

Committee

Pensions Committee

Officer Reporting

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Papers with this report

Full manager voting - Shared drive.
LGIM Engagement Report Q4 2025 – Shared drive
LAPFF Engagement Report Q4 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 Q4, 2025						
LCIV		Meetings	Resolutions	Votes With	Against	Abstention/non-voting
	Dec-25					
LCIV - Ruffer		15	140	120	13	7
LCIV - Baillie Gifford		9	110	92	7	11
LCIV - Wellington		9	82	69	13	0
		33	332	281	33	18
	%			84.64	9.94	5.42
LGIM		Meetings	Resolutions	Votes With	Against	Abstention
	Dec-25					
		2,566	16,771	11,212	5,100	459
		2,566	16,771	11,212	5,100	459
	%			66.85	30.41	2.74

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 30% of voting opportunities and supported resolutions on approximately 67% 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 87% of voting opportunities and about 10% against the resolutions proposed by company managements. Abstentions for LGIM and LCIV were 3% and 5% respectively.

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

Global - Q4 2025 voting summary

Shareholder-proposed resolutions:						
Proponent/Category	For	Against	Abstain	For %	Against %	Abstain %
Shareholder	401	146	6	73%	26%	1%
Director Election	299	58	6	82%	16%	2%
Company Articles	15	20	0	43%	57%	0%
Environmental	10	3	0	77%	23%	0%
Social	2	6	0	25%	75%	0%
Audit Related	2	0	0	100%	0%	0%
Corporate Governance	13	3	0	81%	19%	0%
Non-Routine Business	10	6	0	62%	38%	0%
Director Related	17	26	0	40%	60%	0%
Miscellaneous	26	12	0	68%	32%	0%
E&S Blended	2	1	0	67%	33%	0%
Compensation	1	10	0	9%	91%	0%
Capitalisation	4	1	0	80%	20%	0%

How L&G voted	Number of votes	% Aligned management recommendations
For	11212	99.6%
Against	5100	5.1%
Abstain	459	98%

Number of	Values
Resolutions	16828
AGM Resolutions	6753
EGM Resolutions	10075
AGM	698
EGM	1868
Meetings	2566

Most popular resolutions	Number of resolutions
Elect Director	3326
Elect Director (Cumulative Voting or More Nominees Than Board Seats)	1580
Amend Articles/Bylaws/Charter -- Organization-Related	1370
Approve/Amend Regulations on Board of Directors	834
Ratify Auditors	568

Number of companies where L&G voted:	Value
In Total	2110
For in all resolutions	724
Against or Abstain in at least one resolution	1380

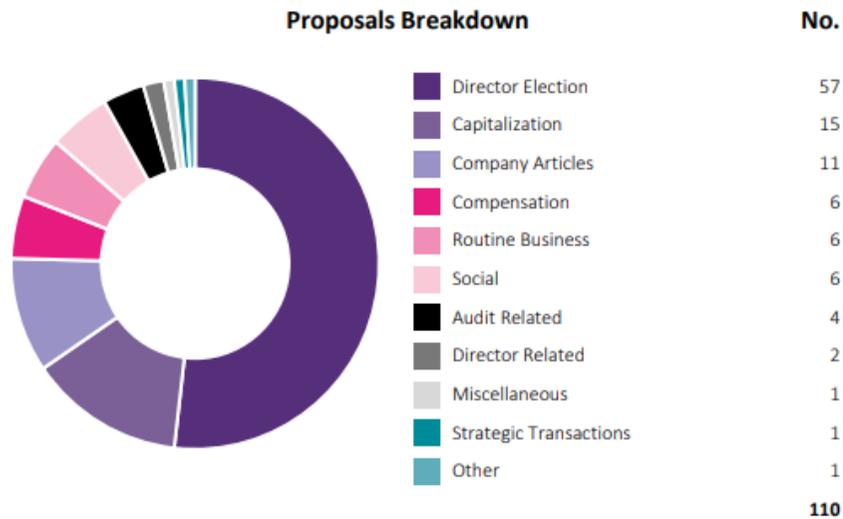
Voting data shown is "For" and "Against" the resolution. Please note that for shareholder resolutions, a vote "For" the resolution is a vote against management. We aim to keep abstentions to a minimum. Where there are no legal or practical impediments, we vote on our clients' investments across all developed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

Source: L&G, as at 31 December 2025.

