| RESPONSIBLE INVESTMENTS UPDATE | ITEM 8 |
| --- | --- |

| | |
| --- | --- |
| Committee | Pensions Committee |
| Officer Reporting | Babatunde Adekoya, Finance |
| Papers with this report | Full manager voting - Shared drive.<br>LGIM Engagement Report Q2 2025 – Shared drive<br>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 Q3, 2025 | | | | | |
|---|---|---|---|---|---|
| **LCIV** | **Meetings** | **Resolutions** | **Votes With** | **Against** | **Abstention/non-voting** |
| Sep-25 | | | | | |
| LCIV - Ruffer | 10 | 202 | 182 | 17 | 3 |
| LCIV - Baillie Gifford | 8 | 103 | 84 | 16 | 3 |
| LCIV - Wellington | 6 | 87 | 80 | 6 | 1 |
| | **24** | **392** | **346** | **39** | **7** |
| % | | | **88.27** | **9.95** | **1.79** |
| **LGIM** | **Meetings** | **Resolutions** | **Votes With** | **Against** | **Abstention** |
| Jun-25 | 2,551 | 19,352 | 13,922 | 5,186 | 244 |
| | **2,551** | **19,352** | **13,922** | **5,186** | **244** |
| % | | | **71.94** | **26.80** | **1.26** |

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 27% of voting opportunities and supported resolutions on approximately 72% of occasions. The London CIV, through three equities portfolio managers, Wellington and Baillie Gifford, absolute return manager, Ruffer combined to back various management resolutions on 88% of voting opportunities and about 10% against the resolutions proposed by company managements. Abstentions for LGIM and LCIV were 1.26% and 1.79% respectively.

The snapshots below further contextualise the voting patterns and issues addressed with voting decisions by the managers above.

## Global - Q3 2025 voting summary

| Shareholder-proposed resolutions: | | | | | | |
|---|---|---|---|---|---|---|
| Proponent/Category | For | Against | Abstain | For % | Against % | Abstain % |
| **Shareholder** | **275** | **123** | **0** | **69%** | **31%** | **0%** |
| Company Articles | 7 | 2 | 0 | 78% | 22% | 0% |
| Director Election | 165 | 66 | 0 | 71% | 29% | 0% |
| Director Related | 7 | 30 | 0 | 19% | 81% | 0% |
| Compensation | 0 | 8 | 0 | 0% | 100% | 0% |
| Social | 5 | 2 | 0 | 71% | 29% | 0% |
| E&S Blended | 2 | 1 | 0 | 67% | 33% | 0% |
| Miscellaneous | 11 | 7 | 0 | 61% | 39% | 0% |
| Non-Routine Business | 63 | 4 | 0 | 94% | 6% | 0% |
| Audit Related | 3 | 2 | 0 | 60% | 40% | 0% |
| Environmental | 8 | 0 | 0 | 100% | 0% | 0% |
| Routine Business | 1 | 0 | 0 | 100% | 0% | 0% |
| Corporate Governance | 3 | 1 | 0 | 75% | 25% | 0% |

| How L&G voted | Number of votes | % Aligned management recommendations |
|---|---|---|
| For | 13922 | 99.8% |
| Against | 5186 | 4.4% |
| Abstain | 244 | 97.1% |

| Number of | Values |
|---|---|
| Resolutions | 19352 |
| AGM Resolutions | 12449 |
| EGM Resolutions | 6903 |
| AGM | 1259 |
| EGM | 1292 |
| Meetings | 2551 |

| Most popular resolutions | Number of resolutions |
|---|---|
| Elect Director | 4722 |
| Accept Financial Statements and Statutory Reports | 1098 |
| Elect Director (Cumulative Voting or More Nominees Than Board Seats) | 907 |
| Approve Auditors and Authorize Board to Fix Their Remuneration | 886 |
| Amend Articles/Bylaws/Charter - Organization-Related | 876 |

| Number of companies where L&G voted: | Value |
|---|---|
| In Total | 2187 |
| For in all resolutions | 712 |
| Against or Abstain in at least one resolution | 1475 |

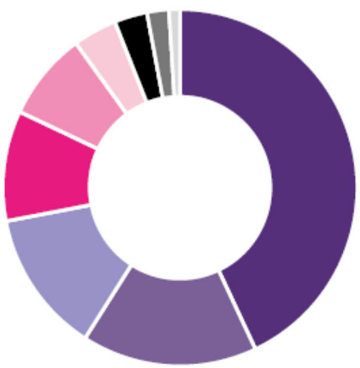
Voting data shown is "For" and "Against" the resolution. Please note that for shareholder resolutions, a vote "For" the resolution is a vote against management.We aim to keep abstentions to a minimum. Where there are no legal or practical impediments, we vote on our clients' investments across all developed and emerging markets globally, where possible.

