



Local
Authority
Pension
Fund
Forum

**ANNUAL
REPORT
2021**



PROUDLY
 PROTECTING
 LOCAL
 AUTHORITY
 PENSIONS
 RESPONSIBLE
 INVESTING
 FOR LONG
 TERM
 RETURNS

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Chair's Introduction



Cllr Doug McMurdo,
LAPFF Chair

After a tumultuous and unprecedented 18 months, it is my privilege to chair LAPFF into its fourth decade and introduce you to this anniversary report, in our 31st year. In that time, we have been at the forefront of industry-leading changes in approaches to environmental, social and governance issues.

The public health challenge from Covid meant that what should have been our 30th anniversary was somewhat overshadowed. However, amidst such unstable circumstances, LAPFF continued to be at the

vanguard of seeking accountability for ESG impacts from companies, always seeking to better the outcomes. Even since our silver jubilee in 2015, the prominence of responsible investment has increased immeasurably; the challenge is to ensure that positive words are translated into meaningful investor action.

LAPFF's work remained as relevant as ever, despite the cloak of Covid frequently obfuscating serious violations. Lockdown exacerbated societal inequalities, from pay discrepancies to working conditions and access to basic resources, such as food. There were those who sought to use the pandemic as a convenient excuse to step back from minimum commitments and standards - wholly inexcusable.

With demand for PPE production skyrocketing, and governments bestowing inordinate amounts of funding to initiatives to combat the impacts of Covid, LAPFF worked with companies contributing to the pandemic response and with companies that had significant impacts on people and the environment due to their pandemic responses. Throughout this period, I always maintained that Covid has presented us with a dress rehearsal for actions required in response to the climate change agenda. As we work to consign this epidemic to history, LAPFF and the wider community must take the lessons of resilience, change, and accountability into tackling the greatest challenge of our time.

When the LAPFF Work Plan for 2020/2021 was circulated to members for comment in January, every response cited climate change as the most pressing issue for the Forum to address. The run up to COP 26 in the UK during 2021 provided an excellent opportunity to reflect on our work so far and to progress action on a number of fronts.

Whilst we are pleased to note the increasing use of climate-aware investment vehicles, this development merely serves to reflect the precariousness with which the global ecosystem hangs in the balance. Consequently, while LAPFF was pleased to see the inception of the 'Say on Climate' initiative, LAPFF issued some high-profile voting alerts to oppose resolutions that were not aligned with the Paris Agreement's 1.5°C scenario. LAPFF advised opposing a related resolution at Shell, for example, to highlight concern that the plan presented was light on evidence and certainly not viable in meeting the terms of the Paris

Agreement.

After a year-long hiatus, it was also useful and insightful to return to party political conferences. My LAPFF Vice-Chair colleague, Cllr John Gray, and I attended these conferences to share LAPFF's work on a just transition to a zero-carbon economy. This policy discussion took place in addition to the important cooperation we continued with the All-Party Parliamentary Group for Local Authority Pension Funds. LAPFF also focused on a 'just transition' in this forum through leading an inquiry into this subject over the course of the year.

The legacy of COP, in the short and the long-term, will only become evident after this report is published. Ultimately, it is in our interest as investors and in companies' self-interest to ensure their business strategies are Paris-aligned. Failure to move practices quickly in this direction risks companies' long-term operational capabilities, immediate reputational damage, and irrevocable harm to society and the environment in which they operate. The financial materiality of climate change is now widely accepted as being beyond doubt, and relatedly, LAPFF has progressed further work with Sarasin Partners and other investors pressing companies for Paris-aligned accounts.

The financial materiality of human rights has also come to the fore during my engagement with mining companies over the course of the year. This engagement is discussed in some detail in the body of this report. Just as LAPFF will maintain its scrutiny of climate transition and environmental plans by company boards, it will also continue engagements on social and governance concerns. It remains a priority for LAPFF to recognise the interconnectedness of all three strands of the ESG framework and not to deal with each strand in isolation - they need to be treated as components.

This anniversary annual report looks back on LAPFF's history, as well as recording this year's major engagements. It also envisages how LAPFF will conduct its business into the future. This work builds on the wide range of resources that have long communicated LAPFF's work, from quarterly engagement reports to the website, my weekly email, and Twitter.

Finally, it would be remiss of me not to welcome the Berkshire, Bromley, and Royal Borough of Kensington and Chelsea pension funds, and the Local Pensions Partnership pool in becoming LAPFF members this year.

My thanks go to the members of the LAPFF Executive Committee, particularly my Vice Chairs, Cllr Rob Chapman and Cllr John Gray, for their unwavering support. They have had to deal with some extremely difficult issues over the course of the year, not least LAPFF's engagement with companies operating in the Occupied Palestinian Territories, and I am very grateful for their work and participation in LAPFF.

On that note, I commend this report to you all. Here's to the next 30 years.

LAPFF Executive



Cllr Doug McMurdo,
Chair, LAPFF



Cllr Rob Chapman,
Vice-Chair, LAPFF



Cllr John Gray,
Vice-Chair, LAPFF



John Anzani,
LAPFF Executive Member



Rodney Barton,
LAPFF Executive Member



Rachel Brothwood,
LAPFF Executive Member



Cllr Glyn Caron, LAPFF
Executive Member



Cllr Ged Cooney,
LAPFF Executive Member



Tom Harrington,
LAPFF Executive Member



Cllr Yvonne Johnson,
LAPFF Executive Member



Cllr Wilf Flynn,
LAPFF Executive Member



Cllr M Taqeer Malik, LAPFF
Executive Member

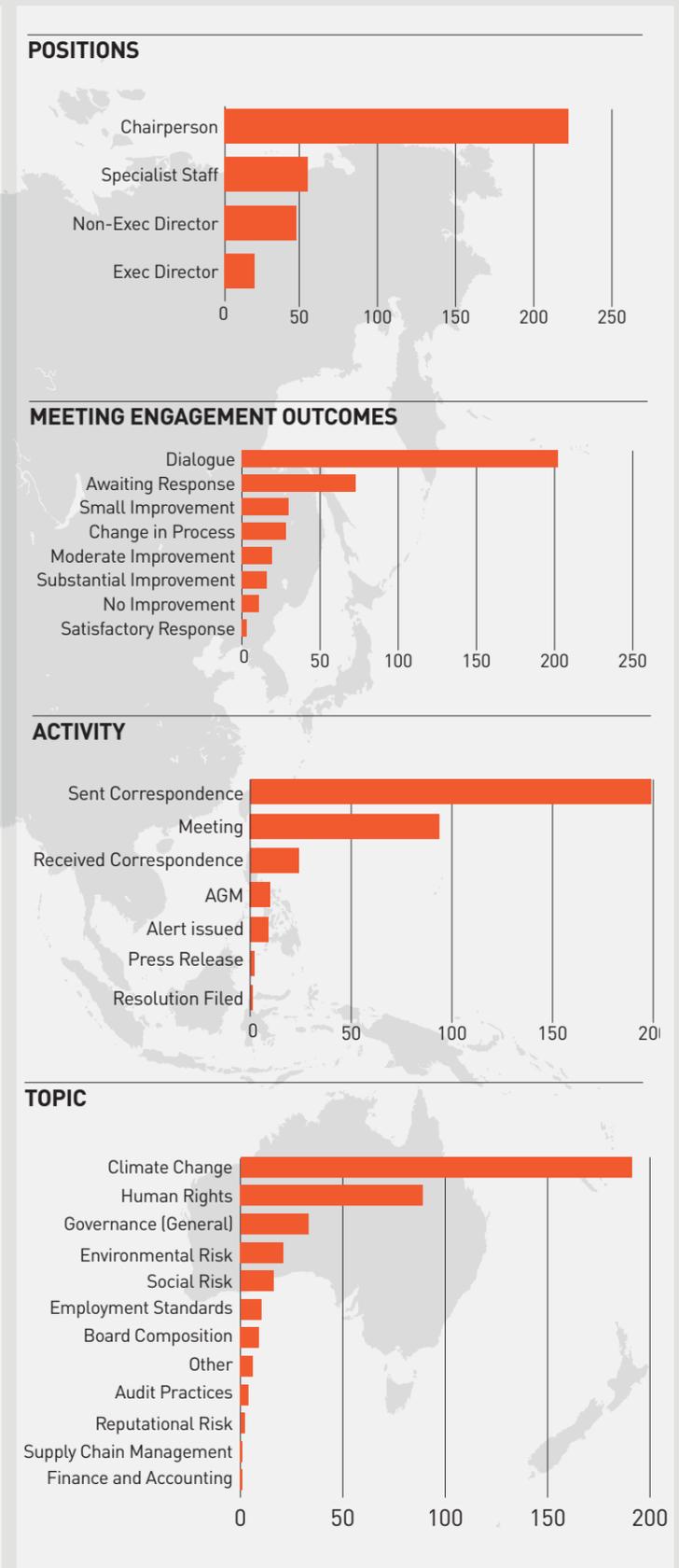
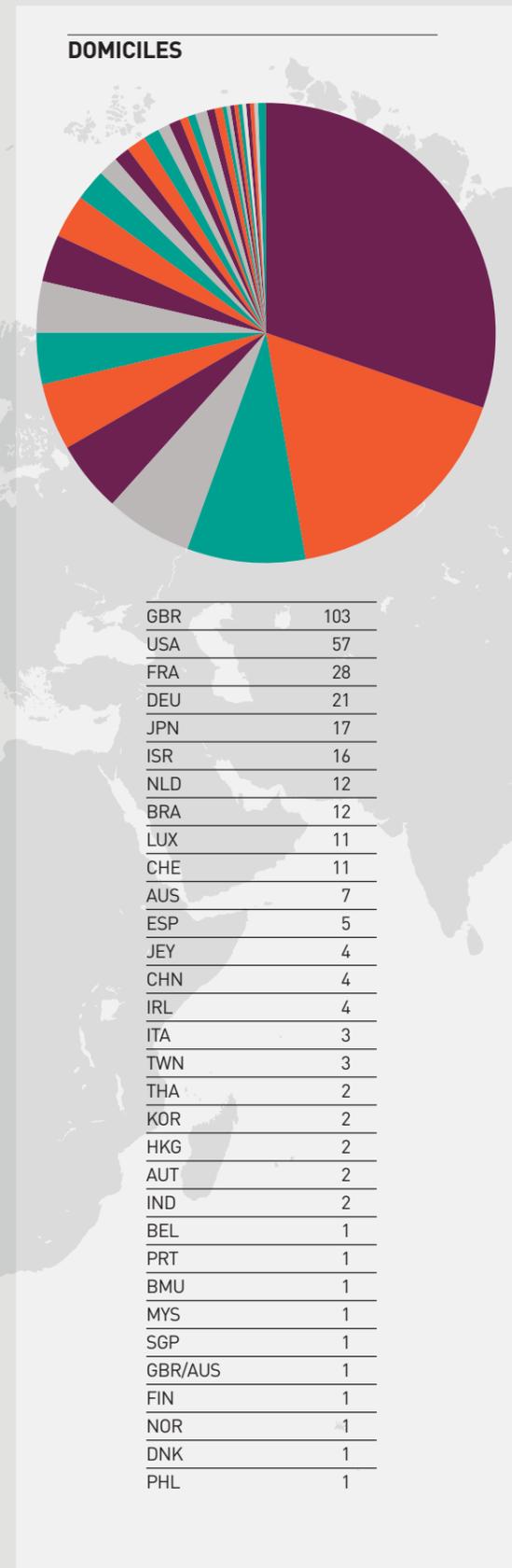
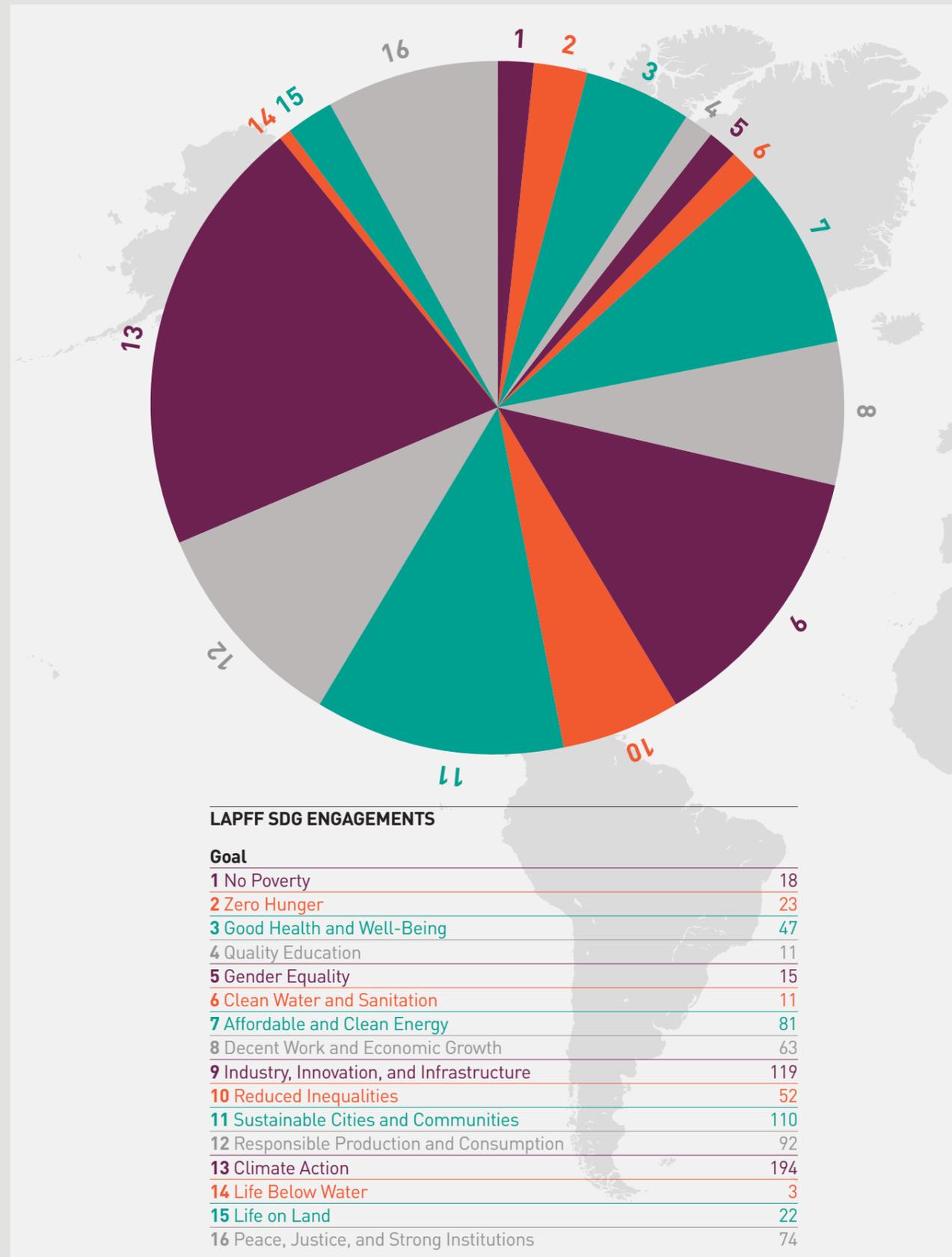


Cllr Eddie Pope,
LAPFF Executive Member



Cllr Andrew Thornton,
LAPFF Executive Member

THE YEAR AT A GLANCE





1997

LAPFF identifies human rights and environmental concerns around Shell's activities in Nigeria. After engagement with Shell, LAPFF co-filed the first social issue shareholder resolution at a UK company brought forward by institutional investors. The response was significant with the company publishing a new Statement of Business Principles, having a named lead for environmental corporate responsibility policies and publishing a report on Nigeria on the day of the AGM.

