

## 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) To note the Investment Management Report.
- (b) To approve rebalancing within the Equities allocation by adding £25 million to the Sustainable Equities and £35 million to the Emerging Markets portfolios, funded from the Passive Equities allocation.
- (c) To note compliance with the 2023-24 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 proposed 2023/24 target asset allocation as at 31 December 2023.

##### Fund Value and Asset Allocation as at 31 December 2023

	Fund Value as at 31/12/23	Target allocation 2023/24	Fund asset allocation at 31/12/23	Variation from Target
	£m	%	%	%
<b>Fixed Interest</b>				
Sterling Corporate Bonds	427.4	7	7.6	
Multi-Asset Credit	694.1	12	12.3	
Cash	162.5	1	2.9	
	<b>1,284.0</b>	<b>20</b>	<b>22.8</b>	<b>+2.8</b>
<b>Equities</b>				
Passive Equities	1,533.4	25	27.2	
Global High Alpha Equities	325.8	5	5.7	
Global Smaller Companies	289.7	5	5.1	
Emerging Markets	239.3	5	4.2	
Sustainable Equities	539.7	10	9.6	
	<b>2,927.9</b>	<b>50</b>	<b>51.8</b>	<b>+1.8</b>

	<b>Fund Value as at 31/12/23</b>	<b>Target allocation 2023/24</b>	<b>Fund asset allocation at 31/12/23</b>	<b>Variation from Target</b>
	<b>£m</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Alternatives/Other</b>				
Diversifying Returns Funds	163.7	3	2.9	
UK Property	364.4	8	6.5	
International Property	98.5	2	1.7	
Infrastructure	517.9	9	9.2	
Private Equity	72.1	3	1.4	
Private Debt	192.3	4	3.4	
Local Impact Portfolio	17.3	1	0.3	
	<b>1,426.2</b>	<b>30</b>	<b>25.4</b>	<b>-4.6</b>
<b>Total Fund</b>	<b>5,638.1</b>	<b>100</b>	<b>100.0</b>	

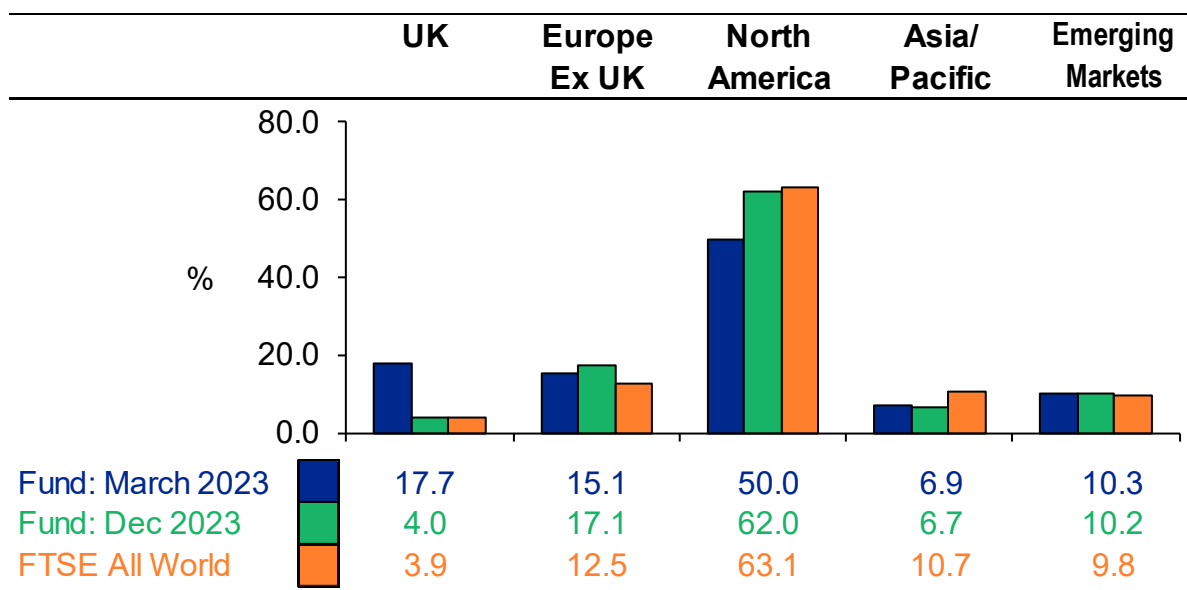
The key points with regard to the end of quarter asset allocation are summarised below:

- a) The Fund value as at 31 December 2023 stood at £5,638.1 million, an increase of £275 million over the last quarter, and around £325 million over the financial year to date.
- b) Sterling Corporate Bonds and Multi-Asset Credit are both above the target weighting. While there is still significant uncertainty around the global economy, the expectation is that interest rates in the US and the UK will begin to come down in the latter half of 2024. In those circumstances, it is proposed to retain the small overweight position for the time being.
- c) The passive allocation has now been consolidated into the Global Paris Aligned Benchmark passive fund. As part of the consolidation, £50 million was withdrawn to rebalance the allocation back towards target. However, the strong equity performance during November and December means that the weighting remains above the target level.
- d) Within equities, Sustainable Equities and Emerging Markets are both underweight. It is proposed to add £25 million to the Sustainable portfolio and £35 million to the Emerging Markets portfolio to bring them up to target, funded from the overweight passive allocation.
- e) The main underweight allocation continues to be that to Alternatives/Other. The Property allocation in particular has struggled over the last year, and now stands at 1.8% below target (UK and International combined). Brunel have made commitments to a couple of property funds as part of bringing our portfolio in line with their model portfolio.
- f) Significant commitments have been made to bring private debt and private equity up to the target level, but these will still take some time to be fully drawn.

#### Geographical Weighting of Equity Allocation

- g) 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

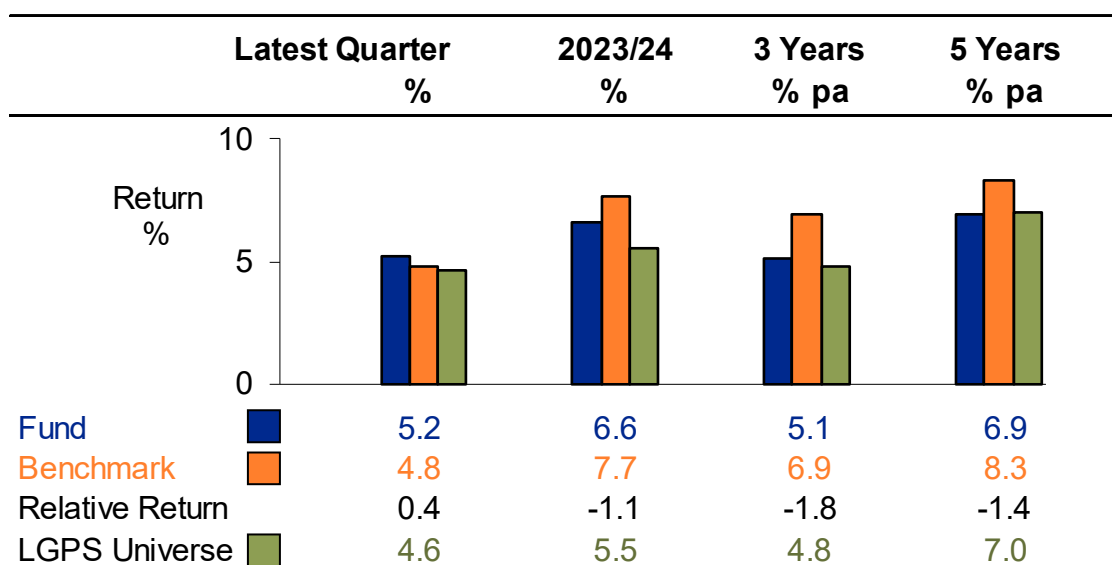


- h) The decision to consolidate the Fund's passive equity allocation, including the UK Fund, into the global developed Paris aligned benchmark fund was implemented in late October. This has reduced the UK allocation from 17.7% to 4% of the Equities allocation, meaning that the geographical split of holdings now more closely aligns to the weightings in the FTSE All World and other global indices.

### 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 +5.2% for the quarter to 31 December, taking the return for the financial year to date up to +6.6%, compared with the fund strategic benchmark of +7.7%. Despite lagging the Fund's benchmark, the return was ahead of the LGPS Universe average of +5.5%. The key areas of under-performance against benchmark were Sustainable Equities and Infrastructure.

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

### **Performance to 31 December 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	+7.6	+6.1	-4.5	-4.9	iBoxx Sterling Non-Gilts <sup>1</sup>
Multi-Asset Credit	+9.4	+6.7	+1.5	+5.9	GBP SONIA +4% <sup>1</sup>
Cash	+4.9	+3.6	+2.0	+2.0	GBP 7 Day LIBID
<b>Equities</b>					
Passive Equities	+12.4	+12.4	+9.4	+9.5	Devon Passive Index
Global High Alpha Equities	+9.7	+11.9	+7.3	+10.3	FTSE World / MSCI World
Global Smaller Companies	+3.1	+8.1	+3.1	+5.8	MSCI World Small Cap
Emerging Markets	+1.1	+2.8	-4.6	-2.5	MSCI Emerging Markets
Sustainable Equities	+3.6	+10.9	+3.6	+8.7	MSCI AC World
<b>Alternatives/Other</b>					
Diversifying Returns Funds	+6.3	+6.7	+3.0	+6.1	GBP SONIA +4%
UK Property	-0.9	-1.4	+1.9	+1.3	AREF/IPD UK All Property
International Property	-4.9	-5.0	+6.1	+5.3	MSCI Global Property
Infrastructure	+1.4	+5.6	+7.2	+10.8	CPI + 4% <sup>1</sup>
Private Equity	-0.6	+10.9	-	-	MSCI AC World
Private Debt	+9.1	+5.6	+10.6	+10.8	CPI + 4% <sup>1</sup>
Local Impact Portfolio	+1.0	+2.3	-	-	7% p.a. Return

<b>Total Fund</b>	<b>+6.6</b>	<b>+7.7</b>	<b>+5.1</b>	<b>+6.9</b>	<b>Devon Bespoke Index</b>
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#### Notes

