



Investment Sub-Committee

A meeting of the Investment Sub-Committee will be held at the Jeffrey Room, The Guildhall, Northampton, NN1 1DE on Wednesday 30 November 2022 at 2.00 pm

Agenda

1.	Apologies for Absence
2.	Declarations of Interest Members are asked to declare any interest and the nature of that interest that they may have in any of the items under consideration at this meeting.
3.	Minutes of Previous Meeting (Pages 5 - 8) To confirm the minutes of the previous meeting held on 21 September 2022.
4.	Chair's Announcements To receive communications from the Chair.
5.	Quarterly Performance Report for the Period Ending 30 September 2022 (Pages 9 - 26) The Investment Sub-Committee to receive a quarterly performance update from Mercer for the period ending 30 September 2022.
6.	Stewardship Report (Pages 27 - 34)
7.	Exclusion of Press and Public The following report(s) contain exempt information as defined in the following paragraph(s) of Part 1, Schedule 12A of Local Government Act 1972. Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information).

	<p>Members are reminded that whilst the following item(s) have been marked as exempt, it is for the meeting to decide whether or not to consider each of them in private or in public. In making the decision, members should balance the interests of individuals or the Council itself in having access to the information. In considering their discretion members should also be mindful of the advice of Council Officers.</p> <p>Should Members decide not to make a decision in public, they are recommended to resolve as follows:</p> <p>“That under Section 100A of the Local Government Act 1972, the public and press be excluded from the meeting for the following item(s) of business on the grounds that, if the public and press were present, it would be likely that exempt information falling under the provisions of Schedule 12A, Part I, Paragraph(s) 3 would be disclosed to them, and that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.”</p>
8.	<p>Private Minutes of the Investment Sub-Committee (Pages 35 - 38)</p> <p>To confirm the private minutes of the previous meeting held on 21 September 2022.</p>
9.	<p>Review of the Action Log (Pages 39 - 40)</p> <p>The Investment Sub-Committee to review the action log.</p>
10.	<p>Manager Presentation - IFM (Pages 41 - 84)</p> <p>A presentation to be given to the Investment Sub-Committee by Investment Manager IFM.</p>
11.	<p>Responsible Investment - Passive Equity Options (Pages 85 - 112)</p>
12.	<p>Any Other Business</p>

Catherine Whitehead
Proper Officer
22 November 2022

Information about this Agenda

Apologies for Absence

Apologies for absence and the appointment of substitute Members should be notified to democraticservices@westnorthants.gov.uk prior to the start of the meeting.

Declarations of Interest

Members are asked to declare interests at item 2 on the agenda or if arriving after the start of the meeting, at the start of the relevant agenda item

Local Government and Finance Act 1992 – Budget Setting, Contracts & Supplementary Estimates

Members are reminded that any member who is two months in arrears with Council Tax must declare that fact and may speak but not vote on any decision which involves budget setting, extending or agreeing contracts or incurring expenditure not provided for in the agreed budget for a given year and could affect calculations on the level of Council Tax.

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Queries Regarding this Agenda

If you have any queries about this agenda please contact Maisie McInnes, Democratic Services via the following:

Tel: 07391411365

Email: democraticservices@westnorthants.gov.uk

Or by writing to:

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One Angel Square
Angel Street
Northampton
NN1 1ED

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Investment Sub-Committee

Minutes of a meeting of the Investment Sub-Committee held at The Jeffrey Room, The Guildhall, Northampton, NN1 1DE on Wednesday 21 September 2022 at 2.00 pm.

Present	Councillor Malcolm Longley (Chair) Peter Borley-Cox Councillor Charles Morton Councillor Graham Lawman Councillor Cathrine Russell Councillor Phil Bignell Peter Borley-Cox
Also Present:	Chris West, Mercer Ltd Peter Gent, Mercer Ltd Chris Murphy, BlueBay Tatjana Evans-Macleod, BlueBay
Apologies for Absence:	Robert Austin
Officers	Mark Whitby, Head of Pensions David Crum, Independent Advisor James Smith, Assistant Director - Finance (Strategy) Tomasz Wardzala, Pension Services Financial Manager Ben Barlow, Funding and Investment Manager Maisie McInnes, Democratic Services Officer

62. **Apologies for Absence**

Apologies were received from Robert Austin.

63. **Declarations of Interest**

Peter Borley-Cox declared a disclosable pecuniary interest as a member of LGPS. Councillors Phil Bignell and Graham Lawman disclosed personal interests as their wives are deferred members of LGPS.

64. **Chair's Announcements**

There were none.

65. **Quarterly Performance Report for the Period Ending 22 June 2022**

At the Chair's invitation, Chris West from Mercer presented the quarterly performance report. He highlighted the executive dashboard and explained that liabilities had fallen over the quarter in response to the unprecedented rise in inflation and interest

rates. The alternative portfolio was reported as 4% overweight, the listed equities and fixed income portfolio 2% underweight and the overall performance was -7.3% which was 1% behind the benchmark return. He explained that Baillie Gifford would be attending the meeting later and members would have an opportunity to question their underperformance over the quarter.

Members asked questions surrounding currency and the change in Mercer's view from overweight to neutral. Mercer responded that the fund did hold assets in other currencies and the pound weakening against the dollar did provide some benefit to the investments. The change in view reflected that the outlook on bonds and equities were less favourable but the outlook had improved in other areas. Members questioned the interest rate in the UK and Mercer stated that the expectation was that the base rate would go up to 4.5% and that it would remain high for longer, and the war in Ukraine would resolve some of the economic issues.

Mercer continued their report and explained that in terms of the asset allocation government bonds and equity showed underweight, DGF was underweight and private equity held up their value as it would take longer for the negative sentiment to come through. Quarter 3 so far had witnessed a bounce back in equity markets and a positive return across the board. He explained that a strategy review would take place shortly, as the market was volatile at the moment so the position could quickly change. Mercer summarised the fixed income portfolio and explained they would continue to monitor the situation which concluded their report.

