

INVESTMENT MANAGEMENT REPORT

Report of the Director of Finance (Designate)

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. That the following rebalancing action be agreed:
 - (a) £50 million be transferred from the Global High Alpha Equities portfolio to Multi-Asset Credit.
 - (b) £50 million be transferred from Passive Global Developed Equities to the Diversifying Returns Funds portfolio
 - (c) The current policy of funding private market portfolio drawdowns from the Diversifying Returns Funds be suspended, with drawdowns to be funded from Passive Global Developed Equities until the total equity allocation is back to target.
3. To note compliance with the 2021-22 Treasury Management Strategy.

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## 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 September 2021.

|                            | Fund Value<br>as at<br>30.09.21 | Target<br>allocation<br>2021/22 | Fund asset<br>allocation<br>at 30.09.21 | Variation<br>from<br>Target |
|----------------------------|---------------------------------|---------------------------------|-----------------------------------------|-----------------------------|
|                            | £m                              | %                               | %                                       | %                           |
| <b>Fixed Interest</b>      |                                 |                                 |                                         |                             |
| Sterling Corporate Bonds   | 350.0                           | 7                               | 6.5                                     |                             |
| Multi-Asset Credit         | 348.7                           | 7                               | 6.5                                     |                             |
| Cash                       | 67.5                            | 1                               | 1.3                                     |                             |
|                            | <b>766.2</b>                    | <b>15</b>                       | <b>14.3</b>                             | <b>-0.7</b>                 |
| <b>Equities</b>            |                                 |                                 |                                         |                             |
| Passive Equities           | 1,797.7                         | 31                              | 33.5                                    |                             |
| Global High Alpha Equities | 350.0                           | 5                               | 6.5                                     |                             |
| Global Smaller Companies   | 311.9                           | 5                               | 5.8                                     |                             |
| Emerging Markets           | 275.6                           | 5                               | 5.1                                     |                             |
| Sustainable Equities       | 267.9                           | 5                               | 5.0                                     |                             |
| Low Volatility Equities    | 364.6                           | 7                               | 6.8                                     |                             |
|                            | <b>3,367.7</b>                  | <b>58</b>                       | <b>62.7</b>                             | <b>+4.7</b>                 |
| <b>Alternatives/Other</b>  |                                 |                                 |                                         |                             |
| Diversifying Returns Funds | 447.2                           | 7                               | 8.3                                     |                             |
| Property                   | 451.7                           | 10                              | 8.4                                     |                             |
| Infrastructure             | 220.3                           | 6                               | 4.1                                     |                             |
| Private Equity             | 10.3                            | 1                               | 0.2                                     |                             |
| Private Debt               | 108.2                           | 3                               | 2.0                                     |                             |
|                            | <b>1,237.7</b>                  | <b>27</b>                       | <b>23.0</b>                             | <b>-4.0</b>                 |
| <b>Total Fund</b>          | <b>5,371.6</b>                  | <b>100</b>                      | <b>100.0</b>                            |                             |

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

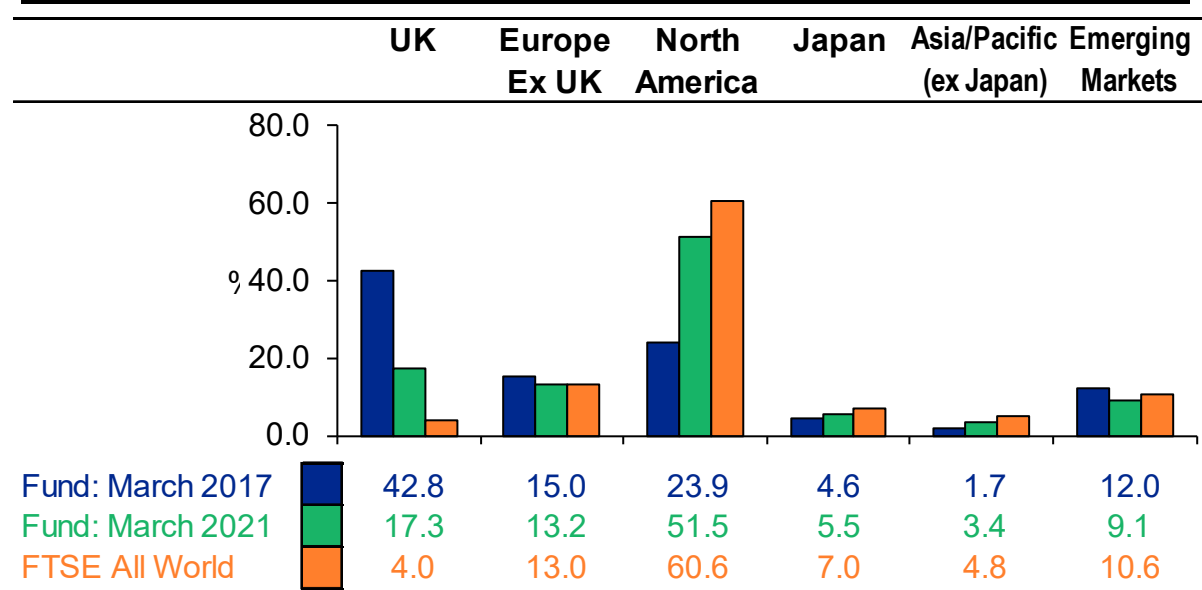
- The Fund value as at 30<sup>th</sup> June 2021 stood at £5,371.6 million, an increase of around £57 million over the quarter.
- An additional £50 million was transferred to Sterling Corporate Bonds from UK Passive Equities during July. However, the continued performance of equities relative to bonds, means that both Sterling Corporate Bonds and Multi-asset credit are still below target.
- Equity markets are just under 5% over target.
- 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. A further £25 million has been drawn down since the quarter end, but a significant underweight remains.

- e) Given the additional investment risk arising from the significant overweight to equities, the following action is proposed:
- Given the current expectation of interest rate rises, the timing would not be right for a further rebalancing to Sterling Corporate Bonds, but a transfer from equities to Multi-Asset Credit is more likely to be beneficial. It is therefore proposed to move £50 million from Global High Alpha Equities, which is the biggest equity overweight, to Multi-Asset Credit.
  - The current agreed policy of funding private markets drawdowns from the Diversifying Returns Funds should be suspended, and instead private markets funding requests should be met by redemptions from the Global Passive Equities allocation, until the equity allocation is back to target.
  - An additional £50 million should be allocated to the Diversifying Returns Funds (DRF), to be funded from the Global Passive Equities allocation. This goes against the policy of reducing the DRF allocation and represents a short-term tactical allocation to reduce the equity risk. The DRFs should provide a return better than cash and reduce the overall volatility of the Fund's investment strategy.

#### Geographical Weighting of Equity Allocation

- f) 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



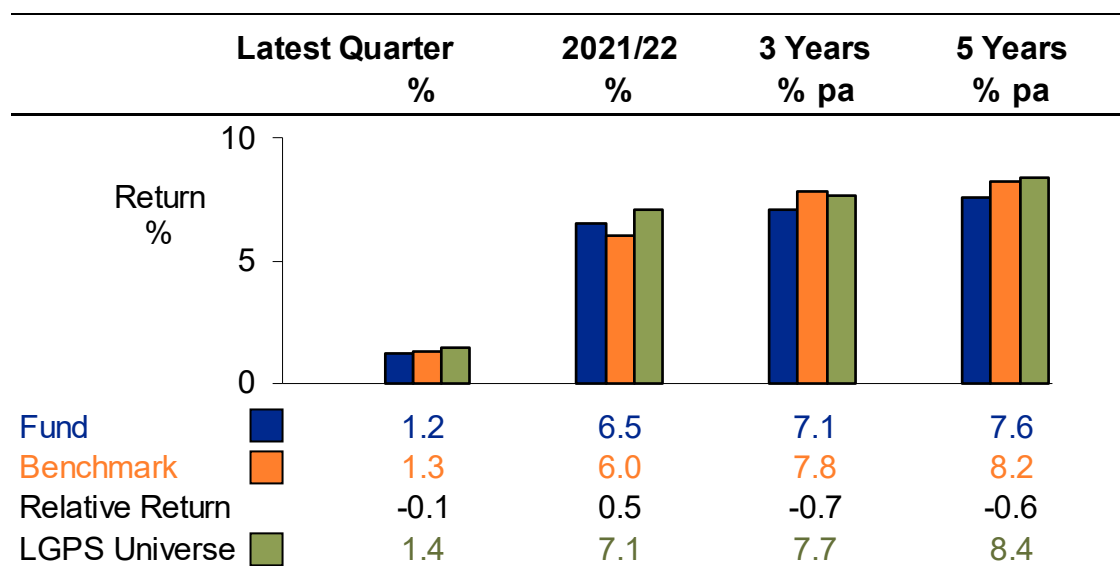
- g) The Fund remains overweight to UK equities and underweight to North America. Action was taken to reduce the UK overweight on a phased basis between March 2017 and February 2019, but the Committee then agreed that no further action be taken, on the basis that the US market was beginning to look expensive, 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 UK allocation was again reduced over the Summer to fund an increased allocation to Sustainable Equities and to bring the Sterling Corporate Bonds allocation back up to target, as agreed by the June meeting of the Committee.
- h) The underperformance of the UK allocation can to some extent be explained by the UK market not being favoured by global investors due to the impact of

Brexit and Covid. As the UK's economic position stabilises, market analysts suggest that the UK market will catch up to some extent and perform better than the US and therefore the global market in the next few years, but this cannot be guaranteed.

## 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.

Markets delivered positive returns during July and August, but dipped in September, resulting in a small positive return for the quarter of 1.2%. This took the total Fund return for the financial year to date to +6.5%. The return over the financial year to date is ahead of the strategic benchmark but below the LGPS universe average.

