RESPONSIBLE INVESTMENTS UPDATE	ITEM 7

Committee	Pensions Committee
Officer Reporting	Babatunde Adekoya, Finance
Papers with this report	Full manager voting - Shared drive. LGIM Engagement Report Q2 2025 – Shared drive LAPFF Engagement Report Q2 2025 – Shared drive

HEADLINES

Environmental, Social, and Governance (ESG) refers to the three central factors in measuring the sustainability and societal impact of an investment in a company or business. These criteria help to better determine the future financial performance of companies (return and risk).

The purpose of this report is to provide information on how managers entrusted with investing the Pension Fund assets are implementing their ESG policies and demonstrate their commitment to ensuring it is a cogent part of their investment process.

In addition, the report details the progress on the UK Stewardship Code project, policy updates and other relevant information.

RECOMMENDATIONS

It is recommended that Pensions Committee:

1. **Note the fund managers' ESG activities and compliance efforts**
2. **Note LCIV & LAPFF activities**

SUPPORTING INFORMATION

Voting and Engagement

Fund managers carry out proxy voting on the Pension Fund's behalf. Below is a breakdown of voting statistics by LGIM, and London CIV (Ruffer, Wellington and Baillie Gifford).

Fund Managers Voting Breakdown Q2, 2025					
LCIV	**Meetings**	**Resolutions**	**Votes With**	**Against**	**Abstention/non-voting**
Jun-25					
LCIV - Ruffer	108	1,607	1,384	141	82
LCIV - Baillie Gifford	63	920	732	116	72
LCIV - Wellington	93	1,402	1,191	151	60
	264	**3,929**	**3,307**	**408**	**214**
%			**84.17**	**10.38**	**5.45**
LGIM	**Meetings**	**Resolutions**	**Votes With**	**Against**	**Abstention**
Jun-25	8,076	88,719	66,599	22,021	99
	8,076	**88,719**	**66,599**	**22,021**	**99**
%			**75.07**	**24.82**	**0.11**

The volume of meetings attended, and resolutions voted on by all the fund managers shown above, encapsulates their commitment to ESG issues and demonstrates alignment of their stewardship activities with their own investment beliefs, policies, and guidelines. Through this approach, they seek to be active owners on behalf of their clients, by encouraging good governance and a high standard of corporate practices.

The voting breakdown above indicates LGIM have voted against proposed management resolutions on 25% of voting opportunities and supported resolutions on approximately 75% of occasions. The London CIV, through two equities portfolio managers, Wellington and Baillie Gifford, absolute return manager, Ruffer combined to back various management resolutions on 84% of voting opportunities and about 10% against the resolutions proposed by company managements. Abstentions for LGIM and LCIV were 0.11% and 5.45% respectively.

Engagement

ESG factors play an increasingly important role in determining the performance of certain assets. Pension Fund asset managers, as part of their ESG commitments undertake various engagement activities in their holistic approach in making investment decisions. These activities aim to affect changes within invested companies where it is deemed necessary or to complement existing practices.

LGIM

Holding boards to account
To be successful, companies need to have people at the helm who are well equipped to create resilient long-term growth. By voting and engaging directly with companies, LGIM encourages management to control risks while seeking to benefit from emerging opportunities. The manager aims to safeguard and enhance clients' assets by engaging with companies and holding management to account for their decisions. Voting is an important tool in this process, and one which they use extensively.

Creating sustainable value
LGIM believe it is in the interest of all stakeholders for companies to build sustainable business models that are also beneficial to society. They work to ensure companies are well-positioned for sustainable growth, and to prevent market behaviour that destroys long-term value. Their investment process includes an assessment of how well companies incorporate relevant ESG factors into their everyday thinking. The manager engages directly and collaboratively with companies to highlight key challenges and opportunities, and support strategies that seek to deliver long-term success.

Promoting market resilience
As a long-term investor for its clients, it is essential that markets (and, by extension, the companies within them) can generate sustainable value. In doing so, LGIM believe companies should become more resilient amid change and therefore, seek to benefit the whole market. They use their influence and scale to ensure that issues affecting the value of clients' investments are recognised and appropriately managed. This includes working with key policymakers, such as governments and regulators, and collaborating with asset owners to bring about positive change across markets.

