

## INVESTMENT MANAGEMENT REPORT

Report of the Director of Finance and Public Value

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 2022-23 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 June 2022.

|                            | <b>Fund Value<br/>as at<br/>30.06.22</b> | <b>Target<br/>allocation<br/>2022/23</b> | <b>Fund asset<br/>allocation<br/>at 30.06.22</b> | <b>Variation<br/>from<br/>Target</b> |
|----------------------------|------------------------------------------|------------------------------------------|--------------------------------------------------|--------------------------------------|
|                            | £m                                       | %                                        | %                                                | %                                    |
| <b>Fixed Interest</b>      |                                          |                                          |                                                  |                                      |
| Sterling Corporate Bonds   | 304.9                                    | 7                                        | 5.9                                              |                                      |
| Multi-Asset Credit         | 633.8                                    | 12                                       | 12.3                                             |                                      |
| Cash                       | 68.1                                     | 1                                        | 1.3                                              |                                      |
|                            | <b>1,006.8</b>                           | <b>20</b>                                | <b>19.5</b>                                      | <b>-0.5</b>                          |
| <b>Equities</b>            |                                          |                                          |                                                  |                                      |
| Passive Equities           | 1,371.3                                  | 25                                       | 26.8                                             |                                      |
| Global High Alpha Equities | 265.3                                    | 5                                        | 5.2                                              |                                      |
| Global Smaller Companies   | 253.4                                    | 5                                        | 4.9                                              |                                      |
| Emerging Markets           | 237.1                                    | 5                                        | 4.6                                              |                                      |
| Sustainable Equities       | 473.0                                    | 10                                       | 9.2                                              |                                      |
|                            | <b>2,600.1</b>                           | <b>50</b>                                | <b>50.7</b>                                      | <b>+0.7</b>                          |
| <b>Alternatives/Other</b>  |                                          |                                          |                                                  |                                      |
| Diversifying Returns Funds | 487.6                                    | 6                                        | 9.5                                              |                                      |
| UK Property                | 444.2                                    | 8                                        | 8.7                                              |                                      |
| International Property     | 90.3                                     | 2                                        | 1.8                                              |                                      |
| Infrastructure             | 348.2                                    | 8                                        | 6.8                                              |                                      |
| Private Equity             | 36.5                                     | 3                                        | 0.7                                              |                                      |
| Private Debt               | 120.4                                    | 3                                        | 2.3                                              |                                      |
|                            | <b>1,527.2</b>                           | <b>30</b>                                | <b>29.8</b>                                      | <b>-0.2</b>                          |
| <b>Total Fund</b>          | <b>5,134.1</b>                           | <b>100</b>                               | <b>100.0</b>                                     |                                      |

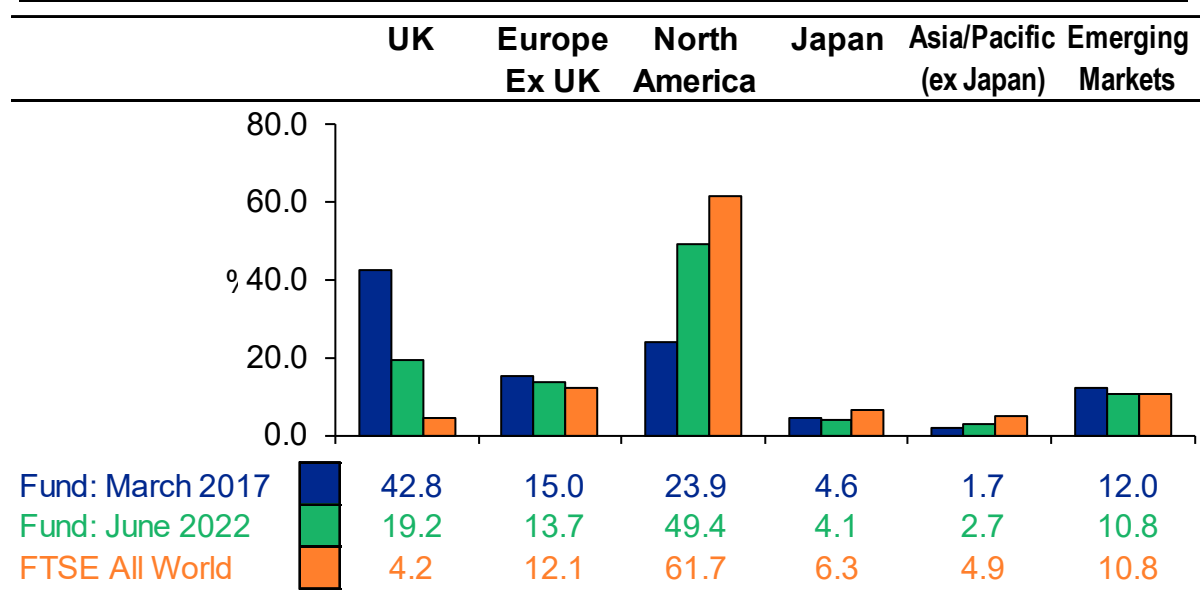
The key points with regard to the end of quarter asset allocation are summarised below:

- a) The Fund value as at 30 June 2022 stood at £5,134.1 million, a decrease of around £280 million over the quarter.
- b) The target allocations have been revised as agreed by the Committee following the strategic review carried out by Mercer. All asset classes were within 1.5% of the revised target allocations, with the exception of the Diversifying Returns Funds (DRF) and the private market allocations.
- c) Over the quarter the previous investment in Low Volatility Equities was fully redeemed and the passive allocation reduced to fund the increased target allocations to Sustainable Equities and Multi-Asset Credit.
- d) Within private markets a further £31 million of the infrastructure commitment has been drawn down, and a further £10 million of the private debt commitment has been drawn. These have been funded by a redemption of £50 million from the DRF.

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**

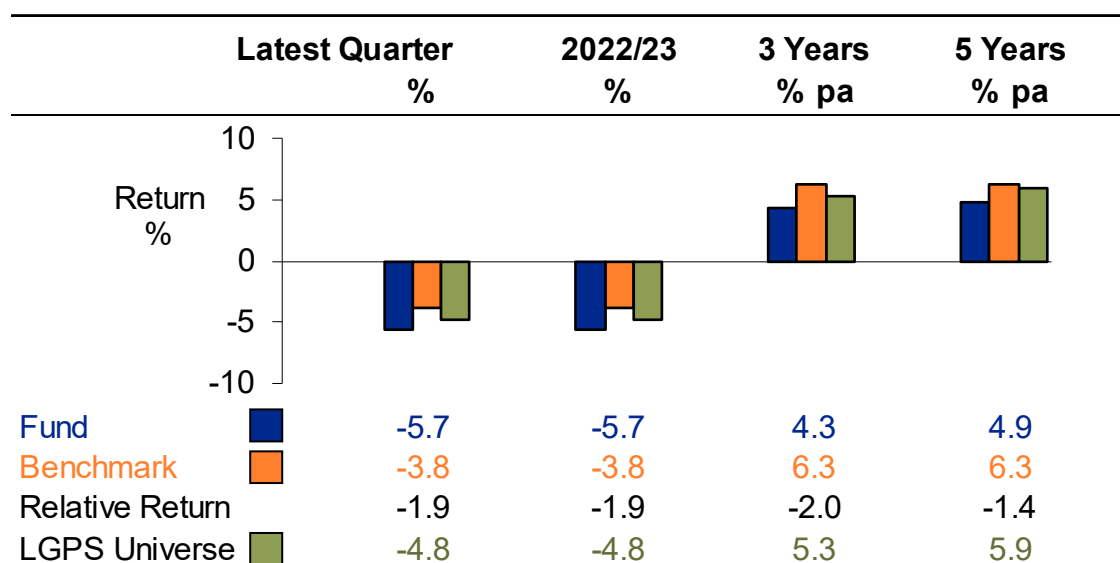


- f) Since March 2017, the overweight to UK equities and underweight to North America have been reduced, but the Fund retains an overweight to the UK via the investment in the UK Climate Transition Benchmark Tracker Fund. The Committee has agreed to retain an overweight position to the UK, on the basis that the US market has appeared expensive, whereas the UK market looks comparatively cheap.
- g) 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 to date, 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.

Listed markets, both equities and bonds, delivered negative returns for the second consecutive quarter, as a result of concerns over Russia's invasion of Ukraine, rising inflation and rising interest rates. The Fund returned -5.7% significantly below the strategic benchmark return of -3.8%.

The underperformance against benchmark can be partly attributed to fund benchmarks that are cash plus benchmarks, which are always going to be below target when returns are negative. Multi-asset credit returned -8.6% against a benchmark of +1.2% which contributed over half of the total fund under-performance.

There was also under-performance on Brunel equity portfolios, but not to the same extent as in the previous quarter. This reflecting the bias of most of the active portfolios towards "growth" companies and those with sustainable revenues during a period when "value" companies and energy companies again performed more strongly.

A breakdown of the performance of the Total Fund for the quarter and three years to 30 June 2022 and the comparative Index returns are shown in the following table:

## Performance to 31 March 2022

| Sector                     | Financial Year To Date |           | Three Years |           | Benchmark Description      |
|----------------------------|------------------------|-----------|-------------|-----------|----------------------------|
|                            | Fund Return            | Benchmark | Fund Return | Benchmark |                            |
|                            | %                      | %         | %           | %         |                            |
| <b>Fixed Interest</b>      |                        |           |             |           |                            |
| Investment Grade Bonds     | -7.8                   | -6.8      | -3.9        | -4.1      | iBoxx Sterling Non-Gilts * |
| Multi-Asset Credit         | -8.6                   | 1.2       | 0.8         | 3.7       | GBP SONIA +4% *            |
| Cash                       | 1.1                    | 0.2       | 0.9         | 0.2       | GBP 7 Day LIBID            |
| <b>Equities</b>            |                        |           |             |           |                            |
| Passive Equities           | -9.1                   | -9.1      | 5.5         | 5.6       | Devon Passive Index        |
| Global High Alpha Equities | -10.3                  | -9.0      | 6.1         | 9.0       | FTSE World / MSCI World    |
| Global Smaller Companies   | -12.3                  | -10.1     | -           | -         | MSCI World Small Cap       |
| Emerging Markets           | -4.9                   | -3.9      | 0.1         | 2.5       | MSCI Emerging Markets      |
| Sustainable Equities       | -10.4                  | -8.4      | -           | -         | MSCI AC World              |
| Low Volatility Equities    | -0.4                   | -8.4      | 6.4         | 8.4       | MSCI AC World              |
| <b>Alternatives/Other</b>  |                        |           |             |           |                            |
| Diversifying Returns Funds | -3.0                   | 1.2       | 1.5         | 4.3       | GBP SONIA +4% *            |
| Property                   | 4.4                    | 4.8       | 8.9         | 9.1       | MSCI Property Indices *    |
| Infrastructure             | 3.3                    | 5.0       | 5.3         | 8.6       | CPI + 4% *                 |
| Private Equity             | 18.1                   | -8.4      | -           | -         | MSCI AC World              |
| Private Debt               | 4.7                    | 5.0       | 8.5         | 8.6       | CPI + 4% *                 |

|                   |             |             |            |            |                            |
|-------------------|-------------|-------------|------------|------------|----------------------------|
| <b>Total Fund</b> | <b>-5.7</b> | <b>-3.8</b> | <b>4.3</b> | <b>6.3</b> | <b>Devon Bespoke Index</b> |
|-------------------|-------------|-------------|------------|------------|----------------------------|

\* the benchmark shown is the current benchmark, but the benchmark return will also incorporate the benchmarks applicable for the earlier part of the 3 year period where the benchmark has changed as a result of transition to Brunel.

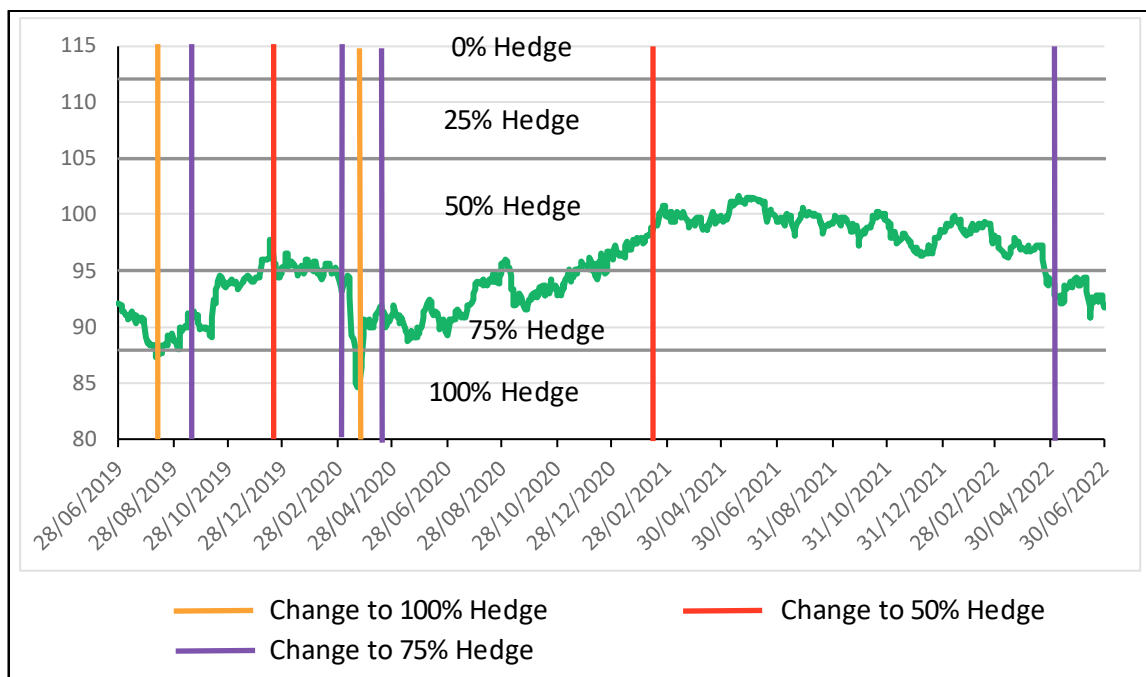
- a) Investment Grade bonds delivered a negative return over the quarter, as interest rate rises reduced the value of the bonds held.
- b) Multi-Asset Credit represents the riskier end of the listed fixed income market. The benchmark is a cash plus benchmark, so will always be positive, and in a period of negative returns will always be difficult to achieve. Comparisons with the wider multi-asset credit market showed that performance of the Brunel portfolio was broadly in line with what would be expected in the prevailing market conditions.
- c) Equities fell significantly over the quarter, as a result of continuing geo-political concerns over the impact of the Russian invasion of Ukraine, the impact on inflation and the consequent impact on interest rates. During April and May this had a greater impact on “growth” companies, such as the big tech companies, than on “value” stocks, such as the energy sector and consumer essentials, which explains the below benchmark performance of the Global High Alpha, Smaller Companies and Sustainable Equities portfolios. This began to turn around during late May and June, hence the level of underperformance was not as significant as during the previous quarter.

