CT/19/62
Investment & Pension Fund Committee
28 June 2019

INVESTMENT MANAGEMENT REPORT

Report of the County Treasurer

All recommendations contained in this report are subject to confirmation by the Committee before taking effect.

Recommendations:

(i) That the Investment Management Report be noted;

(ii) That the Committee note compliance with the 2018/19 Treasury Management Strategy.

1) FUND VALUE AND ASSET ALLOCATION

The table below shows the Fund value and the asset allocation for the Fund compared to the target asset allocation as at **31 March 2019**.

Fund Value and Asset Allocation

	Fund Value as at 31.03.19	Target allocation 2018/19	Fund asset allocation at 31.03.19	Variation from Target
	£m	%	%	%
Fixed Interest				
Global Bonds	231.3	6.0	5.4	
Multi-Sector Credit	226.4	6.0	5.3	
Cash	38.6	1.0	0.7	
	496.3	**13.0**	**11.4**	**-1.6**
Equities				
Passive Equities	1,815.0	40.0	42.3	
Active Global Equities	460.4	10.0	10.7	
Active Emerging Markets	190.6	5.0	4.4	
Lov Volatility Equities	101.7	3.0	2.4	
	2,567.7	**58.0**	**59.8**	**+1.8**
Alternatives/Other				
Diversified Growth Funds	607.0	13.0	14.1	
Property	403.6	10.0	9.4	
Infrastructure	157.4	4.0	3.7	
Private Debt	70.3	2.0	1.6	
	1,238.3	**29.0**	**28.8**	**-0.2**
Total Fund	**4,302.3**	**100.0**	**100.0**	

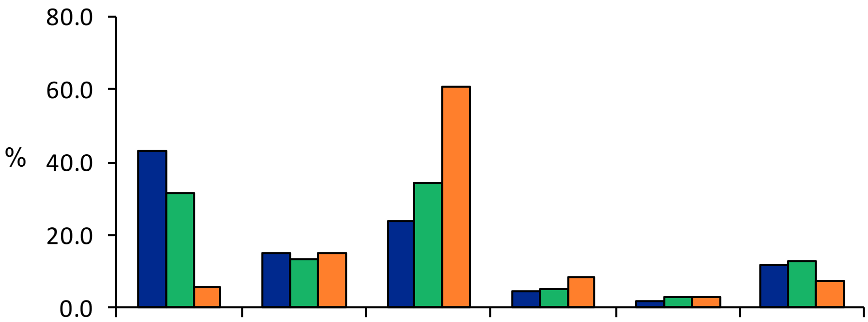
- The Fund value as at 31st March 2019 stood at £4,302.3 million, an increase of £270 million over the quarter. Equity markets rebounded higher following the falls in the previous quarter. Over the year to 31st March the Fund value rose by around £216 million.

- At the November meeting, the Committee decided to allocate an initial £100 million to the Brunel Low Volatility Equities Portfolio, which would equate to an allocation of 2.5% of the Fund, to be funded by reducing the allocation to Passive Equities. This transition took place towards the end of March and is reflected in both the revised target allocation and the valuations and current fund allocation shown above.
- Drawdown requests were received over the quarter from Bluebay for £7.1 million and from Golub for $13.1 million of the private debt commitments. These were funded in part by available cash, but also by a redemption of £5 million from each of the Baillie Gifford and Barings diversified growth funds, as previously agreed.
- The allocation to Equities was 1.6% over target weight at year end following a positive quarter for risk assets. The fixed interest allocation is underweight with both global bonds and multi-sector credit being below the target allocation. However all asset classes were within the 2.5% threshold from their target weight as at 31st March, so no immediate action is proposed to re-balance.

Geographical Weighting of Equity Allocation

- The following table gives the geographical split of the Fund's equity allocations against the FTSE World geographical weightings.

Geographical Split of Equity Allocation compared to the FTSE All World Index



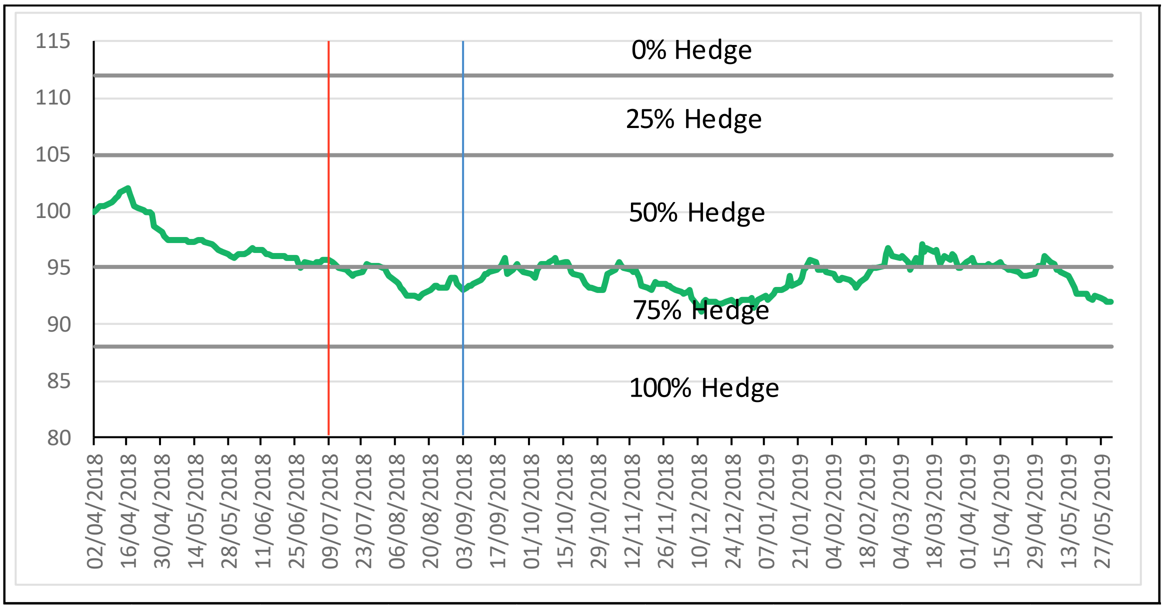
	UK	Europe Ex UK	North America	Japan	Asia/Pacific (ex Japan)	Emerging Markets
Fund as at March 2017	42.8	15.0	23.9	4.6	1.7	12.0
Fund as at March 2019	31.5	13.3	34.5	5.2	2.9	12.6
FTSE All World	5.8	15.0	60.5	8.4	2.9	7.5

- The Committee previously agreed that in principle, the Fund should look to reduce its overweight to UK equities by reallocating to overseas equities on a phased basis. A total of £256 million had been moved by the end of January 2019, comprising the minimum monthly sum agreed, plus additional amounts transferred when the agreed trigger points were hit. The graph shows the progress that has been made since March 2017 in reducing the overweight to the UK and the underweight to North America. The monthly reallocations have now been suspended, as agreed at the February meeting of the Committee.

