Microsoft Corporation's strong disclosures on responsible AI and associated risks, L&G also believe shareholders would benefit from greater focus on the risks linked to the company's use of third-party information to train its large language models.
L&G Emerging Markets PRI rating for equity: 5 out of 5	08/07/24	Nestle India Ltd.	Accept Financial Statements and Statutory Reports.	L&G voted against this shareholder resolution – which requested approval on the financial statements and statutory reports of Nestle India Ltd. L&G believe that Nestle India Ltd did not meet minimum standards with regards to L&G's deforestation policy and notes that Nestle India Ltd operates within a high-risk sector.
L&G Future World PRI rating for equity: 5 out of 5	07/05/25	PepsiCo, Inc.	Report on Third-Party Racial Equity Audit.	L&G voted for this shareholder resolution – which requests that PepsiCo, Inc. report on a third-party racial equity audit. L&G supports proposals related to diversity and inclusion, as L&G consider these issues to be a financially material risk to companies, with implications for long-term performance.

Significant Votes Cont.

Manager	Date	Company	Subject Summary	Manager's Vote and Rationale
LCIV GAGPA (Baillie Gifford) PRI rating for equity: 4 out of 5	28/05/25	Meta Platforms	Emissions Reduction Actions	EOS recommended a vote for this shareholder proposal – which requested that Meta Platforms provide greater reporting on its emissions reduction actions. EOS notes that while Meta Platforms provides some disclosure on the energy impacts of its data centres, additional reporting would help address concerns related to emerging technology and its associated environmental footprint.
LCIV PEPPA (SSGA) PRI rating for equity: 3 out of 5	06/06/25	Alphabet Inc	Disclosure Around 2030 Climate Goals	EOS recommended a vote for this proposal – which requested greater disclosure on Alphabet Inc's 2030 climate goals. EOS believe that enhanced disclosure would provide meaningful information to support the investment decision making processes of investors globally. EOS also notes that the well-worded proposal gives Alphabet Inc sufficient flexibility to respond to this precatory request, particularly in relation to ensuring best practice low methane intensity in fossil-fuel powered data centres.
LCIV Absolute Return (Ruffer) PRI rating for equity: 4 out of 5	21/05/25	Amazon Inc	Report on Warehouse Working Conditions	EOS recommended a vote for this proposal – which requested a report on warehouse safety conditions. EOS acknowledges the progress made by Amazon Inc, demonstrated by improvements in safety performance, including lower recordable incident and lost time incident rates. However, EOS concluded that enhanced third-party review of workplace safety practices could help further demonstrate strengthened management attention on these issues, in support of long-term shareholder value.

Engagements

Manager	Company	Subject	Engagement Detail	Summary Fund Engagement
L&G Global Equity	Nippon Steel Corporation	Environmental – Climate action	<p>Background: Nippon Steel, Japan’s largest steelmaker, operates in a highly carbon-intensive sector and was assessed as lagging peers on climate-policy engagement. Under L&G’s Climate Impact Pledge, companies are expected to disclose climate-related lobbying, which Nippon Steel has not met.</p> <p>Action: Since 2022, L&G engaged the Nippon Steel on improving its lobbying disclosures – escalating after limited progress. L&G also co-filed a shareholder proposal with the Australasian Centre for Corporate Responsibility (‘ACCR’) requesting annual disclosure of climate-policy positions, lobbying activities, and alignment with its 2050 net-zero goal. Engagement increased through meetings, a site visit, and collaborative dialogues via CA100+ and ACCR/Corporate Action Japan.</p> <p>Outcome and next steps: L&G’s proposal received 27.98% support, among the highest for climate resolutions in Japan. Ahead of its 2025 AGM, Nippon Steel published its first Industry Association Review and climate-policy positions – a step toward Paris-aligned advocacy. As Japan updates climate and energy policies in 2024-25, L&G will continue engagement expecting further improvements in accountability and disclosure.</p>	<ul style="list-style-type: none"> • Environment, 68% • Social, 22% • Governance, 7% • Other, 2%
L&G Emerging Markets	Volkswagen AG	Social – Human Rights	<p>Background: Volkswagen’s presence in Xinjiang, China attracted scrutiny from media and third-party assessors, leading MSCI to flag the issue as a controversy in late 2022. Although a 2023 audit removed the flag, concerns remained over the audit’s limitations and the company’s ongoing exposure to human-rights risks.</p> <p>Action: L&G began engaging with Volkswagen in late 2022, highlighting the importance of the issue for its bond-market access. After the audit, engagement shifted toward encouraging a lasting resolution. Regular engagement took place through 2023-24, from investor relations to the CFO, led by L&G’s automotive credit analyst.</p> <p>Outcome and next steps: In November 2024, Volkswagen sold its stake in its Xinjiang plant to its joint-venture partner, removing its operational responsibility and reducing future risk exposure. The divestment is not expected to affect its strategic direction. Volkswagen acknowledged that investor dialogue – including with L&G – helped highlight the urgency of resolving the issue. With the divestment completed, further engagement on this topic is unlikely to be needed.</p>	<ul style="list-style-type: none"> • Environment, 79% • Social, 20% • Governance, 1% • Other, 0%

Engagements Cont.

