

London Borough of Lewisham Pension Fund - Engagement Policy

Introduction

As set out in the Fund's Climate Transition and Net Zero Policy ("the Net Zero Policy") for the London Borough of Lewisham Pension Fund ("the Fund"), the Pensions Investment Committee ("the PIC") believe that they have the opportunity and desire to influence the decarbonisation actions (as well as wider environmental, social and governance aspects) of the organisations they finance through engagement.

This policy sets out:

- **Objectives** of engagement;
- A **framework and process** of engagement with the Fund's primary investment manager, LCIV, and legacy managers (collectively referred in this document as "managers"), including holding periodic Engagement Days with the managers;
- **Escalation** steps to be considered where engagement has not generated the desired outcomes.

Background

The PIC most recently refreshed its RI beliefs in November 2024, and established its Net Zero Policy in late 2023. The PIC recognises the potentially material financial impact of environmental, social and governance ('ESG') factors on the Fund's risk and long-term returns and believes that a proactive approach to engagement with its managers can improve investment outcomes from a risk and/or return perspective.

The PIC delegates the day-to-day management of investment to its appointed investment manager (primarily LCIV, with a number of legacy managers from whom LCIV assumes responsibility on 1st April, 2026), including engagement with underlying investee companies and issuers.

The PIC currently monitors the activity of its investment managers through their regular attendance at committee meetings, at which stewardship and engagement activities are discussed. The Committee aims to enhance their understanding of the investment manager's stewardship policies and considers how well the approach and priorities of the managers align with the RI beliefs of the Fund. The approach set out in this policy will support this objective.

To this end, the PIC has committed to actively engaging with the Fund's investment managers on responsible investment ("RI") topics (in addition to discussions on asset performance etc) through routine meetings with investment managers. This is typically done through quarterly meetings, at which at least one investment manager is invited.

The intention of the PIC's engagement is to hold its investment managers to account by challenging them on areas of interest, setting clear goals and monitoring the outcomes to ensure that they are carrying out stewardship obligations effectively. In addition, the Fund has established a climate transition action plan. This plan notes that stewardship is an important means of influence as an asset owner, which the Fund can utilise to support its net zero ambitions.

The policy aims to strike a balance between seeking to drive positive outcomes from a climate and wider ESG perspective, while remaining manageable from a governance perspective. The policy will also recognise the primacy of the Fund's fiduciary duties.

Responsible Investment Governance

The PIC is accountable for setting the high-level investment strategy and oversight of the Fund's assets, including the integration of RI considerations. As such, the PIC has ownership of the development, implementation, and oversight of this Engagement Policy. The PIC will review this periodically, in line with the Net Zero Policy, to reflect any changes to the Fund's strategy.

A Framework for Engagement

The two main objectives of engagement with the Fund's investment managers on how they embed RI into their processes is as follows:

1. To monitor their activity as it relates to the Net Zero Policy of the Fund and assess how effective the manager has been implementing the transition to Net Zero carbon in Fund's investments.
2. To enhance the wider ESG credentials of the Fund's investments in aggregate over time and reduce the chance of allocating capital to companies that may be riskier from an ESG perspective.

Engagement Process

To enable the PIC to effectively engage with the Fund's investment managers and evidence progress on key topics, an engagement process has been developed. This process is outlined below:



This general engagement process will form part of the engagement cycle, set out in section 1.3 below.

Given the Fund's critical relationship with LCIV, assuming responsibility for the Fund's principle investment advice from 1st April 2026, a key focus of engagement will be directed towards LCIV, both for the Fund's existing investments and in the development of future solutions (for example private debt, private equity and natural capital funds).

LCIV receives voting and engagement advice through a third-party provider, Hermes Equity Ownership Services ("Hermes EOS"). Therefore, a further key activity will be engaging with LCIV and Hermes EOS to understand the policies they have in place, how they are exercising these in practice and to receive management information on their engagement activity.

An additional pillar supporting the Fund's Engagement Policy is to continue its practice of inviting each of its legacy investment managers to PIC meetings on a rolling basis.