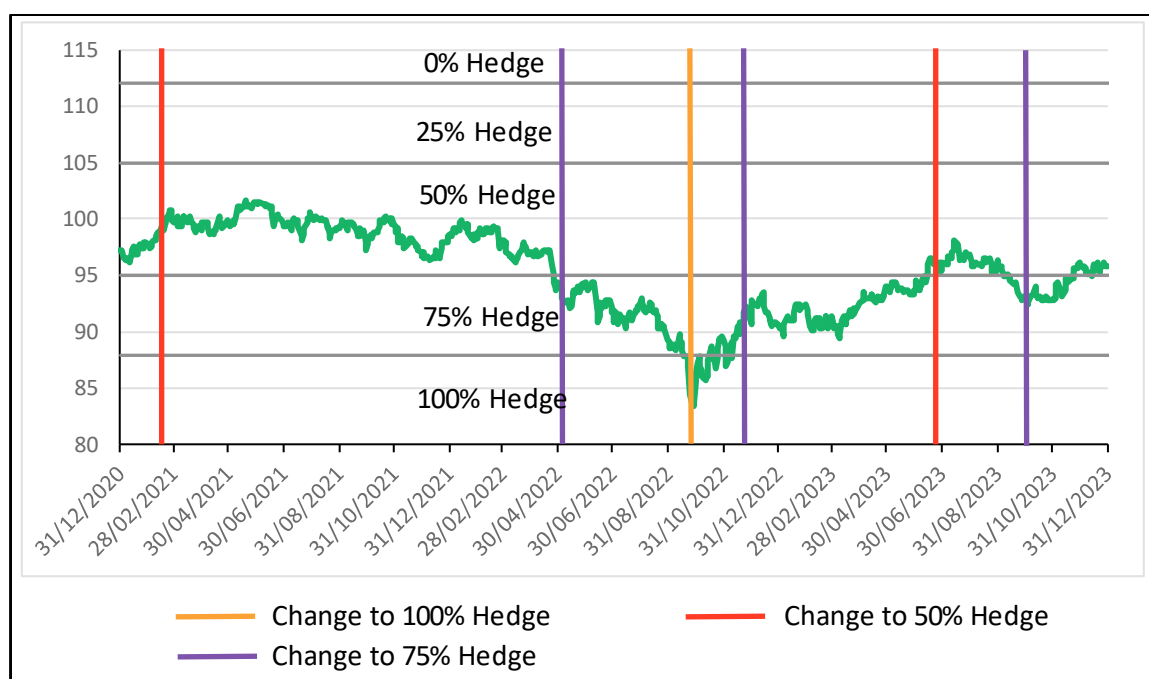
- the benchmark shown is the current benchmark, but the benchmark return will also incorporate the benchmarks applicable for the earlier part of the 3 year period where the benchmark has changed as a result of transition to Brunel.

- a) The Sterling Corporate Bonds and Multi-Asset Credit portfolios have both delivered a positive return ahead of benchmark over the year to date, having previously struggled during the period of rapid increases in interest rates.
- b) Over the quarter, the Sustainable Equities and Emerging Markets portfolios performed above benchmark, but all the active equity portfolios have underperformed against benchmark over both the current financial year to date and over the three year period. Over the medium term, underweights on the big seven tech stocks and on the energy sector have detracted from performance across the equity portfolios. The last quarter performance has been more impacted by individual stock selection, rather than macro-economic factors.
- c) Infrastructure was the other significant area of relative underperformance over the quarter. Rising interest rates have impacted on both Infrastructure and Private Equity, as they have fed through to an increase in the cost of capital, most obviously in debt funding costs. This has impacted on valuations to some extent, while the use of an inflation plus benchmark for Infrastructure has contributed to the underperformance given the continuing high level of inflation.
- d) Both UK and International Property have seen negative returns over the year to date during a period where property markets in general have fallen. But both are ahead of their respective benchmarks over both the financial year to date and the three year period.

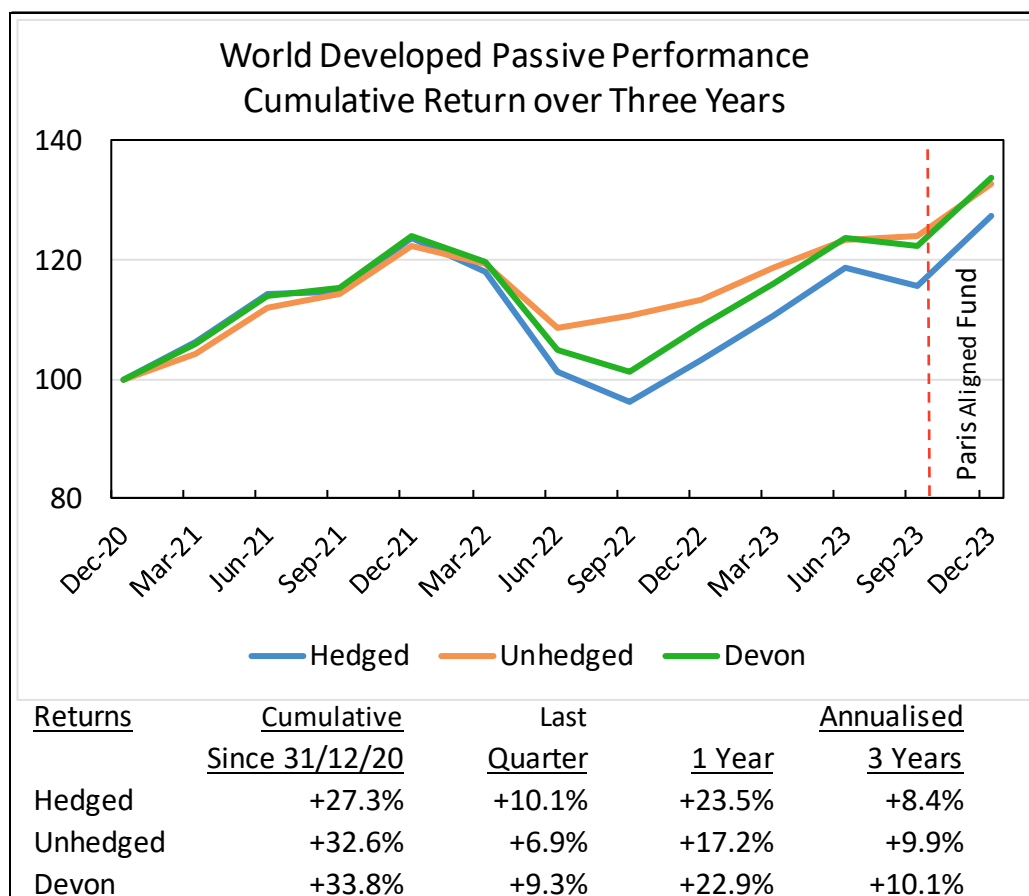
Currency Hedging

- e) The following graph shows the value of Sterling against a weighted average of the other major currencies, over the three years to 31 December 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**



- f) Previously, the currency hedging strategy was applied to the Global Developed Passive allocation. Following the consolidation of the passive allocation into the Global Developed Paris Aligned Benchmark (PAB) fund, the strategy has now been applied to the PAB allocation. The dotted line in the chart below marks the date of transition, and the return figures represent the returns of the Global Developed Passive funds up to 31 October and the Paris Aligned funds (hedged and unhedged) thereafter.
- g) The hedge ratio had increased to 75% at the end of September, after the pound had fallen to \$1.2207. The pound then rose to \$1.2747 as at the end of December. As a result of the increasing value of the pound, over the quarter the hedged portfolio delivered a higher return than the unhedged portfolio.
- h) Over the longer periods of one and three years the hedging strategy has delivered a better return than both a fully hedged or a fully unhedged portfolio. This is illustrated in the following chart.



#### 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 December 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 December 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.

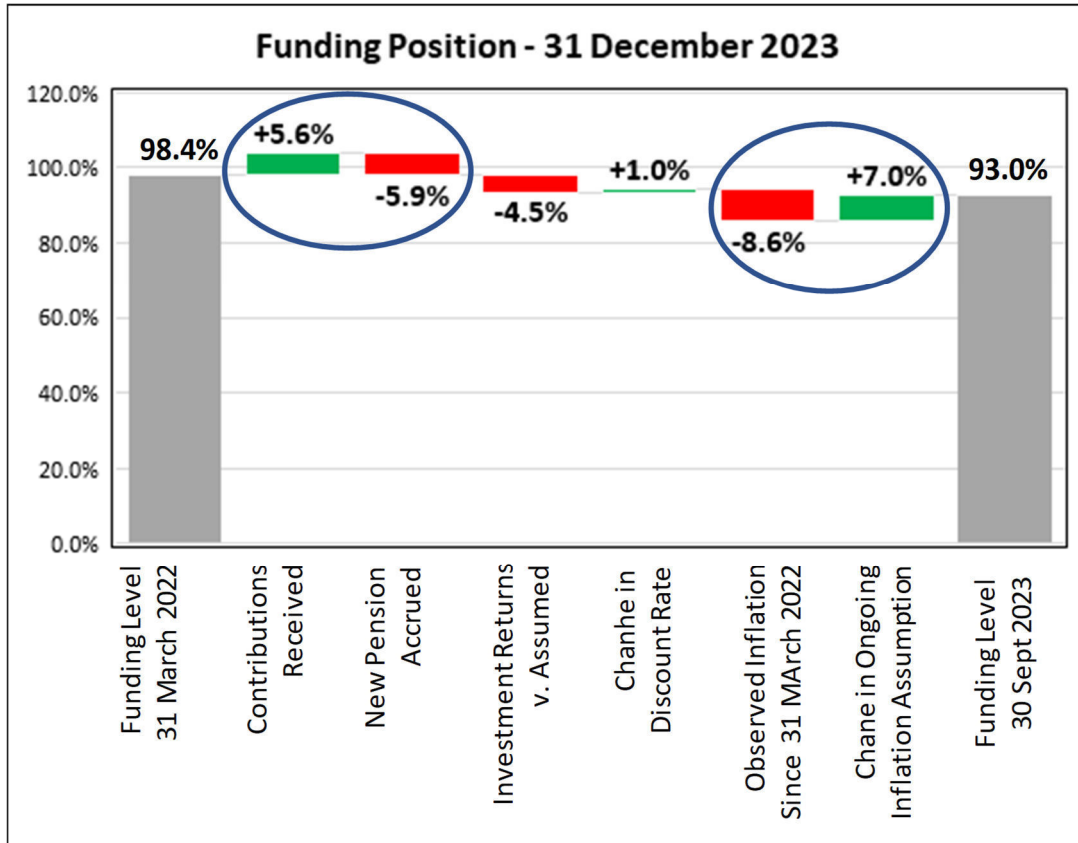
**Return since 31 March 2022 compared with Actuarial Assumption**

	<b>Actuarial Assumption</b>	<b>Actual Return</b>
2022/23	4.7%	-1.5%
2023/24	4.7%	5.2%
<b>Return since 31/3/22 (annualised)</b>	<b>4.7%</b>	<b>2.1%</b>

- b) The annualised investment return of +2.1% since March 2022 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 December 2023 funding update, compared with those used in the 2022 Triennial Valuation are shown in the following table.