Currency Hedging

- The following graph shows the value of Sterling against a weighted average of the other major currencies.

Value of Sterling v. Weighted Average of US Dollar, Euro and Yen

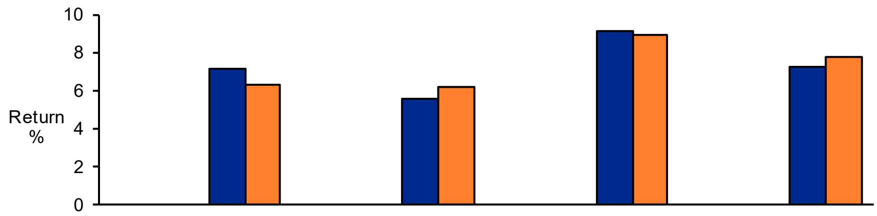


- As agreed by the Committee the allocation to Brunel's passive developed world equity portfolio was initially 50% hedged to Sterling. The transition point to Brunel is shown by the red line on the graph. However, in accordance with the currency hedging policy agreed at the June meeting of the Committee, as a result of further weakness in the value of the pound during August the trigger was hit to increase the hedge ratio to 75%. The increase in the hedge ratio was implemented on 4th September, as shown by the blue line on the graph. Subsequently, the value of Sterling has fluctuated around the trigger point for moves between 75% and 50% and during March officers considered with the Chairman and the Fund's Independent Investment Advisor whether to reduce the hedge to 50%. However, the process for changing the hedge ratio and the uncertainties around Parliamentary votes on Brexit at that time meant that no change was made, and the hedge has been maintained at 75%.
- This issue is further addressed in another report on the agenda for this meeting.

2) FUND PERFORMANCE

The performance of the Total Fund over the last quarter, the financial year, and on a rolling three and five year basis is shown in the following chart.

Longer Term Fund Performance Summary



	Latest Quarter	2018/19	3 Years % pa	5 Years % pa
Fund	7.1	5.6	9.1	7.3
Benchmark	6.3	6.2	8.9	7.8
Relative Return	0.8	-0.6	0.2	-0.5

The performance statistics quoted are net of fees.

The last quarter has seen a return of +7.1%, which was 0.8% above benchmark, reversing the losses incurred in the previous quarter. This has resulted in a return of +5.6% for the financial year to date, 0.6% below the Fund's strategic benchmark. A breakdown of the performance of the Total Fund for the year **to 31 March 2019** and the comparative Index returns are shown in the following table:

Performance for the year to 31 March 2019

Sector	Fund Return	Benchmark	Benchmark Description
	%	%	
Global Bonds	4.8	5.2	BarCap Global Bonds
Multi-Sector Credit	1.9	1.9	MSC Bespoke *
Cash	2.2	0.5	GBP 7 Day LIBID
Passive Equities	7.7	7.6	Devon Bespoke Passive Index
Active Global Equities	6.1	11.1	FTSE World
Active Emerging Markets	1.9	0.1	MSCI Emerging Markets
Diversified Growth Funds	0.9	4.6	Devon Multi Asset Benchmark
Property	6.2	4.8	IPD UK PPF All Balanced Funds
Infrastructure	7.0	5.6	GBP 7 Day LIBID+5%
Private Debt	11.3	5.6	GBP 7 Day LIBID+5%

Total Fund	**5.6**	**6.2**	**Devon Bespoke Index**

*Composed of 1/3 Bank of America Merrill Lynch Global High Yield Constrained Index; 1/3 JPMorgan Emerging Markets Bond Index Plus; 1/3 CSFB Bank Loan Index.

Key issues over the six months include:

- The main reason for the Fund's below benchmark performance was the underperformance of the diversified growth funds. Both failed to achieve their cash plus benchmarks, and while it would not be expected that they would keep up with equities in a rising market, it is disappointing that they captured less of the upturn over the first 6 months of the financial year than they did of the downturn between October and December. Their return was also the lowest of all the asset classes invested in.

- Active global equities also underperformed, with the Specialist Funds' bias towards Europe and the Emerging Markets detracting in a period where those regions did less well than other parts of the World, principally the US.

- The emerging markets equities mandate enjoyed better relative performance over the last six months and was ahead of benchmark over the year.

- Global bonds produced a positive 4.8% return just below the benchmark, while multi-sector credit has delivered a +1.9% return in line with the reference benchmark, following a positive quarter.

- The private market investments (property, infrastructure and private debt) have all delivered good positive returns, out-performing their benchmarks.

3) FUNDING LEVEL

The most recent triennial valuation, as at 31 March 2016, carried out by the Fund Actuary, Barnett Waddingham, determined that the Devon Pension Fund had a funding level of 84%.

Over the period since the 2016 Triennial Valuation, returns have been ahead of the required rate, with an annualised return over the three-year period of +9.1%. Returns since the last Valuation are shown in the following table:

Investment Returns since 2016 Triennial Actuarial Valuation

	Actuarial Assumption	Actual Return
2016/17	5.5%	18.0%
2017/18	5.5%	4.3%
2018/19	5.5%	5.6%
Return since 31/3/16 (annualised)	**5.5%**	**9.1%**

As a result of the higher than assumed investment returns the Fund Actuary estimates that the funding position should be improved when compared on a consistent basis to 31 March 2016, but the final position will depend on the assumptions adopted as part of the 2019 valuation process.

The 31 March 2019 actuarial valuation is currently underway, and the Actuary will be reviewing assumptions and methodologies. There is currently uncertainty surrounding the benefit structure of the LGPS, due to an ongoing legal challenge, and the cost cap management process which was meant to bring in any revised benefit changes from 1 April 2019 has been paused. Therefore, it is difficult to say with any certainty what the funding position will be as at 31 March 2019.

4) BUDGET OUTTURN 2018/19 AND FORECAST BUDGET 2019/20

(a) Appendix 1 shows the income and expenditure for 2018/19 against the original budget forecast, together with the budget forecast for 2019/20.

