



Local  
Authority  
Pension  
Fund  
Forum

Annual  
Report  
2020



**RISING  
TO THE  
CHALLENGE**

## CHAIR'S INTRODUCTION



Cllr Doug McMurdo, LAPFF Chair

### Covid, Climate, and Human Rights: Enduring Challenges

In the past five years, we have seen political shocks with Brexit and the election of Donald Trump. But this year we have witnessed another kind of shock which most of us have not experienced in our lifetimes. Covid-19 has not just been a public health crisis, but has led to economic, political, and social crises on a scale at which we still have no clarity.

The Covid-19 outbreak has been devastating, killing nearly a million people and depriving millions more of health, work, and basic resources. And yet, from an investment perspective the stock market has largely remained resilient so far. The pandemic has also opened up engagement opportunities for LAPFF, with technology for virtual meetings easing the process of UK and international dialogue.

In relation to climate, global emissions have temporarily decreased significantly, and a number of the oil and gas majors are restructuring. These changes come in response to investor climate requests for Paris-aligned accounts, to meet demand pressures stemming in part from Covid-19, and in part from a natural progression of the economy. Investors also began to engage financial institutions more actively, for example through a climate resolution filed at Barclays.

In terms of broader stakeholder engagement, investors started to listen more closely to local voices. A loud investor call for corporate accountability for human rights was issued following Rio Tinto's explosion of culturally significant caves at Juukan Gorge in Western Australia. Investor engagement with communities has ramped up, in part stemming from investor outrage at the Juukan Gorge tragedy and the tailings dam collapses in Brazil, and in part in recognition of the role affected communities play in ensuring that investee companies create strong, resilient investment propositions. In other words, investors have begun to realise that community input is financially material.

From a governance perspective, not surprisingly, AGMs went virtual. This phenomenon both opened up opportunities for the Forum to participate in global AGMs - such as Boeing's - and shut down overall opportunities to participate because of virtual AGM structures, such as at Barclays. My impression is that even once the Covid-19 impacts subside, shareholders will have some combination of in-person and virtual AGM structures to negotiate. I am insistent that companies should not use this opportunity to reduce transparency or access to AGMs for any stakeholder group but should instead look to become even more inclusive.



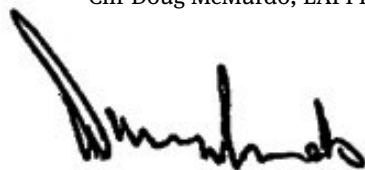
# CHAIRS INTRODUCTION

For investors, the Covid-19 crisis has created uncertainty in and of itself. However, it has also exacerbated uncertainty around the impacts of Brexit and the US election. The crisis has amplified existing social inequalities, unrest, and protest as exemplified through the Black Lives Matter movement spreading globally. It has also led to major restructuring in the energy sector as we hit what might prove the proverbial tipping point for energy companies on climate change. In short, we are currently in one of the most uncertain social, environmental, and political scenarios in living memory. At some point these developments must have an impact on our investments. But when, and how? LAPFF's position from the start of the Covid-19 pandemic has been that continued focus on the financial materiality of environmental, social and governance issues will help to bring some certainty and stability to a social and economic recovery, which makes the role of an organisation like LAPFF all the more relevant and important at the moment.

**While the Forum takes an engagement approach rooted in law, it recognises other developments such as codes of conduct and stewardship codes.** LAPFF's role will therefore be explored in this report through the framework and structure of the new UK Stewardship Code which came into force in January 2020, while continuing to root its policy and engagement work in legally binding requirements. The Forum will also ensure that it monitors the implementation of the UK Stewardship Code in a manner that complies and is consistent with all relevant law. This report covers the time period of 1 October 2019 to 30 September 2020.

As ever, the effectiveness of engagement relies in great part on the support and participation of the vice-chairs and other members of the LAPFF Executive Committee. My thanks go to the members of the LAPFF Executive Committee, particularly my Vice Chairs, Cllr Rob Chapman and Cllr John Gray. We are preparing for a year of challenge and changed circumstances. I know the Forum will continue to be in the vanguard of ensuring accountability from companies in which members invest and promoting the long-term value creation essential for ensuring financial security in retirement for our beneficiaries.

Cllr Doug McMurdo, LAPFF Chair



# THE LAPFF EXECUTIVE



**Councillor Doug McMurdo** - Doug is Chair of the Local Authority Pension Fund Forum and a member of the Bedfordshire Pension Fund. He is also the Ward Councillor for Sharnbrook Ward representing six rural communities in north Bedfordshire.



**Councillor Rob Chapman** - Rob is Chair of LB Hackney Pension Committee. He has previously held positions as Chair of Hackney's Governance and Resources Scrutiny Commission and as its Chief Whip. Hackney's representative on the London Collective Investment Vehicle (CIV) Sectoral Committee since 2014, he now sits on the CIV Shareholder's Committee.



**Councillor John Gray** - John has represented West Ham ward in Newham, East London, since 2010. He is the Cabinet Lead for Housing Services and the Deputy Mayor (Statutory). He is a member of the Newham Pension Committee, a Trade Union appointed member of the Tower Hamlets Pension Board and a Trustee of the UNISON Staff Pension Scheme (and Chair of its Investment sub-committee). His background is in front line Social Housing management.



**Councillor Yvonne Johnson** - Yvonne is Chair of the Shareholder committee of the LCIV. Cabinet member in Ealing for Schools and Children's services and deputy leader of the council. Member of the Scheme Advisory Board where she chairs the Investment governance and engagement committee.



**Rodney Barton** - Rodney is Director of the West Yorkshire Pension Fund, and was elected to the LAPFF Executive Committee in 2011. He qualified as a Chartered Accountant and subsequently worked for a large accountancy firm and Merseyside Pension Fund.



**Tom Harrington** - Tom is the Assistant Director (Investments) of Greater Manchester Pension Fund, the largest LGPS fund in the UK. GMPF is administered by Tameside MBC, where Tom began his career as a trainee accountant.



**Councillor Andrew Thornton** - Andrew is Chair of West Yorkshire Pension Fund and a member of Bradford Council. He represents the Royds ward.



**Councillor Glyn Caron** - Glyn is Chair of the Greater Gwent (Torfaen) Pension Fund. He is also a member of the Welsh Pension Partnership Joint Governance Committee.



**Councillor Eddie Pope** - Eddie is a Lancashire County Councillor representing three rural parishes in West Lancashire. He is an Accountant having worked in the NHS and Higher Education and is Chairman of the Lancashire County Council Pension Fund.

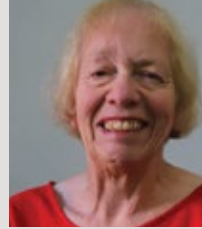


**Abigail Leech** - Abigail has been Head of Lancashire County Pension Fund since November 2015, she is also the interim S151 officer for the London Pension Fund Authority (LPFA). Abigail originally joined Lancashire County Council in 2009 as the Financial Controller for the Fund before becoming the Head of Corporate Finance in 2012.

## THE LAPFF EXECUTIVE



**Helen Price** - Helen leads on stewardship at Brunel Pension Partnership (Brunel). She is passionate about the role of pension funds in moving to a more sustainable business world and is involved in numerous initiatives to improve standards in responsible investment. Helen draws on knowledge built from her BA (honours) in Business Studies.



**Councillor Jill Whitehead** - Jill is Chair of Sutton Pensions Committee, and a member of London CIV Shareholder Committee. Jill was elected in 2010, and for six years was portfolio holder for the Environment, as well as the VC of London Councils Transport & Environment Committee. Jill used to work for CIPFA.



**John Anzani** - John was appointed as the Member Representative on the Pension Committee of Lothian Pension Fund in December 2013 and has been successively re-appointed every two years. Since May 2017 he has been a member of the Audit Committee. He worked for Midlothian Council providing direct HR support to small businesses.



**Councillor M. Tauqeer Malik** - Malik has been the Councillor for Aberdeen City since 2012. He is deputy leader of the Labour party for Aberdeen City council. He is Convener of the North East of Scotland Pension Committee. He holds positions as the vice convener of education delivery and licensing committee as well as being deputy Business Manager for Aberdeen City Council.



**Councillor Ged Cooney** - Ged is Vice Deputy of Greater Manchester Pension Fund, Chair of the Northern LGPS fund and a member of Thameside Council. In Thameside he represents the Droylsden West Ward and is also Executive Member for Economic Growth, Employment and Housing.



**Rachel Brothwood** - Rachel is Director of Pensions at the West Midlands Pension Fund and has been appointed as Honorary Treasurer for LAPFF. A qualified Actuary, Rachel joined the WMPF in 2015 having previously worked with a wide range of organisations, advising on risk management in pension scheme funding and investment.

# LAPFF ANNUAL REPORT 2020

## THE NEW STEWARDSHIP CODE

AND THE IMPORTANCE OF GOVERNANCE  
IN THE CURRENT ENVIRONMENT



- 1 PURPOSE AND GOVERNANCE**
- 2 INVESTMENT APPROACH**
- 3 ENGAGEMENT**
- 4 EXERCISING RIGHTS AND RESPONSIBILITIES**

LAPFF is a service provider and as such has different reporting requirements from asset owners and asset managers under the new Stewardship Code. However, this report is structured from a fund perspective as the Forum comprises fund members; service provider disclosure guidelines are addressed too.

The Stewardship Code covers four main topics: Purpose and Governance; Investment Approach; Engagement; and Exercising Rights and Responsibilities. There are six principles for service providers and 12 for asset owners and asset managers. Each principle is divided into activities and outcomes, and in some cases context considerations; LAPFF reports below on context considerations for all principles.



# 1

THE NEW STEWARDSHIP CODE

# PURPOSE AND GOVERNANCE

LAPFF PURPOSE, BELIEFS, STRATEGY, AND CULTURE

LAPFF GOVERNANCE, RESOURCES, AND INCENTIVES

LAPFF CONFLICT OF INTEREST MANAGEMENT

LAPFF'S ROLE IN PROMOTING WELL-FUNCTIONING MARKETS

LAPFF POLICY AND PROCESS REVIEW



# PURPOSE AND GOVERNANCE

## LAPFF PURPOSE, BELIEFS, STRATEGY, AND CULTURE

### CONTEXT .....

LAPFF’s mission, or purpose, is to proudly protect £300bn of local authority pensions by promoting the highest standards of corporate governance and corporate responsibility. With a shared understanding of the financial importance of corporate responsibility, LAPFF and its members are able to safeguard the value of pension funds which now and in the future will support millions of people in retirement.

The Forum’s approach is different. Rather than having organisations engage companies on behalf of members, LAPFF does the engagement itself as pension fund trustees and asset owners. The engagement is not only led by LAPFF, but as a member-led Forum the focus is on what is truly important to members. This engagement approach is taken because the Forum believes that as a representative of asset owners it needs to take responsibility for the impacts of member investments rather than delegating this responsibility exclusively to a third party.

This strategy and engagement model based on values of honesty, openness, and robust discussion leads to a culture of trust and cooperation between all of the Forum’s stakeholders. For example, the LAPFF Chair is likely to meet a company chair, affected stakeholders, and

**This strategy and engagement model based on values of honesty, openness, and robust discussion leads to a culture of trust and cooperation between all of the Forum’s stakeholders.**

representatives of a non-governmental organisation in the space of a week, with all parties willing to express openly their concerns and expectations of both LAPFF and members’ investee companies. This culture of open discussion and exchange not only provides Forum members with financially material information on which to invest, but also information on which to push for positive environmental, social, and governance reform, when necessary.

### ACTIVITIES .....

Each year the Forum engages with hundreds of companies, often directly with company chairs. This engagement is made possible by building trust and facilitating a two-way dialogue about corporate responsibility. However, the Forum does not want to have dialogue for its own sake. Its focus is on improving the policies and practices of companies, which members believe is best achieved by having constructive but robust conversations. This approach is not always successful and progress can be too slow. When this happens the Forum does not walk away. Instead, LAPFF escalates its engagements. This escalation may include voting recommendations to members for company AGM proposals to directly promote change or filing shareholder resolutions with companies to progress action on a given issue. To leverage engagement outcomes, the Forum often works with other asset owners and managers.