2003

LAPFF scrutiny of executive contracts finds rewards for small earnings growth. On the back of the research, LAPFF writes to over 50 companies where weak targets were a concern. With time and subsequent engagement LAPFF secured change and by the mid-2000s a quarter had set tougher targets.

2009

Following concerns about joint chair and chief executive role at Marks & Spencer, LAPFF issues a resolution on the issue. As many as 40 percent of shareholders voted in favour or abstained on the resolution and a year later, and after further engagement, the company announced that a new chief executive had been appointed.



1995

Concerns about executive pay at British Gas lead LAPFF to file the first corporate governance resolution issued by a group of UK pension funds. There was considerable interest around the issue at the 1996 AGM and although the resolution did not pass, within weeks the chair had stepped down from the remuneration committee and themes highlighted were picked up in the Greenbury report on executive pay.



1991

A little over a year after seven LGPS funds discuss how they can collaborate on responsible investment issues they and four other funds agree to form the Local Authority Pension Fund Forum. Early discussions focused on environmental and employment issues, hostile takeovers and events in South Africa.

30 YEARS OF LAPFF



2011

In December 2011, LAPFF publishes 'UK and Irish Banks. Capital Losses - Post Mortem' which considers the collapse of the capital adequacy regime of banks due to defective accounting standards. That resulted in interest from the Parliamentary Banking Standards Commission, and in 2013 LAPFF commissioned a legal opinion from George Bompas QC which was supplied as evidence to the Commission.

2012

LAPFF raises concerns about the risk-reward model at Barclays, following the financial crisis. The Forum recommends shareholders oppose the remuneration report and the re-election of the chair of the remuneration committee. Later the LIBOR scandal later came to light, and the Forum decided to go public, with ITV noting that the

"FIRST SHAREHOLDER GROUP BREAKS RANKS"

by stating the chair's position may no longer be tenable. After increased shareholder and regulatory scrutiny, the following month Bob Diamond stepped down and the chair outlined his intention to step aside.



2015

LAPFF is the first investor to join the Aiming for A coalition in 2012. The initiative led to the filing of strategic resilience shareholder resolutions so that major emitters would have to disclose their strategic approach to carbon management. The 2015 resolutions were supported by BP and Shell boards and gained the backing of 98 percent of shareholders. 2016 resolutions filed with Anglo American, Glencore, and Rio Tinto received similar levels of company support.

2018

The government announces the Kingman Review into the Financial Reporting Council. This review came after many years of work by the Forum around accounting standards with LAPFF concerned about both the technical output of the FRC around accounting law and about its status. LAPFF's concerns and proposals were reflected in the Kingman Review's final recommenda-

tions. These recommendations included replacing the FRC with a new body accountable to parliament: The Audit, Reporting and Governance Authority (ARGA).

2019

After five years of engagement, LAPFF proposes to file a resolution at Ryanair given concerns about the lack of independence of the chair and ongoing employment concerns. Soon after the proposed resolution was announced Ryanair set out its intention for the chair and senior independent director to step down.

2020

LAPFF engagement and activity in the press leads to the chief executive and then chair resigning and taking responsibility for Rio Tinto's decision to blow up two caves of cultural importance in Juukan Gorge in Western Australia. This engagement work built on lessons from tragic tailings dam failures in South America and working with affected communities.

2021

After three decades the Forum's membership has grown to 84 of the 98 Local Government Pension Scheme funds and now includes the majority of the LGPS investment pools.



A BRIEF HISTORY OF LAPFF



This year marks the 30th anniversary of LAPFF. To celebrate the occasion the Forum published a booklet tracing the evolution of the Forum and its major successes. As it notes, today's LAPFF is very different from that of the organisation 30 years ago. The size of the membership has steadily and consistently grown, the number of engagements has ratcheted up, and the range of responsible investment topics widened. Despite these changes, the story of LAPFF has been one of consistency: proudly protecting members by having a clear-eyed focus on corporate governance and environmental and social issues.

The Forum emerged following a period of interest in both Socially Responsible Investment and in pension funds' activities because they had emerged as the largest form of institutional investor through the 1970s and 1980s. The specific roots of LAPFF date back to 1990. There was a growing sense among some local authority pension funds that they had investment considerations beyond a narrow view of how to maximise financial returns. A group of seven local authorities met to discuss how pension funds could respond to environmental and employment issues, hostile takeovers and events in South Africa. Following a fruitful discussion, the group agreed to meet again. At that meeting the original seven and four other funds

decided to establish 'Like Minded Pension Authorities', which became the Local Authority Pension Fund Forum a year later.

At the time it was far from common for large institutional investors to pay much attention to environmental, social and governance (ESG) concerns. This meant that LAPFF was a unique organisation, being the only investor body with a specialist focus on ESG issues. It also meant that some companies were initially reluctant to engage shareholders in ways that are now commonplace.

The LAPFF approach from the start has always been to deliver change through constructive dialogue with companies. This does not mean the Forum slips into having cosy conversations. As a former LAPFF chair, Cllr Kieran Quinn, remarked to the Financial Times:

"there are no questions we are afraid to ask."

This approach is evident in the many successes LAPFF has had over the years. For example, following widespread shareholder and public anger over the rocketing executive pay at newly privatised British Gas, LAPFF filed a shareholder resolution to the company's 1996 AGM. It was the first time ever that a corporate governance resolution was filed by a group of UK pension funds and was described by the Financial Times as 'a watershed in corporate governance'. The resolution received the backing of 20 percent of shareholders and the chair stood down from the remuneration committee weeks later. A year later, the Forum filed a resolution at Shell following environmental and human rights concerns in the company's Nigerian operations. The resolution was the first social issue shareholder resolution at a UK company brought forward by institutional investors.

The Forum has also identified and engaged on issues before they have become mainstream concerns for investors and companies, most notably climate change. In the early 2000s research of the FTSE 100 by PIRC for LAPFF found 55 companies made no relevant disclosures when benchmarked to guidelines published by the Department for Environment, Food & Rural Affairs (DEFRA). This work led to a successful engagement with these companies and improvements in reporting.

LAPFF was the first investor to support the ground-breaking 'Aiming for A' initiative led by CCLA Investment Management. This initiative spearheaded strategic resilience shareholder resolutions for major emitters to disclose their strategic approach to carbon management. The

initiative was a remarkable success and led to rare backing from boards on the resolutions. The Forum also joined Climate Action 100+ at its inception. Following engagements in which LAPFF was the co-lead investor, ArcelorMittal committed the group to being carbon neutral by 2050 and to becoming the first company to produce steel using hydrogen in Europe.

While companies over time have been more open to engaging with the Forum, the approach to engagement by LAPFF has remained consistent and unique. LAPFF is marked out as an investor organisation led by its member funds. Engagements with companies are undertaken by LAPFF executive members as asset owners rather than on their behalf. The topics for engagement and companies with which such interactions occur are determined by LAPFF members and their holdings. Over the years, those engagements have also been informed by input from stakeholders. The Forum's approach has been not simply to take what a company tells LAPFF at face value. Since the early 1990s, LAPFF has met with trade unions, community groups and campaigners to understand their perspectives on company practices, enabling the Forum to ask the right questions of company boards.

This approach has been particularly evident in LAPFF's engagement with the mining sector. The Forum had been concerned about the sector and joint ventures following the 2015 collapse of a mine operated by Samarco which led to engagement with affected communities. Following the 2019 Brumadinho mining disaster in Brazil that took the lives of well over 250 people, LAPFF played a leading role as stakeholder liaison in the Investor Mining and Tailings Safety Initiative which led to the establishment of a tailing dams database. Learning from these Brazilian consultations, LAPFF worked with Aboriginal representatives following Rio Tinto's decision to blow up two caves of cultural importance in Juukan Gorge in Western Australia. Subsequent to LAPFF's engagement work and press activity on Rio Tinto, three executives, including the chief executive, announced their resignation in relation to the destruction of the caves at Juukan Gorge. Shortly thereafter, the chair announced that he too would be leaving.

LAPFF's history highlights the fact that progress is not always immediate. This is

particularly apparent in its engagement around accounting standards. The 2007-08 global financial crisis was the biggest of its type since the 1920s, precipitating the largest stock market crash of LAPFF's history. A contributing factor to the banking crisis was defective accounting standards. In the wake of the crash, LAPFF published its 'post-mortem' of the crisis in 2011 quantifying the shareholder capital lost at UK banks and emphasising the levels of capital the banks had overstated. The Forum also had concerns with the way that the Financial Reporting Council (FRC) was presenting the law, and legal opinions from George Bompas QC (in 2013 and 2015) supported the LAPFF view.

Financial regulation and the role of the FRC became a particular focus for LAPFF. LAPFF's analysis raised several red flags. It was revealed that there were serious anomalies about the FRC's own status, such as the FRC being a public body since 1990 but not operating as one. The Forum received a forceful rebuttal from FRC Chair, Sir Winfried Bischoff. But Freedom of Information Act requests also showed that the government's lawyers had not disagreed with LAPFF or the Opinions of George Bompas QC. In 2018, Secretary of State Greg Clark MP announced plans for a review of the FRC. LAPFF's submission to that review stated that the existing FRC body could not be remodelled and called for a new freestanding organisation accountable to parliament. LAPFF's work paid off when in 2019 the Kingman Review recommendations reflected those put forward by LAPFF. These recommendations included replacing the FRC with a new body accountable to parliament: The Audit, Reporting and Governance Authority (ARGA).

The history of LAPFF charts the shift in attitudes towards stewardship and how it has been assisted by regulatory reform. Such reform did not, though, happen by chance. Over the past three decades the Forum has been a vocal advocate for shareholder rights and improving the corporate governance regulatory regime. The Forum's early work on executive pay at British Gas fed directly into an inquiry into pay policies, disclosure and shareholders rights. This involvement with the policymaking process has continued and evolved with the Forum engaging policymakers through fringe meetings at party conferences, establishing an all-

party parliamentary group and frequently responding to government consultations.

The Forum is not only led by members but is there to support them. This support started early with the report 'Share Action – A User Friendly Guide' produced in 1991 when only a minority of pension funds voted their shares. This has grown over time to include producing briefing documents, hosting seminars and publishing research reports. And, although the form has changed, the Forum has kept members up to date with company engagement since its inception, long before initiatives and requirements were introduced on reporting stewardship activities.

The Forum has not only wanted to support members individually but also collectively. This has included representing members during periods of LGPS reform, ranging from a value for money study and mooted privatisation in the mid-1990s to the creation of investment pools for funds, the latter development leading to the Forum membership widening to include pools.

Support for funds and pools alongside the focus on responsible investment and delivering change has seen LAPFF's membership steadily rise. At the start of 1995, there were 13 members. By 2005, LAPFF had grown to 35 members. A decade later it stood at 65 funds. Today, that number has grown to 84 of the 98 LGPS funds.

This growing support has meant LAPFF has been better placed than ever to apply collective pressure on companies and shape market behaviours and regulations. As this annual report outlines, over the past year LAPFF has engaged 171 domiciles across 31 countries with operations spread across the globe. It has attended AGMs and issued multiple voting alerts. It has responded to consultations, held seminars, hosted meetings at political party conferences and supported an All-Party Parliamentary Group inquiry.

This is far cry from the level of engagement work that could be undertaken when the Forum was first established. However, the consistent thread over the past three decades has been pursuing the highest standards of corporate governance through robust but constructive engagement. As LAPFF's history demonstrates, while activity has expanded, successes have increased and the context has changed, the Forum's values and approach have remained constant.



ENGAGEMENT

COVID

The Covid-19 pandemic has been a unique challenge for institutions, companies, and people across the world. This disruption left LAPFF having to adapt to entirely new circumstances. While the pandemic created some new opportunities for overseas engagement with companies, it also generated numerous instances of companies using the pandemic to undermine previous commitments to environmental standards, good governance and workers' rights.