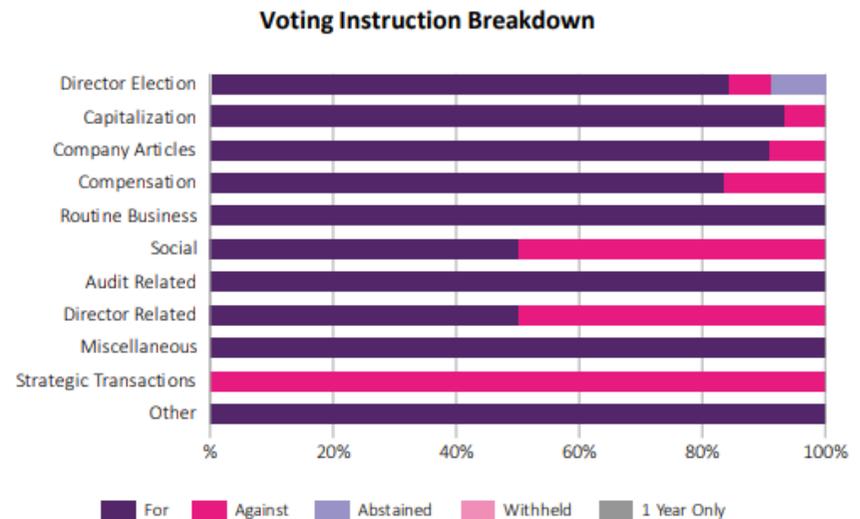
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Voting Summary

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 EOS at Federated Hermes (EOS) 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 EOS and investment 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 October 2025 - 31 December 2025).



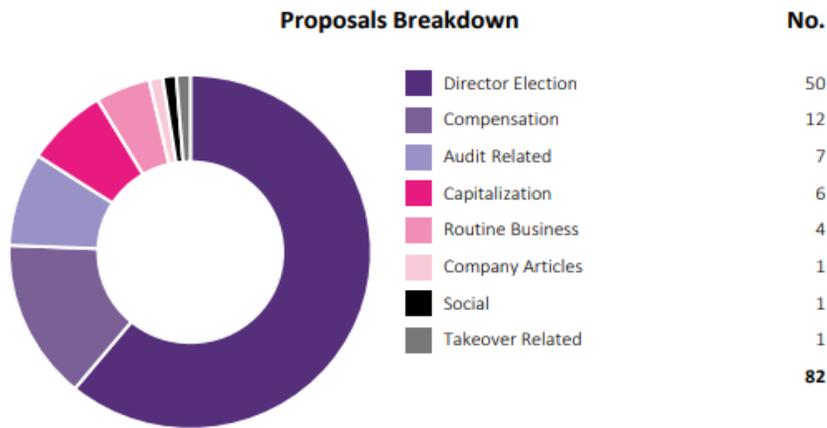
Source: London CIV data as at 31 December 2025



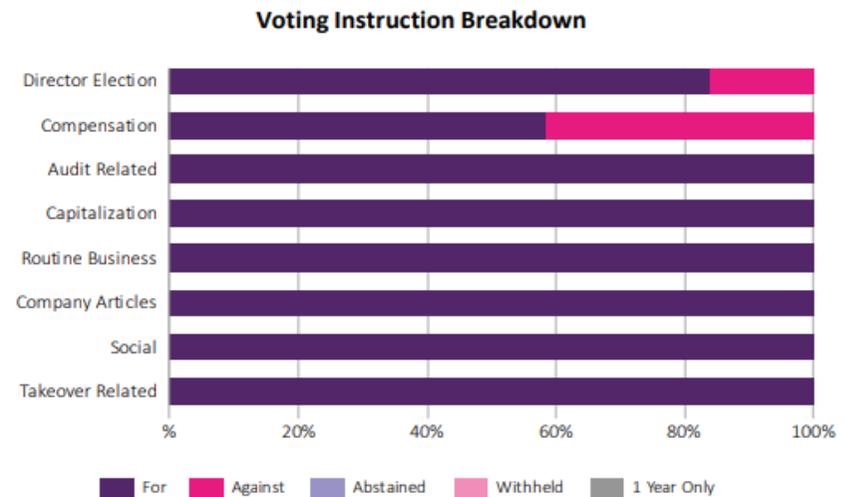
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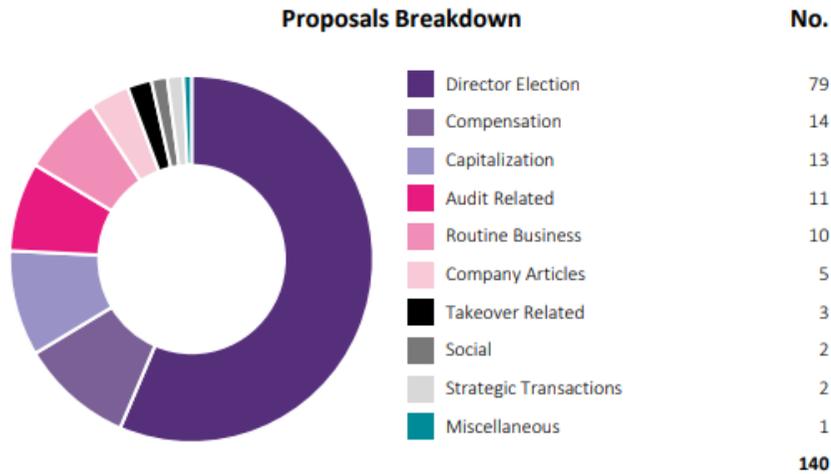
Source: London CIV data as at 31 December 2025



