

## INVESTMENT MANAGEMENT REPORT

### Report of the Director of Finance and Public Value

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

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#### 1) Recommendation

That the Committee be asked:

- (a) That the Investment Management Report be noted.
- (b) To note compliance with the 2022-23 Treasury Management Strategy.

#### 2) Fund Value and Asset Allocation

The table below shows the Fund value and the asset allocation for the Fund compared to the target asset allocation as at 31 March 2023.

	<b>Fund Value as at 31.03.23</b>	<b>Target allocation 2022/23</b>	<b>Fund asset allocation at 31.03.23</b>	<b>Variation from Target</b>
	£m	%	%	%
<b>Fixed Interest</b>				
Sterling Corporate Bonds	347.5	7	6.5	
Multi-Asset Credit	634.5	12	11.9	
Cash	72.8	1	1.4	
	<b>1,054.8</b>	<b>20</b>	<b>19.8</b>	<b>-0.2</b>
<b>Equities</b>				
Passive Equities	1,412.7	25	26.5	
Global High Alpha Equities	297.0	5	5.6	
Global Smaller Companies	280.9	5	5.3	
Emerging Markets	236.6	5	4.4	
Sustainable Equities	520.8	10	9.8	
	<b>2,748.0</b>	<b>50</b>	<b>51.6</b>	<b>+1.6</b>
<b>Alternatives/Other</b>				
Diversifying Returns Funds	368.5	6	6.9	
UK Property	364.1	8	6.9	
International Property	103.8	2	2.0	
Infrastructure	477.0	8	9.0	
Private Equity	45.0	3	0.9	
Private Debt	151.6	3	2.9	
	<b>1,510.0</b>	<b>30</b>	<b>28.6</b>	<b>-1.4</b>
<b>Total Fund</b>	<b>5,312.8</b>	<b>100</b>	<b>100.0</b>	

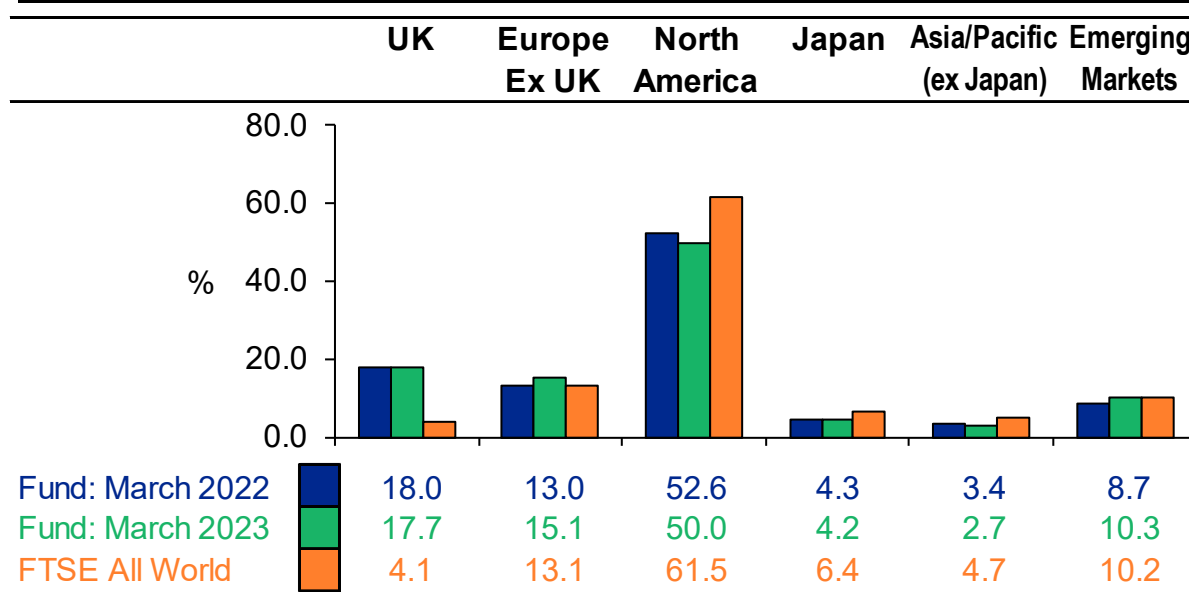
The key points with regard to the end of quarter asset allocation are summarised below:

- a) The Fund value as at 31 March 2023 stood at £5,312.8 million, an increase of around £185 million over the quarter but a decrease of £100 million since 31 March 2022.
- b) The fixed income allocation remains within 1% of the target allocation. The overweight to equities has grown slightly after a good quarter but remains within 2% of target.
- c) Negative returns on UK Property have taken it 1% below the target allocation, while the drawdown of commitments on Private Equity is taking longer than anticipated.
- d) No rebalancing is proposed.

Geographical Weighting of Equity Allocation

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

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

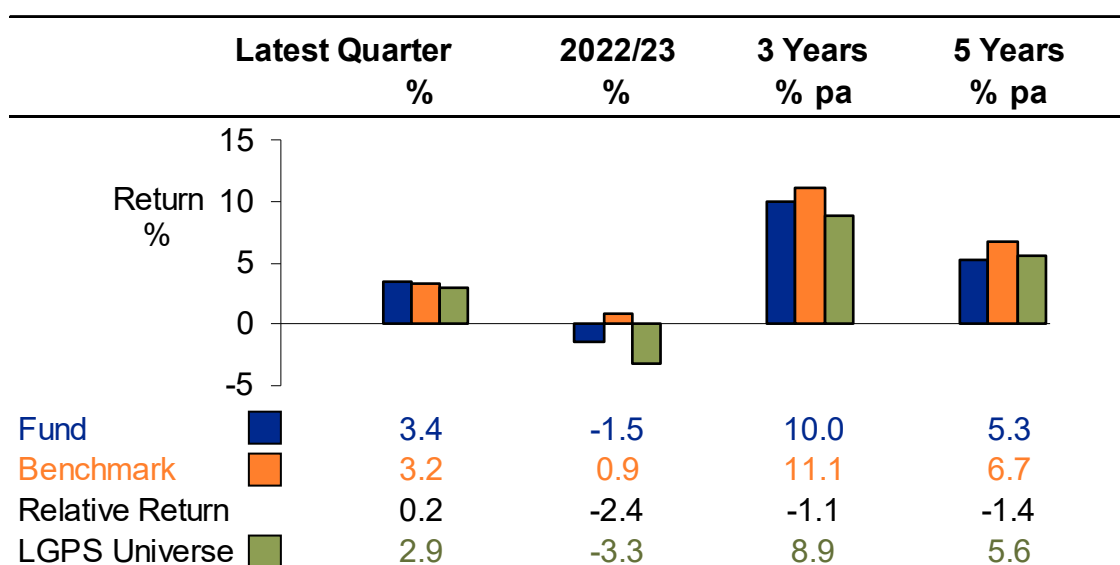


- f) The Fund retains an overweight to the UK via the investment in the UK Climate Transition Benchmark Tracker Fund. The Committee has previously agreed to retain an overweight position to the UK for the time being, on the basis that the US market has appeared expensive, whereas the UK market looks 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. The UK market performed comparatively well in relation to the global market during 2022/23, partly due to its sectoral biases, i.e. the bias towards the financial services and energy sectors.

### 3) 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.

The Fund achieved a positive return of +3.4% over the quarter to 31 March. The return for the financial year remained negative at -1.5%. Equity and bond markets both rallied over the quarter and the Brunel active portfolios outperformed their benchmarks, although performance against benchmark for the financial year was mixed. Underperformance in the early part of the financial year reflected the bias of most of the active equity portfolios towards “growth” companies and those with sustainable revenues, which did less well over the period than “value” companies and oil/energy companies which performed strongly. This reversed to some extent during the last quarter, allowing the Brunel portfolios to outperform.

The total fund underperformance against benchmark for the year can be largely attributed to fund benchmarks that are cash plus benchmarks, which are always going to be below target when returns are negative. Multi-asset credit and the Diversified Returns Funds portfolios have returned -3.4% and -2.9% respectively against a benchmark of +6.3% which has contributed over three quarters of the total fund under-performance.

Infrastructure and private debt also underperformed against benchmark. These asset classes are compared against an inflation plus benchmark, and with the high current level of inflation were not able to completely keep up.

A breakdown of the performance of the Total Fund for the year and three years to 31 March 2023 and the comparative Index returns are shown in the following table:

## Performance to 31 March 2023

Sector	Financial Year To Date		Three Years		Benchmark Description
	Fund Return	Bench mark	Fund Return	Bench mark	
	%	%	%	%	
<b>Fixed Interest</b>					
Investment Grade Bonds	-10.7	-10.2	-5.7	-6.2	iBoxx Sterling Non-Gilts <sup>2</sup>
Multi-Asset Credit	-3.4	+6.3	+6.3	+9.9	GBP SONIA +4% <sup>2</sup>
Cash	+0.7	+2.2	+0.4	+0.8	GBP 7 Day LIBID
<b>Equities</b>					
Passive Equities	-0.8	-0.6	+14.8	+15.0	Devon Passive Index
Global High Alpha Equities	+0.4	-0.5	+17.9	+17.1	FTSE World / MSCI World
Global Smaller Companies	-2.8	-3.0	-	-	MSCI World Small Cap
Emerging Markets	-5.1	-4.5	+7.1	+8.3	MSCI Emerging Markets
Sustainable Equities	-1.3	-0.9	-	-	MSCI AC World
Low Volatility Equities <sup>1</sup>	-0.4	-8.4	-	-	MSCI AC World
<b>Alternatives/Other</b>					
Diversifying Returns Funds	-2.9	+6.4	+6.2	+4.9	GBP SONIA +4% <sup>2</sup>
UK Property	-12.9	-14.4	+2.3	+1.4	AREF/IPD UK All Property
International Property	+9.1	+17.5	+9.8	+11.2	MSCI Global Property
Infrastructure	+13.6	+14.4	+7.7	+10.2	CPI + 4% *
Private Equity	+3.1	-0.9	-	-	MSCI AC World
Private Debt	+8.1	+14.4	+7.3	+10.2	CPI + 4% *

<b>Total Fund</b>	<b>-1.5</b>	<b>+0.9</b>	<b>+10.0</b>	<b>+11.1</b>	<b>Devon Bespoke Index</b>
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1. Performance to redemption in June 2022.
  2. 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 positive 2.7% return over the quarter but remain negative over the financial year to date following a -18% return over the six months from April to September.
  - b) Multi-Asset Credit represents the riskier end of the listed fixed income market. As with investment grade bonds, a positive return over the quarter was not enough to offset the negative returns of the earlier part of the year. 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 show that performance of the Brunel portfolio has been broadly in line with what would be expected in the prevailing market conditions.
  - c) All equity portfolios delivered an above benchmark positive return over the quarter. However, performance on 3 of the 4 current active equity portfolios remained marginally below benchmark for the year, as a result of the under-performance of