### OUTCOMES .....

Representing asset owners directly in engagements with companies and other stakeholders and developing and pursuing LAPFF’s own agenda not only makes the Forum’s approach unique, but all the more effective. LAPFF has seen significant changes at companies, such as improved worker engagement at Sports Direct and National Express, a new Chair at Ryanair, a change to the senior executive team at Rio Tinto, significant climate commitments at Shell, BP, ArcelorMittal and others stemming either directly from LAPFF engagement or, more often, through collaborative engagements between the Forum and other stakeholders, including the companies themselves.

## LAPFF GOVERNANCE, RESOURCES, AND INCENTIVES

### CONTEXT .....

During the year LAPFF had 81 member funds and six Pool company members representing the vast majority of local government pension schemes and assets in the United Kingdom. This membership encompasses a pooling process whereby local government pension schemes joined together to form eight investment pools intended to leverage their assets for public infrastructure development. As public bodies, the funds have ultimate responsibility for environmental, social, and governance activities conducted on behalf of their beneficiaries. There has been recent Local Government Association guidance on this responsibility. Therefore, LAPFF members receive a number of requests from beneficiaries and other parties interested in environmental and social matters to engage and pressure investee companies on these issues. For example, most recently, both the Forum and several of its member funds were approached by both Palestinian and Israeli groups in respect of company operations in the Israeli/Palestinian territories.

### ACTIVITY .....

The Forum has an Executive Committee which meets quarterly to make recommendations to the general membership about engagement and policy activities. LAPFF’s research and engagement partner, PIRC, acts as a secretariat for the Forum and supports the LAPFF Executive and membership in researching pertinent issues and engaging with companies relevant to members’ investment portfolios. The LAPFF Executive takes policy and engagement decisions based on PIRC research that has been commissioned by the LAPFF Executive. All recommendations put forth by the LAPFF Executive must be approved by the LAPFF membership, usually at LAPFF Business Meetings. Therefore, LAPFF members as



# PURPOSE AND GOVERNANCE



asset owners hold the LAPFF Executive accountable for the Forum’s stewardship activities.

To reflect the interests of Forum members, the LAPFF Executive will also take decisions about how to ensure that appropriate resources are allocated to policy and engagement activities conducted by the Forum. The Executive and member funds in the quarterly business meetings assess whether the policy and engagement commissioned supports the Forum’s stewardship objectives and approve or withhold approval for further engagement on this basis. This approach was chosen to empower the member funds as asset owners to take stewardship decisions and actions directly rather than through their asset managers. It also provides for quality and accuracy of services because there is a close working relationship between the research and engagement partner and the LAPFF Executive and membership that provides, effectively, three levels of oversight of the quality of the engagement action and decision-making.

## OUTCOME .....

Therefore, stewardship activities tend to be carefully thought out and reviewed by a number of parties before being undertaken. This process allows for strong, consensus-based messages to be conveyed to company boards. Of course, being a membership organisation there

are occasionally dissenting voices. These voices are to be welcomed as they are used to re-evaluate the Forum’s approach. For example, it was recommended that LAPFF’s quarterly report be structured differently to reflect progress and outcomes of engagements more fully. This step was taken and further ideas are being discussed to promote further clarity in reporting.

## LAPFF CONFLICT OF INTEREST MANAGEMENT

### CONTEXT .....

The Forum is intent on preventing and mitigating conflicts of interest in its company and policy engagement processes. This is for a number of reasons. First, LAPFF represents assets under management of over £300 billion and therefore has a responsibility to use its influence appropriately and transparently in respect of other market and societal actors. Second, it is in the interest of LAPFF members to obtain the best possible data and information for engagement and policy purposes, which can only be done through transparent processes that involve no conflict. Third, to be a leader in responsible investment, the Forum must set an example of good practice for other financial sector and corporate actors.

### ACTIVITY .....

While the Forum itself does not hold shares in companies and is free from conflict in that sense, conflicts do arise and there are sometimes challenging decisions to make. For example, some LAPFF members have policies to divest from fossil fuel companies, and others choose to remain invested. This divergence in approach creates a tension among members with differing views and stances on fossil fuel investment. The same can be said on human rights and employment standards. When

information was issued in 2015 about employment condition concerns at (then) Sports Direct’s Shirebrook facility and the company’s share price dropped the company out of the FTSE100, a number of LAPFF funds took the view that it was better to pull out of the company than to remain invested. Yet the Forum continued to engage on the back of investment from the remaining funds who had not divested. Other examples include concern about the human rights implications of the defence industry, which is a large employer in many LAPFF members’ regions, and the health implications of tobacco by members, while holdings in these industries provide significant returns for members.

### OUTCOME .....

The Forum’s position is to use company engagement as a mitigation strategy where conflicts cannot be prevented. Therefore, LAPFF engages and does not encourage divestment in these cases. The rationale is that divesting reduces leverage with companies and makes it harder to influence positive change. Therefore, in relation to fossil fuel companies, LAPFF has managed to engage with companies like Shell and BP to influence their net zero emissions policy and target setting. The Forum also helped to influence Sports Direct’s decision to include a worker representative on the board.

# PURPOSE AND GOVERNANCE

## LAPFF'S ROLE IN PROMOTING WELL-FUNCTIONING MARKETS

### CONTEXT .....

Alongside problems with accounting standards and audit, LAPFF has also given broad attention to the structure of wider market regulation in the UK. A problem with the failures in the audit and accounting regime – from a shareholder protection basis – is that existing market regulation does not make up the difference, as this regulation is ‘consumer’ based. The focus for market regulation should be the integrity of the market, not the company whose shares are traded. At present, where protection is offered it merely covers those parties who traded shares in a particular time period. That approach does not sit well with the typical position of a LAPFF member fund, and with assets under management of over £300 billion, the Forum has an important role to play in creating positive market incentives through its work.

### ACTIVITIES .....

The Forum has identified the role and structure of the Financial Reporting Council (FRC) as a root cause risk to a well-functioning market and pushed hard for an overhaul of the institution. While there have been delays in transitioning to a new body, LAPFF sees this change as an opportunity to create a more stable, transparent, and effective regulatory environment to promote a well-functioning market that will allow members to align their investments better with stewardship goals.

LAPFF has also engaged with the Financial Conduct Authority (FCA) for a period of time on this matter. The importance of this engagement was highlighted in the case of Tesco’s accounting scandal. Tesco ended up settling for over £200m, funded by shareholders, with compensation then payable to a restricted group of people who traded shares in a limited time period.



### OUTCOMES .....

With government policy-making affected by Covid-19, and with the delay in implementation of the reform of the FRC recommended by the Kingman Review, the Forum’s work has continued to focus on the reform of the FRC. This work is important given the problem that nuances between markets regulation and company regulation are easily confused by parties not acquainted in detail with either or both. The Forum also engages with market-leading companies to encourage them to lead by example in responding to market and systemic risks.

## LAPFF POLICY AND PROCESS REVIEW

### CONTEXT .....

LAPFF members operate in a different legal and policy context to private asset owners or retail asset owners. They have their own sets of regulations and expectations. Therefore, they have to both work with these other asset owners and hold them to account to protect their own shareholder value, understanding that in respect of environmental, social and governance issues, local government pension schemes have ultimate responsibility for enumeration and implementation of environmental,

social and governance standards at their respective schemes.

### ACTIVITY .....

In this context, the Forum has ramped up its engagement with asset managers, not just with investee companies. This approach reflects the Forum’s agreement with the rationale behind the new Stewardship Code that all actors in the investment chain must be held to account for their stewardship (including environmental, social, and governance) activities and decision-making.

This accountability is rooted in the Forum’s responsible investment policies. These policies are reviewed on at least an annual basis, but can be revised more frequently if real world developments require revision. This sense check against real world developments and discussions with a range of stakeholders ensure that the stewardship objectives and outcomes are both realistic and effective in driving change and progress. Policies are checked internally through the LAPFF Executive and business meeting approval processes, including feedback encouraged from the membership to hone and refine policy positions. External assurance often comes from activist groups that question or challenge Forum policy; these questions and challenges are welcomed as a necessary part of the policy discussions and often do lead to either changes in policy or affirmation that Forum policy is sound and robust.

The Forum believes it is important



to report on both policy developments and engagements in a fair, balanced and understandable manner. This approach to reporting encompasses both acknowledging when investee companies have made progress in line with the Forum’s responsible investment policies and when challenges exist in achieving such outcomes. For example, BHP recently withdrew from an industry body on the basis that this body took action that did not conform to BHP’s standard of political and environmental conduct. The Forum both acknowledged the positive decision taken by BHP and stressed that there is still significant progress to be made in respect of BHP’s other industry affiliations.

**OUTCOME .....**

This fair, balanced and understandable approach means that the Forum is able to create real incentives for company improvement while also effectively pushing companies to improve their practices. Continuous assessment of LAPFF responsible investment policies

It took over seven years to see progress with National Express but the Forum continued to work consistently with the company and trade unions to try to find common ground and agreement for moving forward.

and feedback from relevant stakeholders ensures that the Forum’s policies remain relevant and effective and continue to drive improvements at investee companies, even if short term gains are not always readily evident. For example, the Forum engaged with both First Group and, more recently, National Express on issues around freedom of association and collective bargaining. It took over seven years to see progress in both cases, but

the Forum continued to work consistently with the companies and trade unions to try to find common ground and agreement for moving forward. In the case of First Group, the Forum was the primary driver of change, but it did play a facilitating role in both cases and used its leverage with both companies to maximum effect in helping to rectify broken relationships between the companies, unions, and workers.



# 2

THE NEW STEWARDSHIP CODE

# INVESTMENT APPROACH

CLIENT ACCOUNTABILITY AND COMMUNICATION

LAPFF ANNUAL CONFERENCE 2019

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July-September  
2019*

*BAE Systems,  
Boeing,  
Lockheed Martin,  
Petrobras,  
ArcelorMittal,  
National Grid*

Amnesty International campaigners drawing attention to UK-manufactured arms being used to control war crimes in Yemen.

*Quarterly  
Engagement  
Report  
June*

*Tailings dams,  
Persimmon,  
Centrica, BP,  
ArcelorMittal,  
Imperial Brands*

Local  
Authority  
Pension  
Fund  
Forum

lapfforum.org.uk

**CLIENT ACCOUNTABILITY AND COMMUNICATION****CONTEXT.....**

LAPFF is not itself an investor but during the year represented the interests of 81 LGPS funds and six Pool companies across England, Wales and Scotland.

**ACTIVITY .....**

LAPFF members receive information on outcomes and impacts of Forum engagements through a number of channels. The Forum’s annual conference takes place in December each year. LAPFF members and others from the investment community are invited to join the conference for updates on the Forum’s main engagements and topical developing issues. More detailed engagement information is shared with LAPFF members at LAPFF Executive and business meetings, where papers on relevant research and engagement topics are presented to the membership. These presentations include engagement outcomes and impacts.

**LAPFF ANNUAL CONFERENCE 2019****CORPORATE RESILIENCE - CHALLENGES TO SHAREOWNERS**

When the title for the LAPFF annual conference in December 2019 was chosen there was no indication of how prophetic it would turn out to be in early spring 2020. The 2019 conference brought together over 200 delegates, the majority of whom were from LAPFF funds, their members and officers. The conference was held for the second year running at the Bournemouth Hilton. As usual, the conference programme was designed to bring out the topics and themes on which LAPFF had engaged during 2019.

The first session opening the first



Community representatives Marcela Nayara Rodrigues and Julia Mello Neiva from Brazil

afternoon of the conference was an update on the Investor Initiative on Tailing Dam Safety. The session was moderated by Councillor Rob Chapman. Adam Matthews, Director of Ethics & Engagement for the Church of England Pension Board presented and LAPFF brought community representatives, Monica Dos Santos and Marcela Nayara Rodrigues, from Brazil to speak about their personal experiences with, respectively, the Fundão dam collapse in Mariana, Brazil, and the Córrego do Feijão dam collapse in Brumadinho, Brazil. Monica and Marcela traveled to the UK for the LAPFF Conference with translators Leticia Soares Peixoto Aleixo from the NGO Caritas and Julia Mello Neiva from the Business and Human Rights Resource Centre. Monica’s and Marcela’s accounts of their personal experiences during and after the catastrophes were chilling, and they reinforced LAPFF’s commitment to hearing and acting on the ‘community voice’. Many in the audience were moved to tears by their presentations.

