



**Quarterly  
Engagement  
Report**

April-June  
2021



**Shell, Exxon,  
ArcelorMittal,  
National Grid,  
Tesco,  
Hanwha**

## CLIMATE EMERGENCY



# Shell Pushed to the Brink on Climate

**Objective:** LAPFF has engaged with Shell for many years, including as a participant in the CA100+ initiative. The objective has been to see a clear and credible business transition path towards net zero by 2050, with appropriate reductions in all emissions prior to 2050 in order to reach that goal.

**Achieved:** LAPFF is a member of CA100+ and the Shell engagement group, and along with several other members was concerned about the commitment Shell had to becoming net zero. The two lead engagers entered into a non-disclosure agreement with the company, therefore privy to Shell's approach whilst unable to inform other members of the group until after the public statements in support were made. Shell's approach was released in February 2021. LAPFF had however analysed what was said perhaps more fully and sceptically than others,

and LAPFF recommended voting against Shell's climate transition resolution and for the resolution of campaign group Follow This.

The Shell resolution at the 18 May AGM passed with 11% opposition, but 30% of voting shareholders voted in favour of the Follow This resolution. However, on 26 May a Dutch Court concluded that Shell's plans were inadequate on each of the points that LAPFF had highlighted. These were:

- that the small print showed the proposal was not incorporated into operating plans or budgets and that these things would only occur when Shell's customers had made adjustments;
- that the proposals for Carbon Capture and Storage and Nature Based solutions were ill-defined (as well as not in budgets or operating plans);

- that emissions were based on discredited "intensity" measures rather than absolute emissions; and
- that there were no targets for emissions reduction by 2030.

In consequence the Court has required that Shell reduce its global absolute emissions by 45% by 2030 with reference to 2019 emissions in order to begin to meet Paris goals.

**In Progress:** The company has indicated it intends to appeal the judgment. The current plan from LAPFF is to engage with the incoming chair, Sir Andrew Mackenzie. A key issue for discussion is why LAPFF and the Courts were able to draw the same conclusion despite a considerable public relations effort to push the opposite. The key lesson from Shell is that LAPFF engages as part owners of the company, not default supporters of incumbent management.

# CLIMATE EMERGENCY

Media coverage - [LAPFF urges member funds to oppose Shell climate strategy - Pensions Age Magazine](#)  
[UK public pension forum recommends vote against Shell on climate - News, IPE Pension Forum LAPFF Recommends Members Vote Against Shell Climate Plan - ESG Today](#)

UPDATE 2-[Shell climate plan should be opposed at AGM - funds group - Reuters UK pensions group recommends members oppose Shell's climate strategy at AGM - Nasdaq](#)  
[Shell climate plan should be opposed at AGM - funds group - Euronews](#)  
[Shell Climate Plan Should Be Opposed At AGM Says Funds Group - Checkout](#)

## Exxon Board Overhauled

**Objective:** Exxon has for years been a poster child for climate change denial, despite evidence that extensive Exxon research had identified the harmful effects of climate change decades ago. Consequently, investors – including LAPFF – have voted for a number of years now to overhaul the Exxon board.

**Achieved:** The requests from LAPFF to meet with members of the Exxon board were consistently fobbed off, including as recently as the spring of this year. In light of these refusals, it was not a difficult decision to issue advice to back a slate of four directors proposed by hedge fund Engine No.1 and vote against the election of other members.

The first signs that things were not going the way the company would like was an unscheduled one and a half hour gap in the company's AGM on 26 May. At the time of writing, the votes have still not been fully counted and announced. However, Exxon has stated that three of the Engine No. 1 candidates have been elected to the board and three of the board nominated candidates were not.

**In Progress:** In light of this tremendous result of shareholder activism, LAPFF hopes to be able to engage with new board members.

## Say on Climate Ramps Up

**Objective:** LAPFF has been speaking with Sir Chris Hohn, of The Children's Investment Fund Management, who came up with an idea to press companies to put their climate plans and strategies to vote



Sir Chris Hohn, of The Children's Investment Fund Management,

at AGMs in much the way that say on pay votes take place currently. The goal of this initiative is to allow shareholders the opportunity to hold all companies more accountable for their carbon management activities, not just those with high carbon emissions.

**Achieved:** While there have been mixed views on this initiative, there have been a number of positive outcomes from these votes. For example, LAPFF was able to use Shell's say on climate resolution to express significant concerns about the company's climate plans. It is also putting pressure on companies that did not bring such resolutions to their AGMs this year to do so next year. Anglo American announced at its 2021 AGM that it will bring an advisory resolution on its climate plans to the 2022 AGM, joining a number of other companies making this commitment. Finally, this initiative is driving clarity for investors on how to assess company climate initiatives. Several organisations have come together to rate company plans on a number of factors, such as targets and strategy, in particular the Climate Action 100+ benchmark. These analyses help investors to understand and evaluate company climate plans in a systematic and strategic manner.

**In Progress:** Some commentators have expressed concern that the Say on Climate initiative misses the mark and deflects attention from real action, such as voting out board directors. However, we have seen this year with the Exxon board debacle that investors can do both and indeed the Say on Climate initiative emphasizes the fact that 'annual shareholder votes on climate transition action plans are complementary to other votes

on critical climate matters, such as disclosure, audit and other board votes. As this initiative develops and investors gain a better sense of what to ask of companies, it seems likely that say on climate resolutions will be an important tool in the arsenal of responsible investors seeking to press companies in the right direction on climate.

## National Grid

**Objective:** A meeting was held with National Grid representatives as part of the ESG roadshow the company is undertaking prior to the July AGM. LAPFF Vice Chair Cllr Rob Chapman, together with other lead CA100+ investors, met with Steve Thompson, Environmental Sustainability Manager and Nick Ashworth Director of Investor Relations. The primary objective for LAPFF was to assess company progress against the CA100+ benchmark in anticipation of questions to put to the chair prior to the 2021 AGM and the resolution for an advisory vote on the group net zero transition plan, ie. a 'say on climate' vote.