<b>Actuarial Assumptions</b>	<b>March 2022</b>	<b>December 2023</b>
Pension Increases (CPI)	2.90%	2.43%
Salary Increases	3.90%	3.43%
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 and the increase that will be applicable from April 2024, which are now reflected as actual increases.
- e) The assumed discount rate going forward has also increased slightly. Other LGPS Funds, where their actuaries have based their discount rate on a margin above gilt yields, have seen significant improvements in funding levels due to the current elevated level of gilt yields. In some cases, discount rates in excess of 6% are being applied. However, it is thought that the discount rate used by Barnett Waddingham, based on the Fund's investment strategy, provides a more realistic view of the current funding position.
- f) The chart below shows the change in the estimated funding level between 31 March 2022 and 31 December 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 and the increase to be applied from April 2024, 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 4.5%.



- g) In summary, the estimated funding level as at 31 March 2023 is 93.0%, compared with the funding level as at the 2022 Triennial Valuation of 98.4%.

## 5) Budget Forecast 2023/24

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

- Contributions income to date is ahead of the budget and is forecast to be higher than the original budget forecast for the year. There have also been a high number of transfers in processed during the year to date, and these are now forecast to be higher than the original budget.
- Pension lump sum payments have been higher than anticipated, and there have been more transfers out. These are both now forecast to be higher than the original budget forecast.
- Investment income from property, infrastructure and private debt is received in cash and can be used to aid cashflow. Income to date is ahead of budgeted income.
- The high actual expenditure to date on Peninsula Pensions is because the annual licence fee for the pension administration system is paid during the first quarter. In addition, the invoice for the quarter to December to the Somerset Pension Fund had yet to be issued. However, a small overspend of £60,000 is anticipated resulting from the IT updates required to implement the McCloud judgement.
- The invoiced investment management fees line represents the overhead costs of Brunel. All Brunel invoices for the year have now been paid with a small underspend of £16,000. All other fees are taken directly from the funds and are charged based on



a percentage of the value of the assets under management. No significant variances are expected at this stage, but much will depend on asset performance over the rest of the financial year.

- f) Transaction costs for the year to date are higher than expected, to some extent reflecting initial costs in relation to new private market fund commitments, particularly private equity. The forecast for the year has been increased to reflect that.
- g) Oversight and Governance costs are anticipated to be broadly in line with the budget forecast, with small variances on actuarial costs and performance measurement. The pattern of expenditure on these headings will be variable across the year depending on when charges are raised.

## 6) Cash Management

The following table shows that the unallocated cash on deposit, as at 31 December 2023, was £164.2 million, plus \$1.7 million in US Dollars. At 31 January, the cash on deposit was little changed at £167.6 million, plus \$4.5 million in US Dollars. A higher proportion of the cash was held in immediately available funds, in anticipation of a £42 million capital call from the Greencoat Wessex Gardens Fund.

As agreed at the September meeting of the committee, a higher level of cash is currently being held, given that rates of between 5% and 6% can now be achieved.

### Cash on Deposit

Type of Deposit	Maturity period	Actual as at 31/12/23	Average Interest Rate	Current as at 31/01/24	Average Interest Rate
<b>GBP Deposits</b>		£m	%	£m	%
Call and Notice Accounts	Immediate	39.2	5.31	67.6	5.26
	35 Day Notice	0.0		0.0	
Term Deposits	<30 Days	0.0		0.0	
	>30 Days	125.0	5.62	100.0	5.68
<b>TOTAL GBP</b>		<b>164.2</b>	<b>5.55</b>	<b>167.6</b>	<b>5.51</b>
<b>USD Deposits</b>		\$m	%	\$m	%
Call and Notice Accounts	Immediate	1.7	5.44	4.5	5.40

Points to note:

- a) The weighted average rate being earned on GBP cash deposits, as at 31st December 2023, was 5.55%. Given that rates have now stabilised, the average rate was little changed at the end of January.
- b) The deposits in place during 2023-24 have 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. The Devon Pension Fund is committed to responsible stewardship and believes that through stewardship it can contribute to the care, and ultimately long-term success, of all the assets within our remit.

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.

During February we have been notified that the Devon Pension Fund has been re-accredited as signatories to the Code for the third consecutive year on the basis of its stewardship activity and reporting in 2022/23. The outcome letter commented that there had been improvements in reporting compared to the previous year. It also noted some minor areas for further improvement which will be addressed in the 2023/24 Annual Report.

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 are summarised in the following table.

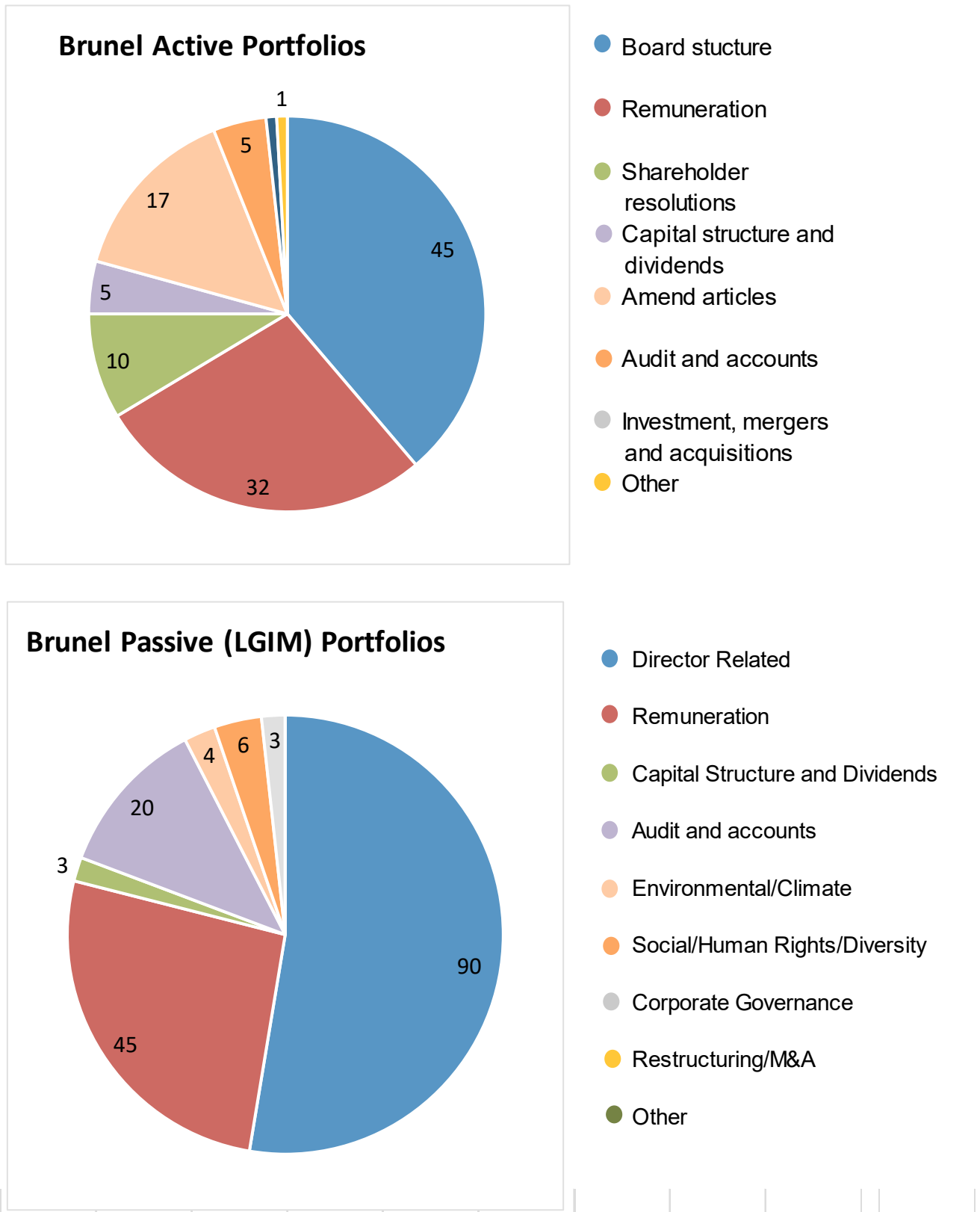
### **Votes Cast at Company Meetings in the quarter to 31 December 2023**

<b>Manager</b>	<b>Quarter to 31 December 2023</b>		
	<b>Number of Meetings</b>	<b>Number of Resolutions</b>	<b>Votes against management recommendation</b>
Brunel / LGIM Passive Portfolios	61	653	171
Brunel - Active Portfolios	101	630	116

Points to note:

- a) Brunel and LGIM actively vote the shares held within their funds on behalf of their client funds, including Devon.
- b) The votes against management recommendations will reflect matters where there is concern that the company is not addressing the relevant issue and managing it effectively. The Devon Fund would expect that 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 December 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. We only received one voting alert during the quarter, related to BHP Billiton, which was not held in any of our portfolios at the time of the AGM.