Source: L&G, as at 30 September 2025.

# Voting Summary

As stewards of capital, exercising voting rights is an important part of our responsibility towards our Client Funds' ESG objectives. We believe that voting on shareholder resolutions is a powerful part of our stewardship strategy as it helps communicate our views to companies. Being transparent about disclosing our voting records further supports this aim. London CIV's stewardship provider Hermes EOM and investment managers are expected to vote on all proxies considering the impact of ESG factors to ensure shareholder value is maximised. London CIV monitors voting records on a quarterly basis and expects Hermes EOS and managers to be able to provide a rationale for all voting activity on a "comply or explain" basis. The following charts give an overview of voting activity for this quarter (1 July 2025 - 30 September 2025).

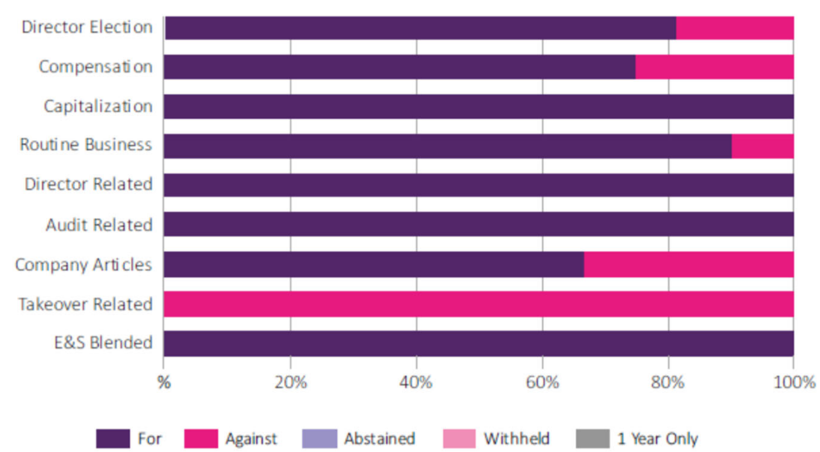
### Proposals Breakdown



| Proposals Breakdown | No. |
|---|---|
| Director Election | 43 |
| Compensation | 16 |
| Capitalization | 13 |
| Routine Business | 10 |
| Director Related | 8 |
| Audit Related | 4 |
| Company Articles | 3 |
| Takeover Related | 2 |
| E&S Blended | 1 |
| | **100** |

*Source: London CIV data as at 30 September 2025*

### Voting Instruction Breakdown




*Source: London CIV data as at 30 September 2025*

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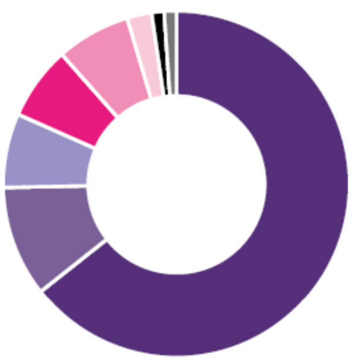
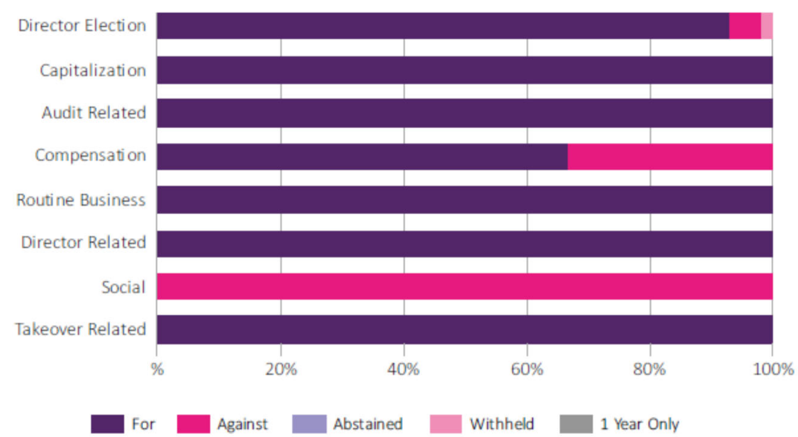


| Proposals Breakdown | No. |
|---|---|
| Director Election | 56 |
| Capitalization | 9 |
| Audit Related | 6 |
| Compensation | 6 |
| Routine Business | 6 |
| Director Related | 2 |
| Social | 1 |
| Takeover Related | 1 |
| | **87** |