1. Engagement topics

1.1 Identifying engagement topics

The PIC will consider the Fund's Net Zero policy, as well as any wider ESG topics of interest, in identifying engagement topics for discussion with the investment managers.

The Net Zero Policy outlines the expectations of investment managers with respect to ESG integration and stewardship; and outlines the RI themes deemed most important by the PIC (including, but not limited to):

- Management of climate risk, and climate adaptation
- Climate data coverage and quality
- Development of new funds
- Engagement regarding top 10 most misaligned companies in heavy emitting sectors¹
- Being part of Seed Investor Groups (SIG) of LCIV for relevant sustainability mandates
- Deforestation and biodiversity loss
- Social factors
- Controversial weapons, human rights abuses and organisations with significant operations within an area considered occupied territory under international law

1. Top 10 companies at portfolio level. Heavy emitting sectors as defined by the Paris-aligned Investment Initiative ("PAII")

In addition to the themes considered most important by PIC, the Fund commits to using information gathered from periodic member surveys to inform engagement priorities. The most recent member survey was conducted in December 2025 – the data were clear that members expect the PIC to engage managers on a wide range of topics within each of the E, S and G categories.

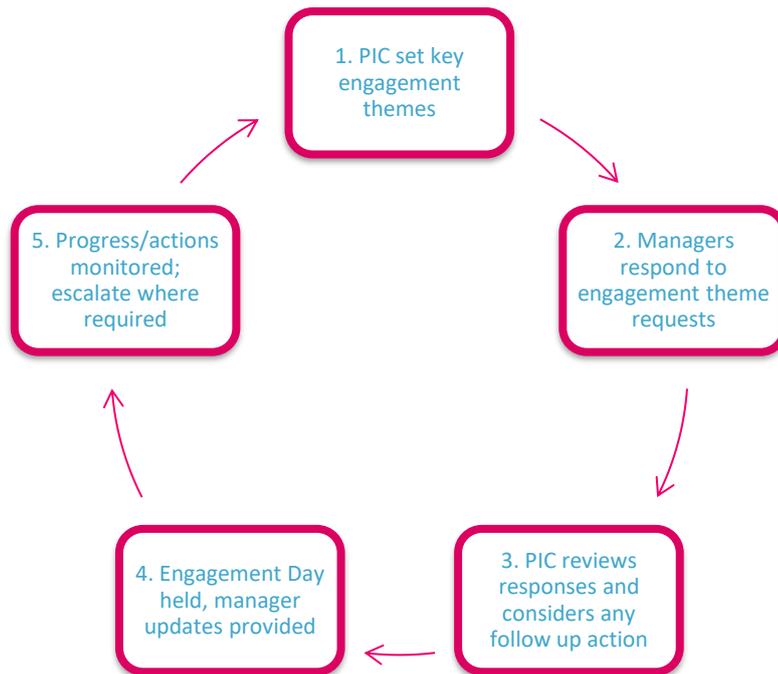
As the PIC builds its understanding of RI related issues and where its engagement efforts are best focussed, the priority engagement themes may evolve over time, and this Policy will be updated accordingly.

1.2 Quarterly PIC

The PIC, supported by Officers and its investment advisors, use a rolling agenda to meet each of the Fund's investment managers at regular PIC meetings throughout the year (with the focus typically being on investment-specific matters). However, where an investment manager has been flagged through the monitoring process and requires more rapid or a greater frequency of engagement (be that on investment performance or a material stewardship aspect), the PIC may meet with the investment manager as required.

1.3 Additional, standalone Engagement Days

These regular PIC meetings will cover day-to-day investment matters alongside responsible investment and engagement activity. The Fund also hosts additional meetings with investment managers to cover stewardship and engagement activities in more detail than would be possible at quarterly PIC meetings. The general process for how this works is set out in the following engagement cycle diagram:



At the start of the cycle (e.g. in Q1 of each year), the PIC selects its highest priority engagement themes (based on PIC discussions, and including consideration of member views as derived, for example, from periodic surveys). Based on this, Officers and the Fund's investment advisors set a range of questions to ask the investment managers.

