

Actions to Improve Stewardship & Engagement

Principle 2 [resources], Principle 5 [review of policies and processes], Principle 7 [ESG integration into investment processes], Principle 8, [hold service providers to account] and Principle 11 [escalation].

Assessment of Stewardship resourcing requirements

Reliance is currently placed on Hymans to evaluate manager processes including ESG integration. Existing code signatories all have resources devoted to stewardship activities. LBB needs to ascertain the resource level required to meet its target level of engagement, comprising both Committee and officer time.

Absence of Manager Monitoring by PFC and Officers

Currently few managers are seen by either the PCF or officers and therefore opportunities to verify that actions taken are consistent with our investment beliefs is limited. As a minimum to meet code standards each fund / manager should be seen at least once a year by officers and once every three years by the PFC to enhance monitoring. In the case of LGIM and LCIV, they should be seen annually by both officers and PFC due to their prominence in the portfolio to discuss their engagement and monitoring of underlying managers.

Purpose of meeting is to focus on funds / managers engagement activities and the extent to which ESG is integrated into the investment process.

Lack of structure in manager monitoring by PFC and Officers

In the few occasions when PFC or officers engage with funds / managers the process is unstructured and lacks any formal conclusions as findings and areas for improvement. It was agreed that the focus of such meetings should be investment process and in particular ESG integration and this would be aided by a checklist of questions.

In determining whether the extent of ESG integration is in line with LBB expectations, it is necessary to document our expectation at least at asset class level and potentially at mandate level as a basis for comparison. This will involve reviewing managers voting guidelines for consistency with LBBPF investment beliefs, voting patterns, including alignment with LAPFF recommendations and general level of stewardship engagement. Collaboration and escalation should be considered when evaluating fund / manager processes. It has not been determined whether it is appropriate to exclude some asset classes e.g. non-public securities from the process.

Any structure implemented should involve a periodic review process of its effectiveness.

Evaluation of Hymans Robertson Manager Monitoring and Ratings

Hymans' manager rating are presented and reviewed at quarterly meetings yet outside the appointment process there is little discussion on Hymans processes. Processes on which we rely should be periodically evaluated.

Principle 3 [conflicts]

We should review each fund / managers policy and management to deal with conflicts of interest. Also Hymans Robertson's policy on conflicts.

Principle 6 [engagement with beneficiaries]

There is no current effective engagement with beneficiaries on stewardship or RI. Options include:

- Consult on the RI policy with employers, members and investment managers
- Produce and publish on website an annual report on stewardship activity
- Publish voting record of the scheme's equity managers
- Include stewardship activity on all member newsletters
- Ask Local Pension Board for feedback on stewardship activities
- Ask members to bring to our attention aspects of corporate behaviour that should form part of our engagement activities.
- Annually evaluate the effectiveness of engagement with scheme employers and members.

Principle 10 [collaborate engagement]

Beyond LBB's membership of LAPFF, which is passive, there is no collaboration to influence issuers. As mentioned below with Principle 9, it is not intended to become involved in issuer engagement but we could encourage managers to collaboratively engage and join industry forums.

Principle 12 [Voting]

There is an absence of reporting to LBBPF of managers votes for listed equities. Voting records should be obtained, possibly published by LBB and reviewed for consistency with RI policies and recommendations of LAPFF. Managers should be challenged if not voting or if voting is inconsistent with expected standards of corporate governance.

Possible Residual gaps with Stewardship Code

Principle 9 [engagement with issuers]

It is not intended that LBBPF or its officers will undertake engagement at corporate level. This will not be consistent with our anticipated resources. Thus engagement activities will focus on the activities of our appointed funds and their managers. The absence of any intended engagement with underlying issuers is a departure from the stewardship code. It may be possible to argue that using examples of poor corporate practice to understand a funds / manager engagement and investment processes is sufficient.