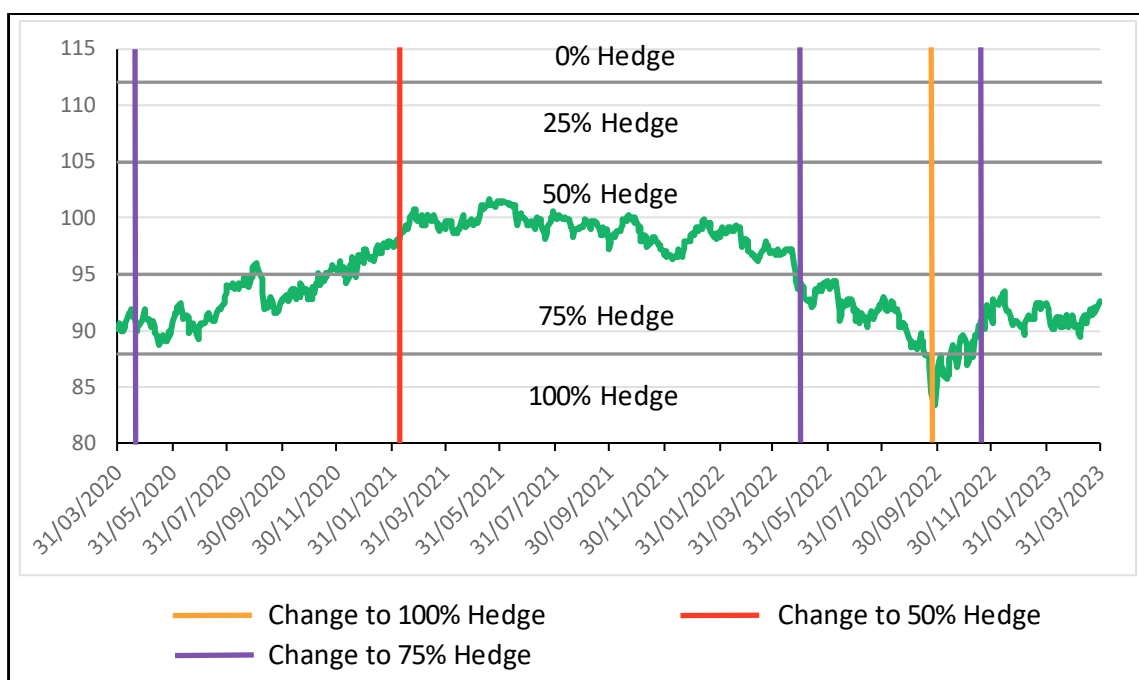
growth stocks against value stocks in the earlier part of the year over a period when oil company shares were the best performers.

- d) There was a small positive return on the Brunel Diversifying Returns Fund (DRF) over the quarter, but the return remains negative for the year to date, reflecting the negative returns across both equity and bond markets over the preceding nine months.
- e) UK Property had a second consecutive negative quarter, taking the return for the year to -12.9%, having been positive over the first two quarters. This can be attributed to the lag in pricing private markets, which means that the negative sentiment affecting markets earlier in the year is now being reflected in the net asset values of property funds.

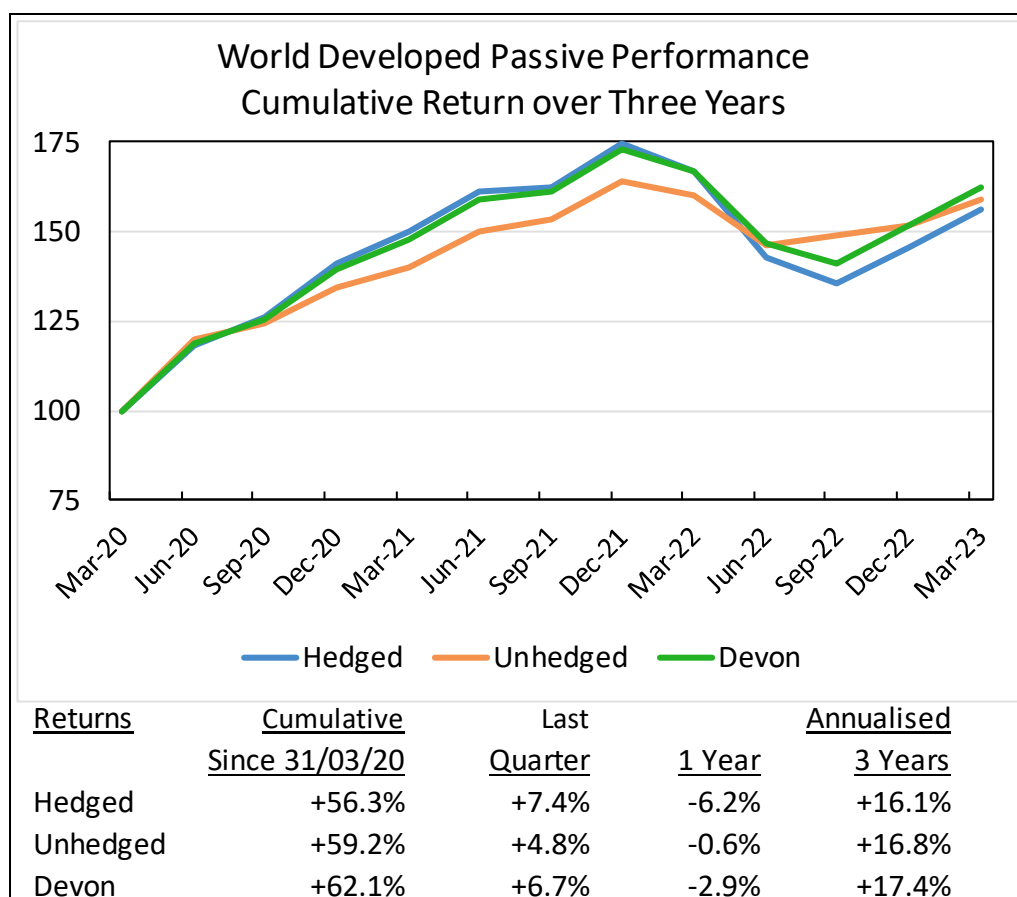
### Currency Hedging

- f) The following graph shows the value of Sterling against a weighted average of the other major currencies, over the three years to 31 March 2023. 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) Since March 2022, the value of Sterling has fallen from \$1.317 to \$1.236 as at 31 March 2023. While the pound has rallied from the low point of the Autumn “mini-budget”, it still remains lower than it started the 2022/23 financial year, as investors have seen the US Dollar as a safe haven during a time of global instability.
- h) During a period when the Pound is falling in value, any currency hedging strategy is going to perform badly compared to an unhedged strategy. As a result, the hedging strategy has detracted from performance compared with an unhedged strategy over the last year, but has added value over the three year period, as shown in the following graph.



#### 4) Funding Level

The triennial actuarial valuation, as at 31 March 2022, carried out by the Fund Actuary, Barnett Waddingham, determined that the Devon Pension Fund had a funding level of 98.4%.

The Fund Actuary has provided a funding update, as at 31 March 2023, using the approach of rolling forward the data from the 2022 valuation, and updating it for subsequent investment returns, pension and salary increases. While it is not possible to assess the accuracy of the estimated liability as at 31 March 2023 without completing a full valuation, the results will be indicative of the underlying position.

- a) The returns over the period since the 2022 Triennial Valuation are shown in the following table.

#### **Return since 31 March 2022 compared with Actuarial Assumption**

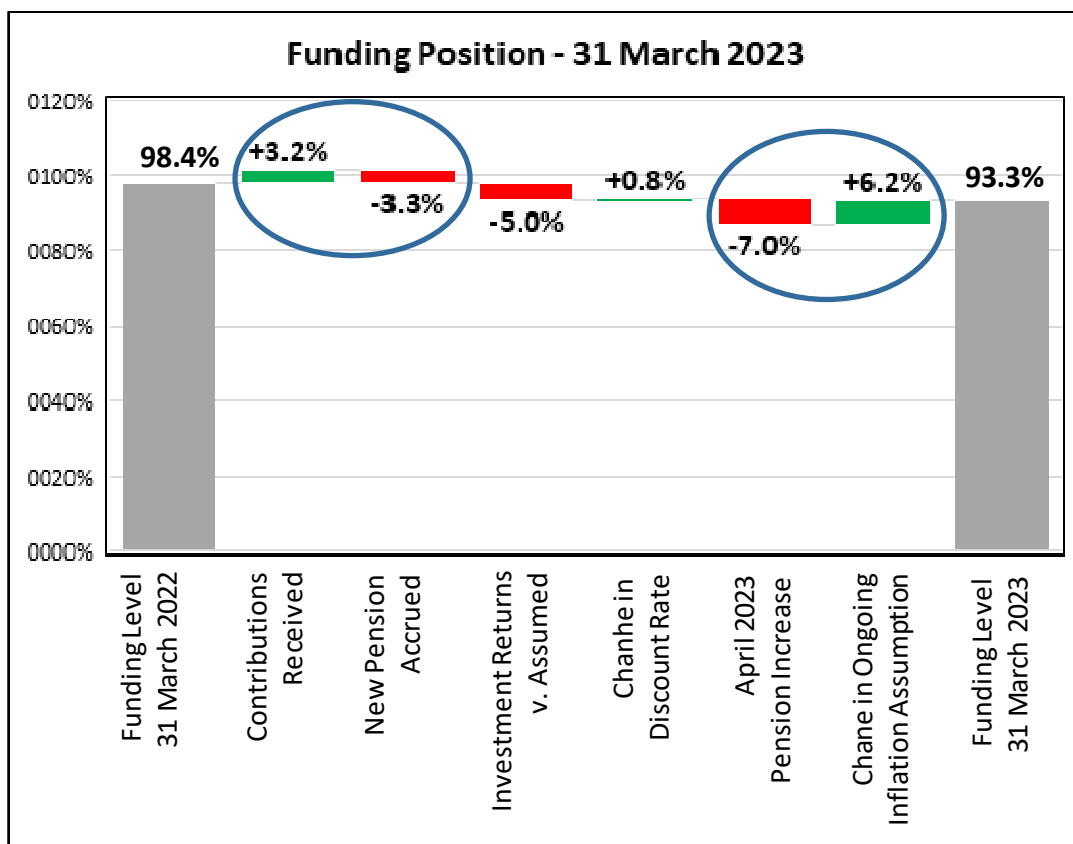
	<b>Actuarial Assumption</b>	<b>Actual Return</b>
2022/23	4.7%	-1.5%

- b) The negative investment return of -1.5% for 2022/23 is well below the Actuary's assumption of a +4.7% return. This has a negative impact on the value of Fund assets and therefore on the funding level.

