

	<b>Pension Fund Sub-Committee</b> 27 <sup>th</sup> June 2023
	<b>Report from the Corporate Director</b> <b>Finance and Resources</b>
<b>Local Authority Pension Fund Forum Engagement Update</b>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Non-Key
<b>Open or Part/Fully Exempt:</b> (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
<b>No. of Appendices:</b>	One: Appendix 1 - LAPFF Engagement Report - Q1 2023
<b>Background Papers:</b>	N/A
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## 1.0 Purpose of the Report

- 1.1 This report is for noting and presents members with an update on 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 87 members, 6 pools and combined assets exceeding £350bn. With investments widespread in many 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 campaigns against excessive executive pay, environmental and human rights campaign, 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 Fund 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 summary of key engagement work has been provided in this report. However, the full report is attached in Appendix 1 and highlights the achievements during the most recent quarter.

### **Engagements Conducted by LAPFF**

#### **Say on Climate**

4.2 Despite the financial risks posed to investors by climate change, shareholders do not have a specific vote at AGMs on a company's approach regarding the transition to net zero. This is an issue raised by LAPFF through a joint letter to the FTSE All-Share ahead of the 2022 AGM season, requesting that boards provide the opportunity for shareholders to support their greenhouse emission

reduction strategies with an appropriate resolution on AGM agendas. This includes a 'Say on Climate' vote, an initiative for firms to establish robust net zero transition plans with shareholder feedback.

- 4.3 In response to LAPFF's joint letter most firms did not intend to hold a Say on Climate vote, outlining their existing climate plans and shareholder engagement, however, other firms stated their intention to hold a vote every three years to approve their triennial climate plan. LAPFF will continue to engage with companies so that shareholders can express their views about their climate strategies.

### **McDonald's**

- 4.4 LAPFF met with McDonald's as part of a coalition of investors to discuss the company's approach to managing environmental risks across its agricultural supply chain. The Valuing Water Finance Initiative (VWFI) have identified McDonald's as a company with significant exposure to water-related risks, prompting a water risk assessment which the company had undertaken in 2020. To date, they have failed to disclose the results of their investigation. LAPFF have since pushed McDonald's to disclose their findings, with the aim of providing key stakeholders with a better understanding of material risks facing the company.
- 4.5 The 203 VWFI benchmark established by the Valuing Water Finance Initiative will be used by LAPFF to measure the company performance of McDonald's and the extent to which its disclosure on the issue will improve.

### **Nestlé**

- 4.6 Nestlé has a crucial role to play in many parts of its operations, on issues such as the climate crisis, plastics, nutrition and human rights. Chair of Nestlé, Paul Bulcke, hosted a roundtable with investors in March, providing a high-level overview of the company's financial and ESG strategies. LAPFF will continue to monitor Nestlé's progress in these areas and will continue to support ShareAction's Healthy Markets engagement as it progresses.

### **Amazon**

- 4.7 Amazon has faced criticism in the press for not upholding adequate standards on freedom of association, which holds the right of everyone to form and to join trade unions for the protection of their mutual interests. Consequently, LAPFF signed a joint investor letter initiated by Canadian shareholder organisation, SHARE, to request that Amazon take steps to meet the requests on freedom of association set out in SHARE's shareholder resolution to Amazon's 2022 AGM.
- 4.8 LAPFF has participated in The Big Tent group of investors that have sought meaningful engagement with the company, and LAPFF will seek to continue to engage through this group to obtain progress in this area.

## **General Motors**

- 4.9 Road transportation is a major contributor to global emissions, with the industry facing tightening regulation on emissions standards as a result. Consequently, investors are seeking to ensure that car companies are managing these risks effectively by setting targets and taking action to shift production to electric vehicles. LAPFF is a member of the CA100+ transport group which engages with the largest emitters from the automotive sector.
- 4.10 LAPFF participated in a CA100+ meeting with General Motors, which addressed the impact of the US Inflation Reduction Act and how GM will reach its targets in line with public policy which includes having capacity in excess of one million electric vehicle units in both North America and China by 2025.

## **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***

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Resources