**Achieved:** The company has now set a new Scope 3 target to reduce carbon emissions 37.5% below the 1990 baseline by 2034, up from the previous target of 20% by 2030. This target is aligned with the science-based targets initiative. Scope 3 emissions are by far the largest proportion of the company's emissions, and, having signed up to the science-based targets initiative, it is welcome to see this amended mid-term concrete target. Although National Grid is buying WPD Group, the UK's largest electricity distribution business, it is still devoting attention to including hydrogen in the domestic gas supply. Concerns were raised about this focus and the potential of locking in stranded assets.

**In Progress:** A meeting is scheduled with the new chair, Paula Rasput Reynolds in July, prior to the late July AGM.

## ArcelorMittal

**Objective:** At a meeting in May, Cllr Chapman led a collaborative investor meeting to ascertain if there was an increased focus on hydrogen as opposed to processes reliant on carbon capture

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and storage (CCS) to ensure all procedures were in place to input questions to the AGM, and to ask if the company would consider a 'say on climate' vote at its 2022 AGM.

**Achieved:** Company representatives indicated there had always been an emphasis of hydrogen, even if it wasn't reported in that way and the recent

separation of hydrogen and 'smart carbon' in their reporting showed this. However, more information was provided on ArcelorMittal's electrolysis technology, the company's Siderwin project on which it is collaborating with 11 partners, which shows a lot of potential. The company agreed to liaise on AGM arrangements. Subsequent to this, LAPFF received

correspondence indicating that the CA100+ benchmark would be referenced in their next Climate Action report.

**In Progress:** The second group-wide Climate Action report has been much delayed but is due to be published around the end of June, after which a further meeting will be sought.

## Mining and Human Rights

**Objective:** During the quarter, LAPFF aimed to raise the link between human rights and financial performance at mining companies. The impetus for this angle on the engagement has come from speaking with mining companies for whom law suits and fines spanning many years persist and grow while human rights issues remain unresolved.

BHP and Vale are examples of this problem. BHP is facing protracted litigation in the UK over its role in the Samarco dam collapse in Brazil, and both BHP and Vale are facing fines of one million Reais a day for each day they fail to make adequate and complete reparations to the victims of the Samarco dam collapse. Rio Tinto is also facing threats of billions of dollars in losses at its Oyu Tolgoi operation in Mongolia, in part because of poor relations with affected community members. And Anglo American is facing a class action lawsuit for alleged lead poisoning in Zambia that stems back to 1925, as well as continued operational problems at Cerrejon, its joint venture in Colombia with BHP and Glencore. (Just to note, Anglo American and BHP have recently withdrawn from this joint venture).

**Achieved:** Consequently, LAPFF asked a question at the Rio Tinto AGM about whether the company would be willing to quantify the financial cost of its social failures. Noting the complexities in doing so, it would be helpful for investors to understand some of the financial consequences of mining companies' social failings in order to make clear that they are losing money when companies do not respect human rights and broader social issues in their operations.

LAPFF has also raised this issue with BHP and Vale in engagement meetings. For example, LAPFF issued four questions on behalf of affected community members that asked for the financial

### Some of Rio Tinto's problems

Top: The lead smelting plant at Kabwe, Zambia, one of the ten most polluted places in the world

Right: Affected communities in the Oyu Tolgoi operation in Mongolia

Below: Protests against its joint venture in Colombia with BHP and Glencore



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implications of various actions Vale has had to take in response to the Mariana and Brumadinho dam collapses in Brazil. These financial implications are important not least because the Renova Foundation, the joint venture between BHP and Vale established to make reparations after the Mariana dam collapse, has spent 13.1 billion Reais to date, according to its website, with very little progress on housing by all accounts. A meeting with the Renova CEO in late June suggested that he was optimistic that house building and resettlement would speed up in the coming months.

In June, LAPFF Chair, Cllr Doug McMurdo, met with Rio Tinto's new CEO, Jakob Stausholm, who replaced Jean-Sebastian Jacques after the company's destruction of the caves at Juukan Gorge in Western Australia last year. The discussion covered Mr. Stausholm's vision for company culture at Rio Tinto post-Juukan Gorge. Cllr McMurdo also met with Anglo American CEO, Mark Cutifani, to ask about Mr. Cutifani's visit to Cerrejon, a site that lost 91 production days during 2020 due to a strike. This meeting followed a webinar with workers at Cerrejon who cited deplorable working conditions at the mine and a webinar last quarter with community members affected by the mine who cited a litany of human rights and environmental violations associated with the project. In fact, these groups have filed a complaint with multiple National Contact Points of the OECD to complain about the conditions stemming from the mine's operations.

Glencore and BHP also faced implications from the OECD complaint regarding Cerrejon, but it has been announced that Anglo American and BHP have sold their shares in the joint venture to Glencore. These sales were announced just days after Cllr McMurdo met with both Glencore Chair, Tony Hayward, and BHP Chair, Ken MacKenzie. Glencore's on-going litigation around compliance was discussed, and Cllr McMurdo once again pressed Mr. MacKenzie on the ESG failings of joint ventures, including the financial implications for investors of these failings.

**In Progress:** LAPFF will continue to drive home the link between social and environmental failures by mining companies and poor or reduced long-term financial returns for investors. It is clear that making this link for companies

and investors alike will take some time, especially given that mining companies just announced unprecedented dividends this AGM season in the midst of Covid and serious on-going human rights and environmental problems, but this issue will come home to roost eventually. The clearest link for both companies and investors on this point appears to be the struggles that companies have with joint ventures, so LAPFF is continuing to push on this point whenever possible. LAPFF will also continue to track developments with house building and resettlements following the Samarco dam collapse.