LAPFF has reported multiple engagements with companies purported to be misusing the unprecedented situation to override safeguards and legal standards. The lessons from Covid, such as the use and proficiency of technology to communicate with stakeholders around the world, can be taken into future engagements.



Reporting

During the Covid-19 pandemic, the Forum and other investors have been engaging with companies to seek to ensure that employees and others are not put at risk. In order to undertake such engagement effectively, investors need reliable information from companies to inform their activity. Regrettably this has been lacking in different areas.

For example, although companies are expected to report Covid-19 cases and fatalities that resulted from workplace exposure under RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) it is clear that under-reporting has been widespread. Another example is that although numerous outbreaks and thousands of Covid cases in food processing have been reported in the media during the pandemic, only 508 had been reported under RIDDOR up to September 2021.

It is notable that companies have generally not chosen to disclose the number of their employees affected by Covid in their annual reports. Whilst it is recognised that determining where an infection occurred may be difficult, the lack of quantitative reporting by the large majority of companies is surprising and worrying.

Covid-19 is a severe occupational health and safety challenge and is unlikely to be the last such challenge that companies and their investors face. If investor stewardship is to effectively promote safety at work, reporting on Covid and similar issues must improve.

SPOTLIGHT ENGAGEMENT COMPASS GROUP

The pandemic has presented uncertainty, for outsourced workers in particular. There has been job insecurity, cuts to hours and pay, and risks to frontline services and sectors such as health, defence and security, where COVID-19 transmission has been high. Labour comprises the majority of costs for companies operating in the services sector. As such, financial risks are intimately linked to employment practices. With this context in mind, LAPFF reached out to a number of outsourcing companies to better understand how they had mitigated risk during the pandemic.

LAPFF first met with Compass Group after Chartwells, respectively a foodservice company and its subsidiary, garnered a large amount of media attention when pictures surfaced on social media of food parcels that were later described by Compass as 'falling short of its usual high standards'. LAPFF reached out to Compass immediately to discuss these shortcomings. Compass representatives admitted failings in this area and promised that better processes would be in place to ensure that it wouldn't happen again. The company subsequently made a public promise to add free breakfast to food parcels for children eligible for free school meals.

LAPFF later met with Capita and Serco individually to ensure that these companies had proper processes in place during the COVID crisis. These engagements sought to ensure that workers were sufficiently safe and to ascertain whether each board had proper oversight as the crisis unfolded.



Exploiting the market

Some companies performed well financially during the pandemic, allegedly on the back of workforces that had little or no health and safety protections. Some union stakeholders approached LAPFF to express concerns about their members working at mining companies, for example. There were similar news reports about staff at Amazon. These sorts of developments highlight concerns about the lack of social protections for workers in both the global economy and domestic economies.

IOPA Engagement

LAPFF is a member of the Investors for Opioid and Pharmaceutical Accountability (IOPA) engagement. This group engages with US pharmaceutical companies and retail pharmacies to ensure that they are engaging responsibly with opioids in the context of the US opioid epidemic.

Over the course of the year, IOPA has engaged with these companies on their Covid-19 practices too. There have been concerns in this setting that some of the companies are not employing adequate health and safety precautions for their staff to protect them during the pandemic.

COVID IS A DRESS REHEARSAL FOR CLIMATE CHANGE

LAPFF Chair, Cllr Doug McMurdo

CLIMATE & ENVIRONMENT

LAPFF Chair, Cllr Doug McMurdo, has always maintained that Covid is a 'dress rehearsal for climate change' and that LAPFF and other investors must learn and take meaningful action much more quickly on both fronts. With COP-26 in Glasgow this year, the heavy mix of political attention, government spending, and an impending sense of urgency have combined to generate increased attention on keeping the goal of remaining within a 1.5°C global temperature rise achievable.

LAPFF has been at the vanguard of engaging with companies on environmental concerns and pushing company boards for meaningful short and medium-term carbon emission reduction targets. Providing transparency over corporate plans, and putting these up for annual shareholder votes, is one of the many approaches that LAPFF has supported in working to achieve the 1.5°C target.

Say on Climate

In December 2020, LAPFF joined the 'Say on Climate' initiative led by Sir Chris Hohn of the Children's Investment Fund Foundation. This year, LAPFF started issuing voting advice for several resolutions further to the Say on Climate initiative.

LAPFF alerts were issued for Shell, BHP, and SSE. In the case of Royal Dutch Shell, the LAPFF alert recommended voting against the company's climate change resolution and recommended a vote in favour of a shareholder resolution organised by Follow This, the Dutch action group. A reason for the LAPFF position was that Shell's claim to be net zero was conditional on the progress of its customers. Since the Shell Annual General Meeting, a Dutch Court has held a similar view.

Finance industry engagements

After engagement with Nigel Higgins, the Barclays chair, prior to the 2021 AGM, LAPFF advised members to vote in favour of a resolution asking the company to implement a strategy with improved targets to phase out the provision of financial services to fossil fuel projects consistent with the Paris Agreement. A company meeting in April had indicated the criteria for investing in oil sands companies was for these companies to have a less than average carbon emission intensity by 2030, compared to other oil sands companies. The alert flagged that it would be helpful if Barclay's next Annual Report disclosed the amount of fossil fuel dependent lending.

As with Barclays, LAPFF had been approached regarding co-filing a shareholder resolution calling on HSBC to publish a strategy – with short-, medium-, and long-term targets – to reduce its exposure to fossil fuel assets on a timeline aligned with the goals of the Paris Agreement. At a meeting hosted by the Investor Forum with the company CEO and Chair to discuss the resolution, progress was recognized in the company's

commitment to phasing out coal-fired power and thermal coal mining in the EU and OECD by 2030 and other regions by 2040 and the commitment to the strategy requested. A meeting later in the year sought further clarity on how the company is progressing on pulling out of coal-intensive industries. It was noted that coal exposure represents 0.2% of wholesale loans and advances which still represents investments of £1.2 billion, as existing, not new, commitments. As with Barclays, a request was made for the disclosure of fossil fuel investments in the annual report.

LAPFF's request of Standard Chartered was to provide evidence of progress up to 2030 against the company's net zero targets. The chair, José Viñals, indicated the company's commitment to net-zero emissions across its global properties by 2030 by sourcing energy from renewable sources and pursuing energy efficiency measures. More crucially, on scope 3 emissions, the company is working with clients to measure, monitor and reduce emissions to ensure alignment of the portfolio with Paris goals with clear standards for non-compliance as well the funding to be provided for renewables and clean-tech projects over the next five years. At a follow-up meeting, concern was raised about the funding of Adaro, a major coal supplier that Standard Chartered's own analysis shows to be aligned with an increase of 5-6°C in global warming. Investors will consider the company's net zero roadmap carefully in reviewing votes for the 'Say on Climate' resolution at the 2022 AGM.

Auto industry engagements

Emissions from road transport are a significant contributor to economic and investment risk. As the Committee on Climate Change has noted, surface transport contributes a quarter of UK emissions. This level of emissions is more than industry or buildings and should thus be a main focus of policy intervention. The Forum has, over the past few years, been engaging some of the world's largest carmakers about

their emissions and fuel efficiency standards and targets. The Forum considers that carmakers not focused on emissions reductions risk being left behind as the price of electric vehicles (EVs) fall, consumer preferences change, and as government regulation becomes tighter.

This year the Forum engaged with BMW, Volkswagen, and General Motors about their approach to achieving net zero. All the companies have set out their approaches to reducing emissions, including the use of hybrid vehicles and increasing production of electric vehicles. Sales of EVs have increased rapidly but remain a small proportion of production numbers. Increased regulatory activity is set to change this trajectory, and the focus of discussions was around targets for being net zero in operations and cars sold as well as capital expenditure to ensure these targets can be met.

The meetings covered when cost parity between EVs and those with internal combustion engines are likely to be reached, and approximate timings based on the size of vehicles. Vehicle size was an important point of discussion; the increased sales of SUVs is undermining work to achieve total emissions reductions through greater efficiency and the switch to hybrid and electric cars. The meetings also included how the transition to net zero and EVs can be achieved in a just manner, including initiatives to retrain and redeploy staff.

Alongside individual LAPFF engagements, the Forum continued to take part in CA100+ engagements with General Motors and Ford. The meetings focused on the regulatory standards in the US following President Trump's decision to weaken regulations and proposed reversals under the new Biden administration. The discussion included capital expenditure, lobbying activity and target setting.

SPOTLIGHT ENGAGEMENTS

SHELL

LAPFF has engaged with Shell directly and as part of the CA100+ investor initiative. The LAPFF position has been to challenge all suspect aspects of climate change proposals, whether due to an overreliance on offsets (including tree planting and carbon capture and storage), whether any proposals are couched with disclaimers, or whether there is over emphasis on the intensity of emissions for the products sold when what is relevant is absolute emissions.

A problem with Shell's proposals is that they are not aligned with the Paris Accord as firm goals, such as set out in the UK's Climate Change Act with phased reductions prior to being net zero, but are instead conditional on changes in the behaviour of its customers. LAPFF's view is that such a reactive approach carries a risk of leaving the company and investors with stranded assets, as well as the concerns of not acting soon enough to mitigate the effects of rapidly worsening climate change. LAPFF was pleased to see a Dutch Court reaching similar conclusions following the Shell AGM.

NATIONAL GRID

As part of long-term engagement with National Grid, LAPFF has been pushing for group-wide net zero targets to be set, particularly for scope 3 emissions, by far the largest proportion of the company's emissions. In 2020, an interim target of 20 percent reduction in scope 3 emissions by 2030 was announced, then followed by an updated target to reduce emissions 37.5 percent below the 1990 baseline by 2034, a target aligned with the science-based targets initiative.

Another ongoing 'ask' has been for the group net zero transition plan to be put to shareholders for approval at the AGM. This ask was pursued with Sir Peter Gershon, the former Chair, and culminated in the board putting a 'Say on Climate' resolution to the 2021 AGM. The resolution seeks approval for annual reporting on the company's net zero strategy action plan up to 2030, and progress against emission reduction targets from the 2022 AGM.

Cllr Rob Chapman, the LAPFF Vice-Chair, then met with the new Chair, Paul Rasput Reynolds, and asked about alignment with the new International Energy Agency Net Zero pathway and setting short term targets to 2025. National Grid's commitment to be able to fully operate the grid with zero carbon by 2025, has been supported by its buying of WPD, the UK's largest electricity distribution business, to strategically pivot its UK portfolio towards electricity.

ARCELORMITTAL

LAPFF's long-term engagement with ArcelorMittal continued throughout the year, and included meeting the CEO, Aditya Mittal, and Bruno Lafont, the lead independent director. It was good to hear about the exploration of partnerships with other companies to work towards using renewable power in manufacturing green steel, with ArcelorMittal producing the first steel using hydrogen from renewables in 2020.

Into 2021, meetings sought to ascertain if there was an increased focus on hydrogen as opposed to processes reliant on carbon capture and storage (CCS), and to ask if the company would consider a 'Say on Climate' vote at its 2022 AGM. More information was provided on electrolysis technology which appears to be showing potential.

The long-awaited publication of the second Group Climate Action report was followed by another meeting to discuss company progress. This progress was evident in the new group-wide emission intensity reduction target for 2030 of 25 percent, and 35 percent for Europe. LAPFF was pleased to commend the strengthening of targets and announcements of zero carbon steel plants in Spain, where the Sestao plant is set to become the world's first full-scale zero carbon-emissions steel plant. There is also a new plant in Canada. Additionally, on request the report included mapping company progress against the CA100+ benchmark which can inform investor voting.

As the company did not have an AGM in 2020 that was open to shareholders, LAPFF had pushed for more access in 2021, which took place as a virtual meeting giving open and transparent access to dialogue with both Lakshmi Mittal, the Chair, and Aditya Mittal. The meeting also afforded the opportunity to press for the outcome on consulting shareholders on putting a transition plan vote to the 2022 AGM.

WE'RE GOING TO NEED A BIGGER PLANET

As oil and gas companies have begun to respond to the climate change agenda, some are placing particular emphasis on planting trees to meet zero carbon targets. But their sums don't add up. LAPFF analysed the proposals and discovered that we don't have enough room on earth for the trees they say they are going to plant.

New forest is intended to be a solution for emissions that can't be dealt with by substitution, not to preserve the output of the fossil fuel industry.



GASOLINE



A JUST TRANSITION

LAPFF continues to be active in promoting a just transition to a zero-carbon economy. Its activities focused heavily on the policy space this year through an All-Party Parliamentary Group (APPG) inquiry into the topic, but LAPFF raised the concept with companies during engagement meetings too.

Picture courtesy of Mark Edwards

APPG Inquiry

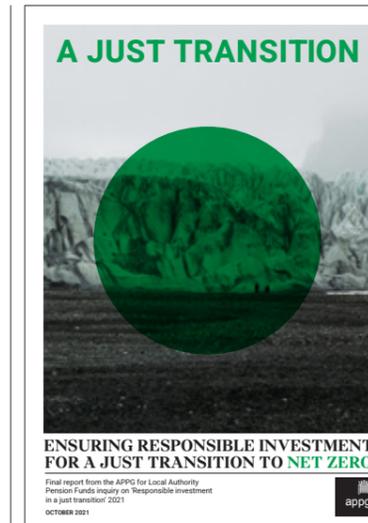
In January 2021, the LAPFF-backed All-Party Parliamentary Group for Local Authority Pension Funds launched an inquiry into 'Responsible investment for a just transition'. The inquiry sought to examine what investors could do to support a just transition and how government could help investors do so.

The inquiry provided an opportunity for the Forum to engage with a range of stakeholders, with the inquiry receiving oral evidence from, amongst others, Lord Deben (Chair of the Climate Change Committee); Rachel McEwen (SSE PLC & Scottish Just Transition Commission); Polly Billington (UK100); and Alison Tate (International Trade Union Confederation).