The three and five year returns to 30<sup>th</sup> September are behind both the benchmark and universe returns partly 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. It should also be noted that the strategic benchmark return over three and five years is more in line with the LGPS Universe average, which suggests that underperformance by fund managers has also contributed.

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

## Performance to 30 September 2021

| Sector                     | Financial Year To Date |            | Three Years |            | Benchmark Description      |
|----------------------------|------------------------|------------|-------------|------------|----------------------------|
|                            | Fund Return            | Bench mark | Fund Return | Bench mark |                            |
|                            | %                      | %          | %           | %          |                            |
| <b>Fixed Interest</b>      |                        |            |             |            |                            |
| Investment Grade Bonds     | 0.6                    | -0.1       | 3.3         | 2.8        | iBoxx Sterling Non-Gilts * |
| Multi-Asset Credit         | 2.3                    | 3.3        | 6.3         | 4.1        | GBP SONIA +4% *            |
| Cash                       | 0.9                    | 0.0        | 0.9         | 0.3        | GBP 7 Day LIBID            |
| <b>Equities</b>            |                        |            |             |            |                            |
| Passive Equities           | 8.1                    | 8.2        | 8.7         | 8.7        | Devon Passive Index        |
| Global High Alpha Equities | 12.0                   | 10.5       | 11.8        | 12.2       | FTSE World / MSCI World    |
| Global Smaller Companies   | 10.1                   | 6.1        | -           | -          | MSCI World Small Cap       |
| Emerging Markets           | -2.2                   | -1.0       | 9.0         | 7.8        | MSCI Emerging Markets      |
| Sustainable Equities       | 12.3                   | 9.0        | -           | -          | MSCI AC World              |
| Low Volatility Equities    | 8.2                    | 9.0        | -           | -          | MSCI AC World              |
| <b>Alternatives/Other</b>  |                        |            |             |            |                            |
| Diversifying Returns Funds | 6.4                    | 2.0        | 2.9         | 4.4        | GBP SONIA +4% *            |
| Property                   | 6.8                    | 7.7        | 5.2         | 3.5        | MSCI Property Indices *    |
| Infrastructure             | 0.6                    | 4.8        | 4.1         | 6.1        | CPI + 4% *                 |
| Private Equity             | 12.6                   | 9.0        | -           | -          | MSCI AC World              |
| Private Debt               | 6.7                    | 4.8        | 7.1         | 6.1        | CPI + 4% *                 |

|                   |            |            |            |            |                            |
|-------------------|------------|------------|------------|------------|----------------------------|
| <b>Total Fund</b> | <b>6.5</b> | <b>6.0</b> | <b>7.1</b> | <b>7.8</b> | <b>Devon Bespoke Index</b> |
|-------------------|------------|------------|------------|------------|----------------------------|

\* the benchmark shown is the current benchmark, but the benchmark return will also incorporate the relevant benchmarks for the earlier part of the 3 year period where the benchmark has changed.

- Investment Grade bonds have delivered a small positive return over the year to date. This combines the return of the Lazard global bonds mandate over the quarter to June with the performance of the Brunel Sterling Corporate Bonds portfolio following transition.
- Multi-Sector Credit which represents the riskier end of the listed fixed income market, also transitioned to Brunel over the quarter, and the year to date return combines the Brunel performance with that of the Wellington mandate up to transition.
- Equities have continued to deliver good positive returns over the year to date, buoyed by optimism over continuing economic recovery from the impact of the COVID pandemic, although the end of September saw a small reversal.
- 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 period, in particular stocks in the healthcare and technology sectors.
- The Emerging Markets portfolio saw a negative return over the quarter, reversing the gains from the previous quarter. The below benchmark return

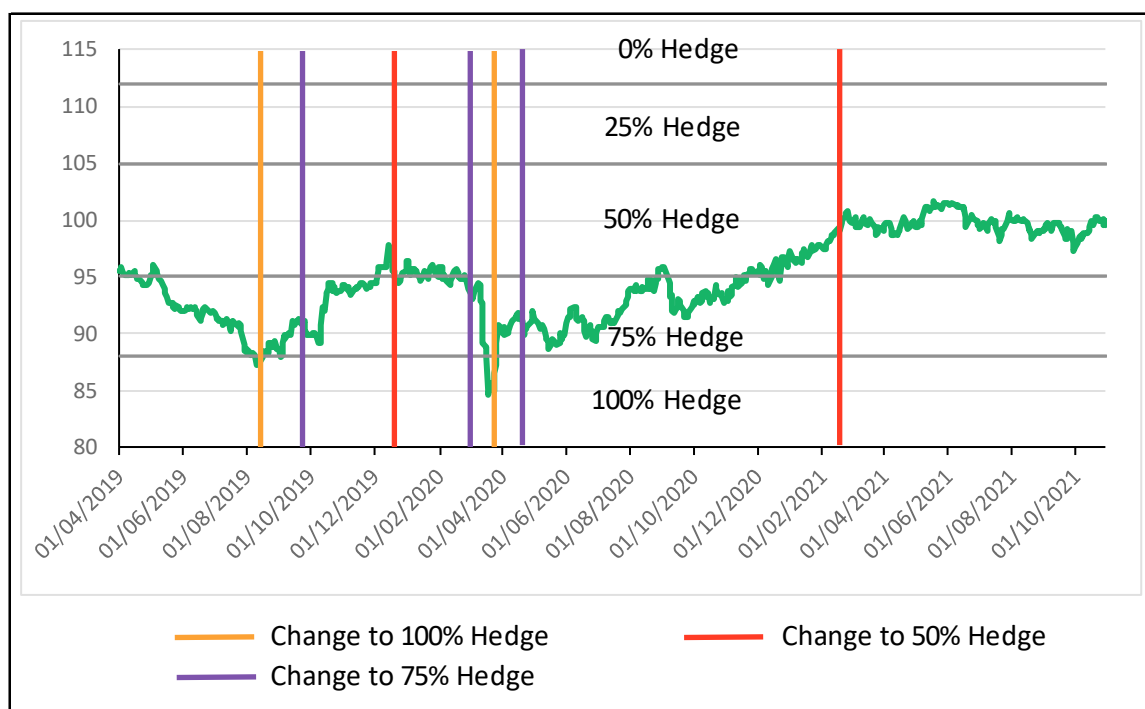
for the year to date reflects stock selection, particularly around consumer stocks in China which suffered a reversal as controls were imposed by the Chinese authorities.

- f) Low volatility stocks had a better quarter, outperforming the wider market, with particularly strong performance in September when “value” stocks did better than “growth” stocks. However, the portfolio remains below the broader MSCI ACWI benchmark return over the six month period, but ahead of the strategy level benchmark, the MSCI ACWI Minimum Volatility Index.
- g) The Brunel Diversifying Returns Fund has delivered a 6.4% return over the year to date. Lower US Treasury yields and positive returns from global equity markets have 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

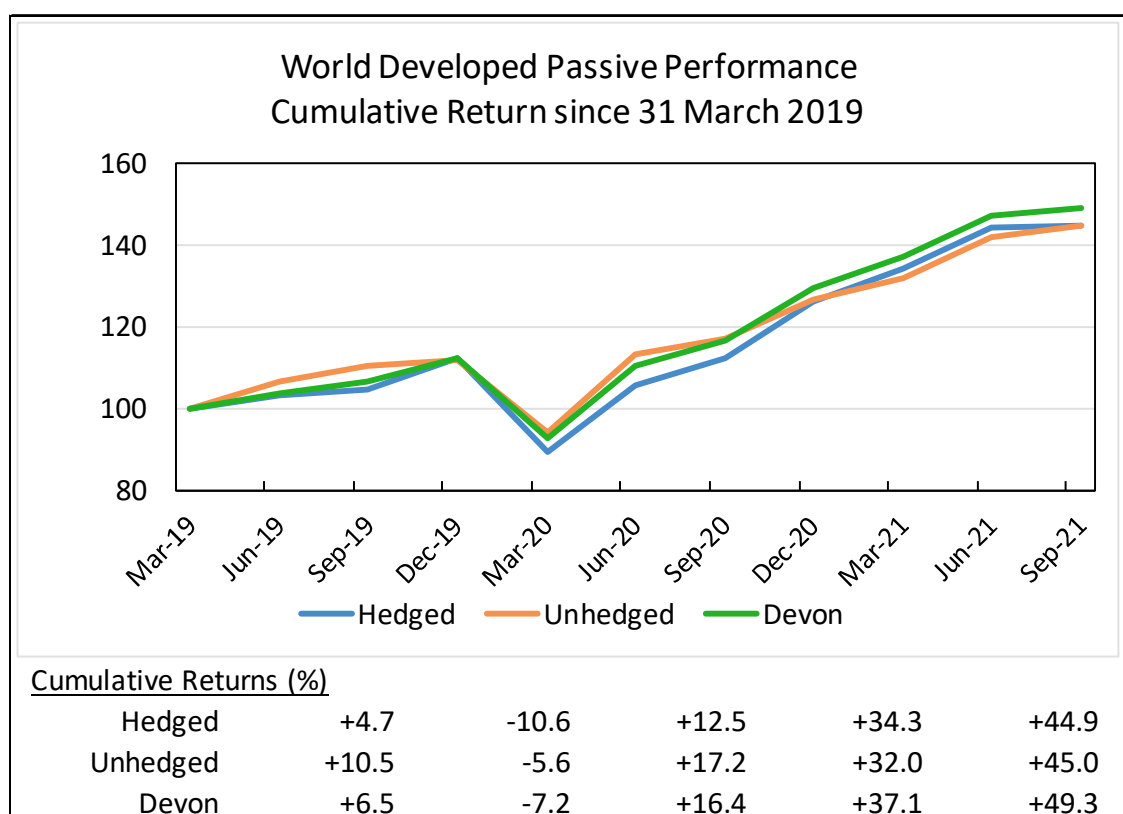
- i) The following graph shows the value of Sterling against a weighted average of the other major currencies, from April 2019 onwards. This represents the period over which the current strategy of hedging the global developed passive allocation has been implemented automatically by Brunel’s selected 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 September 2021 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 September 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.