- d) There was a negative return on the Brunel Diversifying Returns Fund, but given that equities and bonds were both significantly down over the quarter a return of -3.0% was a creditable performance.
- e) Infrastructure returns have been mixed. The benchmark seeks a return above inflation which has increased significantly, and the fund returns have not kept pace. Valuations are lagged in many cases, and where revenues are linked to inflation there is likely to be a boost over the next 6 months. It should also be noted that several of the Brunel infrastructure investments are at an early stage and need a longer timeframe to deliver the high positive returns that we would expect.

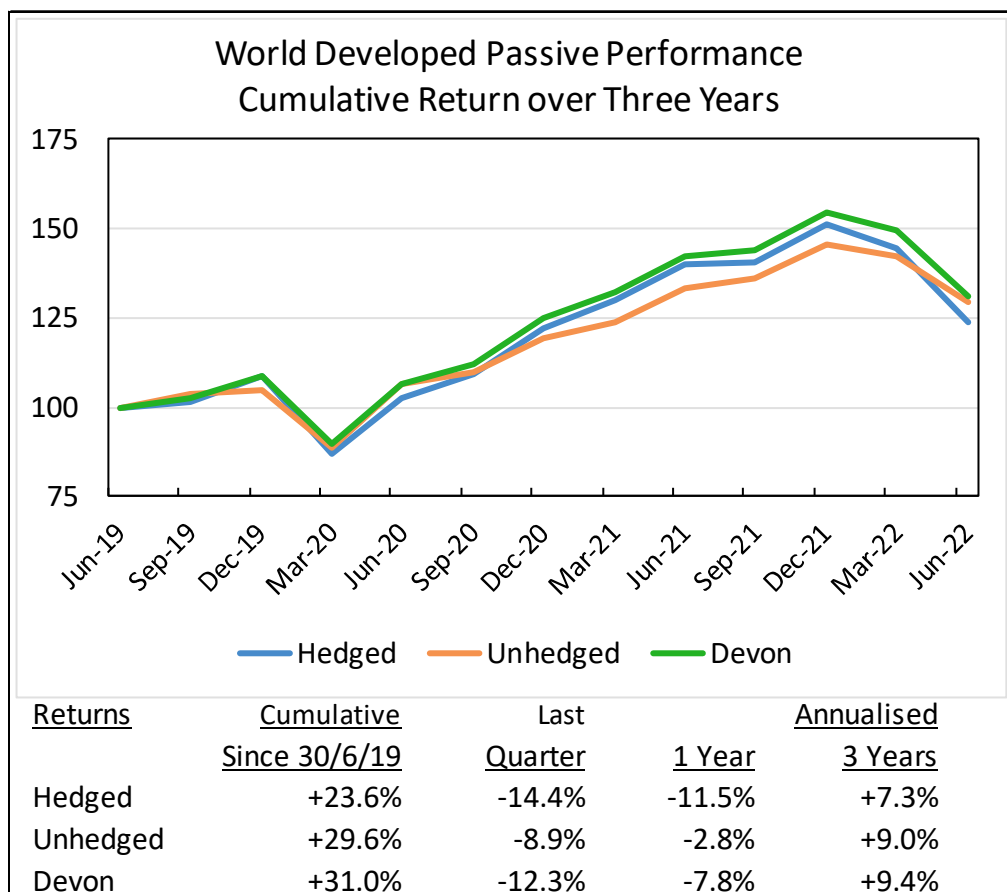
Currency Hedging

- f) The following graph shows the value of Sterling against a weighted average of the other major currencies, over the three years to June 2022. The currency 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.

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



- g) The fall in the value of Sterling over the last six months is largely a reflection of the strengthening of the US Dollar. Investors tend to see the US Dollar as a safe haven at times of crisis, and Russia’s invasion of Ukraine has therefore seen the US Dollar increase in value. As a result, the hedge ratio was increased to 75% during April, having remained at 50% since February 2021.
- h) The return achieved by the strategy compared with the returns of the fully hedged global developed passive fund and the unhedged fund over the last three years 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 three year period, although an unhedged position would have performed better over the last year and the last quarter.



### 3. FUNDING LEVEL

The triennial actuarial valuation is currently underway, and the Fund Actuary, Barnett Waddingham, will be working on Fund data as at 31 March 2022 and reviewing assumptions as reported to the Committee in June. Therefore, further funding updates will not be provided until the triennial valuation is completed.

The last triennial actuarial valuation, as at 31 March 2019 determined that the Devon Pension Fund had a funding level of 91%.

### 4. BUDGET FORECAST 2022-23

Appendix 1 shows the income and expenditure to date for 2022-23 against the original budget forecast. The following points should be noted.

- a) Contributions and benefits paid to date are broadly in line with the forecast.
- b) Peninsula Pensions' expenditure is always high in the first quarter, as the annual payment to the software provider is paid.
- c) Investment income from property, infrastructure and private debt is received in cash and can be used to aid cashflow. Income to date is in line with the forecast.
- d) The invoiced investment management fees line represents the costs of Brunel. The expenditure to date comprises two quarters' invoices as Brunel issues its quarterly invoices in advance. All other fees are taken directly from

the funds we are invested in and are estimated based on current valuations. No significant variances from forecast are expected at this stage.

- e) Transaction costs for the quarter are higher than anticipated because of the costs of redeeming and re-investing the Low Volatility allocation. Transaction costs for the remainder of the year are expected to be lower.
- f) 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 2022, was £47.7 million, plus \$0.2 million in US Dollars. As at 31 August the cash on deposit was slightly higher at £48.7 million, with \$0.1 million held in US Dollars. The cash held is being maintained at a target level of only 1% of the Fund, and it is therefore necessary to ensure its liquidity for cashflow purposes.

### Cash on Deposit

| Type of Deposit          | Maturity period | Actual as at 30/06/22 | Average Interest Rate | Current as at 31/08/22 | Average Interest Rate |
|--------------------------|-----------------|-----------------------|-----------------------|------------------------|-----------------------|
| <b>GBP Deposits</b>      |                 | <b>£m</b>             | <b>%</b>              | <b>£m</b>              | <b>%</b>              |
| Call and Notice Accounts | Immediate       | 47.7                  | 1.08                  | 48.7                   | 1.64                  |
|                          | 35 Day Notice   | 0.0                   |                       | 0.0                    |                       |
| Term Deposits            | <30 Days        | 0.0                   | 0.00                  | 0.0                    | 0.00                  |
|                          | >30 Days        | 0.0                   |                       | 0.0                    |                       |
| <b>TOTAL GBP</b>         |                 | <b>47.7</b>           | <b>1.08</b>           | <b>48.7</b>            | <b>1.64</b>           |
| <b>USD Deposits</b>      |                 | <b>\$m</b>            | <b>%</b>              | <b>\$m</b>             | <b>%</b>              |
| Call and Notice Accounts | Immediate       | 0.2                   | 1.43                  | 0.1                    | 2.32                  |

Points to note:

- a) The weighted average rate being earned on GBP cash deposits, as at 30 June 2022, was 1.08%. By the end of August this had increased to 1.64% as rates have continued to improve with the Bank of England's decision to increase the base rate by a further 0.5% up to 1.75% at the August meeting of the Monetary Policy Committee.
- b) While the cash balance at the end of August was broadly similar to the end of June position, a further £50 million was redeemed from the Diversified Returns Funds portfolio to meet calls on private market commitments during July and August.
- c) The deposits in place during 2022-23 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.

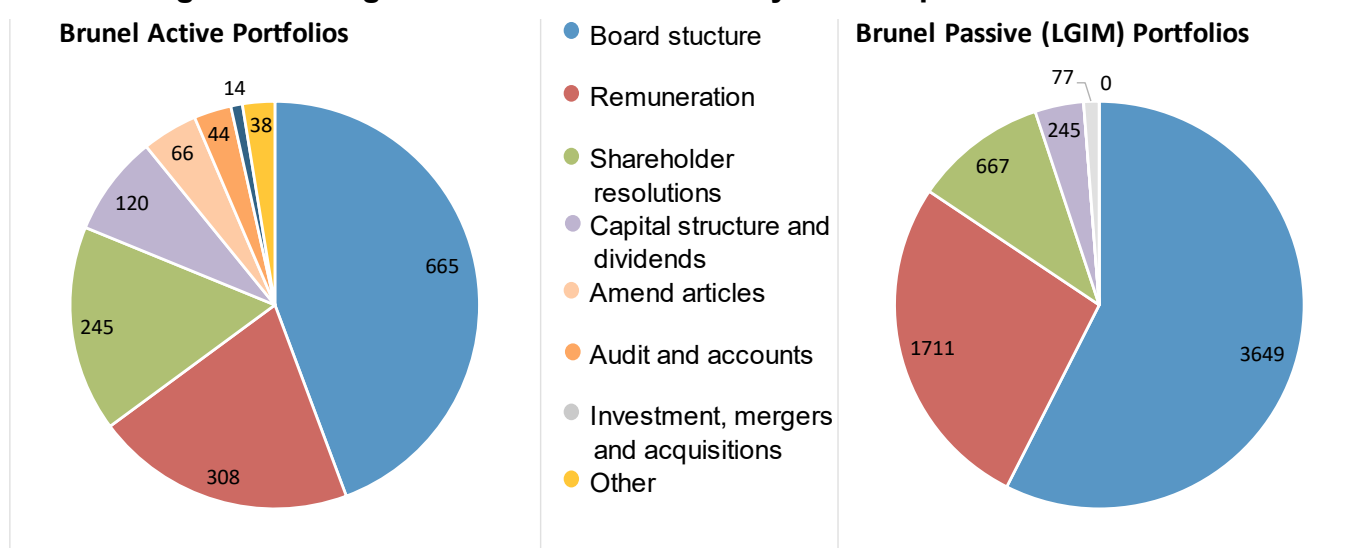
### Votes Cast at Company Meetings in the quarter to 30 June 2022

| Manager                          | Quarter to 30 June 2022 |                       |                                         |
|----------------------------------|-------------------------|-----------------------|-----------------------------------------|
|                                  | Number of Meetings      | Number of Resolutions | Votes against management recommendation |
| Brunel / LGIM Passive Portfolios | 2,240                   | 33,386                | 7,172                                   |
| Brunel - Active Portfolios       | 591                     | 8,039                 | 1,500                                   |

Points to note:

- 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.
- 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 against management recommendation by issue - quarter to 30 June 2022



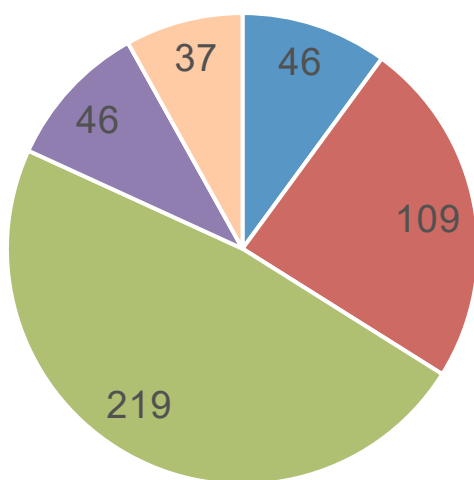
- The Fund is also a member of the Local Authority Pension Fund Forum (LAPFF), who undertake engagement activity on behalf of their member funds. Where significant issues arise on the agendas of company meetings,



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.

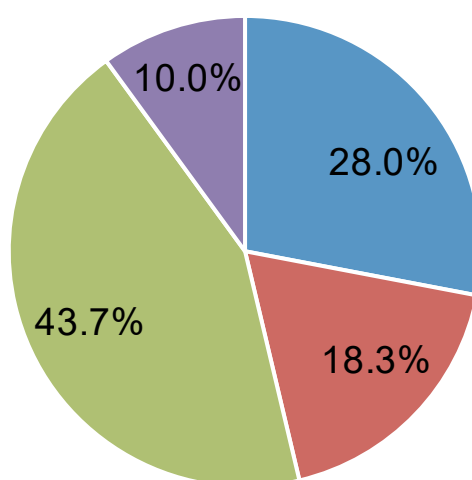
- d) The voting alerts issued during the quarter to 30 June are shown in Appendix 2 to this report. The table separates out Brunel's votes through their active portfolios and the votes cast by LGIM on the passive portfolios. The rationale for how Brunel and LGIM voted is included in the Appendix.
- e) 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 June is attached at Appendix 3 to this report. The report outlines its intention to issue up to 50 voting alerts over the next 12 months on resolutions related to climate change. It then details a number of those voting alerts and the supporting engagement conducted on the issues involved.