**Media coverage - 'Devastating': Can Rio's local boss rebuild trust after Juukan disaster? - smh.com.au**  
[Rio Tinto suffers huge revolt over pay - Financial Times - ft.com](#)  
[Investors oppose Rio Tinto pay report over rock shelter outrage - Reuters](#)

### LAPFF Posts Monthly Updates on Samarco Dam Collapse

**Objective:** One area where Brazilian community members have asked LAPFF to push in relation to reparations after the Samarco dam collapse in Brazil is on housing. Only ten houses have been rebuilt in over five and a half years in three of the main areas where houses were destroyed by the sludge released from the dam according to affected community members and the companies.

**Achieved:** Consequently, LAPFF has started publishing monthly updates on its website of the number of houses built over five and a half years after the dam collapse. The Forum contacts BHP and Vale, the companies involved, and the Renova Foundation, the joint venture entity responsible for reparations, and the affected communities for updated information. What quickly became clear was that the company data did not match the community data by a long way, so LAPFF has had to publish each party's data separately.

**In Progress:** LAPFF has now undertaken this exercise for three months, but only three houses have been built in that time according to the companies and the communities. LAPFF will continue to press for these houses to be built well, quickly, and in accordance with the needs and wishes of the affected community members.

### Brazilian Investor and Community Engagements

**Objective:** Another area where community members affected by the Mariana and Brumadinho dam collapses asked LAPFF to help was in connecting them with Brazilian investors who could support their efforts.

**Achieved:** Last year, LAPFF made an initial attempt to reach out to one of the main Brazilian investors in Vale – Previ. However, it came to light that the Vale Chair at the time was also the CEO of Previ, so no progress was made on that front. Subsequently, LAPFF – through Principles for Responsible Investment (PRI) – has connected with JGP Credito, a Brazilian investment firm that has an in-house ESG team. JGP Credito has shown significant interest in engaging with the affected communities. They asked questions from affected community members at Vale's AGM on behalf of LAPFF and joined LAPFF's quarterly meeting with affected community members to get acquainted with community representatives.

LAPFF Chair, Cllr Doug McMurdo, was also invited by PRI to participate in a webinar aimed at Brazilian investors. He was asked to speak on a panel addressing the 'S' in ESG and raised a number of thoughts and issues LAPFF has encountered in its tailings dam engagements in Brazil. A well-known responsible investor in Brazil, Fabio Alperowitch, chaired the panel, and LAPFF has been corresponding with him since. Mr. Alperowitch has met with affected community representatives in Brazil after LAPFF put these two parties in touch and is looking to connect LAPFF with more Brazilian investors who might be interested in this engagement, though he suggests that responsible investors in Brazil are few and far between.

**In Progress:** While affected community members have expressed gratitude for LAPFF's assistance and efforts so far on their behalf, it is clear that local investors engaged on this issue would have better success. This is because they understand not just the local language but the local cultural and political levers to make progress. LAPFF will therefore continue to work on building a coalition of Brazilian investors to help take this engagement forward.

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A “pyramide of shoes” in Paris residents stacked up their old shoes in solidarity with Handicap International’s bid to bring attention for demands on a global ban of anti-personnel mines and cluster bombs.

### Hanwha Drops Cluster Munitions Business

**Objective:** In 2014, LAPFF was approached by some of its members to undertake an engagement with defence companies to ask them to stop producing and selling cluster munitions. This engagement was difficult because these companies were on government defence contracts, so the

prospect of having investors carry the necessary weight to convince them to stop producing and selling cluster munitions seemed slim.

**Achieved:** However, about a year later, Singapore Technologies wrote to LAPFF stating that the company had ceased the production and sale of cluster munitions, in part due to pressure from LAPFF and other investors on this issue. Then, in December 2020, LAPFF began to receive emails from another company with which the Forum had engaged – Hanwha Corporation – stating that company had sold off its cluster munitions business.

The company offered meetings to investors recently, and LAPFF Executive member, Cllr Wilf Flynn, met with Hanwha representatives to discuss the company’s decision to dispose of its cluster munitions business. The possibility of a say on climate resolution to next year’s AGM was also discussed as it transpired that the South Korean government is keen to promote sustainability and green technology.

**In Progress:** LAPFF has sought clarity on whether Hanwha would be willing to put a say on climate resolution to its next AGM.

### Israeli-Palestinian Engagement Continues

**Objective:** LAPFF approached seventeen companies in October 2020 operating in the Occupied Palestinian Territories (the Territories), seeking to raise a number of concerns based on their operations in the Territories. Subsequently, one

meeting was held alongside several email communications.

**Achieved:** LAPFF subsequently wrote in June 2021 to sixteen of the companies initially engaged (Altice Europe N.V. has been taken private since the initial round of engagement) requesting that they undertake human rights impact assessments (HRIAs) related to their operations in the Territories. The hope is that companies operating in the Territories will understand the importance of undertaking these HRIAs, not only to highlight where the companies might be complicit in human rights infringements, but also to provide insight on potential investment risks for shareholders. The Forum also issued voting alerts for Booking Holdings Inc, TripAdvisor Inc and Expedia Group Inc, all of whom have been non-responders thus far in the LAPFF engagement. The voting alerts were issued after LAPFF met with representatives from the UN including the Office of the United Nations High Commissioner for Human Rights (OHCHR) to better understand the methodology used in producing the reports the OHCHR has issued on this issue in previous years. In February 2020, the OHCHR issued a listing of companies that are active in the Territories and that raise human rights concerns. LAPFF has based its company engagement targets on this list.

**In Progress:** The Forum will seek to put pressure on the companies with which it has engaged to undertake these HRIAs and will consider voting alerts on a case-by-case basis.

