



**Brent Pension Fund Sub-Committee**

04 October 2023

**Report from the Corporate Director of Finance and Resources**

**LAPFF Engagement Report**

<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>List of Appendices:</b>	One: Appendix 1 - LAPFF Engagement Report Q2 2023
<b>Background Papers:</b>	N/A
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**1.0 Executive Summary**

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(s)**

2.1 The Committee is recommended to note this report.

### **3.0 Detail**

#### **3.1 Contribution to Borough Plan Priorities & Strategic Context**

3.1.1 The work of the Pension Fund is critical in ensuring that it undertakes statutory functions on behalf of the Local Government Pension Scheme and complying with legislation and best practice. Efficient and effective performance and service delivery of the Pension Fund underpins all Borough Plan priorities.

#### **3.2 Background of LAPFF**

3.2.1 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.

3.2.2 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.

3.2.3 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 Engagements Conducted by LAPFF**

4.1.1 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.

#### **4.2 AGM Season**

- 4.2.1 LAPFF attended six AGMs and drafted over 50 climate related shareholders resolutions. LAPFF also issued 55 voting recommendations for environmental, social and governance (ESG) resolutions at mining companies and technology companies.
- 4.2.2 A voting alert was issued by LAPFF for Starbucks this year in support of a shareholder resolution calling for the company to uphold better practices on freedom of association and collective bargaining. This resolution was supported by a 52 percent of the shareholder vote.
- 4.2.3 Oil and gas companies and banks were a further area of focus for LAPFF this AGM season. LAPFF supported the 'Follow This' resolutions at BP and Shell. The resolution received nearly 15 percent support and over 20 percent support respectively.
- 4.2.4 LAPFF also raised concerns about HSBC's approach to human rights and engaged extensively with Barclays.
- 4.2.5 LAPFF Vice Chair, Cllr Rob Chapman, attended the Drax AGM on the back of a LAPFF voting alert that raised significant concerns about the company's climate practices and reporting in this area.
- 4.2.6 LAPFF will continue to issue voting alerts throughout the year as appropriate.

### **Technology Voting Alerts**

- 4.3 LAPFF has issued voting alerts largely supporting ESG shareholder resolutions filed at technology companies. In LAPFF's experience, US companies do not have a culture of engaging with investors in the way that UK and Australian companies do. Therefore, while voting alerts are part of an engagement escalation strategy in most markets, LAPFF often issues voting alerts as an initial point of engagement. LAPFF continues to have concerns about corporate governance and social practices at large US technology companies.
- 4.4 LAPFF issued voting alerts for Amazon, Tesla, Meta Platforms, and Alphabet, supporting shareholder resolutions on platform content and improved corporate governance practices, among others.

### **4.5 Report on Visit to Brazil**

The report of LAPFF's findings from this visit has now been made public.

- 4.5.1 The report flags a host of human rights and environmental concerns that have yet to be addressed in the wake of the Mariana dam and Brumadinho dam disasters. Apart from issues related to housing, health, and livelihoods, the impact on cultural rights was a prominent problem for affected community members to whom LAPFF spoke throughout the visit.

4.5.2 Among the range of environmental impacts noted in conversations with affected community representatives, severe concerns about water quality and availability arose consistently.

4.5.3 There were underlying concerns about the companies' failure to engage meaningfully and effectively with all communities affected by all three of the companies' mining operations.

## **4.6 Collaborative Engagements**

### **Toyota – CA100+**

4.6.1 This quarter LAPFF signed onto a letter to Toyota which called on the company to align its strategy and lobbying activity within 1.5 degrees of global warming scenario. LAPFF also met with the company as part of the collaborative engagement. The meeting covered proposed US regulations and the company's likely position towards it.

4.6.2 LAPFF will continue to engage with Toyota, and other carmakers, to ensure that plans for EV production are aligned to a 1.5 degree pathway and also ensure alignment of public policy positions with the Paris agreement.

### **National Grid – CA100+**

4.6.3 LAPFF's aim in engaging National Grid is to ensure that the company remains at the forefront of the energy transition. Detailed analysis reveals substantial issues – gaps in disclosure and transition plans, particularly on climate lobbying and a just transition. LAPFF's leadership of the group held meetings with the company, giving it the chance to explain its concerns and suggest best practice.

4.6.4 The company has acknowledged some of LAPFF's comments. Shortly before its AGM, the company announced that it would publish a comprehensive review of its climate lobbying activities, a key demand of LAPFF and other CA100+ members. The company has also publicised a policy proposal for addressing the delays in grid connection which is a welcome development.

## **4.7 Stakeholder Engagement**

### **OECD Forum on Responsible Supply Chains**

4.7.1 LAPFF asked to present at a side event of the OECD Forum on Responsible Supply Chains. The aim of the presentation was to share LAPFF's learning from its visit to Brazil.

4.7.2 Several participants were impressed with LAPFFs work in the area that they wanted to learn more about LAPFFs experience. LAPFF is continuing to engage with these contacts and others made through them to explore opportunities to develop this work stream further.

## **Mining Communities and Workers.**

4.7.3 LAPFF's aim in meeting the communities affected by mining companies is to listen to the communities' experiences in order to understand better any operational, reputational, legal, and/or financial risks associated with its members' investments. LAPFF also meets with trade union representatives and hears from workers at investee companies where possible to inform its engagements with these companies.

4.7.4 LAPFF met with community representatives from the US, Serbia, Madagascar, Papua New Guinea, Mexico, Peru, Colombia, and Brazil to hear about their experiences with Rio Tinto, Anglo American, and Vale.

4.7.5 LAPFF also virtually attended a 'pre-AGM' meeting hosted by ShareAction and IndustriALL in relation to Glencore where trade union leaders and community members from a range of countries.

## **5.0 Stakeholder and ward member consultation and engagement**

5.1 There are no direct considerations arising out of this report.

## **6.0 Financial Considerations**

6.1 There are no direct financial considerations arising out of this report.

## **7.0 Legal Considerations**

7.1 There are no legal considerations arising out of this report.

## **8.0 Equality, Diversity & Inclusion (EDI) Considerations**

8.1 There are no equality considerations arising out of this report.

## **9.0 Climate Change and Environmental Considerations**

9.1 The Brent Pension Fund is committed to being a responsible investor, which involves engaging with and encouraging companies to take positive action on environmental, social and governance (ESG) issues.

## **10.0 Human Resources/Property Considerations (if appropriate)**

10.1 There are no HR or property considerations arising out this report.

## **11.0 Communication Considerations**

11.1 There are no communication considerations arising out of this report.

**Report sign off:**

***Minesh Patel***

Corporate Director of Finance and Resources