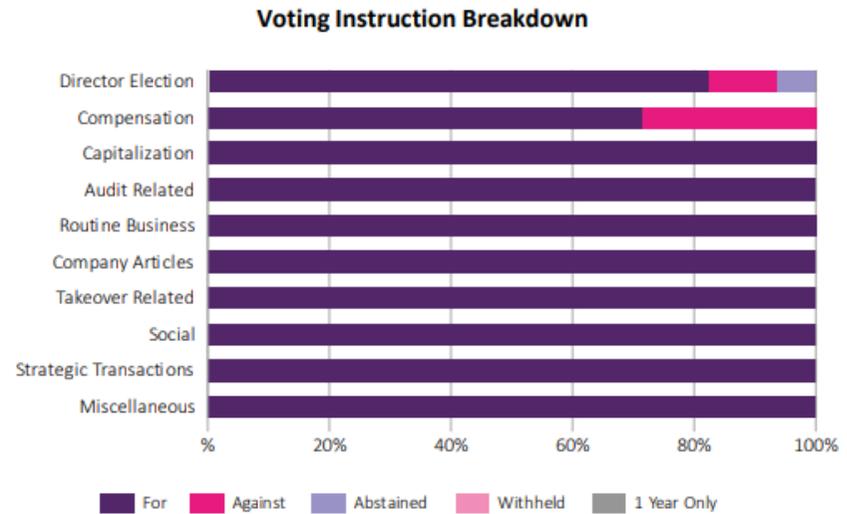
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Source: London CIV data as at 31 December 2025



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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

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- 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.

Net Zero Asset Managers Initiative

LGIM has committed to remain signatory to the Net Zero Asset Managers Initiative, reflecting their long-standing belief that climate risk is investment risk. The manager is focused on supporting clients through robust climate-risk mitigation, active stewardship, and investment in economically viable transition opportunities.

The Net Zero Asset Managers (NZAM) Initiative is a global, voluntary coalition enabling asset managers to commit to and transparently report on strategies that support net-zero emissions. After facing political and regulatory challenges, it relaunched in 2026 with an updated, more flexible framework that continues to align with the goals of the Paris Agreement while accommodating global diversity in regulation and practice. The initiative has over 250 managers as signatories.

NZAM was suspended in January 2025 due to political and regulatory pressures particularly rising anti-ESG sentiment in the U.S. and after major departures such as BlackRock.

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 Q4 2025.

Environment

Climate change represents a systemic and financially material risk for long-term investors. LAPFF believes that companies with credible, measurable, and transparent climate transition plans are better equipped to manage these risks. Although more companies now publish transition plans, many still lack science-based targets, delivery pathways, or transparent financial alignment. LAPFF considers regular shareholder oversight—via “Say on Climate” votes at least every three years—to be essential for accountability, especially for minority shareholders.

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FTSE 100 (Minus Investment Trusts)

Objective: LAPFF aims to ensure that companies are effectively planning for business decarbonisation and managing transition risks. The Forum engages issuers to develop, disclose, and implement robust climate transition strategies. LAPFF expects climate plans to contain science-based, quantifiable targets, credible delivery pathways, and transparent disclosure of climate-related financial impacts.

Achieved: LAPFF and CCLA coordinated a letter to FTSE 100 companies (excluding investment trusts), urging them to offer shareholders a vote on their climate transition plans at least once every three years. The initiative was backed by investors representing £3.1 trillion AUM.

- *71 out of 95 companies responded.*
- *Eight companies committed to holding a vote:*
- *Legal & General, Anglo American, Glencore, SSE, National Grid, United Utilities, Centrica, and Shell — with five committing to a triennial cycle.*
- *Six more companies stated they are keeping the option under review.*
- *LAPFF held engagement meetings with Schroders, Lloyds, SSE, Barclays, Shell, and Standard Chartered.*
- *Schroders: strong climate governance but opposed to a formal vote.*
- *Lloyds: integrates climate into overall strategy; reviews voting annually but has not adopted a standalone vote.*
- *Barclays: maintains net-zero targets and sector pathways; keeping vote option under review.*
- *Shell: reaffirmed a shareholder vote in 2027 following its 2026 strategy update.*
- *Standard Chartered: continues to deliver against its 2022 shareholder-approved roadmap.*
- *SSE: confirmed next vote at the 2028 AGM, with annual progress reporting and strong governance arrangements.*

In Progress

LAPFF views climate transition plan oversight as an evolving governance responsibility rather than a one-off activity. The Forum will monitor climate-related resolutions throughout 2026 and continue dialogue with issuers whose plans are voted on or significantly changed.