## AGMs and Voting Alerts

**Objective:** Each year, LAPFF circulates voting alerts and attends AGMs of companies with which the Forum is targeting engagement. Last year and this year have been challenging on one hand and have opened opportunities on the other hand because of Covid. LAPFF has managed to attend several AGMs and to issue a number of voting alerts to date.

**Achieved:** LAPFF has attended AGMs this year for Rio Tinto, Barclays, Anglo American, ArcelorMittal, Shell, and Lyondell Basell so far this year. Here is a taste of a couple:

### AGMS

#### ArcelorMittal

As the company did not have an AGM that was open to shareholders in 2020, LAPFF had pushed for more access this year. The company had put arrangements in place to allow written questions, but in the event, the widespread crash of many internet sites on the day of the AGM meant a hastily arranged zoom session gave far more open and transparent access. Aditya Mittal, the recently appointed chief executive, gave a positive response to providing an accelerated timeline for implementing hydrogen technology, saying that the company

wanted to be a leader and that another announcement on hydrogen developments was imminent. In response to a request for a ‘say on climate’ vote at the 2022 AGM, Bruno LaFont, the lead independent director, noted that they would consult with shareholders on this.

#### Lyondell Basell

The LAPFF chair, Cllr McMurdo, participated in the company AGM, as part of a ‘formal discussion’ scheduled for the AGM by the CA100+ lead investors, which focussed on the company’s performance against the CA100+ benchmark. LAPFF noted the annual forum as the best forum for understanding a broad range

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of shareholder views and asked the company to put its climate strategy to vote at the 2022 AGM and annually at each AGM, in effect for a ‘say on climate’.

### VOTING ALERTS

LAPFF has also issued several voting alerts so far this AGM season. Alerts issued have been for: Rio Tinto, HSBC, Glencore, Barclays, Shell, Facebook, Amazon, Exxon, Expedia, Trip Advisor, Booking Holdings, Mitsubishi UFJ Financial Group, and Delta Airlines. Below is some detail on a few of the alerts:

#### Barclays

LAPFF advised voting in favour of a resolution asking the company to implement a strategy with improved targets to phase out the provision of financial services to fossil fuel projects consistent with the Paris Agreement. A company meeting in April had indicated the criteria for investing in oil sands companies was for these companies to have a less than average carbon emission intensity by 2030, compared to other oil sands companies. The alert flagged up that it would be helpful if Barclay’s next year’s Annual Report disclosed the amount of fossil fuel dependent lending.

#### Mitsubishi UFJ Financial Group

The voting recommendation to members was to vote in favour of a resolution for the company to disclose an annual plan of the business strategy to align financing and investments with the goals of the Paris Agreement. The alert noted that the company continues to provide significant finance to fossil fuel expansion and deforestation, falling far short of Paris alignment.

Media coverage - <https://www.reuters.com/business/sustainable-business/uk-pensions-group-says-backs-climate-resolution-mitsubishi-ufj-2021-06-28/>

#### Delta Airlines

LAPFF advised members to support a resolution for Delta to evaluate and report on how the company’s lobbying activities align with the Paris Agreement and how the company plans to mitigate risks presented by any such misalignment. At the AGM, the resolution passed with a majority vote.

**In Progress:** LAPFF will continue to issue voting alerts and attend AGMs as relevant and possible throughout the year.

### Diversity Engagements and Socio-Economic Task Force

**Objective:** The Hampton-Alexander Review set a target of 33% representation of women on FTSE350 boards and in Executive Committees by the end of 2020. With this target in mind, LAPFF views the financial sector as a laggard in the FTSE100 in terms of gender pay gaps and female representation. LAPFF has also sought to engage on ethnic diversity and approached the City of London Taskforce on Socio Economic Diversity.

**Achieved:** LAPFF approached six companies in the financial services sector in the FTSE100, holding meetings with both Standard Life Aberdeen and Lloyds Banking Group. Both companies provided a detailed insight into the issues they face in championing woman and how they are tackling the gender pay gap. Lloyds Banking Group is one of the first companies in the FTSE100 to post an ethnicity pay gap report and recognises that there is work to be done in this area. With the City of London Taskforce on Socio Economic Diversity in mind, the Forum also asked how social class was taken into account with both companies. Then in May 2021, Cllr John Gray, LAPFF Vice-Chair was appointed to the City of

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London's Taskforce Advisory Board on Socio-Economic Diversity. The Forum has also continued its participation in the 30% Club Investor Group Meetings which provides a space to discuss best practice among investors in relation to female representation on company boards.

**In Progress:** The Forum will extend its engagement on diversity and pay gaps to the FTSE350, looking to see where companies have not yet met targets of the Hampton-Alexander review, and where wider pay gaps exist. Cllr John Gray will also be involved in the City of London's Taskforce Advisory Board, which will have a series of workstreams seeking to tackle the issue of socio-economic diversity in the financial services sector.

### Worker Safety during the Pandemic

**Objective:** The coronavirus pandemic has highlighted the importance that companies must place on the S in ESG to safeguard workers and protect and enhance shareholder value. The heightened exposure of workers and others to the pandemic in some sectors potentially poses serious investment risks for LAPFF members. It also goes to the heart of LAPFF's objectives of promoting responsible investment and the highest standards of corporate governance. Engagements sought to ensure that proper processes have been in place during the crisis and that boards were providing proper oversight as the crisis has unfolded. These engagements have focused on sectors most at risk including the outsourcing and social care sectors.

**Achieved:** LAPFF met with Capita and Serco. The meeting with Capita covered the safeguarding of staff and the balance of working from home and from call centres. At the meeting with the new chair of Serco, LAPFF discussed how the board managed the pandemic. There was a discussion around PPE and cleaning in hospitals, as well as organising video calls for prisons.

