

CAMBRIDGESHIRE PENSION FUND

Agenda Item No: 5

To: Investment Sub Committee

Meeting date: 14 November 2024

Report by: Mark Whitby
Head of Pensions
Mark.Whitby@WestNorthants.gov.uk

Subject: Stewardship & Engagement Update

Purpose of the report: To update the Investment Sub Committee on stewardship and engagement matters relating to the Fund's investments.

Recommendations: The Investment Sub Committee is asked to:

- a) Note the report.

Enquiries to: Ben Barlow, Funding and Investments Manager.
Tel – 07831 123167
E-mail – Ben.Barlow@Westnorthants.gov.uk

1 Background

- 1.1 The Fund believes that Environmental, Social and Corporate Governance (ESG) issues create material risks and opportunities which will influence long term investment performance and the ability of the Fund to achieve its investment and funding objectives. Therefore, good ESG and stewardship practices should be integrated throughout the investment process of the Fund.
- 1.2 Good stewardship can protect and enhance value for companies and markets as a whole. The Fund is committed to being a long-term steward of the assets in which it invests. It believes in the importance of investment managers acting as active asset owners through proactive voting and engagement with companies. In addition, the Fund believes that acting collectively with other investors is an effective way to engage with companies.
- 1.3 To promote good stewardship and ensure the diligent monitoring of engagement activities, this report is presented to the ISC on a quarterly basis.
- 1.4 The Fund includes in its Investment Strategy Statement a policy on the exercise of the rights (including voting rights) attached to investments. Specifically with regards to stewardship and engagement, the Fund expects its investment managers to:
 - 1.4.1 Exercise our rights as owners of investments by actively participating in company level decisions tabled as shareholder votes at General Meetings.
 - 1.4.2 Engage with companies where there are concerns over ESG issues.
 - 1.4.3 Vote on pool-aligned assets in accordance with the ACCESS Voting guidelines on a “comply or explain” basis and inform the Fund of voting outcomes.
 - 1.4.4 Report on their voting activity on a regular basis, with ACCESS Pool managers required to report on a monthly basis.
- 1.5 The Fund believes that acting collectively with other investors, for example, with partner authorities in the ACCESS pool or through membership of the Local Authority Pension Fund Forum (LAPFF), is an effective way to engage with companies.

2 Executive summary

- 2.1 The Cambridgeshire Pension Fund recognises the importance of promoting good governance and management in the companies in which the Fund invests. The Fund expects investment managers to exercise voting rights and engage with companies with the aim of good stewardship of the Fund’s assets.
- 2.2 This report updates the Investment Sub-Committee (ISC) on:
 - 2.2.1 The Fund’s voting activity during the three months to 30 June 2024 for assets held within the ACCESS pool.
 - 2.2.2 A summary of engagement activity on behalf of the Fund by ACCESS sub-fund managers covering the period between April and June 2024.
 - 2.2.3 A summary of engagement with investment managers directly by the Fund covering the period between July and September 2024.
 - 2.2.4 A summary of the Local Authority Pension Fund Forum (LAPFF) engagement and voting activity for the period between July and September 2024.
- 2.3 Further information on specific stewardship and engagement activities summarised in this report is available from Officers on request.

- 2.4 Officers have continued to share the LAPFF voting alerts with managers to understand their voting plans regarding each alert.
- 2.5 PIRC along with the ACCESS Responsible Investing (RI) sub-group have been reviewing the ACCESS voting guidelines. These revised guidelines have been considered and agreed by the ACCESS Joint Committee.

3 PIRC

- 3.1 ACCESS has appointed Pension & Investment Research Consultants Ltd (PIRC) as its external ESG and RI advisor following an LGPS Framework Procurement, to implement and refine the Pool's RI guidelines. PIRC will use the ACCESS RI guidelines as the starting point to deliver a universal reporting framework.
- 3.2 This will incorporate the expectations ACCESS places on asset managers into the framework. These expectations include outlining responsible investment principles, main risks, how ESG is incorporated into investment decisions, stewardship, voting and engagement activities and outcomes, and reporting against TCFD.
- 3.3 As part of this work, a comprehensive review of the ACCESS voting guidelines, in collaboration with the ACCESS RI sub-group, has been undertaken and the revised guidelines have been considered by the ACCESS Joint Committee.
- 3.4 The ACCESS Joint Committee agreed the updated guidelines at their 9th September meeting. The Committee was provided with oversight of the guidelines, along with the ACCESS paper at the October Pension Committee meeting.