(b) In 2018/19 there was a deficit of £8 million between contributions received and pension benefits paid out over the year. This was less than originally forecast, largely due to higher primary contributions, resulting from higher payrolls than forecast. Lower lump sum retirement benefits were paid than anticipated. This will vary from year to year so is difficult to forecast. However, this was offset by higher transfers out of the Fund for members transferring their pensions to other pension funds. This was partially due to work undertaken to clear a backlog of transfers.

(c) The income received as cash reflects the income from the property mandate, distributions from infrastructure and private debt investments and interest on internally managed cash. This income has been sufficient to cover both the gap between pension benefits payments paid and the contributions received and the management costs for the year. The remaining income is from the Fund’s segregated equity and bond mandates and is reinvested by the fund managers. The reinvested income included an income transaction of £7.5 million on one of the Diversified Growth Fund investments. This income would normally be internal to the fund and would not appear in the accounts, hence the increased income for reinvestment.

(d) The invoiced manager fees were higher than forecast, offset by the higher non-invoiced fees. This is largely due to the transition of passive equities to Brunel, as a result of which the passive fees will no longer be invoiced, but will be deducted from the value of the funds concerned. The overhead costs of Brunel are included within the invoiced fees. Transaction costs were also lower than forecast. In addition to the direct transaction costs there will be hidden indirect costs which will be reported on in the Annual Report as part of the Cost Transparency initiative.

(e) Oversight and governance costs were above the forecast. The most significant variance was on investment performance measurement. This resulted from the higher charges levied for this service by State Street following the change of custodian from Northern Trust. However, the core custody fees charged by State Street were lower than before, so between the two headings there was a small saving.

(f) The budget forecast for 2019/20 assumes inflationary increases in employer and employee contributions. It takes into account the inflationary increase in pensions, plus an assumption that the number of retired members will increase. This will result in a larger gap between the contributions received and the benefits paid out.

(g) The budget forecast for investment income assumes a small increase in income from private markets investments that will be retained to meet the gap between contributions and benefits and to pay management costs. It shows a decrease in the income being reinvested by fund managers. This reflects the Diversified Growth Funds income transaction in 2018/19 which is not expected to be repeated. It also anticipates the transition of current segregated mandates to Brunel which will mean that income will then be retained within a pooled fund rather than being accounted for as income.

(h) The budget forecast for external manager fees assumes a 5% increase in investment assets, which will increase ad valorum fees. There will be a reduction in the invoiced fees as a result of the transition to Brunel as manager fees from the Brunel portfolios will be encashed from the funds rather than invoiced, and therefore a corresponding increase in the non-invoiced fees. However, the invoiced fees forecast does include the overhead costs from Brunel which will be invoiced directly.

(i) Oversight and governance costs are forecast to be broadly similar to those incurred in 2018/19. There is a small increase in the Pension Board budget to reflect the move to four meetings a year. Actuarial costs will be higher as the triennial valuation is taking place in 2019/10.

5) CASH MANAGEMENT

(a) The following table shows that the unallocated cash on deposit as at 31 May 2019, was **£23.0m**, plus **$0.4m** in US Dollars. The cash held is being maintained at a lower level than in the past, with a target level of only 1% of the Fund, and it is therefore necessary to ensure its liquidity for cashflow purposes.

Cash on Deposit

Type of Deposit	Maturity period	Actual as at 31/03/19	Average Interest Rate	Current as at 31/05/19	Average Interest Rate
GBP Deposits		**£m**	**%**	**£m**	**%**
Call and Notice Accounts	Immediate	24.1	0.77	23.0	0.77
	6 Month Notice	0.0	0.00	0.0	0.00
Term Deposits	<30 Days	0.0	0.00	0.0	0.00
	>30 Days	0.0	0.00	0.0	0.00
TOTAL GBP		**24.1**	**0.77**	**23.0**	**0.77**
USD Deposits		**$m**	**%**	**$m**	**%**
Call and Notice Accounts	Immediate	0.7	2.45	0.4	2.40

(b) The weighted average rate being earned on GBP cash deposits, as at 31 May 2019, was **0.77%.** This reflects the current low interest rate environment and the need to ensure liquidity as a result of the low level of cash being maintained. A higher rate is achievable on the US Dollars investment, but the return will also be impacted by changes in the exchange rate.

(c) The deposits in place during 2018/19 and during 2019/20 to date have fully complied with the Fund's Treasury Management and Investment Strategy.

6) ENGAGEMENT ACTIVITY

(a) As a responsible investor, the Fund should report regularly on its engagement activity. Voting and engagement are largely delegated to the Fund's external investment managers. The voting records of the Fund's principal equity managers at company meetings held over the last quarter is summarised in the following table.

Votes Cast at Company Meetings in the quarter to 31 March 2019

	Quarter to 31 March 2019		
Manager	**Number of Meetings**	**Number of Resolutions**	**Votes against management recommnd'n**
Brunel (LGIM)	485	5,836	774
Aberdeen Asset Management	10	108	8
Specialist Funds (combined)	36	552	29

The Brunel passive allocation will include all the companies in the relevant indices, both UK and across the developed world, hence there are many more meetings voted at than for the active managers. More detail on the resolutions that the managers have voted on, together with their engagement activity, is available in the managers' quarterly investment reports, distributed separately to the Committee.

(b) The Fund is also a member of the Local Authority Pension Fund Forum (LAPFF), who undertake engagement activity on behalf of their member funds. Where significant issues arise on the agendas of company meetings, for example on remuneration policies or shareholder resolutions on climate change related issues, LAPFF will issue a voting alert to its members, including a recommendation on how to vote. However, there were no voting alerts issues during the quarter to March.

(c) The LAPFF quarterly engagement report for the quarter to 31 March is attached at Appendix 2 to this report. The report highlights engagement with a number of companies in relation to climate change, including steel manufacturing giant, ArcelorMittal and mining company, Rio Tinto. Following previous engagement activity, LAPFF welcomed Royal Dutch Shell's steps in addressing the need to tackle climate change proactively. After pledging to include the overall reduction of its net carbon footprint in considering executive remuneration outcomes, Royal Dutch Shell Plc published its remuneration report enacting this commitment. LAPFF also conducted engagement on governance, human rights and employment standards with a range of companies including Nestle, Santander and Ryanair.