Alongside the outsourcing sector, the care sector has been identified as facing specific risks. The Forum met the chair of Target Healthcare REIT. Although providing the buildings rather than the care, property companies play an important role in ensuring high standards. The need to engage both tenants and landlords was discussed at the meeting. LAPFF,

# WEBINAR




**COLOMBIAN WORKERS AT THE CERREJON MINE**  
 UNI Global worked with LAPFF to set up a webinar with workers at the Cerrejon coal mine in Colombia. They reported horrendous working conditions and threats to their personal safety. Cerrejon is a joint venture between BHP, Anglo American, and Glencore.

**CLIMATE LAW WEBINAR**  
 LAPFF teamed with Hausfeld LLP to run a webinar on developments in climate law. The following week, the Dutch courts handed down a ruling that Shell must cut its global carbon emissions by 45 percent by 2030 based on a 2019 benchmark.

**"I am noticing a worrying trend of asset disposal without consideration for the conduct of the entities to which the disposals are made. This phenomenon cuts across coal businesses sold to small and unaccountable businesses without knowing whether emissions will be cut to cluster munitions businesses sold to entities with no promise of working to cease the production and sale of cluster munitions. Sweeping issues into another room will not solve the world's problems, nor will it create better investment opportunities for investors."**

LAPFF Chair, Cllr Doug McMurdo

alongside a range of other investors, also signed on to an expectations for the nursing home sector statement. The statement, coordinated by UNI Global, calls on providers to improve standards for residents and staff in the wake of the pandemic.

**In Progress:** The Forum will continue to be engaging companies on this agenda and collaboratively with the care sector as part of the UNI Global initiative.

### Electric Vehicles and Climate Change

**Objective:** Car use is a major contributor to global carbon emissions. Carmakers are facing tightening regulatory emission and fuel standards across the globe, which will require them to move to electrify their fleets. LAPFF has sought to engage companies through approaching this challenge and pushing for emission reductions in the short term and longer-term commitments to net zero. The Forum has also been engaging through Climate Action 100+ with US companies.

**Achieved:** After meeting with General Motors in January 2021, LAPFF joined a collaborative call alongside CA100+ this June to further discuss the company's approach to electrifying its product line and its position on climate lobbying. General Motors produces several large sized vehicles including trucks and SUVs. The pivot for these to a 1.5C pathway is necessary for the company to align itself with its competitors in transitioning to a net-zero economy. This was the main topic of discussion at the meeting.

**In Progress:** LAPFF will continue its engagement with vehicle producers around changing regulation and their approach to electrifying product lines. General Motors appears to be lagging behind competitors in this area, and the Forum will continue to push for quicker production of electric vehicles.

### Anglo American on Climate

**Objective:** The mining sector poses considerable climate risks to investors. The sector's operations are often carbon intensive and some minerals extracted, notably coal, are of great harm to the environment. LAPFF, as part of Climate Action 100+, has sought greater disclosure on Scope 3 and emissions data, an emphasis on reducing thermal coal



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mining, setting Scope 3 goals and targets, and ensuring lobbying aligned with net zero.

**Achieved:** Anglo American has committed to carbon neutrality by 2040 across all assets for Scope 1 and 2 emissions which represents a step forward and is a recognition that 2050 was too far away. The meeting covered how Anglo American is seeking to reduce emissions from mining and included a discussion of capital allocation and mining activities required to support the transition to net zero.

**In Progress:** LAPFF is seeking to engage further with Anglo American on its Scope 3 emissions. There is work to be done on measuring emissions and fully accounting for carbon emissions that are present in the value chain.

## COLLABORATIVE ENGAGEMENTS

### IOPA engagement meetings

LAPFF has continued to participate in the Investors for Opioid and Pharmaceutical Accountability (IOPA) meetings. The group has run a number of Vote No campaigns, notably at Cardinal and AmerisourceBergen. The group also wrote to the chairs of compensation committees at eleven companies, scrutinising how executive compensation had been handled in light of charges being brought for opioids settlements.

### Collaborative initiatives on Climate

The SEC was seeking input to proposed climate change disclosure. LAPFF, as a CERES member, co-signed a letter supporting essential principles, including basing disclosure rules on the Taskforce on Climate-related Financial Disclosure (TCFD) guidance, having industry specific metrics, promoting emissions disclosure and the inclusion of material climate disclosures in financial filings.

In April, LAPFF co-signed an investor call for methane and flaring regulations at federal level in the US. The aim is to support and encourage the Biden administration to enforce strong methane regulations for the oil and gas industry. It is considered regulation will be low-cost for industry. Methane emissions are potent greenhouse gases, 84 times more powerful than carbon dioxide in the first two decades after release.

LAPFF, as in previous years, has signed a Global Investor Statement to

Governments on the Climate Crisis in advance of the United Nations Climate Change Conference (COP26) taking place in November this year. There are five main asks, including a request for governments to strengthen their nationally determined contributions (NDCs) for 2030 to limit warming to align with 1.5 degrees Celsius.

## CONSULTATION RESPONSES

### LAPFF Just Transition Inquiry

The All-Party Parliamentary Group for Local Authority Pension Funds' inquiry into 'Responsible investment for a just transition' continued. The LAPFF-supported APPG inquiry, chaired by Clive Betts MP, held its third evidence session in May. The meeting heard from Colin Baines (Investment Engagement Manager, Friends Provident Foundation); Sarah Teacher (CEO, Impact Investing Institute); Andy Gouldson (Chair of the Leeds Climate Commission) and Peter Brierley (Lead Organiser, Citizens UK). The call for evidence has now closed and the inquiry is reviewing the evidence to be discussed at the next meeting before the final report is published in October ahead of COP 26.