RESOLVED: That the Investment Sub-Committee noted the quarterly performance report for the period ending 22 June 2022.

66. **Exclusion of Press and Public**

The Chair moved that the remainder of the meeting be held in private:

That under Section 100A of the Local Government Act 1972, the public and press be excluded from the meeting for the following item(s) of business on the grounds that, if the public and press were present, it would be likely that exempt information falling under the provisions of Schedule 12A, Part I, Paragraph(s) 3 would be disclosed to them, and that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

RESOLVED: Members agreed that the public and press were excluded from the remainder of the meeting and the Investment Sub-Committee moved into private session.

72. **Any Other Business**

There were no other items of business.

The meeting closed at 4.05 pm

Chair: _____

Date: _____

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Northamptonshire Pension Fund Monitoring Report Quarter to 30 September 2022

Chris West
November 2022



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Please also note:

- The value of investments can go down as well as up and you may not get back the amount you have invested. In addition investments denominated in a foreign currency will fluctuate with the value of the currency.
- The valuation of investments in property based portfolios, including forestry, is generally a matter of a valuer's opinion, rather than fact.
- When there is no (or limited) recognised or secondary market, for example, but not limited to property, hedge funds, private equity, infrastructure, forestry, swap and other derivative based funds or portfolios it may be difficult for you to obtain reliable information about the value of the investments or deal in the investments.
- Care should be taken when comparing private equity / infrastructure performance (which is generally a money-weighted performance) with quoted investment performance (which is generally a time-weighted performance). Direct comparisons are not always possible.

Chris West

Executive Dashboard

Funding

The present value of the Fund's liabilities decreased over the quarter (from £2,645m to £2,379m).

The Fund's assets (including cash) decreased over the quarter by £19.3m to £3,083.8m as at 30 September 2022. The Fund's assets (including cash) have decreased by £251.2m over the last twelve months.

The estimated funding level at 30 September 2022 was c.130%, up from c.117% as at 30 June 2022. For comparison, the funding level at 31 March 2019 (the date of the previous actuarial valuation) was 93%.

Performance

Short Term Performance

The Fund outperformed the benchmark over the quarter, returning -0.8% vs a benchmark return of -1.4%.

Key Contributors to Relative Performance - Quarter

Outperformance by CBRE - Property	+0.3%
Outperformance by HarbourVest - Private Equity	+0.3%
Underperformance by Baillie Gifford - DGF	-0.3%

Longer Term Performance

	Fund	B'mark
1 Year (%)	-8.2	-4.4
3 Years (% p.a.)	4.7	4.2

Asset Allocation

In September 2022, £57m was disinvested from the UBS passive equity portfolios. These assets are earmarked to meet capital calls expected from the Fund's private equity managers and M&G Shared Ownership.

Overweight		Underweight	
Alternatives	+4.9%	Equities	-3.9%
Cash in transit	+1.8%	Fixed Income	-2.8%