The inquiry examined the meaning of a just transition and why it matters to investors. A just transition was broadly interpreted as an approach to climate action which seeks to ensure that the benefits of a shift to net zero are shared, while supporting those negatively impacted. A central message throughout the inquiry was the overlooking of the social dimension of the climate transition if the shift to a net zero carbon economy is viewed as unfair and unjust. There would then be public resistance and a lack of co-operation, creating climate change risks to investors.

The inquiry examined how investors can establish policies, understand the risks (including through engaging affected stakeholders), set expectations of companies, engage on the issue, and integrate just transition measures into capital allocation decisions. The inquiry also heard how government could support investors, including through consistent just transition plans, company disclosure regulations, and the potential advantages of a UK-wide just transition commission. These findings were conveyed at the inquiry report's launch, featuring Pensions Minister Guy Opperman MP and Brendan Curran from the Grantham Institute.

Alongside the APPG, the Forum also attended party political conferences to discuss the just transition, hosting



fringe meetings at the SNP, Liberal Democrats, Labour and Conservative conferences. Alongside representatives from LAPFF the meetings included Wera Hobhouse MP (Liberal Democrats spokesperson for Climate Emergency and Energy); Lord Oates (Liberal Democrats spokesperson for Energy and Climate Change); Professor Nick Robins (Grantham Research Institute, LSE); Matthew Pennycook MP (Shadow Minister for Climate Change); Lord Kerslake; Cllr David Simmonds MP (APPG on Local Authority Pension Funds); and Alan Brown MP (SNP Spokesperson for Energy and Climate Change). The meetings provided an opportunity to discuss LAPFF's work with an informed and engaged audience.

Financing a Just Transition Alliance

Many of the APPG findings were replicated in the Grantham Institute's Financing the Just Transition Alliance's work. The alliance, of which LAPFF is a founding member, brings together investors, banks, and civil society to identify the role finance can play in connecting action on climate change with inclusive approaches to net zero.

ENVIRONMENT

Amongst the vital discussions surrounding carbon emissions and the just transition, it is important to remember that environmental concerns must be dealt with in a holistic manner. All companies, not just those in high profile industries, need to reduce their carbon emissions, and act on their wider environmental responsibilities. Furthermore, a range of environmental practices, such as the phasing out of non-degradable plastics as well as reduction and recycling initiatives, are part of the same conversation as greenhouse gas emissions and environmental degradation. This is due to the fact that the chemicals sector is likely to account for more than half oil demand growth in next 15 years driven by increased demand for plastics. Some of LAPFF's environmental engagements during the year are set out over the page.

Pulp and Paper: Suzano

LAPFF met with Suzano twice during 2021 to discuss the company's decarbonisation strategy. The Forum co-leads this engagement as part of the CA100+ initiative and met with the company to discuss emissions reduction targets, the extent to which capital allocation aligns with its decarbonisation strategy, and climate governance. LAPFF also discussed the company's impact on biodiversity within the areas in which it operates.

During the discussion, LAPFF urged the company to align its target setting with the Science Based Targets initiative (SBTi) to ensure that meaningful commitments were made that aligned with a 1.5°C scenario. In September 2021, Suzano committed itself to establishing goals aligned with the SBTi's 1.5°C emission reduction target scenarios within the next two years. This commitment covers both the company's own emissions and its value chain emissions.

Given Suzano is one of the largest vertically integrated producers of eucalyptus pulp and paper in the world, it is not surprising that the company has signalled the potential generation of carbon credits to form part of its overall decarbonisation strategy. LAPFF will continue to engage the company to ensure

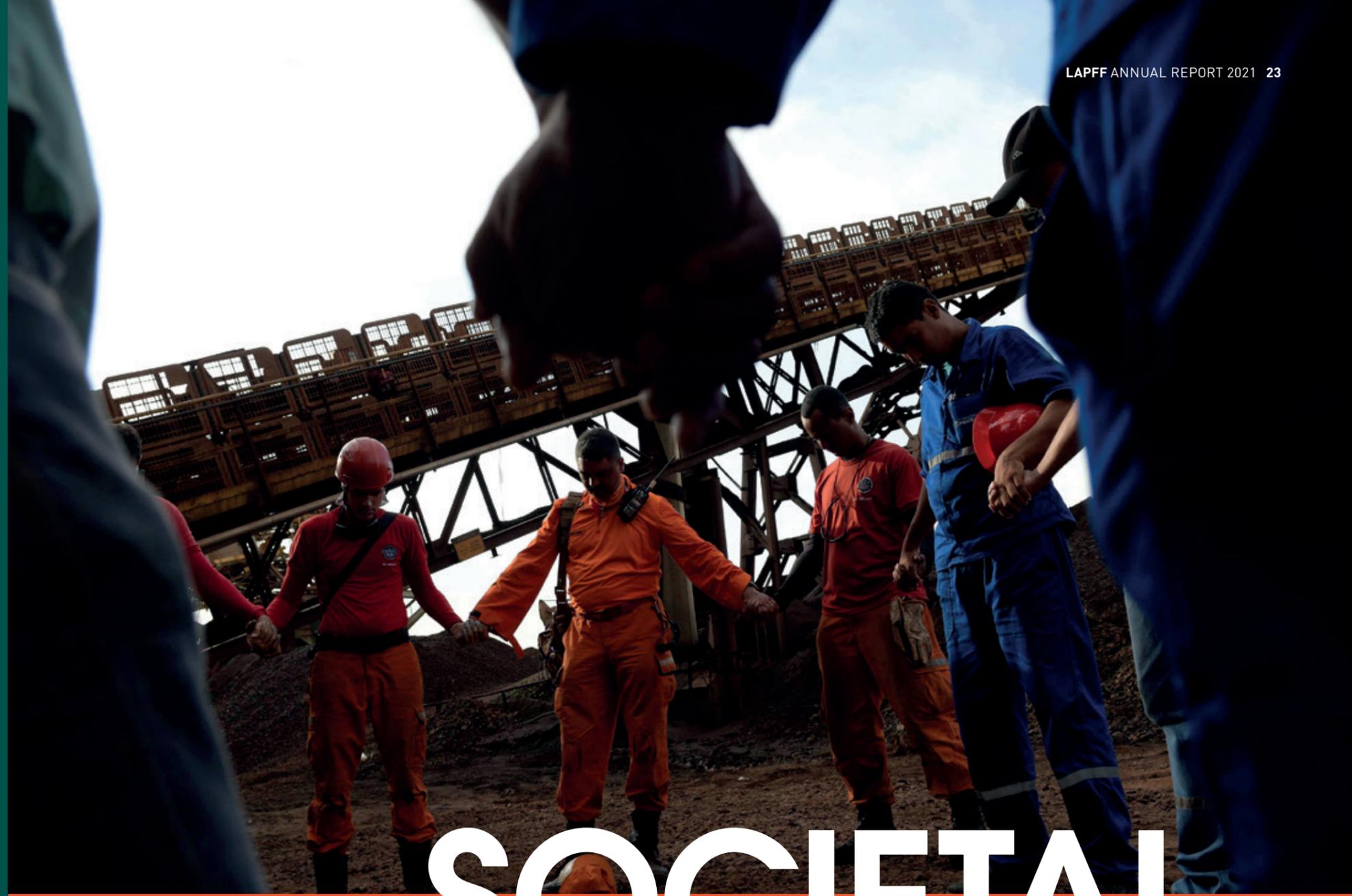
any approach to generating 'green revenues' is undertaken diligently and in line with best practice.

Plastics: Sainsbury

Plastics continue to pollute the environment and drain resources associated with the fight against climate change. Rising levels of plastic found in our ecosystems are quickly becoming more and more hazardous to environments, animals and humans.

This year, LAPFF joined a collaborative engagement headed by First Sentier Investors, which seeks to tackle the problem of microfibers coming away from clothes during a wash cycle and entering marine ecosystems through our waterways. An estimated 9.4 trillion microfibres are being released every week from washes in the UK, resulting in 63 percent of shrimp in the North Sea containing synthetic fibres.

The Forum teamed up with Legal & General Investment Management (LGIM) to engage with Dixons Carphone and Sainsbury on their sourcing policies and application of these microfilters in white label goods. After some initial hesitancy, Dixon's has now started stocking washing machines with these microfiber filters and Sainsbury has stated a preliminary intention to stock these products as the emerging technology develops.



SOCIETAL

Societal issues have long been within LAPFF's purview. This attention has come from LAPFF's experience that social, as well as financial and governance, considerations are often financially material. Specifically, LAPFF's view is that investments cannot be sustainable in the long-term unless social and environmental standards are upheld at an adequate level, with the standards set at international human rights and environmental law being the bare minimum. Therefore, LAPFF's engagements – including those on social issues – are conducted in line with this philosophy.



HUMAN RIGHTS

Human rights have been a significant focus for LAPFF over the course of the year. LAPFF has particularly focused on the impact of the global mining industry on human rights. Engagements with Anglo American, BHP, Glencore, Rio Tinto, and Vale have been numerous and helpful in this context.

However, LAPFF has also undertaken substantial engagement with companies operating in the Occupied Palestinian Territories after many LAPFF member funds were approached by activist groups working on this issue. The role of technology in fostering and hindering the realisation of human rights was also covered in LAPFF's engagements during the year, as were engagements on modern slavery and supply chain impacts on workers.

Additionally, human rights have arisen in the context of climate change as part of a call for a just transition to a zero-carbon economy. As noted above, LAPFF undertook significant work on the just transition this year through an inquiry it led under the auspices of the LGPS APPG.

Therefore, human rights look to be an ever-increasing element of LAPFF's work on social issues, both as a free-standing concern and in their relationship to other LAPFF activities.

Affected community engagements

LAPFF's engagements with companies on affected communities entered a new phase over the past year. Previously, LAPFF had struggled to meet chairs to discuss this issue. However, during 2021, LAPFF met with the chairs of Anglo American, BHP, Glencore, Rio Tinto, and Vale to discuss this issue.

Board Chair Engagements

LAPFF's view is that company boards should be aware of, and involved with, community engagement strategies, as community input impacts on business strategy. For example, when Brazilian community members affected by the Mariana dam collapse told BHP and Vale that they had seen cracks in the dam prior to its collapse, their input (and the failure to act on it) not only had human rights and environmental implications, but implications for the companies' risk management approaches and financial consequences too. Both Vale and BHP continue to pay billions of dollars in compensation, reparations, and legal costs – not to mention reputational damage. Securities litigation from New York suggests that the dam collapse could have been prevented for a mere \$1.5 million.

LAPFF will continue to work with company boards to engage with, and understand how to use, community input in their decision-making and strategy-setting. LAPFF hopes that increased board awareness of and participation in community engagement, along with an amplified community voice, will lead to improved human rights and, consequently, financial outcomes.

Brazilian community engagements

Heading into the third year of engagement with Brazilian communities affected by the Mariana and Brumadinho tailings dam collapses, there has still been little progress in relation to certain aspects of reparations from these disasters. At the time of writing, only ten houses had been re-built out of over 500 expected in Mariana, Brazil, nearly six years after the dam collapse. While BHP, Vale, and their joint venture – Renova Foundation – have expressed a commitment to the reparations process and have sought



to streamline the compensation process, LAPFF continues to be told by affected community members that the company activities are not meeting their needs. In April 2020, LAPFF began posting monthly the number of houses that had been re-built to press the companies and Renova to speed up house building, and to make investors aware of the slow progress.

The LAPFF Chair had hoped to visit Brazil to see the impacts of the tailings dam collapses on the communities first-hand. However, due to Covid restrictions, undertaking this trip was not possible. In preparation for an eventual visit, he did visit a tailings dam in Devon, United Kingdom to gain a greater understanding of how these dams are situated within a mine site and of some considerations related to their construction and operation.

Local Investor Engagement

On a more positive note, LAPFF has begun to collaborate with Brazilian investor JGP Credito to support the appropriate completion of Samarco compensation and reparations. One of the requests from affected community members in Brazil was for LAPFF to facilitate a relationship between Brazilian investors and the affected communities. Although LAPFF has reached out to other Brazilian investors, securing their participation is a struggle and JGP Credito has taken the reins on this effort.

US Community Engagements

The Biden Administration rescinded the US government's final Environmental Impact Statement (FEIS) pertaining to BHP's and Rio Tinto's Resolution Copper project in Arizona. Not everyone is pleased with this development. For example, LAPFF spoke to the mayor of Superior, Arizona, who supports the project's development in the interest of her town's economic development objectives. For her, a delay impedes Superior's hope for economic development, a hope further dampened by devastating wildfires in the area. However, for the Indigenous groups that voiced concerns about the impact Resolution Copper will have on their cultural heritage site (pictured above) and on their water resources, this rescission provides more time to have their voices heard and their needs met.

LAPFF Community Webinars

LAPFF continued to take steps to amplify community voices over the course of the year through webinars. Via several LAPFF webinars, investors and other stakeholders heard from affected community members in Australia, Brazil, Colombia, Mongolia, Papua New Guinea and the US. At the webinar that replaced the 2020 Annual Conference, LAPFF had an update from Brazilian community members affected by the Mariana and Brumadinho tailings dam collapses. These community testimonials were supplemented by webinars with experts on topics such as human rights and environmental due diligence, and the human rights impacts of climate change litigation. More information on LAPFF webinars is provided in the events section of the report.

Occupied Palestinian Territories

LAPFF continues to be questioned about its engagement with companies operating in the Occupied Palestinian Territories (OPT) and has called for human rights impact assessments (HRIAs) from companies operating in this area. Many companies that were identified in the Office of the United Nations High Commissioner for Human Rights (OHCHR) list of companies active in the area, published in February 2020, appear not to have sufficient risk management processes, or indeed public human rights policies in place. With better policies in place, and if HRIAs were undertaken and disclosed, LAPFF and other investors would be in a better place to understand the nature of human rights and investment risks involved. These developments would provide more tools to investigate whether companies are respecting standards set in human rights and humanitarian law.