*Source: London CIV data as at 30 September 2025*

**Voting Instruction Breakdown**




*Source: London CIV data as at 30 September 2025*

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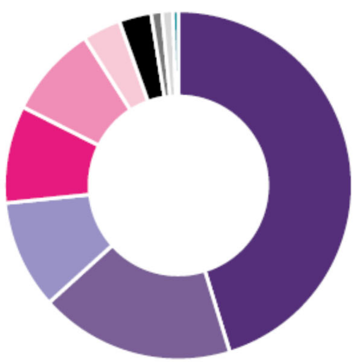
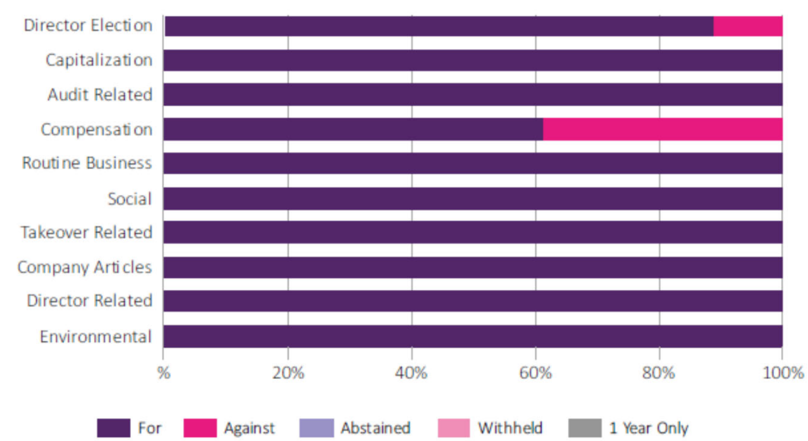


| Proposals Breakdown | No. |
|---|---|
| Director Election | 90 |
| Capitalization | 36 |
| Audit Related | 20 |
| Compensation | 18 |
| Routine Business | 17 |
| Social | 7 |
| Takeover Related | 6 |
| Company Articles | 2 |
| Director Related | 2 |
| Environmental | 1 |
| | **199** |

*Source: London CIV data as at 30 September 2025*

### Voting Instruction Breakdown




*Source: London CIV data as at 30 September 2025*

**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

## 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

**HEIDELBERG & CRH**

**Objective:** A focus of the meetings with the cement companies has been to assess the credibility of the company's decarbonisation strategies. Key areas of discussion included the deployment of Carbon Capture and Storage (CCS), substitution of clinker (a key cement ingredient and the main source of $CO_2$ emissions in cement production) and the development of alternative low-carbon technologies, particularly to address the industry's reliance on fossil fuels for kiln heating. The engagement with Heidelberg Materials emphasised the role of CCS, given Heidelberg's plans to operate one of the first full-scale CCS plants in Norway. Additional focus was placed on broader emissions-reduction measures, including energy transition, process innovation, and climate risk management. Overall, these meetings aimed to ensure that both companies demonstrate progress towards reducing emissions in line with LAPFF's expectations. Particular attention was given to the cost implications, transparency, and scalability of CCS and other abatement options.

**Achieved CRH:** CRH reported progress in advancing CCS capabilities in France, with funding secured and government partnerships in place. A cautious but deliberate approach is being taken, ensuring projects provide both return on investment and a learning pathway for future deployment (e.g. Tarmac CCS). The Forum heard where the company were in terms of clinker factor and alternative fuel use. The company had reduced its clinker factor to 75.9% in2024, while alternative fuels reached 47% globally (55% in the EU). CRH continues to prioritise clinker substitution and alternative fuels through EcoRec (Europe) and Sapphire (North America). The company has a Safety, Environment & Social Responsibility (SESR) Committee which oversees climate targets. The SESR board committee meets five times annually, including a meeting to review performance against decarbonisation milestones. ESG topics receive significant board attention, with deep dives into decarbonisation, circularity, water and workforce engagement.

