

**From:** Chairman Pension Fund Committee  
Interim Corporate Director - Finance

**To:** Pension Fund Committee – 19 March 2025

**Subject:** Responsible Investment Update

**Classification:** Unrestricted

**Summary:**

This report provides an update on the Fund's responsible investment activities, including the work of the Responsible Investment (RI) Working Group.

In November the RIWG received an update from officers regarding the government consultation with a focus on pooling and local investment, and details are provided in section 1 of this report.

Section 2 provides an update on the results of the 2024 Principles for Responsible Investment (PRI) submission.

Section 3 is a brief update for the ACCESS pools responsible investment activity.

Sections 4 and 5 contain statistics for the December quarter on the votes exercised by investment managers on behalf of the Fund and an example of engagement undertaken by an investment manager in discharging the fund's stewardship responsibility as the asset owner.

Information on the Fund's securities lending activity for the quarter is contained in para 6 of this report.

**Recommendations:**

The Committee is recommended to note this report.

**1. Responsible Investment Working Group**

1.1 The Responsible Investment Working Group (RIWG) have not met since the last committee meeting.

1.2 At the last meeting on 28 November the RIWG focused on local investment and the Fit for Future government consultation on pensions pooling which will affect the future of the LGPS.

1.3 The government believes that as an institutional investor the LGPS can make a distinctive contribution to UK and local growth, building on its local role and networks, through increasing its long-term investment in local communities.

- 1.4 Administering authorities (AAs) are already committed investors in projects which support growth in their local area, however, identifying and assessing the suitability of local investments requires resource intensive due diligence which they may not have the capacity to undertake. There is also a concern for reputation and concentration risks and conflicts of interest if there is a link between the employer authorities and investments selected, which may limit local investment.
- 1.5 As a result, the government view is that pools can provide a central source of investment expertise to assess, commit to and manage local investments and to not face the same potential conflict of interest as their role is serving the admin authorities. Therefore, creating a degree of separation between Admin Authorities and their investments which reduces reputational risk.
- 1.6 In addition, pools invest over a wider geographical area reducing risks from under-performing assets.
- 1.7 Government proposals relating to Local Investment include:
  - a. Proposal 5: Requirement on AAs to set out their approach to local investment, including a target range for investment, in their Investment Strategy Statement, and to have regard to local growth plans and local economic priorities in setting their investment strategy.
  - b. Proposal 6: Requirement on AAs to work with Combined Authorities, Mayoral Combines Authorities, Combined Country Authorities, and local authorities in other areas to identify suitable local investment opportunities,
  - c. Proposal 7: Requirement for the pools to develop the capability to carry out due diligence on local investment opportunities.
  - d. Proposal 8: Requirement on AAs to include in their annual report a report on the extent and impact of their local investments.
- 1.8 The meeting was also attended by Head of the Clywd Pension Fund who shared their experience of implementing local investments as well as representative from Schroders, a Fund Manager to provide an insight on how the asset manager provides solutions for local investment implementation.

## **2. Principles for Responsible Investment (PRI) Update**

- 2.1 The Fund has received results of the PRI Assessment for 2024.
- 2.2 The PRI is the world's leading proponent of responsible investment of which Kent Pension Fund has been a signatory for several years.

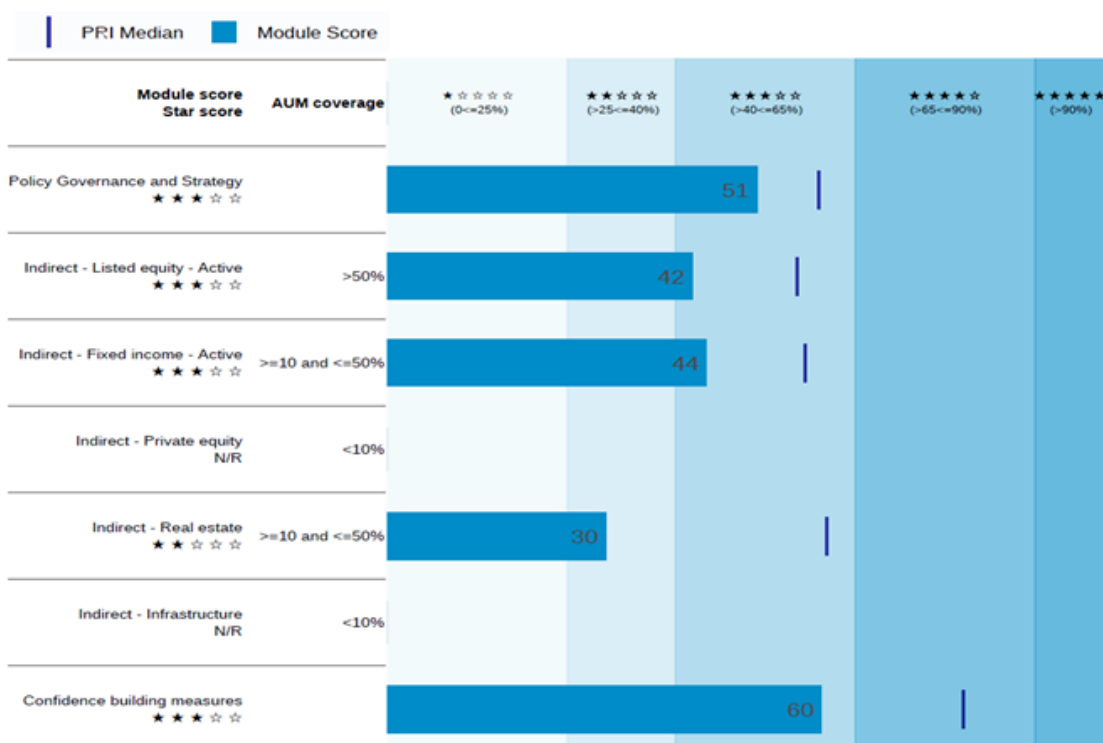
## What are the six Principles for Responsible Investment?