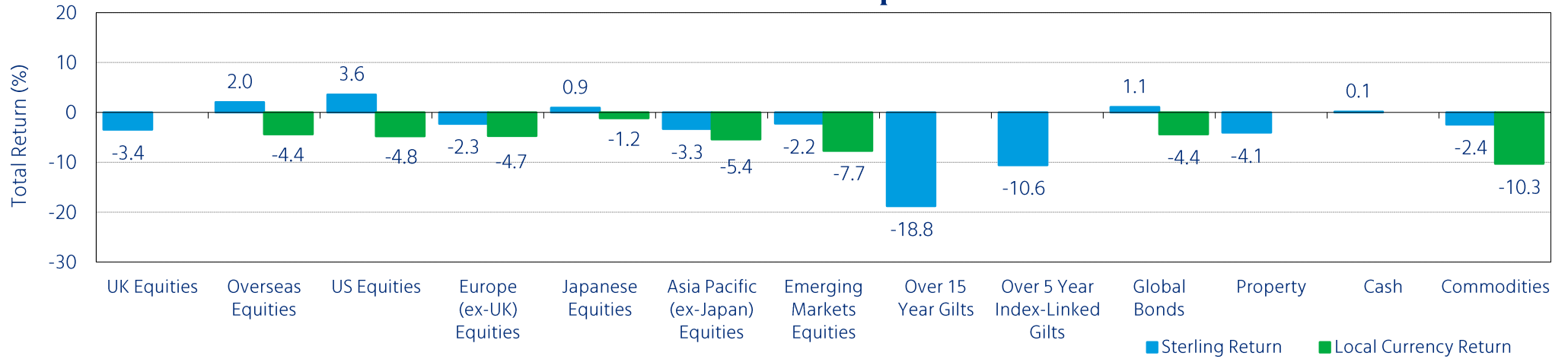
Manager Research

Rating Changes

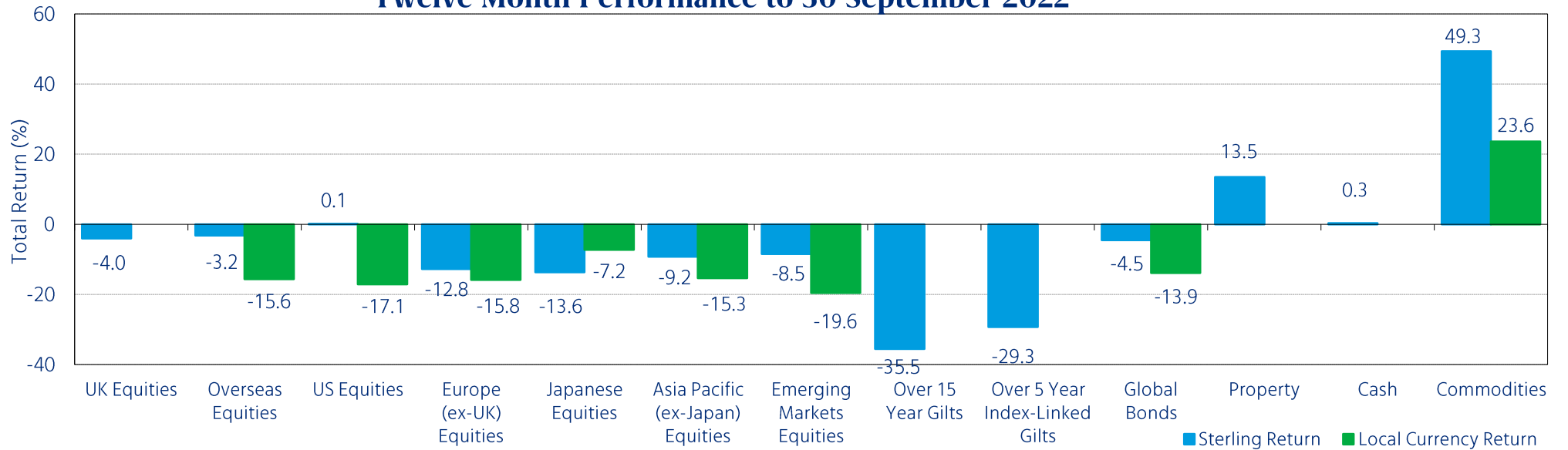
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Market Index Performance

Three Month Performance to 30 September 2022

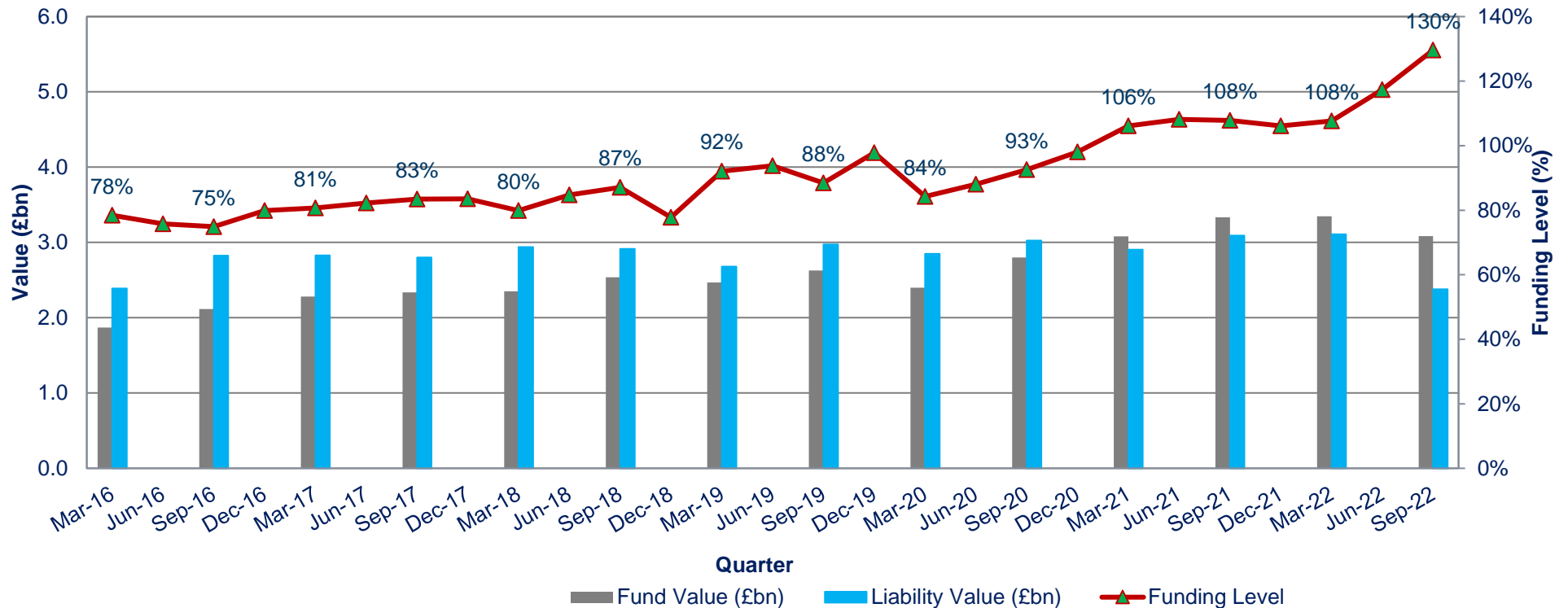


Twelve Month Performance to 30 September 2022



Funding

Funding Level since March 2016 Valuation



Source: Hymans Robertson & WM Performance Reports. Figures don't reconcile with the Hymans Robertson Funding report due to differences in the total asset value. The Funding Level is a ratio of assets to liabilities.

- There has been a general trend from 2016 to 2021 of a rise in both liabilities and assets.
- There was an increase in funding level at the March 2016 and March 2019 valuations.
- The funding level as at 30 September 2022 was 130%, which is higher than the funding level as at 30 June 2022, largely driven by a fall in liability value.