4 Voting

- 4.1 The ACCESS Joint Committee agreed the original voting guidelines for inclusion by the pool operator, Waystone, in their Investment Management Agreements. These guidelines set out those matters of importance to the ACCESS authorities and promote good corporate governance and management in the companies in which investments are made. In circumstances where investment managers do not adopt the positions set out in these guidelines, they are required to provide a robust explanation of the position adopted.
- 4.2 ACCESS also expects that investment managers will be signatories to and comply with the Financial Reporting Council's Stewardship Code and Principles of Responsible Investment. The Stewardship Code submission was unsuccessful, and Officers are working on addressing the areas that did not meet the criteria.
- 4.3 A summary of the voting activity for the three months ending 30 June 2024, including votes for and against management, is set out below for each of the ACCESS sub-funds in which the Fund invests:

Sub-Fund Name	Number of Meetings	Number of Votes Cast		
		For	Against	Other
Dodge and Cox - WS ACCESS Global Stock	66	885	151	57
J O Hambro - WS ACCESS Global Equity – JOHCM	30	315	76	30

Longview - WS ACCESS Global Equity	21	111	183	15
	117	1311	410	102

- 4.4 During the three months ending 30 June there were 113 company Annual General Meetings (AGMs), 2 Annual/Special, 1 Extraordinary and 1 Mixed meeting.
- 4.5 Of the three ACCESS sub-funds in which the Cambridgeshire Pension Fund invests, there were 1823 occasions to vote by the investment managers. There were 102 instances where votes were not cast, or managers chose to abstain from voting. Of the votes cast, 1311 were for and 410 against management proposals.
- 4.6 Of the 1823 votes cast, 22 were subject classified as Environmental (E), 73 were classified as Social (S) and 1728 were classified as Governance (G).
- 4.7 Governance includes issues such as board structure, election of directors and remuneration. One example of this is JO Hambro voted to approve a qualified employee stock purchase plan.
- 4.8 The Social issues included changes to policy and disclosures. In one example, Longview voted for a shareholder proposal regarding a human rights impact assessment of AI-driven targeted advertising.
- 4.9 The Environmental issues included climate reporting and assessments. In one example, Dodge and Cox voted against a motion to disclose all material Scope 3 Green House Gas emissions. Dodge & Cox's rationale for the vote against the motion is as follows "Dodge & Cox expects companies to disclose financially material ESG risks and opportunities and may consider supporting shareholder proposals requesting information or data that enables us to better assess the financial materiality of ESG risks to the company relating to social and environmental issues such as climate change, energy transition, and human capital. When reviewing shareholder proposals requesting additional ESG disclosure, Dodge & Cox will typically vote against proposals that we deem overly prescriptive. Additionally, Dodge & Cox will review current company disclosures to determine whether the shareholder proposal is additive or unnecessary. A vote AGAINST this proposal is warranted, as the company appears to be taking sufficient action to measure and reduce its Scope 3 emissions and measuring emissions of all products sold on e-commerce platforms does not appear to be a standard industry practice."
- 4.10 Investment managers use their discretion to cast votes not aligned to the ACCESS voting guidelines where they feel it is in the shareholders best interest to do so. There were no instances where the fund manager has overridden the ACCESS voting policy in the last three months for assets held within ACCESS sub-funds.

5 Engagement Activities – ACCESS Pool

- 5.1 The Cambridgeshire Pension Fund receives regular reporting on engagement activities for assets held within the ACCESS Pool. This includes dialogue between investment managers and Waystone in order to promote good corporate governance and management in companies in which the Fund invests.
- 5.2 At 30 June 2024 the Fund's ACCESS investment managers held a total of 161 assets and held 12 confirmed engagements with companies within the reporting period. There was 1 engagement on an environmental topic, 4 on social topics and 7 relating to governance.