Global Investment Stewardship themes

LGIM Investment Stewardship activity is structured around six core themes:

- Climate: Keeping 1.5°C alive
- Nature: Supporting a world that lives in harmony with nature, recognising the economic value of natural capital
- People: Improving human capital across the corporate value chain
- Health: Safeguarding global health to limit negative consequences for the global economy
- Governance: Strengthening accountability to deliver stakeholder value
- Digitisation: Establishing minimum standards for how companies manage digitisation-related risks

The manager believes these themes are financially material to their clients' portfolios, often pose systemic risks and opportunities, and cover areas where LGIM as an asset manager can influence change.

Engagement Focus

Environment
AGM Focus: Oil & Gas (Equinor, Shell & BP)

Identify
LGIM believe that climate change represents a financially material and systemic long-term risk to our clients' portfolios. Its stewardship approach to engaging with oil and gas companies regarding the transition to net zero is centred on mitigating systemic risks for its clients by advocating for and supporting companies in their decarbonisation journey, as they seize the long-term value creation opportunities related to the energy transition.
Voting continues to be a crucial cog in the wheel of such engagement, signifying expectations to the market and to the company. In the 2025 AGM season, LGIM pre-declared vote intentions on three oil and gas companies: BP, Equinor and Shell. LGIM explored the background to its voting decisions on these companies, individually and in comparison, with each.

Engage

Equinor
Having published detailed expectations for the oil and gas sector regarding the climate transition, LGIM continue to use these as a framework in its engagements and assessments of companies' commitments, disclosures, and the credibility of their climate transition plans. Decision to vote against Equinor's Energy Transition Plan stemmed from the financial risks associated with its plans to expand oil and gas production internationally, and the potential impact on the company's ability to meet its net-zero targets.

BP
Our longstanding engagement with BP on the energy transition illustrates the challenges of matching ambition with action, and the pivotal role of governance. Having been able to support BP's climate transition plan in 2022, subsequent changes in strategy, combined with the decision to withhold a shareholder vote, led us to vote against the re-election of the Chair in 2023—and again in 2025 on similar grounds. The pre-declaration of our 2025 vote drew attention to governance; while the company Chair Helge Lund's resignation had already been announced we felt that a clearer, swifter timeframe for his departure would be more conducive to the progress of an orderly transition than the extended timeframe initially posited.

Shell
The filing of [shareholder] Resolution 22 enabled LGIM to engage in a series of highly technical and detailed discussions with the company. The primary focus in its engagement has been on understanding the balance sheet risks associated with the company's growing exposure to liquified natural gas ('LNG'), and on ensuring the company demonstrates business resilience across multiple climate transition scenarios. After careful consideration, LGIM did not support Resolution 22; they

received clear commitments that the company will enhance its reporting in line with L&G's expectations—specifically, providing detailed disclosures on stranded asset risks and financial resilience related to Shell's growing exposure to LNG.
These gaps were key reasons they were unable to support the company's climate transition strategy at its 2024 AGM.

Outcome
Majority owned by the Norwegian government, Equinor received a high level of support for its transition plan. Nevertheless, LGIM expect companies to establish robust emissions targets with clear, time-bound milestones, demonstrating alignment with net-zero goals through transparent disclosures, and showcasing financial resilience against relevant outcomes. LGIM will continue to engage with the company on our concerns, as highlighted above, to encourage steps towards our expectations.

The high level of dissent for the BP resolution, especially because the Chair was already known to be stepping down, was well-publicised, and demonstrated broader investor concerns with the company's strategy and governance, and desire for speedier action.

At Shell, the high level of support for Resolution 22 is indicative of increasing shareholder support for greater climate transparency; in our conversations with the company, LGIM are confident that further steps will be taken and will carefully consider their forthcoming disclosures. The non-linear demands of the energy transition are complex to navigate, and the profitability of lower carbon sources alongside uncertain demand trajectories place a significant pressure on oil and gas companies to demonstrate forward-looking resilience across multiple climate transition scenarios and potential outcomes. As investors, LGIM continue to prioritise 'decision-useful' information, clarity and disclosures so that we can fully understand the risks and opportunities that companies are positioned to take, and to what extent these are priced into the market.