Angie Sinclair  
 Director of Finance and Public Value

[Electoral Divisions: All]

**LOCAL GOVERNMENT ACT 1972:  
 LIST OF BACKGROUND PAPERS: NIL**

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## Appendix 1

### Devon County Council Pension Fund Budget Forecast 2022/23

|                                                        | Actual<br>2021/22<br>£'000 | Original<br>Forecast<br>2022/23<br>£'000 | Actual to<br>30 June<br>2022<br>£'000 | Revised<br>Forecast<br>2022/23<br>£'000 | Variance<br>from<br>Original<br>Forecast<br>£'000 |
|--------------------------------------------------------|----------------------------|------------------------------------------|---------------------------------------|-----------------------------------------|---------------------------------------------------|
| <b>Contributions</b>                                   |                            |                                          |                                       |                                         |                                                   |
| Employers                                              | (128,172)                  | (132,000)                                | (33,073)                              | (132,000)                               | 0                                                 |
| Members                                                | (45,260)                   | (45,000)                                 | (11,699)                              | (45,000)                                | 0                                                 |
| Transfers in from other pension funds:                 | (13,324)                   | (14,000)                                 | (3,493)                               | (14,000)                                | 0                                                 |
|                                                        | <b>(186,756)</b>           | <b>(191,000)</b>                         | <b>(48,265)</b>                       | <b>(191,000)</b>                        | <b>0</b>                                          |
| <b>Benefits</b>                                        |                            |                                          |                                       |                                         |                                                   |
| Pensions                                               | 168,391                    | 175,000                                  | 43,673                                | 175,000                                 | 0                                                 |
| Commutation and lump sum retirement benefits           | 29,018                     | 28,000                                   | 6,707                                 | 28,000                                  | 0                                                 |
| Lump sum death benefits                                | 3,623                      | 4,000                                    | 1,136                                 | 4,000                                   | 0                                                 |
| Payments to and on account of leavers                  | 596                        | 600                                      | 327                                   | 600                                     | 0                                                 |
| Transfers Out                                          | 26,037                     | 10,000                                   | 2,718                                 | 10,000                                  | 0                                                 |
|                                                        | <b>227,665</b>             | <b>217,600</b>                           | <b>54,561</b>                         | <b>217,600</b>                          | <b>0</b>                                          |
| <b>Net Withdrawals from dealings with fund members</b> | <b>40,909</b>              | <b>26,600</b>                            | <b>6,296</b>                          | <b>26,600</b>                           | <b>0</b>                                          |
| <b>Investment Income</b>                               |                            |                                          |                                       |                                         |                                                   |
| Received as Cash                                       | (31,129)                   | (32,000)                                 | (8,915)                               | (32,000)                                | 0                                                 |
| Reinvested by Fund Manager                             | (2,518)                    | 0                                        | 0                                     | 0                                       | 0                                                 |
|                                                        | <b>(33,647)</b>            | <b>(32,000)</b>                          | <b>(8,915)</b>                        | <b>(32,000)</b>                         | <b>0</b>                                          |
| <b>Administrative costs</b>                            |                            |                                          |                                       |                                         |                                                   |
| Peninsula Pensions                                     | 2,429                      | 2,500                                    | 1,691                                 | 2,500                                   | 0                                                 |
|                                                        | <b>2,429</b>               | <b>2,500</b>                             | <b>1,691</b>                          | <b>2,500</b>                            | <b>0</b>                                          |
| <b>Investment management expenses</b>                  |                            |                                          |                                       |                                         |                                                   |
| External investment management fees - invoiced         | 1,684                      | 1,500                                    | 777                                   | 1,500                                   | 0                                                 |
| External investment management fees - not invoiced     | 21,662                     | 23,500                                   | 4,784                                 | 23,500                                  | 0                                                 |
| Custody fees                                           | 62                         | 60                                       | 0                                     | 60                                      | 0                                                 |
| Transaction costs                                      | 1,794                      | 1,500                                    | 1,002                                 | 1,500                                   | 0                                                 |
| Stock lending income & commission recapture            | (2)                        | 0                                        | 0                                     | 0                                       | 0                                                 |
| Class Action Proceeds                                  | (43)                       | 0                                        | 0                                     | 0                                       | 0                                                 |
| Other investment management expenses                   | 24                         | 30                                       | 0                                     | 30                                      | 0                                                 |
|                                                        | <b>25,181</b>              | <b>26,590</b>                            | <b>6,564</b>                          | <b>26,590</b>                           | <b>0</b>                                          |
| <b>Oversight and governance costs</b>                  |                            |                                          |                                       |                                         |                                                   |
| Investment & Pension Fund Committee Support            | 81                         | 90                                       | 39                                    | 90                                      | 0                                                 |
| Pension Board                                          | 40                         | 44                                       | 13                                    | 44                                      | 0                                                 |
| Investment Oversight and Accounting                    | 413                        | 400                                      | 130                                   | 400                                     | 0                                                 |
| Brunel Pension Partnership                             | 25                         | 30                                       | 5                                     | 30                                      | 0                                                 |
| Legal Support                                          | 24                         | 26                                       | 9                                     | 26                                      | 0                                                 |
| Actuarial Services                                     | 29                         | 100                                      | 65                                    | 100                                     | 0                                                 |
| Investment Performance Measurement                     | 109                        | 100                                      | 16                                    | 100                                     | 0                                                 |
| Subscriptions                                          | 54                         | 50                                       | 15                                    | 50                                      | 0                                                 |
| Internal Audit fees                                    | 37                         | 35                                       | 0                                     | 35                                      | 0                                                 |
| External Audit fees                                    | 31                         | 35                                       | 6                                     | 35                                      | 0                                                 |
|                                                        | <b>843</b>                 | <b>910</b>                               | <b>298</b>                            | <b>910</b>                              | <b>0</b>                                          |
| <b>Total Management Expenses</b>                       | <b>28,453</b>              | <b>30,000</b>                            | <b>8,553</b>                          | <b>30,000</b>                           | <b>0</b>                                          |

## Appendix 2

### LAPFF Voting Alerts

| Rio Tinto - 08-Apr-21                                                                                                                                                                                                                                                                                                |                      |                     |                      |                              |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|---------------------|----------------------|------------------------------|
| Active Portfolios held in: UK                                                                                                                                                                                                                                                                                        |                      |                     |                      |                              |
| Target Resolutions                                                                                                                                                                                                                                                                                                   | LAPFF Recommendation | LGIM (Passive) Vote | Brunel (Active) Vote | Vote Outcome                 |
| 1. Annual Report                                                                                                                                                                                                                                                                                                     | Oppose               | For                 | Oppose               | Approved (99.7% for)         |
| 2. Remuneration Report Implementation                                                                                                                                                                                                                                                                                | Oppose               | For                 | Oppose               | Approved (96.0% for)         |
| 3. Remuneration Report                                                                                                                                                                                                                                                                                               | For                  | For                 | For                  | Approved (96.1% for)         |
| 7. Re-elect Megan Clark AC                                                                                                                                                                                                                                                                                           | Oppose               | Oppose              | For                  | Approved (91.7% for)         |
| 17. Climate Action Plan                                                                                                                                                                                                                                                                                              | Oppose               | Oppose              | Oppose               | Approved (84.3% for)         |
| <b>Rationale for vote:</b> Lack of diversity in the Board. Concerns about Scope 3 Emissions targets and Scope 1 & 2 near term targets being met. Lack of commitment of capital allocation to decarbonisation efforts and to an annual vote allowing shareholders to monitor progression emission targets.            |                      |                     |                      |                              |
| Glencore - 22-Apr-21                                                                                                                                                                                                                                                                                                 |                      |                     |                      |                              |
| Active Portfolios held in: High Alpha                                                                                                                                                                                                                                                                                |                      |                     |                      |                              |
| Target Resolutions                                                                                                                                                                                                                                                                                                   | LAPFF Recommendation | LGIM (Passive) Vote | Brunel (Active) Vote | Vote Outcome                 |
| 1. Approve the Annual Report and Accounts                                                                                                                                                                                                                                                                            | Oppose               | For                 | For                  | Approved (99.3% for)         |
| 13. Approve 2021 Climate Progress Report                                                                                                                                                                                                                                                                             | Oppose               | Oppose              | Oppose               | Approved (72.7% for)         |
| <b>Rationale for vote:</b> There is Inadequate management of climate-related risks. The company's activities around thermal coal and lobbying, are inconsistent with the required ambition to stay within the 1.5°C trajectory.                                                                                      |                      |                     |                      |                              |
| Vale - 29-April-2022                                                                                                                                                                                                                                                                                                 |                      |                     |                      |                              |
| Active Portfolios held in: Emerging Markets                                                                                                                                                                                                                                                                          |                      |                     |                      |                              |
| Target Resolutions                                                                                                                                                                                                                                                                                                   | LAPFF Recommendation | LGIM (Passive) Vote | Brunel (Active) Vote | Vote Outcome                 |
| 4G. Election of Marcelo Gasparino da Silva                                                                                                                                                                                                                                                                           | Oppose               | For                 | For                  | Approved (99.0% for)         |
| 4H. Election of Mauro Gentile Rodrigues Cunha                                                                                                                                                                                                                                                                        | Oppose               | For                 | For                  | Approved (98.6% for)         |
| 8. Payment of Annual Compensation                                                                                                                                                                                                                                                                                    | Oppose               | For                 | For                  | Approved (99.5% for)         |
| <b>Rationale for vote:</b> Inconsistent approach to long term climate change and observation of Paris Agreement protocols.                                                                                                                                                                                           |                      |                     |                      |                              |
| Standard Chartered - 1-May-2022                                                                                                                                                                                                                                                                                      |                      |                     |                      |                              |
| Active Portfolios held in: Emerging Markets                                                                                                                                                                                                                                                                          |                      |                     |                      |                              |
| Target Resolutions                                                                                                                                                                                                                                                                                                   | LAPFF Recommendation | LGIM (Passive) Vote | Brunel (Active) Vote | Vote Outcome                 |
| 31. Endorse the pathway to net zero by 2050                                                                                                                                                                                                                                                                          | Oppose               | Oppose              | Oppose               | Approved (83.0% for)         |
| <b>Rationale for vote:</b> Climate Change targets only covers the activity of lending to three sectors and potentially lacks the ability to achieve 1.5C alignment. No credible transition plan to meet Paris protocol goals is yet in place.                                                                        |                      |                     |                      |                              |
| Barclays - 4-May-2022                                                                                                                                                                                                                                                                                                |                      |                     |                      |                              |
| Active Portfolios held in: None                                                                                                                                                                                                                                                                                      |                      |                     |                      |                              |
| Target Resolutions                                                                                                                                                                                                                                                                                                   | LAPFF Recommendation | LGIM (Passive) Vote | Brunel (Active) Vote | Vote Outcome                 |
| 26. Climate Strategy, Targets and Progress                                                                                                                                                                                                                                                                           | Oppose               | Oppose              | N/A                  | Approved (80.8% for)         |
| <b>Rationale for vote:</b> The ranges used for interim emissions reduction targets and the exclusion of US clients from the 2030 thermal coal exit, falls short of the actions needed for long-term 1.5C temperature alignment. Company should introduce credible transition plans, consistent with the Paris goals. |                      |                     |                      |                              |
| BP Plc - 12-May-22                                                                                                                                                                                                                                                                                                   |                      |                     |                      |                              |
| Active Portfolios held in: None                                                                                                                                                                                                                                                                                      |                      |                     |                      |                              |
| Target Resolutions                                                                                                                                                                                                                                                                                                   | LAPFF Recommendation | LGIM (Passive) Vote | Brunel (Active) Vote | Vote Outcome                 |
| 3. 'Net Zero – from ambition to action' report                                                                                                                                                                                                                                                                       | Oppose               | For                 | N/A                  | Approved (88.5% for)         |
| 24. Climate targets aligned with Paris Agreement                                                                                                                                                                                                                                                                     | For                  | Oppose              | N/A                  | Not approved (85.1% against) |
| <b>Rationale for vote:</b> Company is improving its strategic approach to meeting the Paris goals.                                                                                                                                                                                                                   |                      |                     |                      |                              |

