

INVESTMENT MANAGEMENT REPORT

Report of the County Treasurer

Please note that the following recommendations are subject to consideration and determination by the Committee before taking effect.

Recommendation: that the Committee be asked:

1. That the Investment Management Report be noted.
2. To note compliance with the 2020-21 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 30 June 2021.

|                            | <b>Fund Value<br/>as at<br/>30.06.21</b> | <b>Target<br/>allocation<br/>2021/22</b> | <b>Fund asset<br/>allocation<br/>at 30.06.21</b> | <b>Variation<br/>from<br/>Target</b> |
|----------------------------|------------------------------------------|------------------------------------------|--------------------------------------------------|--------------------------------------|
|                            | £m                                       | %                                        | %                                                | %                                    |
| <b>Fixed Interest</b>      |                                          |                                          |                                                  |                                      |
| Sterling Corporate Bonds   | 309.0                                    | 7                                        | 5.8                                              |                                      |
| Multi-Asset Credit         | 345.7                                    | 7                                        | 6.5                                              |                                      |
| Cash                       | 56.5                                     | 1                                        | 1.1                                              |                                      |
|                            | <b>711.2</b>                             | <b>15</b>                                | <b>13.4</b>                                      | <b>-1.6</b>                          |
| <b>Equities</b>            |                                          |                                          |                                                  |                                      |
| Passive Equities           | 1,917.0                                  | 31                                       | 36.1                                             |                                      |
| Global High Alpha Equities | 344.2                                    | 5                                        | 6.5                                              |                                      |
| Global Smaller Companies   | 300.7                                    | 5                                        | 5.6                                              |                                      |
| Emerging Markets           | 294.6                                    | 5                                        | 5.5                                              |                                      |
| Sustainable Equities       | 166.3                                    | 5                                        | 3.1                                              |                                      |
| Low Volatility Equities    | 357.7                                    | 7                                        | 6.7                                              |                                      |
|                            | <b>3,380.5</b>                           | <b>58</b>                                | <b>63.5</b>                                      | <b>+5.5</b>                          |
| <b>Alternatives/Other</b>  |                                          |                                          |                                                  |                                      |
| Diversifying Returns Funds | 503.6                                    | 7                                        | 9.5                                              |                                      |
| Property                   | 417.3                                    | 10                                       | 7.9                                              |                                      |
| Infrastructure             | 191.2                                    | 6                                        | 3.6                                              |                                      |
| Private Equity             | 4.4                                      | 1                                        | 0.1                                              |                                      |
| Private Debt               | 105.9                                    | 3                                        | 2.0                                              |                                      |
|                            | <b>1,222.4</b>                           | <b>27</b>                                | <b>23.1</b>                                      | <b>-3.9</b>                          |
| <b>Total Fund</b>          | <b>5,314.1</b>                           | <b>100</b>                               | <b>100.0</b>                                     |                                      |

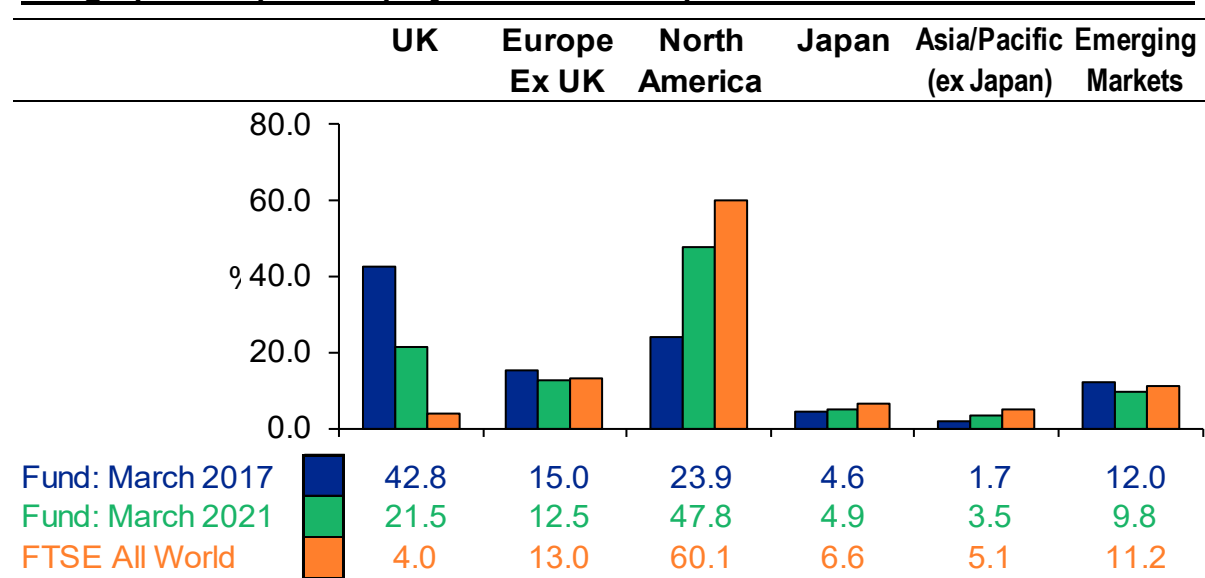
The key points with regard to the end of quarter asset allocation are summarised below:

- a) The Fund value as at 30<sup>th</sup> June 2021 stood at £5,314 million, an increase of around £280 million over the quarter.
- b) The previous allocation to global bonds has now transitioned to the Brunel Sterling Corporate Bonds portfolio. As at the end of June this was just over 1% underweight against target. However, as agreed by the last meeting of the Committee, £50 million was transferred from UK Passive Equities during July which will have brought the allocation back up to target.
- c) Equity markets remained 5% over target, as they were at the end of March. The transfer to Sterling Corporate Bonds during July will have reduced the overweight a little, but the asset class will still be significantly over target.
- d) The major underweight area remains the allocation to alternatives/other, and within that the allocations to the private markets headings. For the private markets allocations, we are dependent on committed funds being called on by Brunel for their underlying investments, so it is not possible simply to reallocate funds quickly. However, calls on those commitments during July and August and anticipated calls during the Autumn should begin to increase the private markets allocations by the end of the calendar year.

#### Geographical Weighting of Equity Allocation

- e) The following chart gives the geographical split of the Fund's equity allocations against the FTSE All World Index geographical weightings.

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



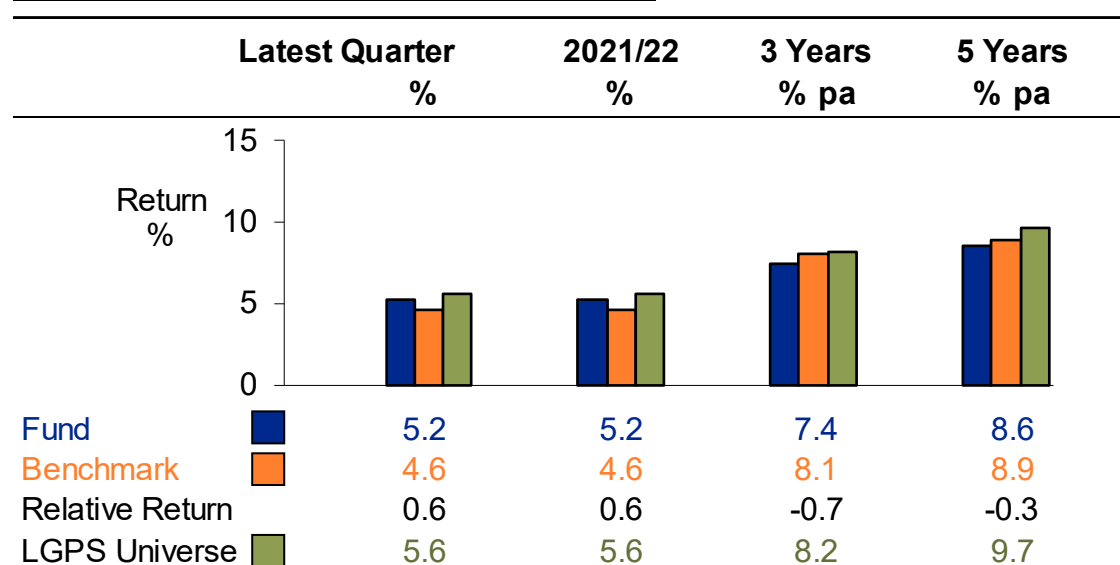
- f) The Fund remains overweight to UK equities and underweight to North America. Action was taken to reduce the UK overweight on a phased basis between March 2017 and February 2019, but the Committee then agreed that no further action be taken, on the basis that the US market was beginning to look expensive, whereas the UK market looked comparatively cheap. However, the UK market has continued to underperform against the global, and in particular, the US market. The transfer of £50 million to Sterling Corporate Bonds outlined in (b) above was funded from the UK passive allocation, and a further allocation to Sustainable Equities will also be funded

from UK Equities as agreed at the last meeting of the Committee. This will further reduce the overweight UK position.

## 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



Source for LGPS Universe: PIRC Local Authority Pension Performance Analytics

The performance statistics quoted are net of fees. The LGPS universe figures for the last quarter are based on the asset allocation of the PIRC Local Authority Universe with index returns applied. The previous periods are updated to include actual Universe returns.

The Fund return of +5.2% reflects continued optimism in markets that the world can emerge from the COVID pandemic and the global economy will continue to recover. The return over the last quarter is ahead of the strategic benchmark but below the LGPS universe average.

The three year returns to 30<sup>th</sup> June are behind both the benchmark and universe returns largely as a result of the poor performance during the quarter from January to March 2020 when the Fund was affected more significantly than others by the impact of the pandemic on markets, although the Fund has bounced back since. Looking back to three years ago, the Devon Fund was seen as more defensively positioned than other funds, but since then some other funds have taken advantage of a period of good returns to de-risk, which put them in a better position to withstand the market losses arising from the pandemic, while the Devon Fund's greater reliance on the diversified growth funds' defensive capabilities did not deliver to the same extent.

A breakdown of the performance of the Total Fund for the quarter (financial year to date) and three years to 30 June 2021 and the comparative Index returns are shown in the following table:

## Performance to 30 June 2021

| Sector                     | Financial Year To Date |            | Three Years |            | Benchmark Description      |
|----------------------------|------------------------|------------|-------------|------------|----------------------------|
|                            | Fund Return            | Bench mark | Fund Return | Bench mark |                            |
|                            | %                      | %          | %           | %          |                            |
| <b>Fixed Interest</b>      |                        |            |             |            |                            |
| Global Bonds               | 1.0                    | 1.1        | 3.5         | 3.1        | BarCap Global Bonds        |
| Multi-Sector Credit        | 1.7                    | 2.3        | 6.4         | 4.2        | MSC Bespoke *              |
| Cash                       | 0.5                    | 0.0        | 0.9         | 0.3        | GBP 7 Day LIBID            |
| <b>Equities</b>            |                        |            |             |            |                            |
| Passive Equities           | 6.5                    | 6.5        | 9.3         | 9.3        | Devon Passive Index        |
| Global High Alpha Equities | 10.1                   | 7.8        | 12.1        | 13.5       | FTSE World / MSCI World    |
| Global Smaller Companies   | 6.1                    | 5.0        | -           | -          | MSCI World Small Cap       |
| Emerging Markets           | 4.6                    | 5.0        | 11.9        | 10.0       | MSCI Emerging Markets      |
| Sustainable Equities       | 8.4                    | 7.4        | -           | -          | MSCI AC World              |
| Low Volatility Equities    | 6.2                    | 7.4        | -           | -          | MSCI AC World              |
| <b>Alternatives/Other</b>  |                        |            |             |            |                            |
| Diversifying Returns Funds | 5.8                    | 1.0        | 3.0         | 4.4        | Devon Multi Asset          |
| Property                   | 3.2                    | 3.2        | 4.2         | 2.6        | MSCI Property Indices      |
| Infrastructure             | -0.9                   | 2.7        | 4.0         | 5.9        | GBP 7 Day LIBID+5%         |
| Private Equity             | 2.4                    | 7.4        | -           | -          | MSCI AC World              |
| Private Debt               | 2.2                    | 2.7        | 6.3         | 5.9        | GBP 7 Day LIBID+5%         |
| <b>Total Fund</b>          | <b>5.2</b>             | <b>4.6</b> | <b>7.4</b>  | <b>8.1</b> | <b>Devon Bespoke Index</b> |

\* 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.