5.3 A summary of engagements by managers covering the three months to 30 June 2024 is shown below. Dodge and Cox held 7 engagements during the reporting period, JO Hambro held 1, and Longview held 4. Please refer to exempt Appendix A for identification of the companies involved in the engagement examples.

Manager	Number of Assets	Types of Engagement			Engagement example
		E	S	G	
Dodge & Cox	90	1	2	4	Dodge and Cox spoke with company A about the unusual compensation program design and how they would address any potential liquidity desire by the CEO. They spoke about compensation alignment between management and shareholders and how to strike the right balance between the different groups. Additionally, they spoke about the upcoming say-on-climate proposal reiterating Dodge and Cox's view that they believe this is a strategy focused proposal and not one that shareholders should opine on. Dodge and Cox do not believe that it is their role as shareholders to vote directly on these type of strategy proposals. Dodge and Cox believe management and the board should set and oversee strategy. Dodge and Cox feel they communicated their views to the company and believe that company management adequately heard their voice.
JO Hambro	41			1	JO Hambro met with Company B to seek clarity on how the board is addressing senior management turnover, to further their understanding of Company B's strategic human capital challenges in the transition economy, to follow up previous conversations on culture in the mining industry, gain insight into the perspectives of other directors, and to encourage consideration of equitable employment practices as part of a DEI program. Company B attributed the high level of turnover at the exec level to 'bad hires' and alluded to poor cultural fit. The committee chair alluded to an expectation for more departures to occur and it remains unclear whether the board has identified a clear path forward to address investor concerns. Company B is making progress on the implementation of recommendations from the 'Enough is Enough' report on sexual harassment in the mining industry and there is evidence of board reporting and

Manager	Number of Assets	Types of Engagement			Engagement example
		E	S	G	
					monitoring of metrics. JO Hambro were assured that the Company applies the same environmental and stakeholder standards in developing country projects as its Australian operations.
Longview	30		2	2	In June 2024, Longview engaged with Company C to enquire about modern slavery risks in its supply chain, following specific issues flagged by Longview's ESG data provider, Sustainalytics. The first issue was highlighted in a report released in March 2024 by the Corporate Accountability Lab, a Boston-based organisation researching human rights violations worldwide, which detailed abuses in India's shrimp industry. It was reported that, in response, Company C had suspended all sourcing from one of the largest shrimp exporters to the United States. The second issue involved an investigation revealing North Korean forced labour in Chinese seafood factories. In response to our emailed questions regarding the above, Company C confirmed that earlier this year, they instructed suppliers to suspend production at all facilities associated with one of the Chinese factories identified in the reporting, as they investigated these allegations. The Company further explained that they sever ties with organisations found to have violated their Supplier Code of Conduct, consistent with their zero-tolerance policy for human and labour rights abuses. They emphasised their dedication to responsible sourcing and their commitment to taking necessary actions. While Company C did not disclose details about their relationship with the shrimp exporter in their emailed response, Longview has noted a statement published on Company C's website in March 2024. The statement indicated that the Company had instructed suppliers to suspend receipt of products from their seafood processing plants or facilities pending an investigation into allegations of human rights and labour abuses. Longview has also noted that the above issues have followed a separate lawsuit and

Manager	Number of Assets	Types of Engagement			Engagement example
		E	S	G	
					<p>investigation by the US Department of Labor in 2023 into allegations of migrant children working at poultry plants owned by another company, a supplier to Company C, in Southern California.</p> <p>Longview has requested a follow-up call with Company C to discuss these matters in more detail and delve into their approach and due diligence methods for the assessment of modern slavery risks in their supply chain. It will also be an opportunity to request an update on other sustainability matters relevant to the company's supply chain including their approach to deforestation issues. By way of background, earlier this year, Longview had enquired into Company C's exposure to palm oil, given the commodity's link to higher risks of deforestation. The company explained that while palm oil is an ingredient in the products they distribute, they are not a manufacturer, except for one division, which produces soaps and lotions. They are committed to using only sustainably sourced palm oil.</p> <p>The company elaborated that they published their first Sustainable Palm Oil policy in 2016, joined the Roundtable for Sustainable Palm Oil (RSPO), and began communicating policy requirements to their suppliers while responding to the Annual Communication of Progress (ACOP) as part of their commitment. They are also working on developing an EU deforestation policy to meet regulatory requirements and plan to expand their oversight with a global policy to address the importance of these issues and maintain compliance with the Science-Based Targets initiative (SBTi).</p>