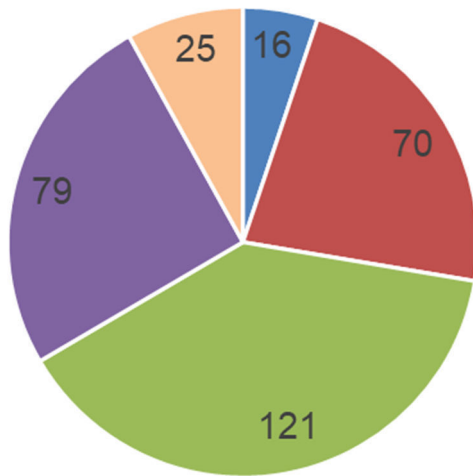
- d) We also received representations from a fund member in relation to the Microsoft AGM held on 7<sup>th</sup> December, asking us to support two shareholder resolutions, one related to reporting on human rights, and one around the risks of Artificial Intelligence (AI). These are summarised in the table below:

**Microsoft AGM Shareholder Resolution Votes**

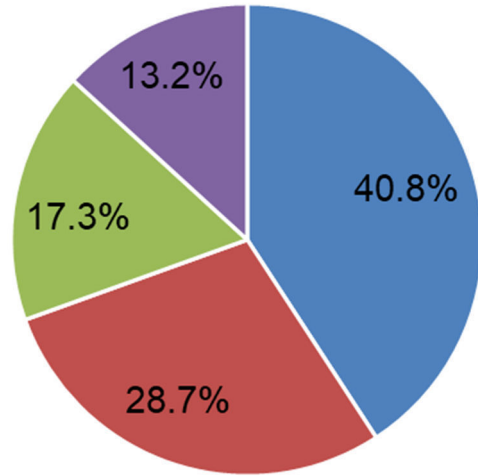
Resolution	LGIM (Passive) Vote	Brunel (Active) Vote	Rationales
Report on Risks of Operating in Countries with Significant Human Rights Concerns	For	For	A vote FOR this proposal was warranted. Shareholders would benefit from increased disclosure regarding how the company is managing human rights-related risks in high-risk countries.
Report on Risks Related to AI Generated Misinformation and Disinformation	Against	For	Brunel supported the resolution as the proposal promoted better management of ESG opportunities and risks and promoted transparency.  LGIM applied a vote against this resolution as they considered that at the present time the company is a leader in its disclosures, governance processes and mitigation steps it is taking on risks posed by its operations from generative AI.

- e) Neither resolution was approved at the AGM. The human rights item gained 33.6% support from shareholders; the AI resolution was supported by 21.2% of shareholders.
- f) Brunel conduct significant engagement with investee companies on behalf of the Devon Fund and other clients. A breakdown of the engagement undertaken over the last quarter is summarised in the following charts:

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



**Breakdown of Issues Engaged On**



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

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

- g) More details on Brunel's engagement can be found in their quarterly report.
- h) The LAPFF quarterly engagement report for the quarter to 31 December is attached at Appendix 2 to this report. Highlights include:
- An overview of the 2023 LAPFF conference, detailing discussions on various important topics including electric vehicle (EV) supply chains and the biodiversity crisis.
  - A continued push on the 'Say on Climate' initiative, aimed at encouraging more companies to present their climate transition plans for shareholder voting.
  - Active engagement with insurance companies regarding climate change, which included meetings with AIA, AXA, Legal & General, Lloyds Banking Group, and Ping An.
  - Engagement efforts focused on mining and human rights, particularly with Grupo Mexico and Glencore. This included organising a seminar for investors featuring communities from Colombia and Peru impacted by Glencore's mining projects.
  - Discussions with German technology giant SAP to address the management of adverse human rights impacts, including issues of discrimination, arising from advancements in artificial intelligence (AI) technologies.
  - Issuance of a voting alert concerning BHP, highlighting concerns over the company's climate-related practices and its corporate culture regarding human rights.
  - Continued engagement with The Home Depot through the Investor Alliance for Human Rights' Uyghur Working Group, aimed at addressing the company's response to allegations of Uyghur forced labour within its supply chains.

- Meeting with the chair of Barclays to gain insight into the company's efforts to enhance its corporate governance in light of allegations associated with its former executive and Jeffrey Epstein.

**Angie Sinclair**

Director of Finance and Public Value

**Electoral Divisions:** All

**Local Government Act 1972: List of background papers**

Nil

**Contact for enquiries:**

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## Appendix 1

### Devon County Council Pension Fund Budget Forecast 2023/24

	Actual 2022/23 £'000	Original Forecast 2023/24 £'000	Actual to 31 Dec 2023/24 £'000	Revised Forecast £'000	Variance 2023/24 £'000
<b>Contributions</b>					
Employers	(141,245)	(165,000)	(132,945)	(180,000)	(15,000)
Members	(49,905)	(52,000)	(39,711)	(52,000)	0
Transfers in from other pension funds:	(13,253)	(14,000)	(17,962)	(20,000)	(6,000)
	<u>(204,403)</u>	<u>(231,000)</u>	<u>(190,618)</u>	<u>(252,000)</u>	<u>(21,000)</u>
<b>Benefits</b>					
Pensions	176,799	200,000	146,736	200,000	0
Commutation and lump sum retirement benefits	27,720	30,000	26,032	33,000	3,000
Lump sum death benefits	3,826	4,000	4,262	4,000	0
Payments to and on account of leavers	981	1,000	723	1,000	0
Transfers Out	9,140	10,000	10,296	12,000	2,000
	<u>218,466</u>	<u>245,000</u>	<u>188,049</u>	<u>250,000</u>	<u>5,000</u>
<b>Net Withdrawals from dealings with fund members</b>	<b>14,063</b>	<b>14,000</b>	<b>(2,569)</b>	<b>(2,000)</b>	<b>(16,000)</b>
<b>Investment Income</b>	<b>(39,113)</b>	<b>(40,000)</b>	<b>(32,873)</b>	<b>(40,000)</b>	<b>0</b>
<b>Administrative costs</b>					
Peninsula Pensions	2,602	2,864	2,934	2,924	60
	<u>2,602</u>	<u>2,864</u>	<u>2,934</u>	<u>2,924</u>	<u>60</u>
<b>Investment management expenses</b>					
External investment management fees - invoiced	1,511	1,650	1,634	1,634	(16)
External investment management fees - not invoiced	21,602	24,000	16,503	24,000	0
Custody fees	30	35	7	35	0
Transaction costs	1,980	1,800	3,135	3,500	1,700
Class Action Proceeds	0	0	0	0	0
Other investment management expenses	27	30	14	30	0
	<u>25,150</u>	<u>27,515</u>	<u>21,293</u>	<u>29,199</u>	<u>1,684</u>
<b>Oversight and governance costs</b>					
Investment & Pension Fund Committee Support	92	95	65	95	0
Pension Board	41	45	31	45	0
Investment Oversight and Accounting	388	420	243	420	0
Brunel Pension Partnership	20	10	0	10	0
Legal Support	37	30	4	30	0
Actuarial Services	107	40	98	70	30
Investment Performance Measurement	72	75	56	56	(19)
Subscriptions	58	61	16	61	0
Internal Audit fees	21	24	0	24	0
External Audit fees	47	50	(13)	50	0
	<u>883</u>	<u>850</u>	<u>500</u>	<u>861</u>	<u>11</u>
<b>Total Management Expenses</b>	<b>28,635</b>	<b>31,229</b>	<b>24,727</b>	<b>32,984</b>	<b>1,755</b>



Quarterly  
Engagement  
Report

October-December  
2023

Local  
Authority  
Pension  
Fund  
Forum

**Say on Climate,  
National Grid, BP,  
UN Forum on  
Business and  
Human Rights,  
Rio Tinto**





## UPDATES

# ACTION

## LAPFF Conference

LAPFF held its 2023 annual conference in Bournemouth, covering a range of topics with a particular focus on climate-related issues. On the first afternoon, delegates heard from Richard Eadie and Simon Davy on how water companies can better deliver environmental value. This was followed by a discussion panel on how LGPS funds are managing climate-related financial risks. The first day closed with a review of the 2023 shareholder resolutions and a glimpse of the ones to come in 2024.

The second day kicked off with a discussion panel on the significance of proxy voting choices for investors in passive funds and the breakthrough introduction of passthrough voting. This allows asset owners to adopt their own

voting policies in pooled funds. Delegates then heard from asset managers on how they respond to the recent headline phenomenon of an ESG backlash. This was followed by a deep dive from Sir Philip Augar on whether investors should be concerned about the listing rules review.

The afternoon had a strong climate-related focus, opening with a discussion on how clean and equitable EV supply chains can be ensured, an emerging area of importance in the endeavor to decarbonise. This was accompanied by a session on how nature-related risks and the biodiversity crisis are managed and tackled. Another session outlined the role of alternatives in the race to achieving net zero by 2050. Also in the afternoon,

delegates engaged in a poignant discussion on investors' role in ending modern-day slavery, highlighting the pressing need and methods to take action and make change.

The final morning of the conference opened with a session with economic commentator, Will Hutton, on the great pay divide between executives and employees, followed by a discussion on the Living Wage with a representative from the Living Wage Foundation. This was followed by a presentation from LGA adviser, Barry Quirk, on levelling up. The conference closed with an inspirational story by Dave Fishwick about his journey to creating the Bank of Dave to help local businesses and communities in the wake of the 2008 financial crisis.

# COMPANY ENGAGEMENTS

## CLIMATE ENGAGEMENTS

LAPFF engages on climate change through both policy and company engagement channels. This dual approach is necessary to ensure that companies have an enabling environment to promote their climate change mitigation and adaptation work.

### Say on Climate

**Objective:** Despite the significant investment risks of climate change, investors are not provided with a specific vote by investee companies on how they are seeking to decarbonise their business models. Against the backdrop of growing climate risks, rising expectations from investors for companies to outline their climate strategy, continued ratcheting up of climate regulations and emerging recommendations from the Transition Plan Taskforce, LAPFF has been engaging companies for the past few years on putting their transition plans to a shareholder vote. Last quarter, LAPFF coordinated an investor letter to 35 FTSE companies in high emitting sectors requesting such a vote. The letter was signed by 18 other investors with around £1.8tn AUM.