### DWP Consultation – 'S' in ESG

LAPFF responded to the DWP's consultation on 'consideration of social risks and opportunities by occupational pension schemes'. Although the consultation did not cover LGPS funds, as pension regulation and legislation for the Forum's sector tends in the end to mirror DWP's LAPFF submitted a response. The Forum's response outlined LAPFF's policy approach to social issues and how and what themes we engage companies on. LAPFF's response also stated that social issues are often overlooked and there was a need for much greater company disclosure.

### Investor Letter to SEC on Proxy Voting Rules

The Biden Administration SEC has signalled that it plans to support investors' ESG aspirations, not least by failing to enforce the Trump era imposition of obstacles to filing shareholder resolutions on ESG. However, US investors remain concerned that the US proxy voting rules will not facilitate ESG-related resolutions and sent a letter to this effect which

LAPFF signed.

### BEIS White Paper on Audit Reform

In 2018 LAPFF made a submission to the Financial Reporting Council (FRC) dealing with governance of companies which presented serious concerns about the FRC and its own governance. That led to a period of circumspection which then led to the Kingman Review. The Kingman Review concluded that the FRC was not fit for purpose and would be replaced by a new body, the Auditing, Reporting and Governance Authority (ARGA).

This White Paper deals with some of the issues relevant to the transition to ARGA. Some of the issues around accounting and auditing standards have not been addressed. The problem LAPFF identifies in its response is not so much reform of the law, but implementation of existing law. Some parties have argued that the law is different to the position of LAPFF. However, that approach overlooks the fact that what the law states is merely an articulation of economic facts.

Central to the preparation of the accounts is whether they should be prepared on a going concern basis. Several basic principles are relevant to the determination of that. Phantom 'profits' and phantom 'net assets' will create a risk of a phantom 'going concern' and if auditors sign accounts without bottoming these considerations then their opinions will be wrong.

Being able to distinguish between cash or near cash (realised) or non-cash (unrealised) items is essential to determine whether a company is capable of being a going concern or not. A company may not be a going concern if it cannot service debt and cover ordinary costs and – absent additional sources of funds or guarantees – that requires cash flows from profits, not unrealised gains.

The same applies with the matter of effective internal control, including the absence of material fraud.

Unfortunately, both International Accounting Standards (IFRS) and International Auditing Standards (ISA) water down, or even go against, such basic principles. Some other issues are also covered on the LAPFF website.

[Media coverage - LAPFF questions UKEB's approval of accounting standards - Pensions Age Magazine](#)

# ENGAGEMENT

## AFL-CIO and EU Tax Letters

There are continued concerns that country-by-country-reporting laws on tax are not addressing the full scope of the reporting gaps. For example, a recent AFL-CIO letter on this issue to the US Congress called for laws requiring that companies report their taxes for all countries in which they operate, not just a general ‘rest of the world’ category. PRI sent a letter on this issue to the European Union shortly after the AFL-CIO letter was sent in the US. LAPFF signed both letters.

## Facial Recognition Technology Investor Statement

Human rights concerns surrounding facial recognition technology have surfaced in the last few years. LAPFF issued a voting alert to Amazon on this topic both last year and this year and signed an investor statement circulated by Candriam on this issue this quarter.

Media coverage - <https://www.professionalpensions.com/news/3076049/lapff-supports-majority-amazon-shareholder-resolutions>

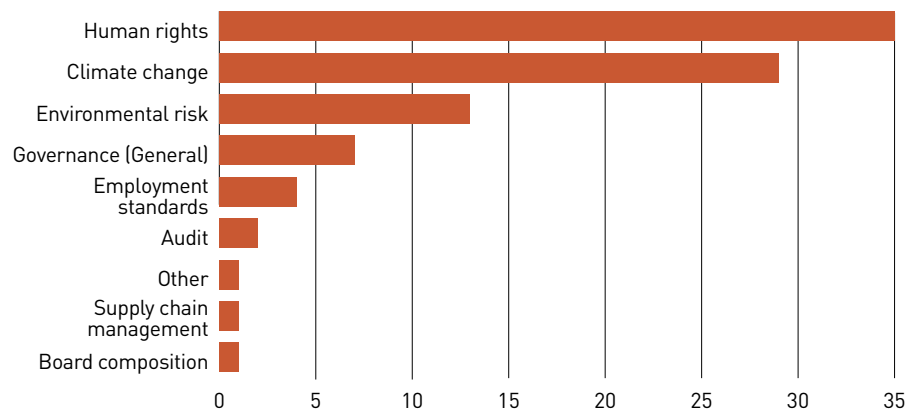
## HM Treasury Consultation on Aviation Tax Reform

In its response to the consultation, LAPFF called on the Treasury to review the current position of air tickets being VAT free and aviation fuel incurring no duty. A price signal of reducing domestic air passenger duty (APD) would likely encourage more flights. This outcome is in stark and direct opposition to the government’s own climate change target to reduce emissions by 78% by 2035 over 1990 levels. LAPFF has long recognised the imperative to address climate change as a systemic investment concern for investors. With aviation expected to grow to be the biggest source of UK emissions by 2050, it is a significant contributor to the material financial risks of climate change with the potential for loss of shareholder value.