Allocation

	30/06/2022 Market Value (£M)	30/09/2022 Market Value (£M)	30/06/2022 Allocation (%)	30/09/2022 Allocation (%)	30/09/2022 B'mark (%)	30/09/2022 B'mark Range (%)
Total Invested Assets	3,094.9	3,083.8	100.0	100.0	100.0	--
Equities	1,642.7	1,574.7	53.1	51.1	55.0	50.0 - 60.0
Fixed Income	563.5	531.3	18.2	17.2	20.0	15.0 - 25.0
Alternatives	888.7	920.8	28.7	29.9	25.0	20.0 - 30.0
Cash in transit	--	57.0	--	1.8	--	--

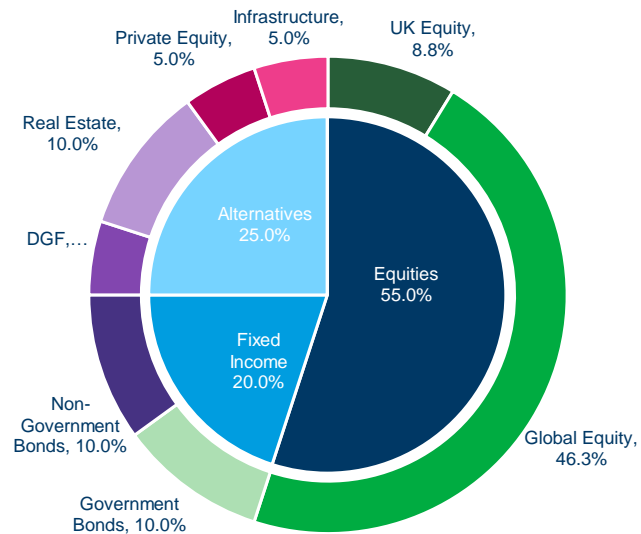
Source: Investment Managers, Link Asset Services and Mercer.

Figures may not sum to total due to rounding.

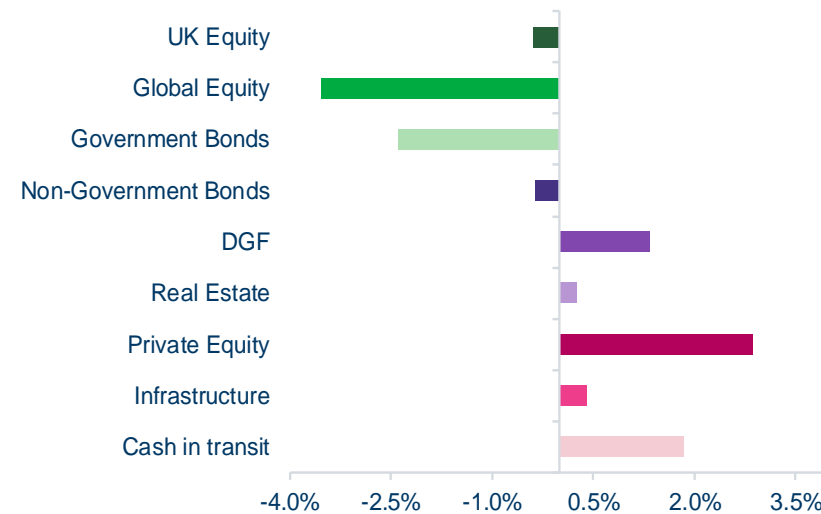
The total market value shown in the table above excludes assets invested in Catapult's Private Equity (c. £0.5m at the start and end of the quarter) and cash (c. £8.2m) at the start of quarter.

Cash value at quarter end includes proceeds of £57m disinvestment from UBS equity in September 2022, earmarked to meet capital calls expected from the Fund's private equity managers and M&G Shared Ownership.

Benchmark Asset Allocation as at 30 September 2022



Deviation from Benchmark Asset Allocation



Manager Allocation (1/3)

	30/06/2022 Market Value (£M)	30/09/2022 Market Value (£M)	30/06/2022 Allocation (%)	30/09/2022 Allocation (%)	30/09/2022 B'mark (%)
Total	3,094.9	3,083.8	100.0	100.0	100.0
Equities	1,642.7	1,574.7	53.1	51.1	55.0
UK Equity	268.7	257.6	8.7	8.4	8.8
Liontrust - UK Equity	268.7	257.6	8.7	8.4	8.8
Global Equity	1,374.0	1,317.1	44.4	42.7	46.3
Active Global Equity	731.5	744.4	23.6	24.1	26.3
Newton - Global Equity	286.5	290.2	9.3	9.4	8.8
Baillie Gifford - Global Equity	172.3	178.1	5.6	5.8	8.8
Longview - Global Equity	272.7	276.1	8.8	9.0	8.8
Passive Equity	642.5	572.7	20.8	18.6	20.0
UBS - Passive Equity	642.5	572.7	20.8	18.6	20.0

Source: Investment Managers, Link Asset Services and Mercer.

Figures may not sum to total due to rounding.

The total market value shown in the table above at quarter end excludes assets invested in Catapult's Private Equity (c. £0.5m at the start and end of the quarter) and cash (c. £8.2m at the start of quarter and c. £55.6m at the end of quarter).

Cash value at quarter end includes proceeds of £57m disinvestment from UBS equity in September 2022, earmarked to meet capital calls expected from the Fund's private equity managers and M&G Shared Ownership.

The HarbourVest, Adams Street, AMP Capital, Allianz and JPM end of quarter valuations are provisional.

The total market value invested in ACCESS is c. £2,266.3m at the start of quarter and c. £2,162.6m at the end of quarter (shown in pink in the table above).

Manager Allocation (2/3)

	30/06/2022 Market Value (£M)	30/09/2022 Market Value (£M)	30/06/2022 Allocation (%)	30/09/2022 Allocation (%)	30/09/2022 B'mark (%)
Fixed Income	563.5	531.3	18.2	17.2	20.0
Government Bonds	261.9	234.1	8.5	7.6	10.0
UBS - Gilts	261.9	234.1	8.5	7.6	10.0
Non-Government Bonds	301.6	297.1	9.7	9.6	10.0
Bluebay - Multi-Asset Credit	142.1	138.9	4.6	4.5	5.0
M&G - Multi-Asset Credit	159.5	158.3	5.2	5.1	5.0
Alternatives	888.7	920.8	28.7	29.9	25.0
DGF	202.2	195.5	6.5	6.3	5.0
Baillie Gifford - DGF	202.2	195.5	6.5	6.3	5.0
Real Estate	315.8	316.2	10.2	10.3	10.0
CBRE - Property	254.2	253.7	8.2	8.2	7.0
M&G - Residential Property	47.1	47.9	1.5	1.6	1.5
M&G - Shared Ownership	14.6	14.6	0.5	0.5	1.5

Source: Investment Managers, Link Asset Services and Mercer.