Manager	Company	Subject	Engagement Detail	Summary Fund Engagement
L&G Future World	Walmart Inc	Social – Income Inequality	<p>Background: As the largest US employer, Walmart has significant influence over labour standards. L&G expects companies to pay a living wage across their operations and, where possible, supply chains. Although Walmart has raised wages and expanded benefits, many workers still earn below a living wage, and its policies remain rated ‘embryonic’.</p> <p>Action: L&G has engaged Walmart through direct meetings and coalitions such as ShareAction, Platform for Living Wage Financials and ICCR Living wage for US workers. L&G also supported social-related shareholder proposals at the 2022 and 2023 AGMs and, as part of their food-retailer living-wage campaign, co-filed a 2024 resolution requesting adoption of a formal living-wage policy.</p> <p>Outcome and next steps: Walmart has made some progress but remains below L&G’s minimum expectations. Companies continuing to lag may face votes against the Chair at the 2025 AGM. L&G will maintain engagement and encourage Walmart to adopt a clear, time-bound living-wage commitment across operations and supply chains</p>	<ul style="list-style-type: none"> • Environment, 62% • Social, 26% • Governance, 10% • Other, 2%
LCIV GAGPA (Baillie Gifford)	CRH plc	Environmental – GHG Emissions Reduction Targets	<p>Background: EOS has engaged with CRH since 2016, with climate ambition as a central focus. EOS has urged the CRH to increase its medium-term GHG-reduction targets from a 2°C pathway to a well-below-2°C or 1.5°C trajectory, verified by SBTi, covering both cement and non-cement emissions.</p> <p>Action: EOS first raised this ask in 2021, acting as co-lead under the CA100+ initiative. CRH initially awaited sector-specific 1.5°C guidance but later committed to resubmitting its targets to SBTi, reflecting this in its 2021 Annual Report. EOS continued to push for further ambition through further engagements between 2021 and 2024.</p> <p>Outcome and next steps: In April 2024, CRH confirmed its near-term Scope 1 and 2 targets for cement and non-cement operations were aligned with a 1.5°C scenario and adopted SBTi-verified Scope 3 targets for purchased clinker and cement. While progress has been strong, EOS recognise further work is needed to deliver on these targets and strengthen longer-term ambition. EOS will continue to monitor and encourage more ambitious medium- and long-term emissions-reduction plans.</p>	<ul style="list-style-type: none"> • Environment, 18% • Social, 40% • Governance, 31% • Other, 10%

Engagements Cont.

Manager	Company	Subject	Engagement Detail	Summary Fund Engagement
LCIV PEPPA (SSGA)	McDonald's Corporation	Environmental – use of antibiotics across the supply chain	<p>Background: EOS has engaged with McDonald's on antimicrobial resistance (AMR) since 2017, encouraging reduced use of medically important antibiotics across its protein supply chains – especially pork – and the establishment of clear policies, targets, and timelines.</p> <p>Action: EOS co-signed a 2018 FAIRR letter calling for comprehensive antibiotic-reduction targets, welcomed McDonald's 2020 poultry commitments, and urged similar progress in beef and pork despite data challenges. From 2020-23, EOS continued dialogue, including a FAIRR-led investor letter. In early 2024, EOS acknowledged progress on McDonald's pork policy and discussed its intention to support an AMR-related shareholder proposal.</p> <p>Outcome and next steps: McDonald's has strengthened responsible-use practices but still lacks clear antibiotic-reduction targets for pork. It has formed a cross-functional working group, incorporated supplier input, and committed to rolling out its pork policy. By 2024, it eliminated HPCIA's from chicken in major markets and set beef targets covering over 80% of its supply chain. EOS will continue engaging on AMR within broader animal- and human-welfare discussions.</p>	<ul style="list-style-type: none"> • Environment, 34% • Social, 31% • Governance, 26% • Other, 8%
LCIV Absolute Return (Ruffer)	Bayer	Social – female representation in senior management	<p>Background: EOS began engaging with Bayer on gender diversity in 2019, encouraging the company to achieve over 30% female representation on both the Management Board and Group Leadership Circle, and to articulate a broader ambition for gender parity to strengthen the future leadership pipeline.</p> <p>Action: EOS wrote to the Chair of the Supervisory Board outlining these expectations and continued engagement after Bayer appointed a woman to its Management Board in 2019. Between 2019-22, EOS pressed for stronger commitments, and Bayer introduced new gender targets – 33% women in top management by 2025 and 50% across all management levels by 2030. EOS reiterated its expectations in a 2022 meeting with the ESG team.</p> <p>Outcome and next steps: Bayer's 2023 annual report showed clear progress, with women representing 32% of top management and 44% of all management roles, moving toward its 2025 and 2030 targets. EOS will continue to engage, with the expectation that DAX40 companies maintain at least 20% female representation on their boards.</p>	<ul style="list-style-type: none"> • Environment, 36% • Social, 30% • Governance, 23% • Other, 11%

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 Investment Strategy Statement.
- From 1 April 2026, LCIV will assume delegated responsibility for implementation of the Fund's investment strategy. Decisions around selection of managers will therefore be delegated to LCIV.
- It is important that the Committee continues to scrutinise stewardship activities – whether undertaken directly by LCIV or by underlying managers such as L&G – at quarterly Committee meetings.
- We recommend that the Committee engage with LCIV on the stewardship and engagement reporting to be provided and ensure this reporting allows for the Committee to provide effective oversight of the LCIV's engagement with underlying managers
- We continue to recommend that, when LCIV or any managers appointed through the pool present at Committee meetings, focus should be given to voting practices and progress against climate ambitions – including reviewing appropriate case studies and reviewing short-listing companies where the Committee wishes LCIV to challenge managers more strongly.
- As stewardship expectations evolve, the Committee may consider additional exercises to deepen oversight of LCIV's and managers' engagement activities. This could include:
 - Analysis of how voting practices have aligned with Local Authority Pension Fund Forum voting recommendations
 - Independent assessment of voting practices relative to individual managers states policies and ambitions.

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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