- c) The valuation of liabilities depends on the assumptions used by the Actuary, in particular those for pension and salary increases and the discount rate applied to liabilities. The assumptions used by the Actuary for the March 2023 funding update, compared with those used in the 2022 Triennial Valuation are shown in the following table.

Actuarial Assumptions	March 2022	March 2023
Pension Increases (CPI)	2.90%	2.47%
Salary Increases	3.90%	3.47%
Discount Rate	4.70%	4.79%

- d) The assumption for pension and salary increases has been reduced, but this is offset by the pension increase applicable from April 2023, which is now reflected as an actual increase. The average inflation assumed going forward therefore now excludes the April 2023 increase.
- e) The chart below shows the change in the estimated funding level between 31 March 2022 and 31 March 2023. The circled items show the effect of employer and employee contributions paid into the fund over the year offset by the additional pension liability accrued over the year, and then the impact of the April 2023 pension increase offset by the reduced inflation assumption going forward. The biggest impact is from the negative investment return during 2022/23 which has the effect of reducing the funding level by 5%.



- f) In summary, the estimated funding level as at 31 March 2023 is 93.3%, compared with the funding level as at the 2022 Triennial Valuation of 98.4%.

## 5) Budget Forecast 2022/23

Appendix 1 shows the income and expenditure for 2022/23 against the original budget forecast, and the budget for 2023/24. The following points should be noted.

### Outturn Position 2022/23

- a) Following the backdated implementation of the local government pay award, employer and employee contributions were higher than originally forecast. The pension benefits paid were broadly in line with forecast.
- b) Investment income from property, infrastructure and private debt is received in cash and can be used to aid cashflow. Income for the year was higher than the original forecast. This reflects the growing allocation to private markets, resulting in a higher level of distributions.
- c) Peninsula Pensions' expenditure was higher than forecast. This can be ascribed to a reduction in vacancies and a more fully resourced team.
- d) The invoiced investment management fees line represents the costs of Brunel. All other fees are taken directly from the funds and are charged based on a percentage of the value of the assets under management. Fees for the year were lower than anticipated as a result of negative investment returns and therefore lower asset values.
- e) Transaction costs for the year to date were higher than anticipated partly because of the costs of redeeming and re-investing the Low Volatility allocation. The increasing allocation to private markets also contributed to the higher transaction costs
- f) Oversight and Governance costs were broadly in line with the budget forecast, with small variances on the individual headings.

### Budget Forecast 2023/24

- g) The employer contributions budget forecast for 2023/24 takes account of the estimated pay increase, plus the revised contribution rates set by the 2022 triennial valuation.
- h) Pensions in payment will be significantly higher due to the 10.1% increase implemented from April 2023. There is also an allowance for an increase in the number of pensioners.
- i) Investment income will continue to grow as a result of further drawdowns of private markets commitments leading to an increase in distributions. The investment management fees payable will depend on the investment returns achieved, but on the assumption that modest positive returns will be achieved there should be an increase on the 2022/23 fees payable.
- j) The budgets for Pensions and Investments administration, governance and oversight costs are set out in greater detail in Appendix 2. Good governance requires that the committee must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year, and the more detailed breakdown should help to provide the Committee with the required assurance.



## 6) Cash Management

The following table shows that the unallocated cash on deposit, as at 31 March 2023, was £59.7 million, plus \$1.1 million in US Dollars. The two term deposits in place as at 31 March matured during May, and the overall level of cash was reduced by the requirement to fund private market calls. 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 31/03/23	Average Interest Rate	Current as at 31/05/23	Average Interest Rate
<b>GBP Deposits</b>		<b>£m</b>	<b>%</b>	<b>£m</b>	<b>%</b>
Call and Notice Accounts	Immediate	44.7	4.08	42.2	4.40
	35 Day Notice	0.0		0.0	
Term Deposits	<30 Days	0.0		0.0	
	>30 Days	15.0	4.22	0.0	
<b>TOTAL GBP</b>		<b>59.7</b>	<b>4.12</b>	<b>42.2</b>	<b>4.40</b>
<b>USD Deposits</b>		<b>\$m</b>	<b>%</b>	<b>\$m</b>	<b>%</b>
Call and Notice Accounts	Immediate	1.1	4.91	2.4	4.44

Points to note:

- a) The weighted average rate being earned on GBP cash deposits, as at 31 March 2023, was 4.12%. By the end of May this had increased marginally to 4.4% as rates have continued to improve as the Bank of England have continued to make regular increases to the base rate.
- b) The deposits in place during 2022-23 fully complied with the Fund's Treasury Management and Investment Strategy.

## 7) Voting and Engagement

As a responsible investor, the Fund should report regularly on its engagement activity. Each year the Financial Reporting Council (FRC) publishes a list of asset owners and asset managers who are accredited signatories to the UK Stewardship Code, which sets high standards for how asset owners should fulfil their responsibilities as owners of the assets they hold. The Devon Pension Fund are accredited signatories to the Code.

Voting and engagement are delegated to the Brunel Pension Partnership for the actively managed equity portfolios and to Legal and General Investment Management (LGIM) for the passive portfolios. On significant issues, Brunel may request that their shares held by LGIM are split out and a different vote made. The voting records of Brunel and LGIM at company meetings held over the last quarter is summarised in the following table.

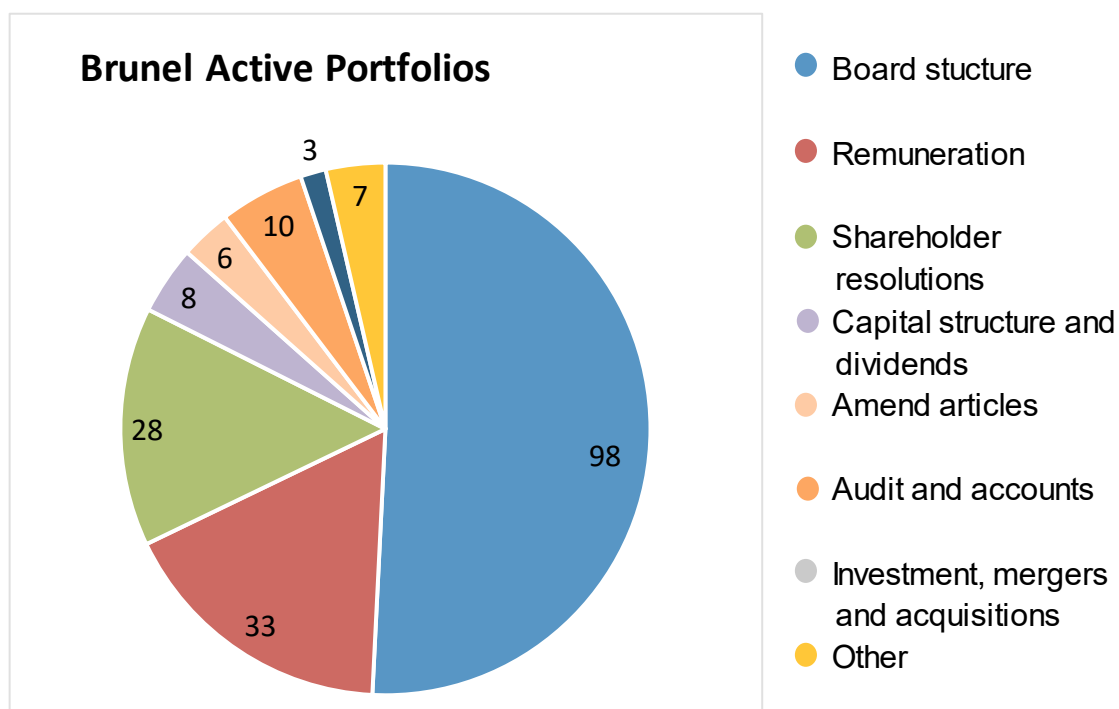
## Votes Cast at Company Meetings in the quarter to 31 March 2023

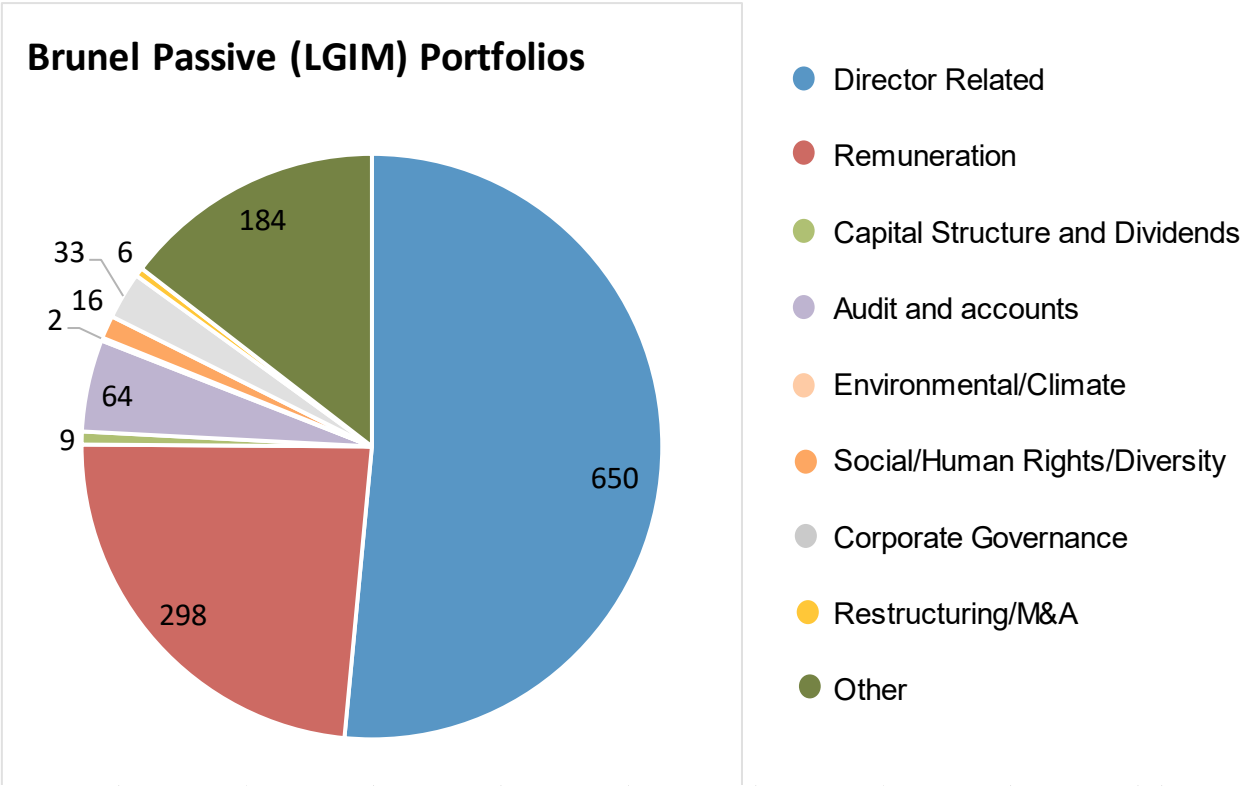
Manager	Quarter to 31 March 2023		
	Number of Meetings	Number of Resolutions	Votes against management recommendation
Brunel / LGIM Passive Portfolios	526	6,390	1,262
Brunel - Active Portfolios	124	1,313	193

Points to note:

- Brunel actively vote the shares held within their funds on behalf of their client funds, including Devon. The Brunel/LGIM 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.
- 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 the 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.