6 Engagement Activity – Direct

- 6.1 The Fund engages directly with investment managers through regular meetings with officers on a rotational basis, the Investment User Group hosted by ACCESS and via quarterly Investment Sub-Committee meetings.

- 6.2 Discussions and challenge can cover a range of topics but a particular focus is always fund performance as well as stewardship and engagement activities the investment manager has undertaken on behalf of the Fund.
- 6.3 In addition to proactive voting, investment managers should act as active asset owners through engagement with companies where there are concerns over environmental, social and governance (ESG) issues.
- 6.4 The Fund has written to investment managers setting out it's aims and ambitions for the Fund to reach net carbon zero by 2050 or earlier and asking how the investment manager can help the Fund achieve these goals. Investment managers have acknowledged these aims and ambitions and are keen to help the Fund on its decarbonisation journey and achieve the milestones set out within the Fund's Climate Action Plan.
- 6.5 The table below represents engagement with our managers at meetings covering the period of three months to September 2024:

Date	Meeting Type	Manager
25 th July	Local	Adams Street
16 th August	Local	Schroders
20 th August	Local	Aviva
18 th September	Local- in person	Dodge & Cox*
24 th September	IUG	M&G
24 th September	Local	Catapult

* Officers met in person with representatives from Dodge & Cox, providing an excellent opportunity for an in-depth discussion on stewardship and ESG matters. During the meeting, several questions were raised with the manager regarding ongoing engagements, the establishment of net zero targets for companies, and climate-related reporting.

7 Voting and Engagement – Passive Funds

- 7.1 UBS invest in pooled passive funds on behalf of the Fund. The passive funds are not within the ACS structure itself, therefore UBS do not have to adhere to the ACCESS voting policy. However, UBS operate a high-quality programme of stewardship and engagement on behalf of the Fund. UBS produce an Annual Stewardship report, the report is available on request. The most recent was published for the year 2023.
- 7.2 UBS are responsible for the assets and the associated voting and ownership rights the Fund invests with Osmosis, as the assets are held in a segregated account managed by UBS against the Osmosis index. However, Osmosis have examined the UBS voting policy and believe it is significantly aligned with their own. Osmosis will continue to engage on the assets held within the Fund's portfolio.
- 7.3 Osmosis is planning to launch a "Non-Disclosure+" campaign, aimed at addressing the critical challenges posed by non-disclosure and incomplete environmental reporting by some of the world's largest corporations. The campaign seeks to engage the top ten companies by market capitalization, which Osmosis has identified as failing to disclose sufficient data on carbon emissions, water consumption, or waste generation. The initiative

will begin with the company's largest holding, which, despite ongoing dialogue, continues to inadequately report its water usage and waste generation in a manner that is comparable to industry peers. The campaign details have been shared with the S.151 officer and the Chair of the ISC, both of whom have reviewed the information provided by Osmosis and expressed their support for this initiative.

8 Local Authority Pension Fund Forum

8.1 The Cambridgeshire Pension Fund is a member of the Local Authority Pension Fund Forum (LAPFF). LAPFF exists to promote the investment interests of local authority pension funds and to maximise their influence as shareholders, whilst promoting corporate social responsibility and high standards of corporate governance among the companies in which they invest.