Society

People and health: AMR: insights on-site with GlaxoSmithKline (GSK)

Identify
COVID-19 demonstrated the global economic and social destruction wrought by a viral pandemic. Antimicrobial resistance ('AMR'), whereby antibiotics become less effective over time through evolution of microbials to survive treatment, is a potential pandemic of the future. It has been identified by the World Health Organisation as "one of the top global public health and development threats".

Engage
In May, LGIM went on an exploratory visit to GSK's manufacturing site in Worthing, on the English coast. Worthing is the first UK site to be BSI-certified (British Standards Institute)22 in accordance with Antibiotic Manufacturing standard, which was developed by BSI and the AMR Industry Alliance in 2022. The standards outline best

practice controls and methods for the responsible manufacturing of antibiotics in the global supply chain. LGIM were given an in-depth guided tour of the manufacturing site which allowed them to observe and participate in the numerous safety procedures to ensure no contamination takes place between different areas of the site, as well as steps taken to avoid any external contamination. The opportunity to visit manufacturing sites provide hands-on, real insight into how GSK ensure adherence to the Antibiotic Manufacturing standards. LGIM also had the possibility to have in-depth conversations with employees onsite.

Outcome
The site visit enabled LGIM to:
• Gain insight into the real actions that pharmaceutical companies can take, through their processes and oversight, to mitigate and monitor AMR.
• Demonstrate to GSK the financial materiality of this issue to investors, and the role of the pharmaceutical industry alongside other sectors in combatting AMR
• Strengthen our relationship with the company through in-depth dialogue

Understanding the actions that companies can take helps inform LGIM expectations and, in conversations with other sectors and broader stakeholders on AMR, understand both the potential and the limitations of each protagonist.

Governance

Governance in Japan: improvements in timely disclosures
Identify and engage
In 2020, LGIM wrote about two key challenges in Japan’s AGM season: the heavy concentration of AGMs in June, and persistent delays in publishing the Yuho (an annual securities report which is a comprehensive source of information for investors). If companies wait until just before the AGM to publish the Yuho, investors do not have sufficient time to absorb critical information on corporate governance, capital allocation, and risk factors before voting. In addition to publishing its views and practical steps for improvement, they have engaged on this topic with companies, policymakers, and the media, both directly and alongside peers such as ICGN and ACGA.

Outcome and next steps
According to new data from Japan’s Financial Services Agency (FSA), more than half of companies with March fiscal year-ends had plans (as of May) to publish their Yuho before their AGMs, up from just 1.8% last year. This change, most recently spurred by a March 2025 call from the Japanese finance minister, could mark a real break from the past, when over 80% of companies released their Yuho on the day of the AGM or the day after, undermining shareholders’ ability to make informed voting decisions. Still, only a small fraction of firms currently meets the benchmark of releasing reports at least three weeks ahead, and a large number still plan to publish just the day before.

With sustainability disclosures in alignment with ISSB standards set to become part of the Yuho and mandatory for many companies in coming years, the case for earlier publication will only grow stronger. Phased mandatory adoption is expected to begin from 2027 for large prime market companies, expanding to all prime-listed firms in the 2030s. This raises the bar for timing, coordination, and assurance across reporting processes. For prime market firms, especially those with global shareholders, we believe early and robust disclosure is therefore essential not just for good governance, but for credibility on sustainability.

LAPFF

During the quarter LAPFF engaged various companies worldwide on issues covering all aspects of ESG during the quarter under review.

Below are three examples of their engagement activities in Q2 2025.

Environmental

BP & Shell

Objective: Both BP and Shell have retreated from transition towards renewables. During continued engagement with Shell and BP, LAPFF's approach has remained to test oil and gas companies beyond claims of social decarbonisation based on existing business models, to challenge the viability of the current business. This expectation, based on LAPFF policy, is that the demand for hydrocarbons will be reduced in aggregate terms; and that demand will be met by the lowest cost producers.