| Shell - 24-May-22                                                                                                                                                                                                                                         |                      |                     |                      |                              |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|---------------------|----------------------|------------------------------|
| Active Portfolios held in: None                                                                                                                                                                                                                           |                      |                     |                      |                              |
| Target Resolutions                                                                                                                                                                                                                                        | LAPFF Recommendation | LGIM (Passive) Vote | Brunel (Active) Vote | Vote Outcome                 |
| 20. Advisory on Progress on Energy Transition                                                                                                                                                                                                             | Oppose               | Oppose              | N/A                  | Approved (79.9% for)         |
| 21. Climate targets aligned with Paris Agreement                                                                                                                                                                                                          | For                  | Oppose              | N/A                  | Not approved (79.7% against) |
| <b>Rationale for vote:</b> Requirement to strengthen operational emissions reduction targets. Lack of progress in the company's energy transition strategy, primarily around disclosure and the strengthening of its interim emissions reduction targets. |                      |                     |                      |                              |
| National Grid - 25-May-22                                                                                                                                                                                                                                 |                      |                     |                      |                              |
| Active Portfolios held in: Global Sustainable                                                                                                                                                                                                             |                      |                     |                      |                              |
| Target Resolutions                                                                                                                                                                                                                                        | LAPFF Recommendation | LGIM (Passive) Vote | Brunel (Active) Vote | Vote Outcome                 |
| 19. To Approve the Climate Transition Plan                                                                                                                                                                                                                | Oppose               | For                 | For                  | Approved (98.4% for)         |
| <b>Rationale for vote:</b> Three key concerns: Short-term targets are not appropriately disclosed; Near-term science-based targets are not currently 1.5 degree aligned; No clarity whether electricity generation will be carbon-free from 2035.         |                      |                     |                      |                              |
| Meta Platforms - 25-May-22                                                                                                                                                                                                                                |                      |                     |                      |                              |
| Active Portfolios held in: N/A                                                                                                                                                                                                                            |                      |                     |                      |                              |
| Target Resolutions                                                                                                                                                                                                                                        | LAPFF Recommendation | LGIM (Passive) Vote | Brunel (Active) Vote | Vote Outcome                 |
| 4. Dual class capital structure                                                                                                                                                                                                                           | For                  | For                 | N/A                  | Not approved (71.9% against) |
| 5. Independent chair                                                                                                                                                                                                                                      | For                  | For                 | N/A                  | Not approved (83.3% against) |
| 6. Concealment clauses                                                                                                                                                                                                                                    | For                  | For                 | N/A                  | Not approved (81.5% against) |
| 7. Report on external costs of misinformation                                                                                                                                                                                                             | For                  | Oppose              | N/A                  | Not approved (97.3% against) |
| 8. Report on community standards enforcement                                                                                                                                                                                                              | For                  | For                 | N/A                  | Not approved (80.8% against) |
| 9. Report and advisory vote on the metaverse                                                                                                                                                                                                              | For                  | Oppose              | N/A                  | Not approved (97.0% against) |
| 10. Human rights impact assessment                                                                                                                                                                                                                        | For                  | For                 | N/A                  | Not approved (76.6% against) |
| 11. Child sexual exploitation online                                                                                                                                                                                                                      | For                  | For                 | N/A                  | Not approved (82.7% against) |
| 13. Report on lobbying                                                                                                                                                                                                                                    | For                  | For                 | N/A                  | Not approved (79.5% against) |
| 14. Assessment of audit & risk oversight committee                                                                                                                                                                                                        | For                  | For                 | N/A                  | Not approved (85.5% against) |
| <b>Rationale for vote:</b> The proposed resolutions are supported because they follow ESG and climate change objectives.                                                                                                                                  |                      |                     |                      |                              |

| Amazon Inc - 25-May-22                            |                      | Active Portfolios held in: N/A |                      |                              |
|---------------------------------------------------|----------------------|--------------------------------|----------------------|------------------------------|
| Target Resolutions                                | LAPFF Recommendation | LGIM (Passive) Vote            | Brunel (Active) Vote | Vote Outcome                 |
| 6. Human rights due diligence on use of products  | For                  | For                            | N/A                  | Not approved (59.8% against) |
| 7. Alternative director candidate policy          | For                  | For                            | N/A                  | Not approved (77.8% against) |
| 8. Report on packaging materials                  | For                  | For                            | N/A                  | Not approved (51.1% against) |
| 9. Report on worker health and safety differences | For                  | For                            | N/A                  | Not approved (86.8% against) |
| 10. More reporting on certain contract clauses    | For                  | For                            | N/A                  | Not approved (75.1% against) |
| 12. Alternative tax reporting                     | For                  | For                            | N/A                  | Not approved (82.5% against) |
| 13. Reporting on freedom of association           | For                  | For                            | N/A                  | Not approved (61.1% against) |
| 14. Additional reporting on lobbying              | For                  | For                            | N/A                  | Not approved (52.7% against) |
| 16. Report on warehouse working conditions        | For                  | For                            | N/A                  | Not approved (56.0% against) |
| 17. Additional reporting on gender/racial pay     | For                  | For                            | N/A                  | Not approved (71.2% against) |
| 19. Report on use of certain technologies         | For                  | For                            | N/A                  | Not approved (59.3% against) |

**Rationale for vote:** Although minority shareholders supported these proposals, these were not supported by the major shareholders as they believe that Amazon Inc was endeavouring to achieve these goals.

| Sumitomo Mitsui Financial Group - 25-May-22     |                      | Active Portfolios held in: N/A |                      |              |
|-------------------------------------------------|----------------------|--------------------------------|----------------------|--------------|
| Target Resolutions                              | LAPFF Recommendation | LGIM (Passive) Vote            | Brunel (Active) Vote | Vote Outcome |
| 4. Setting greenhouse gas reduction targets     | For                  | For                            | N/A                  | Not approved |
| 5. Financing consistent with the IEA's Net Zero | For                  | For                            | N/A                  | Not approved |

**Rationale for vote:** Company should be more committed to Net Zero targets, especially their coal related emissions policy.

| Alphabet Inc - 01-June-22                                                                                                           |                      | Active Portfolios: Low Vol High Alpha/Global Sustain |                      |                              |
|-------------------------------------------------------------------------------------------------------------------------------------|----------------------|------------------------------------------------------|----------------------|------------------------------|
| Target Resolutions                                                                                                                  | LAPFF Recommendation | LGIM (Passive) Vote                                  | Brunel (Active) Vote | Vote Outcome                 |
| 5. Lobbying Report                                                                                                                  | For                  | For                                                  | For                  | Not approved (81.0% against) |
| 6. Climate Lobbying Report                                                                                                          | For                  | For                                                  | For                  | Not approved (81.0% against) |
| 7. Report on Physical Risks of Climate Change                                                                                       | For                  | For                                                  | For                  | Not approved (81.8% against) |
| 8. Report on Water Management Risks                                                                                                 | For                  | For                                                  | For                  | Not approved (77.4% against) |
| 9. Racial Equity Audit                                                                                                              | For                  | For                                                  | For                  | Not approved (77.6% against) |
| 10. Report on Concealment Clauses                                                                                                   | For                  | For                                                  | For                  | Not approved (88.0% against) |
| 11. Equal Shareholder Voting                                                                                                        | For                  | For                                                  | For                  | Not approved (66.8% against) |
| 13. Human Rights Assessment of Data Centre                                                                                          | For                  | For                                                  | For                  | Not approved (82.9% against) |
| 14. Report on Data Collection, Privacy, and Security                                                                                | For                  | For                                                  | For                  | Not approved (82.8% against) |
| 15. Algorithm Disclosures                                                                                                           | For                  | For                                                  | For                  | Not approved (80.4% against) |
| 16. Misinformation and Disinformation                                                                                               | For                  | For                                                  | For                  | Not approved (76.9% against) |
| 17. Report on External Costs of Disinformation                                                                                      | For                  | Oppose                                               | Oppose               | Not approved (96.5% against) |
| 18. Report on Board Diversity                                                                                                       | For                  | For                                                  | For                  | Not approved (94.7% against) |
| 19. Establish an Environmental Sustainability Board                                                                                 | For                  | For                                                  | Oppose               | Not approved (95.2% against) |
| 20. Non-Employee Representative Director                                                                                            | For                  | Oppose                                               | Oppose               | Not approved (97.5% against) |
| 21. Report on Policies on Militarized Policing                                                                                      | For                  | For                                                  | For                  | Not approved (90.8% against) |
| <b>Rationale for vote:</b> Positive on most aspects of ESG                                                                          |                      |                                                      |                      |                              |
| Caterpillar - 8-June-2022                                                                                                           |                      | Active Portfolios held in: N/A                       |                      |                              |
| Target Resolutions                                                                                                                  | LAPFF Recommendation | LGIM (Passive) Vote                                  | Brunel (Active) Vote | Vote Outcome                 |
| 4. Report on climate policy                                                                                                         | For                  | For                                                  | N/A                  | Approved (96.5% for)         |
| <b>Rationale for vote:</b> Company actively addressing climate change issues.                                                       |                      |                                                      |                      |                              |
| Monster Beverage Corp - 14-June-2022                                                                                                |                      | Active Portfolios held in: N/A                       |                      |                              |
| Target Resolutions                                                                                                                  | LAPFF Recommendation | LGIM (Passive) Vote                                  | Brunel (Active) Vote | Vote Outcome                 |
| 4. A report on plans to reduce GHG emissions                                                                                        | For                  | For                                                  | N/A                  | Not approved (55.8% against) |
| <b>Rationale for vote:</b> A vote in support is applied as LGIM supports and encourages companies to take action on climate change. |                      |                                                      |                      |                              |
| Electric Power Development - 25-June-2022                                                                                           |                      | Active Portfolios held in: N/A                       |                      |                              |
| Target Resolutions                                                                                                                  | LAPFF Recommendation | LGIM (Passive) Vote                                  | Brunel (Active) Vote | Vote Outcome                 |
| 8. Amendments to the Articles of Incorporation                                                                                      | For                  | For                                                  | N/A                  | Not approved (74.1% against) |
| <b>Rationale for vote:</b> Expected to work towards complying with Paris Accord protocols                                           |                      |                                                      |                      |                              |

| Dollar Tree - 30-June-2022                                                                         |                      | Active Portfolios held in: N/A |                      |                      |
|----------------------------------------------------------------------------------------------------|----------------------|--------------------------------|----------------------|----------------------|
| Target Resolutions                                                                                 | LAPFF Recommendation | LGIM (Passive) Vote            | Brunel (Active) Vote | Vote Outcome         |
| 5. Require a report on climate transition planning                                                 | For                  | For                            | N/A                  | Approved (92.4% for) |
| <b>Rationale for vote:</b> Company is taking sufficient action on the key issue of climate change. |                      |                                |                      |                      |



**Quarterly  
Engagement  
Report**

April-June  
2022



**Climate Voting  
Alerts, Banking,  
Electric Vehicles,  
Mining, Jet Zero,  
Sainsbury's**



## HUMAN RIGHTS



Bento Rodrigues district which was covered with mud after a dam owned by Vale SA and BHP burst in Mariana, Brazil

# New LAPFF climate and human rights initiatives

**Objective:** LAPFF announced two major initiatives this quarter, one related to climate change and one related to human rights. The climate change initiative is linked to LAPFF's work on 'Say on Climate'. LAPFF aims to issue up to 50 voting alerts to members on company climate plans over the course of the next twelve months. The goal of this initiative is to drive home the importance of ensuring investors weigh in meaningfully on corporate climate strategies and initiatives.

The human rights initiative is a visit by LAPFF Chair, Cllr Doug McMurdo, to communities affected by the Mariana and Brumadinho tailings dam collapses in Minas Gerais, Brazil. LAPFF announced

this visit a couple of years ago, but it was postponed by Covid.

**Achieved:** LAPFF has already issued a number of climate-related voting alerts. While LAPFF is pleased to see an increasing number of company resolutions seeking investor support for corporate climate plans, the goal is not to rubber stamp these plans. The resolutions will be assessed on their merits, not merely on the basis that plans have been put to a vote.

LAPFF has recommended votes in favour of shareholder resolutions, at **Caterpillar**, **Monster Beverages**, **J-Power**, **Sumitomo Mitsui Financial Group** and **Dollar Tree Inc**. The recom-

mendations supported disclosure of interim and long-term greenhouse gas (GHG) targets aligned with the Paris Agreement's aim to keep the global temperature rise to 1.5°C, company reporting on plans to reduce GHG emissions and annual reporting on progress.

In relation to Brazil, the urgency of LAPFF's visit is driven home by the findings of a major [report on mining and human rights](#) issued by LAPFF at the beginning of the quarter. This report covers concerns that there has not been nearly enough progress on housing reparations, among other issues, following the Mariana tailings dam collapse.

The report covers more than the Brazilian tailings dam collapses. It also covers

## MINING

mining impacts by Anglo American, BHP, Glencore, Rio Tinto, and Vale in Australia, Colombia, Papua New Guinea, Madagascar, Mongolia, and the US. This report has been issued alongside a new human rights strategy for LAPFF that is focused on ensuring corporate impacts that lead to improved human rights outcomes.

**In Progress:** Both the climate and human rights initiatives are means for LAPFF to escalate its engagement in areas deemed highly important by LAPFF members. The ‘Say on Climate’ initiative will be assessed for its role in encouraging companies to take climate measures in line with the Paris Agreement. The trip to Brazil will be assessed for its role in speeding up reparations for affected communities.

### Vale

**Objective:** LAPFF Chair, Cllr McMurdo, was able to meet with Vale Chair, José Penido, in person when he came to London in early April as part of his investor road show. The objective of the meeting was to discuss further what Vale could do to improve its response to the Mariana tailings dam collapse and to discuss LAPFF’s visit to Brazil.

**Achieved:** Mr Penido was very open to LAPFF’s input, discussing with Cllr McMurdo his time at Samarco – operator of the dam that collapsed at Mariana – prior to the dam collapse. LAPFF also conveyed a concern that Vale’s investor presentations focus too heavily on technical aspects of the company’s response to tailings dam safety.

While these aspects are important, LAPFF is keen to see evidence that Vale is also consulting affected communities effectively as an additional early warning measure, and to ensure that community needs are being met. For example, although Vale has stated that it has erected additional safety walls at high-risk dams, affected communities have conveyed to LAPFF that these walls would trap them in if there were to be a dam collapse at any of these sites. It is therefore critical that the company and communities have good communication to ensure adequate and appropriate safety measures are taken.

