

	<p align="center">Brent Pension Fund Sub-Committee 1 August 2024</p>
	<p align="center">Report from the Corporate Director of Finance and Resources</p>
<p>Local Authority Pension Fund Forum (LAPFF) Engagement Report</p>	

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
List of Appendices:	One - LAPFF Engagement Report Q1 2024
Background Papers:	N/A
Contact Officer(s):	<p>Minesh Patel Corporate Director, Finance and Resources (minesh.patel@brent.gov.uk)</p> <p>Amanda Healy Deputy Director of Finance (amanda.healy@brent.gov.uk)</p> <p>Sawan Shah Head of Finance (sawan.shah@brent.gov.uk)</p> <p>George Patsalides Finance Analyst (george.patsalides@brent.gov.uk)</p>

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 to achieve its objectives.

2.0 Recommendation(s)

2.1 The Committee is recommended to note this report and express their view on Brent's continued membership of LAPFF.

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.

4.0 Background to LAPFF

- 4.1 LAPFF (the Local Authority Pension Fund Forum) has 87 members, 7 pools and combined assets exceeding £350bn. With investments widespread in many sectors, LAPFF's 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.
- 4.2 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.
- 4.3 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.
- 4.4 Collaboration with other investors has the potential to strengthening the voice of Pension Funds, influence major companies on key ESG issues and help drive real-world change. Examples of the work carried out by LAPFF are provided below and in previous engagement reports to the committee. Individual funds, like Brent, engaging with companies on their own are unlikely to much of an impact and the Fund would require significant resources to do so effectively. Therefore, membership of collaboration groups such as LAPFF is considered to be more efficient whilst also likely to have greater impact.
- 4.5 As proponents of responsible investment, officers recommend that the Brent Pension Fund continues its membership of the LAPFF in light of the positive work done to further our commitment to corporate responsibility. Membership of the Forum has an annual cost of £11,850. We would invite the Sub-

Committee to express their view on the Brent Pension Fund continuing as a member of LAPFF.

5.0 Engagements Conducted by LAPFF

5.1 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. The full report is attached in Appendix 1 (for Q1 2024) and highlights the achievements during relevant periods.

Banking

5.2 LAPFF's objective in engaging with the banking and finance sector is to see that banks develop and implement clear policies with evidence of progress in moving capital away from the fossil fuel sector and encourage other companies to transition accordingly. From the perspective of the banks, financing the energy transition represents a significant and growing business opportunity, while lending to the fossil fuel sector carries with it the risks of "stranded assets" and potential reputational damage. In particular, HSBC and Barclays still have significant exposure to the fossil fuel sector and are among the largest lenders to the infrastructure and energy sectors.

5.3 LAPFF was satisfied to see HSBC publishing a clear transition plan for 2024, which outlined significant financing opportunities in Asia and their integrated climate assessment process when lending. By contrast, the Forum has levied criticism on Barclays for a lack of meaningful policy in this area, as well as its continued investment in new fossil fuel projects.

5.4 In response to this, the bank has issued a new and updated climate change statement, which considers the IEA's (International Energy Agency) net zero energy scenario, where no new oil and gas projects will be needed if we are to achieve net zero by 2050. Key highlights include a commitment to provide no project finance or other direct finance to oil and gas companies for new upstream oil and gas "expansion" projects and a commitment to withhold financing to new oil and gas clients if more than 10% of their total planned oil and gas capital expenditure is for new upstream projects. The statement is a major step forward for the company and helps address some of LAPFF's key concerns.

5.5 Following LAPFF's successful engagements in the banking sector, the Forum has expanded its scope by approaching five Canadian banks to discuss their transition plans and climate related lending operations because the Canadian banks can be seen as laggards on climate action, with several having increased their lending to the oil and gas industry in recent years.