- a) Global bonds delivered a small positive return over the quarter, up to the point that they transitioned across to the Brunel Sterling Corporate Bonds portfolio.
- b) Multi-Sector Credit which represents the riskier end of the listed fixed income market, also transitioned to Brunel over the quarter, and delivered a small positive return, below benchmark.
- c) Equities have continued to deliver good positive returns over the quarter, buoyed by optimism over continuing economic recovery from the impact of the COVID pandemic.
- d) Within the equity allocations, the Global High Alpha, Sustainable Equities and Global Smaller Companies portfolios all delivered above benchmark performance. All three portfolios benefited from the performance of “growth” stocks during the quarter.
- e) The Emerging Markets portfolio return was slightly below benchmark, largely as a result of underweight positions in India and Brazil which performed well over the quarter.
- f) Low volatility stocks continue to underperform the wider market. While the Low Volatility portfolio returned 6.2%, against a broader MSCI ACWI benchmark return of 7.4%, it outperformed the strategy level benchmark, the

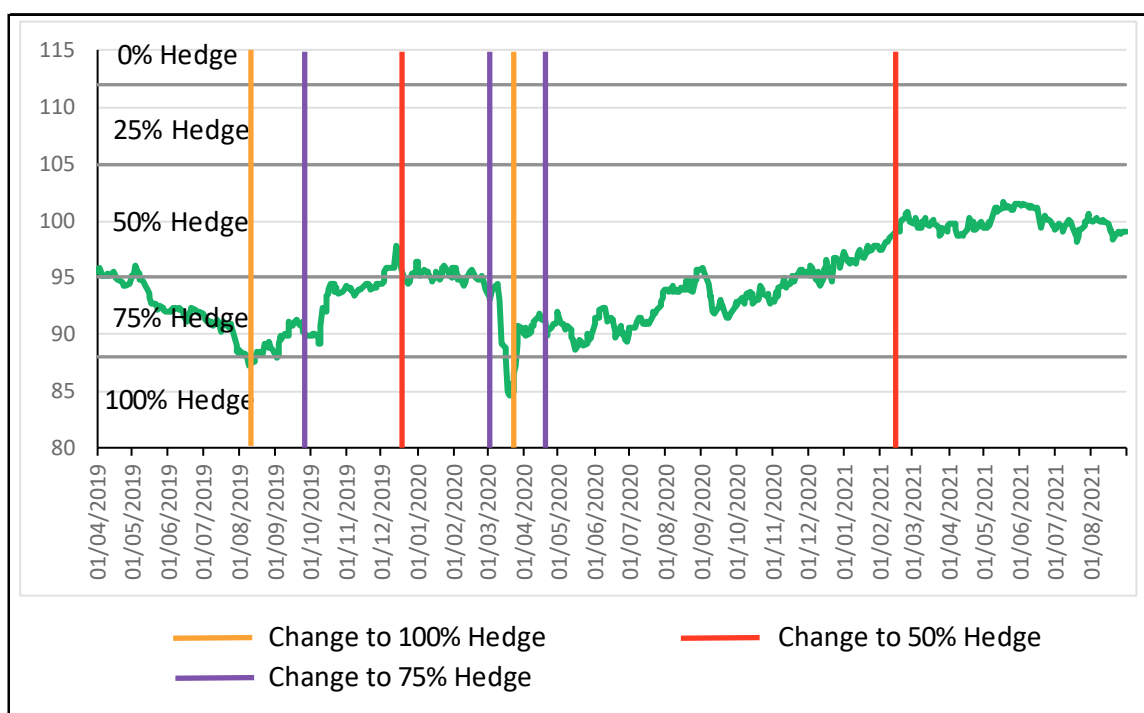
MSCI ACWI Minimum Volatility Index, by 0.7% as the latter returned 5.5%. A low weighting to technology stocks, which are not considered low volatility stocks, is the principle cause of the underperformance against the wider market.

- g) The Brunel Diversifying Returns Fund has delivered a 5.8% return over the quarter. Lower US Treasury yields and positive returns from global equity markets contributed to the positive return as did the currency strategy element of the investment.
- h) Infrastructure continues to be impacted by the pandemic, with in particular the investment in Eurostar requiring re-financing as passenger numbers plummeted. The Hermes and Archmore funds have also suffered from the performance of Southern Water, which has been heavily fined following prosecutions from the Environment Agency over the illegal discharge of sewage.

Currency Hedging

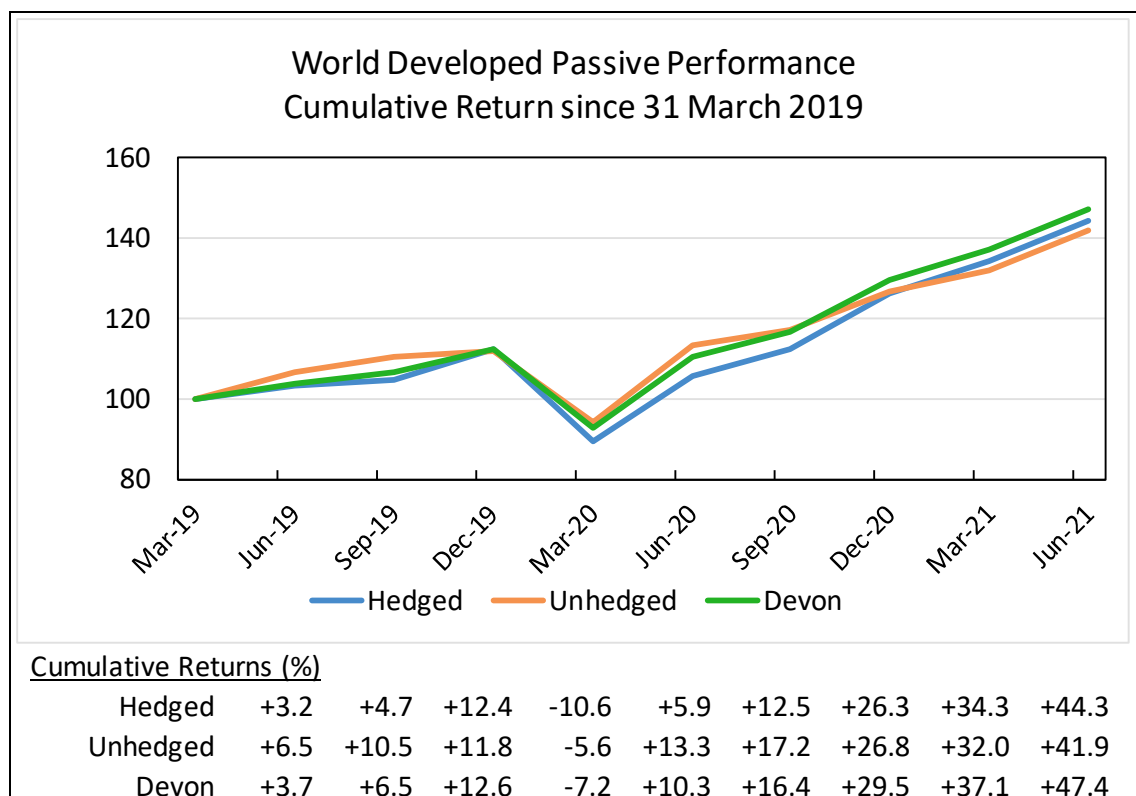
- i) The following graph shows the value of Sterling against a weighted average of the other major currencies, from April 2019 onwards. This represents the period over which the current strategy of hedging the global developed passive allocation has been implemented automatically by Brunel's selected passive manager, Legal and General Investment Management.

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



- j) The strategy agreed by the Committee is to increase or decrease the hedge ratio on the Fund's global passive equity funds based on the ranges as shown on the chart. The middle (base 100) position reflects a weighted average of £1 = \$1.40, £1 = €1.15 and £1 = ¥150. The hedge ratio has remained at 50% since February.
- k) The return achieved by the strategy compared with the returns of the fully hedged global developed passive fund and the unhedged fund over the period from 1 April 2019 to 30 June 2020 are shown by the following chart. The ability of the strategy to vary the hedge has enabled the Devon allocation

to outperform both the unhedged and 100% hedged returns over the period shown.



### 3. FUNDING LEVEL

The triennial actuarial valuation, as at 31 March 2019, carried out by the Fund Actuary, Barnett Waddingham, determined that the Devon Pension Fund had a funding level of 91%.

The Fund Actuary has provided a quarterly update, using the approach of rolling forward the data from the 2019 valuation, and updating it for subsequent investment returns, pension and salary increases. While it is not possible to assess the accuracy of the estimated liability as at 30 June 2021 without completing a full valuation, the results will be indicative of the underlying position.

- a) The returns over the period since the 2019 Triennial Valuation are shown in the following table.

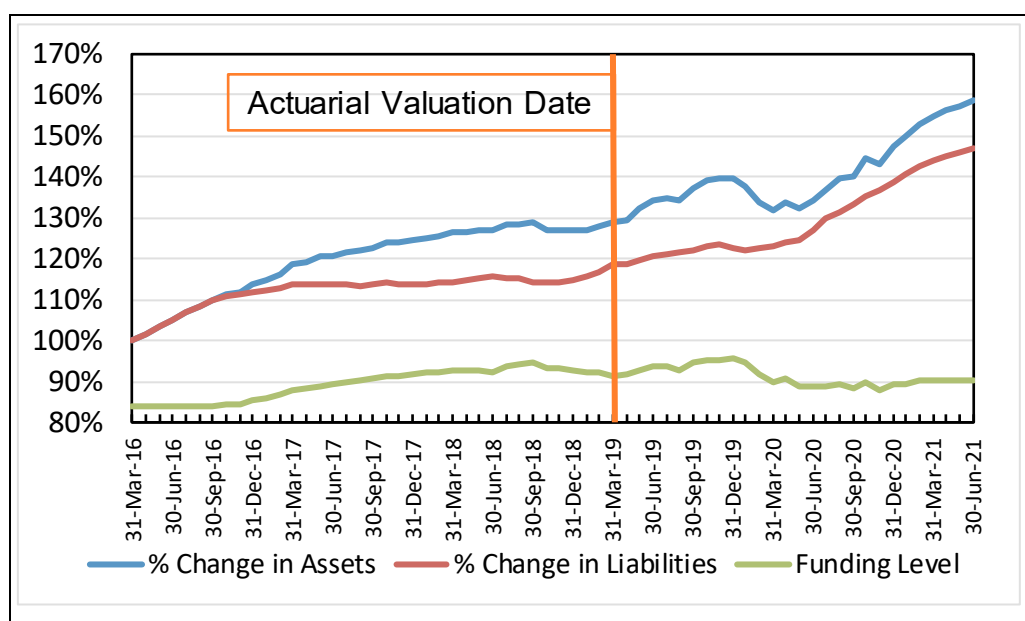
|                                          | <b>Actuarial Assumption</b> | <b>Actual Return</b> |
|------------------------------------------|-----------------------------|----------------------|
| 2019/20                                  | 5.1%                        | -8.0%                |
| 2020/21                                  | 5.1%                        | 25.6%                |
| 2021/22 to date                          | 1.3%                        | 5.2%                 |
| <b>Return since 31/3/19 (annualised)</b> | <b>5.1%</b>                 | <b>9.7%</b>          |

- b) Following the bounce back of the markets from the March falls, the annualised return to date of +9.7% is well above the Actuary's assumption of a +5.1% return. This has a positive impact on the value of Fund assets and therefore on the funding level.
- c) The valuation of liabilities depends on the assumptions used by the Actuary, in particular those for pension and salary increases and the discount rate

applied to liabilities. The assumptions used by the Actuary for the June 2021 funding update, compared with those used in the 2019 Triennial Valuation are shown in the following table.

| Actuarial Assumptions   | March 2019 | June 2021 |
|-------------------------|------------|-----------|
| Pension Increases (CPI) | 2.65%      | 2.84%     |
| Salary Increases        | 3.65%      | 3.84%     |
| Discount Rate           | 5.10%      | 4.55%     |

- d) The assumption for pension and salary increases has been increased slightly, but the more significant change is the reduction in the discount rate used to value the Fund's liabilities. This change reflects reductions in the assumed yields on both equities and bonds going forward, and also the impact of RPI/CPI (Retail Prices Index / Consumer Prices Index) changes that will be introduced by 2030. The revised assumptions have the effect of increasing the Fund liabilities, which has a negative impact on the funding level.
- e) The Actuary's valuations and funding updates show the financial position on a smoothed basis for each month since the 2016 full valuation. Therefore, the chart below smooths to some extent the impact of the significant market falls resulting from the pandemic, and the following recovery.