Corporate representatives speaking at the conference included Sir Peter Gershon CBE FREng, Chair of National Grid, who set out National Grid’s commitment to net zero. Carrying on the theme of the session ‘informed not inflamed - a realistic approach to the energy transition’ brought together two experts, Kingsmill Bond from

Carbon Tracker and Councillor Barney Crockett, President of the World Energy Cities Partnership. This discussion incorporated some of the ‘just transition’ work that LAPFF had undertaken during 2019.

ArcelorMittal has been a long-term engagement for LAPFF, and ArcelorMittal representative Alan Knight, described the company’s journey towards carbon neutrality.

Tesco representatives, Mark Little and Tony McElroy, set out their company’s policies on controlling food waste, plastic production and packaging during a session moderated by Councillor Glyn Caron.

An interview session with Martin Gilbert, then Chair of Aberdeen Standard Investments, moderated by Councillor Barney Crockett explored the value of employees on the board.

Sessions reflecting the LAPFF work plan on cybersecurity and social media abuse included Seyi Akiwo from ‘Glitch’ and a perspective from the Home Office department tackling exploitation and abuse standards. Councillor John Gray closed the session by interviewing a former Trinity Mirror journalist on continuing tribulations at Trinity Mirror, now Reach Plc.

Directors’ remuneration, Climate Change Accounting and an update on



**INVESTMENT APPROACH**

'After the FRC what Next' again reflected challenges, outcomes and proposed solutions related to some of the Forum's major work streams.

Pre-dinner speaker, the Rt Hon Kenneth Clarke MH QC MP on the 5 December, regaled delegates with his memories and anecdotes from his time in government.

The closing day included a panel on gender diversity moderated by Councillor Yvonne Johnson. Deborah Gilshan founder of the 100% Club, Clare Payn, Legal and General Investment Management representing the 30% Club and Dr Nisha Long, Head of Cross Border Research at Citywire made presentations.

The closing speaker at the conference was the Rt Hon John Bercow, who had recently stood down from his duties as Speaker of the House of Commons. He gave an amusing, insightful and unique look behind the scenes of his time as Speaker.

**LAPFF EXECUTIVE AND BUSINESS MEETINGS**

The Forum engages on environmental, social, and governance issues with the companies in which its members invest to support members in taking the most fully informed investment decisions possible.



Member views are sought in a number of ways, including through the LAPFF Executive Committee, at LAPFF business meetings, and through member contributions to the LAPFF work plan. This input then forms the basis of company engagements and policy engagement, and LAPFF members use Forum materials to help inform their investment decision-making.

**LAPFF REPORTING**

The Forum's quarterly engagement report is presented at Business meetings. This report includes summaries of LAPFF's pivotal engagements during the relevant quarter and also elaborates on all engagement outcomes and impacts during the quarter. The Forum issues two other forms of communications to members. The first is a monthly ebulletin that highlights major news stories and flags how the Forum's engagements relate to, and in some cases, influence the stories. The Rio Tinto Juukan Gorge case is a recent example of how the Forum's engagement influenced the news stories. The second publication is a weekly email from the LAPFF Chair to Forum members updating them on the Forum's activities over the week.



Clockwise from top left: Seyi Akiwowo of Glitch, Natasha Landell-Mills, Head of Stewardship, Sarasin & Partners, Rt Hon John Bercow former Speaker of the House of Commons, Rt Hon Kenneth Clarke CH QC

**LAPFF EDUCATION AND TRAINING**

During the Covid-19 period, LAPFF has started to run a series of webinars for both members and other stakeholders. For example, the Forum held webinars on electric vehicles, mandatory human rights and environmental due diligence, and community perspectives on the tailings dam collapses in Brazil. An expert speaker also presents on investment topics relevant to LAPFF members at each quarterly business meeting. The business meeting papers are drafted to educate members on engagement and policy topics too, and periodically, the Forum issues trustee guides which are a combination of think pieces and practical engagement advice. These guides are made available to the general public.

**OUTCOME .....**

As mentioned, member views are accounted for through LAPFF Executive meetings (with the LAPFF Executive taking initial decisions on behalf of the Forum and Forum members approving those decisions at Business meetings). There is a two-tiered evaluation of effectiveness. First, engagement objectives are set prior to company or policy engagements, and these objectives are assessed at the conclusion of meetings to determine if they have been met and/or the progress made against them. Second, based on reporting to the LAPFF membership, members take a view on the progress made through each engagement and request that an engagement continue, that it cease, or that it continue to be monitored for engagement at a future time. Engagements with the Forum's top holdings are taken on a regular basis, but any major engagement theme or topic must be approved by the LAPFF Executive and membership in order to proceed. The onus is on LAPFF members to communicate any voting and engagement expectations and developments to asset managers, but the Forum is directly in touch with a number of these managers too in order to clarify LAPFF positions and expectations.



# INVESTMENT APPROACH

## FACILITATING CLIENT ESG INTEGRATION

### CONTEXT .....

Given that the Forum comprises local government pension schemes that will need to pay beneficiaries, in some cases, a hundred years from now, the time horizon for LAPFF's research and engagement work is very long-term. Stewardship priorities are set by the LAPFF Executive and membership in conjunction with guidance from the research and engagement partner. Over time, the Forum has focused on more international assets as the membership asset base has moved toward more international holdings. At present, the Forum focuses on engagement based on ordinary shares. However, there is periodic review of whether other asset classes should be engaged and if so, how this could be done effectively. The new Stewardship Code's focus on all asset classes has prompted a new discussion about the scope of the Forum's engagements based on asset class.

### ACTIVITY .....

This context informs the criteria used by the Forum's research and engagement partner in carrying out its activities. Papers on research and engagement topics are drafted for each LAPFF Executive and business meeting with recommendations on stewardship actions to be taken by the Forum. The Executive and membership provide feedback on whether the proposals meet their goals and needs, and recommendations are then set for the service provider to carry out in line with membership expectations and needs. The Forum has crystallised this approach over its 25 year history and service providers are given clear and actionable criteria to implement, noting again that sometimes the results happen sooner or later depending on the engagement and issue in question.

### OUTCOME .....

The nature of LAPFF's information gathering has informed engagement throughout the investment chain. For

example, the Forum tends to engage in robust stakeholder engagement with non-governmental organisations, trade unions, workers and affected community members. This engagement approach means that LAPFF often incorporates the voices of these stakeholders into company engagements on environmental, social and governance issues, and in discussions with asset managers. The Forum takes this approach not only because it is the socially and environmentally responsible way to operate, but also because its members have gained important investment-relevant information through these dialogues and discussions. One on-going example of this approach is working with Brazilian communities affected by tailings dam failures who pointed out that they had seen the cracks in the failed tailings dams and had notified the relevant companies who had not acted on the community input. Apart from the human rights and environmental concerns – and there are many – raised by this scenario, this communication failure has an obvious impact on company assets, operational viability, and the financial consequences for both companies and investors. Therefore, the Forum sees value in continuing dialogue with affected communities, and other stakeholders, and in recognising a confluence of interest between high social and environmental standards and practices and good shareholder returns.

## MONITORING AND ACCOUNTABILITY OF LAPFF

### CONTEXT .....

The LAPFF Research and Engagement partner was appointed following a tender process. LAPFF utilised the National Framework for Stewardship Services, Lot Two Engagement services for its most recent tender in December 2019. The LAPFF Executive carried out interviews and evaluation of all the tender bids. Pensions and Investment Research Consultants Limited (PIRC Limited) was awarded the contract following the tender process, and the contract began on 1 June 2020.

### ACTIVITY .....

The LAPFF Executive oversees the work plan of the research and engagement partner on behalf of the LAPFF membership. The LAPFF work plan is presented to the LAPFF membership each year at the Forum's January business meeting. LAPFF members are invited to put forward proposals for the Forum's engagement programme. The work plan is monitored on a quarterly basis by the LAPFF Executive. The work plan is subject to change with additional issues coming forward during the year, and all major engagement projects are approved by the LAPFF Executive.

The research and engagement partner reports directly to the LAPFF membership at quarterly Forum business meetings. All agendas and papers for the meeting are published one week in advance of the business meeting and are sent electronically to the membership and are available on the members' password protected part of the LAPFF website. The aforementioned quarterly engagement report is produced for review and approval by the LAPFF membership at business meetings and is displayed on the public part of the LAPFF website.

### OUTCOMES .....

The LAPFF Chair meets with the research and engagement partner on a regular basis where updates on the implementation of the work programme being carried out on the Forum's behalf, in addition to the LAPFF briefings the Chair receives for the various engagements conducted, are discussed. The LAPFF Executive also monitors the work programme and budget through quarterly meetings.

Detailed reports from the research and engagement partner are set out in the LAPFF Executive papers, where all the outcomes from the various engagements, consultation documents, responses to LAPFF member queries, and so on, are documented. Should there be any concerns with regard to the needs of the work programme not being met to the required standard, the Chair and the LAPFF Executive examine such matters, consider explanations, and determine any rectification of the required standards.

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THE NEW STEWARDSHIP CODE

# ENGAGEMENT

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## COMPANY ENGAGEMENT

### CONTEXT.....

LAPFF is a network organisation and a service provider, not an asset owner or asset manager, so it has no conflicts of interest in terms of company ownership. Yet through its membership, the Forum represents over £300 billion in assets under management. This combination of independence but financial clout allows the Forum to ask difficult questions and broach challenging subjects when needed. As the Forum Chair, Cllr Doug McMurdo, has said: “We are not afraid of challenge, we rise to the challenge.”

### ACTIVITY .....

The Forum’s approach to engagement is to be cordial but challenging with companies, and to engage with a broad range of stakeholders to understand as fully as possible the complete set of operational, reputational, legal, and financial risks facing companies and investors. In general, LAPFF Executive members undertake company engagement with support from staff from the research

and engagement partner.

Companies are chosen for engagement based on aggregating the holdings of LAPFF members to determine the most widely held companies and based on holdings that pose issues of concern for members. Engagement objectives are developed through combining desktop research on companies with past engagement notes to determine the areas of greatest relevance for LAPFF members, both in respect of environmental, social, and governance concerns and in respect of financial returns for members.

Engagement methods vary depending on the engagement context. For example, the Forum will most likely send a letter when approaching a company for the first time. However, if a company is not responsive or if the Forum has engaged repeatedly with a company that does not appear to be managing its environmental, social, governance, or financial risks and impacts, LAPFF might escalate its engagement to issue voting alerts and press releases to highlight the company’s continued poor conduct. Different geographies require different engagement methods too. For example, companies in the US are less likely to respond to requests for shareholder engagement, so voting alerts are more

**“We are not afraid of challenge, we rise to the challenge.”**

Cllr Doug McMurdo

common early in the engagement process with these companies. In contrast, British and Australian companies are usually responsive to meeting requests, so the Forum tries to conduct most of its engagement with these companies through one-on-one or collaborative investor meetings.

### OUTCOME .....

Outcomes are also context dependent. For example, the Forum has tried repeatedly to meet with the Boeing board to discuss the company’s approach to dealing with the 737 MAX disaster. The two jet crashes in Indonesia and Ethiopia, along with increasingly worrying findings of additional safety concerns with the aircraft, raised concerns about a range of risks for passengers, the company, and investors. LAPFF Chair, Cllr Doug McMurdo, met with investor relations representatives to discuss the 737 MAX but felt a discussion with a board member about the company’s strategic approach to dealing with the MAX disaster would be in order. However, the company has

### SPOTLIGHT

## AGMs in the time of Covid-19

Company AGMs moved online in response to the Covid pandemic. This change in format created both opportunities and obstacles for the Forum in attending AGMs. The Rio Tinto AGM was one of the first to take place after a Covid lockdown hit the UK. The company helpfully opened the meeting to both shareholders and other stakeholders, including community members and trade unions. Chair Simon Thompson took questions from a range of groups, including LAPFF, by allowing

attendees to speak by phone. However, it wasn’t clear which questions were chosen for responses and how many of the questions submitted were answered.

