

LONDON BOROUGH OF CAMDEN	WARDS: All
REPORT TITLE: Engagement Report	
REPORT OF: Executive Director Corporate Services	
FOR SUBMISSION TO: Pension Committee	DATE: 23 September 2021
SUMMARY OF REPORT: This report brings Members up to date with engagement activity undertaken by the Fund and on its behalf by LAPFF (the Local Authority Pension Fund Forum) since the last Committee meeting. This work is important to the Fund's ambition to be a fully engaged investor and demonstrates its commitment to Responsible Investment and engagement in Environmental, Social and Governance (ESG) issues as a way to achieve its objectives.	
Local Government Act 1972 – Access to Information No documents requiring to be listed were used in the preparation of this report: Contact Officer: Nigel Mascarenhas Head of Treasury and Financial Services Finance Corporate Services Dennis Geffen Annexe Camley Street London. N1C 4DG Telephone: 0207 974 1904 Email nigel.mascarenhas@camden.gov.uk	
RECOMMENDATIONS: The Committee is requested to note the contents of this report.	
Signed by Director of Finance Agreed Date: 14 September 2021	

1. LOCAL AUTHORITY PENSION FUND FORUM (LAPFF) BUSINESS MEETINGS

- 1.1 LAPFF has 81 members, 6 pools and combined assets exceeding £300bn. Recently London Borough of Bromley has joined and Kensington and Chelsea are in the process of joining.
- 1.2 Members of the Pension Committee are welcome to attend meetings of the Forum. As a member of LAPFF the Fund is entitled to contribute to and participate in the work plan organised by the Forum around issues of common concern.
- 1.3 The LAPFF policy on confidentiality requires that all company correspondence (letters and meeting notes) remain confidential however LAPFF produce a **quarterly engagement report** to give an overview of the work undertaken. This is attached as **Appendix A** to this report and highlights the achievements during the quarter. It also lists engagement undertaken with a number of companies. Of these companies the Fund held interests as identified in **Table 1** further down below.

Summary of LAPFF Business Meeting Reports

- 1.4 The Forum held a business meeting on 14 July 2021 and the agenda is summarised below, but the full reports along with minutes can be provided if members require further details.
- 1.5 **Response to the Department of Business Energy and Industry - Strategy on FRC and Audit White Paper.** Issues on accounting and audit have been a concern since the introduction of International Accounting Standards ('IAS'/IFRS') and the banking crisis. When audits fail, investments are worth less and substantial harm to the taxpayer can also occur. LAPFF is pleased that the White Paper helps to seal the transition from the Financial Reporting Council (FRC) to the Auditing Reporting and Governance Authority (ARGA). LAPFF was pleased the Kingman Review concluded the FRC was not fit for purpose.
- 1.6 **Zero carbon initiatives and voting.** LAPFF members have already been alerted to the [Net Zero Asset Owners' Alliance](#) (in January 2021) the [Paris Aligned Investment Initiative](#) (in March 2021) and the [Investor Agenda's Climate Action Plans](#) – Expectations Ladder and Guidance (June 2021) in addition to other related information. This has been posted on the member section of the website and regularly sign-posted via the chair's e-mail. This paper highlighted these specific climate initiatives for member consideration.

Alongside this guidance, LAPFF has maintained a focus on the **Just Transition** in its company engagement and in its support of the JustTransition Inquiry through the auspices of the Local Authority Pension Fund APPG. The Forum will also review the final findings of the APPG inquiry with regard to relevant recommendations. LAPFF will also be liaising with **Climate Action100+** (CA100+) on the development of the 'Just Transition' indicator as part of the CA100+ benchmark analysis.

The report recommended that LAPFF members participate in these initiatives, that speakers are invited in future to update on developments and that members support the **IIGCC**. The Investor Position Statement on Votes on Transition Plans clarifies the scope of voting on transition planning to what is material to investors. It emphasizes the ultimate accountability of the Chair and the whole Board on transition planning and reporting on action where there is low support for resolutions.

- 1.7 **Israeli Palestinian Engagement** - paper to follow currently in draft. The Human rights impact assessment needs to be carried out.
- 1.8 **Mining Paper**. This paper is the second part of the mining and human rights report commissioned by LAPFF and focusses on mining. The report looks at legal developments in business and human rights in mining and then looks at common human rights violations. Further work will look at the big mining companies: Anglo American, BHP, Glencore, Rio Tinto and Vale.

Quarterly Engagement Report (Q2 2021). This covered work from April 2021 to June 2021.