- f) Using the smoothed basis, the Actuary has estimated a funding level of 90% as at 30 June 2021, compared with the 91% funding level at the 2019 Triennial Valuation. The funding level at the 2016 Valuation was 84%.
- g) One issue not factored into the analysis is the impact that Covid-19 may have on mortality rates, and therefore the impact of revised demographic assumptions on the liability value. This is an area that the Fund Actuary will be exploring further ahead of the next triennial valuation in 2022.

#### 4. BUDGET FORECAST 2021-22

Appendix 1 shows the income and expenditure to date for 2021-22 against the original budget forecast. The following points should be noted.

- a) Employer contributions to date includes the prepayment of deficit contributions for both 2021-22 and 2022-23 that was made by some employers in 2020-21. The pre-payment for 2022-23 will be accrued at year end, and therefore there is still anticipated to be a shortfall of contributions to meet benefit payments during the year.
- b) Investment income from property, infrastructure and private debt is received in cash and can be used to aid cashflow. However, following the transition of the global bonds portfolio to Brunel all the Fund's other investments are in pooled funds that do not distribute income. Income from the underlying assets is held and accounted for within the funds concerned. The income to date shown as "Reinvested by Fund Manager" represents income on the global bonds mandate before transition. There may be a small amount of residual income to be received, but following the transition this will be minimal.
- c) Peninsula Pensions expenditure is always high in the first quarter, as the annual payment to the software provider is paid, and invoices to Somerset and other clients have yet to be issued.
- d) Investment management fees and oversight and governance costs are still expected to be in line with the original budget forecast.

## 5. CASH MANAGEMENT

The following table shows that the unallocated cash on deposit, as at 30 June 2021, was £37.9m, plus \$2.3m in US Dollars. As at 31 August the cash on deposit had reduced to £8.8m, with less than \$10,000 held 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. Interest rates available for cash have reduced further as a result of the coronavirus pandemic and are now barely above zero.

### Cash on Deposit

| Type of Deposit          | Maturity period | Actual as at 30/06/21 | Average Interest Rate | Current as at 31/08/21 | Average Interest Rate |
|--------------------------|-----------------|-----------------------|-----------------------|------------------------|-----------------------|
| <b>GBP Deposits</b>      |                 | <b>£m</b>             | <b>%</b>              | <b>£m</b>              | <b>%</b>              |
| Call and Notice Accounts | Immediate       | 37.9                  | 0.03                  | 8.8                    | 0.02                  |
|                          | 35 Day Notice   | 0.0                   |                       | 0.0                    |                       |
|                          |                 |                       |                       |                        |                       |
| Term Deposits            | <30 Days        | 0.0                   |                       | 0.0                    |                       |
|                          | >30 Days        | 10.0                  | 0.09                  | 0.0                    |                       |
|                          |                 |                       |                       |                        |                       |
| <b>TOTAL GBP</b>         |                 | <b>47.9</b>           | <b>0.04</b>           | <b>8.8</b>             | <b>0.02</b>           |
| <b>USD Deposits</b>      |                 | <b>\$m</b>            | <b>%</b>              | <b>\$m</b>             | <b>%</b>              |
| Call and Notice Accounts | Immediate       | 2.3                   | 0.00                  | 0.0                    | 0.00                  |

Points to note:

- a) The weighted average rate being earned on GBP cash deposits, as at 30 June 2021, was 0.03%. This reflects the current low rates available for instantly accessible cash.



- b) Significant calls by Brunel to fund private markets commitments have depleted the cash balance during July and August. With further significant calls on commitment expected during September and October, it was decided to redeem £60 million from the Diversifying Returns Fund (DRF) allocation, which will be received during September. This is in accordance with the strategy of funding private markets calls from the DRF portfolio agreed by the Committee.
- c) The Bank of England is expected to maintain the base rate at 0.1% for the foreseeable future, and the yield on immediately available cash from both banks and money market funds is therefore likely to remain at very low levels. The US Federal Reserve has similarly low rates and as a result the rate achievable on US Dollars investment has fallen to zero.
- d) The deposits in place during 2020-21 have fully complied with the Fund's Treasury Management and Investment Strategy.

## 6. VOTING AND ENGAGEMENT ACTIVITY

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.

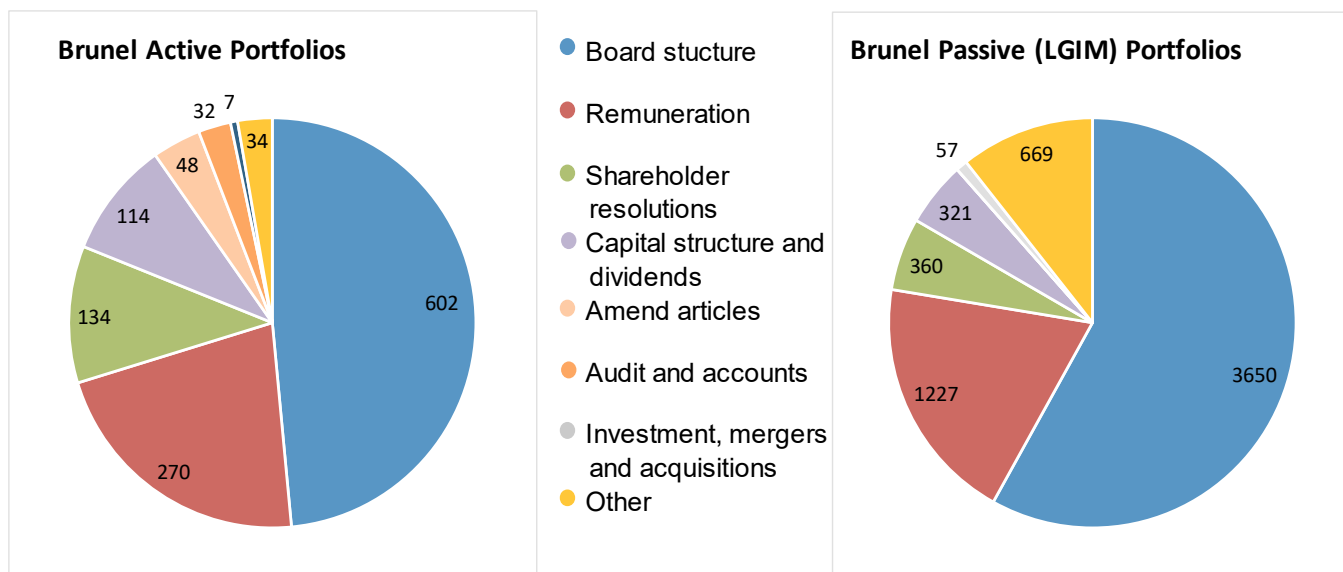
### **Votes Cast at Company Meetings in the quarter to 30 June 2021**

| Manager                          | Quarter to 30 June 2021 |                       |                                         |
|----------------------------------|-------------------------|-----------------------|-----------------------------------------|
|                                  | Number of Meetings      | Number of Resolutions | Votes against management recommendation |
| Brunel / LGIM Passive Portfolios | 2,454                   | 35,630                | 6,286                                   |
| Brunel - Active Portfolios       | 522                     | 6,922                 | 1,242                                   |
| RWC European Focus Fund          | 12                      | 186                   | 9                                       |

Points to note:

- a) Brunel actively vote the shares held within their funds on behalf of their client funds, including Devon. 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 portfolios. For the passive equity allocation Legal and General Investment Management (LGIM) manage the investments and voting on the shares is delegated to them, hence they are shown separately. On significant issues, Brunel may request that their shares held by LGIM are split out and a different vote made.
- b) The votes against management recommendations will reflect matters where there is concern that the company is not addressing the relevant issue and managing it effectively. The Devon Fund would expect that these votes against management should be primarily on the priority areas set out in the Fund's Investment Strategy Statement. An analysis of the issues where votes have been cast against management recommendations is set out below.

## Votes cast against management recommendation by issue in the quarter to 30 June 2021

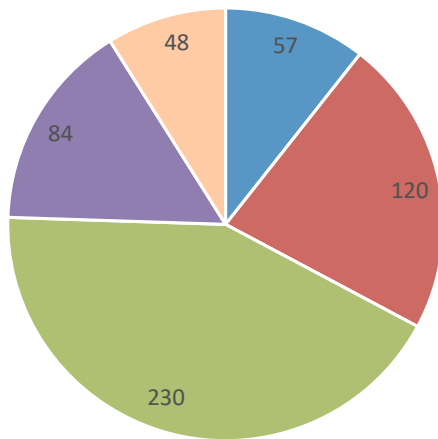


- c) The Fund is also a member of the Local Authority Pension Fund Forum (LAPFF), who undertake engagement activity on behalf of their member funds. Where significant issues arise on the agendas of company meetings, LAPFF will issue voting alerts, with recommendations on how to vote. The Devon Fund will then pass on these recommendations to Brunel and ask them to report back on how they have voted. The voting alerts issued during the quarter to 30 June are summarised in Appendix 2 to this report. The table separates out Brunel's votes through their active portfolios and the votes cast by LGIM on the passive portfolios.
- d) Included within the voting alerts are instances where due to concerns about the way that a company is being managed, LAPFF are recommending that votes are cast against the re-election of members of the Board. In other instances, they will be recommending voting in favour of shareholder resolutions, often in relation to climate change. Where these resolutions do not have the backing of the company they will usually fail. However, in the case of ExxonMobil, four new board members were proposed by an activist investment firm and shareholder, with the intention of getting the company to take the issue of climate change more seriously. Three of the four were successfully elected ahead of the company's nominees.
- e) Brunel and LGIM will come to their own conclusions on voting and will not always follow LAPFF recommendations. For example, LAPFF recommended a vote in favour of Glencore's climate action transition plan, but both Brunel and LGIM felt that the plan did not go far enough in tackling the issue and voted against. The plan was supported by the majority of shareholders however. LAPFF recommended supporting a shareholder resolution on having a human/civil rights expert on the board at Facebook, but Brunel and LGIM felt that Facebook had recently undergone an independent human rights audit and was acting on the recommendations, including appointing human rights experts to leadership positions, and therefore a vote in favour of the shareholder resolution was not required.
- f) Royal Dutch Shell and BP both had their AGMs during the quarter, and there was much interest in the resolutions put forward around the approach to climate change. There were two resolutions at Shell's AGM - LAPFF

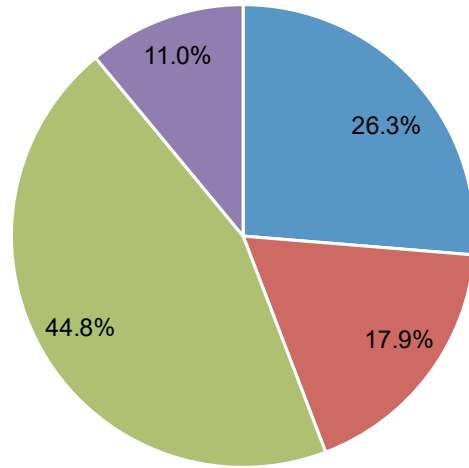
recommended voting against Royal Dutch Shell’s energy transition strategy, on the basis that it did not go far enough, and in favour of a much stronger shareholder resolution on the company’s approach to tackling climate change. LGIM voted in line with the LAPFF recommendation, whilst recognising the progress made by Shell in response to considerable engagement with the company.