Figures may not sum to total due to rounding.

The total market value shown in the table above at quarter end excludes assets invested in Catapult's Private Equity (c. £0.5m at the start and end of the quarter) and cash (c. £8.2m at the start of quarter and c. £55.6m at the end of quarter).

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The total market value invested in ACCESS is c. £2,266.3m at the start of quarter and c. £2,162.6m at the end of quarter (shown in pink in the table above).

Manager Allocation (3/3)

	30/06/2022 Market Value (£M)	30/09/2022 Market Value (£M)	30/06/2022 Allocation (%)	30/09/2022 Allocation (%)	30/09/2022 B'mark (%)
Private Equity	211.7	242.5	6.8	7.9	5.0
HarbourVest - Private Equity	124.8	141.0	4.0	4.6	--
Adams Street - Private Equity	86.9	101.5	2.8	3.3	--
Infrastructure	159.0	166.6	5.1	5.4	5.0
AMP Capital - Infrastructure Debt	35.2	35.6	1.1	1.2	--
Allianz - Infrastructure Debt	13.5	13.3	0.4	0.4	--
IFM - Infrastructure Equity	63.2	67.2	2.0	2.2	--
JPM - Infrastructure Equity	47.2	50.5	1.5	1.6	--
Cash in transit	--	57.0	--	1.8	--

Source: Investment Managers, Link Asset Services and Mercer.

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The HarbourVest, Adams Street, AMP Capital, Allianz and JPM end of quarter valuations are provisional.

The total market value invested in ACCESS is c. £2,266.3m at the start of quarter and c. £2,162.6m at the end of quarter (shown in pink in the table above).

Manager Performance (1/2)

	2022 Q3 (%)	B'mark (%)	1 Yr (%)	B'mark (%)	3 Yrs (%)	B'mark (%)	5 Yrs (%)	B'mark (%)
Total	-0.8	-1.4	-8.2	-4.4	4.7	4.2	5.4	5.4
UK Equity	-4.1	-3.4	-15.0	-4.0	-1.7	0.8	-0.8	2.2
Liontrust - UK Equity	-4.1	-3.4	-15.0	-4.0	-1.7	0.8	-0.9	2.2
Global Equity	-0.4	-0.4	-11.7	-6.1	8.1	6.3	9.1	7.7
Newton - Global Equity	1.4	1.4	-5.5	-4.2	7.4	7.2	9.3	8.4
Baillie Gifford - Global Equity	3.4	1.4	-37.9	-4.2	--	--	--	--
Longview - Global Equity	1.3	1.4	0.7	-4.2	--	--	--	--
UBS - Passive Equity	-2.6	-2.7	-8.4	-8.6	5.1	4.9	6.7	6.7
Fixed Income	-5.7	-4.9	-19.1	-14.0	-5.9	-3.9	-1.0	0.4
UBS - Gilts	-10.6	-10.6	-29.4	-29.3	-11.7	-11.6	-3.4	-3.4
Bluebay - Multi-Asset Credit	-2.3	0.4	-14.2	0.7	--	--	--	--
M&G - Multi-Asset Credit	-0.8	1.4	-2.6	4.7	--	--	--	--

Figures shown are net of fees and based on performance provided by the Investment Managers, Link Asset Services, Mercer estimates and Refinitiv.

For periods over one year the figures in the table above have been annualised.

M&G Shared Ownership last quarter performance is always assumed zero due the lag in final data.

The HarbourVest, Adams Street, AMP Capital and Allianz quarterly returns are provisional.

Total Fund and Alternatives performances include quarterly performances for HarbourVest, Adams Street, AMP Capital, Allianz and JPM calculated by Mercer using a Modified Dietz approach based on data provided by these managers. Over the long term, performances are chain linked using quarterly Total Fund performances. Performance shown is net of illiquid mandates' fees. Performance for the underlying private equity and infrastructure mandates is shown in the GBP currency with a quarter lag. Benchmark performance shown for the underlying private equity mandates is the rolling 3 year MSCI World Index return, averaged on a quarterly basis.

Totals include performance of terminated mandates.

Manager Performance (2/2)

	2022 Q3 (%)	B'mark (%)	1 Yr (%)	B'mark (%)	3 Yrs (%)	B'mark (%)	5 Yrs (%)	B'mark (%)
Alternatives	2.4	0.2	9.1	6.8	7.8	7.2	6.9	6.5
Baillie Gifford - DGF	-3.3	1.3	-14.1	4.3	-1.7	3.9	0.1	4.0
CBRE - Property	-0.2	-4.0	16.0	13.3	6.3	7.6	5.9	6.7
M&G - Residential Property	1.9	1.5	6.5	6.0	2.9	6.0	--	--
M&G - Shared Ownership	0.0	1.5	9.1	6.0	--	--	--	--
HarbourVest - Private Equity	5.6	2.3	32.2	9.2	34.2	9.2	28.2	9.7
Adams Street - Private Equity	1.5	2.3	31.5	9.2	38.2	9.2	30.5	9.7
AMP Capital - Infrastructure Debt	4.3	2.5	12.6	10.0	4.6	10.0	5.1	10.0
Allianz - Infrastructure Debt	-12.3	1.0	-22.4	4.0	-6.3	4.0	--	--
IFM - Infrastructure Equity	8.3	2.5	23.9	10.0	--	--	--	--
JPM - Infrastructure Equity	6.2	2.5	15.1	10.0	--	--	--	--

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For periods over one year the figures in the table above have been annualised.

M&G Shared Ownership last quarter performance is always assumed zero due the lag in final data.

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Totals include performance of terminated mandates.