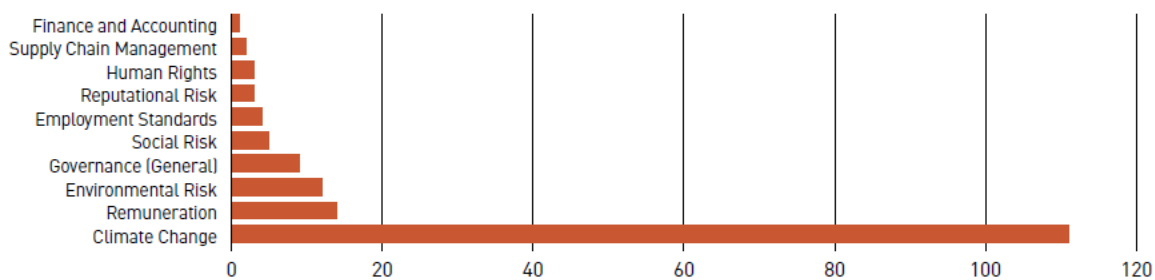
8.2 LAPFF engages with hundreds of companies to amplify the local authority voice and accelerate change. Their understanding of problems facing companies and ability to voice concerns is enhanced by also engaging with company stakeholders.

8.3 The following table is a summary showing the companies and topics which LAPFF has engaged between July and September 2024 including where voting alerts have been issued.

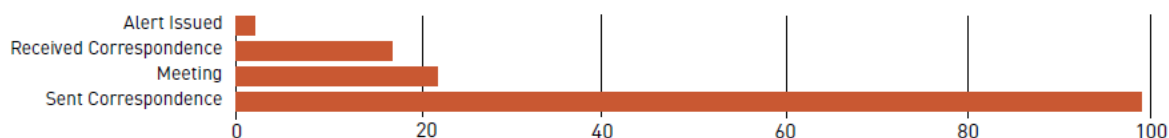
Company/Index	Activity	Topic	Outcome
ALIMENTATION COUCHE-TARD INC.	Alert Issued	Climate Change	
AP MOLLER - MAERSK AS	Meeting	Human Rights	Dialogue
ASTRAZENECA PLC	Meeting	Remuneration	No Improvement
BARRATT DEVELOPMENTS PLC	Sent Correspondence	Climate Change	Awaiting Response
BELLWAY PLC	Meeting	Climate Change	Small Improvement
BERKELEY GROUP HOLDINGS PLC	Sent Correspondence	Climate Change	Awaiting Response
BP PLC	Meeting	Climate Change	Dialogue
BURBERRY GROUP PLC	Meeting	Environmental Risk	Small Improvement
CEMEX SAB DE CV	Sent Correspondence	Environmental Risk	Awaiting Response
CIMB GROUP HOLDINGS BERHAD	Meeting	Climate Change	Moderate Improvement
CLARKSON PLC	Sent Correspondence	Remuneration	Awaiting Response
COMPASS GROUP PLC	Received Correspondence	Employment Standards	Dialogue
CRH PLC	Meeting	Climate Change	Change in Process
FRASERS GROUP PLC	Sent Correspondence	Employment Standards	Satisfactory Response
HEIDELBERG MATERIALS AG	Sent Correspondence	Environmental Risk	Awaiting Response
HOLLYWOOD BOWL GROUP PLC	Sent Correspondence	Employment Standards	Change in Process
HUANENG POWER INTERNATIONAL	Meeting	Climate Change	Moderate Improvement
HUNTING PLC	Sent Correspondence	Remuneration	Awaiting Response
IMPERIAL BRANDS PLC	Meeting	Environmental Risk	Dialogue
JAPAN TOBACCO INC	Meeting	Environmental Risk	Dialogue
KASIKORN BANK PCL	Meeting	Climate Change	Small Improvement
LOREAL SA	Meeting	Human Rights	Substantial Improvement
MITIE GROUP PLC	Meeting	Employment Standards	Dialogue
NIKE INC.	Alert Issued	Human Rights	
NOVO NORDISK A/S	Meeting	Environmental Risk	Dialogue
PEARSON PLC	Meeting	Remuneration	No Improvement
PERSIMMON PLC	Sent Correspondence	Climate Change	Awaiting Response
PHILIP MORRIS INTERNATIONAL INC.	Meeting	Environmental Risk	Small Improvement
PLUS500 LTD	Sent Correspondence	Remuneration	Awaiting Response
PURETECH HEALTH PLC	Sent Correspondence	Remuneration	Awaiting Response
RYANAIR HOLDINGS PLC	Meeting	Environmental Risk	Dialogue
SEVERN TRENT PLC	Meeting	Environmental Risk	Dialogue
SMITH & NEPHEW PLC	Sent Correspondence	Remuneration	Awaiting Response
SPIRENT COMMUNICATIONS PLC	Sent Correspondence	Remuneration	Awaiting Response
SSAB (SVENSKT STAL AB)	Meeting	Environmental Risk	Dialogue
STANDARD BANK	Sent Correspondence	Social Risk	Awaiting Response
SYNTHOMER PLC	Meeting	Remuneration	No Improvement
TAYLOR WIMPEY PLC	Sent Correspondence	Climate Change	Awaiting Response
TBC BANK GROUP PLC	Sent Correspondence	Remuneration	Awaiting Response
THYSSENKRUPP AG	Meeting	Environmental Risk	Dialogue
TRAVIS PERKINS PLC	Sent Correspondence	Remuneration	Awaiting Response
VISTRY GROUP PLC	Meeting	Climate Change	Small Improvement