- g) Brunel conduct significant engagement with investee companies on behalf of the Devon Fund and other clients. A breakdown of the engagement undertaken over the last quarter is summarised in the following charts:

**Number of Companies Engaged With, By Region**



**Breakdown of Issues Engaged On**



- United Kingdom
- Europe
- North America
- Asia/Pacific
- Emerging Markets

- Environmental
- Social and Ethical
- Governance
- Strategy Risk and Communication

- h) More details on Brunel’s engagement can be found in their quarterly report.
- i) The LAPFF quarterly engagement report for the quarter to 30 June is attached at Appendix 3 to this report. The report includes LAPFF’s engagement with Shell and ExxonMobil over the issues reported on above. It also highlights their work with mining companies on human rights issues

Mary Davis  
 County Treasurer  
 [Electoral Divisions: All]

**LOCAL GOVERNMENT ACT 1972:**  
**LIST OF BACKGROUND PAPERS: NIL**  
 Contact for Enquiries: **Mark Gayler**  
 Tel No: **01392 383621** Room: **G97**

## Appendix 1

### Devon County Council Pension Fund Budget Forecast 2021/22

|                                                        | Actual<br>2020/21<br>£'000 | Original<br>Forecast<br>2021/22<br>£'000 | Actual to<br>30 June<br>2021<br>£'000 | Revised<br>Forecast<br>2021/22<br>£'000 | Variance<br>from<br>Original<br>Forecast<br>£'000 |
|--------------------------------------------------------|----------------------------|------------------------------------------|---------------------------------------|-----------------------------------------|---------------------------------------------------|
| <b>Contributions</b>                                   |                            |                                          |                                       |                                         |                                                   |
| Employers                                              | (139,874)                  | (142,000)                                | (62,030)                              | (142,000)                               | 0                                                 |
| Members                                                | (42,805)                   | (45,000)                                 | (10,987)                              | (45,000)                                | 0                                                 |
| Transfers in from other pension funds:                 | (12,970)                   | (9,000)                                  | (4,767)                               | (9,000)                                 | 0                                                 |
|                                                        | <u>(195,649)</u>           | <u>(196,000)</u>                         | <u>(77,784)</u>                       | <u>(196,000)</u>                        | <u>0</u>                                          |
| <b>Benefits</b>                                        |                            |                                          |                                       |                                         |                                                   |
| Pensions                                               | 163,522                    | 170,000                                  | 41,590                                | 170,000                                 | 0                                                 |
| Commutation and lump sum retirement benefits           | 24,617                     | 27,000                                   | 5,624                                 | 27,000                                  | 0                                                 |
| Lump sum death benefits                                | 4,300                      | 4,000                                    | 907                                   | 4,000                                   | 0                                                 |
| Payments to and on account of leavers                  | 586                        | 500                                      | 117                                   | 500                                     | 0                                                 |
| Individual Transfers                                   | 7,851                      | 8,000                                    | 2,720                                 | 8,000                                   | 0                                                 |
|                                                        | <u>200,876</u>             | <u>209,500</u>                           | <u>50,958</u>                         | <u>209,500</u>                          | <u>0</u>                                          |
| <b>Net Withdrawals from dealings with fund members</b> | <b>5,227</b>               | <b>13,500</b>                            | <b>(26,826)</b>                       | <b>13,500</b>                           | <b>0</b>                                          |
| <b>Investment Income</b>                               |                            |                                          |                                       |                                         |                                                   |
| Received as Cash                                       | (24,333)                   | (30,000)                                 | (6,719)                               | (28,500)                                | 1,500                                             |
| Reinvested by Fund Manager                             | (10,687)                   | (1,000)                                  | (2,415)                               | (2,500)                                 | (1,500)                                           |
|                                                        | <u>(35,020)</u>            | <u>(31,000)</u>                          | <u>(9,134)</u>                        | <u>(31,000)</u>                         | <u>0</u>                                          |
| <b>Administrative costs</b>                            |                            |                                          |                                       |                                         |                                                   |
| Peninsula Pensions                                     | 2,304                      | 2,400                                    | 1,821                                 | 2,400                                   | 0                                                 |
|                                                        | <u>2,304</u>               | <u>2,400</u>                             | <u>1,821</u>                          | <u>2,400</u>                            | <u>0</u>                                          |
| <b>Investment management expenses</b>                  |                            |                                          |                                       |                                         |                                                   |
| External investment management fees - invoiced         | 4,400                      | 1,800                                    | 1,072                                 | 1,800                                   | 0                                                 |
| External investment management fees - not invoiced     | 12,836                     | 16,500                                   | 3,737                                 | 16,500                                  | 0                                                 |
| Custody fees                                           | 82                         | 60                                       | 9                                     | 60                                      | 0                                                 |
| Transaction costs                                      | 400                        | 600                                      | 191                                   | 600                                     | 0                                                 |
| Stock lending income & commission recapture            | (23)                       | (5)                                      | (1)                                   | (5)                                     | 0                                                 |
| Class Action Proceeds                                  | 1                          | 0                                        | 0                                     | 0                                       | 0                                                 |
| Other investment management expenses                   | 20                         | 25                                       | 0                                     | 25                                      | 0                                                 |
|                                                        | <u>17,716</u>              | <u>18,980</u>                            | <u>5,009</u>                          | <u>18,980</u>                           | <u>0</u>                                          |
| <b>Oversight and governance costs</b>                  |                            |                                          |                                       |                                         |                                                   |
| Investment & Pension Fund Committee Support            | 82                         | 92                                       | 39                                    | 92                                      | 0                                                 |
| Pension Board                                          | 41                         | 46                                       | 13                                    | 46                                      | 0                                                 |
| Investment Oversight and Accounting                    | 360                        | 380                                      | 54                                    | 380                                     | 0                                                 |
| Brunel Pension Partnership                             | 28                         | 30                                       | 7                                     | 30                                      | 0                                                 |
| Legal Support                                          | 22                         | 25                                       | 1                                     | 25                                      | 0                                                 |
| Actuarial Services                                     | 60                         | 60                                       | 53                                    | 60                                      | 0                                                 |
| Investment Performance Measurement                     | 91                         | 100                                      | 0                                     | 100                                     | 0                                                 |
| Subscriptions                                          | 41                         | 45                                       | 15                                    | 45                                      | 0                                                 |
| Internal Audit fees                                    | 20                         | 22                                       | 16                                    | 22                                      | 0                                                 |
| External Audit fees                                    | 26                         | 25                                       | 8                                     | 25                                      | 0                                                 |
|                                                        | <u>771</u>                 | <u>825</u>                               | <u>206</u>                            | <u>825</u>                              | <u>0</u>                                          |
| <b>Total Management Expenses</b>                       | <b>20,791</b>              | <b>22,205</b>                            | <b>7,036</b>                          | <b>22,205</b>                           | <b>0</b>                                          |

Appendix 2

**LAPFF Voting Alerts**

| Company           | AGM Date  | Target Resolution                                                 | LAPFF Recommendation | Voting Record  |               |                                | Outcome                            |
|-------------------|-----------|-------------------------------------------------------------------|----------------------|----------------|---------------|--------------------------------|------------------------------------|
|                   |           |                                                                   |                      | LGIM (Passive) | Brunel Active | Active Portfolios Held In      |                                    |
| Rio Tinto         | 09-Apr-21 | Approve annual report and accounts                                | Oppose               | For            | N/A           | Not Applicable*                | Approved (77.0% votes for)         |
|                   |           | Re-elect Megan Clerk                                              | Oppose               | For            | N/A           |                                | Approved (77.0% votes for)         |
|                   |           | Re-elect Sam Laidlaw                                              | Oppose               | For            | N/A           |                                | Approved (77.1% votes for)         |
|                   |           | Re-elect Simon Thompson                                           | Abstain              | For            | N/A           |                                | Approved (77.0% votes for)         |
| Glencore PLC      | 29-Apr-21 | Annual Report and Accounts                                        | Oppose               | For            | For           | Global High Alpha              | Approved (99.3% votes for)         |
|                   |           | Re-elect Peter Coates                                             | Oppose               | For            | For           |                                | Approved (94.8% votes for)         |
|                   |           | Approve Climate Action Transition Plan                            | For                  | Against        | Against       |                                | Approved (94.4% votes for)         |
|                   |           | Approve Remuneration Policy                                       | Oppose               | Against        | For           |                                | Approved (74.2% vote for)          |
| Barclays Plc      | 05-May-21 | Market Forces requisitioned resolution on climate change          | For                  | Against        | N/A           | Not Applicable*                | Not Approved (86.0% votes against) |
| Royal Dutch Shell | 18-May-21 | Advisory Vote on Energy Transition Strategy                       | Oppose               | Against        | N/A           | Not Applicable*                | Approved (88.7% votes for)         |
|                   |           | Request for climate targets aligned with Paris Agreement          | For                  | For            | N/A           |                                | Not Approved (69.5% votes against) |
| Facebook inc.     | 26-May-21 | Shareholder proposal regarding dual class capital structure       | For                  | For            | For           | Global High Alpha              | Not Approved (72.3% votes against) |
|                   |           | Shareholder proposal regarding an independent chair               | For                  | For            | For           |                                | Not Approved (83.9% votes against) |
|                   |           | Shareholder proposal regarding child exploitation                 | For                  | For            | For           |                                | Not Approved (82.7% votes against) |
|                   |           | Shareholder proposal regarding human/civil rights expert on board | For                  | Against        | Against       |                                | Not Approved (95.9% votes against) |
| Amazon.com        | 26-May-21 | Customer Due Diligence                                            | For                  | For            | For           | Global High Alpha; Sustainable | Not Approved (64.7% votes against) |
|                   |           | Mandatory Independent Board Chair Policy                          | For                  | For            | For           |                                | Not Approved (85.1% votes against) |
|                   |           | Additional Reporting on Gender/Racial Pay                         | For                  | For            | For           |                                | Not Approved (74.1% votes against) |

| Company                   | AGM Date  | Target Resolution                                               | LAPFF Recommendation | Voting Record  |               |                                   | Outcome                            |
|---------------------------|-----------|-----------------------------------------------------------------|----------------------|----------------|---------------|-----------------------------------|------------------------------------|
|                           |           |                                                                 |                      | LGIM (Passive) | Brunel Active | Active Portfolios Held In         |                                    |
| Amazon.com<br>(Continued) | 26-May-21 | Report on Promotion Data                                        | For                  | For            | For           | Global High Alpha;<br>Sustainable | Not Approved (81.9% votes against) |
|                           |           | Report on Packaging Materials                                   | For                  | For            | For           |                                   | Not Approved (64.5% votes against) |
|                           |           | Diversity and Equity Audit Report                               | For                  | For            | For           |                                   | Not Approved (55.8% votes against) |
|                           |           | Alternative Director Candidate Policy                           | For                  | For            | For           |                                   | Not Approved (82.5% votes against) |
|                           |           | Report on Competition Strategy and Risk                         | For                  | Against        | Against       |                                   | Not Approved (66.3% votes against) |
|                           |           | Reduction in Threshold for Calling Special Shareholder Meetings | For                  | For            | For           |                                   | Not Approved (65.9% votes against) |
|                           |           | Additional Reporting on Lobbying                                | For                  | For            | For           |                                   | Not Approved (65.1% votes against) |
|                           |           | Report on Customer Use of Certain Technologies                  | For                  | For            | For           |                                   | Not Approved (65.7% votes against) |
| ExxonMobil                | 26-May-21 | Elect Director Michael J. Angelakis                             | Oppose               | For            | N/A           | Not Applicable                    | Elected (98.4% votes for)*         |
|                           |           | Elect Director Susan K. Avery                                   | Oppose               | For            | N/A           |                                   | Elected (96.7% votes for)*         |
|                           |           | Elect Director Angela F. Braly                                  | Oppose               | For            | N/A           |                                   | Elected (95.3% votes for)*         |
|                           |           | Elect Director Ursula M. Burns                                  | Oppose               | For            | N/A           |                                   | Elected (97.8% votes for)*         |
|                           |           | Elect Director Kenneth C. Frazier                               | Oppose               | Against        | N/A           |                                   | Elected (94.5% votes for)*         |
|                           |           | Elect Director Steven A. Kandarian                              | Oppose               | No Vote *      | N/A           |                                   | Elected (97.2% votes for)*         |
|                           |           | Elect Director Douglas R. Oberhelman                            | Oppose               | No Vote *      | N/A           |                                   | Not Elected (97.2% votes for)*     |
|                           |           | Elect Director Samuel J. Palmisano                              | Oppose               | No Vote *      | N/A           |                                   | Not Elected (93.2% votes for)*     |
|                           |           | Elect Director Jeffrey W. Ubben                                 | Oppose               | For            | N/A           |                                   | Elected (98.1% votes for)*         |

\* At Exxon's AGM shareholders had the choice of voting for or against 12 candidates put forward by the company, or for or against a list of 12 candidates including 4 nominees of an activist shareholder and 8 of the company's nominees. LGIM voted on the second list of nominees so no vote was registered for 4 of the company nominees. The 12 candidates who gained the most votes overall were elected to the Board, this is not accurately reflected in the percentages shown.