Appendix

Appendix A

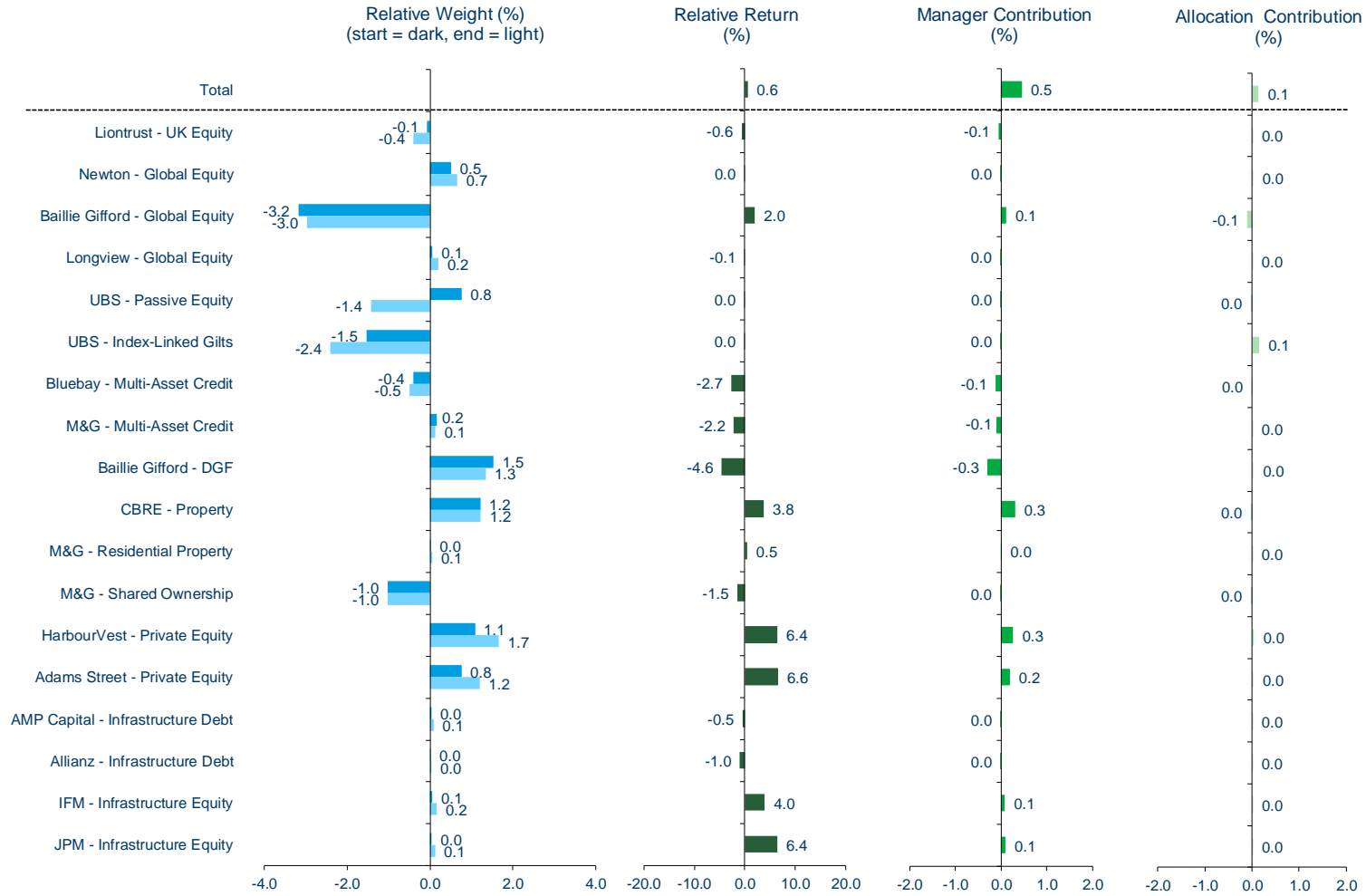
Benchmarks

Name	B'mark (%)	Performance Benchmark	Performance Target	Tracking Error Expectation
Total	100.0	-	-	-
Liontrust - UK Equity	8.8	FTSE All-Share Index	+2.0% p.a. (gross of fees)	2.0% - 6.0% p.a.
Global Equity	46.3	-	-	-
Newton - Global Equity	8.8	MSCI AC World (NDR) Index	+2.0% p.a. (gross of fees)	2.0% - 6.0% p.a.
Baillie Gifford - Global Equity	8.8	MSCI AC World (NDR) Index	-	-
Longview - Global Equity	8.8	MSCI World (NDR) Index	-	-
UBS - Passive Equity	20.0	Composite	To match the benchmark	-
Fixed Income	20.0	-	-	-
UBS - Gilts	10.0	Composite	To match the benchmark	-0.1% - 0.1% p.a.
Bluebay - Multi-Asset Credit	5.0	SONIA	-	-
M&G - Multi-Asset Credit	5.0	SONIA +4% p.a.	-	-
Baillie Gifford - DGF	8.0	Bank of England UK Base Rate +3.5% p.a.	-	0.0% - 10.0% p.a.
Real Estate	10.0	-	-	-
CBRE - Property	7.0	MSCI All Balanced Property Funds Index	+1.0% p.a. (gross of fees)	0.0% - 3.0% p.a.
M&G - Residential Property	1.5	Absolute Return of 6.0% p.a.	-	-
M&G - Shared Ownership	1.5	Absolute Return of 6.0% p.a.	-	-
Private Equity	5.0	-	-	-
HarbourVest - Private Equity		MSCI World Index	+3.0% p.a. (gross of fees)	-
Adams Street - Private Equity		MSCI World Index	+3.0% p.a. (gross of fees)	-

Name	B'mark (%)	Performance Benchmark	Performance Target	Tracking Error Expectation
Infrastructure	5.0	-	-	-
AMP Capital - Infrastructure Debt		IRR of 10.0% p.a.	-	-
Allianz - Infrastructure Debt		IRR of 4.0% p.a.	-	-
IFM - Infrastructure Equity		IRR of 10.0% p.a.	-	-
JPM - Infrastructure Equity		IRR of 10.0% p.a.	-	-

Appendix B

Detailed Attribution Analysis - Quarter



Please note that the relative return and relative weight charts use unrounded performance and allocation figures to calculate the relative difference, hence the numbers are not directly comparable to the implied relative difference given in the performance and allocation tables. Figures shown for the private equity and infrastructure mandates (with the exception of IFM) are estimated.