**In Progress:** LAPFF will meet with Mr

Penido and other Vale staff, as well as affected community members, during the visit to Brazil to understand better the obstacles to progress. Afterwards, a further assessment will be made about how to progress in a more effective manner.

### Rio Tinto

**Objective:** For the first time in two years, Rio Tinto was able to hold its AGM in person, while also making provisions for investors to attend online. LAPFF Chair, Cllr Doug McMurdo, attended in person, both to ask a question and to speak with Rio Tinto representatives.

**Achieved:** Cllr McMurdo asked whether Rio Tinto would be willing to review its processes for undertaking social and environmental impact assessments. This question stemmed from a concern in the LAPFF mining and human rights report that Rio Tinto’s current processes of this nature are missing major environmental, social, and governance (ESG) risks. Cllr McMurdo then had follow-up conversations with Rio Tinto CEO, Jakob Stausholm, the incoming Chair, Dominic Barton, and outgoing Chair, Simon Thompson.

This concern about impact assessments surfaced in part from LAPFF’s conversations with affected community groups, two of which LAPFF met at the AGM. Cllr McMurdo met with Yvonne Orenge of the Andrew Lees Trust, which advocates for communities affected by Rio Tinto’s QMM mine in Madagascar. He also met with Roger Featherstone and Henry C Munoz, of the Arizona Mining Reform Coalition, who are concerned about the impact of Rio Tinto and BHP’s joint venture, Resolution Copper, on surrounding Indigenous and settled communities.

Later in the quarter, Cllr McMurdo met Rio Tinto executives at an investor event in London. Among other topics discussed were block cave mining and the financial materiality of social and environmental impacts by companies.

**In Progress:** Rio Tinto extended further invitations for engagement to Cllr McMurdo and LAPFF, and LAPFF will seek to discuss the topic of impact assessments further with company representatives at the highest level of decision-making.

## Mining Voting Alerts

**Objective:** Each year, LAPFF issues a select number of voting alerts for companies where it is deemed necessary to escalate an engagement or highlight a particular problem with ESG practices. One problem in this is that companies, by and large, are not putting their climate plans to a vote every year. They are merely putting their disclosure on progress to a vote. It is LAPFF’s view that the scale of the climate crisis is such that there should be annual votes on company plans and strategies to reflect the rapidly hardening scientific position and narrowing window for effective action in this area.

**Achieved:** Amongst the global miners, LAPFF alerts for Rio Tinto, Vale, and Glencore have been issued to date.

In relation to Rio Tinto, LAPFF recommended a vote against the annual report and accounts on three grounds. First, there was concern that a fair and just transition was not adequately addressed. Second, LAPFF found the company’s description of the risks related to its Resolution Copper joint venture project with BHP in Arizona deficient. Third, it was not clear to LAPFF that the company’s auditors had accounted for climate-related financial risks. LAPFF also recommended a vote to oppose Rio Tinto’s climate plan. While the company’s plan is better than its past plans and those of a number of its competitors, there remain many concerns about its real-world impacts.

In relation to Glencore, LAPFF opposed the annual report and the company’s climate progress report. LAPFF has engaged with Glencore for nearly five years on the company’s internal controls, requesting an independent assessment in response to a range of bribery and corruption charges the company has been facing around the world. In reviewing company developments presented in the annual report, LAPFF was dismayed to see what appeared to be a superficial and insular approach to the topic. Therefore, a recommendation to oppose the annual report and accounts was issued. This recommendation was followed a few

## COMPANY ENGAGEMENT

weeks later by Glencore pleading guilty to bribery charges under the US Foreign Corrupt Practices Act, along with paying over \$1.1 billion in fines. The company pleaded guilty to corruption charges in the UK later in the quarter. LAPFF also issued a recommendation to oppose the company's climate progress plan, in part because it appears to rely too heavily on unproven technologies such as direct air capture and carbon capture and storage, as well as too little focus on Scope 3 emissions.

For Vale, LAPFF recommended votes to oppose the chairs of the sustainability committee and the people, compensation and governance committee. These recommendations were based on the continued slow response to reparations after the Mariana tailings dam collapse in 2015. Through research for the LAPFF mining and human rights report, concerns also surfaced about an inadequate response to the Brumadinho tailings dam collapse of 2019. Consequently, LAPFF also recommended votes to oppose the compensation resolutions on the grounds that Vale's approach to compensation failed to establish adequate accountability of its executive team for the impacts of the two dam collapses.

**In Progress:** LAPFF has written to Glencore for a meeting to discuss governance, climate, and human rights and is continuing to engage with all three companies on these issues and others.

### Technology Voting Alerts

**Objective:** Amazon, Meta Platforms, and Alphabet all faced a slew of shareholder resolutions this year. Similarly for mining companies, these technology firms were selected for LAPFF voting alerts to highlight particular ESG concerns. The topics of the resolutions covered a range of issues, including lobbying, climate, and board accountability. However, the overwhelming number of resolutions covered human rights, including labour rights. These resolutions mostly aligned with LAPFF's policies in all the areas mentioned.

**Achieved:** LAPFF issued voting alerts for all three companies and covered all but one or two shareholder resolutions.

For Amazon, 11 resolutions addressing human rights due diligence, worker



Amazon faced resolutions addressing human rights due diligence, worker safety and working conditions, including freedom of association, and tax reporting

safety and working conditions, including freedom of association, and tax reporting were among those receiving recommendations of support from LAPFF. These recommendations stemmed in part from participation in a webinar with Amazon warehouse staff in the US and Spain who voiced concerns about working conditions, including a massive anti-union campaign by the company. LAPFF is therefore keen to see more reporting from the company on how it addresses these issues.

Meta Platforms, formerly Facebook, also faced multiple shareholder resolutions, with LAPFF supporting resolutions on corporate governance, misinformation reporting, and human rights impact assessments, among others. It was noted that the company has not escaped scrutiny for its governance and human rights practices through its name change.

Alphabet, of which Google is now just one company, faced the longest list of shareholder resolutions, with LAPFF supporting 16 of them. LAPFF supported shareholder concerns about Alphabet's climate practices, human rights (including racial equity) and privacy, and board diversity.

**In Progress:** LAPFF's overriding concerns with all three companies were their insular approach to addressing shareholder concerns in their responses to each resolution and their failure to address their companies' impacts on society and the environment. The

insularity issue stems in part from the fact that the shareholding structures are skewed heavily toward the interests of the three founder directors at each company. The lack of focus on their impacts was evidenced by the companies' emphasis on their commitments, policies, and practices, without assessing how these stances and activities affected their wider stakeholder bases. LAPFF is seeking to make progress with the companies in each of these two areas.

### Oil and Gas Voting Alerts

**Objective:** LAPFF issued voting alerts for both BP and Shell, opposing the companies' climate plans and supporting the 'Follow This' shareholder resolutions. The plans of the oil and gas majors are of particular importance for a society-wide fair and just transition, with LAPFF keen to escalate concerns through voting alerts and recommendations against their plans.

**Achieved:** We made our vote recommendation for BP in the context of our view that the company is ahead of other extractive companies, including Shell, and that BP expresses the issue of decarbonisation in clear terms; there is a limited carbon budget.

LAPFF met both the Chair and CEO of BP and was encouraged that the company welcomed our positive engagement, whilst being extremely disappointed with

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The Shell Oil refinery in Pernis, the Netherlands

our voting alert. However, they acknowledge our position, and are pleased we are willing to be a “critical friend” and work with them over the coming months to gain a better understanding of our respective positions – it is definitely a company willing to talk, discuss and improve.

Shell’s investor relations team responded to the LAPFF voting alert by requesting that LAPFF acknowledge 89% of investors voting at last year’s AGM supported the company’s climate plan. In LAPFF’s view, this outcome is more a poor reflection on the majority of investors than it is a vote of support for Shell’s plans, especially since a Dutch court effectively endorsed LAPFF’s condemnation of the company’s plan the week after last year’s AGM. Shell’s intransigence is also a particular concern given reports on the effect of ‘carbon bomb’ projects in the oil and gas sector.

**In Progress:** LAPFF will continue to engage with the oil and gas majors, to highlight the need for Paris-aligned transition plans. From LAPFF’s perspective, the industry often resembles a race to the bottom, with the worst-performing companies dragging down progress of the more promising ones. LAPFF will raise issues around just transition plans, explore what actions shareholders can take, coordinate with other stakeholders and impress upon oil and gas companies the need for viable decarbonisation plans.

### Bank Meetings and Voting Alerts

**Objectives:** In April, LAPFF had a useful meeting with the Standard Chartered Chair, José Viñals, to determine how the company was progressing its work with clients on carbon emission reductions and aligning them with its approach to the energy transition. A meeting with Barclays representatives sought to better understand progress made on the company’s climate change strategy, as well as how the company was addressing identified gaps. A meeting was also held with HSBC representatives to determine progress on climate transition planning, given the commitment to publish a bank-wide plan in 2023.

**Achieved:** On the debate of absolute versus intensity targets, Standard Chartered considered that having absolute emissions targets may restrict helping clients reduce emissions in the long run. A voting alert was issued to members on the ‘pathway to net zero by 2050’ resolution. LAPFF advised members not to support due to the lack of targets in place to demonstrate the transition is fully aligned with a 1.5°C scenario.

At Barclays, progress was welcomed on setting some financed emission targets and provision of a timeline for setting others. There was also support for the company climate strategy focussing on

net zero operations and supply chain pathways. A voting alert was issued recognising this, but due to concerns of intensity emission reduction targets rather than absolute targets, members were advised to oppose the resolution to approve the 2022 Climate Strategy.

The HSBC meeting focussed on client transition plans and how investments can help drive their climate agendas.

**In Progress:** For all the banks, targets have been set for some sectors and plans are in place to set them for remaining sectors. A focus of engagement remains, particularly around the new financing for the oil and gas sector given that the International Energy Agency has said that no new oil and natural gas fields are needed in the net zero pathway.

### Occupied Palestinian Territories (OPT)

**Objective:** LAPFF reached out to several companies this quarter, continuing to push for them to undertake human rights impact assessments with regards to the Occupied Palestinian Territories (OPT) and for those that do to publish them.

**Achieved:** LAPFF first met with Booking Holdings in 2021 with a follow up meeting held this quarter. LAPFF spoke with the company about publishing a human rights statement which it has now subsequently done. It would appear that the company recognises it has a way to go in developing its human rights strategy across all conflict zones but is continuing to apply due diligence on its operations. LAPFF continued to emphasise its position, insisting that companies undertake independent, third-party human rights impact assessments.

General Mills reached out in May to announce that it had sold its stake in a joint venture in East Jerusalem, leaving it with no further business operations in Israel.

**In Progress:** LAPFF’s position remains that companies undertaking human rights impact assessments is the best way for investors to understand the risks associated with their investments in the region.

## COMPANY ENGAGEMENT



### Electric Vehicles

**Objective:** LAPFF has previously engaged with automotive manufacturers on their approach to a net zero economy, but an essential part of this transition is ensuring that it is done so in a 'fair and just' manner. LAPFF reached out to several car manufacturers to discuss their approaches to raw material sourcing and how companies ensure that this is done in a responsible manner.

**Achieved:** LAPFF met with two manufacturers so far, speaking to Investor Relations representatives from both BMW and Mercedes-Benz, who recently split from Daimler AG, separating the car and truck arms of the business. Mercedes provided a brief overview of its approach to decarbonising its vehicles alongside some information on its due diligence but did not provide in-depth details on how it was ensuring minerals were responsibly sourced.

LAPFF's conversation with BMW provided some insight into the company's processes and how it is managing a just transition. BMW sources minerals directly for its battery producers, which it sees as a positive step in shortening the supply chain and maintaining better transparency. It was positive to hear that although the company does not source materials from the Democratic Republic of the Congo (DRC), it was actively working with NGO's and bodies on the ground to attempt to rectify a range of human rights

and environmental issues that are ongoing in the region.

**In Progress:** LAPFF is currently waiting for further materials to be released by Mercedes and will likely seek further meetings with both BMW and Mercedes. Several companies have not responded to meeting requests which are currently being followed up. A meeting with Ford is planned for Q3.

### J Sainsbury plc

**Objective:** LAPFF met with Sainsbury's to discuss a resolution filed at its upcoming AGM in relation to the company becoming accredited by the Living Wage Foundation.

**Achieved:** Following a collaborative engagement earlier in the year, Sainsbury's subsequently matched rates for the living wage in Outer London to the wages paid in Inner London. LAPFF met with the company to discuss its position on the resolution and what the company was doing to support its employees.

**In Progress:** LAPFF maintains a rapport with Sainsbury's on a wide range of issues and is monitoring the company's approach to pay.

### Nestlé

**Objective:** As You Sow hosted a collaborative call with Nestle to discuss the company's approach to plastic packaging

and how it was working to reduce the environmental impacts that plastics have.

**Achieved:** The company spoke to initiatives around moving towards a circular economy, noting several located in developing countries aimed at recycling as much plastic as was produced in those regions, even if the plastic did not come from the company's own production. Nestle representatives talked about the move towards making more single use plastics, such as sachets, more recyclable in the future, and the potential for more sustainable alternatives. However it was not made clear what such alternatives would be.

**In Progress:** A circular economy for plastics relies on a lot of factors other than just being able to recycle the plastic itself. LAPFF is supportive of the notion that companies should be looking at alternatives to plastic where they can, to ensure that the environmental damage currently caused can be curtailed.

