

	Brent Pension Fund Sub-Committee 24 June 2025
	Report from the Corporate Director of Finance and Resources
	Lead Member – Deputy Leader & Cabinet Member for Finance & Resources (Councillor Mili Patel)
LAPFF Engagement Report	

Wards Affected:	All
Key or Non-Key Decision:	Not Applicable
Open or Part/Fully Exempt:	Open
List of Appendices:	One Appendix 1: LAPFF Engagement Report March 2025
Background Papers:	N/A
Contact Officers:	Minesh Patel, Corporate Director, Finance and Resources 020 8937 4043 (minesh.patel@brent.gov.uk) Amanda Healy, Deputy Director Investment & Infrastructure 020 8937 5912 (amanda.healy@brent.gov.uk) Sawan Shah, Head of Finance 020 8937 1955 (sawan.shah@brent.gov.uk) George Patsalides, Finance Analyst (george.patsalides@brent.gov.uk)

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.

3.0 Detail

3.1 Contribution to Borough Plan Priorities & Strategic Context

- 3.2 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.

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 March 2025) and highlights the achievements during the relevant period.

Water Stewardship

- 5.2 The United Nations warns of a 40% global water shortfall by 2030 if current consumption trends continue. With freshwater consumption outpacing replenishment rates, it is becoming increasingly difficult to meet water needs and achieve the United Nations' Sustainable Development Goal for Water (SDG 6).
- 5.3 LAPFF engages with investee companies, including those in the mining sector, to address critical water-related risks. As water scarcity becomes an increasing threat, LAPFF advocates for companies to develop holistic water stewardship strategies that ensure responsible water use, protect ecosystems, and mitigate environmental risks associated with water shortages.
- 5.4 In one such engagement, LAPFF held its first meeting with Australian mining company Fortescue Metals Group in Q1, focusing on water management. The meeting provided a valuable opportunity to establish dialogue with the company and gain insight into its approach to water stewardship. Fortescue Metals outlined ongoing internal water assessments at its Pilbara mining sites in Western Australia, including the Western, Chichester, and Solomon hubs, reporting that its water targets for these sites are either met or in progress, with full achievement expected by 2025. LAPFF will continue to monitor these targets and seek access to relevant data and methodologies used in the assessments going forward.
- 5.5 The discussion also addressed challenges at Fortescue's Iron Bridge magnetite mining site, where leaking pipes have resulted in loss of water resource and delayed production progress. The company indicated that pipe issues are being resolved, through water flow adaptations rather than pipe replacement, allowing production to ramp up.
- 5.6 Through ongoing engagement and dialogue with companies, participation in initiatives such as the VWFI, and continuous monitoring of corporate progress, LAPFF remains committed to advocating for more robust, measurable, and equitable water management practices across high-impact sectors.

Banking & Financing Fossil Fuels

- 5.7 LAPFF continues to engage with the banking sector, recognising its pivotal role in financing the transition to a decarbonised economy, with a particular focus on energy supply. The objective of LAPFFs engagements in this sector is to accelerate the transition to zero-carbon energy sources, in alignment with global climate change mitigation goals and the COP 2023 focus on phasing out fossil fuels. LAPFF aims to encourage the diversion of capital away from new fossil fuel extraction and promote the rapid expansion of clean energy. LAPFF's engagement with the banking sector aims to ensure that financiers integrate climate and transition factors into their lending practices, particularly when financing fossil fuel producers and low-carbon alternatives, and in doing so, supporting the broader shift to sustainable energy.
- 5.8 LAPFF engaged with NatWest with a focus on the bank's financing of the fossil fuel industry, particularly its approach to defining "credible transition plans." This issue has been under intense media scrutiny due to NatWest's continued financing of oil and gas giant BP, this despite BP's rollback on climate commitments described earlier in this report and NatWest having a policy in place which supposedly limits the provision of services to companies which do have a credible transition plan in place.
- 5.9 While NatWest reaffirmed its commitment to aligning its financing decisions with climate goals, particularly in the oil and gas sector, the meeting highlighted some potential concerns in its approach. When pressed on the matter, NatWest acknowledged the complexities of defining a 'credible transition plan' and noted the difficulty in determining appropriate plans for companies at different stages of their transition journey, particularly as these plans tend to evolve over time
- 5.10 NatWest's emphasis on transparency and open dialogue with LAPFF is welcomed, but its overall strategy remains under scrutiny. LAPFF will continue to monitor the bank's progress to ensure that its actions align with its stated climate goals.

Governance

- 5.11 LAPFF believes UK board structures should align with the principles of the UK Corporate Governance Code. This includes ensuring a balanced mix of executive and non-executive directors with diverse experience who can act independently and hold management accountable. A careful balance in the composition of the board is crucial, as boards with an overrepresentation of executives may dilute the influence of independent directors.
- 5.12 LAPFF revisited governance concerns in a follow up meeting with Vistry Group, following a September 2024 discussion on decarbonisation. This meeting primarily focused on the company's dual CEO and Chair role, held by Greg Fitzgerald since 2024.

- 5.13 While Vistry defended the structure, pointing to shareholder support and internal governance processes, LAPFF expressed concerns about power concentration, the independence of non-executive directors, and long-term governance stability. LAPFF acknowledged that a significant portion of Vistry's shareholders are based in the US, where the dual CEO and Chair role is more common. However, the Forum emphasised that this structure does not align with best practices in the UK, where Vistry is headquartered.
- 5.14 LAPFF is committed to maintaining an ongoing dialogue with the company, and Vistry has welcomed further discussion as the governance structure evolves to ensure a balanced and accountable leadership framework.

Nature

- 5.15 Since Nature Action 100 (NA100) published its benchmark in October 2024 LAPFF has worked within investor groups to refine the asks of companies. This follows a series of calls that largely set out investor expectations within NA100 and aimed to gain a better understanding of how companies were approaching nature risk. The investor group that LAPFF works within for Procter & Gamble (P&G) had met with the company once and sought a subsequent meeting with the company, focusing on the 'Assessment', 'Target Setting' and 'Governance' pillars.
- 5.16 P&G provided positive updates on its progress with the TNFD process, including working through the framework and refining its biodiversity disclosures. The company acknowledged transparency gaps in biodiversity impact assessments but highlighted commitments to align with TNFD by 2026. On deforestation, P&G outlined its approach, which includes third-party certification, satellite monitoring covering 98% of its palm oil supply, and a grievance mechanism for non-compliance.
- 5.17 LAPFF will continue to engage as part of the NA100 initiative and intends to advance discussions beyond the initial engagement phase, which was aimed at understanding corporate approaches to nature risk.

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