Explanation of Attribution Analysis Chart

The purpose of the attribution analysis chart is give a visual representation of the contribution of each portfolio to the relative performance of the Total Scheme against the Total Benchmark". The contribution is apportioned between "Manager Contribution" and "Allocation Contribution. Further explanation of the terms used in the chart is given below.

Relative Weight - This is the difference in percentage terms of the actual Scheme allocation and benchmark allocation at both the start and end of the period. A bar greater (less) than zero indicates that the Scheme was overweight (underweight) to that portfolio.

Relative Performance - This shows the relative performance of the portfolio against its benchmark performance. A bar greater than zero indicates there was outperformance, whereas a bar less than zero indicates underperformance.

Quarterly Manager Contribution - This shows the contribution at a total level of the relative performance achieved by the portfolio, taking into account the initial actual allocation. A larger allocation will lead to a greater contribution at a total level (all other things being equal).

Positive (negative) relative performance will result in positive (negative) manager contribution. Note that for passive mandates manager contributions should be close to zero, given its performance objective of tracking the benchmark. In calculation terms this is as follows:

$$\text{Manager Contribution} = (\text{Performance}_{pi} - \text{Performance}_{bi}) \times \text{Initial Actual Allocation}_{pi}$$

Quarterly Allocation Contribution - The allocation contribution shows whether a portfolio underweight / overweight position has had a positive or negative effect on the Total Scheme outperformance / underperformance in relation to the Total Scheme Benchmark.

For example, an overweight allocation to a portfolio whose benchmark performance was superior to that of the Total Scheme Benchmark would result in a positive contribution. In calculation terms this is as follows:

$$\text{Allocation Contribution} = (\text{Performance}_{bi} - \text{Performance}_{bT}) \times (\text{Actual Allocation}_{pi} - \text{Benchmark Allocation}_{bi})$$

Please note that the relative return and relative weight figures shown in the chart use unrounded performance and allocation figures to calculate the relative differences. Therefore, the numbers are not directly comparable to the implied relative differences given in the performance table and allocation tables.

Key: pi = portfolio i; bi = portfolio i benchmark; bT = Total Fund benchmark

Attribution for Quarters with Significant Events - In cases where there are significant events over the quarter (for example large cashflows, new or terminated portfolios), both manager and allocation contributions are first calculated for the underlying part periods. The quarterly contributions are then a sum of the part period contributions.



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West Northamptonshire Council

Investment Sub Committee

30/11/2022

Mark Whitby – Head of Pensions

Report Title	Stewardship & Engagement Update
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Contributors/Checkers/Approvers

MO	Jeanette McGarry on behalf of Catherine Whitehead	11/11/2022
S151	James Smith on behalf of Martin Henry	14/11/2022
Head of Pensions	Mark Whitby	27/10/2022

1. Purpose of Report

- 1.1 To provide an update to the Investment Sub Committee on stewardship and engagement matters relating to the Fund's investments.

2. Executive Summary

- 2.1 The Northamptonshire 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 ISC on:
- 2.2.1 The Fund's voting activity during the six months to 30 June 2022 for assets held within the ACCESS pool, covering approximately 73% of the Fund's assets.
 - 2.2.2 a summary of investment managers engagement activity on behalf of ACCESS authorities in which the Fund invests within the ACCESS Pool covering the period between April to June 2022.
 - 2.2.3 a summary of the Local Authority Pension Fund Forum (LAPFF) engagement and voting activity for the period between April to September 2022.

2.3 Further information on specific stewardship and engagement activities summarised in this report is available from Officers on request.

3. Recommendations

3.1 The ISC is asked to note the report.

4. Reason for Recommendations

4.1 This is an information only paper providing an update on stewardship and engagement activities relating to the Fund's investments.

4.2 Future recommendations and decisions on the Fund's investments will be brought before the Pensions Committee or ISC for approval as appropriate.

5. Report Background

5.1 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.

5.2 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.

5.3 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:

- Exercise our rights as owners of investments by actively participating in company level decisions tabled as shareholder votes at General Meetings.
- Engage with companies where there are concerns over ESG issues.
- Vote pool-aligned assets in accordance with the ACCESS voting guidelines on a "comply or explain" basis and inform the Fund of voting outcomes.
- Report on their voting activity on a regular basis, with ACCESS Pool managers required to report on a monthly basis.

5.4 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.

6. Issues and Choices

6.1 Voting

6.1.1 The Fund has been working collaboratively with ten other Funds in the ACCESS Pool to jointly meet HM Government's published criteria on asset pooling.

6.1.2 The ACCESS Joint Committee (AJC) is the formal decision-making group within the ACCESS Pool. Each Administering Authority is represented on the AJC by a representative from its Pension Committee (or equivalent governance body). The Fund has 73% of its assets under pooled governance as at 30 June 2022.