|                                          | Actuarial Assumption | Actual Return |
|------------------------------------------|----------------------|---------------|
| 2019/20                                  | 5.1%                 | -8.0%         |
| 2020/21                                  | 5.1%                 | 25.6%         |
| 2021/22 to date                          | 1.3%                 | 6.5%          |
| <b>Return since 31/3/19 (annualised)</b> | <b>5.1%</b>          | <b>8.7%</b>   |

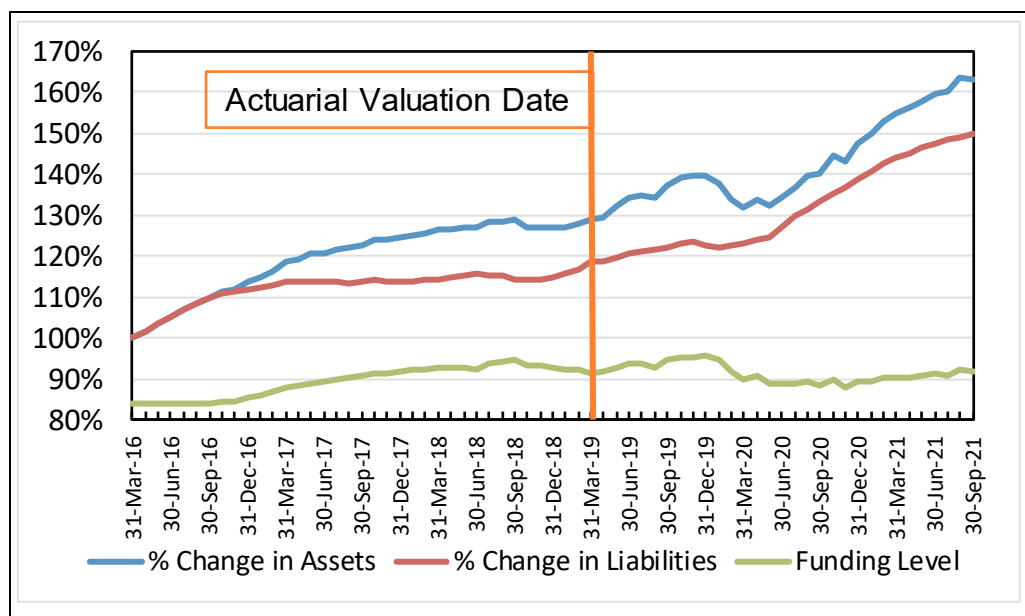
- b) Following the bounce back of the markets from the falls in March 2020, the annualised return to date of +8.7% is well above the Actuary's assumption of

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 September 2021 funding update, compared with those used in the 2019 Triennial Valuation are shown in the following table.

| Actuarial Assumptions   | March 2019 | September 2021 |
|-------------------------|------------|----------------|
| Pension Increases (CPI) | 2.65%      | 2.96%          |
| Salary Increases        | 3.65%      | 3.96%          |
| Discount Rate           | 5.10%      | 4.63%          |

- 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 92% as at 30 September 2021. This represents a small improvement 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) As a result of amendments to the Statement of Accounts for 2021/22 set out in a separate report to this meeting of the Committee, the prepayment of deficit contributions for 2021-22 has now been accounted for in 2020-21 when the payments were received. The revised forecast for employer contributions in 2021-22 has therefore been reduced by £16 million, reflecting the value of deficit contributions due for the year that were received and accounted for in 2020-21.
- 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 to Brunel. 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 September 2021, was £54.6 million, plus \$0.3 million in US Dollars. As at 31 October the cash on deposit had reduced to £43.1 million, with \$0.2 million 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 reduced significantly as a result of the coronavirus pandemic and are now barely above zero.

##### Cash on Deposit

| Type of Deposit          | Maturity period | Actual as at 30/09/21 | Average Interest Rate | Current as at 31/10/21 | Average Interest Rate |
|--------------------------|-----------------|-----------------------|-----------------------|------------------------|-----------------------|
| <b>GBP Deposits</b>      |                 | <b>£m</b>             | <b>%</b>              | <b>£m</b>              | <b>%</b>              |
| Call and Notice Accounts | Immediate       | 24.6                  | 0.03                  | 33.1                   | 0.01                  |
|                          | 35 Day Notice   | 0.0                   |                       | 0.0                    |                       |
|                          |                 |                       |                       |                        |                       |
| Term Deposits            | <30 Days        | 30.0                  | 0.05                  | 10.0                   | 0.05                  |
|                          | >30 Days        | 0.0                   |                       | 0.0                    |                       |
|                          |                 |                       |                       |                        |                       |
| <b>TOTAL GBP</b>         |                 | <b>54.6</b>           | <b>0.04</b>           | <b>43.1</b>            | <b>0.02</b>           |
| <b>USD Deposits</b>      |                 | <b>\$m</b>            | <b>%</b>              | <b>\$m</b>             | <b>%</b>              |
| Call and Notice Accounts | Immediate       | 0.3                   | 0.00                  | 0.2                    | 0.00                  |

Points to note:

- a) The weighted average rate being earned on GBP cash deposits, as at 30 September 2021, was 0.02%. This reflects the current low rates available for instantly accessible cash.
- b) Further calls by Brunel to fund private markets commitments have reduced the cash balance during September.
- c) There has been much speculation that the Bank of England will raise the base rate from the current 0.1% up to 0.25% in the near future, but the November meeting of the Monetary Policy Committee voted to retain the rate at 0.1% for the time being. An increase in base rate may see a small increase in the rates available for cash investment, but the yield on immediately available cash from both banks and money market funds is 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 2021-22 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 September 2021**

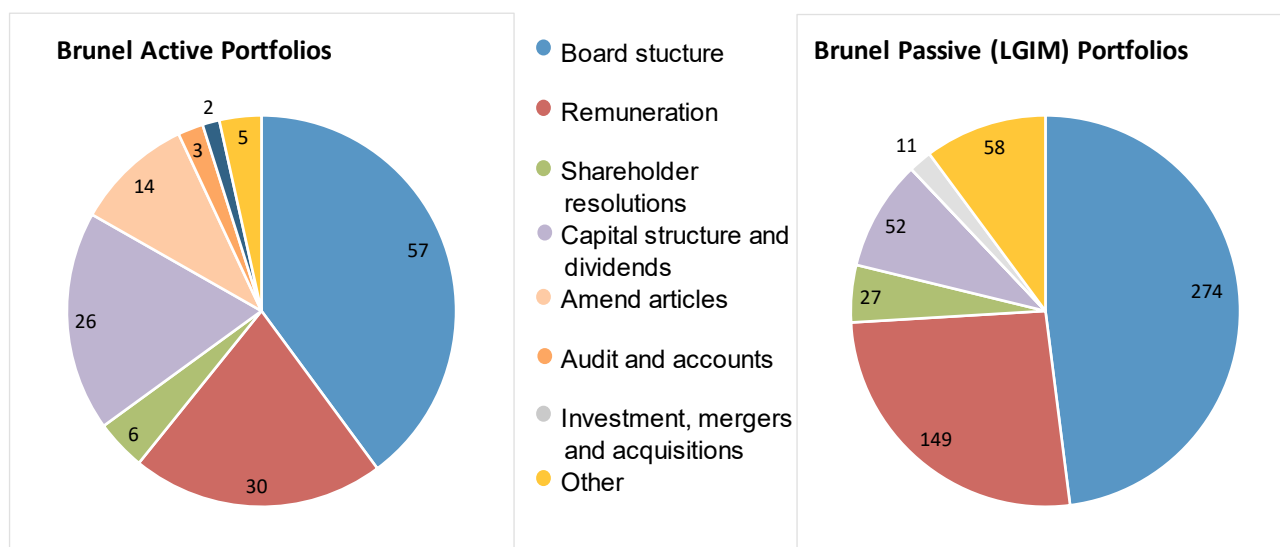
| <b>Manager</b>                   | <b>Quarter to 30 September 2021</b> |                              |                                                |
|----------------------------------|-------------------------------------|------------------------------|------------------------------------------------|
|                                  | <b>Number of Meetings</b>           | <b>Number of Resolutions</b> | <b>Votes against management recommendation</b> |
| Brunel / LGIM Passive Portfolios | 420                                 | 5,227                        | 571                                            |
| Brunel - Active Portfolios       | 102                                 | 907                          | 143                                            |
| RWC European Focus Fund          | 1                                   | 1                            | -                                              |

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 September 2021

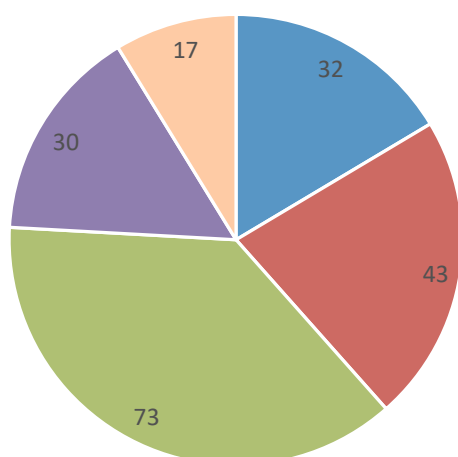


- c) The Fund is also a member of the Local Authority Pension Fund Forum (LAPFF), who undertake engagement activity on behalf of their member funds. Where significant issues arise on the agendas of company meetings, LAPFF will issue voting alerts, with recommendations on how to vote. The Devon Fund will 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 September 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) Brunel and LGIM will come to their own conclusions on voting and will not always follow LAPFF recommendations. For example, LAPFF recommended abstaining on the net zero transition report at the SSE AGM. The resolution was that the company would bring a report on an annual basis to future AGMs outlining:
- The measures the Company uses to evaluate the consistency of its economic activity with the Net Zero Transition plan;
  - The measures the Company uses to align its public policy engagement and external communications with the Net Zero Transition plan;
  - Information regarding the governance of the Net Zero Transition plan and any link between the Company's targets and executive remuneration;
  - How the Company has evaluated and mitigated the impact of the net zero transition on the Company's employees, communities in which it operates and other stakeholders in the context of a just transition to being a net zero business;
  - Confirmation of the extent to which the Company's overall climate risk reporting is consistent with the Final Recommendations of the Task Force on Climate-related Financial Disclosures; he measures the Company uses to evaluate the consistency of its economic activity with the Net Zero Transition plan.