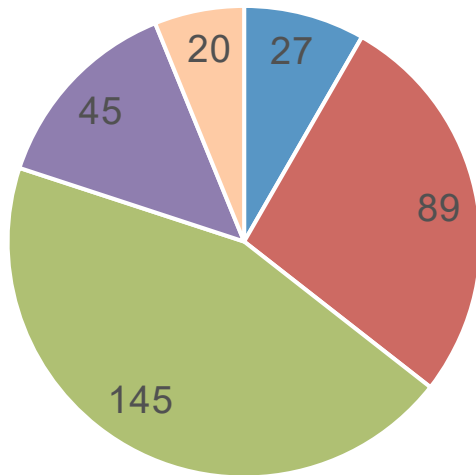
### **Votes against management recommendation by issue Quarter to 31 March 2023**





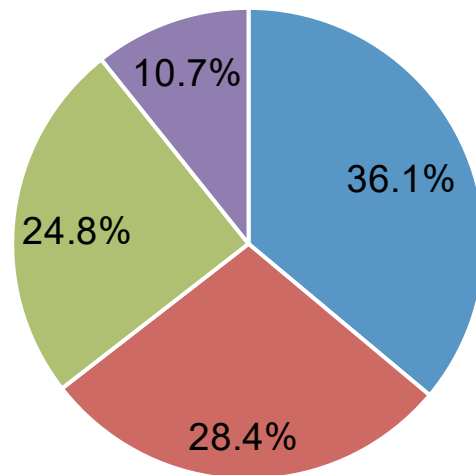
- c) The Fund is also a member of the Local Authority Pension Fund Forum (LAPFF), who undertake engagement activity on behalf of their member funds. Where significant issues arise on the agendas of company meetings, LAPFF will issue voting alerts, with recommendations on how to vote. The Devon Fund will then pass on these recommendations to Brunel and ask them to report back on how they have voted.
- d) Only one voting alerts was issued during the quarter to 31 March, which is shown in Appendix 3 to this report. Starbucks is not held in any of Brunel’s active portfolios, but the votes cast by LGIM on the passive portfolios are set out, along with the rationale for how LGIM voted.
- 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 31 March is attached at Appendix 4 to this report. The report outlines the range of issues on which LAPFF has been engaging with companies on behalf of its member LGPS funds. This includes engaging with the fast food sector on water usage and with car manufacturers on their plans to switch production to electric vehicles.

**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 Outturn 2022/23 and Budget 2023/24

	Actual 2021/22 £'000	Original Forecast 2022/23 £'000	Actual 2022/23 £'000	Variance from Original Forecast £'000	Budget Forecast 2023/24 £'000
<b>Contributions</b>					
Employers	(128,172)	(132,000)	(141,245)	(9,245)	(165,000)
Members	(45,260)	(45,000)	(49,905)	(4,905)	(52,000)
Transfers in from other pension funds:	(13,324)	(14,000)	(13,253)	747	(14,000)
	<b>(186,756)</b>	<b>(191,000)</b>	<b>(204,403)</b>	<b>(13,403)</b>	<b>(231,000)</b>
<b>Benefits</b>					
Pensions	168,391	175,000	176,799	1,799	200,000
Commutation and lump sum retirement benefits	29,018	28,000	27,720	(280)	30,000
Lump sum death benefits	3,623	4,000	3,826	(174)	4,000
Payments to and on account of leavers	596	600	981	381	1,000
Transfers Out	26,037	10,000	9,140	(860)	10,000
	<b>227,665</b>	<b>217,600</b>	<b>218,466</b>	<b>866</b>	<b>245,000</b>
<b>Net Withdrawals from dealings with fund members</b>	<b>40,909</b>	<b>26,600</b>	<b>14,063</b>	<b>(12,537)</b>	<b>14,000</b>
<b>Investment Income</b>					
Received as Cash	(31,129)	(32,000)	(39,113)	(7,113)	(40,000)
Reinvested by Fund Manager	(2,518)	0	0	0	0
	<b>(33,647)</b>	<b>(32,000)</b>	<b>(39,113)</b>	<b>(7,113)</b>	<b>(40,000)</b>
<b>Administrative costs</b>					
Peninsula Pensions	2,429	2,500	2,602	102	2,864
	<b>2,429</b>	<b>2,500</b>	<b>2,602</b>	<b>102</b>	<b>2,864</b>
<b>Investment management expenses</b>					
External investment management fees - invoiced	1,684	1,500	1,511	11	1,650
External investment management fees - not invoiced	21,662	23,500	21,602	(1,898)	24,000
Custody fees	62	60	30	(30)	35
Transaction costs	1,794	1,500	1,980	480	1,800
Stock lending income & commission recapture	(2)	0	0	0	0
Class Action Proceeds	(43)	0	0	0	0
Other investment management expenses	24	30	27	(3)	30
	<b>25,181</b>	<b>26,590</b>	<b>25,150</b>	<b>(1,440)</b>	<b>27,515</b>
<b>Oversight and governance costs</b>					
Investment & Pension Fund Committee Support	81	90	92	2	95
Pension Board	40	44	41	(3)	45
Investment Oversight and Accounting	413	400	388	(12)	420
Brunel Pension Partnership	25	30	20	(10)	10
Legal Support	24	26	37	11	30
Actuarial Services	29	100	107	7	40
Investment Performance Measurement	109	100	72	(28)	75
Subscriptions	54	50	58	8	61
Internal Audit fees	37	35	21	(14)	24
External Audit fees	31	35	47	12	50
	<b>843</b>	<b>910</b>	<b>883</b>	<b>(27)</b>	<b>850</b>
<b>Total Management Expenses</b>	<b>28,453</b>	<b>30,000</b>	<b>28,635</b>	<b>(1,365)</b>	<b>31,229</b>

**Devon Pension Fund Administration, Governance and Oversight Budgets**

	Actual 2022/23	Budget 2023/24	Notes
	£'000	£'000	
<b>Pensions Administration</b>			
Peninsula Pensions Team Cost	1,688	1,917	Peninsula Pensions receive income from service level agreements (SLAs) with Gloucestershire Fire and Avon and Somerset Police. The total team costs, net of the SLA income, are shared between the Devon and Somerset Pension Funds, with Devon meeting approximately 65% of the costs.
Printing and Postage	165	207	
IT Costs	613	598	IT costs include the annual cost of pensions administration software provided by Heywoods and internal DCC IT support.
Accommodation	61	65	
Finance Support	37	38	Finance Support includes the costs of the Finest accounting system and accounting and transformation team support.
Communications	19	19	
Human Resources	16	16	
Procurement	3	4	
	<b>2,602</b>	<b>2,864</b>	
<b>Investment and Pension Fund Committee Support</b>			
Finance/Investment Officer Support	62	67	Finance Officer Support for the Committee comprises apportioned costs of the Director of Finance and Public Value, the Head of Investments, the Investment Manager and the Head of Peninsula Pensions.
Democratic Services	4	4	
Member Allowances (apportioned)	18	18	The Democratic Services costs reflect the cost of the committee clerk in co-ordinating committee papers and minuting the meetings.
Training and Expenses	6	6	
	<b>90</b>	<b>95</b>	
<b>Pension Board Support</b>			
Finance Officer Support	36	37	Finance Officer Support for the Board comprises apportioned costs of the Deputy Director of Finance and Public Value, the Investment Manager, the Head of Peninsula Pensions and the Employer and Communications Manager.
Democratic Services	4	4	
Training and Expenses	1	4	
	<b>41</b>	<b>45</b>	

## Appendix 2

	Actual 2022/23	Budget 2023/24
	£'000	£'000
<b>Investment Oversight and Accounting</b>		
Corporate Management	98	104
Investment Management	191	199
Accounting Support	99	117
	<b>388</b>	<b>420</b>
<b>Brunel Pension Partnership Oversight</b>	<b>30</b>	<b>10</b>
<b>Legal Support</b>		
Pensions Administration	19	19
Investments	18	11
	<b>37</b>	<b>30</b>
<b>Actuarial Services</b>	<b>107</b>	<b>40</b>
<b>Investment Performance Measurement</b>		
State Street	63	65
PIRC Ltd.	9	10
	<b>72</b>	<b>75</b>
<b>Subscriptions and Levies</b>		
Local Authority Pension Fund Forum	10	11
Institutional Investors Group on Climate Change	5	5
Pension and Lifetime Savings Association	22	22
Local Government Association	7	7
LGPS Scheme Advisory Board	9	11
CIPFA Pensions Network	5	5
	<b>58</b>	<b>61</b>

### Notes

Corporate management includes the apportioned costs of the Director of Finance and Public Value, the Deputy Director and the Head of Financial Systems and Processes in managing the Pension Fund. Investment Management comprises the apportioned costs of the DCC Investments Team, including the Head of Investments. Accounting Support comprises the costs of the Pension Fund accounting team.

Brunel Pension Partnership Oversight comprises the cost of external support to the Brunel Client Group in monitoring the performance of Brunel.

Pensions Administration legal support is provided by the DCC Legal Services. The Investments team may need ad-hoc legal advice from time to time.

The Fund Actuary provides regular advice, funding updates, covenant and bond reviews, etc. The 2022/23 actual expenditure includes the cost of the triennial valuation.

State Street investment performance measurement services provide investment return figures on the Fund's investments broken down by fund and asset class over a range of time periods. PIRC provide comparisons with the LGPS universe and also provide risk statistics required for the Annual Report.

The Fund pays subscription fees to the organisations shown in return for a broad range of services. The Local Government Association and Scheme Advisory Board levies are non-discretionary.

## Appendix 2

	Budget 2022/23	Budget 2023/24
	£'000	£'000
<b>Audit Fees</b>		
Internal (Devon Audit Partnership)	22	24
External (Grant Thornton)	35	40
	<b>57</b>	<b>64</b>

### Notes

Devon Audit Partnership provide 40 days of assurance work on the governance and investment arrangements of the Fund and 45 days to Peninsula Pensions.

Grant Thornton are the appointed external auditors of the Fund.