**Achieved:** LAPFF has received substantive responses to the letter, with some companies outlining their approach to climate and stating that they are considering such a vote for their AGM next year. Some companies outlined previous votes and their intention to continue to hold similar votes in the future. However, others stated either that they did not plan to hold such a vote and engaged shareholders through other means or that while having a vote in the past, they did not have immediate plans to do so again.

**In progress:** Despite additional companies having transition plan votes, they are not standard practice and often absent at AGMs where climate risks are most acute. LAPFF will continue to work with other investors engaging companies on having transition plan votes to enable investors to have a specific say on the climate strategies of investee companies.

LAPFF's main company engagements on climate this quarter were with National Grid and BP.

### National Grid

**Objective:** LAPFF, along with two other investors of CA100+ Working Group, Church of England and Northern Trust, has been seeking to improve National Grid's disclosure and accountability on direct and indirect lobbying. The CA100+ benchmark on National Grid places it below its peer companies under indicator 7 on lobbying. In June 2023, National Grid pledged to publish its trade association memberships and updated climate policy ahead of the next AGM. LAPFF therefore is seeking to ensure the company's disclosure is timely and of a high standard.

LAPFF has also been seeking to ensure the company is more transparent about its plans to support the energy transition and reducing grid connection. The objective was to encourage disclosure and to offer the opportunity to provide feedback on the company's approach in both respects. LAPFF also sought a separate climate meeting with the company and to write a lobbying letter to National Grid seeking disclosure of industry associations and an updated climate policy.

**Achieved:** In November, LAPFF together with the Church of England wrote to the company, stating expectations for its upcoming lobbying report.

At the end of November, LAPFF met the Chief Sustainability Officer of National Grid. In this meeting LAPFF asked for an update on the backlog of grid connections and an update on the transition plan. The recent change in regulations has enabled the backlog to start to be cleared. This has been a main concern as the average time between requesting a connection and being offered one has increased from 18 months in 2019-20 to 5 years in 2023, as reported by the company. The easing of regulations will allow the company to terminate projects not progressing and push projects which are ready to the front of the queue.

Given that the expected power to be generated from these held-up contracts is as much as 400 Gigawatts with connection dates of 2030 or later, this

change will help towards decarbonising the power systems by 2030. However, there is still a challenge in speeding up building necessary infrastructure to physically enable the grid connections. LAPFF will monitor the effect of lifting these regulations and how quickly the company clears the backlog and is also looking for clarity in its infrastructure development plans.

The meeting also discussed the new transition plan to be published next year. LAPFF welcomed the fact that this is likely to be updated next year and will be put to a shareholder vote. LAPFF also encouraged the company to ensure the report is not only about reducing emissions but how the company can facilitate new infrastructure to be built, and its wider role in the energy transition. The company also recognised a challenge in reaching long-term targets of net zero by 2040 in absence of a pathway for gas distribution in the US.

**In Progress:** The release of the lobbying disclosure report next year in good time before the AGM is expected and will enable the Forum to assess the progress made in the company on this area. So far National Grid appears to be responding well.

LAPFF also expects the new transition report to be released and to address the points have raised here. A key outstanding issue is gas distribution in the US, where the company asserts the ongoing importance of gas networks to the business due to its existing infrastructure and cost efficiency and envisage both hybrid solutions and clean gas. To address this LAPFF will seek to understand the US energy market in more detail. On engagement specifics, LAPFF is organising a wider CA100+ meeting in January and will arrange some direct follow up meetings through 2024.

### BP

**Objective:** With the surprise departure of Chief Executive Bernard Looney, LAPFF requested a meeting with the Chair, Helge Lund, to help ascertain whether that departure affected BPs climate commitments.

**Achieved:** LAPFF attended a meeting with Lund in November, where we were told that the departure of the CEO had

## COMPANY ENGAGEMENTS

not changed BPs climate commitments.

**In Progress:** Since that meeting COP28 has strengthened the emphasis for solutions to the transition away from fossil fuels, which emerged as a last-minute compromise instead of the original goal to “phase out fossil fuels.” Prior commitments were in the form of far more malleable goals of “net zero by 2050” and complicating matters with Scope 1, Scope 2 and Scope 3 emissions. LAPFF’s policy for several years has been that fossil fuel components of businesses need to be put into managed decline.

With a closer match between COP and LAPFF policy, the emphasis on phase out will be the focus of BP and other oil and gas companies. Scope 3 emissions, originating from the products sold by fossil fuel companies, have been obfuscated by a focus on the comparatively minor Scope 1 and Scope 2 emissions, missing the obvious point that less Scope 3 extraction naturally leads to less Scope 1 and Scope 2.

Housebuilding also has a large impact on climate change. As part of an ongoing engagement with the sector, LAPFF met with Persimmon this quarter.

### Persimmon

**Objective:** Minimising the investment risks associated with climate change involves decarbonising housing stock. Housebuilders therefore play an important role in reducing emissions as well as facing regulatory risks if they fail to prepare for higher energy efficiency and emissions standards. As part of LAPFF’s engagements with UK housebuilders, LAPFF seeks to ensure that adequate transition plans are in place. With the vast majority of emissions not coming from their own activities, the engagements focus on plans for decarbonising supply chains and decarbonising homes in use.

**Achieved:** LAPFF met with representatives from the FTSE100 housebuilder Persimmon. In the meeting LAPFF had an open discussion about target setting which covered issues around embodied carbon. The meeting covered transition planning and plans. The discussion touched on so-called hard to abate sectors within the supply chain, such as cement and offsetting,



Persimmon housing estate Suffolk, UK trial schemes for net zero homes, and engagement with smaller suppliers on the transition.

**In progress:** LAPFF will be following the development of housebuilders’ transition plans and delivering on the targets that they have set.

## CLIMATE & INSURANCE

LAPFF has also re-started its 2020 engagement with insurance companies on their climate strategies and practices. After meeting with Munich Re last quarter to discuss the company’s progress on assessing its impact on climate change and integrating climate considerations into corporate strategy and operations, LAPFF met with AIA, AXA, Legal & General, Lloyds Banking Group, and Ping An to discuss the same issues. Given the interest of LAPFF members in natural resources – and specifically biodiversity – LAPFF also asked these insurers how they are addressing natural resources within their climate strategies.

While there has been some progress in insurers’ understanding of the need to assess their impacts on climate change in order to understand their climate-related business risks (otherwise known as double materiality), in LAPFF’s view there has not been enough progress on this front. In particular, insurers are focusing almost exclusively on their investment businesses in relation to climate mitigation. This approach makes sense at face value, but LAPFF would like

to see greater consideration given to the role the insurance products can play in mitigating climate change through setting societal expectations of risk.

All companies engaged are at the beginning of understanding the relationship between climate and natural resources and how to bring natural resources into business decision-making. Therefore, LAPFF will aim to engage with the remaining large insurance holdings before moving on its largest bank holdings under this engagement.

Because there is an increasing recognition of the impact that climate change has on natural resources, LAPFF has engaged a range of companies on their impacts on nature.

### TJX Companies – Deforestation

**Objective:** As a retailer specialising in brand-name clothing, home goods, and outdoor products, TJX Companies is exposed to various commodities that potentially link to deforestation in its supply chain. However, it currently lacks a public deforestation policy and does not address this issue in its vendor code of conduct.

**Achieved:** LAPFF initiated a dialogue with TJX Companies and met with representatives for the first time to discuss the development of such a policy. The conversation began with an overview of the company’s sustainability priorities,

## COMPANY ENGAGEMENTS

focusing on climate and energy, before shifting to the topic of deforestation.

**In Progress:** This marks the commencement of ongoing discussions with TJX, a company substantially held by LAPFF. The Forum aims to continue engaging with TJX to advocate for the benefits of imposing deforestation requirements on its vendors.

### Nestlé – Regenerative Agriculture and Climate Change

**Objective:** In the context of the agri-food sector's shift towards more sustainable practices, LAPFF sought a meeting with Nestlé to assess and understand the integration of regenerative agriculture into its strategy. This includes understanding the company's specific goals, initiatives, and progress in implementing regenerative practices, as well as its contributions to climate change mitigation and biodiversity conservation.

**Achieved:** During LAPFF's meeting with Nestlé, the Forum gained insights into the strategies and initiatives involved in implementing regenerative agriculture. Discussions looked at how this would be incorporated into their broader climate strategy and covered biodiversity more widely. While the long-term efficacy of these actions is yet to be measured, the conversations indicated a strong commitment from Nestlé, although further evaluation will be required in the future to gauge the impacts of strategies.

**In Progress:** LAPFF will continue to engage with Nestlé, focusing on monitoring the implementation of their regenerative agriculture practices. LAPFF will also look more widely across the agri-food sector as others are incorporating this into their business strategies as new methods and technologies become available.

### Chipotle – Water Stewardship

**Objective:** LAPFF has been engaged with Chipotle on its approach to water stewardship since 2019. The initial engagement objective was met during 2022, with the company undertaking an



Chipotle Mexican Grill at Pineapple Commons, Stuart, Florida

ingredient level water risk assessment to identify areas of water stress within the supply chain. The risk assessment found that a significant proportion of the company's suppliers operate in areas of water stress. LAPFF now considers it imperative that the company utilise the results of this risk assessment to set measurable and time-bound targets in order to reduce negative impacts on freshwater.

**Achieved:** In October 2023, CERES published a corporate benchmark assessing the water stewardship practices of 72 companies against the six Corporate Expectations for Valuing Water, including Chipotle. Chipotle underperformed relative to the quick service restaurant (QSR) peer group. LAPFF Executive member John Anzani met with the company in December to discuss progress in adopting a more ambitious approach to its water stewardship practices.

**In Progress:** LAPFF is the lead investor for Chipotle as part of the Valuing Water Finance Initiative (VWFI) and will continue to engage with Chipotle on this basis during 2024. It is LAPFF's expectation that Chipotle leverages the work it has undertaken in mapping exposure to water stress in order to set ambitious targets, particularly given that during Q4 2023 the science-based targets network has released guidance for companies to set the relevant freshwater targets.