### Suzano

**Objective:** Suzano is one of the Climate Action 100+ (CA100+) focus companies for which LAPFF is a co-lead. The other co-lead for this engagement is Portuguese Investment Bank BPI. Suzano is assessed on a range of climate indicators which is reviewed annually to track progress. Concerns were raised over the ambition associated with the company's emissions reduction targets as well as disclosures relating to its climate policy engagement.

**Achieved:** LAPFF met with the company to discuss progress in its carbon mitigation strategy. The company's existing carbon reduction targets include an ambition to reduce the GHG emissions intensity of Scopes 1 and 2 by 15% by 2030. Also included is an ambition to remove up to 40 million tonnes of carbon by 2025, this being associated with carbon sequestration from the operation of its plantations. LAPFF asked the extent to which these targets could be considered ambitious given the Scopes 1 and 2 target equates to a 1.5% annual reduction on an intensity basis. Also, company reporting highlights that 25 million tons of carbon was removed during 2020 and 2021, which would leave three years to achieve equivalent sequestration. The company

## COMPANY ENGAGEMENT

highlighted that it already operated from one of the lowest carbon intensity bases when compared to peers, meaning that the easier to abate emissions had been addressed, making additional reductions more challenging.

During 2021 Suzano joined the Business Ambition for 1.5°C and Race to Zero initiatives and signed the commitment to the Science-Based Target Initiative (SBTi). Participation in the latter had been raised by LAPFF in prior engagements with the company. Suzano elaborated that it will launch, within the deadline established by the initiative, a decarbonisation target in alignment with the 1.5°C ambition, considering all the technical and scientific criteria of SBTi.

Suzano has also become a member of the CDP Supply Chain on Climate Change looking to addressing emissions throughout the value chain. This marks real progress for the company, focussing on supply chain-based emissions has been an issue LAPFF has consistently raised with Suzano.

**In Progress:** The company highlighted that it had brought forward the 40 million tonnes of carbon reduction target forward from 2030 to 2025 but did not anticipate amending the target further. Further questions were raised on disclosures around trade association membership and escalation strategies if member organisations did not align with the company's own approach to addressing climate change. The SBTi is scheduled to release relevant sector guidance during Q3 2022.

### National Grid

**Objective:** Having secured a 'Say on Climate' resolution at the AGM, LAPFF and other lead CA100+ investors had two meetings to assess progress in the company's climate transition plan.

**Achieved:** The first meeting with National Grid representatives was timed one day after the company issued its annual report, its Responsible Business report and notice of meeting for the AGM. It was evident that significant progress had been made, notably in disclosing a science-based medium-term Scope 3 emissions target, as well as a long-term Scope 3 target for 2050. The company has made a 'strategic pivot' to electricity

in the UK, selling its majority stake in the gas transmission business and its Rhode Island Business. However, there are still challenges in New York state and Massachusetts in addressing the decarbonisation of heat. These concerns were also discussed at a later meeting with the chair, Paula Rosput Reynolds, in June.

**In Progress:** A voting alert has been issued for the company AGM which will take place in mid-July.

### London Stock Exchange Group

**Objective:** A meeting with the Head of Sustainability sought to gain a better perspective of how the company can shape and promote the adoption of best practice Climate Transition Plans and to provide challenge on targets for 'real zero' for the group and for companies in its influence. This was a follow-up to the 'Say on Climate' collaborative letter sent to all listed UK companies last year asking them to put their transition plan to the vote.

**Achieved:** The importance of the quality of data supplied through company disclosure was identified. As an active member of the UN Sustainable Stock Exchange, the group has created its own disclosure guidance for London-listed firms, as well as providing educational resources around climate; sharing 'scorings' privately with companies and providing guidance on reporting to encourage and engage companies. The challenge for 'real zero' has in part been recognised through the group moving its own net zero targets from 2050 to 2040.

**In Progress:** It was considered it would be useful to progress a meeting with the senior independent director.

### Anglo American

**Objective:** Alongside LAPFF's engagement with Anglo American on mining and human rights, LAPFF engages the company on its approach to carbon emissions. This includes participating in CA100+ engagements. These engagements focus on CA100+ expectations, including targets, capital expenditure and lobbying.

**Achieved:** As the engagement is part of a long-standing series of meetings, the discussion focused on the detail of how the company was seeking to reduce emissions. It was useful to hear how they were working with their customers to seek to reduce Scope 3 emissions and how they were approaching reducing their own emissions through renewables. Anglo American has started to hold ESG updates twice a year for investors. LAPFF was interested and pleased to see that there was a heavy emphasis on water issues by the company, especially since water was a major concern raised by affected communities in LAPFF's research for its mining and human rights report. LAPFF also appreciated Anglo American's active engagement with the mining and human rights report and the concerns it raised about the company

**In Progress:** Engagement will continue with the company, including around making a commitment to 1.5°C scenario across Scopes 1 to 3.

### Arcelor Mittal

**Objective:** LAPFF attended the ArcelorMittal AGM, in its role as joint-lead investor with CA100+, to ask about company ambitions for a carbon emissions reduction target aligned with a 1.5°C scenario, for a commitment to a short-term reduction target, and to put the zero-carbon strategy to shareholders for approval at the 2023 AGM.

**Achieved:** Aditya Mittal, the CEO, responded to the questions. He considered incorrect to conclude that the target was not 1.5°C-aligned, and believed the company was at the cutting edge and making significant progress. On shorter-term progress, he detailed various projects that exemplified progression on decarbonisation in Canada, Spain, France and Belgium, the Canadian project being the most advanced by using hydrogen in a direct-reduced iron process. He further indicated that progress would accelerate towards the end of the next decade.

**In Progress:** On the request for putting the transition plan to shareholder for approval at the next AGM, Mr Mittal noted that shareholder engagement on this question would be monitored before deciding for next year's AGM.

# COMPANY ENGAGEMENT

## Novartis

**Objective:** LAPFF has been engaging with pharmaceutical companies to understand if and how the Covid pandemic has changed their business strategies and models. The engagement with Novartis during the quarter was part of this series. The company's approach to the war in Ukraine was also discussed.

**Achieved:** LAPFF noted that while Novartis does not have a vaccines unit, the company produced a large quantity of the Pfizer vaccine to help with the Covid response. It also appeared that the company has a fairly detailed plan to respond to future pandemics. However, LAPFF found the company's response on its approach to the war in Ukraine less convincing and therefore encouraged Novartis to undertake a human rights impact assessment in relation to the war.

**In Progress:** LAPFF will seek an engagement with GSK on this issue and will seek further engagement with Sanofi, which to date has issued a written response but has not agreed to a meeting.

## LyondellBasell

**Objective:** A follow-up meeting was held with LyondellBasell representatives as part of CA100+ collaborative engagement. This meeting sought to clarify action on the company's short-term carbon reduction goals as well as its more strategic positioning.

**Achieved:** LAPFF pressed on the rapidly falling cost-curve for renewable hydrogen, as well as the potential for partnerships in developing this market. On actions for reduction of virgin plastics production, the company considered a tipping point had already been reached.

**In Progress:** The issue of influencing trade associations was raised with a follow-up meeting being sought around the issue of lobbying.

## Total

**Objective:** Total has recently announced it will divest from Myanmar and has faced significant scrutiny for its investments in Russia. LAPFF Executive member, John Anzani, was keen to discuss the

company's approach to operating in and divesting from conflict zones with a company representative.

**Achieved:** Total has been subject to scrutiny in this area for many years, not least in relation to litigation about its Yadana pipeline project in Myanmar. However, the company has only recently decided to divest from Myanmar, so it was helpful for LAPFF to understand the complex nature of the decision-making that went into this decision. Total's representative described the human rights due diligence process undertaken to reach this decision, as well the process used to decide to remain invested in its Russian operations, in consideration of existing EU sanctions.

**In Progress:** LAPFF will continue to monitor sanctions legislation pertaining to Russia, Ukraine, and other conflict areas and will engage again with Total on this issue if deemed necessary.

## Reliable Accounts

**Objective:** As reported in the Times, the UK Endorsement Board (UKEB), the body responsible for endorsing International Accounting Standards for the UK post-Brexit, has taken a controversial approach to seeking legal advice.

**Achieved:** LAPFF pointed out that given that Martin Moore QC had advised both the Institute of Chartered Accountant in England and Wales (ICAEW) – the regulated party – as well as the Financial

Reporting Council (FRC) – the regulator – that LAPFF would expect the UKEB to seek legal advice on its statutory duties from elsewhere. Two legal opinions from George Bompas QC for LAPFF took issue with Mr Moore's conclusion. The Times reported that emails had become public whereby a UKEB board member who is a lawyer had said "I have spoken to Martin Moore [QC] and he is fine with supporting Michael Todd [QC] behind the scenes and understands the conflicts issue which prevents us from instructing him."

**In Progress:** As the FRC is responsible for funding the UKEB and overseeing its due process, the LAPFF Chair wrote to the Chief Executive of the FRC to state how that approach was unacceptable. As a result, meetings have been held with BEIS officials. Fuller reports will be given in due course. Meanwhile, Baroness Bowles has asked a number of questions in Parliament on this subject, that you can view [here](#).

## Water Utilities

**Objective:** Water utility companies have faced significant scrutiny for their environmental performance, specifically the release of raw sewage into rivers to safeguard against flooding. LAPFF has therefore started to engage water companies on having credible plans to minimise the release of raw sewage as well as how companies are seeking to reach net zero given the sector contributes 1% to the UK's total emissions.



Water utility companies have faced significant scrutiny for their environmental performance, including safeguarding against flooding

## COMPANY ENGAGEMENT

**Achieved:** Over the quarter LAPFF met with the chairs of both Severn Trent and United Utilities.

Severn Trent outlined its commitment to reducing pollution and the release of sewage into waterways. It was useful to hear details about the company's plans to ensure that by 2030 their operations will not lead to the harm of rivers. LAPFF recognised that the company performs well in its Environmental Performance Assessment (EPA), even if there is room for improvement. In the meeting, the company outlined their net zero commitments. Whilst insightful, there is less information about how they are seeking to reduce Scope 3 emissions.

The meeting with United Utilities focused on the company's plans and on the challenges of reducing storm overflows. This discussion covered Victorian infrastructure, combined sewers, which collect storm overflow rain runoff as well as sewage, and the costs associated with tackling the issue. Like the meeting with Severn Trent, LAPFF recognised that the company performed well in its EPA and also discussed the challenges around data collection and wider causes of river pollution.

**In Progress:** LAPFF is seeking to engage with other companies within the sector and will monitor environmental performances.



A farmer works in front of a coking factory in Xiaoyi Shanxi China

## COLLABORATIVE ENGAGEMENTS

### Rathbones Votes Against Slavery

**Objective:** LAPFF supports Rathbones Votes Against Slavery engagement, which targets FTSE 350 companies that fail to comply with Section 54 of the Modern Slavery Act.

**Achieved:** The engagement has had a range of successes, with many companies now compliant with Section 54. LAPFF joined two calls with Segro and Synthomer to discuss the companies' approach to modern slavery and reporting, with both companies appearing to take onboard the need for more transparent reporting, particularly in regards remediation processes.

**In Progress:** Across engagements where modern slavery is concerned, LAPFF continues to stress the point that if and when instances of modern slavery are found, the company should transparently report on these alongside the remediation processes.

### Asia Research and Engagement

**Objective:** As part of the Asian Transition Plan collaborative initiative, LAPFF supports company engagement in Asia's financial markets, focussing on carbon and coal risks at financial institutions, as well as coal-exposed power companies.

**Achieved:** Statements were made at the annual meetings of Huaneng Power International, Huadian Power, Industrial and Commercial Bank China, and Bank of China. The power company statements requested commitments to stop coal power capacity addition and to phase out existing coal power capacity. The bank statements asked for commitments to net zero financed emissions in line with China's targets, sector specific pathways in line with national policies, and sustainable finance targets.

**In Progress:** Regular meetings continue with the coordinating group to progress company engagement meetings.

### Global Standard on Climate Lobbying

LAPFF joined founding investor networks in support of a new Global Standard

on Responsible Climate Lobbying. This provides a framework to ensure companies' lobbying and political engagement activities are in line with the goal of restricting global temperature rise to 1.5°C above pre-industrial levels. It calls on companies to formally commit to responsible climate lobbying, disclose funding and other support they provide to trade associations involved in climate change-related lobbying, and act if lobbying activity runs counter to the goals of the Paris Agreement. Linked to this, LAPFF was a signatory to correspondence to CA100+ European companies that had not disclosed information on their climate-related lobbying. This aimed to reinforce disclosure as an industry norm and to provide guidance by pointing the company towards the Global Standard.

### Human Rights Collaborations

**Objective:** PRI has noted that human rights is an area that could use collective action to leverage investor support. LAPFF agrees and has undertaken several collective engagement actions on human rights with various stakeholders during the quarter.

#### Achieved:

##### *Investor Collaborations*

**PRI Advance:** The first collective engagement is to engage with PRI on its new Advance human rights initiative to see how best LAPFF can play a role. LAPFF attended an investor webinar on the initiative and then met one-on-one with PRI staff to clarify how LAPFF's work on human rights could support and complement the PRI initiative. Discussions are still underway about the best approach.

### Conflict Minerals in the Semi-Conductor Supply Chain Sign-On Letter:

Stewart Investors coordinated a collaborative investor letter calling a range of companies in the semiconductor supply chain to report on their human rights due diligence processes and provide assurances about their human rights impacts.