- 1.9 **Shell** – LAPFF has engaged with Shell for many years, including as a participant in the CA100 initiative. The objective has been to see a clear and credible business transition path towards net zero by 2050, with appropriate reductions in all emissions prior to 2050 in order to reach emissions prior to 2050 in order to reach that goal.
- 1.10 LAPFF recommended voting against Shell's climate transition resolution and for the resolution of campaign group Follow This.
- 1.11 The Shell resolution at the 18 May AGM passed with 11% opposition, but 30% of voting shareholders voted in favour of the Follow This resolution. However, on 26 May a Dutch Court concluded that Shell's plans were inadequate on each of the points that LAPFF had highlighted. These were:-
 - that the small print showed the proposal was not incorporated into operating plans or budgets and that these things would only occur when Shell's customers had made adjustments;
 - that the proposals for Carbon Capture and Storage and Nature Based solutions were ill-defined (as well as not in budgets or operating plans);
 - that emissions were based on discredited "intensity" measures rather than absolute emissions; and
 - that there were no targets for emissions reduction by 2030.
- 1.12 The current plan from LAPFF is to engage with the incoming chair, Sir Andrew Mackenzie.
- 1.13 **Exxon** - this company has for years been a climate change denier, despite evidence that extensive Exxon research had identified the harmful effects of climate change decades ago. Consequently, investors – including LAPFF – have voted for a number of years now to overhaul the Exxon board.

LAPFF requests for board level meetings have been consistently declined. LAPFF backed a slate of four directors proposed by hedge Engine No 1. The outcome of the AGM is still not fully known but Exxon has stated that three of these candidates have been elected to the board and three board backed candidates were not elected. LAPFF hopes to be able to engage with new board members.

- 1.14 **Say on Climate Ramps Up** - LAPFF has been speaking with Sir Chris Hohn, of The Children's Investment Fund Management, who came up with an idea to press companies to put their climate plans and strategies to vote at AGMs in much the way that say on pay votes take place currently.
- 1.15 **National Grid** - A meeting was held with National Grid representatives as part of the ESG roadshow the company is undertaking prior to the July AGM. Cllr Rob Chapman, together with other lead CA100+ investors, met with Steve Thompson, prior to the 2021 AGM and the resolution for an advisory vote on the group net zero transition plan, ie. a 'say on climate' vote. The company has now set a new scope 3 target to reduce carbon emissions 37.5% below the 1990 baseline by 2034, up from the previous target of 20% by 2030. Scope 3 emissions are by far the largest proportion of the company's emissions, and it is welcome to see this amended mid-term concrete target. A meeting is scheduled with the new chair, Paula Rasput Reynolds in July, prior to the late July AGM.
- 1.16 **ArcelorMittal** - Cllr Chapman led a collaborative investor meeting to ascertain if there was an increased focus on hydrogen as opposed to processes reliant on carbon capture and storage (CCS) to ensure all procedures were in place to input questions to the AGM, and to ask if the company would a 'say on climate' vote at its 2022 AGM.

ArcelorMittal stated that there had always been an emphasis on hydrogen and the recent separation of hydrogen and smart carbon demonstrated this. The company agreed to liaise on AGM arrangements, and that 'say on climate' and publishing the CA100+ benchmark would be put on the agenda for the next board meeting.

LAPFF has attended AGMs for Rio Tinto, Barclays, Anglo American, ArcelorMittal, Shell, and Lyondell Basell so far this year.

1.17 **Diversity Engagements and Socio-Economic Task Force**

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

LAPFF approached six companies in the financial services sector in the FTSE100, holding meetings with both Standard Life Aberdeen and Lloyds Banking Group.

In May 2021, Cllr John Gray, LAPFF Vice-Chair was appointed to the City of London's Taskforce Advisory Board on Socio-Economic Diversity. The Forum has also continued its participation in the 30% Club Club Investor Group Meetings which provides a space to discuss best practice among investors in relation to female representation on company boards. The Forum will extend its engagement on diversity and pay gaps to the FTSE350 companies.

- 1.18 **APPG Just Transition Inquiry.** During the quarter, the focus was on circulating and receiving the call for evidence, arrangements for the third evidence sessions, organising a member roundtable discussion and analysis of the evidence. The third meeting took place on 19 May with speakers including representatives from Friends Provident Foundation; Impact Investing Institute; Leeds Climate Commission and Citizens UK. The aim is to complete the work ahead of COP 26 to maximise the impact of the Inquiry and the influence of the findings. As such the objective is have a final report ready for October 2021.

Forum Officer's Report - London Borough of Bromley and The Royal Borough of Kensington and Chelsea have joined the Forum. LAPFF is in contact with all remaining non - member funds about the benefits of LAPFF membership and they are getting some encouraging reactions. Forum membership now stands at 84 Funds and seven Pools.