| Company                      | AGM Date  | Target Resolution                                                 | LAPFF Recommendation | Voting Record  |               |                           | Outcome                            |
|------------------------------|-----------|-------------------------------------------------------------------|----------------------|----------------|---------------|---------------------------|------------------------------------|
|                              |           |                                                                   |                      | LGIM (Passive) | Brunel Active | Active Portfolios Held In |                                    |
| ExxonMobil                   | 26-May-21 | Elect Director Darren W. Woods                                    | Oppose               | Against        | N/A           | Not Applicable            | Elected (94.5% votes for)*         |
|                              |           | Elect Director Wan Zulkiflee                                      | Oppose               | No Vote *      | N/A           |                           | Not Elected (93.4% votes for)*     |
|                              |           | Elect Director Gregory J. Goff                                    | For                  | For            | N/A           |                           | Elected (85.6% votes for)*         |
|                              |           | Elect Director Kaisa Hietala                                      | For                  | For            | N/A           |                           | Elected (90.7% votes for)*         |
|                              |           | Elect Director Alexander A. Karsner                               | For                  | For            | N/A           |                           | Elected (73.1% votes for)*         |
|                              |           | Elect Director Anders Runevad                                     | For                  | For            | N/A           |                           | Not Elected (17.7% votes for)*     |
|                              |           | Shareholder Resolution: Require independent chair                 | For                  | For            | N/A           |                           | Not Approved (77.0% votes against) |
| HSBC                         | 28-May-21 | Climate Change Resolution                                         | For                  | For            | For           | Low Volatility            | Approved (99.7% votes for)         |
| Booking Holdings Inc.        | 03-Jun-21 | Elect Glenn D. Fogel (Chief Executive)                            | Oppose               | For            | For           | Global High Alpha         | Approved (99.8% votes for)         |
|                              |           | Report on Annual Climate Transition                               | For                  | For            | For           |                           | Approved (56.5% votes for)         |
|                              |           | Annual Investor Advisory Vote on Climate Plan                     | For                  | For            | For           |                           | Not Approved (62.5% votes against) |
| Expedia Group Inc            | 09-Jun-21 | Elect Barry Diller - Chair                                        | Oppose               | Against        | N/A           | Not Applicable            | Approved (94.5% votes for)         |
| TripAdvisor Inc.             | 09-Jun-21 | Elect Gregory B. Maffei - Chair                                   | Oppose               | Against        | Against       | Smaller Companies         | Approved (81.7% votes for)         |
| Delta Airlines Inc           | 17-Jun-21 | Report on corporate climate lobbying in line with Paris Agreement | For                  | For            | N/A           | Not Applicable            | Approved (63.0% votes for)         |
| Mitsubishi UFJ Financial Grp | 29-Jun-21 | Resolution for plan to align financing with the Paris Agreement   | For                  | For            | N/A           | Not Applicable            | Not Approved (77.2% votes against) |



**Quarterly  
Engagement  
Report**

April-June  
2021



**Shell, Exxon,  
ArcelorMittal,  
National Grid,  
Tesco,  
Hanwha**



## CLIMATE EMERGENCY



# Shell Pushed to the Brink on Climate

**Objective:** LAPFF has engaged with Shell for many years, including as a participant in the CA100+ initiative. The objective has been to see a clear and credible business transition path towards net zero by 2050, with appropriate reductions in all emissions prior to 2050 in order to reach that goal.

**Achieved:** LAPFF is a member of CA100+ and the Shell engagement group, and along with several other members was concerned about the commitment Shell had to becoming net zero. The two lead engagers entered into a non-disclosure agreement with the company, therefore privy to Shell's approach whilst unable to inform other members of the group until after the public statements in support were made. Shell's approach was released in February 2021. LAPFF had however analysed what was said perhaps more fully and sceptically than others,

and LAPFF recommended voting against Shell's climate transition resolution and for the resolution of campaign group Follow This.

The Shell resolution at the 18 May AGM passed with 11% opposition, but 30% of voting shareholders voted in favour of the Follow This resolution. However, on 26 May a Dutch Court concluded that Shell's plans were inadequate on each of the points that LAPFF had highlighted. These were:

- that the small print showed the proposal was not incorporated into operating plans or budgets and that these things would only occur when Shell's customers had made adjustments;
- that the proposals for Carbon Capture and Storage and Nature Based solutions were ill-defined (as well as not in budgets or operating plans);

- that emissions were based on discredited "intensity" measures rather than absolute emissions; and
- that there were no targets for emissions reduction by 2030.

In consequence the Court has required that Shell reduce its global absolute emissions by 45% by 2030 with reference to 2019 emissions in order to begin to meet Paris goals.

**In Progress:** The company has indicated it intends to appeal the judgment. The current plan from LAPFF is to engage with the incoming chair, Sir Andrew Mackenzie. A key issue for discussion is why LAPFF and the Courts were able to draw the same conclusion despite a considerable public relations effort to push the opposite. The key lesson from Shell is that LAPFF engages as part owners of the company, not default supporters of incumbent management.

# CLIMATE EMERGENCY

Media coverage - [LAPFF urges member funds to oppose Shell climate strategy - Pensions Age Magazine](#)  
[UK public pension forum recommends vote against Shell on climate - News, IPE Pension Forum LAPFF Recommends Members Vote Against Shell Climate Plan - ESG Today](#)  
 UPDATE 2-[Shell climate plan should be opposed at AGM -funds group - Reuters](#)  
[UK pensions group recommends members oppose Shell's climate strategy at AGM - Nasdaq](#)  
[Shell climate plan should be opposed at AGM - funds group - Euronews](#)  
[Shell Climate Plan Should Be Opposed At AGM Says Funds Group - Checkout](#)

## Exxon Board Overhauled

**Objective:** Exxon has for years been a poster child for climate change denial, despite evidence that extensive Exxon research had identified the harmful effects of climate change decades ago. Consequently, investors – including LAPFF – have voted for a number of years now to overhaul the Exxon board.

**Achieved:** The requests from LAPFF to meet with members of the Exxon board were consistently fobbed off, including as recently as the spring of this year. In light of these refusals, it was not a difficult decision to issue advice to back a slate of four directors proposed by hedge fund Engine No.1 and vote against the election of other members.

The first signs that things were not going the way the company would like was an unscheduled one and a half hour gap in the company's AGM on 26 May. At the time of writing, the votes have still not been fully counted and announced. However, Exxon has stated that three of the Engine No. 1 candidates have been elected to the board and three of the board nominated candidates were not.

**In Progress:** In light of this tremendous result of shareholder activism, LAPFF hopes to be able to engage with new board members.

## Say on Climate Ramps Up

**Objective:** LAPFF has been speaking with Sir Chris Hohn, of The Children's Investment Fund Management, who came up with an idea to press companies to put their climate plans and strategies to vote



Sir Chris Hohn, of The Children's Investment Fund Management,

at AGMs in much the way that say on pay votes take place currently. The goal of this initiative is to allow shareholders the opportunity to hold all companies more accountable for their carbon management activities, not just those with high carbon emissions.

**Achieved:** While there have been mixed views on this initiative, there have been a number of positive outcomes from these votes. For example, LAPFF was able to use Shell's say on climate resolution to express significant concerns about the company's climate plans. It is also putting pressure on companies that did not bring such resolutions to their AGMs this year to do so next year. Anglo American announced at its 2021 AGM that it will bring an advisory resolution on its climate plans to the 2022 AGM, joining a number of other companies making this commitment. Finally, this initiative is driving clarity for investors on how to assess company climate initiatives. Several organisations have come together to rate company plans on a number of factors, such as targets and strategy, in particular the Climate Action 100+ benchmark. These analyses help investors to understand and evaluate company climate plans in a systematic and strategic manner.

**In Progress:** Some commentators have expressed concern that the Say on Climate initiative misses the mark and deflects attention from real action, such as voting out board directors. However, we have seen this year with the Exxon board debacle that investors can do both and indeed the Say on Climate initiative emphasizes the fact that 'annual shareholder votes on climate transition action plans are complementary to other votes

on critical climate matters, such as disclosure, audit and other board votes. As this initiative develops and investors gain a better sense of what to ask of companies, it seems likely that say on climate resolutions will be an important tool in the arsenal of responsible investors seeking to press companies in the right direction on climate.

## National Grid

**Objective:** A meeting was held with National Grid representatives as part of the ESG roadshow the company is undertaking prior to the July AGM. LAPFF Vice Chair Cllr Rob Chapman, together with other lead CA100+ investors, met with Steve Thompson, Environmental Sustainability Manager and Nick Ashworth Director of Investor Relations. The primary objective for LAPFF was to assess company progress against the CA100+ benchmark in anticipation of questions to put to the chair prior to the 2021 AGM and the resolution for an advisory vote on the group net zero transition plan, ie. a 'say on climate' vote.

**Achieved:** The company has now set a new Scope 3 target to reduce carbon emissions 37.5% below the 1990 baseline by 2034, up from the previous target of 20% by 2030. This target is aligned with the science-based targets initiative. Scope 3 emissions are by far the largest proportion of the company's emissions, and, having signed up to the science-based targets initiative, it is welcome to see this amended mid-term concrete target. Although National Grid is buying WPD Group, the UK's largest electricity distribution business, it is still devoting attention to including hydrogen in the domestic gas supply. Concerns were raised about this focus and the potential of locking in stranded assets.

**In Progress:** A meeting is scheduled with the new chair, Paula Rasput Reynolds in July, prior to the late July AGM.

## ArcelorMittal

**Objective:** At a meeting in May, Cllr Chapman led a collaborative investor meeting to ascertain if there was an increased focus on hydrogen as opposed to processes reliant on carbon capture

# COMPANY ENGAGEMENT

and storage (CCS) to ensure all procedures were in place to input questions to the AGM, and to ask if the company would consider a ‘say on climate’ vote at its 2022 AGM.

**Achieved:** Company representatives indicated there had always been an emphasis of hydrogen, even if it wasn’t reported in that way and the recent

separation of hydrogen and ‘smart carbon’ in their reporting showed this. However, more information was provided on ArcelorMittal’s electrolysis technology, the company’s Siderwin project on which it is collaborating with 11 partners, which shows a lot of potential. The company agreed to liaise on AGM arrangements. Subsequent to this, LAPFF received

correspondence indicating that the CA100+ benchmark would be referenced in their next Climate Action report.

**In Progress:** The second group-wide Climate Action report has been much delayed but is due to be published around the end of June, after which a further meeting will be sought.

## Mining and Human Rights

**Objective:** During the quarter, LAPFF aimed to raise the link between human rights and financial performance at mining companies. The impetus for this angle on the engagement has come from speaking with mining companies for whom law suits and fines spanning many years persist and grow while human rights issues remain unresolved.

BHP and Vale are examples of this problem. BHP is facing protracted litigation in the UK over its role in the Samarco dam collapse in Brazil, and both BHP and Vale are facing fines of one million Reais a day for each day they fail to make adequate and complete reparations to the victims of the Samarco dam collapse. Rio Tinto is also facing threats of billions of dollars in losses at its Oyu Tolgoi operation in Mongolia, in part because of poor relations with affected community members. And Anglo American is facing a class action lawsuit for alleged lead poisoning in Zambia that stems back to 1925, as well as continued operational problems at Cerrejon, its joint venture in Colombia with BHP and Glencore. (Just to note, Anglo American and BHP have recently withdrawn from this joint venture).

**Achieved:** Consequently, LAPFF asked a question at the Rio Tinto AGM about whether the company would be willing to quantify the financial cost of its social failures. Noting the complexities in doing so, it would be helpful for investors to understand some of the financial consequences of mining companies’ social failings in order to make clear that they are losing money when companies do not respect human rights and broader social issues in their operations.

LAPFF has also raised this issue with BHP and Vale in engagement meetings. For example, LAPFF issued four questions on behalf of affected community members that asked for the financial



**Some of Rio Tinto’s problems**

Top: The lead smelting plant at Kabwe, Zambia, one of the ten most polluted places in the world



Right: Affected communities in the Oyu Tolgoi operation in Mongolia

Below: Protests against its joint venture in Colombia with BHP and Glencore



## COMPANY ENGAGEMENT

implications of various actions Vale has had to take in response to the Mariana and Brumadinho dam collapses in Brazil. These financial implications are important not least because the Renova Foundation, the joint venture between BHP and Vale established to make reparations after the Mariana dam collapse, has spent 13.1 billion Reais to date, according to its website, with very little progress on housing by all accounts. A meeting with the Renova CEO in late June suggested that he was optimistic that house building and resettlement would speed up in the coming months.