Water stewardship

- 5.6 Over the past two years, LAPFF has been challenging UK water utility companies in the wake of sewage overflows. Engagements in this area have sought to ensure utility firms are taking appropriate action to remedy the situation and in turn reducing investment risks arising from reputational damage. The scope of these engagements has expanded to assessing the financial resilience of the sector, in consideration of the situation at Thames Water.
- 5.7 LAPFF has met with the CFO of United Utilities to discuss their plans for managing sewage overflows under Ofwat's price review process, which included investment strategies to improve environmental performance and deliver value for money. The Forum continues to press water utility firms to ensure plans are being delivered and that critical infrastructural failures are being remedied.

Luxury goods

- 5.8 Legislation globally is increasingly incorporating human rights considerations, including potential fines for companies found to have forced labour or other human rights abuses in their supply chains. There can be a common misconception that paying a premium for luxury items directly translates into better wages and working conditions for workers. However, the luxury goods sector, like many others, is not immune to the challenges and risks associated with human rights violations, such as forced labour, child labour, unsafe working conditions, and inadequate wages.
- 5.9 During the quarter, LAPFF engaged with five luxury goods companies, several of which were new engagements for the Forum. Meetings were held with key industry players, such as Richemont SA, Kering SA, and Louis Vuitton. These engagements provided LAPFF with valuable opportunities to initiate dialogues, aiming to establish good relationships and gain a deeper understanding of the companies' current practices. Moreover, these discussions allowed LAPFF to present an investor's perspective on why enhanced disclosures are critical, demonstrating a company's commitment to mitigating legal and reputational risks associated with human rights issues.
- 5.10 LAPFF will continue to monitor these companies' practices and disclosures, providing feedback and recommendations as necessary to ensure that human rights considerations are being adequately addressed and integrated into their business models and supply chain operations. LAPFF has calls scheduled with Moncler and Burberry for Q2 2024 and will aim to build on the initial engagements held with companies in Q1.

Transport

- 5.11 Transport is a major contributor to global carbon emissions. Limiting global warming to 1.5C requires a rapid shift away from internal combustion engine vehicles towards electric vehicles. To support this transition, adequate charging infrastructure is required to overcome charging anxiety. LAPFF sought to

understand progress in scaling up charging infrastructure and the challenges of delivering charging points for a charging point producer.

- 5.12 LAPFF met with an ABB E-mobility representative to discuss electric charging infrastructure. The Swedish-Swiss company is a major player in charging infrastructure and describes itself as the world's number one in EV charging solutions. The engagement covered the impact of regulation in the EU and US, which was starting to increase the requirements on charging, the impact on demand of the price of EVs, future-proofing technology, and how the interoperability of connectors was becoming less of a barrier. LAPFF will continue to engage those in the EV charging infrastructure sector given its critical role to the decarbonisation of surface transport.

Mining

- 5.13 Continuing its work with mining companies and affected communities, one of the main objectives of LAPFF's work on mining and human rights is to make other investors and stakeholders aware of these financial risks. To this end, LAPFF issued a report on its visit to Brazilian communities affected by tailings dams, as well as attending the Mining Indaba in Cape Town, South Africa, an annual convention to discuss issues surrounding mining activity.
- 5.14 While the Forum members were reassured by discussions on health and safety, they noted a lack of representation of mining workers and affected community members in attendance, as well as a lack of planning to transition away from coal in relation to climate change activity. Although LAPFF accepts that there must be a managed decline of coal, the Forum would have expected a clear timeline to transition away from the fuel, in addition to more concrete plans for the JET (Just Energy Transition). LAPFF will continue its partnership with the UN Working Group and other stakeholders to inform best practice on mining and human rights, while linking the work done to financial materiality for investors.

6.0 Stakeholder and ward member consultation and engagement

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

7.0 Financial Considerations

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

8.0 Legal Considerations

- 8.1 There are no legal considerations arising out of this report.

9.0 Equality, Diversity & Inclusion (EDI) Considerations

- 9.1 There are no equality considerations arising out of this report.

10.0 Climate Change and Environmental Considerations

10.1 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.

11.0 Human Resources/Property Considerations (if appropriate)

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

12.0 Communication Considerations

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

Report sign off:

Minesh Patel

Corporate Director of Finance and Resources