**LAPFF Voting Alerts**

<b>Starbucks - 23 March 2023</b>		Active Portfolios held in: None		
<b>Target Resolutions</b>	<b>LAPFF Recommendation</b>	<b>LGIM (Passive) Vote</b>	<b>Brunel (Active) Vote</b>	<b>Vote Outcome</b>
5: Report and Plant Based Milk Pricing	For	Oppose	N/A	Not Approved (94.7% votes Against)
6: Succession Planning Policy Amendment	For	Oppose	N/A	Not Approved (79.0% votes Against)
8: Assessing Workers' Rights Commitments	For	For	N/A	Approved (52.0% votes For)
9: Creation of Board Committee on Corporate Sustainability	Oppose	Oppose	N/A	Not Approved (97.3% votes Against)

**LGIM Rationales:**

5: A vote against was applied because it is in shareholder's interests that the company passes on the additional costs of providing non-dairy milk alternatives that are currently more expensive to purchase.

6: A vote against was applied because following the submission of the shareholder resolution, the board took on board most of the concerns raised and strengthened its succession planning procedures.

8: A vote in favour was applied. This is despite an engagement with the company where the company provided sufficient information to suggest they respect employee's rights to freedom of association and collective bargaining. The reason for supporting the resolution is because LGIM believed Starbucks would benefit from having an independent assessment being carried out which would either clear them of any wrongdoing or help them to improve on their current practices.

9: A vote against was applied because the work of the corporate sustainability is being carried out by the company's Nominations and Governance Committee where discussions are tabled at each meeting. LGIM do not see the need for an additional committee if the company has decided that this is a better use of director's time to combine the work of these committees into the same meeting.



Quarterly  
Engagement  
Report

January-March  
2023



# Say on Climate, Brazil, Volvo, Constellation Brands, Water Stewardship

## COMPANY ENGAGEMENTS



# Say on Climate

**Objective:** Despite the financial risks that climate change poses to investors, shareholders do not have a specific vote at AGMs on a company's approach to transitioning to net zero. This is an issue that LAPFF has raised with companies including through a joint letter ahead of the 2022 AGM season. Since then, HM Treasury has established the UK Transition Plan Taskforce, which is developing a 'gold standard' for climate transition plans. A central principle of transition plans is that they should be integral to a company's overall strategy. Yet despite such developments shareholders are generally not given a 'Say on Climate' vote at AGMs to approve their climate plans.

To address this gap, LAPFF, alongside Sarasin & Partners, CCLA, and the Ethos Foundation, wrote to the FTSE All-Share (excluding investment trusts) requesting

that boards provide shareholders with the opportunity to support their greenhouse gas emission reduction strategy by putting an appropriate resolution on the AGM agenda.

**Achieved:** The letter highlighted the importance of the issue with companies across the FTSE All-Share. Some companies responded by stating that they were planning to have an annual Say on Climate vote while others noted that there would be a vote every three years to approve their triennial climate plan. However, most companies said that they did not intend to hold Say on Climate votes, with many outlining their climate plans and noting their engagement with shareholders.

Alongside raising the issue with the companies, the letter received coverage in the press which widened awareness of the

role a Say on Climate could play in supporting companies' transition to net zero.

**In Progress:** Although some companies have committed to Say on Climate votes they are in a minority. LAPFF will continue to engage with companies so that shareholders can express their views specifically about climate strategies – something which will become more important with the introduction of transition plans and as the financial risks of climate change become even clearer.

### Rio Tinto

**Objective:** LAPFF joined Rio Tinto's full year results call ahead of the company's April AGM to understand better how Rio Tinto is integrating environmental, social, and governance considerations into its operations, and issued a voting alert ahead of the April AGM. LAPFF then attended a meeting with Rio Tinto Chair, Dominic Barton.

**Achieved:** LAPFF was pleased to hear that Rio Tinto has had yet another fatality-free year. It was also good to see that the company has concluded a number of agreements with Indigenous groups and continues to focus on partnerships, co-design, and co-management with affected communities. It would have been useful to have more discussion on community relationships in relation to the company's Oyu Tolgoi, Jadar, and Simandou projects, as well as some of the remaining engineering challenges at Oyu Tolgoi.

On the climate side, Rio Tinto's commitment to making climate a strategic objective is welcome. It appears that more work on Scope 3 emissions is needed. Recognising the importance of Rio Tinto's minerals for a green transition, LAPFF is also keen to hear more from the company on its plans for a just transition. LAPFF probed these issues in more detail in the meeting with Mr. Barton.

**In Progress:** LAPFF will continue to engage both the company and its affected stakeholders, including workers and community members, to assess progress in both the human rights and climate areas because LAPFF deems this range of engagement and issues financially material.

## COMPANY ENGAGEMENTS



### McDonald's

**Objective:** LAPFF has been pushing for McDonald's to publicly disclose the findings of a water risk assessment and physical risk scenario analysis undertaken by the company in 2020. In order for investors to fully understand the water-related risks facing the company, the disclosure should provide information relating to how the findings inform timebound and quantifiable mitigation efforts for key commodities and regions.

**Achieved:** LAPFF met with McDonald's as part of a coalition of investors to discuss the company's approach to managing environmental risks across its agricultural supply chain. The 2020 water risk assessment used the WRI Aqueduct Water Risk tool to identify high risk areas, but the company has, to date, failed to release the results. LAPFF requested that the company disclose the findings to facilitate a better understanding of the material risks.

McDonald's was also questioned about

updating its emissions reduction targets, following the release of the Science-Based Target initiative's (SBTi) FLAG guidance. The company has committed to reducing greenhouse gas emissions (GHG) by 36percent by 2030 from a 2015 base. This is an absolute target that covers Scopes 1, 2 and 3 emissions, the latter including upstream emissions from operational waste and downstream emissions from delivery-related waste and franchisee operations.

To achieve SBTi verification, the new FLAG guidance requires a commitment to eliminate deforestation from agricultural supply chains by 2025, which would require an acceleration of existing commitments.

**In Progress:** McDonald's has been identified by the Valuing Water Finance Initiative as a company with significant exposure to water-related risks and therefore included the company in the 203 VWFI benchmark. This benchmark will be used by LAPFF to measure company performance and the extent to which disclosure on the issue improves.

### Constellation Brands

**Objective:** LAPFF wanted Constellation Brands to set timebound, contextual targets, goals or policies to address the impacts on water availability in water scarce areas across the sections of the value chain, for which water is most material.

**Achieved:** LAPFF Executive member John Anzani met with the US-listed beverage manufacturer to discuss its approach to water stewardship. This engagement followed on from an introductory meeting held in 2022 in which the company had committed to undertaking a water risk assessment covering its entire value chain. Constellation Brands subsequently conducted an initial assessment, and as a result highlighted a number of facilities operating in regions of high water stress. LAPFF encouraged the company to set targets that would prevent it from negatively impacting water availability in water-scarce areas across its value chain.

**In Progress:** As part of the Valuing Water Finance Initiative LAPFF is a co-lead investor for Constellation Brands. The company has been included in the 2023 VWFI benchmark, owing to the impact it has on freshwater resources. This benchmark will be used by LAPFF to measure company performance, with the expectation that a meaningful target is set to help mitigate impact on regions of high water stress.

### Volvo

**Objective:** The acceleration in moving to electric vehicles is being seen globally, as auto manufacturers seek to meet net zero targets and reduce the carbon footprint in the life cycle of their vehicles. In this vein, LAPFF sought to meet some heavy goods vehicle (HGV) manufacturers to discuss their role in this transition.

**Achieved:** LAPFF met with Volvo to discuss its approach to climate change and a net zero transition. The company provided a promising dialogue, giving an in-depth overview of its approach.

**In Progress:** As legislation tightens in Europe with the Corporate Sustainability Due Diligence Directive, companies will

## COMPANY ENGAGEMENTS

have to do further due diligence on their supply chains and will need to ensure greater oversight of their supply chains. LAPFF continues to impress upon vehicle manufacturers the benefits of transparent reporting and enhanced due diligence, whilst seeking to better understand how companies are managing a just transition.

### Pay Letters

**Objective:** How companies distribute capital and reward both their executive directors and wider workforce is important information for investors. In January, the Financial Times published an article looking at real term pay cuts in the FTSE100 but cited a few companies that had paid wage increases to their lowest pay staff above soaring inflation.

**Achieved:** LAPFF wrote to BT, Vodafone, and Kingfisher, as companies that provided salary increases for their lowest paid members of staff above that of inflation. LAPFF seeks to better understand the considerations around these increases as well as to discuss executive remuneration in the context of the cost-of-living crisis.

**In Progress:** Kingfisher has responded to LAPFF's request for engagement and a meeting is being organised for the second quarter of 2023.

### Occupied Palestinian Territories

**Objective:** LAPFF members remain concerned about the investment risks associated with companies operating in the Occupied Palestinian Territories (OPT). LAPFF maintains a position that companies considered to have business activities in this area should commission independent human rights risk impact assessments, given that operating in a conflict zone carries heightened human rights, and consequently, business risks.

**Achieved:** LAPFF wrote to four companies on its target engagement list which it deems to have not engaged in a meaningful manner (or not engaged at all): Mizrahi Tefahot Bank, Isarel Discount Bank, and Bank Hapoalim. LAPFF wrote to all four regarding voting considerations at their respective 2023 AGMs. The Forum is now in dialogue with Bank Leumi.



**In Progress:** LAPFF will monitor these engagements and consider voting alerts for LAPFF members accordingly.

### Chipotle

**Objective:** LAPFF has engaged with Chipotle Mexican Grill (Chipotle) on its approach to water stewardship since 2019. The initial engagement objective was met during 2022, with the company undertaking an ingredient level water risk assessment to identify areas of water stress within the supply chain. The risk assessment found that a significant percentage of the company's suppliers operate in areas of high water stress. Given the degree of exposure Chipotle has to water risk, LAPFF now considers it imperative the company utilise the results of this risk assessment to set time-bound and context-based targets for water use, focusing on regions it has identified as water stressed from its operations.

**Achieved:** During March, LAPFF met with Chipotle to discuss the outcome of its water risk assessment undertaken in 2022. This was a direct response to the resolution co-filed by the Greater Manchester Pension Fund, a LAPFF member fund, in 2020. The company had made some notable progress, including the completion of a water stress evaluation for the current state of its supply chain, forecasting the impact of water stress to 2040, and developing a mitigation roadmap to establish water stewardship throughout its operations.

**In Progress:** LAPFF is the lead investor for Chipotle as part of the Valuing Water

Finance Initiative. During 2023, Chipotle will be benchmarked against peers on its approach to water stewardship. LAPFF will leverage the findings of the benchmark in order to work with the company to develop relevant water use targets and to utilise the results of this risk assessment to set time-bound and context-based targets for water use, focusing on regions it has identified as water stressed from its operations.

### Nestlé

**Objective:** As one of the largest food and beverage companies in the world, Nestlé has a crucial role to play in many parts of its operations, on issues such as the climate crisis, plastics, nutrition, human rights, and a fair and just transition.