Mary Davis

<u>Local Government Act 1972</u>
List of Background Papers Nil
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Appendix 1

Devon County Council Pension Fund Budget / Forecast 2018/19

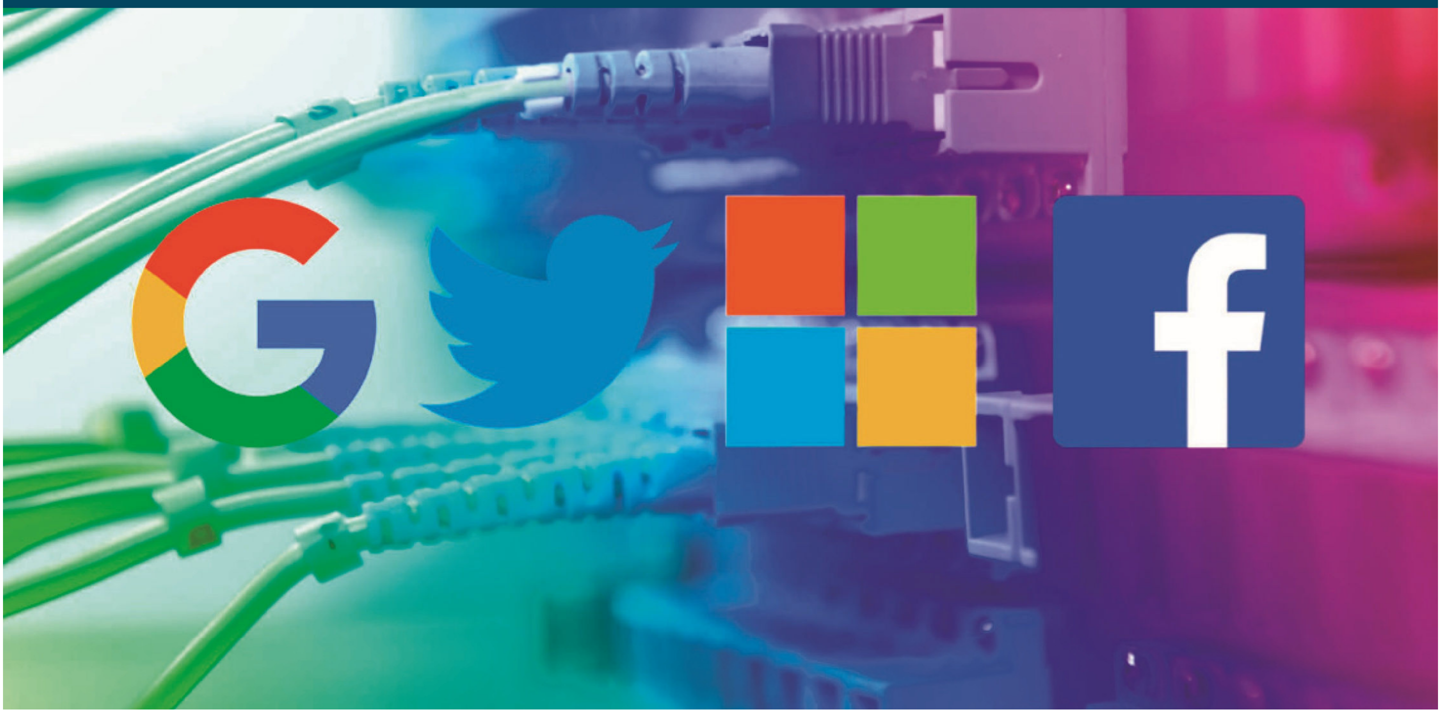
	Actual 2017/18 £'000	Original Forecast 2018/19 £'000	Actual 2018/19 £'000	Variance from Original Forecast £'000	Forecast 2019/20 £'000
Contributions					
Employers	(131,149)	(134,000)	(137,431)	(3,431)	(141,000)
Members	(37,659)	(37,000)	(38,765)	(1,765)	(40,000)
Transfers in from other pension funds:	(6,481)	(6,000)	(6,134)	(134)	(6,000)
	(175,289)	(177,000)	(182,330)	(5,330)	(187,000)
Benefits					
Pensions	142,191	148,000	149,688	1,688	158,000
Commutation and lump sum retirement benefits	28,225	30,000	26,759	(3,241)	28,000
Lump sum death benefits	3,357	4,000	4,191	191	4,000
Payments to and on account of leavers	445	500	735	235	750
Individual Transfers	5,410	6,000	9,012	3,012	8,000
	179,628	188,500	190,385	1,885	198,750
Net Withdrawals from dealings with fund members	**4,339**	**11,500**	**8,055**	**(3,445)**	**11,750**
Investment Income					
Received as Cash	(28,441)	(29,000)	(26,021)	2,979	(28,000)
Reinvested by Fund Manager	(16,137)	(17,000)	(23,916)	(6,916)	(13,000)
	(44,578)	**(46,000)**	**(49,937)**	**(3,937)**	**(41,000)**
Administrative costs					
Peninsula Pensions	2,037	2,241	2,084	(157)	2,125
	2,037	**2,241**	**2,084**	**(157)**	**2,125**
Investment management expenses					
External investment management fees - invoiced	7,698	8,800	8,084	(716)	7,500
External investment management fees - not invoiced	6,242	5,500	5,914	414	7,200
Custody fees	160	160	78	(82)	60
Transaction costs	1,510	1,500	1,126	(374)	1,200
Stock lending income & commission recapture	(77)	(100)	(36)	64	(30)
Other investment management expenses	30	50	44	(6)	50
	15,563	**15,910**	**15,210**	**(700)**	**15,980**
Oversight and governance costs					
Investment & Pension Fund Committee Support	93	100	84	(16)	95
Pension Board	29	31	35	4	46
Investment Oversight and Accounting	280	300	310	10	320
Brunel Pension Partnership	(94)	0	17	17	20
Legal Support	30	30	42	12	40
Actuarial Services	28	30	24	(6)	60
Investment Performance Measurement	60	60	123	63	100
Subscriptions	23	25	35	10	40
Internal Audit fees	13	24	13	(11)	13
External Audit fees	24	30	22	(8)	25
	486	**630**	**705**	**76**	**759**
Total Management Expenses	**18,086**	**18,781**	**17,999**	**(781)**	**18,864**

Appendix 2

The Local Authority Pension Fund Forum (LAPFF) exists to promote the long-term investment interests of member funds and beneficiaries, and to maximise their influence as shareholders whilst promoting the highest standards of corporate governance and corporate responsibility at investee companies. Formed in 1990, LAPFF brings together a diverse range of 80 public sector pension funds and six Pools in the UK with combined assets of over £230 billion.