In a second round of letters sent this year, LAPFF sought meetings with 16 companies to discuss their approaches to human rights generally but also in the OPT, enlisting the help of a business and human rights expert to advise on meetings and the approach. LAPFF has met with three companies this year: Altice Europe (which has subsequently been taken private), Alstom SA, and Booking Holdings.

LAPFF also issued voting alerts for Expedia, TripAdvisor and Booking Holdings, recommending votes against the CEOs because the companies do not have adequate human rights policies. The Forum subsequently met with Booking Holdings, which publicly stated that it is in the process of developing a human rights statement it hopes to publish as soon as possible.

Weapons manufacturers: BAE and Hanwha

LAPFF has engaged with weapons manufacturers on several issues since 2014. LAPFF conducted engagements with these companies after members faced questions about cluster munitions and companies' involvement in the war in Yemen.

It had been about five years since LAPFF had engaged with Hanwha over the company's practices on cluster munitions when Hanwha sent LAPFF a press release this year to say it was no longer producing or selling cluster munitions. Hanwha was the second company with which LAPFF

has engaged on this issue to pull out of cluster munitions – Singapore Technologies did so in 2015. However, Hanwha sold its business on to a company that is continuing to produce and sell these weapons. Legacy issues of this sort are a concern for LAPFF in a number of areas, including the sale of thermal coal assets.

One of the areas in which LAPFF has engaged defence companies is their impact on communities affected by their weaponry. For example, to what extent do these companies consider collateral damage? They would be aware that their weapons are being used in a way that leads to death and famine amongst the Yemeni population. Overall, the companies noted that the objective of their weapons was to cause destruction and that the decision to do so was a sovereign state decision in which they could not get involved. LAPFF



U.S. Rep. Cori Bush; part of a congressional delegation to a nearby Amazon plant to show their support for workers who will vote on whether to unionize, in Birmingham, Alabama

pushed back and asked whether there were other ways to think about 'smart' weapons that met countries' strategic objectives without causing extensive damage to civilians or contributing to the commission of war crimes. To this end, LAPFF joined an investor call with BAE to see if communities impacted by defence companies' weaponry are now on defence companies' radars, so to speak. Unfortunately, it does not appear that this is the case.

Facial Recognition Technology

With a rapidly increasing technological landscape, facial recognition technology (FRT) is being used more frequently in a wide range of settings. Governments, law enforcement agencies, and corporates are quickly adopting FRT in a bid for increased security and improved efficiency. However, this developing tech gives rise to a number of human rights concerns in its use, such as racial and gender biases observed in these systems, possible privacy or legal violations in the sourcing of photos, and misuse by governments, law enforcement agencies and others. These potential human rights violations pose reputational, operational and financial risks for the companies involved in FRT. This year, LAPFF joined a total of 53 global institutional investors headed by Candriam in signing an Investor Statement on Facial Recognition that urged companies to conduct human rights due diligence to "know and show" they respect human rights through their own activities and activities directly linked to their products.

Workers' Rights/ Unions: Amazon

One of LAPFF's workstreams pertains to employment standards. Again, this area is of interest to LAPFF for both worker rights and financial materiality reasons. Over the years, LAPFF has observed corporate failure to engage

with unions, leading to significant reputational and performance concerns for staff, companies, and investors.

LAPFF has approached Amazon on a number of occasions in relation to the company's workplace practices. In past years, LAPFF has issued voting alerts in conjunction with 'the Big Tent' investors to express support for shareholder resolutions on ESG issues. This year, Folksam and Ohman sent Amazon a letter, with LAPFF and other investor bodies as supporting engagement sponsors, requesting improved trade union practices at the company's distribution centre in Birmingham, Alabama (USA). The US has particularly poor laws to protect trade union rights, so it is even more important for investors to approach companies about this issue.

Modern Slavery Engagements

LAPFF is part of CCLA's 'Find It, Fix It, Prevent It' engagement on modern slavery and Rathbone's modern slavery engagement to ensure that companies have met the reporting requirements of the UK Modern Slavery Act. Both engagements are in line with LAPFF's strong engagement on social issues. They are also part of LAPFF's increased work this year on human rights and environmental due diligence.

DIVERSITY

LAPFF continues to support the principle of diversity and the idea that good levels of board diversity discourage 'group think'. Therefore, board diversity is a vital counterbalance to ensure an effective challenge process in board decision-making.

LAPFF is an active member of the 30% club investor group, a coalition of investors pushing for a minimum of 30 percent women on FTSE 350 boards and at senior management level in FTSE100 companies. LAPFF also began to look at the importance of other aspects of diversity such as socio-economic background. LAPFF

Vice-Chair, John Gray, has been appointed to the advisory board for the City of London's taskforce to increase socio-economic diversity in the UK financial and professional services. (This taskforce was commissioned by HM Treasury and the Department for Business, Energy and Industrial Strategy (BEIS)).

Looking at diversity through this socio-economic lens is vital. Research undertaken by The Bridges Group showed that across eight financial services organisations, 89 percent of senior level employees were from professional backgrounds. This percentage compares to 47 percent at junior levels, 52 percent of the UK CEOs economy wide, and 37 percent of the UK's working population. Given the high level of GDP that the financial sector provides for the UK, it is important that high performing talent is attracted to the sector. This may not be the case, given the fears that have been expressed about talent potentially migrating to more inclusive sectors. For example, there is a £5,000 class pay gap in the tech sector versus £17,500 in financial services.

The financial sector continues to be blighted by the lowest levels of diversity across a number of characteristics. In this vein, LAPFF reached out to several financial firms in the FTSE 100 to discuss their approach to diversity and met with aberdn (formerly Standard Life Aberdeen) and Lloyds Banking Group. Lloyd's was the first in its sector to voluntarily disclose its Ethnicity Pay Gap in an official report. This level of transparency provides the opportunity for shareholders to judge a company's progress.

LAPFF also joined a collaborative engagement, headed by Royal London Asset Management, with Sumitomo Mitsui Financial Group (SMFG). Japan is lagging behind other countries in board diversity. The engagements with SMFG were around the board's recruitment process and what it was doing to improve board diversity.

The Forum also provided a response to 'Diversity and inclusion in the financial sector – working together to drive change', a discussion

paper by the Bank of England, the Prudential Regulation Authority, and the Financial Conduct Authority. The Forum contributed points of view on data collection and regulation around diversity.

Nutrition: Tesco

Global food production and nutrition issues are increasingly becoming investment concerns as companies need to respond to world population growth, increasing healthcare costs, and climate change. There are several risks that companies face, with potential regulatory constraints, reputational damage, and the increasing risk of litigation regarding the rising cost of obesity. Thus, there is all the more incentive for companies to improve their products and the sustainability of their supply chains. LAPFF has engaged with Tesco on these issues.

Governments around the world are also starting to implement interventions aimed at addressing the obesity crisis. In the UK, these measures include an array of fiscal and policy measures to reduce the number of unhealthy products available on the market and discourage their consumption. Headline measures include the introduction of a sugar levy on soft drinks, the setting of voluntary sugar and calorie reduction goals for food and drink manufacturers and enhancing restrictions on the marketing and sales of unhealthy products. There is a compelling public health and economic case underpinning UK regulatory actions, making it more likely that they will be enhanced than reversed. In this context of increased regulatory activity, companies have an opportunity to capitalise on these anticipated legislative changes and get ahead of regulation, or risk facing increased costs to production, loss of sales, and outperformance by other more agile companies.



GOVERNANCE

LAPFF believes that good corporate governance is a necessary condition for effective implementation of corporate environmental and social programmes. Poor leadership begets poor outcomes, and LAPFF does not view or treat corporate governance as an issue in isolation.

For example, where LAPFF recommendations for company AGMs are issued, they may often pertain to climate considerations or to cultural heritage. Where LAPFF engages on anti-corruption issues, this engagement is in part to ensure that companies are respecting the human rights of

their affected communities. Where LAPFF engages on corporate tax transparency, its aim is not only to ensure that investors have good accounting practices but also to ensure they are being good corporate citizens.

LAPFF has also engaged with auditors and regulators on reliable accounts, in part to ensure there is an enabling environment for good investor and corporate practice on climate change. House builders have been engaged on executive pay and climate too. More detailed descriptions of these engagements are presented below.

Lobbying Transparency BHP

LAPFF has been supporting corporate transparency on lobbying practices, particularly in relation to climate, since around 2015. For example, there have been concerns that companies are joining industry organisations that take unhelpful positions on climate change and that these industry organisations lobby governments on their respective climate positions. In these cases, LAPFF has issued voting alerts in favour of shareholder resolutions that ask companies to disclose their climate lobbying practices and industry association memberships. LAPFF also circulates a spreadsheet of upcoming US lobbying resolutions from a US shareholder group to alert members to any resolutions the members themselves might want to support at various companies.

BHP was an interesting case this year. The company faced a shareholder resolution on climate lobbying that most companies would have rejected. However, BHP supported this shareholder resolution on the grounds that the company was already carrying out the resolution asks. BHP did not

endorse the supporting statement, though, as the company found this statement incomplete and misleading.

Anti-Corruption

Glencore

Corruption is a major concern from an ESG perspective. Most of LAPFF's engagements with companies on corruption over the years have been with extractive companies, which often operate in jurisdictions with significant corruption concerns.

LAPFF has a long-standing engagement with Glencore on a review of the company's internal controls process. Glencore is facing bribery and corruption charges in several jurisdictions but has made changes to its compliance programme to address some historical practices that led to the charges. On the back of an engagement with Sarasin Partners, LAPFF felt that Glencore would be well-served to undertake an independent assessment of the company's internal controls to provide external stakeholders with assurances that its compliance programme was fit for purpose.

LAPFF pushed this point with Glencore for a number of years but felt it was not making progress. In 2021,

however, LAPFF did feel that it had some assurances from Glencore that an independent assessment of the company's internal controls would take place. This development was in the context of a change of leadership – both a new CEO and a new chair – at the company.

Corporate Payouts Persimmon

LAPFF had first raised concerns about incentive plans at the housebuilder, Persimmon, in 2010. The problems LAPFF had identified became a national scandal when the chief executive was rewarded with a pay out in excess of £100m in 2018. On the back of the award, LAPFF engaged with the company, covering wider concerns about customer care and build quality. The Forum had also identified housebuilders as an important sector for climate change engagements, given the level of emissions from residential property.

This year, the Forum continued to engage with the company and met with Chair Roger Devlin. The meeting covered changes that have been made to executive pay, including resolving issues that led to the high pay award of the former chief executive. It was also noted how the company had made changes to its approach to customer care following a review by Stephanie Barwise QC. The discussion on climate change covered Persimmon's commitment to ensuring that all new homes are net-zero by 2030 and for the company, including its operations, to be net zero by 2040.

Reliable accounts

UK Endorsement Board

Further to Brexit, International Accounting Standards are now subject to endorsement by the UK. That function has been delegated to the UK Accounting Standards Endorsement Board (UK EB). Significant issues with its composition have been raised in Parliament.

The Chair of LAPFF has written to the UK EB Chair, Pauline Wallace (formerly of PwC and the Accounting Standards Board) asking to see the

Board's criteria for endorsement according to the criteria that the standards are not contrary to a "true and fair view of the assets, liabilities, financial position and profit or loss". A review of UK EB proceedings shows that the UK EB has been endorsing a far looser definition of "a true and fair view." The UK EB has also missed that if the accounts contain material unrealised gains (or missing losses) then it will not be possible to sign off properly that the accounts have been prepared on a going concern basis. The problem is that IFRS accounts can give a misleading impression that a company is a going concern when it is not.

The first new standard to be endorsed is IFRS 17 (revised). That is a modification of the prior standard due to lobbying by the insurance industry (most notably a letter to the former Chancellor, Philip Hammond), which has previously set its own standards. IFRS 17 gives favourable treatment of discounting liabilities for insurers. One effect is that if an insurer takes on bulk annuities replacing pension benefits from a defined benefit scheme, then there is substantial gain for the insurer due to the insurer being permitted by IFRS 17 to discount at a risk rate, whereas the sponsor of the defined benefit pension scheme was required to discount at the risk-free rate. At least two UK EB board members advise on bulk annuity transfers. Members of pension schemes subject to transfer will therefore be holders of pensions that are less prudently treated for accounting purposes in the hands of the insurers.

In the House of Lords, Baroness Bowles has described the UK EB as "knobbed" and set out problems with several board members.

The LAPFF letter to the UK EB also flags issues with the Opinions for the Financial Reporting Council from Martin Moore QC, and LAPFF would expect to see an independent position from another party with transparent terms of reference.

Paris Aligned Accounts

LAPFF and Sarasin Partners identified several years ago that reporting emphasis on disclosure of climate change risks carried little informational benefit for investors in relation to coal, oil and gas companies. For these companies, the risks are obvious; the more pertinent point is the impact on the sustainability of the business model, the carrying value of assets, and decommissioning liabilities on the balance sheet.

Sarasin then took a very active and encouraging lead, supported by LAPFF and a small group of other investors, to ask companies and their auditors to report in a manner that would achieve Paris-aligned accounts.

The concept of Paris-aligned accounts has been explicitly addressed by BP and Shell, seen with the substantial (i.e. greater than £10bn) write down of assets at each company. In the case of Shell, this includes write downs affecting all Australian gas acquisitions of the last decade.

There has since been a debate whether the focus should be "net zero" or "Paris-aligned" accounts. The LAPFF and Sarasin position is that Paris-aligned is more appropriate as following Paris requires limits on the amount of emissions reductions prior to becoming net zero. In contrast, BP states in its 2020 Annual Report that it has no refining assets being depreciated beyond 2050.