**Achieved:** Chair Paul Bulcke hosted a roundtable with investors in March. He provided a high-level overview of the company's financial and ESG strategies before taking questions from investors. LAPFF asked about the company's approach to reducing Scope 3 emissions, which as demonstrated in its reporting has a large focus on regenerative farming. The company also talked about a fair and just transition in its net zero roadmap, as well as plastics, ShareAction's Healthy Markets campaign (which LAPFF also supports), and executive compensation.

**In Progress:** LAPFF will continue to monitor Nestlé's progress in these areas and will continue to support ShareAction's Healthy Markets engagement as it progresses.

# COLLABORATIVE ENGAGEMENTS

## COLLABORATIVE ENGAGEMENTS

### SHARE: Amazon

**Objective:** Amazon has faced criticism in the press for not upholding adequate standards and practices on freedom of association. LAPFF has also heard from Amazon workers on various investor calls about their concerns relating to Amazon's practices on freedom of association. Consequently, LAPFF signed a joint investor letter initiated by Canadian shareholder organisation, SHARE, requesting that Amazon take steps to meet the requests on freedom of association set out in SHARE's shareholder resolution to Amazon's 2022 AGM.

**Achieved:** LAPFF last year recommended a vote in favour of the SHARE resolution. The company provided what was in LAPFF's view a less than satisfactory response. Notably, in LAPFF's view, the company has completely misconstrued the definition of freedom of association to meet its own interests rather than the standards set out in international labour law. For example, Amazon has cited its compliance with US labour law, which has notoriously poor standards on freedom of association. Over the course of its existence the ILO Committee on Freedom of Association has heard 44 cases against the US and/or individual US states for their laws and practices on this topic.

**In Progress:** LAPFF's attempts to meaningfully engage with Amazon have failed. In the past, LAPFF has participated in The Big Tent group of investors that have sought meaningful engagement with the company, and LAPFF will seek to continue to engage through this group to obtain progress in this area.

### PRI Advance

**Objective:** LAPFF is pleased to have been selected to join the Principle for Responsible Investment (PRI) Advance working groups for Anglo American and Vale. The initiative is aimed at improving human rights standards in the mining and renewable energy industries.

LAPFF recognises the leverage that collaborative engagements can bring to its own engagements, which are

themselves collaborative. Given LAPFF's extensive work over the last few years on mining and human rights, LAPFF's aim is to help create investor leverage to improve human rights performance at Anglo American and Vale. In LAPFF's experience, improved human rights performance create the conditions for sustainable long-term shareholder returns.

**Achieved:** LAPFF has now participated in the initial meetings for both the Anglo American and Vale groups. These meetings were structured to identify short, medium, and long-term objectives for the engagements with each company.

It was interesting to hear the different ideas and objectives within each of the groups. It is clear that each working group will structure itself quite differently and will be tailored to a given company's characteristics and challenges. However, members of both groups seemed equally enthusiastic and keen to make progress, so LAPFF is optimistic that this initiative will help to improve human rights practices within the mining industry.

**In Progress:** LAPFF will continue to work with other investor members in each working group to solidify company objectives, engage with the companies selected for the programme, and liaise with stakeholders affected by the companies' operations.

A General Motors EV1 electric car



### CA100+: General Motors

**Objective:** LAPFF is a member of the CA100+ transport group which is engaging with the largest emitters from the automotive sector. Road transportation is a major contributor to global emissions, the industry faces tightening regulation on emissions standards and some countries have set dates after which the sales of new petrol vehicles will be banned. As such, investors are seeking to ensure that car companies are managing these risks by setting targets and taking action to shift production to electric vehicles.

**Achieved:** LAPFF participated in a CA100+ collaborative meeting with General Motors. The meeting covered the impact of the Inflation Reduction Act in the US, GM's targets and how GM is planning on reaching its ambitions. The company plans to have capacity in excess of one million EV units in both North America and China by 2025.

**In Progress:** LAPFF will continue to engage carmakers on their targets, plans, investment, and delivery of targets as well as their approach to public policy engagement.

### Asia Research and Engagement (ARE): MUFU and UOB

**Objective:** LAPFF continues to support company engagements in Asia's financial markets, focusing on carbon and coal

## COLLABORATIVE ENGAGEMENTS

risks at financial institutions, as well as coal-exposed power companies.

**Achieved:** LAPFF joined collaborative calls with both Mitsubishi UFJ Financial Group (MUFG) and United Overseas Bank (UOB). ARE's continued dialogue with Asia's financial institutions provides in-depth conversations about company climate approach and provide valuable insight into how the companies are approaching carbon reduction measures.

**In Progress:** LAPFF will continue to engage through the ARE, with regular meetings being held each quarter.

### Initiative for Responsible Mining Assurance (IRMA)

**Objective:** During engagements with electric vehicle manufacturers on their approach to responsible mineral sourcing and supply chain due diligence, IRMA has come up in conversation with many of these companies. LAPFF sought a meeting with IRMA to discuss their certification standard for industrial scale mine sites.

**Achieved:** LAPFF met with Aimee Boulanger, IRMA's Executive Director, and Rebecca Burton, IRMA's Director of Corporate Engagement, to discuss IRMA's standard in greater depth. LAPFF was subsequently invited to, and attended, a finance sector deep dive, held in-person at Anglo Americans office.

**In Progress:** Both of these meetings with IRMA provided insight into the value of greater due diligence at mine sites and how this can be achieved, in particular through effective multi-stakeholder engagement. It has provided talking points and considerations for engagements with a range of industries going forward, including the mining sector and auto-manufacturers which are being engaged by LAPFF.

### Valuing Water Finance Initiative (VWFI)

LAPFF Executive member John Anzani facilitated the first VWFI Task Force meeting of the year. LAPFF is a founding member of the initiative and currently co-chairs the initiative. The meeting was attended by institutional investors from

around the world to discuss updates and progress of the initiative to date. With both company engagement and benchmarking work streams making good progress, LAPFF is well positioned to be at the forefront of driving positive change in this area in 2023.

### Investor Initiative for Responsible Care: EU Commissioner

**Objective:** LAPFF is a member of the Investor Initiative for Responsible Care a coalition of 138 responsible and long-term investors in the care sector with \$4.4 trillion in assets under management. The coalition has been established to address specific investment risks within the sector including around staffing, safety, wages, freedom of association and quality of care. These risks were very apparent in events over the past year at Orpea, the listed French care provider. The group is seeking to engage companies both regarding disclosure but also improving their practices.

**Achieved:** LAPFF has written to two Real Estate Investment Trusts (REITs) seeking clarification around data and metrics as part of a group initiative to request such information from other care providers and REITs. Alongside engagement with companies, the group has also been engaging public policymakers, including a meeting with the EU Commissioner responsible for care this quarter. The meeting came off the back of a new EU care strategy, and discussions focused on how implementation of the strategy could support the aims of responsible investors in the sector to improve care quality and employment standards to help deliver sustainable returns.

**In Progress:** LAPFF will continue to participate in the initiative and engage care providers, REITs operating in the sector and where relevant with policymakers.

### Follow This

**Objective:** As an activist investor, Follow This has been filing shareholder resolutions at the oil and gas majors' AGMs since 2016. Having recommended votes in favour of two Follow This resolutions in 2022, at both the Shell and BP AGMs,

LAPFF sought a meeting with Follow This representatives to discuss the organisation's ongoing work.

**Achieved:** LAPFF met with Mark Van Baal, founder of Follow This, to discuss the organisation's plans for development, both in the immediate future and looking further forward.

**In Progress:** Follow This has published its resolutions for 2023 and will be considered for voting alerts throughout the year.

### Market Forces

**Objective:** LAPFF has met with Market Forces a number of times over the past couple of years. It is an environmental advocacy project which primarily focuses on financial institutions, although it has published guidance for other sectors.

**Achieved:** After recommending votes in favour of Market Forces' resolutions at Barclays and Rio Tinto AGMs in 2021, LAPFF met with representatives from the organisation to discuss plans for development in 2023.

**In Progress:** LAPFF will monitor Market Forces' resolutions and work as the year progresses.

### Taskforce on Social Factors

LAPFF is a member of the Taskforce on Social Factors that has been established by the DWP. The taskforce chaired by Luba Nikulina from IFM has been established to look at how investors can best address and manage social factors, including by identifying reliable data and metrics.

The main objectives of the Taskforce are to:

- Identify reliable data sources and other resources, which could be used by pension schemes to identify, assess, and manage financially material social risks and opportunities.
- Monitor and report on developments relating to the International Sustainability Standards Board (ISSB) and other international standards.
- Develop thinking around how trustees can identify, assess, and manage the financial risks posed by modern slavery and supply chain issues.

The taskforce was established by DWP

## COLLABORATIVE ENGAGEMENTS



Construction workers in Doha, Qatar

following a consultation on the issue. LAPFF responded to the consultation highlighting the importance of social factors in our work and outlining some of the engagements that the Forum has undertaken on social issues for over three decades. The taskforce is comprised of people from the industry and, alongside the DWP, includes observers from the Financial Conduct Authority, Financial Reporting Council, HM Treasury and the Pensions Regulator.

### 30% Investor Club

**Objective:** LAPFF continues to support the 30% Club Investor Group, a coalition of investors pushing for women to represent at least 30% of boardroom and senior management positions at FTSE-listed companies. The group has extended its remit globally and has been engaging in different markets, encouraging companies to join regional charters and looking at other aspects of diversity in company practices.

**Achieved:** LAPFF joined two collaborative engagements this quarter, with Otsuka Corporation and Marubeni Corporation. Both are domiciled in Japan, and neither are currently members of the Japanese 30% Club charter. Whilst they have some way to go in their approaches to gender diversity at board and executive level, both companies provided promising outlooks regarding their approach to supporting women throughout their organisations.

**In Progress:** The Group is continuing to extend its outreach to companies outside of the UK and is looking at regional considerations for other markets. LAPFF is part of the Group's Global Workstream subgroup and will be contributing to engagements throughout the year.

### Rathbones Votes Against Slavery

**Objective:** Rathbones undertakes an annual analysis of compliance by FSTE350 companies with section 54 of the Modern Slavery Act. LAPFF views compliance of

this piece of legislation as an indicator of how seriously a company takes modern slavery in its operations. The engagement seeks compliance from those that currently do not meet this standard.

**Achieved:** LAPFF co-signed letters to 29 companies sent by Rathbones. At the time of publication, this engagement has brought about compliance from 14 of the companies approached, with a number in the process of making changes.

**In Progress:** LAPFF will monitor compliance levels as the engagement progresses and will join collaborative calls during the year to further explore company approaches to modern slavery.

### New York City Comptroller: Migrant Child Labour

**Objective:** An investigative report published by the New York Times in February 2023 provided evidence that a collection of US companies may be profiting from the use of American suppliers that illegally employ underage migrant



## POLICY ENGAGEMENTS

children. Ensuring that companies have controls and processes in place to manage such risks and hold suppliers accountable is an investment imperative for LAPFF.