QUARTERLY ENGAGEMENT REPORT

JANUARY TO MARCH 2019



- Ryanair Chair commits to standing down in 2020 after prospect of shareholder resolution by LAPFF
- Auditing, Reporting and Governance Authority (ARGA) to replace FRC after LAPFF consultation contribution acknowledged
- LAPFF part of investor group leading to Shell's proposal to include carbon reduction metrics in executive remuneration.
- LAPFF joins investors calling on Facebook, Google and Twitter to strengthen controls on streaming of objectionable content following the Christchurch shootings.
- LAPFF calls for tech company Initial Public Offerings (IPOs) to adopt the principle of one share, one vote.
- The Forum joins investors in calling for the 20 largest carbon emitting utilities companies based in the US to commit to achieving net-zero carbon emissions by 2050.
- LAPFF takes on role of liaising with affected communities in investor tailings dam initiative.

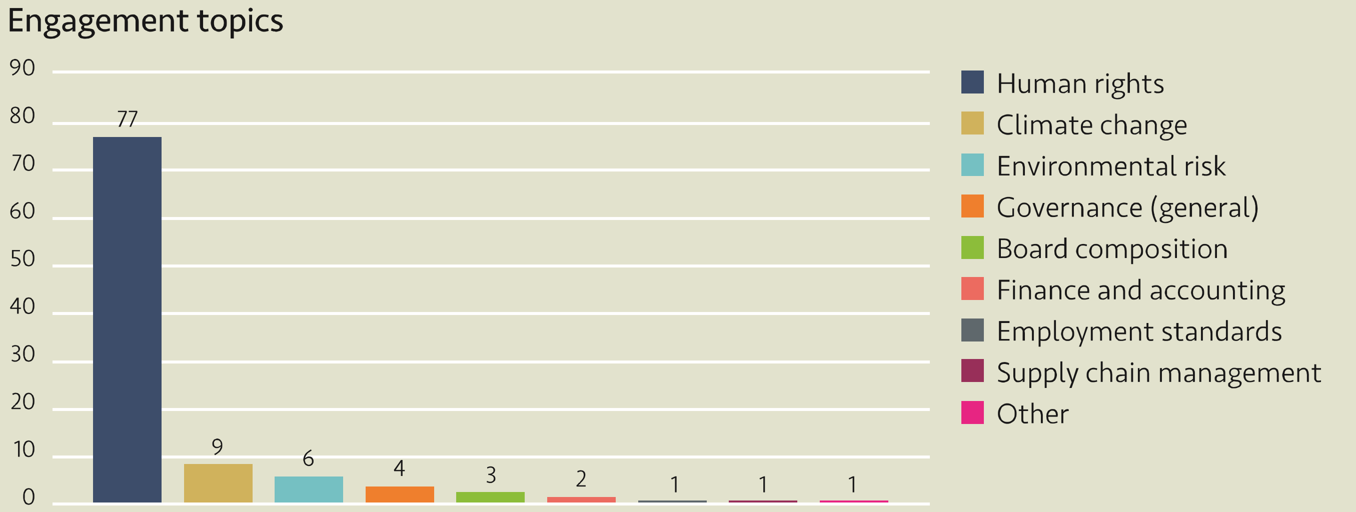
This Quarter – At A Glance

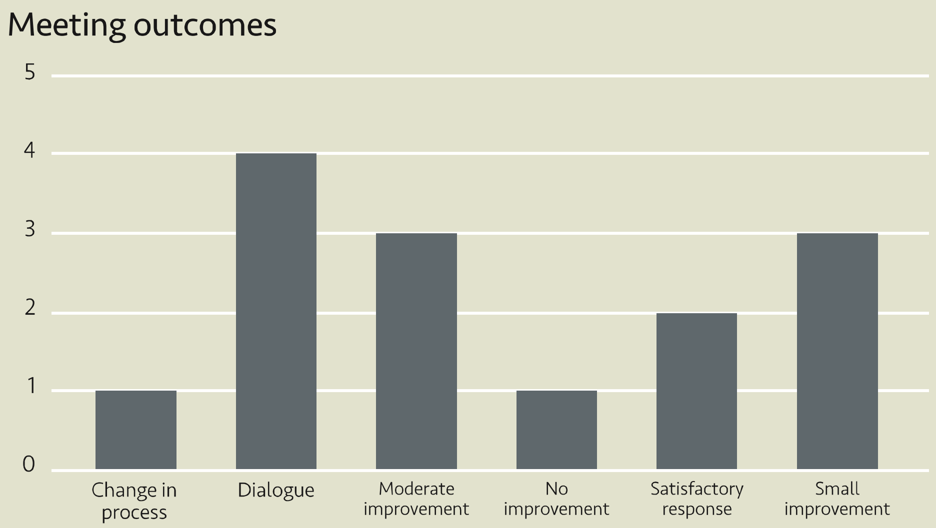
In February Ryanair announced that current Chairman David Bonderman would be replaced during 2020. The statement was made after LAPFF had voiced an intention to requistion the AGM in order to propose a resolution requesting Mr Bonderman resign from the Board.

The Government announced plans to replace the Financial Reporting Council (FRC) with the Auditing, Reporting and Governance Authority (ARGA). This comes in the aftermath of the Kingman Review which recommended the FRC be disbanded, a position promoted by LAPFF after many years of raising concerns over the FRC.

After pledging to include the overall reduction of its net carbon footprint in considering executive remuneration outcomes, Royal Dutch Shell Plc published its remuneration report enacting this commitment. As a member of the Climate Action 100+ investor initiative, LAPFF welcomes Royal Dutch Shell's steps in addressing the need to tackle climate change proactively. This is a small but pioneering step towards enabling companies to prepare for the low carbon transition.

COMPANY ENGAGEMENT ACTIVITIES





GOVERNANCE RISK

Financial Reporting Council to be Disbanded
The Government has announced plans to replace the Financial Reporting Council (FRC) with the Auditing, Reporting and Governance Authority (ARGA). Both the Kingman Review, which recommended the replacement, and the recent CMA consultation acknowledged LAPFF's contribution to the debate and enacted the Forum's recommendation to disband the FRC. The ARGA will have stronger enforcement powers. LAPFF's position has also been picked up by the BEIS Select Committee Enquiry into audit following the collapse of Carillion. The day after evidence had been taken from the large accounting firms, the first major audit case, AssetCo, to result in a Court judgment since 1968 found against Grant Thornton. The judgment confirms the statutory objective of audited accounts consistent with the position of George Bompas QC. The following week evidence from the CEO of the ICAEW confirmed that there were issues between International Accounting Standards and Company Law, something that had been previously denied. Members of the BEIS Committee have made it clear that the problem is not the law but the standards.

