

	Pensions Fund Sub-Committee 24 June 2021
	Report from the Director of Finance
LAPFF Engagement Report	

Wards Affected:	ALL
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	OPEN
No. of Appendices:	1. LAPFF Engagement Report Q1 2021
Background Papers:	<ul style="list-style-type: none"> ▪ N/A
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Minesh Patel, Director of Finance Ravinder Jassar, Deputy Director of Finance Flora Osiyemi, Head of Finance Sawan Shah, Senior Finance Analyst Saagar Raithatha, Finance Analyst

1.0 Purpose of the Report

- 1.1 This report is for noting and presents members with an update on the engagement activity undertaken by LAPFF (the Local Authority Pension Fund Forum) on behalf of the Fund. The Fund's commitment with LAPFF and its work demonstrates its commitment to Responsible Investment and engagement as a way to achieve its objectives.

2.0 Recommendation

- 2.1 The Committee is recommended to note this report.

3.0 Background of LAPFF

- 3.1 LAPFF (the Local Authority Pension Fund Forum) has 82 members, 7 pools and combined assets of £300bn. With investments widespread in many of the sectors, LAPFFs aim is to act together with the majority of the UK's local authority pension funds and pool companies to promote the highest standards of corporate governance in order to protect the long-term value of local authority pension funds.
- 3.2 Leading the way on issues such as executive pay, reliable accounting and a just transition to a net zero economy, the Forum engages directly with company chairs and boards to affect change at investee companies. LAPFF engages with companies and its stakeholders, such as employees and local communities, to understand their views on a company's behaviour and risks. Some issues extend beyond the behaviour of individual companies to the way markets function. The engagement is member led and on behalf of the Brent Pension Fund and other local authorities, LAPFF are able to challenge regulators and deliver reforms that advance corporate responsibility and responsible investment.
- 3.3 In October 2019, the Pension Sub-committee approved Brent Pension Fund's membership into LAPFF. Members of the Pension Sub-committee are welcome to attend meetings of the Forum. As a member of LAPFF, Brent Pension Fund are entitled to contribute to and participate in the work plan organised by the Forum around issues of common concern.

4.0 Engagement Report

- 4.1 The LAPFF policy on confidentiality requires that all company correspondence (letters and meeting notes) remain confidential; however LAPFF produce a Quarterly Engagement report to give an overview of the work undertaken. A short summary of key engagement work has been provided in this report. The full report is attached in Appendix 1 and highlights the achievements during the most recent quarter.

Engagement Conducted by LAPFF

- 4.2 Over the last quarter, LAPFF have engaged with National Grid regarding Climate Change in particular. Within the Climate Action 100+ initiative, National Grid has come to be identified as a 'leader' in many respects, not least due to its ambition to operate a zero-carbon electricity system in the UK by 2025 and for the entire company to be net zero by 2050. In engaging, LAPFF have continued to push on the long-term objective for the company to set targets for its scope 3 emissions and for it to identify a 1.5 degree scenario for the business. For National Grid, the biggest challenge for scope 3 emissions comes from the US electricity and gas distribution businesses and from the carbon-intensity of heat in UK homes. In October 2020, the company announced scope 3 carbon emission reduction targets for the electricity and gas sold to customers of 20% reduction by 2030. This was welcome, and LAPFF will look to continue

engagement and take further action where National Grid can better align the company with a 1.5 degree pathway.

- 4.3 The LAPFF chair engaged with HSBC on the group's approach to climate change, with a particular focus on the insurance side of the business, raising concerns over the lack of clarity on climate and business strategy. Following a resolution filing, LAPFF participated in a meeting in February 2021 hosted by Investor Forum with the CEO & Chair to discuss the resolution. The company has acknowledged that 'expansion of coal-fired power is incompatible with the goals of the Paris agreement, and has committed to phasing out coal-fired power and thermal coal mining in the EU and OECD by 2030 and other regions by 2040. Further, in line with the resolution, HSBC has committed to set, disclose and implement a strategy with short- and medium-term targets to align its financing across all sectors with the goals of the Paris climate agreement. It will use 1.5C pathways that are not overly reliant on negative emissions technologies.
- 4.4 LAPFF has been engaging with Vale and BHP for around two years now in relation to both the Samarco and Brumadinho dam collapses. Samarco is a particular concern in relation to the time it is taking to make appropriate reparations. LAPFF will continue to engage with BHP, Vale and the affected communities in the hopes of speeding up reparations. It will check in monthly with the communities to ensure that it has the accurate number of houses to post on the LAPFF website. This process highlights the importance of ensuring that companies prevent these types of disasters.
- 4.5 In January 2021, multiple media articles came to light about Chartwell (a subsidiary of Compass Group Plc) and its contract awarded by the government to supply £30 for free school meals. The articles and pictures of school meals in the press presented what a family had been supposedly been provided for ten days and were highly critical of the allocation. Cllr McMurdo immediately reached out to Compass Group to ascertain what had gone wrong in Chartwell's supply chain. He asked why there had been governance failings and what was being done to ensure this did not happen again. After a thorough conversation around where these failings had happened and why, Compass discussed how it was ensuring that this would not happen again with more thorough procedures in place in certain parts of theirs and Chartwell's business operations, to ensure that all food parcels were of adequate standard. Compass also publicly made a commitment that free breakfast was going to be included in the food parcels for every child eligible for free school meals from the 25th of January, as a gesture of goodwill.
- 4.6 During January 2021, LAPFF met with Tesco to discuss the company's long-term strategy relating to health and nutrition. Part of the objective of this engagement was to encourage the company to disclose metrics relating to the proportion of healthy versus unhealthy produce available to customers and to set relevant targets to improve the availability of healthy items. This engagement aligns with the Healthy Markets initiative being coordinated by ShareAction. Tesco outlined that it already collected data relating to health and nutrition. Since the engagement took place, ShareAction has announced the

filing of a resolution at the upcoming Tesco AGM requesting that the company disclose the share of total food and non-alcoholic drink annual sales by volume made up of healthier products and publish a target to significantly increase that share by 2030. LAPFF is monitoring the company response to the shareholder resolution and will issue guidance to members in due course.

- 4.7 The Forum met with General Motors (GM) and Volkswagen (VW). Both companies outlined their commitments to investing in and scaling up electric vehicle production. VW stated that it was committed to achieving net zero by 2050 and highlighted the reputational damage to the company caused by the emissions scandal. GM stated that it was aiming for an all-electric future, was aiming for carbon neutrality, and was working with the Science-Based Taskforce Initiative on this aim. Two weeks after the engagement GM formally announced its plans for carbon neutrality by 2040 in products and operations and its aspiration to eliminate tailpipe emission for light-duty vehicles by 2035. The meeting also covered the level of investment in carbon reduction methods relative to other carmakers in electric vehicles and when price parity between electric and internal combustion engine vehicles would be achieved. At both meetings, the just transition to net zero was discussed. This discussion included assurances from both companies about how they were seeking to support their workforce and ensure high standards within their supply chain, including the human rights of miners in Congo.

5.0 Financial Implications

- 5.1 Not applicable.

6.0 Legal Implications

- 6.1 Not applicable.

7.0 Equality Implications

- 7.1 Not applicable.

8.0 Consultation with Ward Members and Stakeholders

- 8.1 Not applicable.

9.0 Human Resources

- 9.1 Not applicable.

Report sign off:

Minesh Patel
Director of Finance