In June, LAPFF Chair, Cllr Doug McMurdo, met with Rio Tinto's new CEO, Jakob Stausholm, who replaced Jean-Sebastian Jacques after the company's destruction of the caves at Juukan Gorge in Western Australia last year. The discussion covered Mr. Stausholm's vision for company culture at Rio Tinto post-Juukan Gorge. Cllr McMurdo also met with Anglo American CEO, Mark Cutifani, to ask about Mr. Cutifani's visit to Cerrejon, a site that lost 91 production days during 2020 due to a strike. This meeting followed a webinar with workers at Cerrejon who cited deplorable working conditions at the mine and a webinar last quarter with community members affected by the mine who cited a litany of human rights and environmental violations associated with the project. In fact, these groups have filed a complaint with multiple National Contact Points of the OECD to complain about the conditions stemming from the mine's operations.

Glencore and BHP also faced implications from the OECD complaint regarding Cerrejon, but it has been announced that Anglo American and BHP have sold their shares in the joint venture to Glencore. These sales were announced just days after Cllr McMurdo met with both Glencore Chair, Tony Hayward, and BHP Chair, Ken MacKenzie. Glencore's on-going litigation around compliance was discussed, and Cllr McMurdo once again pressed Mr. MacKenzie on the ESG failings of joint ventures, including the financial implications for investors of these failings.

**In Progress:** LAPFF will continue to drive home the link between social and environmental failures by mining companies and poor or reduced long-term financial returns for investors. It is clear that making this link for companies

and investors alike will take some time, especially given that mining companies just announced unprecedented dividends this AGM season in the midst of Covid and serious on-going human rights and environmental problems, but this issue will come home to roost eventually. The clearest link for both companies and investors on this point appears to be the struggles that companies have with joint ventures, so LAPFF is continuing to push on this point whenever possible. LAPFF will also continue to track developments with house building and resettlements following the Samarco dam collapse.

**Media coverage - 'Devastating': Can Rio's local boss rebuild trust after Juukan disaster? - [smh.com.au](#)**  
[Rio Tinto suffers huge revolt over pay - Financial Times - ft.com](#)  
[Investors oppose Rio Tinto pay report over rock shelter outrage - Reuters](#)

### LAPFF Posts Monthly Updates on Samarco Dam Collapse

**Objective:** One area where Brazilian community members have asked LAPFF to push in relation to reparations after the Samarco dam collapse in Brazil is on housing. Only ten houses have been rebuilt in over five and a half years in three of the main areas where houses were destroyed by the sludge released from the dam according to affected community members and the companies.

**Achieved:** Consequently, LAPFF has started publishing monthly updates on its website of the number of houses built over five and a half years after the dam collapse. The Forum contacts BHP and Vale, the companies involved, and the Renova Foundation, the joint venture entity responsible for reparations, and the affected communities for updated information. What quickly became clear was that the company data did not match the community data by a long way, so LAPFF has had to publish each party's data separately.

**In Progress:** LAPFF has now undertaken this exercise for three months, but only three houses have been built in that time according to the companies and the communities. LAPFF will continue to press for these houses to be built well, quickly, and in accordance with the needs and wishes of the affected community members.

### Brazilian Investor and Community Engagements

**Objective:** Another area where community members affected by the Mariana and Brumadinho dam collapses asked LAPFF to help was in connecting them with Brazilian investors who could support their efforts.

**Achieved:** Last year, LAPFF made an initial attempt to reach out to one of the main Brazilian investors in Vale – Previ. However, it came to light that the Vale Chair at the time was also the CEO of Previ, so no progress was made on that front. Subsequently, LAPFF – through Principles for Responsible Investment (PRI) – has connected with JGP Credito, a Brazilian investment firm that has an in-house ESG team. JGP Credito has shown significant interest in engaging with the affected communities. They asked questions from affected community members at Vale's AGM on behalf of LAPFF and joined LAPFF's quarterly meeting with affected community members to get acquainted with community representatives.

LAPFF Chair, Cllr Doug McMurdo, was also invited by PRI to participate in a webinar aimed at Brazilian investors. He was asked to speak on a panel addressing the 'S' in ESG and raised a number of thoughts and issues LAPFF has encountered in its tailings dam engagements in Brazil. A well-known responsible investor in Brazil, Fabio Alperowitch, chaired the panel, and LAPFF has been corresponding with him since. Mr. Alperowitch has met with affected community representatives in Brazil after LAPFF put these two parties in touch and is looking to connect LAPFF with more Brazilian investors who might be interested in this engagement, though he suggests that responsible investors in Brazil are few and far between.

**In Progress:** While affected community members have expressed gratitude for LAPFF's assistance and efforts so far on their behalf, it is clear that local investors engaged on this issue would have better success. This is because they understand not just the local language but the local cultural and political levers to make progress. LAPFF will therefore continue to work on building a coalition of Brazilian investors to help take this engagement forward.

## COMPANY ENGAGEMENT



A “pyramide of shoes” in Paris residents stacked up their old shoes in solidarity with Handicap International’s bid to bring attention for demands on a global ban of anti-personnel mines and cluster bombs.

### Hanwha Drops Cluster Munitions Business

**Objective:** In 2014, LAPFF was approached by some of its members to undertake an engagement with defence companies to ask them to stop producing and selling cluster munitions. This engagement was difficult because these companies were on government defence contracts, so the

prospect of having investors carry the necessary weight to convince them to stop producing and selling cluster munitions seemed slim.

**Achieved:** However, about a year later, Singapore Technologies wrote to LAPFF stating that the company had ceased the production and sale of cluster munitions, in part due to pressure from LAPFF and other investors on this issue. Then, in December 2020, LAPFF began to receive emails from another company with which the Forum had engaged – Hanwha Corporation – stating that company had sold off its cluster munitions business.

The company offered meetings to investors recently, and LAPFF Executive member, Cllr Wilf Flynn, met with Hanwha representatives to discuss the company’s decision to dispose of its cluster munitions business. The possibility of a say on climate resolution to next year’s AGM was also discussed as it transpired that the South Korean government is keen to promote sustainability and green technology.

**In Progress:** LAPFF has sought clarity on whether Hanwha would be willing to put a say on climate resolution to its next AGM.

### Israeli-Palestinian Engagement Continues

**Objective:** LAPFF approached seventeen companies in October 2020 operating in the Occupied Palestinian Territories (the Territories), seeking to raise a number of concerns based on their operations in the Territories. Subsequently, one

meeting was held alongside several email communications.

**Achieved:** LAPFF subsequently wrote in June 2021 to sixteen of the companies initially engaged (Altice Europe N.V. has been taken private since the initial round of engagement) requesting that they undertake human rights impact assessments (HRIAs) related to their operations in the Territories. The hope is that companies operating in the Territories will understand the importance of undertaking these HRIAs, not only to highlight where the companies might be complicit in human rights infringements, but also to provide insight on potential investment risks for shareholders. The Forum also issued voting alerts for Booking Holdings Inc, TripAdvisor Inc and Expedia Group Inc, all of whom have been non-responders thus far in the LAPFF engagement. The voting alerts were issued after LAPFF met with representatives from the UN including the Office of the United Nations High Commissioner for Human Rights (OHCHR) to better understand the methodology used in producing the reports the OHCHR has issued on this issue in previous years. In February 2020, the OHCHR issued a listing of companies that are active in the Territories and that raise human rights concerns. LAPFF has based its company engagement targets on this list.

**In Progress:** The Forum will seek to put pressure on the companies with which it has engaged to undertake these HRIAs and will consider voting alerts on a case-by-case basis.

## AGMs and Voting Alerts

**Objective:** Each year, LAPFF circulates voting alerts and attends AGMs of companies with which the Forum is targeting engagement. Last year and this year have been challenging on one hand and have opened opportunities on the other hand because of Covid. LAPFF has managed to attend several AGMs and to issue a number of voting alerts to date.

**Achieved:** LAPFF has attended AGMs this year for Rio Tinto, Barclays, Anglo American, ArcelorMittal, Shell, and Lyondell Basell so far this year. Here is a taste of a couple:

### AGMS

#### ArcelorMittal

As the company did not have an AGM that was open to shareholders in 2020, LAPFF had pushed for more access this year. The company had put arrangements in place to allow written questions, but in the event, the widespread crash of many internet sites on the day of the AGM meant a hastily arranged zoom session gave far more open and transparent access. Aditya Mittal, the recently appointed chief executive, gave a positive response to providing an accelerated timeline for implementing hydrogen technology, saying that the company

wanted to be a leader and that another announcement on hydrogen developments was imminent. In response to a request for a ‘say on climate’ vote at the 2022 AGM, Bruno LaFont, the lead independent director, noted that they would consult with shareholders on this.

#### Lyondell Basell

The LAPFF chair, Cllr McMurdo, participated in the company AGM, as part of a ‘formal discussion’ scheduled for the AGM by the CA100+ lead investors, which focussed on the company’s performance against the CA100+ benchmark. LAPFF noted the annual forum as the best forum for understanding a broad range

## COMPANY ENGAGEMENT



of shareholder views and asked the company to put its climate strategy to vote at the 2022 AGM and annually at each AGM, in effect for a ‘say on climate’.

### VOTING ALERTS

LAPFF has also issued several voting alerts so far this AGM season. Alerts issued have been for: Rio Tinto, HSBC, Glencore, Barclays, Shell, Facebook, Amazon, Exxon, Expedia, Trip Advisor, Booking Holdings, Mitsubishi UFJ Financial Group, and Delta Airlines. Below is some detail on a few of the alerts:

#### Barclays

LAPFF advised voting in favour of a resolution asking the company to implement a strategy with improved targets to phase out the provision of financial services to fossil fuel projects consistent with the Paris Agreement. A company meeting in April had indicated the criteria for investing in oil sands companies was for these companies to have a less than average carbon emission intensity by 2030, compared to other oil sands companies. The alert flagged up that it would be helpful if Barclay’s next year’s Annual Report disclosed the amount of fossil fuel dependent lending.

#### Mitsubishi UFJ Financial Group

The voting recommendation to members was to vote in favour of a resolution for the company to disclose an annual plan of the business strategy to align financing and investments with the goals of the Paris Agreement. The alert noted that the company continues to provide significant finance to fossil fuel expansion and deforestation, falling far short of Paris alignment.

Media coverage - <https://www.reuters.com/business/sustainable-business/uk-pensions-group-says-backs-climate-resolution-mitsubishi-ufj-2021-06-28/>

#### Delta Airlines

LAPFF advised members to support a resolution for Delta to evaluate and report on how the company’s lobbying activities align with the Paris Agreement and how the company plans to mitigate risks presented by any such misalignment. At the AGM, the resolution passed with a majority vote.

**In Progress:** LAPFF will continue to issue voting alerts and attend AGMs as relevant and possible throughout the year.

### Diversity Engagements and Socio-Economic Task Force

**Objective:** The Hampton-Alexander Review set a target of 33% representation of women on FTSE350 boards and in Executive Committees by the end of 2020. With this target in mind, LAPFF views the financial sector as a laggard in the FTSE100 in terms of gender pay gaps and female representation. LAPFF has also sought to engage on ethnic diversity and approached the City of London Taskforce on Socio Economic Diversity.

**Achieved:** LAPFF approached six companies in the financial services sector in the FTSE100, holding meetings with both Standard Life Aberdeen and Lloyds Banking Group. Both companies provided a detailed insight into the issues they face in championing woman and how they are tackling the gender pay gap. Lloyds Banking Group is one of the first companies in the FTSE100 to post an ethnicity pay gap report and recognises that there is work to be done in this area. With the City of London Taskforce on Socio Economic Diversity in mind, the Forum also asked how social class was taken into account with both companies. Then in May 2021, Cllr John Gray, LAPFF Vice-Chair was appointed to the City of

## ENGAGEMENT

London's Taskforce Advisory Board on Socio-Economic Diversity. The Forum has also continued its participation in the 30% Club Investor Group Meetings which provides a space to discuss best practice among investors in relation to female representation on company boards.

**In Progress:** The Forum will extend its engagement on diversity and pay gaps to the FTSE350, looking to see where companies have not yet met targets of the Hampton-Alexander review, and where wider pay gaps exist. Cllr John Gray will also be involved in the City of London's Taskforce Advisory Board, which will have a series of workstreams seeking to tackle the issue of socio-economic diversity in the financial services sector.