Ryanair
Ryanair Chairman, David Bonderman, will step down from the board by the 2020 AGM, the Company has said. This announcement comes after a lengthy shareholder rights campaign spearheaded by LAPFF. 2018 was a turbulent year including strikes by staff resulting in widespread travel disruption and the issuance of a profit warning. After continued challenge on the long-term tenure of the Chair, the Company announced that he will not seek re-election next summer. LAPFF had drafted a shareholder resolution requesting that Mr Bonderman resign. This draft resolution was conveyed to Ryanair just before the Company's statement about Mr Bonderman's stepping down was released.

Response to EU Consultation on Remuneration Report
LAPFF responded to a targeted consultation on standardising the presentation of remuneration reports under the Shareholders' Rights Directive. The aim of the consultation was to contribute towards the production of non-binding guidelines which help companies disclose clear, understandable, comprehensive and comparable information on individual directors' remuneration. In LAPFF's view, overall, implementation of the proposals will improve the disclosure of matters relating to executive compensation across EU markets. Standardising the reporting format will also help shareholders to assess directors' remuneration, to what extent that remuneration is linked to the performance of the company and how the company implements its remuneration policy in practice. As such, the response is largely supportive of the proposed reporting framework.

Dual-class Shareholdings at Tech Companies
LAPFF joined other investors in writing to Lyft, the US ride-share company, expressing opposition to the dual-class share structure proposed in its IPO. To provide context, a restatement of LAPFF's policy on support for the principle of one share, one vote was re-issued publicly. LAPFF considers that shareholders who have the same financial commitment to the company should have the same rights and that dual share structures with differential voting rights are disadvantageous to many shareholders and should be reformed. In the public statement, investors have called for shareholders' economic exposure and risk be aligned with their influence and voting rights post IPO.

Social Media Companies
LAPFF has joined a group of investors calling for social media companies to strengthen controls on objectionable content and live streaming following the Christchurch shootings in March. The Forum's involvement came about due to increasing concerns about the social and financial damage that could be caused by inappropriate or illegal content on social media even before Christchurch, with members considering engagement in 2017 and having made contact with New Zealand Super in February of this year.

ENVIRONMENTAL AND CARBON RISK

Along with other investor participants in the 'Climate Action 100+' initiative, Cllr Robert Chapman met with executives from steel manufacturing giant, **ArcelorMittal**. The meeting focused on the Company's progress towards decarbonising operations and planning for the transition to a low carbon economy. As part of the discussion, Cllr Chapman pressed on whether the company would be setting science-based targets in line with the Paris Accord, and if ArcelorMittal would consider linking carbon reduction performance with executive remuneration.

A range of issues were discussed at a Climate Action 100+ meeting with Simon Thompson, chair of **Rio Tinto** and the corporate head of strategy. The Company had just issued its first report aligned with the Taskforce on Climate Related Financial disclosure. Having disposed of its last coal assets in 2018, the Company sets out the impact of the low-carbon transition on its other commodities. As with many companies, the greatest challenges come with scope 3 emissions - the use of products down the supply chain - and for Rio Tinto, the supply of iron-ore to the steel sector is a case in point. A resolution had been filed with the Australian entity, Rio Tinto Ltd, on the Company's lobbying activities, in particular its relationship with the Minerals Council of Australia (MCA). The resolution has been withdrawn after the Company agreed to work more closely with the MCA to ensure future statements are 'technology neutral'.

In December, at least one LAPFF member fund joined other investors in filing a resolution for the **Exxon** 2019 AGM, requesting that the Company disclose short, medium and long-term greenhouse gas reduction targets in line with the Paris climate agreement. Exxon challenged the proposal seeking no-action relief with the US Securities and Exchange Commission (SEC) and the resolution did not make it to the ballot.

As a member of the Climate Majority Project, LAPFF joined other coalition members calling on the 20 largest carbon emitting US utility companies to commit to achieving net-zero carbon emissions by 2050, and to make this commitment by September 2020. The institutional investor statement called for a transition away from carbon intensive energy production and for companies to devise economically attractive ways to achieve net zero targets. Central to this was recommendations on governance reforms companies should adopt to maintain focus on the overall goal of net-zero emissions.

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SOCIAL RISK

Human Rights and Employment Standards

Institutional investors, led by the Church of England and Swedish Council of Ethics of the AP funds, have begun a large-scale initiative to prevent the further collapse of tailings dams. The initiative stems from the collapse of the Vale tailings dam in Brumadinho in late January. The Church of England convened a meeting of companies, investors, industry groups and industry experts on 4 March to discuss the causes of tailings dam failures. Cllr Robert Chapman attended the event on behalf of LAPFF. The Forum has been asked to play a pivotal role in the initiative, that of liaising with community members affected by both the Brumadinho and Samarco disasters. A statement from the community members was read out at the end of the March meeting, and LAPFF will continue to look for opportunities to bring the community representatives into future meetings.

The LAPFF chair met with Santander Consumer USA (SCUSA) to discuss employment standards, the failed appointment of a new CEO - Andrea Orcel, and the possibility of Santander's joining RE100, the renewable energy initiative. Cllr Doughty also attended an investor roundtable with the Nestle chair, Paul Bulcke, and asked about the Company's response to millennial demands for more socially and environmentally responsible practices. He further asked whether the UK Modern Slavery Act had had any impact on Nestle's approach to supply chain management.

LAPFF, along with a large a coalition of investors, signed a letter sent to 49 insurance companies to encourage the development of best practice around the provision of micro-insurance. The letter outlined that privately provided micro-insurance can create an affordable, accessible safety net which enables people to climb out of poverty. Insurance companies should consider specially tailored policies aimed at providing fair and transparent insurance products to those customers who are the least well served today.

Diversity

LAPFF continued to engage with companies on gender diversity through its membership in the 30% Club Investor group. As part of this initiative a letter was sent to Millennium & Copthorne Hotels plc, outlining the benefits of embracing cognitive diversity and requesting a meeting with the Chair to discuss the importance of diversity considerations in board balance, independence and in executive appointments. On 21 March, shortly after the meeting request was made, the company announced that Ms Paola Bergamaschi Broyd will be joining M&C's Board of Directors as an independent Non-Executive Director with immediate effect. LAPFF also attended a meeting with executive search firm Warren Partners to discuss the challenges the firm has found in increasing the number of female placements at board level.