**Achieved:** LAPFF co-signed a letter to this group of companies seeking a response and further detail on the allegations around the use of child labour.

**In Progress:** LAPFF will monitor the response and will support engagements as appropriate.

### CONSULTATION RESPONSES

#### Transition Plan Taskforce

**Objective:** In 2022, HM Treasury launched the Transition Plan Taskforce (TPT) with the objective of developing the gold standard for climate transition plans. The UK government and the Financial Conduct Authority are involved with the Taskforce with the intention that they will draw on the recommendations to strengthen disclosure requirements.

Done in the right way, transition plan disclosures could enable investors to better understand a company's approach to decarbonising their business model. They are also designed to help companies and investors with regard to developing plans that are integral to company's overall strategy. Given their potential importance, LAPFF responded to a TPT consultation regarding its draft disclosure framework.

**Achieved:** In LAPFF's previous TPT response, the Forum recommended that just transition implications should be included in the TPT's guidance. It was welcome that just transition issues were included in the draft disclosure framework. LAPFF welcomed this development but considered there to be further scope to integrate these just transition factors across the framework.

LAPFF's response stated that if it was to be a gold standard and in line with UK government policy then transition plans would need to be consistent with a 1.5°C scenario. To ensure consistency and comparability between transition plans, the response also called for a focus on absolute rather than relative emission reductions and greater clarity on definitions of Scope 3 emissions and what is

meant and included within the 'value chains' concept.

**In Progress:** LAPFF will where possible continue to engage with the TPT, including around the issue of further integrating the just transition into its recommendations.

### LAPFF WEBINARS

#### All-Party Parliamentary Group

The LAPFF-supported All-Party Parliamentary Group for Local Authority Pension Funds held a meeting on affordable housing and the LGPS. The meeting came off the back of government calls for the LGPS to increase local investment and the chancellor has stated that the government will consult on requiring LGPS funds to consider illiquid asset investment opportunities. There have also been other calls for the LGPS funds to scale up place-based investment and invest more in social and affordable housing.

To discuss the issues, the speakers at the meeting, chaired by Clive Betts MP, were Cllr John Gray (Vice-Chair, Local Authority Pension Fund Forum); Paddy Dowdall (Assistant Executive Director at Greater Manchester Pension Fund); Helen Collins (Head of Affordable Housing, Savills); and John Butler (Finance Policy Lead, National Housing Federation).

The discussion covered housing investments that LGPS funds were already making as well as some of the barriers to doing more. The meeting highlighted challenges of scaling up investment in affordable or social housing without additional government funding as well as issues around scale and the lack of investible projects.

### MEDIA COVERAGE

#### Water Risk

ESG Investor: [Investors Seek to Turn the Tide on Water Risk](#)

#### Say on Climate

IPE: [Investors call for voting on 'Say on Climate'](#)

Pensions Age: [LAPFF calls for shareholder vote on greenhouse emissions](#)

ESG Investor: [Investors demand 'Say on Climate' at FTSE Listed Firms](#)

Net Zero Investor: [Investors demand vote on climate transition plans at FTSE firms](#)

Investment Week: [Shell directors sued over 'flawed' climate plan](#)

Lexology: [Investors step up pressure on boards to keep pace with climate targets in upcoming AGM season](#)

The MJ: [Public sector pension funds call for 'Say on Climate' vote](#)

The Actuary: [Public-sector pension funds seek carbon vote](#)

ESG Investor: [New Ideas, Better Teamwork in Pursuit of Paris Goals](#)

Local Gov: [Public sector pension funds call for 'Say on Climate' vote](#)

#### LAPFF Executive

Local Government Chronicle: [Rodney Barton receives LGC Investment lifetime achievement award](#)

#### Social Factors

Pensions Age: [Taskforce on Social Factors launched with DWP support](#)

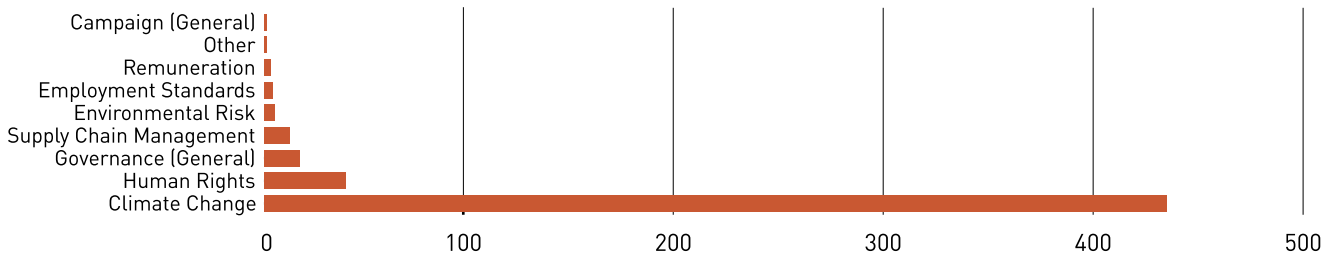
Professional Pensions: [DWP launches social factors taskforce for industry](#)

ESG Clarity: [UK pensions social taskforce launches to address data gap](#)

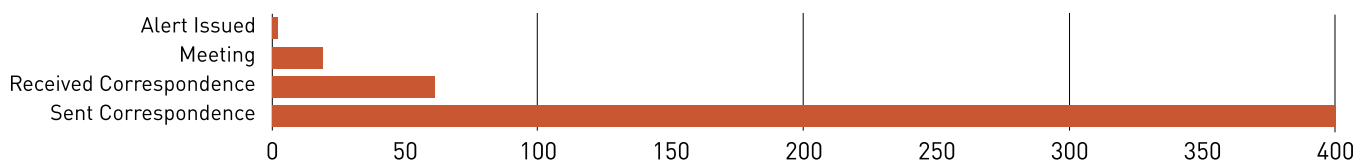
Pensions and Investments: [UK task force sets out to help asset owners with social considerations](#)