Tax

As part of LAPFF's long-standing engagement to promote effective country-by-country tax reporting by companies, LAPFF signed onto investor letters in support of this initiative. One letter spearheaded by the AFL-CIO was aimed at promoting tax transparency in the US. A second letter led by the PRI was aimed at promoting tax transparency in the European Union. Both letters had a common thread of calling for detailed country-by-country reporting by companies to facilitate investor understanding of company tax practices and strategies.

LAPFF's BROADER STAKEHOLDER ENGAGEMENT

LAPFF's bread and butter activity is stakeholder engagement around company ESG practices. However, LAPFF could not make headway in many instances without various stakeholder partners, including other investors. LAPFF has also concluded that much of its engagement work could be more successful if there were a more supportive policy environment for its objectives.

Therefore, LAPFF has sought opportunities to increase its policy engagement over the last year. LAPFF is also aware that some of its work is cutting-edge and has an educational purpose. To this end, LAPFF has communicated its work through a range of mediums in order to help its members, other investors, and stakeholders more broadly utilise LAPFF resources to promote responsible investment objectives. More detail on LAPFF's collaborations, policy work, and communications are set out below.

Investor Collaborations

LAPFF joined the Asia Collaborative Engagement Platform for Energy Transition. Co-ordinated by Asia Research and Engagement (ARE), this initiative has brought about engagement with the region's largest listed financial institutions, as well as buyers and producers of fossil fuels. The first AGM of note was that of Mitsubishi UFJ Financial Group, where members were advised to vote in favour of a resolution for disclosure of the group's strategy to align financing and investments with the goals of the Paris Agreement. Subsequently, Cllr Glyn Caron, of the LAPFF Executive, joined a collaborative investor call organised by ARE which sought further information on the strategy, and particularly on how the bank would address concerns over its provision of finance to fossil fuel expansion and deforestation. In May, the bank made a net zero declaration and joined the net zero banking alliance. The current

investment threshold used is for 50 percent of 'total capacity' in coal, but this threshold is to be revised with a new goal set.

LAPFF has also worked in collaboration with the Institutional Investor Group on Climate Change as part of its participation in Climate Action 100+ (CA100+) an investor collaboration to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. LAPFF is joint lead investor on ArcelorMittal and National Grid under this initiative, as well as being part of wider collaborative groups with several other companies. One such company is Lyondell Basell, where LAPFF chair Cllr McMurdo participated in the AGM, asking the chair to put the company climate strategy to a vote at the 2022 AGM and annually thereafter.

This year, LAPFF joined a collaborative engagement effort headed by the Access to Nutrition Index. Alongside a host of other investors, LAPFF has written to key companies in the food and beverage sector which featured on the Index. These engagements seek to provide better levels of governance and accountability by introducing remuneration metrics linked to nutrition targets and what marketing companies are doing to encourage better eating habits.

The Forum has also started engagement with ShareAction's Healthy Markets Initiative and engaged with Tesco to discuss the filing of a shareholder resolution. This request would require Tesco to disclose metrics in relation to the volume of health products it sells, as well as setting targets to increase the share of health products by 2030. In response to this engagement and potential resolution, Tesco committed to increase its sales of healthier food and drink products across all of its group retail business and the resolution was subsequently withdrawn.



Policy Responses & Publications

On top of company engagement and engagement with affected communities, LAPFF also engages policy makers on a range of issues in a number of countries. LAPFF's engagement on climate policy in particular has ramped up in the last year with its push for a just transition through a Local Government Pension Scheme All-Party Parliamentary Group inquiry on the issue and presentations on a just transition at party conference fringe meetings.

In addition, LAPFF has submitted a number of consultation responses on ESG issues over the year and has signed on to investor letters in these areas pushing public bodies to take improved action in support of responsible investment. These responses are transmitted, along with LAPFF engagement work, through a range of publications and communications to LAPFF members and the general public. Some of LAPFF's policy responses and communications are set out below. The full responses can be found on the LAPFF website.

IEA on Carbon, Capture and Storage (CCS)

The LAPFF Chair wrote to the Chief Executive of the International Energy Authority (IEA) about its targets for carbon capture and storage (CCS).

LAPFF impressed upon the IEA that their targets for CCS were predicated on CCS being used on coal-fired power stations.

However, the more favourable economics of alternative sources of power, especially zero carbon renewables, have meant the rapid closure of coal plants in the first instance. With that power source reducing in scale, the scope for CCS within the targets of the IEA for the power sector are difficult to reconcile.

For both technical and economic reasons there are no working models of CCS in gas generation. The problems are particularly acute in on call gas power, as the time the plant is on stream does not accord with the timescale of the CO₂ extraction (i.e. the gas plant may be idle again before the CCS plant has had time to warm up). Also, the concentration of CO₂ in the flue is lower than coal, which makes it more difficult to capture. It adds to the fact that in coal plants up to 25 percent of the plant energy generation is taken up with running the CCS plant.

In the now closed PetraNova CCS coal plant in Texas, a special gas fired unit with unabated emissions was needed to run the CCS plant on the coal turbine. Of note is the closure of the Putney based IEA Clean Coal Centre closed in 2021.

Whilst not directly addressing the issues, the IEA is making clear its view that there should be no new developments involving oil, gas or coal.



EU mandatory human rights and environmental due diligence response

Human rights due diligence is a concept espoused in the UN Guiding Principles on Business and Human Rights (UNGPs). In the context of the UNGPs, this type of due diligence is voluntary. However, civil society groups in a number of countries have supported mandatory human rights and environmental due diligence in the last few years. LAPFF submitted a consultation response to the EU on the bloc's proposed human rights and environmental due diligence legislation and presented a strong position in support of such legislation.

DWP 'S' in ESG

LAPFF responded to a DWP call for evidence on 'Consideration of social risks and opportunities by occupational pension schemes'. It was encouraging to see social risks identified by government as an important risk factor even if the consultation questions suggested movement by government on the issue might be in its infancy. The consultation did not cover reforms which would affect LGPS funds, but as pension regulation and legislation for the sector tend to mirror those within the purview of the DWP, LAPFF wished to submit a response. LAPFF outlined its policy approach to social issues, including human rights, impact of companies on communities, health and safety, and employment standards and practices. The response gave details on these themes and how the Forum approached engagements. LAPFF's response stated that social issues are often overlooked and that there was a need for much greater company disclosure.

Investor Letter to SEC on proxy voting rules

LAPFF signed onto an investor letter challenging the US's plans to make it harder to file shareholder resolutions, and specifically those resolutions related to ESG issues. Although the US is one of the jurisdictions in which it is

easiest to file shareholder resolutions, LAPFF viewed the existing rules as sufficiently stringent to prevent frivolous resolutions and supported more permissive rules to allow company boards to hear important challenges from shareholders. Its position was also set out in a consultation response to the US Securities and Exchange Commission on this topic.

BEIS white paper on audit reform

LAPFF led the way on calling for the replacement of the widely discredited Financial Reporting Council, a position which was supported by parliamentary committees and then the Kingman Review, for which the LAPFF Chair was one of the first parties to meet with Sir John Kingman.

The transition to the Auditing Reporting and Governance Authority (ARGA) is slow, being dependent on Parliamentary time. BEIS has put out a White Paper on aspects of the audit market and regulatory reform further to the Kingman Review (on the replacement of the FRC), the Tyrie Review (the Competition Commission) and the Brydon Review (technical aspects of the future of audit). LAPFF has responded generally favourably in the context of the Kingman and Tyrie Reviews, but in the context of the Brydon Review has been critical of its lack of technical grounding.

Parties such as the City of London Law Society Company Law Committee (CLLSCLC) are also critical of technical aspects of the Brydon Review. The Brydon Review fails to address the problems with International Accounting Standards and instead tries to deal with dividend distributions without addressing the fundamental flaws. The CLLSCLC also makes reference to flaws in the ICAEW guidance on distributable profits, a position that LAPFF has held ever since George Bompas QC issued his legal opinions to LAPFF. As referred to earlier the problems of the FRC seems to have merely been transferred to the UK Endorsement Board.



Climate Consultations - Planes, Trains and Automobiles

Over the past twelve months there has been a series of consultations by the government relating to the UK's commitments on carbon reductions, including the interim goal of reducing emissions by 78 percent by 2035 compared to 1990 levels.

The first LAPFF response in early October 2020 was to the DWP consultation 'Taking action on climate risk' to improve governance and reporting by occupational pension schemes. Strong support was provided for the introduction of mandatory carbon emissions and risk reporting. LAPFF considered that market participants should be encouraged to aim for the fullest relevant implementation of the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) report.

Transport is not only the largest contributor to domestic UK greenhouse gas (GHG) emissions (accounting for 27 percent of emissions) but is also the sector with the fastest growing rate of emissions. LAPFF was therefore keen to respond to associated government consultations. A constant theme in these consultations has been support for a clearly identified legislative framework for carbon reductions. Such a framework would allow companies to make the necessary decisions and financial commitments to provide the crucial short- and long-term solutions to decarbonising the economy.

In June, responding to the HM Treasury consultation on a proposed reduction to air passenger duty (APD) LAPFF called for a review of the status quo, which was for tickets for air travel being VAT free and aviation fuel incurring no duty. For the government then to provide a price signal of reducing domestic APD would clearly encourage more flights, which is in stark and direct opposition to its

own emission reduction target of 78 percent by 2035.

Two months later, the Department for Transport consulted on the phase out date for ending the sale of new non-zero emission heavy goods vehicles (HGVs) in the UK. LAPFF raised concerns about the approach taken being 'siloed' in that no reference was made to the prospect of rail substitution for freight that currently requires the use of heavier HGVs. This substitution could then be combined with lesser weight zero-emission delivery vehicles for the shorter deliveries to final destinations. The response also pushed for a focus on electrification rather than low carbon fuels which still result in carbon emissions, offering limited air quality benefits.

Responses were provided to two further Department for Transport consultations. To the 'Jet Zero' consultation on the strategy for net zero aviation, LAPFF set out that the government should take the opportunity to support the development of UK leadership in electric flight, and support corporate leaders committing to electric-only private jet flights by proposing a ban on fossil fuel powered private jets from using UK airports from 2025 onwards. In line with measures being taken by France, Austria, and Spain, LAPFF also suggested that the government could push for domestic flights to be replaced by train journeys or for any remaining domestic flights to be electric by 2025. As ever, the need for a 'just transition' is essential, so all measures implemented to promote net zero aviation must be considered within the context of overall provision of reliable and affordable transport including surface transport.

Responding to the consultation on a new CO₂ emissions regulatory framework, of the options proposed, LAPFF supported deploying the zero-emission vehicle mandate. To maximise zero-emission capability, the government should focus on electric drive-train technology for all road vehicles. For cars or vans, BEIS has already recognised that this approach is the lowest cost route to zero emissions.



EVENTS

Webinars

With Covid restrictions making it impossible to connect with people in person during most of 2021, LAPFF was keen to provide alternative ways to maintain its relationships with companies and other stakeholders as well as informing LAPFF members of recent developments. Therefore, webinars were an important feature of LAPFF's outreach during the lockdown periods.

In particular, LAPFF hosted a number of webinars with London Mining Network to bring affected community voices to investors. The purpose of this direct connection is two-fold: (1) to educate investors on the human rights and environmental needs of affected communities; and (2) to provide investors with investor-relevant information to use in company engagements and voting.

As noted above, webinars took place with affected communities around the world. LAPFF members and other investors heard about how these communities have had their livelihoods and ways of life threatened, and in some cases irreversibly altered, by mining projects. The impact of Covid on workplace standards was raised as a concern. There was also a related webinar with business and human rights experts on the need for mandatory human and environmental rights due diligence.

LAPFF hosted climate-related webinars too. One webinar covered electric vehicles, including speakers from Bloomberg New Energy Finance, EV100 and Greenbiz. Another addressed climate change litigation and its impact on community members.

LAPFF Annual Conference 2020

Finally, LAPFF hosted its annual conference virtually in December 2020 as its normal Bournemouth location was off limits due to a Covid lockdown. LAPFF ran a series of webinars for the conference, attempting to mimic as best as possible the regular conference experience whilst using the unique circumstances to offer new and innovative interactions.

There were two webinars about the need for financial reporting on climate, with the recent news of New Zealand becoming the first country to require publicly listed companies to report on climate risks was discussed at LAPFF's 2020 'conference'.

Other webinars discussed the opioid crisis, the treatment of workers during Covid, workforce engagement, a just transition, and in-depth specific company analyses. Blackrock's ESG strategies were dissected, as well as Deutsche Bank with its history of financial recklessness, market manipulation, sanctions violations and money laundering.

LAPFF ENGAGEMENT STATISTICS

Company Engagement Table

LAPFF engaged with 171 companies during the course of the year, but had numerous engagement meetings with companies such as ArcelorMittal, Shell, and the five major mining companies mentioned. The full list of companies engaged and the primary outcomes of those engagements are set out in the table below.