This type of participation proved rare. BHP also allowed both shareholders and other groups to join its AGM, but attendees had to type questions into a virtual interface. The questions were then read to the Chair who answered them. Boeing permitted shareholder participation and arranged for

questions to be asked through a virtual interface. However, no reaction from those asking the questions was possible with this format. Yet Rio Tinto, BHP, and Boeing represented the best practice AGMs that the Forum experienced during the proxy season. Many companies, including Barclays, did not allow for any shareholder participation at all.

So although the Forum should have been able to join international AGMs virtually, most of the virtual formats

did not allow for shareholder participation. This exclusion is a particular concern given the massive financial implications Covid-19 has had for companies. In this year in particular, it was important for investors to have access to company boards to interrogate company resilience and strategies for surviving the pandemic, but this was not to be. It is hoped that greater access and transparency is permitted for virtual AGMs in future.



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refused to allow Councillor McMurdo access to the board for such a discussion. Therefore, the Forum issued a voting alert to convey its concerns about the situation to its members and to recommend action to the company through voting. Further escalation measures are being discussed and considered in this case.

In contrast, the Forum has had significant success this year on climate targets in meetings with ArcelorMittal and through a press campaign on Rio Tinto in relation to the company’s destruction of culturally significant sites at Juukan Gorge in Western Australia. Both of these engagements will be discussed in further detail below.

### COLLABORATIVE ENGAGEMENT

#### CONTEXT .....

LAPFF is itself a collaborative engagement body with 81 members and six Pool companies during the year under review. While this collaborative group in itself is powerful and has grown in strength over the last few years, in many instances the Forum collaborates further with other like-minded investors to create additional impact for members.

#### ACTIVITY .....

The Forum collaborates frequently with the Church of England and Sarasin & Partners on a range of engagements. Over the past year, engagements with the Church of England have focused on climate change and tailings dam safety. In respect of the latter engagement, LAPFF has been the stakeholder liaison with the investor tailings dam safety initiative co-led by the Church of England Pension Board the Swedish Council of Ethics to the AP Funds. This collaboration won the Principle for Responsible Investment’s Project of the Year award during 2020, and a number of LAPFF members were cited for their contribution to the engagement. Forum representatives are also in close contact with PRI itself on community engagement issues, and Covid-19 permitting, LAPFF Chair, Cllr Doug McMurdo, will visit communities



Protester Chris Moore, lost his daughter Danielle in the Ethiopian Airlines 737 MAX crash

#### SPOTLIGHT

### BlackRock – A Challenging Case



Given BlackRock’s size and level of ownership in many of the world’s largest companies, LAPFF wanted to meet with the asset manager to discuss its role in stemming the climate crisis. The Forum met with Larry Fink (left) and Sandy Boss, the new Global Head of Investment Stewardship and other BlackRock representatives in September 2020 to discuss BlackRock’s approach to investment stewardship and its ‘reinvigorated’ approach to engagement and voting. Larry Fink noted that in his conversations with other leaders he had observed a pronounced change in attitude in understanding why stakeholder capitalism is important. His 2020 letter

identified climate change as a defining factor in companies’ long-term prospects and due to feedback and support from investor clients noted his voice would be even louder on climate in his 2021 letter. When engaging on climate, BlackRock is looking for companies to have a strategy aligned with a 1.5 degree scenario, focuses attention through voting on director elections on this alignment, and is seeing investment flows following these dialogues on climate risk management. LAPFF was able to share examples of the wide range of engagement undertaken on behalf of member interests and expressed a willingness for ongoing discussions on the areas explored.

in Brazil affected by tailings dam failures along with representatives of the Church of England, PRI, and the Swedish Council of Ethics, to establish what progress has been made on reparations for these failures and to assess what measures are in place to prevent future failures.

The Forum has engaged with Sarasin & Partners in relation to the Barclays climate resolution filed at the company’s 2020 AGM, and on a Sarasin-led audit and climate engagement with auditing firms and the leading oil, gas, and mining majors. Further collaborations with Ruffer and Aegon for ArcelorMittal, Northern Trust for National Grid and a number of other engagements on climate have taken place too, under the umbrella of the Climate Action 100+ initiative. In addition, the Forum has been engaging with a US-based investors on the Investors for Opioid & Pharmaceutical Accountability (IOPA) engagement, and LAPFF is a member of the Workforce Disclosure Initiative (WDI) and the CCLA ‘Find it, Fix it, Prevent it’ engagement to eradicate modern slavery.

### OUTCOME .....

The LAPFF engagement outcomes are set out quarterly in an engagement outcomes table for members. The table is included in the quarterly engagement report, which is made public and posted on the Forum’s website. Most outcomes reflect continued dialogue with companies, but outcomes such as those with Barclays, ArcelorMit-

tal, and Rio Tinto reflect substantial progress and are elaborated below. The Forum has also increased its engagement with asset managers, and the challenges of that engagement are highlighted here.

## ESCALATION

### CONTEXT .....

As mentioned above, each engagement is different. A range of factors inform how LAPFF undertakes an engagement, including the company, the sector, and the nature of the issue(s) to be addressed. Tactics might also change mid-engagement in response to new developments.

### ACTIVITY .....

The primary means by which the Forum chooses its engagements has historically been member holdings. Each year, a letter is circulated to LAPFF members requesting their holdings. This holdings data is then anonymised and aggregated into a database that indicates, for example, that 42 LAPFF members hold ordinary shares directly in Royal Dutch Shell. That way, the research and engagement team is able to identify the top holdings for LAPFF and engage on the basis that the greater the number of members that hold, or the greater the percentage of aggregate holdings, the more interest members will have in

engaging with companies to conduct environmental, social, and governance due diligence in respect of their investment portfolios.

Frequently, these holdings coincide with companies facing issues of significant concern for LAPFF members, such as oil, gas, and mining companies, and financial institutions. Factors informing how escalation objectives are set include: whether a company has any significant and immediate concerns, whether there is an existing collaborative engagement on-going, whether the company is receptive to engagement or recalcitrant, and what is realistic given the context of the engagement. Sometimes, a clear escalation plan is in place, but sometimes the immediacy of the issue or the uncertainty of the engagement context mean that the escalation plan develops as the engagement progresses. For example, a standard escalation plan would be to write a letter requesting a meeting with the company chair, hold a meeting, assess the meeting outcomes, and determine if further engagement is necessary. If it is, a determination is made whether a further meeting is required or if the situation suggests that a voting alert, media campaign, or shareholder resolution would be more effective routes. However, in the case of Rio Tinto and Juukan Gorge, it was clear that the company would not take a meeting on the issue, so a media campaign seemed the best course of action in that case.





**OUTCOME .....**

Sometimes the escalation leads to positive outcomes, and sometimes it does not. The timeframe for results is radically different too. With Rio Tinto, the relevant senior executives were ousted in a matter of months. However, when the Forum engaged with National Express about freedom of association, collective bargaining, and health and safety issues in the company’s US operations, substantive results only occurred more than seven years after the initial engagement. Furthermore, whereas the Rio Tinto engagement operated on the basis of collective engagement with other investors and through a press campaign, the National Express engagement took place through engagement with relevant trade unions, company meetings, voting alerts, AGM attendance, and letter writing because the Rio Tinto approach would not have been appropriate to National Express for various reasons. Boeing is an example of a company with which the Forum has made no real progress to date, despite escalation.

**LAPFF ACHIEVEMENTS**

**CONTEXT .....**

The reality is that most of LAPFF’s engagements are continued dialogues with investee companies and other stakeholders. The nature of engagement is relationship-building, so it often takes a number of discussions to develop the trust needed for investors to work with companies on creating change. As noted, this change can come relatively quickly, as with Rio Tinto, or very slowly, as with National Express. This section sets out some of the Forum’s achievements for the year under review.

**ACTIVITIES .....**

Barclays this year faced a climate resolution for the first time. The resolution was supported and co-filed by a group of investors and investor groups who recognised that financial institutions play a large role in both the problem of and the solutions to the climate crisis. Barclays recognised it had to do more on climate but responded by issuing its

own resolution with content it thought was achievable. The combination of the shareholder resolution and the company resolution created a dilemma for LAPFF. The Forum was keen to express support for both the shareholders and the company for moving in the right direction, but it was not immediately clear which resolution should have been supported. LAPFF Chair, Cllr Doug McMurdo, engaged extensively with both Barclays and ShareAction, the non-governmental organisation representing the investor group in the negotiations with Barclays on the shareholder resolution. In the end, LAPFF believed that the two resolutions were very similar and were reconcilable, so the Forum supported both resolutions and maintained positive relationships with both Barclays and ShareAction.

LAPFF saw this engagement with Barclays as the beginning of investor engagement with financial institutions on climate and subsequently met with ANZ Bank to discuss that institution’s approach to climate. The Forum also conducted an extensive engagement with its widely held insurers, banks and asset managers that focused on how climate is being built into these companies’ insurance offerings. The conclusion is that there is a long way to go on climate, both

Puutu Kunti Kurrama and Pinikura Aboriginal Corporation





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on the insurance side of these businesses and in the financial sector more broadly.

The Forum's engagement with Rio Tinto over Juukan Gorge was another major achievement during the year, albeit in conjunction with a number of other investors. This engagement highlighted the importance of using two engagement strategies well – collaboration with other stakeholders and the media. Given that the Mariana and Brumadinho tailings dam collapses had taken place in Brazil and had sparked engagement between investors and community members, it was interesting that the Juukan Gorge incident was the real catalyst for investors to start engaging in earnest on issues surrounding affected communities. There are a few learnings from this engagement that are worth noting.

First, the Forum liaised with local investment bodies, primarily the Australasian Centre for Corporate Responsibility (ACCR). LAPFF approached ACCR in the first instance to ask if there were any Traditional Owners or Aboriginal representatives who would be willing to speak with Forum representatives about their views on the cave destruction at Juukan Gorge. LAPFF and ACCR decided to hold a joint webinar with Aboriginal representatives speaking about their perspectives on Juukan Gorge, and this webinar was shared with international investors. After the webinar, there was continual contact between LAPFF, ACCR, and the Aboriginal representatives to coordinate press releases and ensure that messaging was consistent. The information LAPFF received from its Australian partners was critical, both because the time difference with Australia affected the Forum's ability to obtain the most current information, and because the Australian voices provided a local, culturally relevant view of what was transpiring on the ground. Consequently, LAPFF was able to distil the most relevant messaging and asks of the company in its press releases. This targeted approach allowed the Forum to build a coherent and effective press strategy to support the Australian partners in their efforts to hold Rio Tinto to account for the destruction of important Australian cultural heritage sites.

Engagement with ArcelorMittal yielded a third significant achievement



this year. The Forum had been lead investor with ArcelorMittal for a couple of years through the ClimateAction 100+ collective engagement, and initial meetings suggested there was scope for a greater strategic and business focus on the required climate transition. The aim was to promote net zero target setting for the group and to support technologies and partnerships most suited to directly meeting these objectives.

### OUTCOMES .....

With the Barclays resolutions, the Forum through its multi-stakeholder approach was able to bring other investors and Barclays closer together on their visions for Barclay's climate approach. While implementation of the Barclays resolution still needs to be monitored, the Forum's role in facilitating dialogue between stakeholders was important in achieving a positive outcome in this engagement.

In relation to Rio Tinto, the Forum and other investors were able to help the board understand that the three senior executives deemed most responsible for the Juukan Gorge tragedy needed to be held to account. While the Forum would have preferred to see these executives dismissed rather than have the company allow them to resign (not least because of the executive pay implications of this decision) LAPFF is pleased that there is now room for better executive decision-makers to join the company and build new relationships with affected communities and investors globally, not just in Australia.

A number of meetings have been held with ArcelorMittal over the course of the year, as well as the submission of questions to the AGM. There has also been significant progress with a group net zero target being set and greater transparency around the company's participation in industry associations, particularly their underlying climate policy positions and how they map to that of the company.

## ARCELOMITTAL – MOVEMENT ON CLIMATE

### ENGAGEMENT WITH ARCELOMITTAL

LAPFF continued its engagement with ArcelorMittal as part of the Climate Action 100+ initiative. An issue raised consistently in meetings with company representatives has been around the use of hydrogen in steelmaking to decarbonise the process. It was thus welcome to hear that the company will be producing its first steel with hydrogen from renewables in 2020 in Europe. The announcement during the year that the company will reduce CO2 emissions by 30% by 2030 in Europe was later followed by the setting of an objective for the group as a whole to be carbon-neutral by 2050.