# ENGAGEMENT DATA

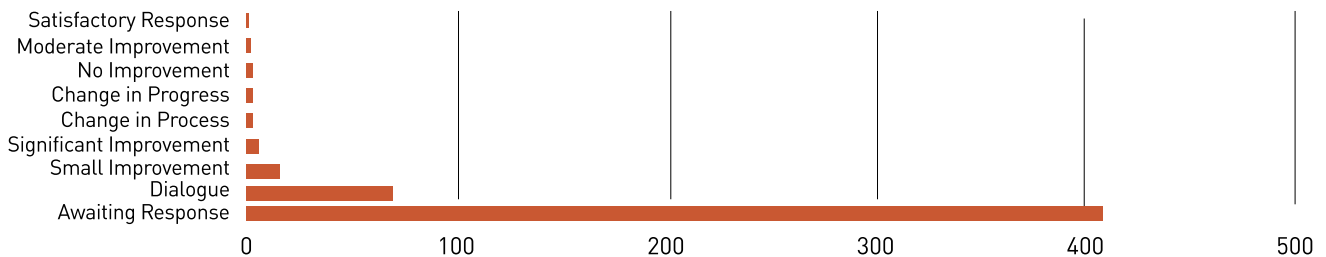
## ENGAGEMENT TOPICS



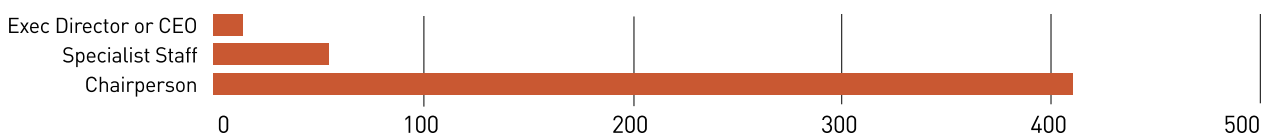
## ACTIVITY



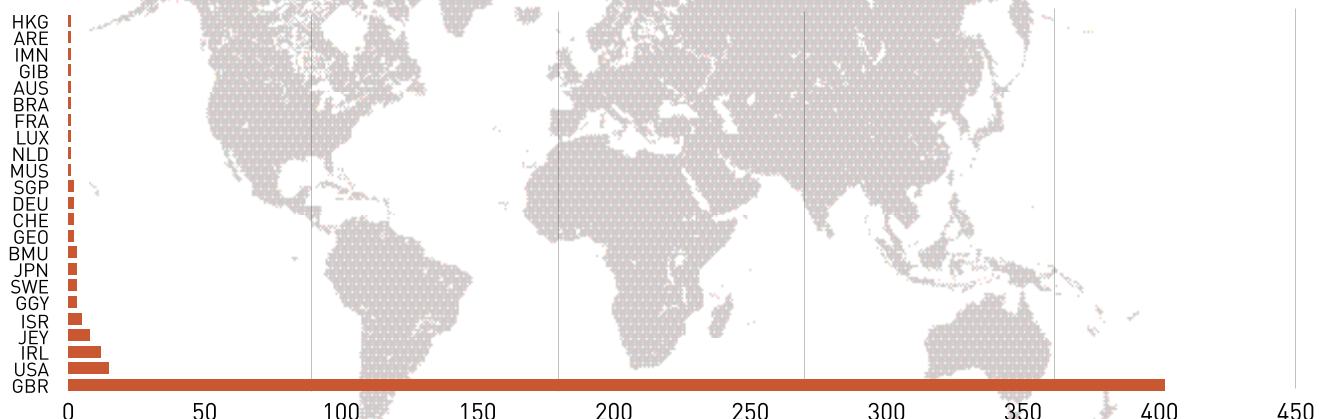
## MEETING ENGAGEMENT OUTCOMES



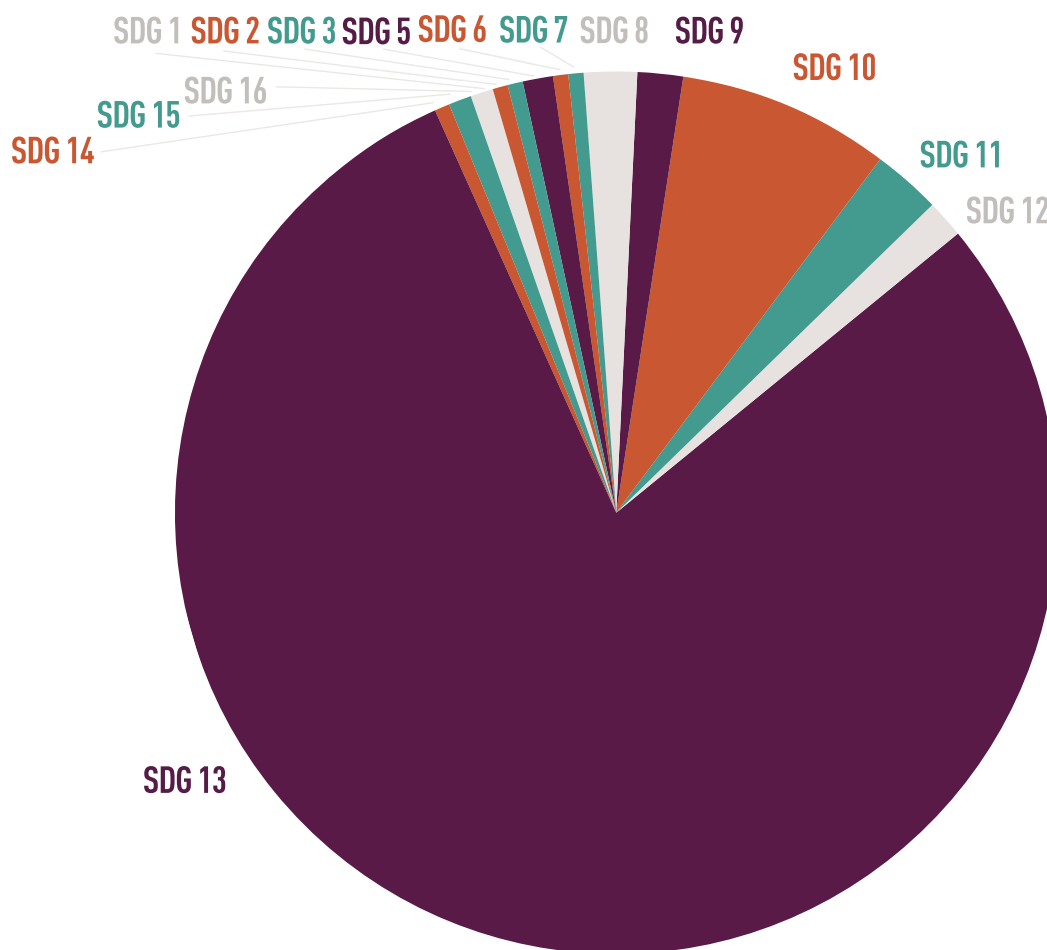
## POSITION ENGAGED



## COMPANY DOMICILES



# ENGAGEMENT DATA



## LAPFF SDG ENGAGEMENTS

SDG 1: No Poverty	1
SDG 2: Zero Hunger	3
SDG 3: Good Health and Well-Being	3
SDG 4: Quality Education	0
SDG 5: Gender Equality	5
SDG 6: Clean Water and Sanitation	4
SDG 7: Affordable and Clean Energy	3
SDG 8: Decent Work and Economic Growth	10
SDG 9: Industry, Innovation, and Infrastructure	9
SDG 10: Reduced Inequalities	38
SDG 11: Sustainable Cities and Communities	10
SDG12: Responsible Production and Consumption	7
SDG 13: Climate Action	426
SDG 14: Life Below Water	3
SDG 15: Life on Land	4
SDG 16: Peace, Justice, and Strong Institutions	4
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

## COMPANY PROGRESS REPORT

397 companies were engaged over the quarter. This number includes 368 letters sent to the FTSE All Share on presenting a climate transition plan to shareholders for approval at their AGMs. Letters were not sent to investment trusts. Excluding this engagement, LAPFF engaged with 54 companies.

Company/Index	Activity	Topic	Outcome
ADIDAS AG	Sent Correspondence	Human Rights	Awaiting Response
AIA GROUP LTD	Meeting	Climate Change	Awaiting Response
AIRTEL AFRICA PLC	Received Correspondence	Governance (General)	Dialogue
AMAZON.COM INC.	Sent Correspondence	Human Rights	Awaiting Response
ASSOCIATED BRITISH FOODS PLC	Sent Correspondence	Human Rights	Awaiting Response
BANK HAPOALIM B M	Sent Correspondence	Human Rights	Awaiting Response
BANK LEUMI LE-ISRAEL BM	Sent Correspondence	Human Rights	In Dialogue
BARCLAYS PLC	Sent Correspondence	Climate Change	Awaiting Response
BERKSHIRE HATHAWAY INC.	Sent Correspondence	Human Rights	Awaiting Response
BIFFA PLC	Received Correspondence	Governance (General)	Significant Improvement
BRITVIC PLC	Meeting	Campaign (General)	Dialogue
BT GROUP PLC	Sent Correspondence	Remuneration	Awaiting Response
CENTAMIN PLC	Received Correspondence	Governance (General)	Change in Progress
CHIPOTLE MEXICAN GRILL INC	Meeting	Environmental Risk	Small Improvement
CLS HOLDINGS PLC	Sent Correspondence	Governance (General)	Awaiting Response
CONSTELLATION BRANDS INC.	Meeting	Environmental Risk	No Improvement
DIRECT LINE INSURANCE GROUP PLC	Received Correspondence	Governance (General)	Dialogue
DRAX GROUP PLC	Received Correspondence	Environmental Risk	Small Improvement
FORD MOTOR COMPANY	Sent Correspondence	Human Rights	Awaiting Response
FRASERS GROUP PLC	Sent Correspondence	Governance (General)	Awaiting Response
GENERAL MILLS INC	Sent Correspondence	Human Rights	Awaiting Response
GENERAL MOTORS COMPANY	Meeting	Climate Change	Change in Process
GENUIT GROUP PLC	Received Correspondence	Governance (General)	Significant Improvement
GRAFTON GROUP PLC	Received Correspondence	Governance (General)	Significant Improvement
HENNES & MAURITZ AB (H&M)	Sent Correspondence	Human Rights	Awaiting Response
HILL & SMITH PLC	Received Correspondence	Governance (General)	Dialogue
ICADE	Meeting	Employment Standards	Dialogue
ISRAEL DISCOUNT BANK LTD	Sent Correspondence	Human Rights	Awaiting Response
JBS SA	Sent Correspondence	Human Rights	Awaiting Response
JD SPORTS FASHION PLC	Received Correspondence	Governance (General)	Significant Improvement
JTC PLC	Received Correspondence	Governance (General)	Change in Progress
KINGFISHER PLC	Sent Correspondence	Remuneration	Awaiting Response
MARUBENI CORP	Meeting	Diversity Equity and Inclusion	Small Improvement
MCDONALD'S CORPORATION	Meeting	Supply Chain Management	No Improvement
MITSUBISHI UFJ FINANCIAL GRP	Meeting	Climate Change	Dialogue
MIZRAHI TEFAHOT BANK LTD	Sent Correspondence	Human Rights	Awaiting Response
NCC GROUP PLC	Received Correspondence	Governance (General)	Significant Improvement
NESTLE SA	Meeting	Climate Change	Small Improvement
NEXT PLC	Sent Correspondence	Human Rights	Awaiting Response
OTSUKA CORPORATION	Meeting	Diversity Equity and Inclusion	Small Improvement
PEPSICO INC.	Sent Correspondence	Human Rights	Awaiting Response
RIO TINTO PLC	Alert Issued	Climate Change	Dialogue
RPS GROUP PLC	Received Correspondence	Governance (General)	Dialogue
SHELL PLC	Sent Correspondence	Climate Change	Awaiting Response
STANDARD CHARTERED PLC	Sent Correspondence	Climate Change	Awaiting Response
STARBUCKS CORPORATION	Alert Issued	Social Risk	Dialogue
THE KRAFT HEINZ COMPANY	Meeting	Other	No Improvement
TP ICAP GROUP PLC	Received Correspondence	Governance (General)	Significant Improvement
UNILEVER PLC	Sent Correspondence	Human Rights	Awaiting Response
UNITED OVERSEAS BANK LTD	Meeting	Climate Change	Moderate Improvement
VIDENDUM PLC	Received Correspondence	Governance (General)	Change in Progress
VODAFONE GROUP PLC	Sent Correspondence	Remuneration	Awaiting Response
VOLVO AB	Meeting	Environmental Risk	Dialogue
WALMART INC.	Sent Correspondence	Human Rights	Awaiting Response

# LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

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Avon Pension Fund	Enfield Pension Fund	Leicestershire Pension Fund	Suffolk Pension Fund
Barking and Dagenham Pension Fund	Environment Agency Pension Fund	Lewisham Pension Fund	Surrey Pension Fund
Barnet Pension Fund	Essex Pension Fund	Lincolnshire Pension Fund	Sutton Pension Fund
Bedfordshire Pension Fund	Falkirk Pension Fund	London Pension Fund Authority	Swansea Pension Fund
Berkshire Pension Fund	Gloucestershire Pension Fund	Lothian Pension Fund	Teesside Pension Fund
Bexley (London Borough of)	Greater Gwent Pension Fund	Merseyside Pension Fund	Tower Hamlets Pension Fund
Brent (London Borough of)	Greater Manchester Pension Fund	Merton Pension Fund	Tyne and Wear Pension Fund
Cambridgeshire Pension Fund	Greenwich Pension Fund	Newham Pension Fund	Waltham Forest Pension Fund
Camden Pension Fund	Gwynedd Pension Fund	Norfolk Pension Fund	Wandsworth Borough Council Pension Fund
Cardiff & Glamorgan Pension Fund	Hackney Pension Fund	North East Scotland Pension Fund	Warwickshire Pension Fund
Cheshire Pension Fund	Hammersmith and Fulham Pension Fund	North Yorkshire Pension Fund	West Midlands Pension Fund
City of London Corporation Pension Fund	Haringey Pension Fund	Northamptonshire Pension Fund	West Yorkshire Pension Fund
Ciwyd Pension Fund (Flintshire CC)	Harrow Pension Fund	Nottinghamshire Pension Fund	Westminster Pension Fund
Cornwall Pension Fund	Havering Pension Fund	Oxfordshire Pension Fund	Wiltshire Pension Fund
Croydon Pension Fund	Hertfordshire Pension Fund	Powys Pension Fund	Worcestershire Pension Fund
Cumbria Pension Fund	Hillingdon Pension Fund	Redbridge Pension Fund	
Derbyshire Pension Fund	Hounslow Pension Fund	Rhondda Cynon Taf Pension Fund	<b>Pool Company Members</b>
Devon Pension Fund	Isle of Wight Pension Fund	Scottish Borders Council Pension Fund	Border to Coast Pensions Partnership
Dorset Pension Fund	Islington Pension Fund	Shropshire Pension Fund	LGPS Central
Durham Pension Fund	Kensington and Chelsea (Royal Borough of)	Somerset Pension Fund	Local Pensions Partnership
Dyfed Pension Fund	Kent Pension Fund	South Yorkshire Pension Authority	London CIV
Ealing Pension Fund	Kingston upon Thames Pension Fund	Southwark Pension Fund	Northern LGPS
East Riding Pension Fund	Lambeth Pension Fund	Staffordshire Pension Fund	Wales Pension Partnership
East Sussex Pension Fund	Lancashire County Pension Fund	Strathclyde Pension Fund	