Company/Index	Activity	Topic	Outcome
A G BARR PLC	Meeting	Other	Small Improvement
ABBOTT LABORATORIES	Sent Correspondence	Environmental Risk	Awaiting Response
ABOITIZ EQUITY VENTURES INC	Sent Correspondence	Climate Change	Dialogue
ABRDN PLC	Meeting	Board Composition	Moderate Improvement
AIR LIQUIDE SA	Received Correspondence	Climate Change	Moderate Improvement
AIRBUS SE	Sent Correspondence	Climate Change	Dialogue
AJINOMOTO CO INC	Sent Correspondence	Climate Change	Dialogue
ALLERGAN PLC	Sent Correspondence	Climate Change	Dialogue
ALSTOM SA	Meeting	Human Rights	Small Improvement
ALTICE EUROPE NV	Meeting	Human Rights	Dialogue
AMAZON.COM INC.	Alert Issued	Human Rights	Dialogue
AMS AG	Sent Correspondence	Climate Change	Dialogue
ANGLO AMERICAN PLC	Received Correspondence	Climate Change	Substantial Improvement
AP MOLLER - MAERSK AS	Sent Correspondence	Climate Change	Dialogue
APPLE INC	Sent Correspondence	Environmental Risk	Awaiting Response
ARCELORMITTAL SA	Meeting	Climate Change	Substantial Improvement
ARKEMA	Sent Correspondence	Climate Change	Dialogue
ASTRAZENECA PLC	Meeting	Other	Satisfactory Response
AVIVA PLC	Sent Correspondence	Board Composition	Awaiting Response
BAE SYSTEMS PLC	Meeting	Governance (General)	Dialogue
BANK HAPOLIM B M	Sent Correspondence	Human Rights	Dialogue
BANK LEUMI LE-ISRAEL BM	Sent Correspondence	Human Rights	Awaiting Response
BARCLAYS PLC	Meeting	Climate Change	Small Improvement
BARRATT DEVELOPMENTS PLC	Sent Correspondence	Climate Change	Awaiting Response
BASF SE	Sent Correspondence	Climate Change	Dialogue
BAYERISCHE MOTOREN WERKE AG	Meeting	Environmental Risk	Change in Process
BEZEQ THE ISRAELI TELECOMMUNICATION CORP LTD	Sent Correspondence	Human Rights	Awaiting Response
BHP GROUP PLC	Meeting	Governance (General)	Moderate Improvement
BLACKROCK INC	Meeting	Climate Change	Satisfactory Response
BOOKING HOLDINGS INC.	Meeting	Human Rights	Small Improvement
BP PLC	Meeting	Environmental Risk	Awaiting Response
CAMPBELL SOUP COMPANY	Sent Correspondence	Climate Change	Dialogue
CAPITA PLC	Meeting	Employment Standards	Dialogue
CENTRICA PLC	Meeting	Climate Change	Change in Process
CHARTER COMMUNICATIONS INC	Meeting	Environmental Risk	Awaiting Response
CITIGROUP INC.	Meeting	Climate Change	Small Improvement
COCA COLA BEVERAGES PLC	Sent Correspondence	Social Risk	Awaiting Response
COMPAGNIE DE SAINT GOBAIN	Received Correspondence	Climate Change	Change in Process
COMPAGNIE DES ALPES	Sent Correspondence	Environmental Risk	Awaiting Response
COMPASS GROUP PLC	Meeting	Governance (General)	Small Improvement
CONAGRA BRANDS INC.	Meeting	Social Risk	Awaiting Response
CONSTELLATION BRANDS INC.	Meeting	Environmental Risk	Change in Process
CONTINENTAL AG	Sent Correspondence	Climate Change	Dialogue
COVESTRO AG	Sent Correspondence	Climate Change	Dialogue
CRH PLC	Received Correspondence	Climate Change	Small Improvement
CSX CORPORATION	Sent Correspondence	Climate Change	Dialogue
CURRYS PLC	Meeting	Environmental Risk	Dialogue
DAIMLER AG	Received Correspondence	Climate Change	Dialogue
DANONE	Sent Correspondence	Social Risk	Dialogue
DBS GROUP HOLDINGS LTD	Sent Correspondence	Climate Change	Dialogue
DELEK GROUP LTD	Sent Correspondence	Human Rights	Awaiting Response
DELTA AIR LINES INC	Sent Correspondence	Climate Change	Dialogue
DIALOG SEMICONDUCTOR PLC	Sent Correspondence	Climate Change	Dialogue
DOMINION ENERGY INC	Sent Correspondence	Climate Change	Dialogue
E.ON SE	Meeting	Climate Change	Small Improvement
EDF (ELECTRICITE DE FRANCE) SA	Sent Correspondence	Climate Change	Dialogue

ENDESA SA	Received Correspondence	Climate Change	Substantial Improvement
ENDO INTERNATIONAL PLC	Sent Correspondence	Climate Change	Dialogue
ENEL SPA	Received Correspondence	Climate Change	Substantial Improvement
ENGIE SA.	Sent Correspondence	Climate Change	Dialogue
ENI SPA	Sent Correspondence	Climate Change	Dialogue
EQUINOR ASA	Sent Correspondence	Climate Change	Dialogue
EXPEDIA GROUP INC	Alert Issued	Human Rights	No Improvement
EXXON MOBIL CORPORATION	Received Correspondence	Climate Change	Dialogue
FACEBOOK INC.	Alert Issued	Governance (General)	Moderate Improvement
FIAT CHRYSLER AUTOMOBILES N.V.	Sent Correspondence	Climate Change	Dialogue
FIRST INTERNATIONAL BANK OF ISRAEL	Sent Correspondence	Human Rights	Awaiting Response
FIRSTGROUP PLC	Sent Correspondence	Climate Change	Dialogue
FORD MOTOR COMPANY	Sent Correspondence	Climate Change	Awaiting Response
FORMOSA PLASTICS CORP	Sent Correspondence	Climate Change	Dialogue
FREEMPORT-MCMORAN INC.	Sent Correspondence	Human Rights	Dialogue
GALP ENERGIA SGPS SA	Sent Correspondence	Climate Change	Dialogue
GENERAL MILLS INC	Sent Correspondence	Human Rights	Dialogue
GENERAL MOTORS COMPANY	Meeting	Climate Change	Small Improvement
GLAXOSMITHKLINE PLC	Sent Correspondence	Governance (General)	Dialogue
GLENCORE PLC	Meeting	Governance (General)	Moderate Improvement
GRIFOLS SA	Sent Correspondence	Climate Change	Dialogue
HAIER ELECTRONICS GP CO LTD	Sent Correspondence	Environmental Risk	Awaiting Response
HANWHA CORP	Meeting	Human Rights	Substantial Improvement
HEIDELBERGCEMENT AG	Received Correspondence	Climate Change	Substantial Improvement
HOLCIM LTD	Received Correspondence	Climate Change	Small Improvement
HSBC HOLDINGS PLC	Received Correspondence	Climate Change	Substantial Improvement
HUADIAN POWER INTL CORP LTD	AGM	Climate Change	Small Improvement
HUANENG POWER INTERNATIONAL	AGM	Climate Change	Change in Process
IBERDROLA SA	Sent Correspondence	Climate Change	Dialogue
IMPACT HEALTHCARE REIT PLC	Sent Correspondence	Employment Standards	Awaiting Response
INDORAMA VENTURES PCL	Sent Correspondence	Human Rights	Awaiting Response
INFINEON TECHNOLOGIES AG	Sent Correspondence	Climate Change	Dialogue
ISRAEL DISCOUNT BANK LTD	Sent Correspondence	Human Rights	Awaiting Response
JABIL CIRCUIT INC	Sent Correspondence	Climate Change	Dialogue
KELLOGG COMPANY	Meeting	Social Risk	Awaiting Response
KERRY GROUP PLC	Sent Correspondence	Climate Change	Dialogue
KEURIG DR PEPPER	Sent Correspondence	Social Risk	Awaiting Response
LANXESS AG	Sent Correspondence	Climate Change	Dialogue
LINDE PLC	Sent Correspondence	Climate Change	Dialogue
LITEON TECHNOLOGY CORP	Sent Correspondence	Climate Change	Dialogue
LLOYDS BANKING GROUP PLC	Meeting	Governance (General)	Moderate Improvement
LOGITECH INTERNATIONAL S.A.	Sent Correspondence	Climate Change	Dialogue
LONDONMETRIC PROPERTY PLC	Received Correspondence	Governance (General)	Substantial Improvement
LONZA GROUP AG	Sent Correspondence	Climate Change	Dialogue
LUFTHANSA AG	Sent Correspondence	Climate Change	Dialogue
LYONDELLBASELL INDUSTRIES N.V.	Sent Correspondence	Climate Change	Change in Process
MARVELL TECHNOLOGY GROUP LTD	Sent Correspondence	Climate Change	Dialogue
MEDTRONIC PLC	Sent Correspondence	Climate Change	Dialogue
MEIJI HOLDINGS CO LTD	Sent Correspondence	Social Risk	Awaiting Response
MISC BERHAD	Sent Correspondence	Climate Change	Dialogue
MITSUBISHI UFJ FINANCIAL GRP	Meeting	Climate Change	Change in Process
MIZRAHI TEFAHOT BANK LTD	Sent Correspondence	Human Rights	Awaiting Response
MONDELEZ INTERNATIONAL INC	Sent Correspondence	Social Risk	Awaiting Response
MORRISON PLC	AGM	Other	No Improvement
MOTOROLA SOLUTIONS INC.	Sent Correspondence	Human Rights	Awaiting Response
NAN YA PLASTICS CORP	Sent Correspondence	Climate Change	Dialogue
NATIONAL GRID PLC	Meeting	Climate Change	Substantial Improvement
NESTLE SA	Sent Correspondence	Climate Change	Dialogue
NEXTERA ENERGY INC	Received Correspondence	Climate Change	Substantial Improvement
NIPPON EXPRESS CO LTD	Sent Correspondence	Climate Change	Dialogue
NISSAN MOTOR CO LTD	Sent Correspondence	Climate Change	Awaiting Response
NISSIN FOOD HLDGS CO LTD	Sent Correspondence	Climate Change	Dialogue
NOKIA OYJ	Sent Correspondence	Climate Change	Dialogue
NORFOLK SOUTHERN CORPORATION	Sent Correspondence	Climate Change	Dialogue
NOVARTIS AG	Sent Correspondence	Governance (General)	Dialogue
OMV AG	Sent Correspondence	Climate Change	Dialogue
PANALPINA WELTTRANSPORT AG	Sent Correspondence	Climate Change	Dialogue
PAZ OIL CO LTD	Sent Correspondence	Human Rights	Awaiting Response

PEPSICO INC.	Sent Correspondence	Social Risk	Awaiting Response
PERSIMMON PLC	Meeting	Climate Change	Moderate Improvement
PEUGEOT SA	Sent Correspondence	Climate Change	Dialogue
PUBLIC SERVICE ENTERPRISE GROUP INC	Sent Correspondence	Climate Change	Dialogue
RENAULT SA	Sent Correspondence	Climate Change	Dialogue
RENESAS ELECTRONICS CORP	Sent Correspondence	Climate Change	Dialogue
REPSOL SA	Sent Correspondence	Climate Change	Dialogue
RIO TINTO GROUP (AUS)	Meeting	Governance (General)	Dialogue
RIO TINTO PLC	Meeting	Governance (General)	Small Improvement
ROCHE HOLDING AG	Sent Correspondence	Climate Change	Dialogue
ROHM CO LTD	Sent Correspondence	Climate Change	Dialogue
ROYAL DUTCH SHELL PLC	Meeting	Governance (General)	Dialogue
SAINSBURY (J) PLC	Meeting	Climate Change	Moderate Improvement
SANOFI	Meeting	Environmental Risk	Awaiting Response
SANWA HOLDINGS CORP	Sent Correspondence	Board Composition	Dialogue
SEAGATE TECHNOLOGY PUBLIC LIMITED COMPANY	Sent Correspondence	Climate Change	Dialogue
SERCO GROUP PLC	Meeting	Employment Standards	Small Improvement
SHUI ON LAND LTD	Sent Correspondence	Environmental Risk	Awaiting Response
SOLVAY SA	Sent Correspondence	Climate Change	Dialogue
SONIC HEALTHCARE LTD	Sent Correspondence	Climate Change	Awaiting Response
SSE PLC	Meeting	Climate Change	Change in Process
ST JAMES'S PLACE PLC	Sent Correspondence	Audit Practices	Awaiting Response
STANDARD CHARTERED PLC	Meeting	Climate Change	Small Improvement
STMICROELECTRONICS NV	Sent Correspondence	Climate Change	Dialogue
SUMITOMO MITSUI FINANCIAL GROUP	Meeting	Board Composition	Moderate Improvement
SUNTORY BEVERAGE & FOOD LTD	Sent Correspondence	Social Risk	Awaiting Response
SUZANO SA	Meeting	Climate Change	Small Improvement
SWATCH GROUP AG	Sent Correspondence	Climate Change	Dialogue
TARGET HEALTHCARE REIT LTD	Meeting	Employment Standards	Moderate Improvement
TAYLOR WIMPEY PLC	Sent Correspondence	Climate Change	Awaiting Response
TELEPERFORMANCE SE	Sent Correspondence	Employment Standards	Awaiting Response
TESCO PLC	Meeting	Other	Dialogue
TESLA INC	Sent Correspondence	Climate Change	Awaiting Response
THE CLOROX COMPANY	Sent Correspondence	Climate Change	Dialogue
THE KRAFT HEINZ COMPANY	Sent Correspondence	Social Risk	Awaiting Response
THYSSENKRUPP AG	Sent Correspondence	Climate Change	Dialogue
TOTALENERGIES SE	Received Correspondence	Climate Change	Moderate Improvement
TOYOTA MOTOR CORP	Sent Correspondence	Environmental Risk	Awaiting Response
Transco (National Grid)	Meeting	Climate Change	Small Improvement
TRIPADVISOR INC.	Alert Issued	Human Rights	No Improvement
UNILEVER PLC	Sent Correspondence	Social Risk	Awaiting Response
UNIPER SE	Sent Correspondence	Climate Change	Dialogue
VALE SA	Meeting	Governance (General)	No Improvement
VOLKSWAGEN AG	Sent Correspondence	Climate Change	Awaiting Response
VOLKSWAGEN AG	Meeting	Climate Change	Change in Process
YES BANK	Meeting	Audit Practices	Awaiting Response
YUHAN CORP	Sent Correspondence	Environmental Risk	Awaiting Response
NIPPON EXPRESS CO LTD	Sent Correspondence	Climate Change	Dialogue
NISSIN FOOD HLDGS CO LTD	Sent Correspondence	Climate Change	Dialogue
NOKIA OYJ	Sent Correspondence	Climate Change	Dialogue
NORFOLK SOUTHERN CORPORATION	Sent Correspondence	Climate Change	Dialogue
NOVARTIS AG	Sent Correspondence	Governance (General)	Dialogue
PANALPINA WELTTRANSPORT AG	Sent Correspondence	Climate Change	Dialogue
PEPSICO INC.	Sent Correspondence	Social Risk	Awaiting Response
PERSIMMON PLC	Meeting	Climate Change	Moderate Improvement
PUBLIC SERVICE ENTERPRISE GROUP INC	Sent Correspondence	Climate Change	Dialogue
RENESAS ELECTRONICS CORP	Sent Correspondence	Climate Change	Dialogue
RIO TINTO GROUP (AUS)	Meeting	Governance (General)	Dialogue
RIO TINTO PLC	Meeting	Climate Change	Change in Process
ROCHE HOLDING AG	Sent Correspondence	Climate Change	Dialogue
ROHM CO LTD	Sent Correspondence	Climate Change	Dialogue
ROYAL DUTCH SHELL PLC	Meeting	Governance (General)	Dialogue
SAINSBURY (J) PLC	AGM	Environmental Risk	Dialogue
SANOFI	Sent Correspondence	Climate Change	Dialogue
SANWA HOLDINGS CORP	Sent Correspondence	Board Composition	Dialogue
SEAGATE TECHNOLOGY PUBLIC LIMITED COMPANY	Sent Correspondence	Climate Change	Dialogue
SOLVAY SA	Sent Correspondence	Climate Change	Dialogue