8.3.1 LAPFF engagement data for the reporting period is below;

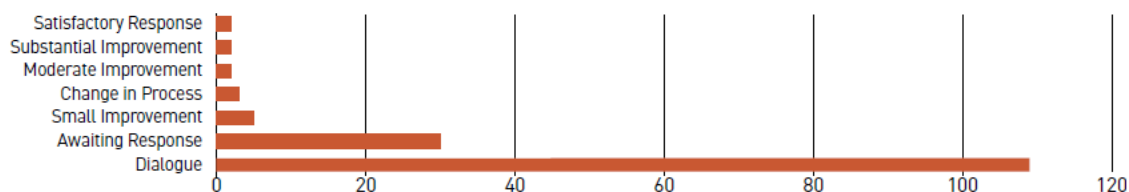
ENGAGEMENT TOPICS



ACTIVITY



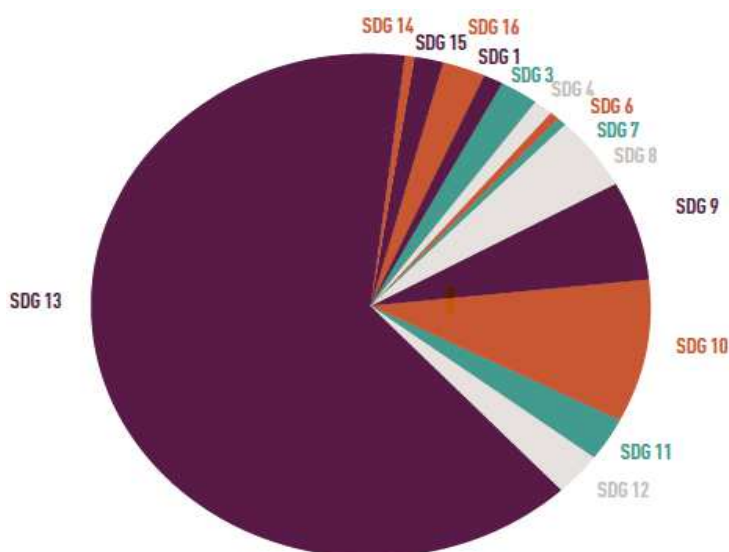
MEETING ENGAGEMENT OUTCOMES



8.3.2 An example of the engagement LAPFF has carried out during the period is below;

NOVO NORDISK & NA100
Objective:
Nature Action 100 (NA100) seeks to mobilise investors to drive corporate action in addressing biodiversity loss and nature-related risks. Its primary goal is to ensure companies integrate nature into their strategies, reduce negative impacts on ecosystems, and contribute to global biodiversity targets through enhanced accountability and transparency.
Achieved:
One of the companies that LAPFF is engaging through the NA100 initiative is the Danish Pharmaceutical company Novo Nordisk. Pharmaceutical companies have been identified by the initiative as a key sector to engage. Pharmaceutical companies face a range of physical and transition risks, including species loss affecting the ability of companies to develop new drugs. The investor group met a representative from investor relations. The representative answered the investor questions but did not engage in detailed discussion. Key points covered included the company's use of the Science-Based Targets Network, and timelines for assessments being made public. Whilst detail in the conversation was limited, the company appeared to be making sizable considerations about how to address its impact and dependencies on nature.
In Progress:
An aim of the engagement is to meet with companies involved at least twice a year. Whilst LAPFF and other investors have been discussing indicators of NA100's benchmark in company engagements, the benchmark itself, which will score companies across its six key pillars, is set to be published at COP16 in late October 2024. Companies have had a chance to respond with further information to this benchmark. Once published, it will provide industry comparisons, information on potential areas of best practice and a further basis for engagement.

8.3.3 The chart below illustrates LAPFF engagements categorised by Sustainable Development Goal (SDG) topics, with the accompanying table detailing each SDG goal and the corresponding number of engagements represented.



LAPFF SDG ENGAGEMENTS	
SDG 1: No Poverty	2
SDG 2: Zero Hunger	0
SDG 3: Good Health and Well-Being	4
SDG 4: Quality Education	2
SDG 5: Gender Equality	0
SDG 6: Clean Water and Sanitation	1
SDG 7: Affordable and Clean Energy	1
SDG 8: Decent Work and Economic Growth	8
SDG 9: Industry, Innovation, and Infrastructure	11
SDG 10: Reduced Inequalities	16
SDG 11: Sustainable Cities and Communities	5
SDG 12: Responsible Production and Consumption	5
SDG 13: Climate Action	111
SDG 14: Life Below Water	1
SDG 15: Life on Land	3
SDG 16: Peace, Justice, and Strong Institutions	4