Regular meetings continued with ArcelorMittal, the world's largest steel and mining company under the aegis of the Climate Action 100+ initiative. Engagements included not only direct meetings with company representatives, but also participation in an IIGCC convened roundtable on decarbonisation of the steel sector. Together with the other lead investors in CA100+, Ruffer and Aegon Asset Management, progress was made with including company representatives in discussions with IIGCC on the carbon border tax adjustment which the company considers crucial to the economic viability of its operations in Europe.

ArcelorMittal had already shown progress in goal-setting by publishing its objective of net zero emissions by 2050 for its European operations. Dialogue around the setting of shorter-term goals was followed by the announcement during the year that the company will reduce CO2 emissions by 30% by 2030 in Europe. Further discussions about a group-wide net zero emissions target was later

followed by the setting of an objective for the group as a whole to be carbon-neutral by 2050.

One longer-term topic of engagement has been around the issue of lobbying, the concern being that companies on the one hand can set robust carbon reduction goals but then have their positions undermined through their trade body memberships. Consequently, an objective of this engagement was to request disclosure that would map the membership of trade organisations, positions taken by those bodies and where these positions diverged from the company's own stance. LAPFF was therefore pleased when ArcelorMittal published such a review during the year.

For LAPFF, the issue raised most consistently in meetings with company representatives since the first collaborative engagement in 2018 has been around the use of hydrogen in steelmaking to de-carbonise the process. In the 'Climate Action in Europe' report produced during the year, it was notable that this technology was separated out from the other 'smart carbon' technologies. The report noted 'we could have one of the first Hydrogen DRI demonstration plant operating in Europe by mid-2020s'. It was thus doubly welcome to subsequently discover that the company will be producing its first steel using hydrogen from renewables in 2020.

## RIO TINTO – A NEW LOOK AT ENGAGEMENT WITH AFFECTED COMMUNITIES

When news surfaced that Rio Tinto had blown up two caves of significant cultural importance at Juukan Gorge in Western Australia in May 2020, there was global uproar from both affected community members and investors. Both groups of stakeholders were extremely concerned about the company's lack of appropriate engagement with affected Traditional Owners, not only in relation to Juukan Gorge but more broadly. Parliamentary inquiries into the incident revealed significant corporate governance failings

**Despite the huge upheaval Covid-19 has presented to capital markets globally, in climate terms it has been seen in some quarters as a dress-rehearsal for responding to the impact of climate change.**

and lack of appropriate oversight of community engagement by the company.

At first, the company appeared to believe that the incident would blow over. However, investors were keen to indicate that this incident was the last straw in relation to the mining industry's poor record of engagement with communities. The Forum was in close contact with the Australasian Centre for Corporate Responsibility (ACCR), which was itself in close contact with Traditional Owners on this issue. ACCR and LAPFF held a joint webinar with two Aboriginal women, Professor Marcia Langton and Original Power representative, Karrina Nolan, both of whom spoke about Traditional Owner concerns related to Rio Tinto in order to highlight the Traditional Owners' concerns for the investment community.

These community voices and the findings of the Australian Parliamentary inquiry into Rio Tinto's activities at Juukan Gorge raised serious concerns about corporate governance failings at the company. Cllr Doug McMurdo wrote to Rio Tinto's Chair, Simon Thompson, requesting a meeting on the issue. However, the company was not keen to discuss Juukan Gorge. Consequently, along with other Australian and UK-based investors, the Forum launched a media campaign to express its concerns about Rio Tinto's conduct at Juukan Gorge and the corporate governance failings the incident highlighted.

The company took initial steps to cancel the short-term incentives of three senior executives implicated in the Juukan Gorge incident. However, LAPFF and other investors found this action

completely inadequate and demanded further consequences for the executives. In September, the company announced that the three executives in question – including the CEO – had announced their resignations. While LAPFF welcomed this news, the fact that the executives were allowed to resign rather than being terminated raises further concerns. LAPFF and other investor bodies are also concerned about the continuing corporate governance problems and agree that it will be a long road back for Rio Tinto to re-gain the trust of both affected communities and investors. Investor engagement with Rio Tinto and others in the mining industry is on-going.

## THE CLIMATE DILEMMA AND THE VALUE CHAIN RESPONSE

### CONTEXT .....

When the LAPFF workplan for 2020/2021 was circulated to members for comment in January, every response cited climate change as the most pressing issue for the Forum to address. As with all other activities, 2020 will be seen through the prism of the pandemic and how this has influenced the trajectory of change. Despite the huge upheaval Covid-19 has presented to capital markets globally, in climate terms it has been seen in some quarters as a dress-rehearsal for responding to the impact of climate change. Many commentators have seen Covid-19 as a transformative turning point for investor action, and for this moment not be seen as a pause in momentum but an opportunity for a reset. In what is now generally accepted as the necessary transition to net zero emissions, the Forum has retained a focus on the need for this to be a 'just' transition, ensuring worker and community wellbeing is kept at the forefront of its climate change activities.

As flagged up to members at the January Business meeting, at the beginning of 2018, to have a 66 percent chance of staying within 1.5 degrees temperature increase, the Intergovern-

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mental Panel on Climate Change had identified there were 420 gigatons of CO2 left to emit. Given that around 42 gigatons of CO2 are emitted yearly, by the beginning of 2020 the budget is two years down the track and at current rates will be gone in around eight years.

The limited and rapidly shrinking global carbon budget that remains to ensure keeping within a temperature increase of 1.5 degrees is a central concept that LAPFF keeps at the forefront when engaging, both with companies and policy makers. At the end of this year under review, the global temperature anomaly stands at over 1.3 degrees. To ‘pursue efforts to limit the temperature increase’ to within 1.5 degrees, as set out in the Paris agreement, both companies and policy makers appear to have an over-reliance on carbon capture and storage as a technological solution. The Forum has become more vocal in challenging the viability of this technology, both in unpinning the assumptions made, and highlighting the very limited success ‘on the ground’ to date.

### ACTIVITIES .....

As climate change is a systemic market risk, it has been addressed in a large number of company engagements. In 2020, there has been a particular focus on financial institutions, asset managers and insurers. For the latter, the goal has been to progress the awareness of the impact the insurance side of their businesses does - and can - have on climate change. Engagement with Barclays presented an opportunity to leverage the action of those LAPFF members who had co-filed a resolution at the bank’s AGM. Liaising with both requestionists and Nigel Higgins, the Barclay’s chair, the Forum ultimately supported both the board and requestionist resolutions on bringing the bank’s financial services into line with the Paris Agreement on climate change.

### LAPFF CLIMATE FINANCE ENGAGEMENT WITH FOCUS ON INSURERS

While a number of investors began to engage with banks on climate finance during the year, the Forum was concerned that there was a gap in engagement with



other parts of the financial industry, namely, insurers. Insurers are important players in respect of all types of environmental, social, and governance risks and impacts because they create the risk paradigms in which all other companies and elements of society operate. Therefore, the Forum engaged with its top insurance holdings to determine the extent to which these companies were accounting for climate change impacts and risks in their insurance offerings. A couple of companies engaged had thought about the implications of their insurance offerings in relation to climate impacts, but most had not, and none appeared to have done so adequately. In fact, most companies spoke about managing risks, not impacts, through their asset management functions, not their insurance functions. Therefore, the Forum believes there is a way to go before insurance companies and other financial actors adequately address climate in their insurance operations, both from a climate impact perspective and from an operational risk perspective.

### CLIMATE AND AUDIT: SARASIN ENGAGEMENT

Continuing collaborative engagement alongside Sarasin & Partners has aimed to ensure that companies are fully accounting for material climate risks associated with a transition to net zero emissions by 2050 by making the necessary asset write downs in their accounts. This accounting goes beyond merely ‘disclosing risks’ of climate change. The fact is that the risks are already known, and in recent months the opportunities provided through renewables being cheaper than fossil fuels is resulting in fossil fuel assets becoming stranded far earlier than 2050. Both Shell and BP have responded with substantial (£10bn+) write downs of assets. In the

case of Shell, this write down includes all of the company’s gas acquisitions in Australia that were made in the last decade. BP is now worth less than it has been since 1995, down more than 50% from its peak. The engagement with these companies and others continues.

### BREAKING DOWN CARBON, CAPTURE AND STORAGE AND OTHER CLIMATE TECHNOLOGY

A sizable part of achieving net zero emissions for some climate change scenarios is dependent on carbon capture and storage (CCS) particularly in power generation and hydrogen production. However, the technology remains unproven economically at scale. One of only two functioning CCS units in power generation (both coal-fired) was closed in the year, having cost in excess of \$1bn, and only operating since 2016. The carbon capture process does not achieve net zero emissions, and the power consumption needed to run CCS with the plant can add more than 30% to fuel consumption as well. In New Mexico, the estimated cost of \$1.2bn for adding CCS to a 1980’s coal-fired power station is more than the cost of replacing the whole power station with renewables and battery storage.

Another problem for the CCS vision in the power sector is that the plants to which the CCS plant would attach are closing early. Additionally, in the case of CCS on peak demand gas plants, with 200 minute start-up times for the CCS process, the emitting plant could be switched off before the CCS has even begun the extraction process.

CCS is also expected to have a role in hydrogen’s replacement for oil-based combustion fuels. The concept is needed as most current hydrogen comes from methane (natural gas) and at least



the same amount of CO<sub>2</sub> is released in producing hydrogen as if the methane were combusted. At present, only one large scale CCS hydrogen plant exists. The alternative process, hydrogen from electrolysis of water using renewable energy, is both the subject of most new investment and is the basis of the EU's hydrogen strategy. It is estimated that the renewable production method will be cheaper by 2030 than the current carbon-based process with CCS. Several UK local authorities including Glasgow and in London are building renewables-based hydrogen plants to fuel public transport. LAPFF is engaging with companies to determine whether their pathways to transition are realistic.

## OUTCOMES .....

There have been some clear outcomes from many of the climate engagements during the year. At Barclays, nearly all shareholders voted for the company resolution committing to an ambition for emissions to be net zero by 2050. The focus on ensuring 'Paris-aligned' numbers in company accounts, has seen some fairly spectacular outcomes, with significant asset impairments being announced by both Shell and BP. Engagement with companies under the Climate Action 100+ initiative has continued with notable successes including National Grid's ambition to operate a zero carbon grid in the UK by 2025 and its new zero carbon sensitivity analysis.

## MINING AND HUMAN RIGHTS: A NEW PARADIGM DEVELOPING?

### CONTEXT .....

The mining sector has long faced challenges from investors on climate change. Along with CCLA and other investors, LAPFF played a role in developing the 2016 Aiming for A resolutions filed with AngloAmerican, Glencore, and Rio Tinto. However, the sector has also long faced human rights challenges. These challenges have been magnified in the last few years through the tailings dam collapses at Mariana and Brumadinho, and the destruction of culturally significant caves at Juukan Gorge in mid-2020.

### ACTIVITIES .....

On the back of Brumadinho and Juukan Gorge in particular, the human rights implications of mining activities have started to increase in importance relative to climate impacts of mining companies. One aspect of this awareness has emerged through the just transition movement for investors which, as outlined in last year's report, makes the point that societies cannot make effective transitions to low carbon economies without adequate consideration of and action in relation

to social actors, including workers and communities. The other angle of this development is the increased role of community voice contributing to investor understanding of corporate conduct. More and more investors are joining calls with community members and workers and are understanding how to incorporate community voice into their investment decision-making. LAPFF specifically has focused on engaging with mining company chairs to ensure that they see effective community engagement as an important strategic consideration for their companies.