- 2.3 The six Principles for Responsible Investment offer a menu of actions for incorporating ESG issues into investment practice.
- 2.4 The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system. They have attracted a global signatory base representing a majority of the world's professionally managed investments.
- 2.4.1 Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- 2.4.2 Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- 2.4.3 Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- 2.4.4 Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
- 2.4.5 Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
- 2.4.6 Principle 6: We will each report on our activities and progress towards implementing the Principles.

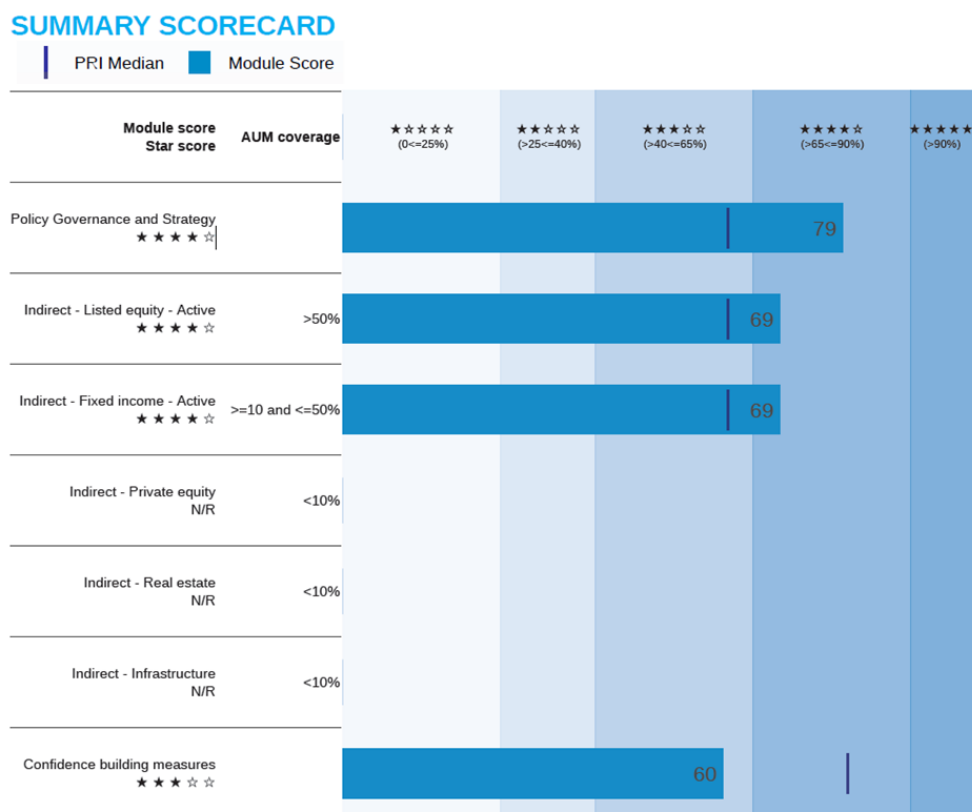
## Results

- 2.5 As signatories, we submit information to the PRI on an annual basis. The Fund's results for 2023 were as follows:

### SUMMARY SCORECARD



2.6 By way of comparison, the results for the 2024 reporting period are shown below:



2.7 The improved scores in policy, governance strategy, listed equity and fixed income are an indicator of the work of the RIWG and officers to improve the Fund's RI reporting.

### 3. ACCESS Update

- 3.1 Following the release of the Fit for Future consultation on pooling, the ACCESS pool has temporarily paused any project work. As a result, the planned procurement for the voting and engagement provider for the pool has not been progressed.
- 3.2 The Financial Reporting Council (FRC) has approved ACCESS as a signatory to the UK stewardship Code 2020 as of 11 February 2025.
- 3.3 To become a signatory to the Code, organisations must submit to the FRC a Stewardship Report demonstrating how they have applied the Code's 12 Principles in the previous 12 months.<sup>[1]</sup> The Stewardship Report prepared by ACCESS meets the requirements of the UK Stewardship Code and details how the Pool's collective beliefs and policies are translated into investment decisions the Pool makes for the benefit of Administering Authority members.