## HUMAN RIGHTS ENGAGEMENTS

Similar to the climate space, human rights policy and practice must align for companies to be able to implement their human rights responsibilities. Legislation requiring mandatory human rights and environmental due diligence, including the imminent Corporate Sustainability Due Diligence Directive (also known as the 'CS triple D'), makes the need for this alignment pressing. LAPFF has taken a number of measures this quarter to work toward this alignment.

LAPFF's view is that investors are still struggling to understand the link between human rights and financial materiality. LAPFF sees this link more and more clearly, particularly through its work with mining companies. LAPFF regularly undertakes various avenues of engagement on human rights, and will continue to seek in its engagements with both companies and investors to clarify this link. The goal is that human rights become an investor imperative to the extent that climate change is, not least because of the need for a just transition.

### UN Forum and Working Group on Business and Human Rights

On the policy front, LAPFF was again

# COMPANY ENGAGEMENTS

invited to present its work at the UN Forum on Business and Human Rights in Geneva on 27 November. LAPFF’s video about its visit to Brazil to see communities affected by tailings dams was selected for screening out of, reportedly, a huge number of potential options. The video was well-received, with attendees stating that they would share it with colleagues, clients, and law students to drive home the on-the-ground impact that mining companies can have on people in host communities.

LAPFF also submitted a response to a UN Working Group on Business and Human Rights consultation on investors, ESG, and human rights. The goal of this consultation is exactly to push alignment between law and practice on human rights. One of the main points LAPFF made is that corporate and commercial legal frameworks must align with international human rights law principles, for example of joint ventures, to facilitate good corporate practice.

## COMPANY ENGAGEMENTS MEETINGS

In terms of company engagements, **Glencore** and **Grupo Mexico** were companies of focus this quarter. LAPFF generally has at least an annual meeting with the Glencore Chair. This meeting was its second with Chair Kalidas Madhavpeddi. Although LAPFF had requested a meeting with CEO Gary Nagle to discuss both climate and human rights performance at Glencore, Mr. Madhavpeddi was accommodating and helpful. LAPFF asked about the company’s engagement with affected communities, but Mr. Madhavpeddi did not share much on this front.

LAPFF subsequently held a seminar for investors with communities from Colombia and Peru who are affected by Glencore’s Cerrejon and Antapaccay projects, respectively. It has also been in touch with IndustriALL representatives who worked with investors last year to bring a climate-related resolution to Glencore’s AGM. LAPFF’s view from speaking to these stakeholders is that in the coming year, Glencore is likely to be the target of a concerted union and community campaign because of its human rights and environmental practices. Therefore, LAPFF has reached out to the company for a follow up

meeting to discuss these stakeholder concerns and to push the company to build and disclose stronger stakeholder engagement mechanisms and climate practices.

## TECHNOLOGY COMPANIES AND HUMAN RIGHTS

**Objective:** Governance of new technology is well recognised as an investment risk. However, such risks have come to the fore again with significant advances in AI technologies. Alongside the significant potential benefits of AI, it has the potential to adversely impact people’s employment and creates human rights risks, not least around discrimination. These risks are often greatest at companies developing and selling AI services and products. As with other human rights risks, LAPFF expects technology companies to have due diligence policies in place to prevent negative impacts.

**Achieved:** LAPFF executive member Heather Johnson met with the German tech company SAP. The company faces specific risks related to AI, including products which support HR functions. The meeting covered how the company was managing the risks of adverse human rights impacts, including discrimination. The discussion covered identification of risks and the company set out the framework and processes it has in place for preventing negative impacts. The

Sonora, Mexico: 40,000 cubic meters of copper sulfate were spilled into a dam, property of Grupo Mexico

meeting also covered how the company had responded to the German Supply Chain Due Diligence Act.

**In progress:** AI is an emerging technology with risks likely to become greater and more complicated. LAPFF will continue to engage technology companies in how these risks are being managed to ensure appropriate frameworks and safeguards are in place.

## RESPONSIBLE MINERALS – ELECTRIC VEHICLE MANUFACTURERS (FORD, RENAULT AND MERCEDES)

**Objective:** As highlighted, there is an increasing trend in international regulations to impose the responsibility for human rights due diligence on companies. These regulations highlight the electric vehicle industry’s obligation to ensure ethical and sustainable practices, particularly in supply chains. This development is part of a broader global movement towards enhanced corporate accountability and transparency. Over recent years, LAPFF has consistently engaged with various electric vehicle manufacturers on this matter, advocating for improved due diligence and transparency as these regulations have evolved.

**Achieved:** LAPFF has maintained ongoing dialogues with Ford, Renault, and Mercedes, meeting with Ford and Renault for the second time, and with Mercedes for the third time on this



## COMPANY ENGAGEMENTS

issue. All three companies have shown notable progress in their human rights management processes and efforts to comply with regulations, especially in the depth of their public reporting. Despite some areas still requiring improvement, it would appear they are more actively engaging with suppliers and pursuing ethical sourcing to meet international human rights standards.

**In Progress:** LAPFF will continue to monitor and seek engagement with those companies exposed to the various human rights risks associated with electric vehicles, which become ever more evident as production is scaled up.

### COLLABORATIVE ENGAGEMENTS PRI ADVANCE

LAPFF continued its engagement with **Vale** and **Anglo American** through the PRI Advance human rights initiative, including through bringing investors in other PRI Advance groups into stakeholder engagement meetings on Glencore, BHP, and **Rio Tinto**. These initiatives are moving quite slowly, in part in LAPFF's view, because investors are generally less aware of and less attuned to human rights considerations than they are corporate governance and environmental issues. Therefore, they are still considering how best to engage companies on human rights, which tend to deal with 'soft' issues such as illegal discrimination and freedom of association rather than 'hard' issues like clear financial costs.

### LONDON MINING NETWORK AND COMMUNITIES AFFECTED BY MINING

LAPFF continues to find great value in engaging with community groups affected by mining company operations. The meeting with communities affected by Glencore operations in Colombia and Peru was the first in-person meeting of this kind that LAPFF had held since the Covid pandemic. Most community meetings are online because affected community members tend to be in developing countries, and everyone has limited travel budgets (not least for climate reasons). However, LAPFF



workers stock the shelves at a Home Depot store

coordinated with London Mining Network to hold an in-person seminar which six investors attended. The Colombian and Peruvian community members shared the severe environmental impacts Cerrejon was having on its rivers and soil, which is leading to significant health concerns in both countries. A LAPFF representative also met with communities with continued concern about BHP's practices in Brazil.

LAPFF held online meetings with communities from Brazil and Mexico. LAPFF continues to engage with the community members with whom it visited in Brazil, particularly in relation to the reparations at Samarco-affected communities. Although over 100 houses have reportedly been built in one of the resettlements – Bento Rodrigues - these community members continue to be concerned that the quality of the houses is poor, and they report that they don't know who to contact at Vale or BHP to complain. Part of the problem is that the Renova Foundation CEO with whom LAPFF met in Brazil has been sacked but not replaced successfully. His immediate successor lasted two months, according to the community members. LAPFF is waiting to hear whether a permanent, successful CEO has now been appointed or whether the search continues.

In relation to Mexico, LAPFF was assured earlier in the year that **Grupo Mexico** had met its reparations obligations in relation to its 2014 tailings

pond leak in Sonora, Mexico. However, LAPFF was alerted by a community representative and a news article about a Mexican government lawsuit to reinstate the reparation fund due to inadequate reparations payments. LAPFF has tried three times this quarter to obtain a meeting with the company but has been met with silence. Meanwhile, LAPFF met with the community representative at the UN Forum on Business and Human Rights at the end of November to receive a further update on the case. It appears that LAPFF will now need to investigate options to escalate its engagement with Grupo Mexico, but it will need to do so in consideration of safety concerns for the affected communities.

**In Progress:** LAPFF's view is that investors are still struggling to understand the link between human rights and financial materiality. LAPFF sees this link more and more clearly, particularly through its work with mining companies. Therefore, LAPFF will continue to seek in its engagements with both companies and investors to clarify this link so that human rights become an investor imperative to the extent that climate change is, not least because of the need for a just transition.

### INVESTOR ALLIANCE FOR HUMAN RIGHTS

LAPFF continued to work closely with the

## COLLABORATIVE ENGAGEMENTS

Investor Alliance for Human Rights, both in relation to the Uyghur Group and in relation to conflict-affected and high-risk areas (CAHRA).

### Investor Alliance for Human Rights – The Home Depot Inc

**Objective:** As a part of the Investor Alliance for Human Rights' Uyghur Working Group, LAPFF led on an engagement with The Home Depot, which was implicated in allegations of Uyghur forced labour in its luxury vinyl tile (LVT) flooring supply chains, with PVC derived from Xinjiang. LAPFF sought to understand how Home Depot responded to these allegations, and how the company has undertaken work to eliminate forced labour risks and comply with human rights standards.

**Achieved:** LAPFF, alongside other investors, met with Home Depot for a second time following reports in August that shipments of LVT from Asia were being blocked by US Customs, including those destined for Home Depot. During the call, LAPFF sought answers on what the company was doing to ensure that its company supply chain was free of forced labour, potential implications of bifurcation of supply chains, and what new methods Home Depot was implementing to have sufficient audit procedures in place.

**In Progress:** LAPFF will continue to monitor the company's approach to global human rights due diligence and seek further engagement in due course for updates on the issue, with a focus on the company's implementation of enhanced audit procedures.

### CAHRA PILOT PROJECT

LAPFF was invited to join IAHR's CAHRA pilot project. The project has been initiated in part because of the escalation of conflicts globally, including in Ukraine, Nagorno Karabakh, and Israel and Gaza, which reignited this quarter. LAPFF had already been attending a number of IAHR webinars on this topic to understand better how to engage companies on CAHRA issues, so the opportunity to participate in this pilot is welcome, especially given LAPFF's engagements with companies operating in Russia,

Myanmar, and the Occupied Palestinian Territories.