### Worker Safety during the Pandemic

**Objective:** The coronavirus pandemic has highlighted the importance that companies must place on the S in ESG to safeguard workers and protect and enhance shareholder value. The heightened exposure of workers and others to the pandemic in some sectors potentially poses serious investment risks for LAPFF members. It also goes to the heart of LAPFF's objectives of promoting responsible investment and the highest standards of corporate governance. Engagements sought to ensure that proper processes have been in place during the crisis and that boards were providing proper oversight as the crisis has unfolded. These engagements have focused on sectors most at risk including the outsourcing and social care sectors.

**Achieved:** LAPFF met with Capita and Serco. The meeting with Capita covered the safeguarding of staff and the balance of working from home and from call centres. At the meeting with the new chair of Serco, LAPFF discussed how the board managed the pandemic. There was a discussion around PPE and cleaning in hospitals, as well as organising video calls for prisons.

Alongside the outsourcing sector, the care sector has been identified as facing specific risks. The Forum met the chair of Target Healthcare REIT. Although providing the buildings rather than the care, property companies play an important role in ensuring high standards. The need to engage both tenants and landlords was discussed at the meeting. LAPFF,

# WEBINAR



### COLOMBIAN WORKERS AT THE CERREJON MINE

UNI Global worked with LAPFF to set up a webinar with workers at the Cerrejon coal mine in Colombia. They reported horrendous working conditions and threats to their personal safety. Cerrejon is a joint venture between BHP, Anglo American, and Glencore.

### CLIMATE LAW WEBINAR

LAPFF teamed with Hausfeld LLP to run a webinar on developments in climate law. The following week, the Dutch courts handed down a ruling that Shell must cut its global carbon emissions by 45 percent by 2030 based on a 2019 benchmark.

**“I am noticing a worrying trend of asset disposal without consideration for the conduct of the entities to which the disposals are made. This phenomenon cuts across coal businesses sold to small and unaccountable businesses without knowing whether emissions will be cut to cluster munitions businesses sold to entities with no promise of working to cease the production and sale of cluster munitions. Sweeping issues into another room will not solve the world's problems, nor will it create better investment opportunities for investors.”**

LAPFF Chair, Cllr Doug McMurdo

alongside a range of other investors, also signed on to an expectations for the nursing home sector statement. The statement, coordinated by UNI Global, calls on providers to improve standards for residents and staff in the wake of the pandemic.

**In Progress:** The Forum will continue to be engaging companies on this agenda and collaboratively with the care sector as part of the UNI Global initiative.

### Electric Vehicles and Climate Change

**Objective:** Car use is a major contributor to global carbon emissions. Carmakers are facing tightening regulatory emission and fuel standards across the globe, which will require them to move to electrify their fleets. LAPFF has sought to engage companies through approaching this challenge and pushing for emission reductions in the short term and longer-term commitments to net zero. The Forum has also been engaging through Climate Action 100+ with US companies.

**Achieved:** After meeting with General Motors in January 2021, LAPFF joined a collaborative call alongside CA100+ this June to further discuss the company's approach to electrifying its product line and its position on climate lobbying. General Motors produces several large sized vehicles including trucks and SUVs. The pivot for these to a 1.5C pathway is necessary for the company to align itself with its competitors in transitioning to a net-zero economy. This was the main topic of discussion at the meeting.

**In Progress:** LAPFF will continue its engagement with vehicle producers around changing regulation and their approach to electrifying product lines. General Motors appears to be lagging behind competitors in this area, and the Forum will continue to push for quicker production of electric vehicles.

### Anglo American on Climate

**Objective:** The mining sector poses considerable climate risks to investors. The sector's operations are often carbon intensive and some minerals extracted, notably coal, are of great harm to the environment. LAPFF, as part of Climate Action 100+, has sought greater disclosure on Scope 3 and emissions data, an emphasis on reducing thermal coal

# ENGAGEMENT

mining, setting Scope 3 goals and targets, and ensuring lobbying aligned with net zero.

**Achieved:** Anglo American has committed to carbon neutrality by 2040 across all assets for Scope 1 and 2 emissions which represents a step forward and is a recognition that 2050 was too far away. The meeting covered how Anglo American is seeking to reduce emissions from mining and included a discussion of capital allocation and mining activities required to support the transition to net zero.

**In Progress:** LAPFF is seeking to engage further with Anglo American on its Scope 3 emissions. There is work to be done on measuring emissions and fully accounting for carbon emissions that are present in the value chain.

## COLLABORATIVE ENGAGEMENTS

### IOPA engagement meetings

LAPFF has continued to participate in the Investors for Opioid and Pharmaceutical Accountability (IOPA) meetings. The group has run a number of Vote No campaigns, notably at Cardinal and AmerisourceBergen. The group also wrote to the chairs of compensation committees at eleven companies, scrutinising how executive compensation had been handled in light of charges being brought for opioids settlements.

### Collaborative initiatives on Climate

The SEC was seeking input to proposed climate change disclosure. LAPFF, as a CERES member, co-signed a letter supporting essential principles, including basing disclosure rules on the Taskforce on Climate-related Financial Disclosure (TCFD) guidance, having industry specific metrics, promoting emissions disclosure and the inclusion of material climate disclosures in financial filings.

In April, LAPFF co-signed an investor call for methane and flaring regulations at federal level in the US. The aim is to support and encourage the Biden administration to enforce strong methane regulations for the oil and gas industry. It is considered regulation will be low-cost for industry. Methane emissions are potent greenhouse gases, 84 times more powerful than carbon dioxide in the first two decades after release.

LAPFF, as in previous years, has signed a Global Investor Statement to

Governments on the Climate Crisis in advance of the United Nations Climate Change Conference (COP26) taking place in November this year. There are five main asks, including a request for governments to strengthen their nationally determined contributions (NDCs) for 2030 to limit warming to align with 1.5 degrees Celsius.

## CONSULTATION RESPONSES

### LAPFF Just Transition Inquiry

The All-Party Parliamentary Group for Local Authority Pension Funds' inquiry into 'Responsible investment for a just transition' continued. The LAPFF-supported APPG inquiry, chaired by Clive Betts MP, held its third evidence session in May. The meeting heard from Colin Baines (Investment Engagement Manager, Friends Provident Foundation); Sarah Teacher (CEO, Impact Investing Institute); Andy Gouldson (Chair of the Leeds Climate Commission) and Peter Brierley (Lead Organiser, Citizens UK). The call for evidence has now closed and the inquiry is reviewing the evidence to be discussed at the next meeting before the final report is published in October ahead of COP 26.

### DWP Consultation – 'S' in ESG

LAPFF responded to the DWP's consultation on 'consideration of social risks and opportunities' by occupational pension schemes'. Although the consultation did not cover LGPS funds, as pension regulation and legislation for the Forum's sector tends in the end to mirror DWP's LAPFF submitted a response. The Forum's response outlined LAPFF's policy approach to social issues and how and what themes we engage companies on. LAPFF's response also stated that social issues are often overlooked and there was a need for much greater company disclosure.

### Investor Letter to SEC on Proxy Voting Rules

The Biden Administration SEC has signalled that it plans to support investors' ESG aspirations, not least by failing to enforce the Trump era imposition of obstacles to filing shareholder resolutions on ESG. However, US investors remain concerned that the US proxy voting rules will not facilitate ESG-related resolutions and sent a letter to this effect which

LAPFF signed.

### BEIS White Paper on Audit Reform

In 2018 LAPFF made a submission to the Financial Reporting Council (FRC) dealing with governance of companies which presented serious concerns about the FRC and its own governance. That led to a period of circumspection which then led to the Kingman Review. The Kingman Review concluded that the FRC was not fit for purpose and would be replaced by a new body, the Auditing, Reporting and Governance Authority (ARGA).

This White Paper deals with some of the issues relevant to the transition to ARGA. Some of the issues around accounting and auditing standards have not been addressed. The problem LAPFF identifies in its response is not so much reform of the law, but implementation of existing law. Some parties have argued that the law is different to the position of LAPFF. However, that approach overlooks the fact that what the law states is merely an articulation of economic facts.

Central to the preparation of the accounts is whether they should be prepared on a going concern basis. Several basic principles are relevant to the determination of that. Phantom 'profits' and phantom 'net assets' will create a risk of a phantom 'going concern' and if auditors sign accounts without bottoming these considerations then their opinions will be wrong.

Being able to distinguish between cash or near cash (realised) or non-cash (unrealised) items is essential to determine whether a company is capable of being a going concern or not. A company may not be a going concern if it cannot service debt and cover ordinary costs and – absent additional sources of funds or guarantees – that requires cash flows from profits, not unrealised gains.

The same applies with the matter of effective internal control, including the absence of material fraud.

Unfortunately, both International Accounting Standards (IFRS) and International Auditing Standards (ISA) water down, or even go against, such basic principles. Some other issues are also covered on the LAPFF website.

[Media coverage - LAPFF questions UKEB's approval of accounting standards - Pensions Age Magazine](#)



# ENGAGEMENT

## AFL-CIO and EU Tax Letters

There are continued concerns that country-by-country-reporting laws on tax are not addressing the full scope of the reporting gaps. For example, a recent AFL-CIO letter on this issue to the US Congress called for laws requiring that companies report their taxes for all countries in which they operate, not just a general ‘rest of the world’ category. PRI sent a letter on this issue to the European Union shortly after the AFL-CIO letter was sent in the US. LAPFF signed both letters.

## Facial Recognition Technology Investor Statement

Human rights concerns surrounding facial recognition technology have surfaced in the last few years. LAPFF issued a voting alert to Amazon on this topic both last year and this year and signed an investor statement circulated by Candriam on this issue this quarter.

Media coverage - <https://www.professionalpensions.com/news/3076049/lapff-supports-majority-amazon-shareholder-resolutions>

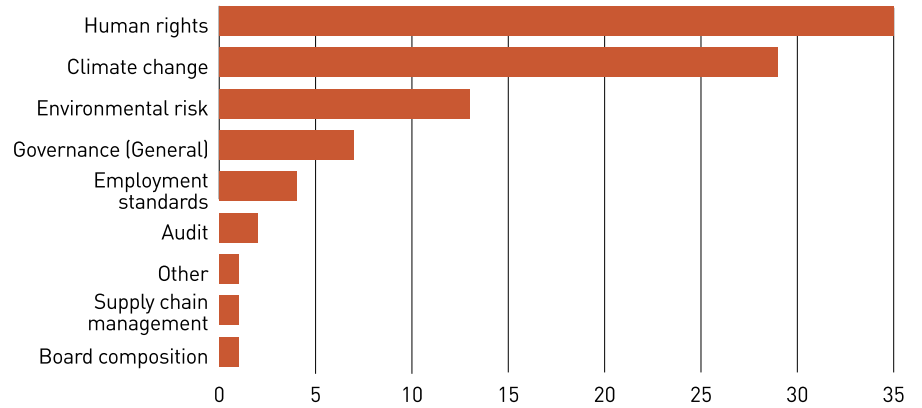
## HM Treasury Consultation on Aviation Tax Reform

In its response to the consultation, LAPFF called on the Treasury to review the current position of air tickets being VAT free and aviation fuel incurring no duty. A price signal of reducing domestic air passenger duty (APD) would likely encourage more flights. This outcome is in stark and direct opposition to the government’s own climate change target to reduce emissions by 78% by 2035 over 1990 levels. LAPFF has long recognised the imperative to address climate change as a systemic investment concern for investors. With aviation expected to grow to be the biggest source of UK emissions by 2050, it is a significant contributor to the material financial risks of climate change with the potential for loss of shareholder value.