Achieved Shell: LAPFF engaged with the Australasian Centre for Corporate Responsibility (ACCR) which tabled a shareholder resolution for the 2025 Shell AGM in conjunction with Brunel Pension Partnership, Greater Manchester Pension Fund and Merseyside Pension Fund. The resolution focused on the expansion of LNG as the implied demand/supply exceeds International Energy Authority (IEA) projections. LAPFF issued an alert recommending support for the shareholder resolution. The resolution achieved more than 20% votes in support, which is significant for a shareholder led resolution.

Achieved BP: BP had been regarded as at the better end of the sector in recognising climate change as an issue but faces the same competitive and structural pressures set out above. However, in February 2025 BP announced a "reset" which meant that it was abandoning key parts of its strategy of being an integrated energy company. BP announced it will be increasing production in oil and gas to between 2.3 million and 2.5 million barrels of oil equivalent a day by 2030 and raise spending to $10 billion a year, about 20 per cent higher than previous levels. LAPFF's policy of managed decline is more relevant given that engagement to date has not achieved positive outcomes. The issues with BP are now governance matters. LAPFF issued an alert which recommended a vote against the Chair, Helge Lund. As with Shell, the LAPFF alert was in line with a significant number of shareholders, and the result of the AGM was 24% of votes cast against the re-appointment of the Chair.

Social

Moncler & LVMH Moët

Hennessy Louis Vuitton

Objective: In 2024, LAPFF raised concerns that the luxury goods sector receives less scrutiny on human rights and supply chain management than high street apparel. A common misconception persists that higher prices guarantee better conditions and pay for workers, and therefore limited exposure to human rights risks for investors. Following initial engagements in 2024, LAPFF has pursued further dialogue to promote stronger risk management and proactive action. Prior to the European Commission's proposed Omnibus Package (announced 26 February 2025), LAPFF wrote to companies to underline the importance of maintaining high standards. The Forum remains committed to ensuring that regulatory changes do not weaken oversight of human rights in the luxury sector. It continues to engage with brands as they adapt to an uncertain regulatory environment, pressing them to maintain robust human rights and supply chain standards and practices.

Achieved: During Q2 LAPFF met with LVMH Moët Hennessy Louis Vuitton (LVMH) and Moncler to discuss human rights risks in the respective supply chains. LVMH has made notable improvements in both its practices and disclosures since LAPFF last met with the company in March 2024. This year marks the first time that LVMH has produced a Corporate Sustainability Reporting Directive (CSRD) compliant report, which it appeared keen to promote despite the current uncertainties surrounding the regulation amidst the EU's Omnibus Directive. The company significantly increased the number of audits it conducted over the past year. This appeared to follow the group's Dior subsidiary being placed under court administration in June 2024 following the uncovering of illegal working conditions at suppliers, including staff lacking contracts and proper accommodation.
Moncler had also made notable progress in its disclosures since LAPFF met the company in 2024. It too has published its first CSRD-aligned report alongside a first iteration of its key raw materials risk report, providing valuable insight into how Moncler is assessing risks for certain materials.

Governance

Executive Pay
Standard Chartered

Objective: In response to recent disclosures of significant increases in CEO and top executive pay among widely held LAPFF companies, the Forum initiated a series of engagements to scrutinise the basis for high levels of executive compensation. These dialogues were aimed at better understanding how the revised executive pay structures of these companies align with long-term corporate performance goals and the treatment of the broader workforce, particularly considering the ongoing cost of living crisis. LAPFF also sought clarity on how companies are addressing shareholder concerns surrounding pay fairness, value creation, and transparency.

Achieved: LAPFF met with Standard Chartered to discuss the proposed boost to its chief executive's pay. The proposed package could reward the CEO £13.1m. The company is seeking to overhaul its compensation plan following the UK regulator scrapping a long-standing cap on bonuses. Since 2014, an EU bonus cap for bankers has been in place which had limited bonus pay to twice fixed salary, this was in response to the 2008 global financial crisis. Standard Chartered defended the increase in executive payouts by citing the broader peer group, a limited pool of leaders with appropriate expertise, and a deliberate shift towards performance linked remuneration. While acknowledging the lack of a perfect benchmark, the bank stated it had consulted over half of its shareholder register, including proxy advisers, and received broad support.

FINANCIAL IMPLICATIONS
ESG initiatives included within the Pension Fund budget.

LEGAL IMPLICATIONS
Legal implications are included in the report.