3.4 To support with the report, Pensions & Investment Research Consultants (PIRC) were procured by the Pool in November 2023 to expand ESG and Responsible Investment oversight for stakeholders' investments. The organisation collaborated effectively with the Pool to assist in its successful Stewardship Code submission, while also helping the Pool transition into a more sophisticated level of ESG reporting and integration.

#### 4. Voting Activity for the 3 Months to 31 December 2024

4.1 The Fund regards the exercise of ownership rights, including voting rights, as a critically important activity that enhances value and supports the maintenance of a sustainable financial system in which the interests of the Fund's beneficiaries are effectively accounted for when companies make important strategic decisions.

4.2 Asset managers are required to conduct all voting decisions at company meetings on behalf of the Fund. For pooled assets, voting should be conducted in accordance with the ACCESS voting guidelines on a comply or explain basis. For non-pooled assets with voting rights, asset managers should adhere to their own voting policies.

4.3 Asset managers are required to provide feedback information on voting decisions on a quarterly basis. A summary of the voting activity of the managers for the quarter to 30 September 2024 is shown in the table below:

Manager	Fund Name	Number of Meetings	No. of votes for	No. of votes Against, Abstained or Withheld
<b>ACCESS POOL</b>				
Baillie Gifford	WS ACCESS Global Equity Core Fund	13	198	5
Schroders	WS ACCESS UK Equity Fund	1	23	0
Schroders GAV	WS ACCESS Global Active Value Fund	55	398	35
M&G	WS ACCESS Global Dividend Fund	5	61	3
Robeco	WS ACCESS EM Equity Fund	9	26	2
Columbia Threadneedle	WS ACCESS Emerging Markets Equity Fund	16	49	4
Ruffer	WS ACCESS Absolute Return Fund	2	21	2

<b>NON-POOLED</b>				
Impax	Impax Environmental Markets (Ireland) Fund	5	23	7
Pyrford	Global Total Return	5	32	4
Sarasin	Segregated mandate	1	15	5

4.4 Officers also review the voting alerts received from LAPFF from time to time and share with the asset managers if it is identified that the portfolio holds the relevant shares. The voting alerts are intended to provide additional information on ESG issues related to upcoming voting opportunities and enable the Fund to discuss potentially important stewardship events with asset managers on a timely basis.

## **5. Engagement activity**

5.1 The Fund expects the investment managers who hold shares on its behalf to fully comply with the UK Stewardship Code 2020 (the Code) and to be a signatory to the UN supported Principles for Responsible Investment. Asset managers are expected to actively engage with companies to monitor and develop their management of material ESG issues to protect and enhance the value of the Fund's investments

5.2 Managers regularly report on engagements carried out with companies in the Fund's portfolio. An example of the engagements reported by Impax in their sustainability report can be found in Appendix 1.

## **6. Securities Lending**

6.1 The ACCESS pool has a common policy for securities lending. All the sub-funds participate in the programme, which is operated by Northern Trust, the Pool's custodian.

6.2 The Kent Pension Fund also has a securities lending programme with Northern Trust for the directly held segregated assets not yet in the pool.

6.3 Standard guidelines have been agreed in both the programmes to provide maximum protection for assets which include borrower/market restrictions as well as adequacy and type of collateral (cash) backing the loaned assets.

6.4 The programmes afford the managers the ability to recall shares for voting to meet their stewardship obligations. NTRS also operate a buffer management

system which restricts a portion of lendable stocks to allow for representative voting

6.5 As well as increasing returns for shareholders, stock lending (and borrowing) provides liquidity to capital markets enabling more efficient pricing and supporting the viability of the capital markets in which investors such as the Kent Pension Fund participate on a long-term basis.

6.6 The Securities Lending performance for the quarter ending 31 December 2024 is set out in the table below:

Fund	Manager	Average Stock on Loan	% On Loan	Net Earnings
		£m		£m
<b>WS ACCESS Global Equity Core</b>	Baillie Gifford	142.189	12.7	0.068
<b>WS ACCESS Global Dividend</b>	M&G	119.785	8.7	0.032
<b>WS ACCESS Absolute Return</b>	Ruffer	99.841	22.5	0.011
<b>WS ACCESS UK Equity</b>	Schroders	18.468	2.2	0.007
<b>WS ACCESS Global Active Value Fund</b>	Schroders	18.123	4.2	0.007
<b>WS ACCESS EM Equity Fund</b>	Robeco	20.537	8	0.007
<b>WS ACCESS Emerging Markets Equity Fund</b>	Columbia Threadneedle	2.476	1	0.001
<b>Total</b>		<b>421.419</b>		<b>0.133</b>

6.7. Baillie Gifford Global Equity Core, M&G Global Dividend Fund, Columbia Threadneedle and Ruffer Absolute Return lent a total of six of the top ten revenue earning stocks, which included: Tempus AI Inc, ISHARES IV PLC MSCI CHINA, Rivian Automotive Inc, NU Holdings LTD, V F Corp Com & United States TREAS NTS.

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**27 February 2025**

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## **Appendices**

Appendix 1 – Engagement Example - Impax

Appendix 2 – ACCESS Stewardship Code Submission