Managers are given the opportunity to respond to these questions (e.g. over Q2), with the quality of the responses assessed by the Fund. Should any follow up questions be required, these would be shared with the managers in advance of the Engagement Day.

The Engagement Days would then take place (e.g. in Q3). Here, the Fund would host a detailed session with the managers involved, with the PIC then formalising its assessment of the managers.

Monitoring of any agreed actions would take place on a regular basis, and consideration given to any escalation required. This completes the engagement cycle.

The PIC views the combination of quarterly investment-focused manager meetings (with opportunity to raise more pressing engagement questions, if required) alongside separate, dedicated Engagement Days as an appropriate way of progressing its stewardship objectives sharing member views with the managers. However, as this is an evolving activity for the Fund, the efficacy of this approach will be reviewed, with flexibility to amend this where necessary.

2. Outcomes-based approach

The objective of engagement is to ensure that the Fund's investment managers are aligned to the Fund's Net Zero Policy and responsible investment beliefs. The Fund will adopt an outcomes-based approach to engagement activity by assigning outcomes to the written responses received from the investment managers with regards to the identified engagement topics. The following table sets out a description of engagement outcomes, alongside next steps associated with each.

Outcome	Description
Satisfied	A comprehensive response to the question/topic was provided and no further concerns identified.
Monitor	A reasonable response was provided, and while no action is needed, ongoing monitoring of the issue is required. Frequency of monitoring should be assigned (i.e. quarterly, annually etc).
Follow up	Some reasonable responses were provided, but outstanding questions remain, and additional engagement is required. In this instance, further engagement with the manager is required to develop objectives for progress of the issue. Objectives should be clear, agreed by the manager and have associated timelines for monitoring/ follow-up.
Escalate	Unsatisfactory response with no progress in subsequent engagement or on established objectives. In this instance, an escalation strategy should be considered. This may include collaborating with other asset owners to influence managers; involvement in various initiatives to increase public awareness (IIGCC and LAPFF ²); and potentially divestment if operationally feasible, and where the PIC determines that the costs of divesting are outweighed by the risks of remaining invested

2. IIGCC – Institutional Investors Group on Climate Change, and LAPFF – Local Authority Pension Fund Forum

3. Tracking engagement and progress

The PIC views engagement as an iterative process. To ensure continuity and the ability to drive engagement topics forward, the PIC will maintain a record of the engagement outcomes and topics of discussion in an engagement log, which will be used to inform future engagement with the manager.

These outcomes and, where applicable, associated objectives and timelines (as mentioned in the Net Zero Policy), will be clearly communicated to the investment manager and monitored so that progress can be tracked and recorded. The objectives and timelines will be informed by the nature of the issue that needs to be addressed, and urgency of change required.

3.1 Escalation approach

The PIC will monitor progress through the engagement framework process. Where progress against objectives is not seen, or is deemed to be unsatisfactory, the PIC may consider escalation options.

The PIC may collaborate with other asset owners to influence change through initiatives and collaborations such as the Institutional Investors Group on Climate Change ('IIGCC') and Local Authority Pension Fund Forum (LAPFF) to benefit from economies of scale and exert greater collective pressure on the companies that these

bodies engage with. The PIC recognises the good work being done by LAPFF, and intends to play an active role as a member of the LAPFF.

The PIC is aware that many local government pension schemes have become a signatory of the UK Stewardship Code (UKSC). Additionally, LCIV and some of the legacy managers are also signatories of the UKSC. The Fund may consider the merits of, and the work involved in, becoming a signatory of the UKSC in its own right in due course

The PIC aims to maintain positive, constructive long-term partnerships with its investment managers. However, if all avenues of engagement are exhausted, the PIC, following professional advice, may decide to divest its mandate from a particular fund where practical.

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For and on behalf of Hymans Robertson LLP