

## **PE31. Engagement Services**

The Committee and Board considered a report by the Director of Corporate and Housing Services requesting permission to tender for specialist engagement services and seeking the Committee's views on the priority areas which it would like to see addressed by the appointed provider.

A more proactive approach than in previous years was needed given recent changes to the UK Stewardship Code and the increased attention on environmental, social and governance (ESG) issues, including climate change.

Key issues to consider included:-

- the Fund being unlikely to have the sufficient scale to engage directly or demand audiences with the investee companies, despite having assets of £2.6 billion;
- the lack of the necessary specialist skills in house;
- the alternative for the Fund to hire external engagement advisers as undertaken by Lothian and Fife Pension Funds; and
- the benefits of external advisers having global reach, specialist ESG knowledge and market presence to enable engagement with companies at a senior level.

The UK wide procurement framework for engagement services was maintained by Norfolk County Council. It represented an efficient way for the Fund to appoint an engagement provider detailed within the framework. Services were likely to be scalable. This meant that the Fund's involvement with the provider could be tailored within available resources. The fees for the engagement service were anticipated to be between £60k to £90k per annum.

The services provided within the framework included:-

- undertaking engagement on behalf of clients;
- identifying and prioritising fund engagement activities;
- identifying key engagement risks;
- identifying collaboration opportunities for clients;
- supporting the client's external fund manager monitoring efforts;
- supporting the integration of engagement best practice into decision making;
- providing ongoing training for clients in relation to engagement;
- providing regular monitoring reports;
- analysing the effectiveness of engagement activity; and
- supporting clients with stewardship-related compliance, for example, the UK Stewardship Code.

The Committee and Board considered its priority areas and after a lengthy discussion determined there to be climate change, sustainability and public health.

## **Decision**

**The Committee and Board noted the report.**

**The Committee agreed:-**

- (1) that the Chief Finance Officer undertake a tender for an engagement specialist;**
- (2) the priority issues it would wish an engagement provider to address as climate change, sustainability and public health; and**
- (3) that the Chief Finance Officer report on progress to a future meeting.**