### OUTCOMES .....

The result is increased pressure on mining companies to comply with international human rights standards, both legal and voluntary. This includes an imperative for mining companies to uphold the new Global Tailings Standard produced by the Principles for Responsible Investment, UNEP, and the International Council on Mining and Metals. On a number of occasions during the year, the Forum has returned to the UN Guiding Principles on Business and Human Rights to seek clarity on what to request of companies in relation to their human rights activities. Of particular relevance has been the provision in UNGP 11, stating: 'The responsibility to respect human rights is a global standard of expected conduct for all business enterprises wherever they operate. It exists independently of States' abilities and/or willingness to fulfil their own human rights obligations, and does not diminish those obligations. And it exists over and above compliance with national laws and regulations protecting human rights'. For the first time, a group of investors has convened to discuss the mining sector and engagement with affected communities in order to help inform this standard of expected conduct. This group represents a powerful additional tool in investors' engagement toolkit with mining companies, one the Forum expects to yield significant benefits in both human rights and investment terms.





## DEFORESTATION: WHERE INVESTMENT AND POLITICS MERGE

### CONTEXT .....

This year, LAPFF has given greater focus to the importance of preventing deforestation in order to stem climate change. Longer term collaborative engagement with palm oil producers and refiners has been around the promotion of sustainable palm oil to prevent wide-scale clear-cutting of palm forests. More recently, LAPFF has participated in engagement, led by Storebrand in collaboration with 33 other investors representing \$4.6 trillion, focusing specifically on Brazil to exert pressure on agribusiness and lawmakers.

### ACTIVITIES .....

Recognising the crucial role that tropical forests play in tackling climate change and protecting biodiversity, the goal of the Brazil investor initiative has been to progress a public policy dialogue with Brazilian authorities and other Brazilian associations on halting deforestation. Starting with an open letter to Brazilian embassies in investor home countries in June, this engagement was followed by a call with the President of the Chamber

of Duties of Brazil, Rodrigo Maia, and other speakers of the House. Concerns were voiced and shared by both investors and the Brazilian members on the call about the scale of deforestation in Brazil, and it was recognized that a number of issues need addressing alongside the need to significantly reduce deforestation rates. These issues include: enforcing Brazil’s Forest Code; assessing the ability of Brazil’s agencies tasked with enforcing environmental and human rights legislation to carry out their mandates effectively, and any legislative developments that may impact forest protection; preventing fires in or near forest areas to avoid occurrences of fires like those in 2019; and improving transparency and public access to data on deforestation, forest cover, tenure and traceability of commodity supply chains. The House shared investor concerns and members stated that they would not vote on matters related to the environment that could damage Brazil’s image in light of this.

LAPFF has further recognised and highlighted the reputational and financial risks posed by deforestation globally and therefore responded to a government consultation regarding due diligence in relation to forest risk commodities. The proposed legislation would make it illegal for larger businesses to use forest risk commodities that have not been produced in accordance with relevant local laws and would require companies to undertake sufficient due diligence to

show that they had taken proportionate action to ensure this is the case. LAPFF endorsed the need for greater levels of due diligence. The Forum’s response also highlighted potential areas for improvement, as the scope did not appear to include financial institutions and did not define what would be considered a ‘large’ company, nor did it appear to adequately address human rights issues.

From a company engagement perspective, after new evidence linked the world’s biggest meat supplier, JBS, to illegal deforestation, LAPFF raised the issue of supply chain risk with major supermarket retailers, Tesco and Sainsbury in engagement meetings.

### OUTCOMES .....

These initiatives have pointed to a new engagement approach through which equity investors engage with national governments on environmental, social and governance issues. Engagement with the Brazilian government consists of an ongoing dialogue and is in its early stages, but there has been a willingness from government officials to engage in a positive manner regarding this sensitive issue. The Tesco and Sainsbury engagements also highlighted the need for both companies and investors to examine all levels of their supply chains in relation to environmental, social, and governance issues.



# 3

THE NEW STEWARDSHIP CODE

## ENGAGEMENT

### CYBERSECURITY IN COVID-19 TIMES

#### CONTEXT .....

Cybersecurity for business has never been more important as companies shift further to online working and consumption patterns following the coronavirus outbreak. Logistics and distribution companies are at the forefront of this change and have been identified as facing specific cyber risks both to the data they hold and to business continuity. In recent years, high profile cyberattacks have resulted in significant costs to businesses, which can run into multimillion pounds of lost revenue and longer-term reputational damage stemming from a failure to keep data secure and operations going when there is a cyber breach.

#### ACTIVITY .....

The Forum held engagement meetings on cybersecurity with Royal Mail, Clipper Logistics and Bunzl. LAPFF representatives heard how these companies were safeguarding staff who were providing essential services during the pandemic and of the increased cyber risks as more people worked from home. The Forum discussed some of the biggest cyber threats they faced and recovery plans. LAPFF also engaged the companies on how cybersecurity was managed at a board level, staff training and expertise and risks that supply chains pose.

#### OUTCOMES .....

The Forum gained assurances about policies and practices that were in place. It also requested that companies' headline cybersecurity policies would be disclosed. As is often the case, other issues were also addressed in engagement and concerns were raised about one company's approach to protecting staff during the Covid-19 pandemic.



### NEW TECHNOLOGY AND GOVERNANCE

#### CONTEXT .....

New technology presents new governance risks around use of data and managing user-generated content which can be inappropriate, fake news and hate speech. However, at some of the cutting edge technology companies, these new risks are coupled with outdated and poor governance practices. These governance practices include dual class shares so that minority owners (often the founders) have majority voting rights, failure to allow for majority voting of directors so that if the majority of shareholder votes are against the director they are not elected, and failure to ensure that the chair and chief executive roles are separated.

#### ACTIVITY .....

The Forum continued this year to place the spotlight on these risks by issuing voting alerts ahead of the Alphabet,

Facebook and Amazon AGMs. At Alphabet, the Forum recommended a vote in favour of a shareholder resolution calling for the establishment of a human rights oversight committee at board level. At Facebook, LAPFF recommended votes in favour of shareholder resolutions calling for an independent chair and for a board director with expertise in human and/or civil rights. The Forum supported 11 shareholder resolutions at Amazon, ranging from calls for improved food waste practices, to a report on customer use of technology, to a mandatory independent board chair policy, among others.

#### OUTCOME .....

Many of the voting recommendations that LAPFF issued received large shareholder support. At Alphabet, a proposal for equal share voting rights was supported by 32 percent of votes cast (excluding abstentions) and two percent of votes supported majority voting for directors. At Facebook, 20 percent of votes favoured an independent chair, 25 percent of votes supported majority voting for director



THE NEW STEWARDSHIP CODE  
**ENGAGEMENT**

elections and 27 percent supported equal voting. Meanwhile, at Amazon 17 percent of shareholders voted to have an independent chair and 37 percent voted to lower the threshold for calling special shareholder meetings.

These large shareholder votes extended to issues around the use and misuse of technology. One in six (16 percent) of votes at the Alphabet AGM supported the company’s establishment of a human rights oversight committee to guard against hate speech. At Amazon, nearly one third of shareholders voted for reports into customer use of technologies, products and services and how the company was managing these risks following concerns about sale of facial recognition technology and offensive products being sold through the website. The Forum also recommended votes in favour of improved food waste management, gender and racial pay reports, improved supply chain practices, and lobbying, which also garnered a large number of votes. Although none of these votes passed given the unequal voting power held by company owners and executives, the results show the extent of shareholder unease at current governance arrangements.

**POLICY ENGAGEMENT**

**APPG**

**CONTEXT** .....

Stewardship responsibilities include identifying and responding to systemic market risks and promoting a well-functioning financial system. To help member funds meet these obligations, the Forum engages policymakers and parliamentarians, including through an All Party Parliamentary Group (APPG) on Local Authority Pensions that LAPFF established.

**ACTIVITIES** .....

This year the APPG, chaired by Clive Betts MP, heard from, among others, the Minister for Pensions and Financial Inclusion, Guy Opperman MP, who

outlined pensions legislation he was putting through parliament to address the systemic risks of climate change and of broader ESG issues.

**OUTCOME** .....

Through the APPG the Forum made the case for addressing climate risk and suggested that the scale of the challenge required government, investors and other stakeholders to work together. Councillor McMurdo, addressing the APPG, backed the government’s legislative efforts and made the case for mandatory reporting, which was lacking in the Financial Conduct Authority’s (FCA) proposed rule change for listed companies. Through the APPG the Forum has made the case for addressing systemic risks and the government has been consulting on Taskforce for Climate-related Financial Disclosure (TCFD) reporting for companies and investors.

**LAPFF CONSULTATION RESPONSES**

**CONTEXT** .....

To engage companies effectively on the risks of climate change, there needs to be a supportive public policy framework. Without adequate regulation, it is harder for funds to know the scale of risks and more difficult for companies to act in ways that are in the long-term interests of their shareholders and stakeholders.

**ACTIVITIES** .....

To facilitate an appropriate regulatory environment on climate change, LAPFF responded to a number of consultations. These responses included comments on the FCA’s proposals on climate-related disclosures which would require some UK listed companies to disclose along the lines of the TCFD. The Forum welcomed the proposals but pushed for mandatory reporting rather than it being on a ‘comply or explain’ footing. This was also LAPFF’s position in its submission to the New Zealand consultation on proposals to mandate companies to report in a consistent and defined manner how climate change impacts their business

and investments. Additionally, the Forum responded to an IIGCC consultation, welcoming its draft net zero investment framework which will help investors manage climate risk.

The Forum also responded to a Department for Transport consultation on ending the sale of petrol, diesel and hybrid cars. Vehicles are a significant contributor to carbon emissions. LAPFF has engaged with a number of carmakers on emissions standards and electric vehicles, and the importance of regulation has been highlighted as a central determinant of their plans. To shape carmakers’ investment and production decisions and reduce emissions to meet net zero commitments, and with technology advancing at pace, LAPFF recommended that government seek to end sales of petrol, diesel and hybrid cars by 2025 rather than the proposed date of 2035.

**OUTCOMES** .....

The Forum has long supported mandatory climate reporting. LAPFF backed the TCFD recommendations when they were first published and the recommendations form part of LAPFF’s 2017 investment policy framework. It was therefore encouraging to see a growing consensus on the issue from policymakers and investor groups. The move by the FCA, if adopted, will be a win for the Forum, helping LAPFF members identify companies who need to make more progress on carbon emissions and providing information to support members’ activities to mitigate the investment risks of climate change.

It appears that the ban on carbon emitting cars will be brought forward from 2040, helping to reduce carbon emissions and the negative financial implications across members’ portfolios. The Forum’s strong stance on the required pace of change in this response may well have contributed to the date reported in the media of 2030 which would be a significant improvement on that originally proposed and ahead of the government’s own advisory body, the Climate Change Committee, which recommended 2032.



THE NEW STEWARDSHIP CODE

## PRESS AND MEDIA

**The media plays an important role in furthering LAPFF's engagement objectives. It also helps to broaden the Forum's reach to a wider audience . Here are some examples of press coverage in which LAPFF has featured during 2020.**

Explaining Emerging Market Debt – 04 November 2019 -

<https://www.lgcplus.com/investment/explaining-emerging-market-debt-04-11-2019/>

McDonald's under fire for Steve Easterbrook's exit deal – 26 November 2019 -

<https://www.restaurantbusinessonline.com/financing/mcdonalds-under-fire-steve-easterbrooks-exit-deal>

Protestors demonstrate against Shropshire pension investment in fossil fuels – 03 December 2019

LGPS women discuss: climate & pension fund investing – 02 December 2019 -

<https://www.room151.co.uk/interviews/sponsored-investment-roundtable-climate-and-the-lgps/>

LPFA names Sainsbury's DB scheme boss as chair – 20 January 2020 -

<https://www.ipe.com/news/lpfa-names-sainsburys-db-scheme-boss-as-chair/10043274.article>

Institutional investors' delegation to visit tailings dam communities – 24 January 2020 -

<https://www.ipe.com/news/institutional-investors-delegation-to-visit-tailings-dam-communities/10043371.article>

Top UK pension schemes threatens managers over climate risk -

UK watchdog to scrutinize how companies, auditors calculate climate risk – 19 Feb 2020 -

<https://www.reuters.com/article/us-companies-climate-change-idUSKBN20E0ST>

Putting climate change on the balance sheet – 02 March 2020 -

<https://www.icaew.com/insights/features/2020/mar-2020/putting-climate-change-on-the-balance-sheet>

Barclays asks investors to vote on new climate ambition commitment – 30 March 2020 -

<https://www.ipe.com/news/barclays-asks-investors-to-vote-on-new-climate-ambition-commitment/10044669.article>