A particular concern is the trend of companies weakening, pausing, or withdrawing previously stated climate commitments without giving shareholders the opportunity to approve revised plans. LAPFF will expect clear justification, enhanced disclosure, and evidence of thorough board-level oversight whenever companies alter or step back from commitments.

Social

Vale

Objective

LAPFF continues to lead investor engagement with Vale under the PRI Advance Initiative, alongside EOS at Federated Hermes, PIMCO, Schroders, Erste Asset

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Management, and Pensioenfonds Detailhandel. The engagement aims to strengthen Vale's governance and management of human rights risks, with a particular focus on:

- Effectiveness of grievance mechanisms
- Delivery of remediation
- Credibility of employee and community feedback related to the Brumadinho and Mariana dam disasters

During the quarter, investors met with Vale to discuss results from the second Community Perception Survey (2024) and how these insights inform risk management and operational improvements. The engagement occurred against the backdrop of the 10-year anniversary of the Mariana disaster, reinforcing expectations for demonstrable, outcomes-based progress for affected communities.

Achieved

PRI Advance Q4 meeting focused on:

- Community and employee engagement
- Findings from Vale's 2024 Community Perception Survey (which expanded to include traditional communities)

Vale acknowledged key findings, including:

- Declines in perceived quality of life and general trust since 2022
- Improvements in perceived average income
- Ongoing analysis to translate survey insights into operational actions

Investors sought updates on Mariana and Brumadinho reparations, particularly around community satisfaction measurement. Vale reported that the Renova Foundation, created in 2016 under the TTAC to deliver remediation and compensation, is now being liquidated, with remaining programmes transitioning to Samarco Mineração and relevant public authorities. Investors also raised 2025 media reports (FT/Reuters) that BHP and Vale had offered \$1.4bn to settle UK litigation related to Mariana—though neither company has publicly commented.

In Progress

LAPFF will continue engagement into 2026, pressing Vale for:

- Clear, outcome-based evidence that 2024 survey insights are resulting in real, site-level changes
- Transparency on how priorities are set, what actions are taken, and how progress is measured and disclosed
- Improvements specifically in:
 1. Trust
 2. Quality of life
 3. Grievance mechanism effectiveness

Engagement will incorporate external perspectives, including findings from *Earthworks' April 2025 report, "The Truth About Vale"*, which stresses the need for reconciling company statements with community experiences and demonstrating **verified** outcomes.

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Governance

United Utilities

Objective: LAPFF continued its engagement with UK water utilities in Q4, with a focus on United Utilities (UU). The objective was to deepen understanding of:

- Plans and governance to reduce storm overflow and sewage discharges, given persistently high spill levels in 2024.
- Preparedness for regulatory change, including the Government’s decision to abolish Ofwat and move toward a single, more powerful regulator.
- Responses to emerging environmental risks, particularly PFAS and other “forever chemicals,” following research showing widespread contamination—TFA detected in 98% of UK river samples.
- Ensuring that increased investment, funded partly by higher customer bills, is matched by improvements in water quality, risk management, and accountability.

Achieved

Engagement with the Chair of United Utilities, Sir David Higgins, delivered meaningful insights into:

- Storm Overflow Reduction
- UU outlined its investment programme and progress:
- High-priority overflows reduced from ~40 to 26, targeting 18 by 2030 and 10 by 2050.

Monitoring & Public Reporting

United Utilities already uses per-second monitoring, ahead of peers who have historically reported at lower resolution. Move to a common two-minute sector standard will reshape comparability and public perceptions.

Resilience & Enabling Infrastructure

Around one-third of spills are linked to power failures. United Utilities is deploying backup generators at vulnerable sites as part of its mitigation strategy.

Regulatory Landscape

United Utilities highlighted risks of fragmented oversight between Ofwat and the Environment Agency (“two regulators not talking”). The company sees opportunities for improved coordination even before full regulatory reform. United Utilities is preparing for tighter alignment of environmental and economic regulation during the current price control period.

FINANCIAL IMPLICATIONS

ESG initiatives included within the Pension Fund budget.

LEGAL IMPLICATIONS

Legal implications are included in the report.

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