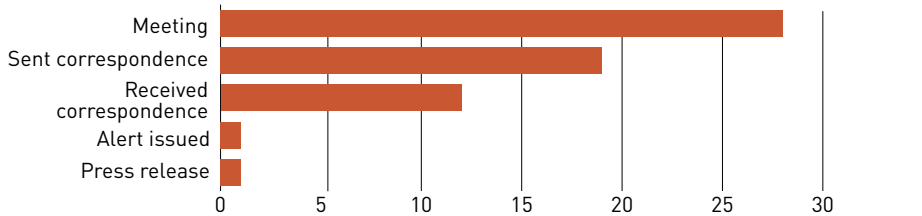
Media coverage - [LAPFF urges Treasury to review position on APD amid ‘contradictory signalling’ - Pensions Age Magazine](#)

# ENGAGEMENT DATA

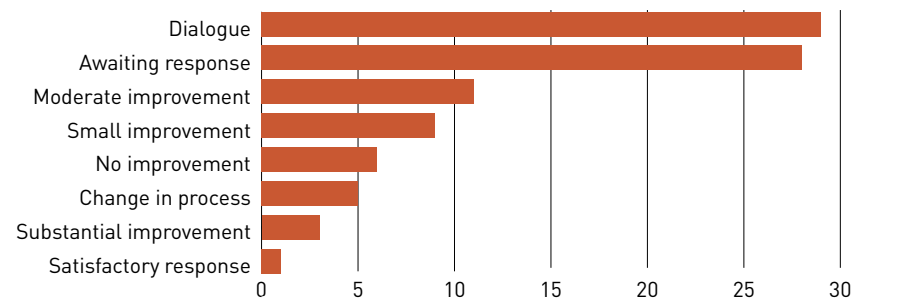
## ENGAGEMENT TOPICS



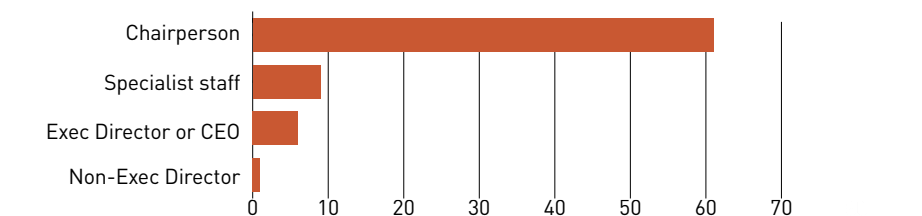
## ACTIVITY



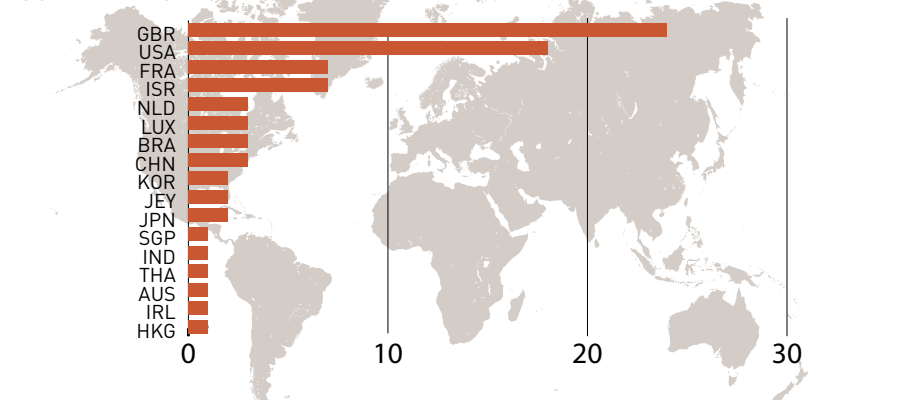
## MEETING ENGAGEMENT OUTCOMES



## POSITION ENGAGED



## COMPANY DOMICILES



# COMPANY PROGRESS REPORT

59 Companies engaged over the quarter

\*The table below is a consolidated representation of engagements so reflects the number of companies engaged, not the number of engagements

Company/Index	Activity	Topic	Outcome
ABBOTT LABORATORIES	Sent Correspondence	Environmental Risk	Awaiting Response
AIR LIQUIDE SA	Sent Correspondence	Climate Change	Dialogue
ALSTOM SA	Sent Correspondence	Human Rights	Dialogue
AMAZON.COM INC.	Alert Issued	Human Rights	Dialogue
ANGLO AMERICAN PLC	Meeting	Human Rights	Change in Process
APPLE INC	Sent Correspondence	Environmental Risk	Awaiting Response
ARCELORMITTAL SA	Received Correspondence	Climate Change	Substantial Improvement
BANK HAPOALIM B M	Sent Correspondence	Human Rights	Awaiting Response
BANK LEUMI LE-ISRAEL BM	Sent Correspondence	Human Rights	Awaiting Response
BARCLAYS PLC	Meeting	Climate Change	Dialogue
BARRATT DEVELOPMENTS PLC	Sent Correspondence	Climate Change	Awaiting Response
BEZEQ THE ISRAELI TELECOMMUNICATION CORP LTD	Sent Correspondence	Human Rights	Awaiting Response
BHP GROUP PLC	Meeting	Governance (General)	Moderate Improvement
BOOKING HOLDINGS INC.	Alert Issued	Human Rights	No Improvement
BP PLC	Meeting	Environmental Risk	Awaiting Response
CHARTER COMMUNICATIONS INC	Meeting	Environmental Risk	Awaiting Response
COMPAGNIE DES ALPES	Sent Correspondence	Environmental Risk	Awaiting Response
CONSTELLATION BRANDS INC.	Meeting	Environmental Risk	Change in Process
CRH PLC	Received Correspondence	Climate Change	Small Improvement
DBS GROUP HOLDINGS LTD	Sent Correspondence	Climate Change	Dialogue
DELEK GROUP LTD	Sent Correspondence	Human Rights	Awaiting Response
EXPEDIA GROUP INC	Alert Issued	Human Rights	No Improvement
FACEBOOK INC.	Alert Issued	Governance (General)	Moderate Improvement
FREEPORT-MCMORAN INC.	Sent Correspondence	Human Rights	Dialogue
GENERAL MILLS INC	Sent Correspondence	Human Rights	Awaiting Response
GENERAL MOTORS COMPANY	Meeting	Climate Change	Small Improvement
GLENCORE PLC	Meeting	Governance (General)	Moderate Improvement
HANWHA CORP	Meeting	Human Rights	Substantial Improvement
HUADIAN POWER INTL CORP LTD	AGM	Climate Change	Change in Process
HUANENG POWER INTERNATIONAL	AGM	Climate Change	Dialogue
IMPACT HEALTHCARE REIT PLC	Sent Correspondence	Employment Standards	Awaiting Response
INDORAMA VENTURES PCL	Sent Correspondence	Human Rights	Awaiting Response
ISRAEL DISCOUNT BANK LTD	Sent Correspondence	Human Rights	Awaiting Response
LLOYDS BANKING GROUP PLC	Meeting	Governance (General)	Moderate Improvement
MITSUBISHI UFJ FINANCIAL GRP	Sent Correspondence	Climate Change	Dialogue
MIZRAHI TEFAHOT BANK LTD	Sent Correspondence	Human Rights	Awaiting Response
MORRISON PLC	AGM	Other	No Improvement
MOTOROLA SOLUTIONS INC.	Sent Correspondence	Human Rights	Awaiting Response
NATIONAL GRID PLC	Meeting	Climate Change	Substantial Improvement
NEXTERA ENERGY INC	Sent Correspondence	Climate Change	Dialogue
PAZ OIL CO LTD	Sent Correspondence	Human Rights	Awaiting Response
PERSIMMON PLC	Sent Correspondence	Climate Change	Dialogue
RIO TINTO PLC	AGM/MEETING	Human Rights	Change in process
ROYAL DUTCH SHELL PLC	Meeting	Climate Change	Dialogue
SAINSBURY (J) PLC	Meeting	Climate Change	Moderate Improvement
SANOFI	Meeting	Environmental Risk	Awaiting Response
SERCO GROUP PLC	Meeting	Employment Standards	Small Improvement
SHUI ON LAND LTD	Sent Correspondence	Environmental Risk	Awaiting Response
SONIC HEALTHCARE LTD	Sent Correspondence	Climate Change	Awaiting Response
STANDARD LIFE ABERDEEN PLC	Meeting	Board Composition	Moderate Improvement
TARGET HEALTHCARE REIT LTD	Meeting	Employment Standards	Moderate Improvement
TAYLOR WIMPEY PLC	Sent Correspondence	Climate Change	Awaiting Response
TOTALENERGIES SE	Received Correspondence	Climate Change	Moderate Improvement
TOYOTA MOTOR CORP	Sent Correspondence	Environmental Risk	Awaiting Response