Accounting roundup: ESMA addresses IFRS 9 COVID-19 implications – 06 April 2020 -

<https://www.ipe.com/news/accounting-roundup-esma-addresses-ifs-9-covid-19-implications/10044784.article>

Barclays still banking on climate breakdown – 11 May 2020 -

<https://theecologist.org/2020/may/11/barclays-still-banking-climate-breakdown>

UK local pension funds warn businesses to stay on the ball – 21 May 2020 -

<https://www.ft.com/content/c82beddd-d187-40f1-9e02-a7db7e862eb1>

Investors get behind "CA100+ for water" – 26 May 2020 -

<https://www.responsible-investor.com/articles/investors-get-behind-ca100-for-water>

Local Authority pension groups calls for dissent at Exxon AGM – 26 May 2020 -

<https://www.ipe.com/news/local-authority-pension-group-calls-for-dissent-at-exxon-agm/10045800.article>

APG and others outline stance on BP net-zero ambition, delivery – 26 May 2020 -

<https://www.ipe.com/news/apg-and-others-outline-stance-on-bp-net-zero-ambition-delivery/10045808.article>

Exxon shareholders vote against splitting chair and CEO roles – 27 May 2020 -

<https://www.ft.com/content/c43ead81-5af3-44de-af1e-b108d6491354>

Reporting of UK companies' gender pay gaps tumbles in pandemic – 28 May 2020 -

<https://www.ft.com/content/7fac51bc-4334-4467-983d-dcc671845e14>

Investors split 17%-83% over Total climate shareholder resolution – 1 June 2020 -

<https://www.ipe.com/investors-split-17-83-over-total-climate-shareholder-resolution/10045907.article>

Local government's central role in the fight against climate change – 15 June 2020 -

<https://www.lgcplus.com/politics/climate-change/local-governments-central-role-in-the-fight-against-climate-change-15-06-2020/>

AMs join climate pressure group calling on oil giants to do better – 22 June 2020 -

<https://citywireselector.com/news/ams-join-climate-pressure-group-calling-on-oil-giants-to-do-better/a1370977>

Pension funds put pressure on Brazilian govt to act on deforestation – 15 July 2020 -

<https://www.pensionsage.com/pa/Pension-funds-put-pressure-on-Brazilian-govt-to-act-on-deforestation.php>



THE NEW STEWARDSHIP CODE

## PRESS AND MEDIA

We need a thorough investigation into the destruction of the Juukan Gorge caves. A mere apology will not cut it – 28 July 2020

LAPFF warns IASB proposal fail to satisfy UK post-Brexit legal test – 05 August 2020 -

<https://www.ipe.com/news/lapff-warns-iasb-proposals-fail-to-satisfy-uk-post-brexit-legal-test/10047141.article>

Investors call for greater Rio accountability over destroyed ancient caves – 10 August 2020 -

<https://www.reuters.com/article/us-australia-mining-indigenous-idUSKCN2560M0>

Rio Tinto: REFILE-Investors call for greater Rio accountability over destroyed ancient caves – 10 August 2020 -

<https://www.marketscreener.com/quote/stock/RIO-TINTO-GROUP-6492854/news/Rio-Tinto-REFILE-Investors-call-for-greater-Rio-accountability-over-destroyed-ancient-caves-31089212/>

LAPFF backs concerns over Rio Tinto's improved accountability – 10 August 2020 -

<https://www.ipe.com/news/lapff-backs-concerns-over-rio-tintos-improved-accountability/10047193.article>

'Opportunity to reboot': Moderate Conservative MPs serve up green recovery policy menu – 13 August 2020 -

<https://www.businessgreen.com/news-analysis/4018984/opportunity-reboot-moderate-conservative-mps-serve-green-recovery-policy-menu>

5 Things You Need to Know, Today on Thursday 13th August – 13th August 2020 -

<https://www.voxmarkets.co.uk/articles/5-things-you-need-to-know-today-on-thursday-13th-august-2020-8960220/>

UK Pensions group seeks ban on new petrol, diesel and hybrid cars by 2025 – 12 August 2020 -

<https://www.reuters.com/article/us-britain-pensions-electric-idUSKCN2581KR>

UK local government pension group backs Rio Tinto CEO bonus cut – 25 August 2020 -

<https://uk.reuters.com/article/uk-rio-tinto-plc-investors-pensions-idUKKBN25L13J>

LAPFF welcomes Rio Tinto bonus cuts after historical site destruction – 26 August 2020 -

<https://www.pensionsage.com/pa/LAPFF-welcomes-Rio-Tinto-bonus-cuts-after-historical-site-destruction.php>

UK funds question Rio Tinto bosses over 'systemic' cave blast failures – 04 September 2020 -

<https://www.smh.com.au/business/companies/uk-funds-question-rio-tinto-bosses-over-systemic-cave-blast-failures-20200903-p55s95.html>

Rio Tinto condemned by shareholders for seeking legal advice before blowing up Juukan Gorge – 07 September 2020 -

<https://www.theguardian.com/business/2020/sep/07/rio-tinto-condemned-by-shareholders-for-seeking-legal-advice-before-blowing-up-juukan-gorge>

Modern Slavery in supply chains haunts our investments – 08 September 2020 -

<https://www.room151.co.uk/treasury/modern-slavery-in-supply-chains-haunts-our-investments/>

Rio board to consider further executive sanctions over Aboriginal cave blasts – 08 September 2020 -

<https://www.ft.com/content/7c1aa494-7d1e-4817-993f-d2bdc399bd60>

Church of England Pensions Board urges Rio Tinto to rethink cave destruction response – 09 September 2020 -

<https://www.pensionsage.com/pa/Church-of-England-Pension-Board-condemns-Rio-Tinto-cave-destruction.php>

Rio Tinto faces tough task to rebuild reputation – 12 September 2020 -

<https://www.ft.com/content/761b0c40-1d7d-4d1f-81d3-3c2dfb920557>

Pressure mounts for Rio board after Australian cave blast review – 15 September 2020 -

<https://in.reuters.com/article/australia-mining-indigenous-riotinto/pressure-mounts-for-rio-board-after-australian-cave-blast-review-idUSL8N2G51B3>

Inside Elon Musk's Tesla Startup Eco System – 16 September 2020 -

<https://www.greenbiz.com/article/inside-elon-musks-tesla-startup-ecosystem>

Aboriginal Group calls Rio Tinto's destruction of sacred site 'corporate vandalism' – 25 September 2020

<https://www.ft.com/content/0ecd8c54-a55d-4237-82c4-8d67e784e139>

IAS1 faces UK endorsement challenge, LAPFF warns FRC – 29 September 2020 -

<https://www.ipe.com/news/ias-1-faces-uk-endorsement-challenge-lapff-warns-frc/10048094.article>

# 4

THE NEW STEWARDSHIP CODE

# EXERCISING RIGHTS AND RESPONSIBILITIES

OVERSIGHT OF SERVICE PROVIDERS

VOTING ALERTS





# EXERCISING RIGHTS AND RESPONSIBILITIES

## OVERSIGHT OF SERVICE PROVIDERS

### CONTEXT .....

Principle eight of the Stewardship Code is focused on the need to monitor service providers. This includes the example of ‘asset owners monitoring asset managers... to ensure that assets have been managed in alignment with their investment and stewardship strategy and policies’.

### ACTIVITIES .....

The Forum has applied this principle on behalf of its members during the year by assessing asset manager alignment with LAPFF responsible investment policies and undertaking a number of engagements with asset management firms. To assess alignment, LAPFF compiled and reviewed the voting records of a number of asset managers that are widely used by LGPS funds and pools. These voting outcomes were then compared to positions adopted in LAPFF Voting Alerts during 2019 to ascertain the degree of alignment. This analysis comprised a sample of voting by 22 managers on 65 resolutions.

### OUTCOMES .....

The results of the research were presented to the LAPFF Executive and membership in the summer. Across all target resolutions where LAPFF had issued an alert the average level alignment was around a third. That is, around a third (31%) of votes recorded were in line with LAPFF recommendations.

Significant differences were found in the voting positions adopted by managers, with some more aligned with LAPFF than others. As expected, some of the large US managers were the least aligned with LAPFF’s recommendations. Broadly speaking they were less likely to vote against management (including voting for shareholder resolutions opposed by management). This outcome is consistent with findings from other research.

The results of the analysis also suggested that managers are more comfortable voting for shareholder proposals than against board members. Some managers were willing to support a variety of proposals on different environmental, social, and governance topics but not to oppose directors. In respect of shareholder resolutions, managers appeared most comfortable supporting proposals that were in line with a well-established principle, such as the need for an independent chairman or disclosure of lobbying activity.

In addition to assessing the alignment of managers with LAPFF, the research has provided some insights to inform future LAPFF voting alerts. The project has also provided useful background for the Forum’s ongoing programme of engagements with a number of asset managers.

## FUND MANAGER ENGAGEMENT

### CONTEXT .....

Asset owners and asset managers have different interests and perspectives in engaging on environmental, social, and governance issues. These issues are particularly pertinent for local government pension scheme asset owners, who have a legal obligation through the 2017 Local Government Regulations to ensure that they are accounting adequately for their environmental, social, and governance performance. This means that LGPS funds have to ensure that their asset managers are undertaking appropriate responsible investment functions and decision-making. Consequently, the Forum increased its engagement with asset managers during the year under review.

### ACTIVITIES .....

## BAILLIE GIFFORD - RYANAIR, GOVERNANCE ENGAGEMENT

The Forum engaged with Baillie Gifford to discuss companies where there is a shared interest in environmental, social, and governance issues. Baillie Gifford has significant positions in a number of

companies where the Forum has raised concerns, such as Ryanair and Tesla. This asset manager has supported efforts to improve the governance of Ryanair, including the appointment of a new chair – one of LAPFF’s objectives that was achieved during 2020.

## LGIM – AUDIT AND CLIMATE ENGAGEMENT

Legal & General Investment Management (LGIM) was another fund manager with which the Forum engaged during 2020. The Forum had a relationship with LGIM’s Chair, Sir John Kingman, through the Forum’s feedback on the Kingman Review regarding the viability of the UK Financial Reporting Council (FRC). Therefore, Sir John was receptive to a meeting about LGIM’s approach to climate and LGIM’s and LAPFF’s views on the FRC.

## BLACKROCK – SARASIN CLIMATE ENGAGEMENT

After BlackRock CEO, Larry Fink, issued a statement emphasising the importance of climate to investors, the Forum joined a group of investors led by Sarasin to engage with BlackRock over the asset manager’s approach to climate engagement. Overall, the investors found BlackRock’s approach superficial and inadequate, but recognised it was a start in the right direction. The Forum subsequently had the aforementioned meeting with Larry Fink to discuss a range of engagement issues and looks forward to engaging further with BlackRock on environmental, social, and governance issues.

### OUTCOMES .....

Discussions with asset managers were largely positive and pointed to a number of areas where collaboration could be increased. Use or reference to LAPFF voting alerts by fund managers is one area. Another area is regular communication to ensure that fund managers are including LAPFF engagement topics of interest in their engagements with companies. The Forum will continue to monitor fund manager voting outcomes too, to monitor how respective policies and approaches align and diverge.

## EXERCISING RIGHTS AND RESPONSIBILITIES

## VOTING ALERTS

## CONTEXT .....

LAPFF issues a select number of voting alerts during the year to escalate engagements with companies where engagement has been ineffective to date, or where companies have failed to engage at all. Alerts are chosen to reflect engagement priorities of the Forum. Climate, employment standards, and human rights are frequent alert topics.

## ACTIVITIES .....

The full list of alerts issued during the year under review is presented in the table below. Voting outcomes have been provided where they are available.

This year, the Forum pushed the boundaries on both climate and human rights. For example, in previous years the Forum had not supported a shareholder resolution filed with Shell calling for reporting on the company's Scope 3 emissions in recognition of the difficulty in doing so and in recognition of the company's work with shareholders on

climate. However, this year, with the urgency of the climate crisis coming to a head, Shell's work on climate did not appear to come together in a convincing way, raising questions about the financial sustainability of the company. The Forum believed there were too many gaps in Shell's plan and approach and that the parts did not join up to form a coherent or realistic whole. Therefore, a vote in favour of this shareholder resolution was recommended. A voting alert was provided on a similar resolution to the Rio Tinto AGM, supporting disclosure of short, medium and long-term targets for scopes 1, 2 and 3 greenhouse gas emissions. LAPFF's position was to support the company's approach to managing climate change transition risks and encourage further work with business partners on scope 3 emissions reduction.