### Wells Fargo Human Rights Impact

**Assessment Sign-On Letter:** Wells Fargo received criticism about its loan process in relation to the financial crisis of 2008-2009. Concerns remain about its lending practices, so US investors coordinated a collaborative investor letter requesting



## COLLABORATIVE ENGAGEMENTS

that the bank undertake a human rights due diligence process in relation to its lending practices.

### *Affected Worker and Community Collaborations*

**LAPFF Webinar with Community Members Affected by Anglo American, Glencore, and Vale** – LAPFF, with the help of London Mining Network, hosted a webinar with community members affected by Anglo American, Glencore, and Vale projects at Minas Rio, Cerrejón, and Brumadinho, the former and the last in Brazil and Cerrejón in Colombia. The community members spoke about lack of drinking water for communities, in part due to contamination, along with other types of pollution and lack of electricity that they attributed to mining practices.

**IndustriALL Social Protection Webinar** – IndustriALL, with LAPFF supporting, hosted a webinar with two Thai workers to highlight the often-ignored social protection gap in many workplaces. There was mention of how poor social protection can compromise health and safety. The workers spoke about particular challenges in this area during Covid and how they had to push their employer and others to obtain the social protection they were owed, in part because it is often not clear what balance of accountability states and employers have in offering this protection.

**Glencore in Espinar, Peru** – Community members from Espinar, Peru joined a webinar chaired by LAPFF Chair Cllr Doug McMurdo to discuss Glencore's impacts on their communities. Of major concern to the communities is the impact of Glencore's mine in the area, Antapaccay, on the drinking water for local communities. Although Glencore maintains that the local water sources are naturally undrinkable, the communities are concerned that it is the impacts of mining rendering the water unsafe. There are a number of other human rights and environmental issues of concern in this case too.

### **In Progress:**

LAPFF will continue to engage with both other investors and affected workers and communities for two purposes. First, LAPFF members want to be sure that their investments are not leading to

negative human rights or environmental impacts. Second, these stakeholders provide useful sources of information for LAPFF members to understand their investments better.

### **CA100+ Transport Group**

**Objective:** LAPFF is a member of the CA100+ Transport Group. The group aims to engage major automakers on their plans to decarbonise their operations and shift to zero emission vehicles.

**Achieved:** There have been concerns about Toyota's approach to zero emission vehicles. Although the company has been a large producer of hybrid vehicles, plans and capital expenditure on battery electric and other zero emission vehicles have been less developed than some of their peers. This creates potential risks to investors considering the rapid increase in the sale of electric vehicles. During the quarter lead investors met the company. The investor group also met amongst itself to discuss wider developments within the transport sector, including decarbonisation of heavy-duty vehicles. As part of this work, LAPFF signed onto a letter to US regulators regarding heavy duty vehicle emissions standards.

**In Progress:** LAPFF will continue to engage with the largest automakers on their plans to decarbonise their fleets.

## COLLABORATIVE INVESTOR MEETINGS

### **Institutional Investor Group on Climate Change (IIGCC)**

**Objective:** Participation in weekly meetings coordinated by IIGCC provided useful updates on company progress against the CA100+ benchmark, which assesses the world's largest greenhouse gas emitters on their net zero transitions.

**Achieved:** The benchmark scoring for these companies will formally be published in September 2022 in time for focussed engagement prior to the next proxy season.

**In Progress:** Most recently, LAPFF has been participating in the Global Sector Strategies work to help identify policy

actions that will have a significant impact on companies' abilities to enhance and deliver on their climate transition plans.

### **IOPA**

**Objective:** The Investor Initiative for Opioid Accountability seeks transparency from pharmaceutical companies and aims to mitigate further risk across the industry. Members of the coalition have met with a number of companies and have proceeded to file multiple resolutions for 2022 company AGMs across a wide range of issues.

**Achieved:** Shareholder resolutions organised by the coalition have seen varying levels of support across the quarter but have seen growing numbers of support compared to previous years.

**In Progress:** LAPFF continues to attend monthly meetings hosted by IOPA and monitors the engagements being held by investors in the coalition.

### **Investor Initiative for Responsible Care**

**Objective:** The Covid pandemic placed the spotlight on care quality and employment standards within care home sector. In response to these concerns, LAPFF was a founding member of the Investor Initiative for Responsible Care organised by UNI Global. The coalition includes 130 institutional investors with \$3.8 trillion in assets and aims to improve employment and care standards to protect shareholder value.

**Achieved:** Over the quarter, LAPFF, alongside other lead investors, has contacted Real Estate Investment Trusts (REITs) working within the nursing home sector. LAPFF also signed onto a letter regarding EU Care Strategy.

**In Progress:** Through the initiative LAPFF will continue to engage REITs and care home providers on employment and care standards.

## COLLABORATIVE ENGAGEMENTS

### CONSULTATION RESPONSES

#### Transportation consultation responses

**Objective:** In responding to the UK Department for Transport (DfT) consultations, LAPFF's aim has been to press for legislation that recognises the remaining global carbon budget, and the opportunities as well as constraints this poses for investors.

**Achieved:** Consultation responses included one on ending the sale of new, non-zero emission buses, coaches, and minibuses and another response to the 'Further Technical Consultation on Jet Zero' to inform the government's strategy for net zero aviation. For the former, it was good to see the earliest date range for the phase-out of non-zero emission buses being proposed as 2025, aligning with the earlier LAPFF submission on the phase out of the sale of new non-zero emission heavy goods vehicles (HGVs).

The government response and outcome to the DfT HGV consultation is now available. In the 'Jet Zero' response, LAPFF set out its views that measures to promote net zero aviation should be considered within the context of overall provision of reliable and affordable transport including surface transport. There was support for the government pushing for domestic flights to be replaced by train journeys and for any remaining domestic flights to be provided by electric aircraft. This is in line with measures being taken by Austria, France, the Netherlands and Spain.

**In Progress:** LAPFF continues to participate in events to inform such submissions, the most recent being a workshop on the electrification of flight held at Cranfield University.

#### US National Action Plan on Responsible Business Conduct

**Objective:** The US last issued a national action plan (NAP) on responsible business conduct (RBC) in 2016. Given the number of developments in this area,

not least a range of mandatory human rights due diligence initiatives – including in the US – the country has decided to update its 2016 NAP. Therefore, LAPFF responded to a consultation on the US NAP for RBC to provide thoughts and insights gained through its extensive engagement with companies on this topic.

**Achieved:** LAPFF's consultation response encouraged the US to review the many human rights due diligence laws being proposed, and in some cases adopted, around the world. LAPFF had issued a consultation response in support of the EU's initiative in this area – the EU Directive on Sustainable Corporate Governance – and encouraged the US to look to the EU initiative for ideas. The 2016 NAP also treated climate and environment as tangential to other areas of RBC. LAPFF pointed to the major developments on both climate and environment, including the recognition of a human right to a clean and healthy environment, as evidence that both climate and environment need to be treated as integral components of RBC.

**In Progress:** LAPFF will now wait to see what the next version of the US NAP on RBC looks like.

### CHAIR'S QUOTE

It has been interesting to note – both through voting alerts and engagements – that for all types of companies there is often a failure to report on social and environmental impacts. We hear a lot about what commitments, policies, and practices these companies have, but do their promises and activities work?

I suspect I know the answer to that question. It seems to me that a lot of shareholder money is being wasted on poor initiatives that could be improved through proper engagement with affected stakeholders.”

Local  
Authority  
Pension  
Fund  
Forum

### MEDIA COVERAGE

#### Mining and Human Rights

Pensions Age: [LAPFF report on mining and human rights calls for greater investor engagement](#)

Environmental Finance: [“LAPFF reveals ‘litany’ of ESG risks at mining companies](#)

New Internationalist: [‘Stop the poison’](#)

#### Accounts

Pensions Expert: [TPR to review Stewardship Code with watchdogs and government](#)

Insurance ERM: [IFRS 17 “ripe for judicial review”, says UK peer](#)

#### Climate

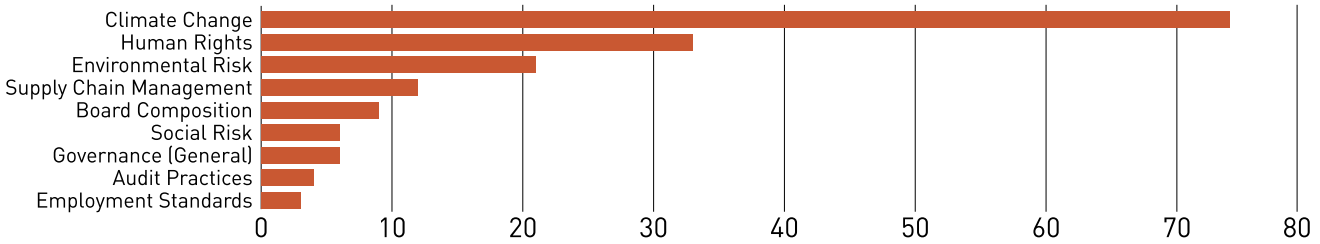
IPE: [LAPFF wants more recognition of electric flight progress](#)

Reuters: [Advisory firm PIRC opposes Shell climate plan for lacking ambition](#)

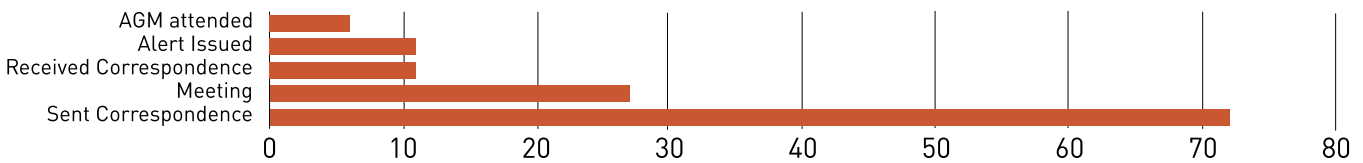
Reuters story also in Canada's [Globe and Mail](#)