LAPFF highlighted that there were still a number of deficiencies in the company's approach to climate change, but both Brunel and LGIM felt that the production of an annual report should be supported.

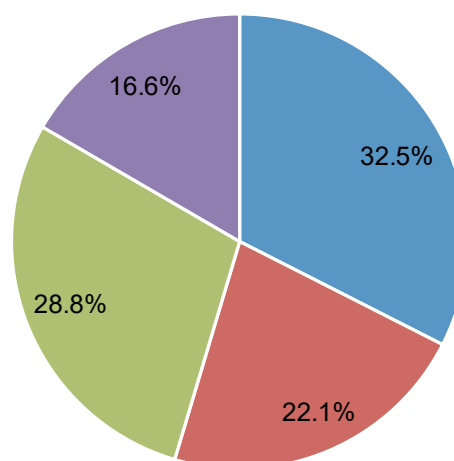
- e) Brunel conduct significant engagement with investee companies on behalf of the Devon Fund and other clients. A breakdown of the engagement undertaken over the last quarter is summarised in the following charts:

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



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

**Breakdown of Issues Engaged On**



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

- f) More details on Brunel's engagement can be found in their quarterly report.
- g) The LAPFF quarterly engagement report for the quarter to 30 September is attached at Appendix 3 to this report. The report includes LAPFF's engagement with several companies around their progress on climate transition issues. It also headlines the visit to Devon of LAPFF's Chair, Cllr Doug McMurdo, to inspect a tailings dam at the Hemerdon Tungsten Mine.

Angie Sinclair  
Director of Finance (Designate)

[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                                              | (171,456)                  | (142,000)                                | (62,161)                              | (126,000)                               | 16,000                                            |
| Members                                                | (42,805)                   | (45,000)                                 | (22,140)                              | (45,000)                                | 0                                                 |
| Transfers in from other pension funds:                 | (12,970)                   | (9,000)                                  | (6,344)                               | (9,000)                                 | 0                                                 |
|                                                        | <b>(227,231)</b>           | <b>(196,000)</b>                         | <b>(90,645)</b>                       | <b>(180,000)</b>                        | <b>16,000</b>                                     |
| <b>Benefits</b>                                        |                            |                                          |                                       |                                         |                                                   |
| Pensions                                               | 163,522                    | 170,000                                  | 83,412                                | 170,000                                 | 0                                                 |
| Commutation and lump sum retirement benefits           | 24,617                     | 27,000                                   | 13,251                                | 27,000                                  | 0                                                 |
| Lump sum death benefits                                | 4,300                      | 4,000                                    | 2,144                                 | 4,000                                   | 0                                                 |
| Payments to and on account of leavers                  | 586                        | 500                                      | 237                                   | 500                                     | 0                                                 |
| Individual Transfers                                   | 7,851                      | 8,000                                    | 3,920                                 | 8,000                                   | 0                                                 |
|                                                        | <b>200,876</b>             | <b>209,500</b>                           | <b>102,964</b>                        | <b>209,500</b>                          | <b>0</b>                                          |
| <b>Net Withdrawals from dealings with fund members</b> | <b>(26,355)</b>            | <b>13,500</b>                            | <b>12,319</b>                         | <b>29,500</b>                           | <b>16,000</b>                                     |
| <b>Investment Income</b>                               |                            |                                          |                                       |                                         |                                                   |
| Received as Cash                                       | (24,333)                   | (30,000)                                 | (13,009)                              | (28,500)                                | 1,500                                             |
| Reinvested by Fund Manager                             | (10,687)                   | (1,000)                                  | (2,635)                               | (2,750)                                 | (1,750)                                           |
|                                                        | <b>(35,020)</b>            | <b>(31,000)</b>                          | <b>(15,644)</b>                       | <b>(31,250)</b>                         | <b>(250)</b>                                      |
| <b>Administrative costs</b>                            |                            |                                          |                                       |                                         |                                                   |
| Peninsula Pensions                                     | 2,304                      | 2,400                                    | 1,821                                 | 2,400                                   | 0                                                 |
|                                                        | <b>2,304</b>               | <b>2,400</b>                             | <b>1,821</b>                          | <b>2,400</b>                            | <b>0</b>                                          |
| <b>Investment management expenses</b>                  |                            |                                          |                                       |                                         |                                                   |
| External investment management fees - invoiced         | 4,400                      | 1,800                                    | 1,415                                 | 1,800                                   | 0                                                 |
| External investment management fees - not invoiced     | 12,836                     | 16,500                                   | 8,111                                 | 16,500                                  | 0                                                 |
| Custody fees                                           | 82                         | 60                                       | 30                                    | 60                                      | 0                                                 |
| Transaction costs                                      | 400                        | 600                                      | 223                                   | 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                                       | 5                                     | 25                                      | 0                                                 |
|                                                        | <b>17,716</b>              | <b>18,980</b>                            | <b>9,783</b>                          | <b>18,980</b>                           | <b>0</b>                                          |
| <b>Oversight and governance costs</b>                  |                            |                                          |                                       |                                         |                                                   |
| Investment & Pension Fund Committee Support            | 82                         | 92                                       | 52                                    | 92                                      | 0                                                 |
| Pension Board                                          | 41                         | 46                                       | 21                                    | 46                                      | 0                                                 |
| Investment Oversight and Accounting                    | 360                        | 380                                      | 179                                   | 380                                     | 0                                                 |
| Brunel Pension Partnership                             | 28                         | 30                                       | 10                                    | 30                                      | 0                                                 |
| Legal Support                                          | 22                         | 25                                       | 1                                     | 25                                      | 0                                                 |
| Actuarial Services                                     | 60                         | 60                                       | 34                                    | 60                                      | 0                                                 |
| Investment Performance Measurement                     | 91                         | 100                                      | 8                                     | 100                                     | 0                                                 |
| Subscriptions                                          | 41                         | 45                                       | 15                                    | 45                                      | 0                                                 |
| Internal Audit fees                                    | 20                         | 22                                       | 16                                    | 22                                      | 0                                                 |
| External Audit fees                                    | 26                         | 25                                       | (5)                                   | 25                                      | 0                                                 |
|                                                        | <b>771</b>                 | <b>825</b>                               | <b>331</b>                            | <b>825</b>                              | <b>0</b>                                          |
| <b>Total Management Expenses</b>                       | <b>20,791</b>              | <b>22,205</b>                            | <b>11,935</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 |                            |
| SSE plc       | 22-Jul-21 | Net zero transition report                           | Abstain              | For            | For           | Low Volatility Equities   | Approved (99.4% votes for) |
| National Grid | 26-Jul-21 | Approve 'net zero' commitment and associated targets | For                  | For            | For           | Sustainable Equities      | Approved (99.0% votes for) |
|               |           | Approve new articles of association                  | For                  | For            | For           |                           | Approved (99.7% votes for) |
| Frasers Group | 29-Sep-21 | Approve the Directors' Remuneration Policy           | Against              | Against        | N/A*          | Not Applicable*           | Approved (84.9% votes for) |
|               |           | Re-elect David Daly                                  | Against              | For            | N/A*          | Not Applicable*           | Approved (98.0% votes for) |
|               |           | Re-elect David Brayshaw                              | Against              | For            | N/A*          | Not Applicable*           | Approved (98.3% votes for) |
|               |           | Approve the Executive Share Scheme                   | Against              | Against        | N/A*          | Not Applicable*           | Approved (86.6% votes for) |



**Quarterly  
Engagement  
Report**

July-September  
2021

Local  
Authority  
Pension  
Fund  
Forum

**Shell, Rio Tinto,  
ArcelorMittal,  
National Grid,  
SSE, Anglo  
American**



## CLIMATE EMERGENCY



# LAPFF Chair Visits Tailings Dam in Devon

**Objective:** Although LAPFF's plans to visit Brazilian communities affected by tailings dams have been postponed due to Covid, LAPFF's work with the communities has continued apace over the last year and a half. As part of building an understanding of how tailings dams function, LAPFF Chair, Cllr Doug McMurdo, visited a mine in Devon that has a tailings dam (pictured above and on cover).

**Achieved:** Cllr McMurdo visited the tungsten mine at the beginning of July. He was shown round the various mining functions by the mine's CEO and other staff, and part of this tour included the tailings dam. The Devon tailings dam was of a downstream construction. When asked about the construction type, the mine staff explained that they would not use an upstream dam because this type of construction is too dangerous. One of

the big problems faced by communities affected by tailings dams globally is that they are potentially in the path of run off from upstream dams.

**In Progress:** LAPFF is continuing to engage with companies, communities, and other stakeholders, as well as undertaking research to prepare for its visit to Brazil, whenever that might be.