SSE PLC	Meeting	Climate Change	Change in Process
STANDARD CHARTERED PLC	Meeting	Climate Change	Dialogue
STMICROELECTRONICS NV	Sent Correspondence	Climate Change	Dialogue
SUMITOMO MITSUI FINANCIAL GROUP	Meeting	Board Composition	Moderate Improvement
SUNTORY BEVERAGE & FOOD LTD	Sent Correspondence	Social Risk	Awaiting Response
SWATCH GROUP AG	Sent Correspondence	Climate Change	Dialogue
THE CLOROX COMPANY	Sent Correspondence	Climate Change	Dialogue
THE KRAFT HEINZ COMPANY	Sent Correspondence	Social Risk	Awaiting Response
UNILEVER PLC	Sent Correspondence	Social Risk	Awaiting Response
VALE SA	Meeting	Human Rights	Dialogue

Voting Alerts

LAPFF issued 18 voting alerts this past year. Voting alerts are issued to members when it is felt that engagements need to be escalated. The chart below contains the companies and resolutions for which LAPFF issued voting alerts over the course of the year.

Company Name	AGM Date	Resolution	Recommended	FOR	AGAINST/ WITHHELD
Amazon	26/05/2021	4. Customer Due Diligence	FOR	34.79	63.77
Amazon	26/05/2021	5. Mandatory Independent Board Chair Policy	FOR	14.50	82.56
Amazon	26/05/2021	6. Additional Reporting on Gender/Racial Pay	FOR	25.77	73.70
Amazon	26/05/2021	7. Report on Promotion Data	FOR	17.91	81.35
Amazon	26/05/2021	8. Report on Packaging Materials	FOR	35.26	63.97
Amazon	26/05/2021	9. Diversity and Equity Audit Report	FOR	43.84	55.38
Amazon	26/05/2021	10. Alternative Director Candidate Policy	FOR	17.42	82.21
Amazon	26/05/2021	11. Report on Competition Strategy and Risk	FOR	33.26	65.35
Amazon	26/05/2021	12. Reduction in Threshold Calling Special Shareholder Meetings	FOR	34.03	65.69
Amazon	26/05/2021	13. Additional Reporting on Lobbying	FOR	34.71	64.78
Amazon	26/05/2021	14. Report on Customer Use of Certain Technologies	FOR	33.85	64.76
Barclays	05/05/2021	29. Market ces requisitioned resolution on climate change	FOR	14.04	85.96
BHP	14/10/2021	20. Approval of the Climate Transition Action Plan	OPPOSE		
BHP	14/10/2021	21. Amendment to the BHP Constitution	FOR		
BHP	14/10/2021	22. Climate-related Lobbying	FOR		
BHP	14/10/2021	23. Capital Protection	FOR		
BHP GROUP Ltd (AUS)	15/10/2020	23. Amendment to the Constitution of BHP Group Ltd	FOR	90.4	0.90
BHP GROUP Ltd (AUS)	15/10/2020	24 Cultural Heritage Protection	FOR	WITHDRAWN	
BHP GROUP Ltd (AUS)	15/10/2020	25. Lobbying related to Covid-19 Recovery	FOR	77.6	0.78
Booking Holdings	03/06/2021	1.2 Elect Glenn D. Fogel [Chief Executive]	OPPOSE	99.80	0.20
Booking Holdings	03/06/2021	1.7 Report on Annual Climate Transition	FOR	56.35	43.32
Booking Holdings	03/06/2021	1.8 Annual Investor Advisory Vote on Climate Plan	FOR	34.07	65.93
Delta Airlines	17/06/2021	5. Report on corporate climate lobbying in line with Paris Agreement	FOR	62.66	36.87
Expedia Group	09/06/2021	1.e Elect Barry Diller - Chair	OPPOSE	94.77	5.23
ExxonMobil	26/05/2021	1.1 Elect Director Michael J. Angelakis	OPPOSE	98.36	1.64
ExxonMobil	26/05/2021	1.2 Elect Director Susan K. Avery	OPPOSE	96.66	3.34
ExxonMobil	26/05/2021	1.3 Elect Director Angela F. Braly	OPPOSE	95.29	4.71
ExxonMobil	26/05/2021	1.4 Elect Director Ursula M. Burns	OPPOSE	97.82	2.18
ExxonMobil	26/05/2021	1.5 Elect Director Kenneth C. Frazier	OPPOSE	94.45	5.55
ExxonMobil	26/05/2021	1.6 Elect Director Steven A. Kandarian	OPPOSE	97.23	2.77
ExxonMobil	26/05/2021	1.7 Elect Director Douglas R. Oberhelman	OPPOSE	97.24	2.76
ExxonMobil	26/05/2021	1.8 Elect Director Samuel J. Palmisano	OPPOSE	93.22	6.78
ExxonMobil	26/05/2021	1.9 Elect Director Jeffrey W. Ubben	OPPOSE	98.09	1.91
ExxonMobil	26/05/2021	1.10 Elect Director Darren W. Woods	OPPOSE	94.49	5.51
ExxonMobil	26/05/2021	1.11 Elect Director Wan Zulkiflee	OPPOSE	93.37	6.63
ExxonMobil	26/05/2021	PROXY BLUE CARD			
ExxonMobil	26/05/2021	1.1 Elect Director Gregory J. Goff	FOR	87.40	12.60
ExxonMobil	26/05/2021	1.2 Elect Director Kaisa Hietala	FOR	92.74	7.26
ExxonMobil	26/05/2021	1.3 Elect Director Alexander A. Karsner	FOR	72.68	27.32
ExxonMobil	26/05/2021	1.4 Elect Director Anders Runevad	FOR	16.64	83.36
ExxonMobil	26/05/2021	4. Shareholder Resolution: Require Independent Chair	FOR	21.30	75.27
Facebook	26/05/2021	4. Shareholder proposal regarding dual class capital structure	FOR	27.68	72.06
Facebook	26/05/2021	5. Shareholder proposal regarding an independent chair	FOR	16.08	83.81
Facebook	26/05/2021	6. Shareholder proposal regarding child exploitation	FOR	17.19	82.43
Facebook	26/05/2021	7. Shareholder proposal regarding human/civil rights expert on board	FOR	4.06	95.70
Frasers Group	29/09/2021	3. Approve the Directors' Remuneration Policy	OPPOSE	84.92	15.08

Frasers Group	29/09/2021	4. Re-elect David Daly	OPPOSE	97.99	2.01
Frasers Group	29/09/2021	6. Re-elect David Brayshaw	OPPOSE	98.32	1.68
Frasers Group	29/09/2021	14. Approve the Executive Share Scheme	OPPOSE	86.59	13.41
Glencore	29/04/2021	1. Annual Report and Accounts	OPPOSE	98.22	0.73
Glencore	29/04/2021	5. Re-elect Peter Coates	OPPOSE	93.72	5.12
Glencore	29/04/2021	14. Approve Climate Action Transition Plan	FOR	89.27	5.34
Glencore	29/04/2021	15. Approve Remuneration Policy	OPPOSE	72.52	25.20
HSBC	28/05/2021	15. Climate Change Resolution	FOR	99.71	0.29
Mitsubishi UFG	29/06/2021	3. Resolution plan to align financing with the Paris Agreement	FOR	22.71	76.87
National Grid	26/07/2021	20. Approve 'net zero' commitment and associated targets	FOR	99.00	1.00
National Grid	26/07/2021	25. Approve new articles of association	FOR	99.77	0.23
Oracle Corporation	04/11/2020	5. Shareholder Resolution: Report on Gender Pay Gap	FOR	45.84	53.80
Oracle Corporation	04/11/2020	6. Shareholder Resolution: Require Independent Board Chair	FOR	35.52	64.44
Rio Tinto	29/04/2021	1. Annual Report and Accounts	OPPOSE	96.00	4.00
Rio Tinto	29/04/2021	5. Re-elect Megan Clark	OPPOSE	73.52	26.48
Rio Tinto	29/04/2021	8. Re-elect Sam Laidlaw	OPPOSE	95.13	4.87
Rio Tinto	29/04/2021	4. Re-elect Simon Thompson	ABSTAIN	98.88	1.12
Royal Dutch Shell	18/05/2021	20 Advisory Vote on Energy Transition Strategy	OPPOSE	88.74	11.26
Royal Dutch Shell	18/05/2021	21 Request climate targets aligned with Paris Agreement ('Follow This')	FOR	30.47	69.53
SSE	22/07/2021	19. Net Zero Transition Report	ABSTAIN	99.96	0.04
Tripadvisor	08/06/2021	1.1 Elect Gregory B. Maffei - Chair	OPPOSE	81.73	18.27

AGM Attendance

Most 2021 AGMs were still online, which both created and shut down opportunities for LAPFF to attend. While LAPFF was represented at the AGMs of two Chinese companies - attendance otherwise would not have been possible - shareholders continued to be excluded from other AGMs they would ordinarily have been allowed to attend. The list of AGMs LAPFF attended over the year is below.

ANGLO AMERICAN PLC	Human Rights	Dialogue
ARCELORMITTAL SA	Climate Change	Moderate Improvement
HUADIAN POWER INTL CORP LTD	Climate Change	Small Improvement
HUANENG POWER INTERNATIONAL	Climate Change	Change in Process
MORRISON PLC	Other	No Improvement
NATIONAL GRID PLC	Climate Change	Change in Process
RIO TINTO PLC	Human Rights	Dialogue
ROYAL DUTCH SHELL PLC	Climate Change	No Improvement
SAINSBURY (J) PLC	Environmental Risk	Dialogue
SSE PLC	Climate Change	Dialogue



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Members

LAPFF Fund Members

- Avon Pension Fund
- Barking and Dagenham (London Borough of)
- Barnet LB
- Bedfordshire Pension Fund
- Bexley (London Borough of)
- Berkshire Pension Fund
- Brent (London Borough of)
- Bromley (London Borough of)
- Camden (London Borough of)
- Cardiff and Vale of Glamorgan Pension Fund
- Cambridgeshire Pension Fund
- Cheshire Pension Fund
- City and County of Swansea Pension Fund
- City of London Corporation
- Clwyd Pension Fund
- Cornwall Pension Fund
- Croydon LB
- Cumbria Pension Scheme
- Derbyshire County Council
- Devon County Council
- Dorset County Pension Fund
- Durham Pension Fund
- Dyfed Pension Fund
- Ealing (London Borough of)
- East Riding of Yorkshire Council
- East Sussex Pension Fund
- Enfield (London Borough of)
- Environment Agency Pension Fund
- Essex Pension Fund
- Falkirk Council
- Gloucestershire Pension Fund
- Greater Gwent Fund
- Greater Manchester Pension Fund
- Greenwich Pension Fund
- Gwynedd Pension Fund
- Hackney (London Borough of)
- Hammersmith and Fulham (London Borough of)
- Haringey (London Borough of)
- Harrow (London Borough of)
- Havering LB
- Hertfordshire
- Hounslow (London Borough of)
- Islington (London Borough of)
- Kensington and Chelsea (Royal Borough of)
- Kingston upon Thames Pension Fund
- Lambeth (London Borough of)
- Lancashire County Pension Fund
- Leicestershire
- Lewisham (London Borough of)
- Lincolnshire County Council
- London Pension Fund Authority
- Lothian Pension Fund
- Merseyside Pension Fund
- Merton (London Borough of)
- Newham (London Borough of)
- Norfolk Pension Fund
- North East Scotland Pension Fund
- North Yorkshire County Council Pension Fund
- Northamptonshire Pension Fund
- Nottinghamshire County Council
- Oxfordshire Pension Fund
- Powys County Council Pension Fund
- Redbridge (London Borough of)

- Rhondda Cynon Taf
- Shropshire Council
- Somerset County Council
- South Yorkshire Pensions Authority
- Southwark (London Borough of)
- Staffordshire Pension Fund
- Strathclyde Pension Fund
- Suffolk County Council Pension Fund
- Surrey County Council
- Sutton (London Borough of)
- Teesside Pension Fund
- Tower Hamlets (London Borough of)
- Tyne and Wear Pension Fund
- Waltham Forest (London Borough of)
- Wandsworth (London Borough of)
- Warwickshire Pension Fund
- West Midlands Pension Fund
- West Yorkshire Pension Fund
- Westminster CC
- Wiltshire County Council
- Worcestershire County Council

LAPFF Pool Members

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