# ENGAGEMENT DATA

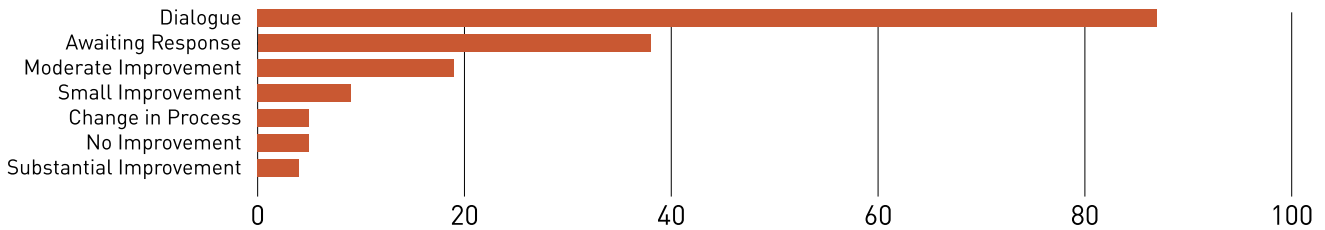
## ENGAGEMENT TOPICS



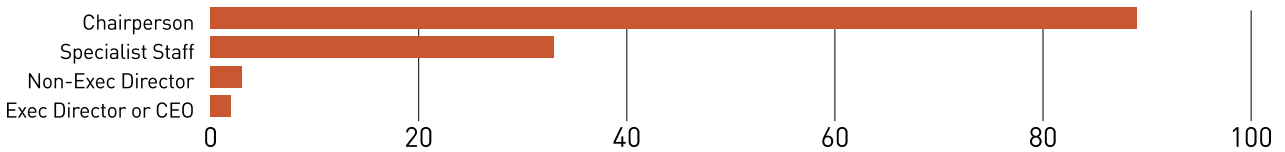
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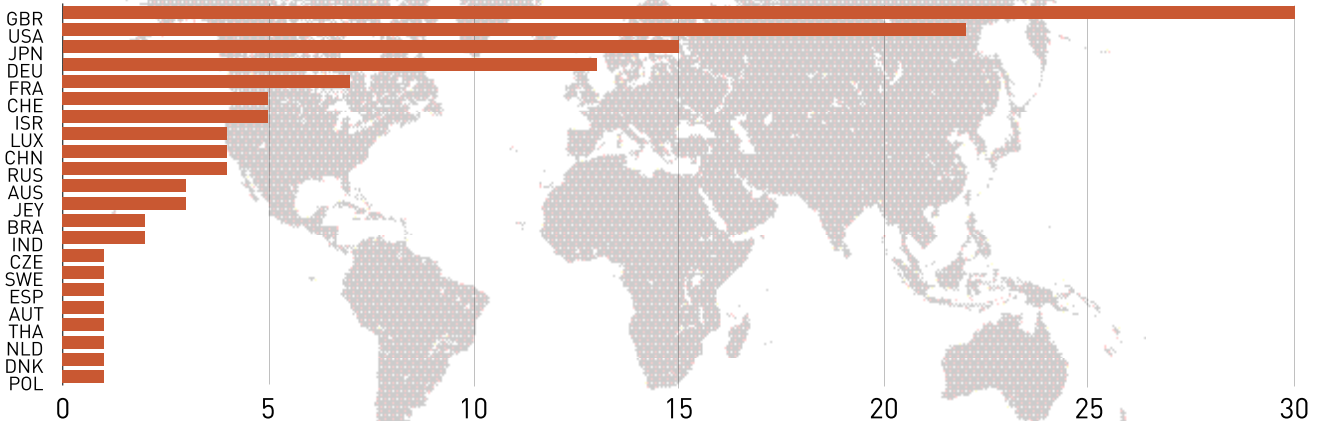
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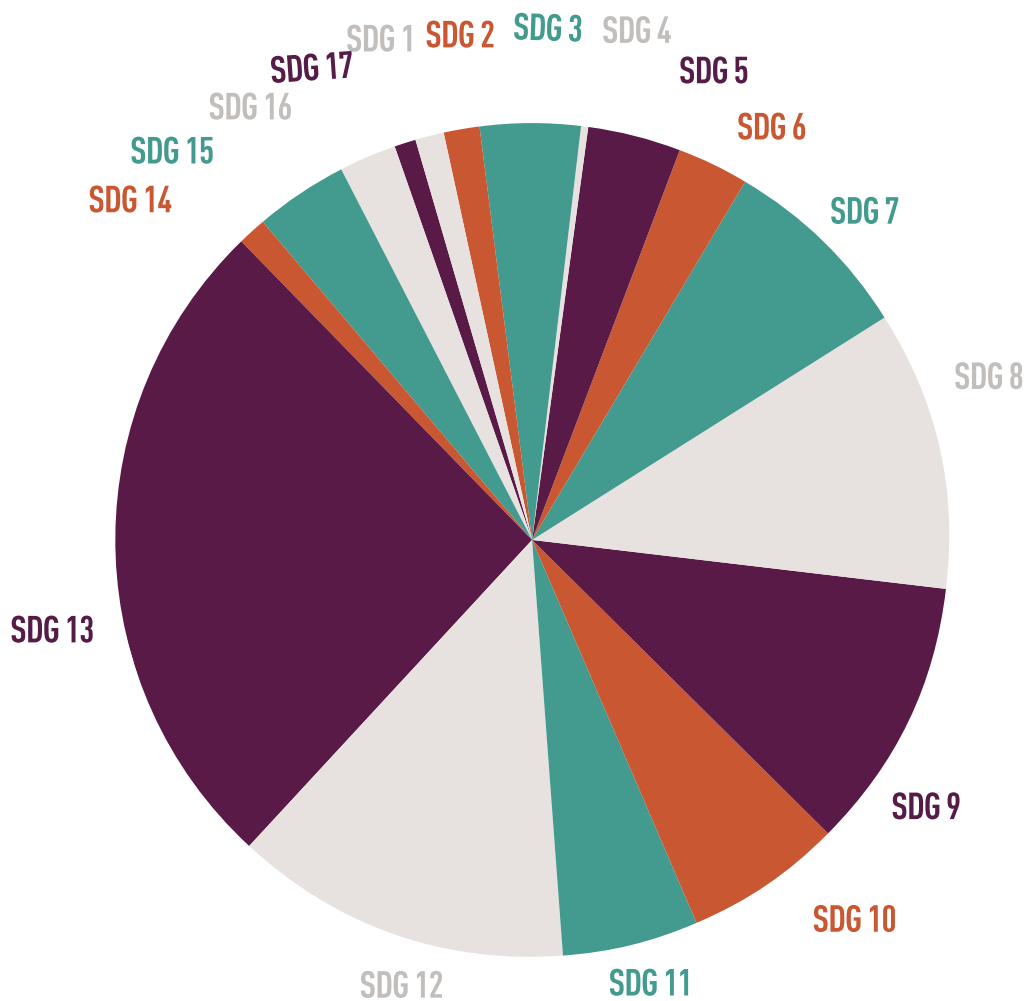
## POSITION ENGAGED



## COMPANY DOMICILES



# ENGAGEMENT DATA



## LAPFF SDG ENGAGEMENTS

|                                                                                                                  |    |
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| SDG 1: No Poverty                                                                                                | 4  |
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# COMPANY PROGRESS REPORT

90 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                 |
|----------------------------------------------|-------------------------|----------------------|-------------------------|
| AIR LIQUIDE SA                               | Received Correspondence | Climate Change       | Moderate Improvement    |
| AIRBNB INC                                   | Sent Correspondence     | Human Rights         | Awaiting Response       |
| ALPHABET INC                                 | Alert Issued            | Human Rights         | Dialogue                |
| AMAZON.COM INC.                              | Alert Issued            | Employment Standards | Dialogue                |
| ANGLO AMERICAN PLC                           | Received Correspondence | Climate Change       | Moderate Improvement    |
| AP MOLLER - MAERSK AS                        | Sent Correspondence     | Climate Change       | Dialogue                |
| ARCELORMITTAL SA                             | AGM                     | Climate Change       | Small Improvement       |
| BANDAI NAMCO HOLDINGS INC                    | Sent Correspondence     | Board Composition    | Awaiting Response       |
| BANK HAPOLIM B M                             | Sent Correspondence     | Human Rights         | Awaiting Response       |
| BANK LEUMI LE-ISRAEL BM                      | Sent Correspondence     | Human Rights         | Awaiting Response       |
| BANK OF CHINA LTD                            | AGM                     | Climate Change       | Dialogue                |
| BARCLAYS BANK PLC                            | Meeting                 | Climate Change       | Moderate Improvement    |
| BARCLAYS PLC                                 | Alert Issued            | Climate Change       | Moderate Improvement    |
| BAYERISCHE MOTOREN WERKE AG                  | Meeting                 | Environmental Risk   | Moderate Improvement    |
| BEZEQ THE ISRAELI TELECOMMUNICATION CORP LTD | Sent Correspondence     | Human Rights         | Dialogue                |
| BHP GROUP LIMITED (AUS)                      | Sent Correspondence     | Governance (General) | No Improvement          |
| BOOKING HOLDINGS INC.                        | Meeting                 | Human Rights         | Awaiting Response       |
| BRIDGESTONE CORP                             | Sent Correspondence     | Board Composition    | Dialogue                |
| BRITVIC PLC                                  | Meeting                 | Social Risk          | Substantial Improvement |
| CATERPILLAR INC.                             | Alert Issued            | Environmental Risk   | Dialogue                |
| CENTRICA PLC                                 | Sent Correspondence     | Climate Change       | Dialogue                |
| CEZ AS                                       | Sent Correspondence     | Climate Change       | Dialogue                |
| CISCO SYSTEMS INC.                           | Sent Correspondence     | Human Rights         | Dialogue                |
| DANONE                                       | Sent Correspondence     | Social Risk          | Dialogue                |
| DOLLAR TREE INC                              | Alert Issued            | Climate Change       | Dialogue                |
| E.ON SE                                      | Sent Correspondence     | Climate Change       | Dialogue                |
| ELECTRIC POWER DEVELOPMENT CO                | Alert Issued            | Climate Change       | Dialogue                |
| EXPEDIA GROUP INC                            | Sent Correspondence     | Audit Practices      | Awaiting Response       |
| FUJIFILM HLDGS CORP                          | Sent Correspondence     | Board Composition    | Awaiting Response       |
| GAZPROM OAO                                  | Sent Correspondence     | Climate Change       | Dialogue                |
| GENERAL MILLS INC                            | Received Correspondence | Human Rights         | Substantial Improvement |
| GENERAL MOTORS COMPANY                       | Sent Correspondence     | Human Rights         | Awaiting Response       |
| GLENCORE PLC                                 | Alert Issued            | Climate Change       | Dialogue                |
| GSK PLC                                      | Sent Correspondence     | Climate Change       | Awaiting Response       |
| HOLCIM LTD                                   | Sent Correspondence     | Climate Change       | Dialogue                |
| HONEYWELL INTERNATIONAL INC.                 | Sent Correspondence     | Environmental Risk   | Awaiting Response       |
| HSBC HOLDINGS PLC                            | Meeting                 | Climate Change       | Moderate Improvement    |
| HUADIAN POWER INTL CORP LTD                  | AGM                     | Climate Change       | Dialogue                |
| HUANENG POWER INTERNATIONAL                  | AGM                     | Climate Change       | Dialogue                |
| IBERDROLA SA                                 | Sent Correspondence     | Climate Change       | Dialogue                |
| INDORAMA VENTURES PCL                        | Sent Correspondence     | Human Rights         | Awaiting Response       |
| INDUSTRIAL & COMMERCIAL BANK CHINA           | AGM                     | Climate Change       | Dialogue                |
| ISRAEL DISCOUNT BANK LTD                     | Sent Correspondence     | Human Rights         | Awaiting Response       |
| JPMORGAN CHASE & CO.                         | Sent Correspondence     | Climate Change       | Awaiting Response       |
| KAMIGUMI CO LTD                              | Sent Correspondence     | Board Composition    | Awaiting Response       |
| KUBOTA CORP                                  | Meeting                 | Board Composition    | Small Improvement       |
| LONDON STOCK EXCHANGE GROUP PLC              | Meeting                 | Climate Change       | Moderate Improvement    |
| LUKOIL OAO                                   | Sent Correspondence     | Climate Change       | Dialogue                |
| LYONDELLBASELL INDUSTRIES N.V.               | Meeting                 | Climate Change       | Small Improvement       |
| LYONDELLBASELL INDUSTRIES N.V.               | Sent Correspondence     | Climate Change       | Dialogue                |
| MARKEL CORPORATION                           | Sent Correspondence     | Climate Change       | Awaiting Response       |
| MARUBENI CORP                                | Sent Correspondence     | Board Composition    | Awaiting Response       |
| MERCEDES-BENZ GROUP AG                       | Meeting                 | Human Rights         | Dialogue                |
| META PLATFORMS INC                           | Alert Issued            | Governance (General) | Dialogue                |
| MIZRAHI TEFAHOT BANK LTD                     | Sent Correspondence     | Human Rights         | Awaiting Response       |
| NATIONAL GRID PLC                            | Meeting                 | Climate Change       | Substantial Improvement |
| NESTLE SA                                    | Meeting                 | Social Risk          | Small Improvement       |
| NEXTERA ENERGY INC                           | Received Correspondence | Climate Change       | No Improvement          |
| NINTENDO CO LTD                              | Sent Correspondence     | Environmental Risk   | Awaiting Response       |

## COMPANY PROGRESS REPORT Continued

|                                 |                         |                      |                      |
|---------------------------------|-------------------------|----------------------|----------------------|
| NISSAN MOTOR CO LTD             | Sent Correspondence     | Human Rights         | Awaiting Response    |
| NOVARTIS AG                     | Meeting                 | Governance (General) | Change in Process    |
| OMV AG                          | Sent Correspondence     | Climate Change       | Dialogue             |
| OTSUKA CORPORATION              | Sent Correspondence     | Board Composition    | Awaiting Response    |
| PHILLIPS 66                     | Sent Correspondence     | Climate Change       | Dialogue             |
| POLSKA GRUPA ENERGETYCZNA SA    | Sent Correspondence     | Climate Change       | Dialogue             |
| RENAULT SA                      | Sent Correspondence     | Climate Change       | Dialogue             |
| RIO TINTO GROUP (AUS)           | AGM                     | Human Rights         | No Improvement       |
| RIO TINTO GROUP (AUS)           | Meeting                 | Governance (General) | Dialogue             |
| ROLLS-ROYCE HOLDINGS PLC        | Sent Correspondence     | Climate Change       | Small Improvement    |
| ROSNEFT OIL COMPANY             | Sent Correspondence     | Climate Change       | Dialogue             |
| SAINSBURY (J) PLC               | Meeting                 | Employment Standards | Dialogue             |
| SAINT-GOBAIN SEKURIT INDIA      | Sent Correspondence     | Climate Change       | Dialogue             |
| SEGRO PLC                       | Meeting                 | Human Rights         | Moderate Improvement |
| SEVERN TRENT PLC                | Meeting                 | Environmental Risk   | Moderate Improvement |
| SEVERSTAL OAO                   | Sent Correspondence     | Climate Change       | Dialogue             |
| SIEMENS AG                      | Sent Correspondence     | Climate Change       | Dialogue             |
| SSAB (SVENSKT STAL AB)          | Sent Correspondence     | Climate Change       | Dialogue             |
| STANDARD CHARTERED PLC          | Alert Issued            | Climate Change       | Moderate Improvement |
| STELLANTIS N.V.                 | Sent Correspondence     | Climate Change       | Dialogue             |
| SUMITOMO MITSUI FINANCIAL GROUP | Alert Issued            | Climate Change       | Dialogue             |
| SUZANO SA                       | Meeting                 | Climate Change       | Small Improvement    |
| TESLA INC                       | Sent Correspondence     | Human Rights         | Awaiting Response    |
| THYSSENKRUPP AG                 | Sent Correspondence     | Climate Change       | Dialogue             |
| TOYOTA MOTOR CORP               | Meeting                 | Environmental Risk   | Dialogue             |
| UNILEVER PLC                    | Meeting                 | Social Risk          | Moderate Improvement |
| UNIPER SE                       | Sent Correspondence     | Climate Change       | Dialogue             |
| UNITED UTILITIES GROUP PLC      | Meeting                 | Environmental Risk   | Moderate Improvement |
| VALE SA                         | Meeting                 | Human Rights         | Dialogue             |
| VEDANTA LTD                     | Sent Correspondence     | Climate Change       | Dialogue             |
| VOLKSWAGEN AG                   | Received Correspondence | Human Rights         | Small Improvement    |
| WELLS FARGO & COMPANY           | Sent Correspondence     | 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)  
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  
Kent Pension Fund  
Kingston upon Thames Pension Fund  
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 Pension Fund  
West Yorkshire Pension Fund  
Westminster Pension Fund  
Wiltshire Pension Fund  
Worcestershire Pension Fund

**Pool Company Members**  
Border to Coast Pensions Partnership  
LGPS Central  
Local Pensions Partnership  
London CIV  
Northern LGPS  
Wales Pension Partnership