### Shell

**Objective:** LAPFF had some serious concerns about the out-going Shell Chair's statement that oil and gas would be needed as part of the company's portfolio for the foreseeable future. Various conversations and interactions with the CEO had also raised concerns about the company's trajectory, both from a carbon perspective and from a business perspective.

Consequently, LAPFF was keen to meet the new Shell Chair, Andrew Mackenzie, formerly CEO of BHP and no relation to current BHP Chair, Ken MacKenzie.

**Achieved:** The meeting took place in early September, with the conversation focused primarily on Shell's financial performance and how the company's approach to fossil fuels would impact on that performance. LAPFF Chair, Cllr Doug McMurdo, noted that compared to BHP's total shareholder returns over the last ten years, Shell had performed poorly and that net zero objectives would not enable the company to achieve Paris-aligned climate targets. While LAPFF was grateful to Sir Andrew for his engagement and welcomed his willingness to take suggestions, significant inconsistencies in Shell's business strategy, business model, and climate strategy appear to persist.



# CLIMATE EMERGENCY

**In Progress:** LAPFF will continue to engage with Shell to work toward a truly Paris-aligned climate and business plan for the company.

## Rio Tinto

**Objective:** This year, LAPFF attended Rio Tinto's AGM to push the company on recognising the financial impacts of its social challenges. Therefore, Cllr McMurdo was pleased to meet Rio Tinto's Chief Financial Officer, Peter Cunningham, to discuss this issue further. Mr. Cunningham took over as interim CFO when Jakob Stausholm became CEO but has been made permanent recently.

**Achieved:** It appears that Mr Cunningham understands and agrees with the proposition that social impacts affect financial materiality at companies. However, everyone LAPFF has spoken to at Rio Tinto acknowledges that despite progress since Juukan Gorge, the company has some way to go to regain investor and affected community trust in its operations.

One area where Rio Tinto has improved substantially is in its willingness to engage with LAPFF. After the destruction of the Juukan Gorge rock shelters, LAPFF tried in vain to obtain meetings with the Chair to discuss what had happened but did not manage to do so for over six months after the shelters were destroyed. This year, LAPFF has met not only with Peter Cunningham but also with Mr. Stausholm and Chair Simon Thompson. The company continues to offer meetings with various specialist staff and affected community members with which the company engages.

LAPFF recognises that engagement is not progress. It also recognises that the staff and community members put forward by Rio Tinto probably have a particular bias or perspective on Rio Tinto's activities, especially since LAPFF continues to hear contradictory information from affected community representatives. However, engagement with all affected parties is useful for LAPFF to understand what questions to ask the various parties involved.

**In Progress:** Therefore, LAPFF is continuing to liaise with other interested investors, Rio Tinto, and affected communities and their representatives in Australia, the

US, Papua New Guinea, and elsewhere. This triangulated communication helps to paint a more complete picture for LAPFF of Rio Tinto's progress from an environmental, social, and financial perspective.

As a follow-up, the LAPFF Chair also met with Rio Tinto staff to discuss the forthcoming 'say on climate' vote at the 2022 AGM. The challenge as ever is addressing Scope 3 emissions, which comprise 95% of total emissions. In doing so, the pace of roll-out of zero-carbon technologies by the company's steel customers was noted.

## Anglo American

**Objective:** LAPFF has been concerned that Anglo American's board and management have not been sufficiently engaged with community members affected by the company's operations. However, LAPFF learned at the Anglo American AGM that the company's CEO, Mark Cutifani, had visited the company's controversial Colombian joint venture with Glencore and BHP, Cerrejon. Therefore, Cllr McMurdo met with Mr. Cutifani to hear about the CEO's experience of visiting the project.

**Achieved:** LAPFF appreciated Mr. Cutifani's openness in discussing the political, cultural, and environmental challenges surrounding Cerrejon. The project is a thermal coal mine, and just days after speaking to both Mr. Cutifani and BHP Chair, Ken MacKenzie, LAPFF received news that both Anglo American and BHP were pulling out of the joint venture to leave Glencore as the sole mining giant involved with the project. Subsequently, LAPFF representatives also met with Anglo American to discuss the company's next 'say on climate' resolution.

Anglo American has developed a detailed community engagement approach as part of its Social Way programme. However, the fact remains that all three companies have been investors in Cerrejon during a time when there have been allegations of severe human rights and environmental violations. All three companies have been named in a complaint filed with a number of OECD National Contact Points on these grounds.

**In Progress:** LAPFF will continue to engage with Anglo American on its community engagement approach and its climate approach.

## BHP Voting Alert

LAPFF issued a voting alert to oppose BHP's climate plan. While LAPFF commended BHP for putting its plan to a vote, the plan is not aligned with the goals of the Paris Agreement. BHP has undoubtedly made progress on climate, but given the pressing nature of the climate crisis, LAPFF expects all climate plans to be Paris-aligned at this stage. As the alert stated, climate change is not a negotiation.

## BHP

**Objective:** There is a debate raging in Western Australia about a proposed cultural heritage law to increase protections for Indigenous communities in the area. LAPFF had spoken to Rio Tinto about the law, and the company had not seen the final draft. However, affected communities are apparently not pleased with either the process or the content of the law. As BHP is another company affected by the law, LAPFF had a meeting with the company's Indigenous Affairs representative to find out more about the law. LAPFF is also seeking a meeting with the affected Indigenous communities.

**Achieved:** LAPFF was able to understand from the discussion with BHP that the main point of contention appears to be the level of say affected communities have over whether projects move forward, a so-called 'right of veto'. While there are apparently improvements from the last piece of legislation, the question is whether sufficient positive change will be made to the new legislation to protect affected communities from another Juukan Gorge.

**In Progress:** LAPFF will continue to engage with BHP, Rio Tinto, and affected community members to see if there is a role for LAPFF to play in promoting a positive outcome to this debate and the eventual legislation.

# COMPANY ENGAGEMENT

## ArcelorMittal

**Objective:** After the long-awaited issuing of the company's second Group Climate Action report, a meeting was held with company representatives and other CA100+ investors to discuss company progress.

**Achieved:** ArcelorMittal now has a group-wide emission intensity reduction target for 2030 of 25%, and 35% for Europe. The LAPFF Vice-Chair, Cllr Chapman commended the strengthening of targets and announcements of zero carbon steel plants in Spain and Canada. On request, the report also included a mapping of the company progress against the CA100+ benchmark. This mapping will be used by many investors to inform AGM voting. Also raised were Paris-aligned accounts, climate considerations in remuneration, consulting shareholders on a transition plan vote at the 2022 AGM and requesting that the company run the 2022 AGM as openly as it did the 2021 AGM when the meeting was run on a virtual platform.

**In Progress:** Given the strengthened decarbonization targets and 'real world' impact of the new zero carbon steel plants, this engagement was considered to have shown substantial progress.

## National Grid

**Objective:** LAPFF has had long-term ongoing engagement with National Grid, most recently as joint-lead investor in the Climate Action 100+ (CA100+) engagement. This engagement culminated in the board putting a 'say on climate' resolution to the AGM, which asked shareholders, from 2022, to approve annual reporting on the company's net zero strategy, 2030 action plan, and progress against emission reduction targets. Cllr Rob Chapman, the LAPFF Vice-Chair, met with the new chair, Paul Rasput Reynolds, and attended the AGM to encourage robust decarbonization plans.

**Achieved:** A voting alert recommended that members support the board's accountability for annual approval of a transition plan as well as article amendments supporting provisions for holding 'hybrid' annual meetings. The latter provides greater opportunities for shareowners to participate and ask

questions of board members. At the meeting with the chair, LAPFF questions focused on seeking more ambition due to the new International Energy Agency Net Zero pathway, on phasing out gas, on setting short term targets up to 2025, and on looking for changes in planned capex to allow for a larger take up of electrification for heating. At the AGM the following week, LAPFF posed questions; the questions and responses from the board can be viewed [here](#). Ms. Reynolds noted there would be a board meeting following the AGM to consider how the UK and US transition plans are implemented and remain fit for purpose.

**In Progress:** It was considered the outcome of the meeting was 'change in progress'.

## SSE

**Objective:** Cllr Rob Chapman also met with SSE to discuss the company's 'say on climate' resolution ahead of SSE's AGM in July. LAPFF and SSE have a long-standing dialogue on environmental, social, and governance issues, including a just transition. The Forum is keen to continue this dialogue as SSE has been particularly constructive in its discussions with LAPFF over the years and has undertaken some innovative work in both the social and the environmental areas, not least a just transition to a zero-carbon economy.

**Achieved:** Acknowledging that SSE is ahead of the game on much of its transition planning, LAPFF raised some concerns in particular around Scope 3 emissions measurement and targets. A number of just transition challenges for the company were also discussed, along with a further discussion on the relevance of and uses for carbon capture and storage (CCS).

After the engagement meeting, Cllr Chapman also attended SSE's AGM by virtual means to ask questions around CCS and grid structure in relation to SSE's climate goals.

**In Progress:** LAPFF and SSE have agreed to continue dialogue and speak as necessary, but in particular prior to SSE's next 'say on climate' resolution.

## HSBC

**Objectives:** The LAPFF chair met with HSBC representatives to ascertain how HSBC will be assisting its clients to set and implement coal phase-out plans in line with the bank's own commitment and timeline. Clarity was also sought on how the company is progressing on pulling out of coal-intensive industries.

**Achieved:** Representatives noted that the International Energy Agency scenario 'net zero by 2050' will be used to benchmark progress. The company has undertaken new analysis, with more data to be considered. The company joined the net zero banking alliance in April to help understand the transition journeys clients are on, and how the bank can have impact. On retreating from coal-intensive industries, it was noted that coal exposure represents 0.2% of wholesale loans and advances as measured under the Taskforce on Climate-related Financial Disclosure metrics in 2020. However, it was recognised this still represents investments of £1.2 billion, but as existing, not new, commitments.