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

8.4 Voting Alerts

8.4.1 LAPFF issued voting alerts for 2 different companies during the three-month period to September 2024. ACCESS is considering the treatment of LAPFF voting alerts as part of the ESG/RI Sub-Group chaired by the Fund's Head of Pensions.

8.4.2 Officers have been sharing the LAPFF voting alerts (via Waystone) with equities managers to understand their voting plans regarding the alerts. Of the two alerts distributed, only Longview held the relevant stock. Longview advised that they will vote against LAPFF's recommendation but will still be in line with ACCESS voting guidelines.

9 Recommendations

9.1 That the Investment Sub Committee:

9.1.1 Note the report.

10 Relevant Pension Fund objectives

10.1 To have robust governance arrangements in place, to facilitate informed decision-making, supported by appropriate advice, policies, and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.

10.2 To manage the Fund in a fair and equitable manner, having regard to what is in the best

interest of the Fund's stakeholders, particularly the scheme members and employers.

10.3 To ensure the relevant stakeholders responsible for managing, governing, and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.

10.4 To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.

11 Implications (including financial implications)

11.1 Resources and financial

11.1.1 There are no resource implications arising from the proposals in this paper. Legal fees for review of subscription documentation are included in the Fund's budget.

11.2 Legal

11.2.1 No material issues have been identified which may give rise to legal liability and/or risk from an administering authority perspective.

11.2.2. Squire Patton Boggs have reviewed the paper for legal implications.

11.3 Communication

11.3.1 None

12 Risk management

12.1 As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments.

12.2 The mitigated risks associated with this report has been captured in the Fund's risk register as detailed below –

RISK MITIGATED	RESIDUAL RISK
Failure to respond to changes in economic conditions.	Amber
As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments.	Amber
Failure to understand and monitor risk and compliance	Green
Failure to provide relevant information to the Pension Committee/Local Pension Board to enable informed decision making.	Green

12.3 The Fund's full risk register can be found on the Fund's website at the following link: [Fund's Risk Register](#)

13 Consultation

13.1 Not applicable

14 Background papers

14.1 None

15 Appendices

15.1 Stewardship and Engagement Report Appendix A – (Exempt)

16 Accessibility

16.1 The information contained in this report is available in an accessible format on request from Ben.Barlow@Westnorthants.gov.uk