### VOTING ALERTS

LAPFF also issued a voting alert for BHP expressing concern that the company's rhetoric and practices on climate are not aligned and expressing concerns about the corporate culture in respect of human rights. BHP is currently the subject of potentially costly litigation in Brazil, the UK, and Australia in relation to its failings related to the Samarco tailings dam collapse alone. LAPFF continues to have serious concerns that the company is not taking appropriate accountability and responsibility for its human rights and environmental practices, and that this omission could lead to large financial losses for both the company and investors.

## JUST TRANSITION ENGAGEMENTS

**LAPFF's aim is to move away from siloed ESG engagements in recognition of the overlap between these three areas in pursuing a just transition. There are currently two dedicated work streams covering a just transition specifically, although the climate and human rights work by definition addresses just transition to a degree.**

### RIO TINTO SHAREHOLDER RESOLUTION

Within the quarter LAPFF explored the option of filing a just transition shareholder resolution at Rio Tinto's 2024 AGM requesting the company undertake independent water impact assessments at its mine sites. The proposed resolution sought to ensure that the company adequately assesses its impacts on water resources so that it can properly identify operational, reputational, legal, and consequently financial risks to the business and investors.

In the end, LAPFF did not file the resolution. LAPFF is currently in dialogue with Rio Tinto, and Rio Tinto has issued a water impact assessment in relation to its QMM operation in Madagascar. Although the company is not fully meeting the

resolution's request, LAPFF is encouraged that the company is willing to discuss how to move forward on the request and continues to be hopeful that the company will meet it. LAPFF is pursuing further dialogue with the company on this issue and will take a view after the 2024 AGM whether the resolution filing process needs to be resumed.

### EQUINOR

As part of its involvement with World Benchmarking Alliance just transition initiative, LAPFF participated in a collaborative call with Norwegian energy company, Equinor. Equinor has a policy commitment to a just transition and the engagement provided a useful opportunity to discuss how the policy was being implemented. The meeting covered the company's approach to assessing and mitigating negative social impacts of the energy transition, governance of just transition issues, just transition planning and metrics and targets.

**In Progress:** As part of LAPFF's involvement in the WBA initiative, it will continue oil and gas companies on just transition plans. LAPFF will continue to engage mining companies on undertaking independent water impact assessments.

## BOARD DIVERSITY ENGAGEMENTS

**Objective:** It is well-documented at this point, both in academic literature and in the corporate governance world, that board diversity improves corporate performance. Diversity covers a range of areas, including gender, cultural, and economic (for example workers on boards). Consequently, LAPFF engages companies on board diversity and composition as a matter of course to work toward improved financial returns across member portfolios.

**Achieved:** LAPFF is a long-standing member of the 30% Club Investor Group, which began with a focus on gender diversity and has now expanded its work to include racial diversity on boards. Over time, this group has also expanded from focusing on UK companies to engaging

## COLLABORATIVE ENGAGEMENTS

companies in other countries. The latest round of engagements has been with a range of Asian companies, including KKR & Co and Shinhan Financial Group.

LAPFF also questioned Glencore on its board composition this quarter. The company has a small board compared to its peers in the mining sector, and LAPFF wondered if its small size allowed for enough diversity of views. Although three of the eight board members are female, LAPFF is also looking, for example, for board members with backgrounds in climate change and human rights who are sufficiently independent to challenge the board on its climate, human rights, and internal controls systems, especially given the corruption challenges the company is continuing to face.

**In Progress:** Board diversity is a continuing workstream for LAPFF, as it pushes companies to move from merely appointing certain numbers of diverse board members to truly considering and integrating their views into company strategy and practice. This objective relies on cultural change which takes a long time to achieve so is something at which LAPFF chips away each quarter on different fronts. LAPFF has also secured a meeting with KKR & Co for Q1 or 2024 to discuss diversity targets.

## GOVERNANCE ENGAGEMENT

### Barclays

**Objective:** In October, former Barclays executive Jes Staley was banned by the FCA from holding senior positions in financial services and charged with a £1.8m fine for allegedly misleading the watchdog about his past relationship with convicted sex offender Jeffrey Epstein. In turn, LAPFF felt it imperative to engage with Barclays to discuss learnings from this tumultuous episode and sought to see actions the bank had taken to strengthen corporate governance at both board and management level.

**Achieved:** LAPFF met with the Chair of Barclays, Nigel Higgins, at the end of October. The Chair openly discussed the event and actions the bank had taken, including freezing deferred bonuses

to Stanley at the time of investigation. The company stated it has strengthened their board recruitment practices and remained vigilant. However, LAPFF will be monitoring the governance going forward. More widely, LAPFF requested an update of Barclays's climate policy and have arranged to have a specific meeting on this topic separately.

**In Progress:** Following the recent board changes earlier this year at Barclays, including the appointment of new executives, LAPFF will continue to watch the corporate governance nominations and succession plans of the company board. LAPFF maintains a cordial dialogue with the chair and aims to continue engaging on this topic.

## PUBLIC HEALTH ENGAGEMENT

### FAIRR Initiative's Restaurant Antibiotics Engagement – Restaurant Brands International (RBI)

**Objective:** FAIRR's Restaurant Antibiotics engagement focuses on reducing the use of antibiotics in protein supply chains. This initiative involves companies within the fast-food and casual dining sector, with the aim of mitigating the risks associated with antibiotic resistance due to the overuse of antibiotics in livestock. The objective is to safeguard public health.

**Achieved:** LAPFF joined a call with FAIRR and other investors with Restaurant Brands International (RBI). As a first call with the company, investors shared key asks of the engagement and pushed for enhanced transparency on the company's efforts to reduce antibiotics in its supply chain.

**In Progress:** LAPFF signed onto a series of letters sent by FAIRR and will seek to join meetings as appropriate when they become available. LAPFF is also hoping to continue supporting engagement with RBI as the dialogue develops.

## Taskforce on Social Factors

LAPFF's chair is a member of the Taskforce on Social Factors, which was established by the DWP with cross-departmental and multi-regulator involvement. The taskforce was established to outline how trustees could and should address social risks and opportunities. Specifically, the group has looked at the materiality of such issues, data on social factors, and the actions pensions funds can take. During the quarter, the group's initial findings were published for consultation. Within the report a series of recommendations were set out to pension trustees, the investment industry, regulators, government, civil society and businesses.

## MEDIA COVERAGE

ESG Investor: [ESG Overload – ESG Investor](#)  
 Room 151: [LAPFF alongside other investors call for climate vote at high-emitting companies – Room 151](#)  
 IPE: [Investors coalition creates platform to strengthen human rights stewardship | News | IPE](#)  
 The Point: [Global perspective: is ESG paying lip service to human rights? | The Point ESG News](#)  
 Environmental Finance: [CCLA, LAPFF call for climate votes at 'high-emitting' sectors](#)  
 Pensions & Investments: [U.K. investors turn up the heat on boards for climate transition plans](#)  
 Sustainable Times: [Investors Managing £1.8 Trillion Rally for Climate Strategy Votes at Upcoming FTSE 350 AGMs](#)  
 IPE: [Investor group calls for climate vote at high-emitting companies](#)  
 Net zero investor: [£1.8trn investors call for climate vote at high-emitting companies](#)  
 Funds- Europe.com: [Investors seek climate votes at high-risk firms](#)  
 Pensions Age Magazine: [Investor group calls for climate vote at high carbon emitting FTSE 350 firms](#)  
 TheMJ.co.uk: [Council pension funds call for climate vote](#)  
 LocalGov.co.uk: [Council pension funds call for climate vote](#)  
 Investment Week: [Investors overseeing £1.8tn in assets call for AGM votes on climate transition plans](#)



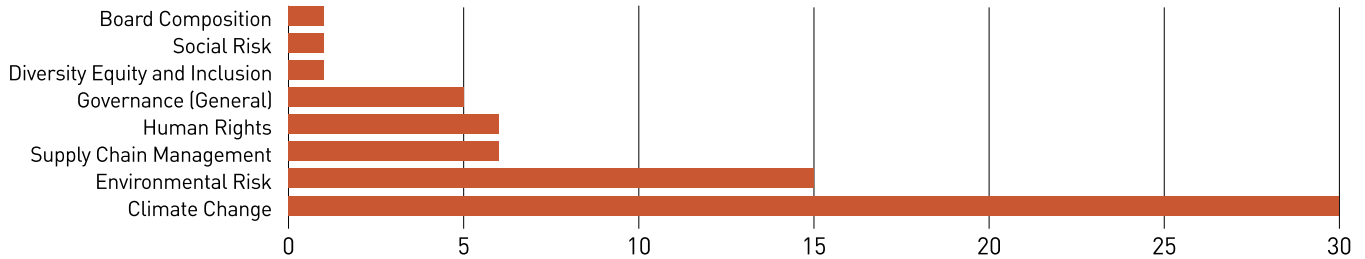
# COMPANY PROGRESS REPORT

44 companies were engaged over the quarter.