**In Progress:** Representatives noted that they are developing the methodology for a transition risk questionnaire for clients and that commitments would be made in 2021. A further request was made to disclose fossil fuel investments in the annual report. This disclosure is done at 'top level' but would not separate out renewables investments made by such companies. At this stage, the outcome was considered 'change in progress'.

## Standard Chartered

**Objectives:** The LAPFF chair met with the Standard Chartered chair, José Viñals, to ascertain how the company is progressing working with clients on climate change to reduce emissions and align with the bank's net zero by 2050 policy.

**Achieved:** Of concern has been the bank's funding of Adaro, a major coal supplier which Standard Chartered's own analysis shows to be aligned with an increase of 5-6°C in global warming. Standard Chartered will be issuing a roadmap setting out its route to net zero in October 2021, and the board is putting a 'say on climate' resolution to the 2022 AGM.



## COMPANY ENGAGEMENT

**In Progress:** It appears that an NGO is considering filing a resolution to the Standard Chartered AGM asking for commitments not yet evident in the company's current transition plans. LAPFF met with this NGO to hear more of its concerns.

### Mitsubishi Financial

**Objective:** Cllr Glyn Caron, of the LAPFF Executive, joined a collaborative investor call organised by Asia Research and Engagement with Mitsubishi UFJ Financial (MUFG). The meeting sought to cover constituent details of a plan which would align financing to the goals of the Paris agreement and the setting of a net zero financed emissions target. This call followed LAPFF correspondence with the company on the issuing of a voting alert for the company's June AGM supporting the company issuing a plan to align financing with the Paris Agreement. The engagement was followed by media coverage on concerns over the bank's provision of finance to fossil fuel expansion and deforestation.

**Achieved:** In May, MUFG made a net zero declaration, and as part of this commitment joined the Net Zero Banking Alliance. The company is committed to developing a plan but has only just started addressing policy formulation and implementation. This initial activity has been through setting up working groups to see if improvement can be made on the current investment threshold of 50% coal, which is 50% of 'total capacity'. The company representative noted this standard would be revised and a goal set, which will be shown in due course. On physical risk, currently only flooding impact is mapped.

**In Progress:** It was agreed further correspondence would follow, including sharing examples of good practice from other financial institutions and benchmarking of these companies on coal policies. It was noted further physical risks could be considered going forward. Overall, the outcome from the meeting illustrated there was a 'change in process'.



### Sainsbury

**Objective:** LAPFF attended Sainsbury's 'Plan for Better' event and posed questions, both at this event and at the AGM, on the company's packaging practices, electric vehicles, supply chains, climate change and 'say on climate'.

**Achieved:** Sainsbury's 'Plan for Better' ESG event covered a broad range of ESG topics, noting targets and progress against them. In 2020, Sainsbury announced its climate target to be net zero by 2040 and has this year announced Scope 3 emissions target, which followed with a key theme of this year's ESG event being that the company was engraining ESG at the core of its business strategy. It is taking a number of steps in stores to tackle plastic packaging, opting for loose veg as opposed to prepacked. These steps have led Sainsbury to be recognised by Greenpeace as the retailer with the second highest proportion of loose fruit and vegetables in the market.

A large part of Sainsbury's strategy with plastic packaging is attempting to enable a circular economy, having launched an initiative in June, offering customers the opportunity to bring back any flexible plastic packaging to front of store collection points in 520 supermarkets for recycling. LAPFF has also co-led an engagement with Sainsbury in a coalition led by First Sentier Investors, pushing for suppliers and distributors of domestic and commercial washing machines to fit, as a standard procedure, filters to their products to prevent plastic microfibres entering the world's ecosystems. Sainsbury responded that they had engaged with white goods suppliers and were looking at viable options.

**In Progress:** LAPFF will be meeting with Sainsbury for a more in-depth conversation on the company's approach to a zero-carbon transition and will be querying the company further on a 'say on climate' vote.

## COMPANY ENGAGEMENT



### Persimmon

**Objective:** LAPFF has been engaging with Persimmon over a number of years following serious concerns about excessive executive pay, customer care and build quality. The Forum has also identified housebuilders as an important sector for climate change engagements, given the level of emissions from residential property. The Forum therefore sought to meet with the Chair of Persimmon, Roger Devlin, to discuss improvements in customer care and executive pay alongside how it was seeking to move to a net zero business model.

**Achieved:** It was noted how the company had made changes to its approach to

customer care following a review by Stephanie Barwise QC. The meeting covered inspections of properties following historic build quality concerns and the company's improved customer ratings. The issue of executive pay was covered, including resolving issues that led to the high pay award of the former chief executive.

On climate change, Persimmon's targets to reach net zero were discussed. Persimmon has made a commitment that all new homes will be net-zero by 2030 and for the company, including its operations, to be net zero by 2040. Gas boilers are being banned in new homes from 2025 and the discussion focused on how Persimmon was seeking to get ready for this change.

**In progress:** The company has made improvements to customer care but there is scope for further improvements. While emission targets have been set it will be important to monitor their progress towards net zero.

### OCCUPIED PALESTINIAN TERRITORIES (OPT) ENGAGEMENTS

**Objective:** There are short-term and long-term objectives with this engagement. The short-term objective is to have the LAPFF target companies operating in this area engage meaningfully with LAPFF on their human rights practices in the OPT. The long-term objective is to have these companies produce credible, robust, independent human rights impact assessments of their practices in the OPT so that LAPFF members can assess whether the companies' human rights practices meet international human rights and humanitarian law standards.

**Achieved:** In line with the UN Guiding Principles on Business and Human Rights, LAPFF has been working for some months with a business and human rights expert to help with this engagement. This expert has joined LAPFF engagements with Altice and Booking Holdings this quarter, providing invaluable contributions to the engagements and ideas for how to proceed with the engagement. Both companies provided insights into their human rights due diligence processes and Booking Holdings has publicly announced that it is in the process of drafting its Human Rights Statement.

**In Progress:** LAPFF sent a follow up meeting request to the target companies and was able to schedule a few more meetings this time round. It will continue to approach companies for engagement and to request meaningful responses to information requests. Specifically, LAPFF is not content with the explanation that companies are abiding by the relevant law in the way they conduct business in the OPT. In all of LAPFF's work globally, this response is a red flag to LAPFF that companies are treading a thin line between legality and illegality in their conduct. This margin is not acceptable to LAPFF.



# COMPANY ENGAGEMENT

## PHARMACEUTICAL COMPANY ENGAGEMENTS

**Objective:** Some of LAPFF's largest holdings are in pharmaceutical companies. Many of these companies have been contributing to the development of Covid vaccines and have faced significant challenges over the last couple of years. LAPFF is interested in finding out how the Covid pandemic has affected these companies.

**Achieved:** LAPFF has written to five of the companies in which members hold a large number of shares in aggregate to find out whether the Covid pandemic has had an impact on their business strategies or business models. The companies of interest are AstraZeneca, GlaxoSmithKline, Novartis, Roche Holding, and Sanofi.

**In Progress:** LAPFF is in the process of arranging meetings with these companies, most of whom have responded that they are willing to meet and discuss this issue.

## COLLABORATIVE ENGAGEMENTS

**Chair's Quote:** "The speed with which the 'say on climate' initiative has taken root is indicative of its importance. I am heartened to see the number of companies putting their climate plans to a vote. However, the number of plans that fail to meet the goals of the Paris Agreement is alarming. I have always shared the view that Covid is a dress rehearsal for climate change; we must learn and take meaningful action much more quickly on both fronts."

The Institutional Investor Group on Climate Change has published a guide on Investor Expectations of Companies on Physical Climate Risks and Opportunities. LAPFF has co-signed letters to 50 companies in sectors highly exposed to physical climate risk asking them to adopt the expectations set out in the guide. These expectations very broadly are to establish a climate governance framework,

to undertake physical climate risk and opportunity assessment, to develop and implement a strategy for building climate resilience, and to identify and report against metrics to demonstrate progress over time.

## COLLABORATIVE INVESTOR MEETINGS

LAPFF continued to engage with other investors in the 30% Club, the Investors for Opioid and Pharmaceutical Accountability (IOPA) and the 'Financing a Just Transition Alliance'. It is also continuing to work with CA100+ on carbon reduction at widely held companies, and with Sarasin on Paris-aligned auditing of accounts. LAPFF continues to participate in investor collaborations to combat modern slavery too and is considering how best to expand engagement on this topic.

## COLLABORATIVE COMMUNITY MEETINGS

LAPFF was pleased to learn that JGP Credito, a Brazilian investor with which LAPFF has been liaising in relation to the Samarco and Brumadinho tailings dam collapses in Brazil, visited communities affected by those disasters at the end of August. One of the main asks from the communities was that LAPFF get Brazilian investors involved to help highlight the communities' struggles in the wake of the dam collapses. JGP has been an excellent partner in this regard, but it has been a struggle for LAPFF to engage other Brazilian investors. In any case, LAPFF is planning to continue its quarterly meetings with affected community members to monitor their experiences and to see what LAPFF can do to help meet their needs.