MEDIA COVERAGE

Ryanair

Ryanair bows to investor pressure as Michael O'Leary moves upstairs and chairman departs – Telegraph. 4 February

O'Leary remains commanding presence at Ryanair – FT, 4 February 2019

Ryanair boss O'Leary in chance to win €100m bonus – FT, 8 February 2019

Investors ready to block €100m bonus package for Ryanair boss – The Telegraph, 23 February 2019

Pension fund forum hails move to replace Ryanair chair – Local Government Chronicle, 4 February

Technology IPOs

Investors call for Lyft to scrap dual-class share plans – FT, 17 March 2019

Investors Ask Lyft to Scrap Two-Share Plan Ahead of IPO - Bloomberg, 16 March 2019.

Investor group calls on Lyft to scrap dual-class share structure – Reuters, 18 March 2019.

Illegal Dividends

UK audit inquiry reignites 'illegal dividends' dispute – IPE, 18 February 2019

UK to replace audit regulator after damning review – IPE, 12 March 2019

Climate

BP agrees to more climate reporting after 'constructive' investor talks – IPE, 1 February 2019

NETWORKS AND EVENTS

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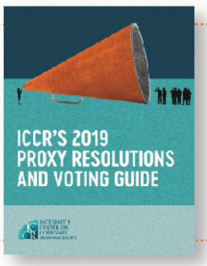
Church of England Tailings Dam Meeting
The Church of England and Swedish Council of Ethics convened a meeting with ICMM and a few member companies to tackle the collapse of tailings dams. LAPFF presented a statement from the communities affected by the Brumadinho and Samarco dam collapses.

IRMA Investor and Finance Industry Meeting
Update on new Initiative for Responsible Mining Assurance (IRMA) standard and discussion about the role investors can play in the initiative.

ICCR Proxy Voting Guide Overview
ICCR presented an overview of the shareholder resolutions being proposed in the US. Lobbying, climate change and human rights are the areas with the most resolutions being filed.



APPG
Nicola Parish, Executive Director of Frontline Regulation and Pauline Lancum, Case Management Team Leader, at The Pensions Regulator (TPR) spoke about the regulator's role in local authority pensions. In the well-attended session, they explained TPR's role in local authority pensions, how TPR is changing as a regulator as well as the challenges ahead and how TPR and LAPFF can work together.

appg

Nomura Research Institute
The Forum met with Chie Misui of Nomura Research Institute. Discussion were centred around Japanese companies providing disclosure in English, and also problems around the financial statements and audit reports not being issued in sufficient time for investors in advance of the annual meeting.

COMPANY PROGRESS REPORT

104 companies engaged over the quarter

Q1 2019 ENGAGEMENT DATA

Company	Activity	Topic	Outcome
AFRICAN RAINBOW MINERALS	ESP	Sent letter	Human Rights
AIA	ESP	Sent letter	Human Rights
ANGLO AMERICAN	ESP	Sent letter	Human Rights
ANGLO GOLD ASHANTI	ESP	Sent letter	Human Rights
ANTOFAGASTA MINERALS	ESP	Sent letter	Human Rights
ANZ-AUSTRALIA & NEW ZEALAND BANK	HBE	Sent Letter	Governance (General)
ARCELORMITTAL SA (2)	ECE	Meeting	Climate Change
ASIA COMMERCIAL JOINT STOCK BANK	ESP	Sent letter	Human Rights
BANCO BRADESCO	ESP	Sent letter	Human Rights
BANCO DAVIVIENDA	ESP	Sent letter	Human Rights
BANCO DE CHILE	ESP	Sent letter	Human Rights
BANCO DE CREDITO E INVERSIONES	ESP	Sent letter	Human Rights
BANCO SANTANDER CHILE	ESP	Sent letter	Human Rights
BANCO SANTANDER MEXICO	ESP	Sent letter	Human Rights
BANCO SANTANDER SA	PPI	Meeting	Employment Standards
BANDHAN BANK	ESP	Sent letter	Human Rights
BANK CENTRAL ASIA	ESP	Sent letter	Human Rights
BANK MANDIRI	ESP	Sent letter	Human Rights
BANK OF NINGBO	ESP	Sent letter	Human Rights
BANK OF THE PHILIPPINE ISLANDS	ESP	Sent letter	Human Rights
BANK RAKYAT	ESP	Sent letter	Human Rights
BARRICK	ESP	Sent letter	Human Rights
BB SEGURIDADE PARTICIPACOES	ESP	Sent letter	Human Rights
BBVA CONTINENTAL	ESP	Sent letter	Human Rights
BDO UNIBANK	ESP	Sent letter	Human Rights
BHP	ESP	Sent letter	Human Rights
BOTSWANA INSURANCE HOLDINGS	ESP	Sent letter	Human Rights
CAFCA LTD (2)	CAM	Sent Letter	Finance and Accounting
CHINA MERCHANT'S BANK	ESP	Sent letter	Human Rights
CHINA PACIFIC INSURANCE	ESP	Sent letter	Human Rights
CHIPOTLE MEXICAN GRILL INC	CAM	Sent Letter	Environmental Risk
CODELCO	ESP	Sent letter	Human Rights
COMMERCIAL INTERNATIONAL BANK	ESP	Sent letter	Human Rights
CREDICORP	ESP	Sent letter	Human Rights
CREDIT AGRICOLE EGYPT	ESP	Sent letter	Human Rights
DISCOVERY	ESP	Sent letter	Human Rights
ENTERPRISE GROUP	ESP	Sent letter	Human Rights
EXXON MOBIL CORPORATION (2)	ECE	Meeting	Climate Change
FIRSTRAND	ESP	Sent letter	Human Rights