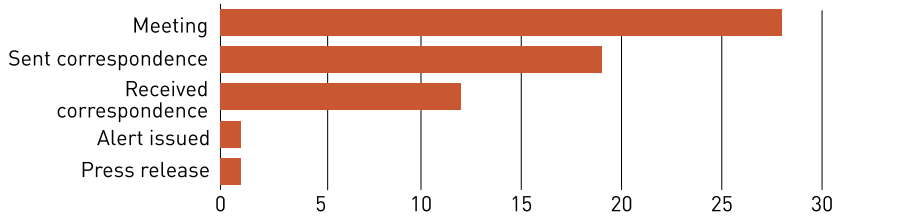
Media coverage - [LAPFF urges Treasury to review position on APD amid ‘contradictory signalling’ - Pensions Age Magazine](#)

# ENGAGEMENT DATA

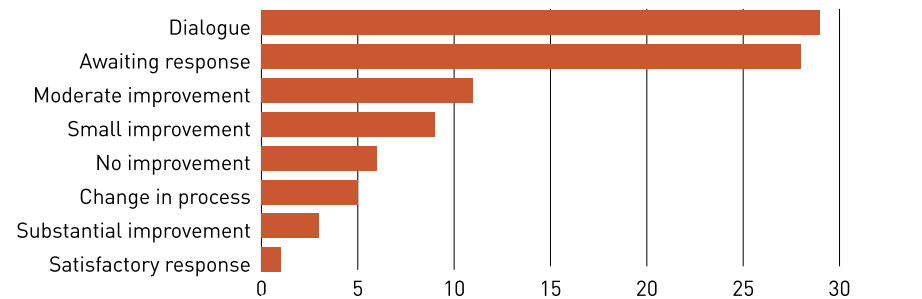
## ENGAGEMENT TOPICS



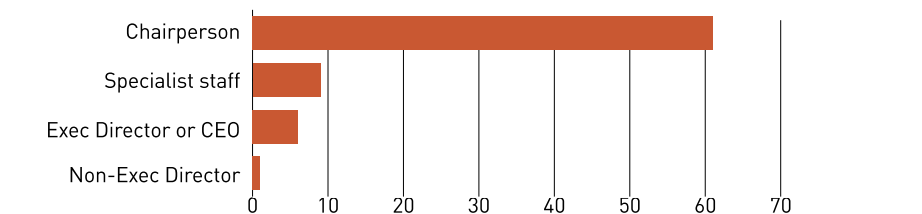
## ACTIVITY



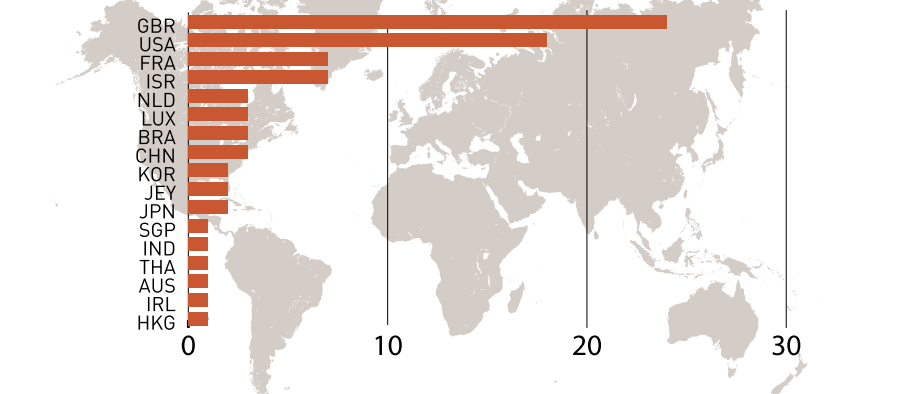
## MEETING ENGAGEMENT OUTCOMES



## POSITION ENGAGED



## COMPANY DOMICILES



# COMPANY PROGRESS REPORT

59 Companies engaged over the quarter

\*The table below is a consolidated representation of engagements so reflects the number of companies engaged, not the number of engagements

| Company/Index                                | Activity                | Topic                | Outcome                 |
|----------------------------------------------|-------------------------|----------------------|-------------------------|
| ABBOTT LABORATORIES                          | Sent Correspondence     | Environmental Risk   | Awaiting Response       |
| AIR LIQUIDE SA                               | Sent Correspondence     | Climate Change       | Dialogue                |
| ALSTOM SA                                    | Sent Correspondence     | Human Rights         | Dialogue                |
| AMAZON.COM INC.                              | Alert Issued            | Human Rights         | Dialogue                |
| ANGLO AMERICAN PLC                           | Meeting                 | Human Rights         | Change in Process       |
| APPLE INC                                    | Sent Correspondence     | Environmental Risk   | Awaiting Response       |
| ARCELORMITTAL SA                             | Received Correspondence | Climate Change       | Substantial Improvement |
| BANK HAPOLIM B M                             | Sent Correspondence     | Human Rights         | Awaiting Response       |
| BANK LEUMI LE-ISRAEL BM                      | Sent Correspondence     | Human Rights         | Awaiting Response       |
| BARCLAYS PLC                                 | Meeting                 | Climate Change       | Dialogue                |
| BARRATT DEVELOPMENTS PLC                     | Sent Correspondence     | Climate Change       | Awaiting Response       |
| BEZEQ THE ISRAELI TELECOMMUNICATION CORP LTD | Sent Correspondence     | Human Rights         | Awaiting Response       |
| BHP GROUP PLC                                | Meeting                 | Governance (General) | Moderate Improvement    |
| BOOKING HOLDINGS INC.                        | Alert Issued            | Human Rights         | No Improvement          |
| BP PLC                                       | Meeting                 | Environmental Risk   | Awaiting Response       |
| CHARTER COMMUNICATIONS INC                   | Meeting                 | Environmental Risk   | Awaiting Response       |
| COMPAGNIE DES ALPES                          | Sent Correspondence     | Environmental Risk   | Awaiting Response       |
| CONSTELLATION BRANDS INC.                    | Meeting                 | Environmental Risk   | Change in Process       |
| CRH PLC                                      | Received Correspondence | Climate Change       | Small Improvement       |
| DBS GROUP HOLDINGS LTD                       | Sent Correspondence     | Climate Change       | Dialogue                |
| DELEK GROUP LTD                              | Sent Correspondence     | Human Rights         | Awaiting Response       |
| EXPEDIA GROUP INC                            | Alert Issued            | Human Rights         | No Improvement          |
| FACEBOOK INC.                                | Alert Issued            | Governance (General) | Moderate Improvement    |
| FREEPORT-MCMORAN INC.                        | Sent Correspondence     | Human Rights         | Dialogue                |
| GENERAL MILLS INC                            | Sent Correspondence     | Human Rights         | Awaiting Response       |
| GENERAL MOTORS COMPANY                       | Meeting                 | Climate Change       | Small Improvement       |
| GLENCORE PLC                                 | Meeting                 | Governance (General) | Moderate Improvement    |
| HANWHA CORP                                  | Meeting                 | Human Rights         | Substantial Improvement |
| HUADIAN POWER INTL CORP LTD                  | AGM                     | Climate Change       | Change in Process       |
| HUANENG POWER INTERNATIONAL                  | AGM                     | Climate Change       | Dialogue                |
| IMPACT HEALTHCARE REIT PLC                   | Sent Correspondence     | Employment Standards | Awaiting Response       |
| INDORAMA VENTURES PCL                        | Sent Correspondence     | Human Rights         | Awaiting Response       |
| ISRAEL DISCOUNT BANK LTD                     | Sent Correspondence     | Human Rights         | Awaiting Response       |
| LLOYDS BANKING GROUP PLC                     | Meeting                 | Governance (General) | Moderate Improvement    |
| MITSUBISHI UFJ FINANCIAL GRP                 | Sent Correspondence     | Climate Change       | Dialogue                |
| MIZRAHI TEFAHOT BANK LTD                     | Sent Correspondence     | Human Rights         | Awaiting Response       |
| MORRISON PLC                                 | AGM                     | Other                | No Improvement          |
| MOTOROLA SOLUTIONS INC.                      | Sent Correspondence     | Human Rights         | Awaiting Response       |
| NATIONAL GRID PLC                            | Meeting                 | Climate Change       | Substantial Improvement |
| NEXTERA ENERGY INC                           | Sent Correspondence     | Climate Change       | Dialogue                |
| PAZ OIL CO LTD                               | Sent Correspondence     | Human Rights         | Awaiting Response       |
| PERSIMMON PLC                                | Sent Correspondence     | Climate Change       | Dialogue                |
| RIO TINTO PLC                                | AGM/MEETING             | Human Rights         | Change in process       |
| ROYAL DUTCH SHELL PLC                        | Meeting                 | Climate Change       | Dialogue                |
| SAINSBURY (J) PLC                            | Meeting                 | Climate Change       | Moderate Improvement    |
| SANOFI                                       | Meeting                 | Environmental Risk   | Awaiting Response       |
| SERCO GROUP PLC                              | Meeting                 | Employment Standards | Small Improvement       |
| SHUI ON LAND LTD                             | Sent Correspondence     | Environmental Risk   | Awaiting Response       |
| SONIC HEALTHCARE LTD                         | Sent Correspondence     | Climate Change       | Awaiting Response       |
| STANDARD LIFE ABERDEEN PLC                   | Meeting                 | Board Composition    | Moderate Improvement    |
| TARGET HEALTHCARE REIT LTD                   | Meeting                 | Employment Standards | Moderate Improvement    |
| TAYLOR WIMPEY PLC                            | Sent Correspondence     | Climate Change       | Awaiting Response       |
| TOTALENERGIES SE                             | Received Correspondence | Climate Change       | Moderate Improvement    |
| TOYOTA MOTOR CORP                            | Sent Correspondence     | Environmental Risk   | Awaiting Response       |

# COMPANY PROGRESS REPORT

59 Companies engaged over the quarter

\*The table below is a consolidated representation of engagements so reflects the number of companies engaged, not the number of engagements

|                         |                         |                    |                   |
|-------------------------|-------------------------|--------------------|-------------------|
| Transco (National Grid) | Meeting                 | Climate Change     | Small Improvement |
| TRIPADVISOR INC.        | Received Correspondence | Human Rights       | Small Improvement |
| VALE SA                 | Meeting                 | Climate Change     | Dialogue          |
| YES BANK                | Sent Correspondence     | Human Rights       | Awaiting Response |
| YUHAN CORP              | Sent Correspondence     | Environmental Risk | Awaiting Response |

## LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Avon Pension Fund  
Barking and Dagenham (London Borough of)  
Barnet LB  
Bedfordshire Pension Fund  
Bexley (London Borough of)  
Berkshire Pension Fund  
Brent (London Borough of)  
Bromley (London Borough of)  
Camden (London Borough of)  
Cardiff and Vale of Glamorgan Pension Fund  
Cambridgeshire Pension Fund  
Cheshire Pension Fund  
City and County of Swansea Pension Fund  
City of London Corporation  
Clwyd Pension Fund  
Cornwall Pension Fund  
Croydon LB  
Cumbria Pension Scheme  
Derbyshire County Council  
Devon County Council  
Dorset County Pension Fund  
Durham Pension Fund

Dyfed Pension Fund  
Ealing (London Borough of)  
East Riding of Yorkshire Council  
East Sussex Pension Fund  
Enfield (London Borough of)  
Environment Agency Pension Fund  
Essex Pension Fund  
Falkirk Council  
Gloucestershire Pension Fund  
Greater Gwent Fund  
Greater Manchester Pension Fund  
Greenwich Pension Fund  
Gwynedd Pension Fund  
Hackney (London Borough of)  
Hammersmith and Fulham (London Borough of)  
Haringey (London Borough of)  
Harrow (London Borough of)  
Havering LB  
Hertfordshire  
Hounslow (London Borough of)  
Islington (London Borough of)  
Kingston upon Thames Pension Fund  
Lambeth (London Borough of)

Lancashire County Pension Fund  
Leicestershire  
Lewisham (London Borough of)  
Lincolnshire County Council  
London Pension Fund Authority  
Lothian Pension Fund  
Merseyside Pension Fund  
Merton (London Borough of)  
Newham (London Borough of)  
Norfolk Pension Fund  
North East Scotland Pension Fund  
North Yorkshire County Council Pension Fund  
Northamptonshire County Council  
Nottinghamshire County Council  
Oxfordshire Pension Fund  
Powys County Council Pension Fund  
Redbridge (London Borough of)  
Rhondda Cynon Taf  
Shropshire Council  
Somerset County Council  
South Yorkshire Pensions Authority  
Southwark (London Borough of)  
Staffordshire Pension Fund

Strathclyde Pension Fund  
Suffolk County Council Pension Fund  
Surrey County Council  
Sutton (London Borough of)  
Teesside Pension Fund  
Tower Hamlets (London Borough of)  
Tyne and Wear Pension Fund  
Waltham Forest (London Borough of)  
Wandsworth (London Borough of)  
Warwickshire Pension Fund  
West Midlands Pension Fund  
West Yorkshire Pension Fund  
Westminster CC  
Wiltshire County Council  
Worcestershire County Council

### Pool Company Members

Border to Coast Pensions Partnership  
Brunel Pensions Partnership  
LGPS Central  
Local Pensions Partnership  
London CIV  
Northern LGPS  
Wales Pension Partnership