## POLICY ENGAGEMENT

Further to the setting up of the UK Accounting Standards Endorsement Board, which has taken over from the EU Commission in endorsing international accounting standards for use in the UK, the Chair of LAPFF has written to the Chair of the Board, Pauline Wallace. The letter requests production of the guidance used by the UKEB in endorsing standards in respect of 'true and fair view'. This

request comes after the former CEO of the FRC told Parliament that government lawyers had "concluded that they agreed" with "legal advice from Martin Moore QC who [had] concluded almost exactly the opposite of what [George Bompas, QC for the Local Authorities Pension Fund Forum (LAPFF)] had concluded." However, a Freedom of Information request revealed the government position: "We have never said that the views [of the LAPFF] are incorrect and may be disregarded. ... Ultimately, whether the views of the LAPFF are incorrect would be a matter for the courts".

In September, LAPFF – as part of a 587 investors strong group representing over USD \$46 trillion in assets – participated in sending the 2021 Global Investor Statement to Governments on the Climate Crisis. Considered the 'strongest ever call by global investors for governments to raise their climate ambition and implement meaningful policies to support investment in solutions to the climate crisis' the statement calls on all governments to undertake five priority actions in 2021. For further information on this statement, please access [here](#).

## CONSULTATION RESPONSES

There has been a series of consultations by the government relating to the UK's commitments on carbon reductions, including the interim goal of reducing emissions by 78% by 2035 over 1990 levels.

Transport, is the sector with the fastest growing source of carbon emissions and LAPFF has provided three related responses to relevant government consultations. In its response to the Department of Transport's 'Jet Zero' consultation on the strategy for net zero aviation, LAPFF considers that the government should take the opportunity to support the development of UK leadership in electric flight. In the response to the DWP consultation on ending the sale of new non-zero emission heavy goods vehicles, LAPFF supports a clearly identified legislative framework for carbon reductions, so companies can make the necessary decisions and financial commitments to provide the crucial short and long-term solutions to decarbonising the economy. Responding to the Department for Transport Consultation on a new CO<sub>2</sub>

## ENGAGEMENT

emissions regulatory framework, LAPFF supports deploying the zero-emission vehicle mandate. To maximise zero emission capability, the government should ensure there is a focus on electric drive-train technology for all road vehicles. For cars or vans, the Department for Business, Energy and Industrial Strategy has already recognised that this approach is the lowest cost route to zero emissions. All responses can be viewed [here](#).

## MEDIA COVERAGE

**Investors with \$4 trln assets aim to tackle Asian firms on climate change goals** <https://www.reuters.com/article/marketsNews/idUSL8N2QU68V?il=0>  
<https://finance.yahoo.com/news/investors-4-trln-assets-aim-013000164.html>  
<https://www.dealstreetasia.com/stories/investors-asian-firms-climate-change-262764/>  
<https://www.straitstimes.com/business/economy/investors-handling-54-trillion-throw-weight-behind-new-platform-pushing-for-green>

**LGPS – Making Net Zero Add up To Something Real** <https://www.room151.co.uk/blogs/lgps-making-net-zero-add-up-to-something-real/>

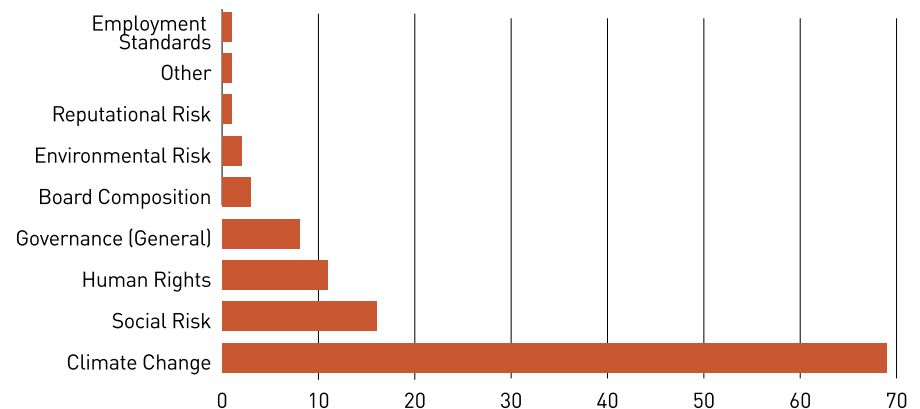
**Legal Experts Warn on Issues with ICAEW Dividends guidance** <https://www.ipe.com/news/legal-experts-warn-on-issues-with-icaew-dividends-guidance/10055010.article>

**Phil Triggs: LGPS needs fine judgement on climate change and pooling** <https://www.lgcplus.com/investment/phil-triggs-lgps-needs-fine-judgement-on-climate-change-and-pooling-08-09-2021/>

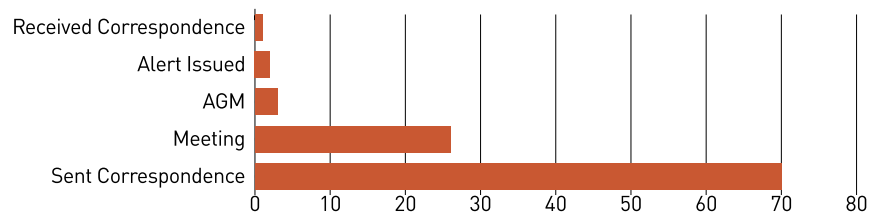
**Sharp drop in LGPS fund and Pool signatories of stewardship code** <https://www.lgcplus.com/investment/sharp-drop-in-lgps-fund-and-pool-signatories-of-stewardship-code-06-09-2021/>