Q1 2019 ENGAGEMENT DATA

Company	Activity	Topic	Outcome
FREEPORT-MCMORAN	ESP	Sent letter	Human Rights
GENERAL ELECTRIC COMPANY (3)	ECE	Received Letter	Climate Change
GHANA COMMERCIAL BANK	ESP	Sent letter	Human Rights
GLENCORE	ESP	Sent letter	Human Rights
GOLD FIELDS	ESP	Sent letter	Human Rights
GOLDCORP	ESP	Sent letter	Human Rights
GUARANTY TRUST BANK	ESP	Sent letter	Human Rights
HDFC STANDARD LIFE	ESP	Sent letter	Human Rights
HYDRO	ESP	Sent letter	Human Rights
ICICI PRUDENTIAL	ESP	Sent letter	Human Rights
ITAU UNIBANCO	ESP	Sent letter	Human Rights
JX NIPPON	ESP	Sent letter	Human Rights
KASIKORNBANK	ESP	Sent letter	Human Rights
KENYA COMMERCIAL BANK	ESP	Sent letter	Human Rights
KOTAK MAHINDRA BANK	ESP	Sent letter	Human Rights
LIBERTY HOLDINGS	ESP	Sent letter	Human Rights
LOCKHEED MARTIN CORPORATION	OTH	Sent Letter	Human Rights
LONMIN	ESP	Sent letter	Human Rights
MAX FINANCIAL	ESP	Sent letter	Human Rights
MCDONALD'S CORPORATION	CAM	Sent Letter	Environmental Risk
MEARS GROUP PLC	ESP	Meeting	Board Composition
MILLENNIUM & COPTHORNE HOTELS PLC (2)	CAM	Sent Letter	Board Composition
MINERA SAN CRISTOBAL	ESP	Sent letter	Human Rights
MINSUR	ESP	Sent letter	Human Rights
MITSUBISHI MATERIALS	ESP	Sent letter	Human Rights
MMG	ESP	Sent letter	Human Rights
NATIONAL MICROINSURANCE BANK	ESP	Sent letter	Human Rights
NESTLE SA (2)	HBE	Meeting	Governance (General)
NEWCREST MINING	ESP	Sent letter	Human Rights
NEWMONT	ESP	Sent letter	Human Rights
OLD MUTUAL	ESP	Sent letter	Human Rights
ORANO	ESP	Sent letter	Human Rights
PEPSICO INC.	HBE	Meeting	Supply Chain Management
PING AN	ESP	Sent letter	Human Rights
POLYRUS	ESP	Sent letter	Human Rights
PORTO SEGURO	ESP	Sent letter	Human Rights
RESTAURANT BRANDS INTERNATIONAL INC	CAM	Sent Letter	Environmental Risk
RIO TINTO	ESP	Sent letter	Human Rights
RIO TINTO GROUP (GBP) (2)	ECE	Meeting	Climate Change
SANLAM	ESP	Sent letter	Human Rights
SOUTH32	ESP	Sent letter	Human Rights
SOUTHERN COMPANY	ECE	Meeting	Climate Change
STANDARD BANK GROUP	ESP	Sent letter	Human Rights

Q1 2019 ENGAGEMENT DATA

Company	Activity	Topic	Outcome
STANDARD CHARTERED	ESP	Sent letter	Human Rights
SUL AMERICA	ESP	Sent letter	Human Rights
SUMITOMO METAL MINING CO., LTD.	ESP	Sent letter	Human Rights
SUNDARAM FINANCE	ESP	Sent letter	Human Rights
TECK	ESP	Sent letter	Human Rights
TI FINANCIAL	ESP	Sent letter	Human Rights
TOTAL SA	ECE	Meeting	Environmental Risk
UNITED UTILITIES GROUP PLC	CAM	Meeting	Other
VALE	ESP	Sent letter	Human Rights
VIETNAM PROSPERITY JOINT COMMERCIAL BANK	ESP	Sent letter	Human Rights
WAFA ASSURANCE	ESP	Sent letter	Human Rights
YUM! BRANDS INC.	CAM	Sent Letter	Environmental Risk
ZANACO	ESP	Sent letter	Human Rights

Company domiciles

LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

- Avon Pension Fund
- Barking and Dagenham
- Barnet LB
- Bedfordshire Pension Fund
- Border to Coast Pensions Partnership
- Brunel Pensions Partnership
- Cambridgeshire Pension Fund
- Camden Pension Fund
- Cardiff & Glamorgan Pension Fund
- Cheshire Pension Fund
- City of London Corporation Pension Fund
- Clwyd Pension Fund (Flintshire CC)
- Cornwall Pension Fund
- Croydon Pension Fund
- Cumbria Pension Fund
- Derbyshire Pension Fund
- Devon Pension Fund
- Dorset County Council
- Durham Pension Fund
- Dyfed Pension Fund
- Ealing Pension Fund
- East Riding Pension Fund
- East Sussex Pension Fund
- Enfield Pension Fund
- Falkirk Pension Fund
- Gloucestershire
- Greater Gwent Pension Fund
- Greater Manchester Pension Fund
- Greenwhich Pension Fund
- Gwynedd Pension Fund
- Hackney Pension Fund
- Hammersmith and Fulham
- Haringey Pension Fund
- Harrow Pension Fund
- Havering Pension Fund
- Hertfordshire
- Hounslow Pension Fund
- Islington Pension Fund
- Kingston upon Thames Pension Fund
- Lambeth Pension Fund
- Lancashire
- Leicestershire Pension Fund
- Lewisham Pension Fund
- LGPS Central
- Lincolnshire Pension Fund
- London CIV
- London Pension Fund Authority
- Lothian Pension Fund
- Merseyside Pension Fund
- Merton LB
- Newham Pension Fund
- Norfolk Pension Fund
- North East Scotland Pension Fund
- North Yorkshire Pension Fund
- Northern LGPS
- Northamptonshire Pension Fund
- Northumberland Pension Fund
- Nottinghamshire County Council
- Oxfordshire Pension Fund
- Powys Pension Fund
- Redbridge Pension Fund
- Rhondda Cynon Taf Pension Fund
- Shropshire Pension Fund
- Somerset Pension Fund
- South Yorkshire Pension Authority
- Southwark Pension Fund
- Staffordshire Pension Fund
- Strathclyde Pension Fund
- Suffolk Pension Fund
- Surrey Pension Fund
- Sutton Pension Fund
- Swansea Pension Fund
- Teesside Pension Fund
- The Environment Agency Pension Fund
- Tower Hamlets Pension Fund
- Tyne and Wear Pension Fund
- Wales Pension Partnership
- Waltham Forest Pension Fund
- Wandsworth Council
- Warwickshire Pension Fund
- West Midlands ITA Pension Fund
- West Midlands Pension Fund
- West Yorkshire Pension Fund
- Westminster
- Wiltshire Pension Fund
- Worcestershire Pension Fund