# COMPANY PROGRESS REPORT

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Transco (National Grid)	Meeting	Climate Change	Small Improvement
TRIPADVISOR INC.	Received Correspondence	Human Rights	Small Improvement
VALE SA	Meeting	Climate Change	Dialogue
YES BANK	Sent Correspondence	Human Rights	Awaiting Response
YUHAN CORP	Sent Correspondence	Environmental Risk	Awaiting Response

## LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Avon Pension Fund  
 Barking and Dagenham (London Borough of)  
 Barnet LB  
 Bedfordshire Pension Fund  
 Bexley (London Borough of)  
 Berkshire Pension Fund  
 Brent (London Borough of)  
 Bromley (London Borough of)  
 Camden (London Borough of)  
 Cardiff and Vale of Glamorgan Pension Fund  
 Cambridgeshire Pension Fund  
 Cheshire Pension Fund  
 City and County of Swansea Pension Fund  
 City of London Corporation  
 Clwyd Pension Fund  
 Cornwall Pension Fund  
 Croydon LB  
 Cumbria Pension Scheme  
 Derbyshire County Council  
 Devon County Council  
 Dorset County Pension Fund  
 Durham Pension Fund

Dyfed Pension Fund  
 Ealing (London Borough of)  
 East Riding of Yorkshire Council  
 East Sussex Pension Fund  
 Enfield (London Borough of)  
 Environment Agency Pension Fund  
 Essex Pension Fund  
 Falkirk Council  
 Gloucestershire Pension Fund  
 Greater Gwent Fund  
 Greater Manchester Pension Fund  
 Greenwich Pension Fund  
 Gwynedd Pension Fund  
 Hackney (London Borough of)  
 Hammersmith and Fulham (London Borough of)  
 Haringey (London Borough of)  
 Harrow (London Borough of)  
 Havering LB  
 Hertfordshire  
 Hounslow (London Borough of)  
 Islington (London Borough of)  
 Kingston upon Thames Pension Fund  
 Lambeth (London Borough of)

Lancashire County Pension Fund  
 Leicestershire  
 Lewisham (London Borough of)  
 Lincolnshire County Council  
 London Pension Fund Authority  
 Lothian Pension Fund  
 Merseyside Pension Fund  
 Merton (London Borough of)  
 Newham (London Borough of)  
 Norfolk Pension Fund  
 North East Scotland Pension Fund  
 North Yorkshire County Council Pension Fund  
 Northamptonshire County Council  
 Nottinghamshire County Council  
 Oxfordshire Pension Fund  
 Powys County Council Pension Fund  
 Redbridge (London Borough of)  
 Rhondda Cynon Taf  
 Shropshire Council  
 Somerset County Council  
 South Yorkshire Pensions Authority  
 Southwark (London Borough of)  
 Staffordshire Pension Fund

Strathclyde Pension Fund  
 Suffolk County Council Pension Fund  
 Surrey County Council  
 Sutton (London Borough of)  
 Teesside Pension Fund  
 Tower Hamlets (London Borough of)  
 Tyne and Wear Pension Fund  
 Waltham Forest (London Borough of)  
 Wandsworth (London Borough of)  
 Warwickshire Pension Fund  
 West Midlands Pension Fund  
 West Yorkshire Pension Fund  
 Westminster CC  
 Wiltshire County Council  
 Worcestershire County Council

**Pool Company Members**  
 Border to Coast Pensions Partnership  
 Brunel Pensions Partnership  
 LGPS Central  
 Local Pensions Partnership  
 London CIV  
 Northern LGPS  
 Wales Pension Partnership