## ENGAGEMENT DATA

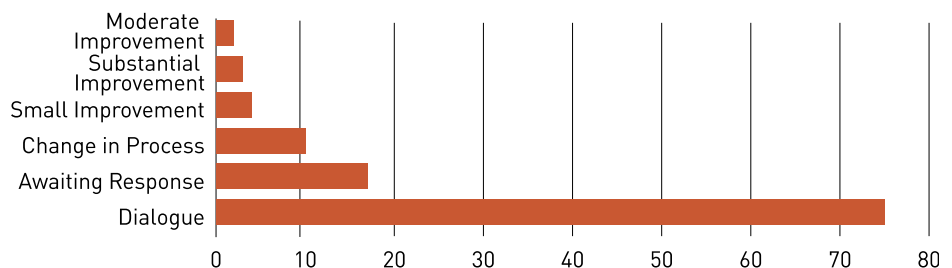
### ENGAGEMENT TOPICS



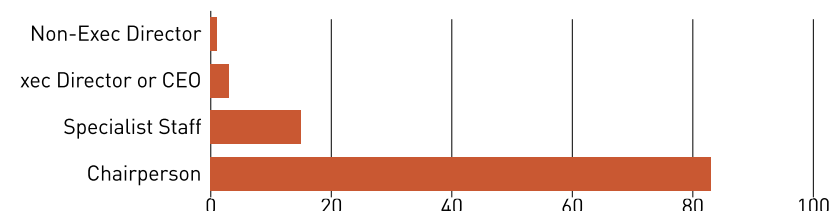
### ACTIVITY



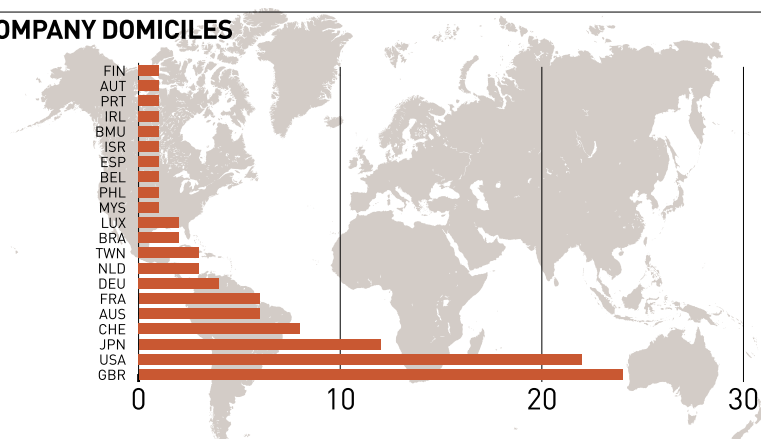
### MEETING ENGAGEMENT OUTCOMES



### POSITION ENGAGED



### COMPANY DOMICILES



# COMPANY PROGRESS REPORT

82 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                 |
|--------------------------------|-------------------------|----------------------|-------------------------|
| A G BARR PLC                   | Meeting                 | Other                | Small Improvement       |
| ABOITIZ EQUITY VENTURES INC    | Sent Correspondence     | Climate Change       | Dialogue                |
| AIR LIQUIDE SA                 | Sent Correspondence     | Climate Change       | Dialogue                |
| AJINOMOTO CO INC               | Sent Correspondence     | Climate Change       | Dialogue                |
| ALLERGAN PLC                   | Sent Correspondence     | Climate Change       | Dialogue                |
| ALSTOM SA                      | Meeting                 | Human Rights         | Small Improvement       |
| AMS AG                         | Sent Correspondence     | Climate Change       | Dialogue                |
| ANGLO AMERICAN PLC             | Meeting                 | Climate Change       | Change in Process       |
| ARCELORMITTAL SA               | Meeting                 | Climate Change       | Substantial Improvement |
| ARKEMA                         | Sent Correspondence     | Climate Change       | Dialogue                |
| ASTRAZENECA PLC                | Sent Correspondence     | Governance (General) | Dialogue                |
| BANK LEUMI LE-ISRAEL BM        | Sent Correspondence     | Human Rights         | Awaiting Response       |
| BHP GROUP LIMITED (AUS)        | Alert Issued            | Climate Change       | Dialogue                |
| BOOKING HOLDINGS INC.          | Meeting                 | Human Rights         | Small Improvement       |
| CAMPBELL SOUP COMPANY          | Sent Correspondence     | Climate Change       | Dialogue                |
| CENTRICA PLC                   | Sent Correspondence     | Climate Change       | Dialogue                |
| COCA COLA BEVERAGES PLC        | Sent Correspondence     | Social Risk          | Awaiting Response       |
| CONAGRA BRANDS INC.            | Meeting                 | Social Risk          | Awaiting Response       |
| COVESTRO AG                    | Sent Correspondence     | Climate Change       | Dialogue                |
| CSX CORPORATION                | Sent Correspondence     | Climate Change       | Dialogue                |
| DANONE                         | Sent Correspondence     | Social Risk          | Dialogue                |
| DELTA AIR LINES INC            | Sent Correspondence     | Climate Change       | Dialogue                |
| DIALOG SEMICONDUCTOR PLC       | Sent Correspondence     | Climate Change       | Dialogue                |
| DOMINION ENERGY INC            | Sent Correspondence     | Climate Change       | Dialogue                |
| ENDO INTERNATIONAL PLC         | Sent Correspondence     | Climate Change       | Dialogue                |
| FIRSTGROUP PLC                 | Sent Correspondence     | Climate Change       | Dialogue                |
| FORMOSA PLASTICS CORP          | Sent Correspondence     | Climate Change       | Dialogue                |
| GALP ENERGIA SGPS SA           | Sent Correspondence     | Climate Change       | Dialogue                |
| GENERAL MILLS INC              | Sent Correspondence     | Social Risk          | Awaiting Response       |
| GLAXOSMITHKLINE PLC            | Sent Correspondence     | Governance (General) | Dialogue                |
| GRIFOLS SA                     | Sent Correspondence     | Climate Change       | Dialogue                |
| HSBC HOLDINGS PLC              | Meeting                 | Climate Change       | Change in Process       |
| INFINEON TECHNOLOGIES AG       | Sent Correspondence     | Climate Change       | Dialogue                |
| JABIL CIRCUIT INC              | Sent Correspondence     | Climate Change       | Dialogue                |
| KELLOGG COMPANY                | Meeting                 | Social Risk          | Awaiting Response       |
| KERRY GROUP PLC                | Sent Correspondence     | Climate Change       | Dialogue                |
| KEURIG DR PEPPER               | Sent Correspondence     | Social Risk          | Awaiting Response       |
| LANXESS AG                     | Sent Correspondence     | Climate Change       | Dialogue                |
| LITEON TECHNOLOGY CORP         | Sent Correspondence     | Climate Change       | Dialogue                |
| LOGITECH INTERNATIONAL S.A.    | Sent Correspondence     | Climate Change       | Dialogue                |
| LONZA GROUP AG                 | Sent Correspondence     | Climate Change       | Dialogue                |
| LYONDELLBASELL INDUSTRIES N.V. | Sent Correspondence     | Climate Change       | Dialogue                |
| MARVELL TECHNOLOGY GROUP LTD   | Sent Correspondence     | Climate Change       | Dialogue                |
| MEDTRONIC PLC                  | Sent Correspondence     | Climate Change       | Dialogue                |
| MEIJI HOLDINGS CO LTD          | Sent Correspondence     | Social Risk          | Awaiting Response       |
| MISC BERHAD                    | Sent Correspondence     | Climate Change       | Dialogue                |
| MITSUBISHI UFJ FINANCIAL GRP   | Meeting                 | Climate Change       | Change in Process       |
| MONDELEZ INTERNATIONAL INC     | Sent Correspondence     | Social Risk          | Awaiting Response       |
| NAN YA PLASTICS CORP           | Sent Correspondence     | Climate Change       | Dialogue                |
| NATIONAL GRID PLC              | AGM                     | Climate Change       | Change in Process       |
| NESTLE SA                      | Sent Correspondence     | Climate Change       | Dialogue                |
| NEXTERA ENERGY INC             | Received Correspondence | Climate Change       | Substantial Improvement |
| NIPPON EXPRESS CO LTD          | Sent Correspondence     | Climate Change       | Dialogue                |
| NISSIN FOOD HLDGS CO LTD       | Sent Correspondence     | Climate Change       | Dialogue                |
| NOKIA OYJ                      | Sent Correspondence     | Climate Change       | Dialogue                |

# COMPANY PROGRESS REPORT

82 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

|                                           |                     |                      |                      |
|-------------------------------------------|---------------------|----------------------|----------------------|
| NORFOLK SOUTHERN CORPORATION              | Sent Correspondence | Climate Change       | Dialogue             |
| NOVARTIS AG                               | Sent Correspondence | Governance (General) | Dialogue             |
| PANALPINA WELTTRANSPORT AG                | Sent Correspondence | Climate Change       | Dialogue             |
| PEPSICO INC.                              | Sent Correspondence | Social Risk          | Awaiting Response    |
| PERSIMMON PLC                             | Meeting             | Climate Change       | Moderate Improvement |
| PUBLIC SERVICE ENTERPRISE GROUP INC       | Sent Correspondence | Climate Change       | Dialogue             |
| RENESAS ELECTRONICS CORP                  | Sent Correspondence | Climate Change       | Dialogue             |
| RIO TINTO GROUP (AUS)                     | Meeting             | Governance (General) | Dialogue             |
| RIO TINTO PLC                             | Meeting             | Climate Change       | Change in Process    |
| ROCHE HOLDING AG                          | Sent Correspondence | Climate Change       | Dialogue             |
| ROHM CO LTD                               | Sent Correspondence | Climate Change       | Dialogue             |
| ROYAL DUTCH SHELL PLC                     | Meeting             | Governance (General) | Dialogue             |
| SAINSBURY (J) PLC                         | AGM                 | Environmental Risk   | Dialogue             |
| SANOFI                                    | Sent Correspondence | Climate Change       | Dialogue             |
| SANWA HOLDINGS CORP                       | Sent Correspondence | Board Composition    | Dialogue             |
| SEAGATE TECHNOLOGY PUBLIC LIMITED COMPANY | Sent Correspondence | Climate Change       | Dialogue             |
| SOLVAY SA                                 | Sent Correspondence | Climate Change       | Dialogue             |
| SSE PLC                                   | Meeting             | Climate Change       | Change in Process    |
| STANDARD CHARTERED PLC                    | Meeting             | Climate Change       | Dialogue             |
| STMICROELECTRONICS NV                     | Sent Correspondence | Climate Change       | Dialogue             |
| SUMITOMO MITSUI FINANCIAL GROUP           | Meeting             | Board Composition    | Moderate Improvement |
| SUNTORY BEVERAGE & FOOD LTD               | Sent Correspondence | Social Risk          | Awaiting Response    |
| SWATCH GROUP AG                           | Sent Correspondence | Climate Change       | Dialogue             |
| THE CLOROX COMPANY                        | Sent Correspondence | Climate Change       | Dialogue             |
| THE KRAFT HEINZ COMPANY                   | Sent Correspondence | Social Risk          | Awaiting Response    |
| UNILEVER PLC                              | Sent Correspondence | Social Risk          | Awaiting Response    |
| VALE SA                                   | Meeting             | Human Rights         | Dialogue             |

## LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Avon Pension Fund  
Barking and Dagenham Pension Fund  
Barnet Pension Fund  
Bedfordshire Pension Fund  
Berkshire Pension Fund  
Bexley (London Borough of)  
Bromley Pension Fund  
Cambridgeshire Pension Fund  
Camden Pension Fund  
Cardiff & Glamorgan Pension Fund  
Cheshire Pension Fund  
City of London Corporation Pension Fund  
Clwyd Pension Fund (Flintshire CC)  
Cornwall Pension Fund  
Croydon Pension Fund  
Cumbria Pension Fund  
Derbyshire Pension Fund  
Devon Pension Fund  
Dorset Pension Fund  
Durham Pension Fund  
Dyfed Pension Fund  
Ealing Pension Fund  
East Riding Pension Fund  
East Sussex Pension Fund

Enfield Pension Fund  
Environment Agency Pension Fund  
Essex Pension Fund  
Falkirk Pension Fund  
Gloucestershire Pension Fund  
Greater Gwent Pension Fund  
Greater Manchester Pension Fund  
Greenwich Pension Fund  
Gwynedd Pension Fund  
Hackney Pension Fund  
Hammersmith and Fulham Pension Fund  
Haringey Pension Fund  
Harrow Pension Fund  
Havering Pension Fund  
Hertfordshire Pension Fund  
Hounslow Pension Fund  
Islington Pension Fund  
Kingston upon Thames Pension Fund  
Kensington and Chelsea (Royal Borough of)  
Lambeth Pension Fund  
Lancashire County Pension Fund  
Leicestershire Pension Fund  
Lewisham Pension Fund  
Lincolnshire Pension Fund

London Pension Fund Authority  
Lothian Pension Fund  
Merseyside Pension Fund  
Merton Pension Fund  
Newham Pension Fund  
Norfolk Pension Fund  
North East Scotland Pension Fund  
North Yorkshire Pension Fund  
Northamptonshire Pension Fund  
Nottinghamshire Pension Fund  
Oxfordshire Pension Fund  
Powys Pension Fund  
Redbridge Pension Fund  
Rhondda Cynon Taf Pension Fund  
Shropshire Pension Fund  
Somerset Pension Fund  
South Yorkshire Pension Authority  
Southwark Pension Fund  
Staffordshire Pension Fund  
Strathclyde Pension Fund  
Suffolk Pension Fund  
Surrey Pension Fund  
Sutton Pension Fund  
Swansea Pension Fund

Teesside Pension Fund  
Tower Hamlets Pension Fund  
Tyne and Wear Pension Fund  
Waltham Forest Pension Fund  
Wandsworth Borough Council Pension Fund  
Warwickshire Pension Fund  
West Midlands ITA Pension Fund  
West Midlands Pension Fund  
West Yorkshire Pension Fund  
Westminster Pension Fund  
Wiltshire Pension Fund  
Worcestershire Pension Fund

### Pool Company Members

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