While in the last meeting with CRH, the company expressed concerns with the risk of European producers being undercut by imports of emissions intensive cement, this year CRH expressed confidence in the EU Carbon Border Adjustment Mechanism (CBAM) and Emission Trading System (ETS) reform, noting the trial phase has been effective and timelines are being respected. The company confirmed 15% of long-term incentives remain linked to ESG metrics (net zero, sustainable products growth, inclusion & diversity), while 20% of short-term incentives are now ESG-linked.

**Achieved Heidelberg**: The Forum met with Heidelberg in Q3 2025 for the first time after some previous correspondence. The Forum was interested to hear how Heidelberg delivered the first full-scale CCS project in the cement sector, at its Brevik planet in Norway. The plant captures $CO_2$ and stores it under the North Sea. The company described the success as a “moon landing” achievement which marks a unique industry-first after more than a decade of development. The Forum raised questions on the real-life implications and operational practicality of decarbonisation in the plant, after reading Brevik is expected to capture 400,000 tonnes of $CO_2$ annually from 2025, including around 50% of its own plant emissions. Heidelberg confirmed it is working with DNV (Danske Veritas) as an independent auditor to verify CCS performance, including permanent $CO_2$ storage and blockchain-based carbon accounting, to avoid any risk of greenwashing. Heidelberg also remarked that it is the only cement producer with an average clinker ratio below 70% and has upgraded its target to 64% by 2030. The company acknowledged that roughly 40% of clinker volumes are already under carbon pricing. Heidelberg emphasised that achieving its KPIs provides a cost advantage versus competitors, especially under CBAM.

## Social

**LVMH Moët Hennessy Louis Vuitton (LVMH)**
**Objective:** LAPFF has undertaken a series of engagements with luxury goods manufacturers to encourage better practice and disclosures on how the sector manages human rights risks. LVMH has had two Maison subsidiaries in Italy placed under court administration: Dior in 2024, and more recently Loro Piana in July 2025. LAPFF focused this engagement on a deep dive into the company’s audit and remediation processes, specifically examining the Loro Piana case, having discussed Dior during a previous meeting.

**Achieved:** LVMH provided further details regarding how the issue at Loro Piana had been uncovered, and the ongoing work being undertaken to enhance its human rights due diligence. LVMH noted that there were parts of this process that it was unable to publicly report due to the court administration order. However, the company was able to provide reassurance to LAPFF that its audit programme was working as intended.

LAPFF had previously written to LVMH suggesting inclusions for its upcoming standalone human rights policy and reiterated that LVMH should make a clear commitment to the UN Guiding Principles on Business & Human Rights, with detailed, transparent disclosures on how risks were being prevented and mitigated.

## Governance

## Executive Remuneration
## Infineon

**Objective:** During Q3, LAPFF intensified its engagement with listed companies across Europe and the U.S., following a wave of significant shareholder dissent on remuneration during the 2025 AGM proxy season. These conversations focused on uncovering key drivers behind investor opposition and assessing how companies are responding to mounting shareholder concerns. By probing both the rationale for dissent and the corrective actions being considered, LAPFF sought to gain a clearer picture of governance practices and the extent to which boards are aligning executive pay with long-term shareholder value.

**Achieved:** LAPFF has an established history of engagement with German manufacturer Infineon, having previously met with the Chair in 2021 on climate change. More recently, investor attention has shifted towards remuneration. At its February 2025 shareholder meeting, 43.32% of shareholders voted against the company's remuneration report – a sharp increase from 12.3% in 2023 and just 1.01% in 2024. Although the proposal passed, the scale of dissent signalled growing investor concern. In response, the supervisory board has introduced several changes to the remuneration structure. ESG targets remain at 20%, while the former 80% TSR weighting has been halved: 20% is now measured against a defined semiconductor peer group, and 20% against the DAX. The remaining 40% is tied to Infineon's Target Operating Model, setting profitability and cash flow goals to close the gap with peers, the company reported that this has been well received by investors. Further governance changes include removing the discretionary short-term incentive (STI) modifier, extending the LTI period from four to five years with an additional holding requirement, broadening malus and clawback clauses, and phasing out change of control provisions in management contracts. On quantum, the supervisory board has proposed staged increases of 27% for the CEO and 13% for other directors, concentrated in variable pay, with base pay unchanged. Benchmarking against semiconductor peers were cited as the rationale, with the board arguing that more competitive pay is necessary to attract and retain senior talent in a highly specialised market.

**FINANCIAL IMPLICATIONS**
ESG initiatives included within the Pension Fund budget.

**LEGAL IMPLICATIONS**
Legal implications are included in the report.