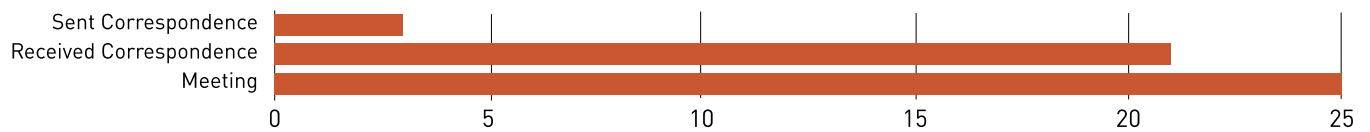
Company/Index	Activity	Topic	Outcome
Company/Index	Activity	Topic	Outcome
AIA GROUP LTD	Meeting	Environmental Risk	Dialogue
ASTON MARTIN LAGONDA GLOBAL HOLDINGS PLC	Received Correspondence	Climate Change	Dialogue
AVIVA PLC	Meeting	Climate Change	Dialogue
AXA	Meeting	Climate Change	Moderate Improvement
BAE SYSTEMS PLC	Received Correspondence	Climate Change	Dialogue
BAKKAVOR GROUP PLC	Received Correspondence	Climate Change	Dialogue
BARCLAYS BANK PLC	Meeting	Governance (General)	Dialogue
BARCLAYS PLC	Received Correspondence	Climate Change	Dialogue
BP PLC	Meeting	Governance (General)	Dialogue
CENTAMIN PLC	Received Correspondence	Climate Change	Dialogue
CHIPOTLE MEXICAN GRILL INC	Meeting	Environmental Risk	Change in Process
CRH PLC	Received Correspondence	Climate Change	Dialogue
EASYJET PLC	Received Correspondence	Climate Change	Dialogue
ENERGEAN PLC	Received Correspondence	Climate Change	Dialogue
EXXON MOBIL CORPORATION	Sent Correspondence	Social Risk	Awaiting Response
FORD MOTOR COMPANY	Meeting	Supply Chain Management	Dialogue
FRESNILLO PLC	Received Correspondence	Climate Change	Dialogue
GLENCORE PLC	Meeting	Board Composition	Dialogue
HARBOUR ENERGY PLC	Received Correspondence	Climate Change	Dialogue
HSBC HOLDINGS PLC	Received Correspondence	Climate Change	Dialogue
INTERNATIONAL DISTRIBUTIONS SERVICES PLC	Sent Correspondence	Governance (General)	Awaiting Response
JOHN WOOD GROUP PLC	Received Correspondence	Climate Change	Dialogue
KKR & CO INC	Received Correspondence	Diversity Equity and Inclusion	Small Improvement
LEGAL & GENERAL GROUP PLC	Meeting	Environmental Risk	Dialogue
LLOYDS BANKING GROUP PLC	Meeting	Environmental Risk	Small Improvement
MERCEDES-BENZ GROUP AG	Meeting	Human Rights	Small Improvement
NATIONAL GRID GAS PLC	Meeting	Climate Change	Dialogue
NATWEST GROUP PLC	Received Correspondence	Climate Change	Dialogue
NESTLE SA	Meeting	Environmental Risk	Change in Process
PERSIMMON PLC	Meeting	Climate Change	Dialogue
PING AN INSURANCE GROUP	Meeting	Climate Change	Change in Process
PRUDENTIAL PLC	Meeting	Climate Change	Change in Process
RENAULT SA	Meeting	Supply Chain Management	Moderate Improvement
RESTAURANT BRANDS INTERNATIONAL INC	Meeting	Supply Chain Management	Dialogue
RIO TINTO PLC	Meeting	Environmental Risk	No Improvement
ROLLS-ROYCE HOLDINGS PLC	Received Correspondence	Climate Change	Dialogue
SANOFI	Received Correspondence	Environmental Risk	Substantial Improvement
SAP SE	Meeting	Human Rights	Dialogue
SHELL PLC	Received Correspondence	Climate Change	Dialogue
STANDARD CHARTERED PLC	Received Correspondence	Climate Change	Dialogue
THE HOME DEPOT INC	Meeting	Supply Chain Management	Moderate Improvement
THE TJX COMPANIES INC.	Meeting	Environmental Risk	Small Improvement
TI FLUID SYSTEMS PLC	Received Correspondence	Climate Change	Dialogue
VALE SA	Meeting	Human Rights	Dialogue

# ENGAGEMENT DATA

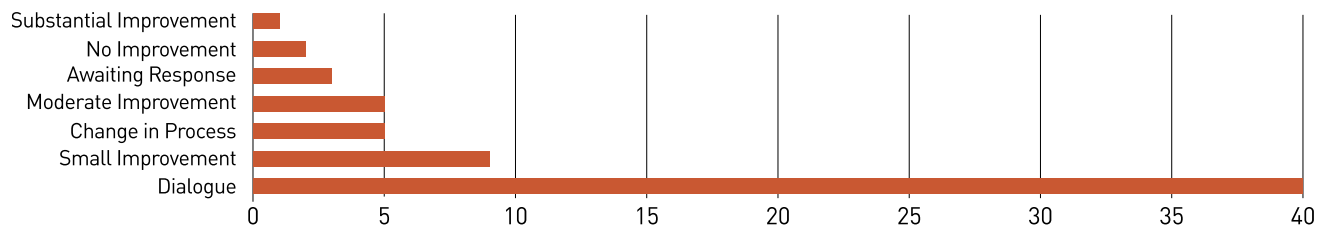
## ENGAGEMENT TOPICS



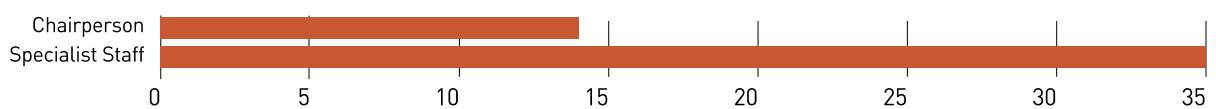
## ACTIVITY



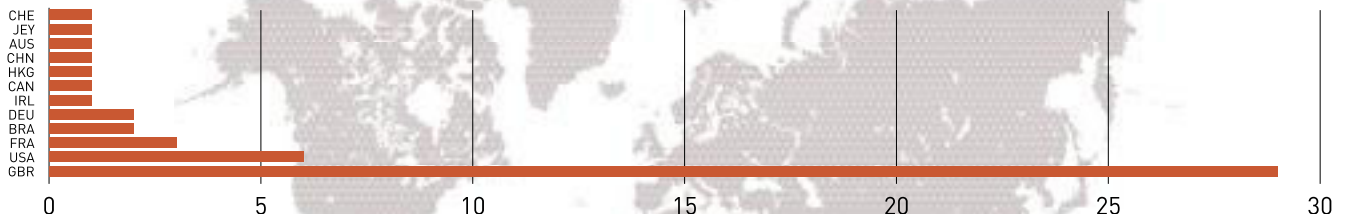
## MEETING ENGAGEMENT OUTCOMES



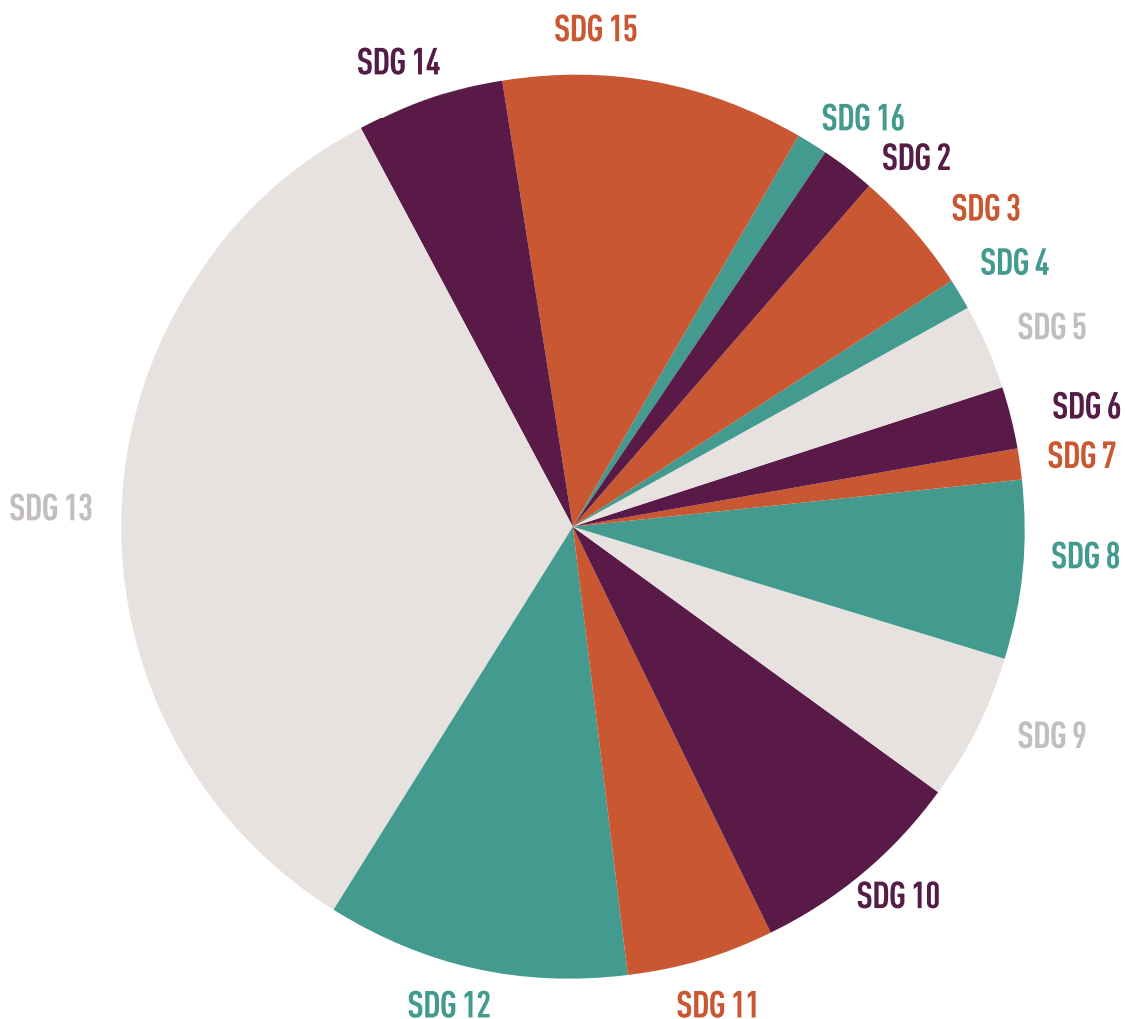
## POSITION ENGAGED



## COMPANY DOMICILES



# ENGAGEMENT DATA



## LAPFF SDG ENGAGEMENTS

SDG 1: No Poverty	0
SDG 2: Zero Hunger	2
SDG 3: Good Health and Well-Being	4
SDG 4: Quality Education	4
SDG 5: Gender Equality	3
SDG 6: Clean Water and Sanitation	2
SDG 7: Affordable and Clean Energy	1
SDG 8: Decent Work and Economic Growth	6
SDG 9: Industry, Innovation, and Infrastructure	5
SDG 10: Reduced Inequalities	7
SDG 11: Sustainable Cities and Communities	5
SDG 12: Responsible Production and Consumption	10
SDG 13: Climate Action	31
SDG 14: Life Below Water	5
SDG 15: Life on Land	10
SDG 16: Peace, Justice, and Strong Institutions	1
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

# LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

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