1.19 **Future meeting dates** are:

- Business Meeting & AGM, Wednesday 6 October 2021
- APPG Enquiry Launch, Wednesday 20 October 2021
- LAPFF Conference, 8 to 10 December 2021 (Bournemouth Hilton)
- Business Meeting, Wednesday 26 January 2022
- Business Meeting, Wednesday 13 April 2022
- Business Meeting, Wednesday 13 July 2022
- Business Meeting & AGM, Wednesday 5 October 2022

Table 1: Equity Holdings in relation to LAPFF's Q2 2021 Company Engagements
(£'000)

Company Name	Harris	L&G UK / Future World Global	L&G Global	Topics	Outcome
ABBOTT LABORATORIES		855	1,137	Environmental Risk	Awaiting Response
AIR LIQUIDE SA		59	460	Climate Change	Dialogue
AMAZON.COM INC.		6,036	8,432	Human Rights	Dialogue
ANGLO AMERICAN PLC			279	Human Rights	Change in Process
APPLE INC		11,807	12,159	Environmental Risk	Awaiting Response
ARCELORMITTAL SA			122	Climate Change	Substantial Improvement
BANK HAPOALIM B M			31	Human Rights	Awaiting Response
BANK LEUMI LE-ISRAEL BM			36	Human Rights	Awaiting Response
BARRATT DEVELOPMENTS PLC		39	56	Climate Change	Awaiting Response
BHP GROUP PLC			351	Governance (General)	Moderate Improvement
BOOKING HOLDINGS INC.		406	507	Human Rights	No Improvement
CHARTER COMMUNICATIONS INC	7,897	223	535	Environmental Risk	Awaiting Response
COMPAGNIE DES ALPES			177	Environmental Risk	Awaiting Response
CONSTELLATION BRANDS INC.	3,048	161	377	Environmental Risk	Change in Process
DBS GROUP HOLDINGS LTD		180	221	Climate Change	Dialogue
FACEBOOK INC.		3,039	4,697	Governance (General)	Moderate Improvement
GENERAL MOTORS COMPANY	6,605	340	459	Climate Change	Small Improvement
GLENCORE PLC			289	Governance (General)	Moderate Improvement

HANWHA CORP			2	Human Rights	Substantial Improvement
HUANENG POWER INTERNATIONAL			9	Climate Change	Dialogue
INDORAMA VENTURES PCL			13	Human Rights	Awaiting Response
ISRAEL DISCOUNT BANK LTD			18	Human Rights	Awaiting Response
LLOYDS BANKING GROUP PLC		219	260	Governance (General)	Moderate Improvement
MITSUBISHI UFJ FINANCIAL GRP		608	995	Climate Change	Dialogue
MIZRAHI TEFAHOT BANK LTD			14	Human Rights	Awaiting Response
MOTOROLA SOLUTIONS INC.		181	204	Human Rights	Awaiting Response
NATIONAL GRID PLC		73	259	Climate Change	Substantial Improvement
NEXTERA ENERGY INC		410	811	Climate Change	Dialogue
PERSIMMON PLC		48	74	Climate Change	Dialogue
RIO TINTO PLC		780	711	Human Rights	Change in process
ROYAL DUTCH SHELL PLC		320	883	Climate Change	Dialogue
SAINSBURY (J) PLC			35	Climate Change	Moderate Improvement
SHUI ON LAND LTD			3	Environmental Risk	Awaiting Response
SONIC HEALTHCARE LTD		75	78	Climate Change	Awaiting Response
TAYLOR WIMPEY PLC		36	45	Climate Change	Awaiting Response
TOTALENERGIES SE		245	621	Climate Change	Moderate Improvement
TOYOTA MOTOR CORP	6,314	967	1,219	Environmental Risk	Awaiting Response
YUHAN CORP			15	Environmental Risk	Awaiting Response
TOTAL	23,863	27,106	36,593		

2. VOTING

- 2.1 A total of 5,266 resolutions were voted upon across 321 meetings in the quarter. A summary is provided in the table below:

TABLE 2: VOTING

Vote	Occurrences	Proportion (%)
For	3837	72.9
Against	1399	26.6
Withhold	19	0.3
Abstain	0	0.0
Non-Voting / Withdrawn	10	0.2
US Frequency Vote on Pay	1	0.0
Total	5,266	100%

- 2.2 The vast majority of meetings occurred in the UK. Resolutions on annual reports were 50% FOR, on Directors were 81% FOR, on Executive Pay were 97% AGAINST, Dividends were 99% FOR and Non-Executive Directors were 64% FOR.
- 2.3 A non-vote occurs where there is an agenda item that does not require a vote but is merely there for information. Withhold votes are the equivalent of oppose votes. In the US and Canada, often shareholders may not vote against or abstain on directors and can only withhold their votes. Withdrawn means an item was originally on the agenda but the company withdrew it after publication, for instance where there was a death or resignation of the director standing for election.
- 2.4 The companies at which LAPFF voted during the quarter are listed in **Appendix B** for information. More information can be provided upon request.

3. FINANCE COMMENTS OF THE EXECUTIVE DIRECTOR CORPORATE SERVICES

- 3.1 The Executive Director Corporate Services has no finance comments to add.

4. LEGAL COMMENTS OF THE BOROUGH SOLICITOR

- 4.1 The Local Government Pension Scheme Guidance on Preparing and Maintaining an Investment Strategy Statement states that an Administering Authority should publish a report an annual report on voting activity. This report is part of the process of discharging that responsibility.

5. APPENDICES

Appendix A - LAPFF quarterly engagement report Q2 2021

Appendix B - The companies at which LAPFF voted during the quarter