- 6.1.3 The AJC agreed the voting guidelines for inclusion by the pool operator, Link Fund Solutions (LFS), in their Investment Management Agreements. These guidelines set out those matters of importance to the ACCESS Council's 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.
- 6.1.4 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 (PRI).
- 6.1.5 A summary of the voting activity for the six months ending 30 June 2022 is set out below for each of the ACCESS sub-funds the Fund invests:

Sub-Fund Name	Manager	Number of Meetings	Number of Votes Cast		
			For	Against	Other
LF ACCESS Long Term Global Growth	Baillie Gifford	37	402	27	5
LF ACCESS UK Equity Fund - Liontrust (Majedie)	Liontrust (Majedie)	113	1771	81	12
LF ACCESS Global Equity - Newton	Newton	43	592	114	1
LF ACCESS Diversified Growth	Baillie Gifford	75	831	29	33
LF ACCESS Global Equity	Longview	30	235	192	24
		298	3831	443	75

- 6.1.6 During the six months ending 30 June 2022 there were 298 company meetings, which include Annual general Meetings (AGMs) and Extraordinary General Meetings (EGMs).
- 6.1.7 In total there were 4,349 votes cast by investment managers on behalf of ACCESS Authorities in which the Northamptonshire Pension Fund invests within the ACCESS pool. Of the votes cast, 3,831 were for and 443 against manager's proposals. There were 75 instances where votes were not cast, or managers chose to abstain from voting.
- 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. Categories where votes against the ACCESS voting guidelines during the last 6 months include, appointment of auditors, election of directors, and remuneration.
- 6.1.8 The ACCESS voting guidelines are expected to be reviewed shortly, as this was identified as a priority activity within the ACCESS RI Guidelines. This work is being co-ordinated by the Pool's ESG/RI sub-group, chaired by the Head of Pensions.
- 6.2 Engagement Activities – ACCESS Pool
- 6.2.1 The Northamptonshire Pension Fund receives regular reporting on engagement activities for assets held within the ACCESS Pool. This includes dialogue between investment managers and LFS in order to promote good corporate governance and management in companies in which the Fund invests.

6.2.2 A summary of engagements by manager covering three months to 30 June 2022 is shown below:

Manager	Types of Engagement
Baillie Gifford	<ul style="list-style-type: none"> • Corporate governance • Environmental/Social • AGM or EGM proposals
Newton	<ul style="list-style-type: none"> • Climate change • Human capital management • Food and nutrition • Compensation • Diversity • Board effectiveness • Strategy
Liontrust (Majedie)	<ul style="list-style-type: none"> • Strategy & leadership • Market & competition • Valuation & model • Society & individuals • Governance & regulation • Operational • Environment & animals
Longview	<ul style="list-style-type: none"> • Corporate governance • Environmental/Social • AGM or EGM proposals

6.3 Engagement – Direct

6.3.1 The Fund engages directly with investment managers through regular meetings with officers on a rotational basis and via quarterly Investment Sub Committee meetings.

6.3.2 Discussions and challenge include fund performance as well as stewardship and engagement activities the investment managers have undertaken on behalf of the Fund.

6.3.3 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.

6.3.4 The Fund has recently written to investment managers setting out its 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.

6.4 Voting and Engagement – Passive Funds

6.4.1 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 guidelines. However, UBS operate a high-quality programme of stewardship and engagement on behalf of the Fund.

6.5 Local Authority Pension Fund Forum

6.5.1 The Northamptonshire 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.

6.5.2 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.

6.5.3 The following table is a summary showing the companies and topics which the LAPFF has engaged between April and September 2022.

Period	Engagement Topics	Engagements
April-June 2022	<ul style="list-style-type: none"> • Social Risk • Finance and Accounting • Employment Standards • Audit Practices • Governance (general) • Environmental Risk • Human Rights • Climate Change 	Mining, Electric Vehicles, Vale, Rio Tinto, Occupied Palestinian Territories (OPT) Engagements, J Sainsbury plc, Nestlé, Suzano, National Grid, London Stock Exchange Group, Anglo American, Arcelor Mittal, Novartis, LyondellBasell, Total, Water Utilities, Rathbones Votes Against Slavery, Asia Research and Engagement, Global Standard on Climate Lobbying, Human Rights Collaborations, CA100+ Transport Group, Institutional Investor Group on Climate Change (IIGCC), The Investor Initiative for Opioid Accountability (IOPA), Investor Initiative for Responsible Care
July-September 2022	<ul style="list-style-type: none"> • Climate Change • Employment Standards • Human Rights • Board Composition • Supply Chain Management • Governance • Social Risk • Campaign 	Alphabet inc., Amazon.com inc., Apple inc., BHP Group Limited (AUS), Charter Communications inc., CIMB Group Holdings BERHAD, Electric Power Development co., Ford Motor Company, ITV plc, JD Sports Fashion Plc, Kasikornbank pcl, Kellogg Company, Liberty Media Corporation, London Stock Exchange Group Plc, Marks & Spencer Group Plc, Mercedes-Benz Group AG, Meta Platforms Inc, Mizuho

	<ul style="list-style-type: none"> Environmental Risk 	Financial Group Inc, National Grid Gas Plc, Next Plc, Paccar Inc., Rio Tinto Plc, Rolls-Royce Holdings Plc, Royal Mail plc, Siemens AG, SSE Plc, Starbucks Corporation, Sumitomo Mitsui Financial Group, Tesco Plc, Tesla Inc, Thermo Fisher Scientific Inc., TRANSDIGM Group Incorporated, Vale SA, Volvo AB, Walmart Inc.
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7. Implications (including financial implications)

7.1 Resources and Financial

7.1.1 There are no resources or financial implications arising from the report.

7.2 Legal

7.2.1 There are no legal implications arising from the report.

7.3 Risk

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

Risk	Residual risk rating
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

7.3.2 The Fund's full risk register can be found - [Northamptonshire Risk Register](#)

7.4 Relevant Pension Fund Objectives

7.4.1 The following objectives have been considered in this report -

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

7.5 Consultation

7.5.1 Not applicable.

7.6 Consideration by Overview and Scrutiny

7.6.1 Consideration by Overview and Scrutiny is not required.

7.7 Climate Impact

7.7.1 This an information update paper only. There are no climate impact considerations arising as a direct result of this paper.

7.8 Communications

7.8.1 There are no communication implications. This paper does not require any further communication activities.

8. Background Papers

8.1 Not applicable

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