The Forum also recommended votes in favour of shareholder resolutions on human rights filed at Amazon and Facebook. For the second year in a row, Amazon faced twelve shareholder resolutions on topics ranging from food waste to climate to community impact. The Forum supported all but one of these resolutions, including human rights-oriented resolutions on

community impacts and social impacts of technologies. LAPFF is concerned that the company does not adequately engage with affected community members, workers, and customers to ensure its products and services are safe and respect human rights. Facebook saw similar concerns from investors about the use of its platform to promote hate speech and false information. The Forum is also concerned about the company's failure to listen to outside voices in working to ensure that the platform is safe and continues to be a viable investment proposition.

Sometimes LAPFF initiates and co-ordinates members in filing shareholder resolutions, but the Forum did not do so this year – a number of members did co-file resolutions though, notably with Barclays.

## OUTCOME .....

While none of these shareholder resolutions achieved the support threshold needed for the companies to act on them, they did serve notice of shareholder concern on the issues considered.

## VOTING ALERTS: RESOLUTION VOTE OUTCOMES

Company	AGM Date	Resolution	Recommendation	Outcome	FOR	AGAINST
BHP	10/17/2019	21. Amendment to the Constitution of the BHP Group Limited	FOR	NOT CARRIED	15.32%	84.68%
BHP	10/17/2019	22. Lobby inconsistent with the goals of the Paris Agreement	FOR	NOT VALID (conditional on 21 being approved by required majority)	27.07%	72.93%
ANZ	12/17/2019	6. Amendment to the Constitution	FOR	NOT CARRIED	5.38%	94.62%
ANZ	12/17/2019	7. Transition Planning Disclosure	FOR	NOT VALID		
ANZ	12/17/2019	8. Lobbying Inconsistent with the Paris Agreement Goals	FOR	NOT VALID		
SANTOS LTD	4/3/2020	5a. Amendment to the Constitution	FOR	ND		
SANTOS LTD	4/3/2020	5b. Request for disclosures in line with Paris Goals	FOR	ND		
SANTOS LTD	4/3/2020	5c. Lobby Inconsistent with the Paris Agreement Goals	FOR	ND		
CARNIVAL PLC	4/6/2020	14. Approval of Carnival Plc Directors' Remuneration Policy	OPPOSE	ND		
HONEYWELL INTERNATIONAL INC	4/27/2020	5. Shareowner proposal-report on lobbying activities and expenditures	FOR	NOT CARRIED	45.64%	53.25%
BOEING	4/27/2020	1a. Re-elect Robert A. Bradway	OPPOSE	CARRIED		3.86
BOEING	4/27/2020	1b. Re-elect David L. Calhoun	OPPOSE	CARRIED		4.03
BOEING	4/27/2020	1c. Re-elect Arthur D. Collins Jr.	OPPOSE	CARRIED		40.26
BOEING	4/27/2020	1d. Re-elect Edmund P. Giambastiani Jr.	OPPOSE	CARRIED		35.31
BOEING	4/27/2020	1e. Re-elect Lynn J. Good	OPPOSE	CARRIED		4.12
BOEING	4/27/2020	1f. Re-elect Nikki R. Haley	OPPOSE	CARRIED		3.05
BOEING	4/27/2020	1h. Re-elect Lawrence Kellner	OPPOSE	CARRIED		25.82
BOEING	4/27/2020	1i. Re-elect Caroline B. Kennedy	OPPOSE	CARRIED		5.13



## EXERCISING RIGHTS AND RESPONSIBILITIES

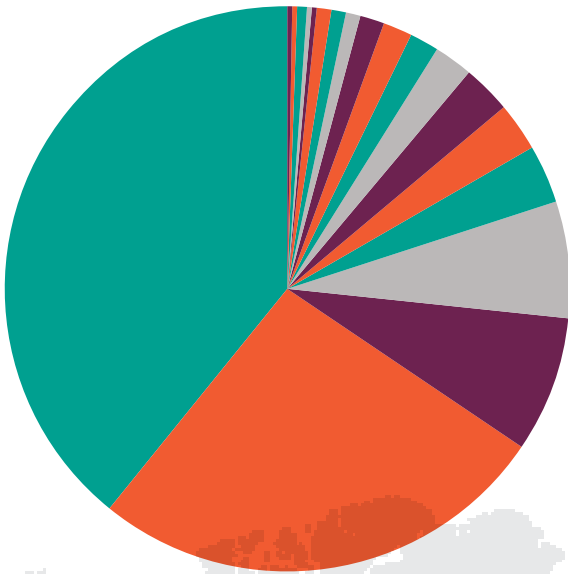
BOEING	4/27/2020	1l. Re-elect Susan C. Schwab	OPPOSE	CARRIED		4.18
BOEING	4/27/2020	1m. Re-elect Ronald A. Williams	OPPOSE	CARRIED		2.83
BOEING	4/27/2020	2. Approve Executive Officer Compensation	OPPOSE	CARRIED		42.56
BOEING	4/27/2020	4. Disclosure of Director Board Matrix	ABSTAIN	CARRIED		32.49
BOEING	4/27/2020	5. Additional Reporting on Lobbying Activities	FOR	CARRIED		18.94
BOEING	4/27/2020	6. Policy Requiring Independent Board Chair	FOR	CARRIED		3.5
ASTRAZENECA	4/29/2020	7. Approval of Directors' Remuneration Policy	OPPOSE	CARRIED	94.71	5.29
WOODSIDE	4/30/2020	4a. Amendment to the Constitution	FOR	ND		
WOODSIDE	4/30/2020	4b. Request for disclosures in line with Paris Goals	FOR	ND		
WOODSIDE	4/30/2020	4c. Lobbying Inconsistent with the Paris Agreement Goals	FOR	ND		
WOODSIDE	4/30/2020	4d. Review 'Reputational advertising' activities	FOR	ND		
ELI LILLY AND COMPANY	5/4/2020	6. Shareholder proposal to disclose direct and indirect lobbying activities and expenditures	FOR	NOT CARRIED		70.02
GENERAL ELECTRIC COMPANY	5/5/2020	14. Require Independent Board Chair	FOR	NOT CARRIED		73.61
DOMINION ENERGY INC.	5/6/2020	4. Policy to Require an independent Chair	FOR	NOT CARRIED		50.32
BARCLAYS PLC	5/7/2020	29. Barclays' commitment to tackling climate change	FOR	CARRIED	99.93	0.07
BARCLAYS PLC	5/7/2020	30. ShareAction requisitioned Resolution	FOR	NOT CARRIED	23.95	76.05
RIO TINTO LTD	5/7/2020	23. Shareholder Resolution to amend the company's constitution	FOR	ND		
RIO TINTO LTD	5/7/2020	24. Shareholder Resolution on emissions targets	FOR	ND		
DUKE ENERGY CORPORATION	5/7/2020	4. Shareholder proposal regarding independent board chair	FOR	NOT CARRIED		55.92
MOTOROLA SOLUTIONS INC	5/11/2020	1e. Re-elect Judy C. Lewent	OPPOSE	CARRIED		0.53
MOTOROLA SOLUTIONS INC	5/11/2020	4. Political Spending Disclosure	FOR			49.98
FORD MOTOR COMPANY	5/14/2020	5. Shareholder proposal - disclosure of the company's lobbying activities and expenditures	FOR	NOT CARRIED		79.2
ROYAL DUTCH SHELL	5/19/2020	21. Request for climate targets aligned with Paris Agreement	FOR	NOT CARRIED		81.81
EXXON MOBIL CORPORATION	5/27/2020	1.1. Elect Director Susan K. Avery	OPPOSE	CARRIED		3.23
EXXON MOBIL CORPORATION	5/27/2020	1.2 Elect Director Angela F. Braly	OPPOSE	CARRIED		15.8
EXXON MOBIL CORPORATION	5/27/2020	1.3 Elect Director Ursula M. Burns	OPPOSE	CARRIED		4.72
EXXON MOBIL CORPORATION	5/27/2020	1.4 Elect Director Kenneth C. Frazier	OPPOSE	CARRIED		16.89
EXXON MOBIL CORPORATION	5/27/2020	1.5 Elect Director Joseph L. Hooley	OPPOSE	CARRIED		2.12
EXXON MOBIL CORPORATION	5/27/2020	1.6 Elect Director Steven A. Kandarian	OPPOSE	CARRIED		3.3
EXXON MOBIL CORPORATION	5/27/2020	1.7 Elect Director Douglas R. Oberhelman	OPPOSE	CARRIED		2.51
EXXON MOBIL CORPORATION	5/27/2020	1.8 Elect Director Samuel J. Palmisano	OPPOSE	CARRIED		5.45
EXXON MOBIL CORPORATION	5/27/2020	1.9 Elect Director William C. Weldon	OPPOSE	CARRIED		2.65
EXXON MOBIL CORPORATION	5/27/2020	1.10 Elect Director Darren W. Woods	OPPOSE	CARRIED		6.73
EXXON MOBIL CORPORATION	5/27/2020	4. Shareholder proposal to introduce an Independent Chair Rule	FOR	NOT CARRIED		66.58
EXXON MOBIL CORPORATION	5/27/2020	7. Shareholder Resolution: Report on Risks of Petrochemical Operations in Flood Prone Areas	FOR	NOT CARRIED		73.82
EXXON MOBIL CORPORATION	5/27/2020	9. Shareholder Resolution: Report on Lobbying Payments and Policy	FOR	NOT CARRIED		68.03
FACEBOOK INC.	5/27/2020	4. Stockholder proposal regarding change in stockholder voting	FOR	NOT CARRIED		86.89

## EXERCISING RIGHTS AND RESPONSIBILITIES

FACEBOOK INC.	5/27/2020	5. Stockholder proposal regarding an independent chair	FOR	NOT CARRIED	95.88
FACEBOOK INC.	5/27/2020	6. Stockholder proposal regarding majority voting for directors	FOR	NOT CARRIED	92.45
FACEBOOK INC.	5/27/2020	8. Stockholder proposal regarding human/civil rights expert on board	FOR	NOT CARRIED	90.56
CHEVRON	5/27/2020	5. Create a Board Committee on Climate Risk	FOR	NOT CARRIED	88.47
CHEVRON	5/27/2020	10. Adopt Policy for an Independent Chair	FOR	NOT CARRIED	72.78
AMAZON, INC	5/27/2020	5. Report on effect of food waste	FOR	NOT CARRIED	67.14
AMAZON, INC	5/27/2020	6. Report on customer use of certain technologies	FOR	NOT CARRIED	67.37
AMAZON, INC	5/27/2020	7. Report on potential customer misuse of certain technologies	FOR	NOT CARRIED	67.45
AMAZON, INC	5/27/2020	8. Report on Efforts to Restrict Certain Products	FOR	NOT CARRIED	97.73
AMAZON, INC	5/27/2020	9. Mandatory Independent Board Chair Policy	FOR	NOT CARRIED	80.74
AMAZON, INC	5/27/2020	10. Alternative Report on Gender/Racial Pay	FOR	NOT CARRIED	83.97
AMAZON, INC	5/27/2020	11. Report on Certain Community Impacts	FOR	NOT CARRIED	92.98
AMAZON, INC	5/27/2020	13. Report on Promotion Data	FOR	NOT CARRIED	88.38
AMAZON, INC	5/27/2020	14. Reduction in Threshold for Calling Special Shareholder Meetings	FOR	NOT CARRIED	63.08
AMAZON, INC	5/27/2020	15. Specific Supply Chain Report Format	FOR	CARRIED	2.53
AMAZON, INC	5/27/2020	16. Additional Reporting on Lobbying	FOR	NOT CARRIED	88.17
ALPHABET INC.	6/3/2020	5. Stockholder proposal regarding equal shareholder voting	FOR	NOT CARRIED	68.26
ALPHABET INC.	6/3/2020	7. Stockholder proposal regarding the establishment of a human rights risk oversight committee	FOR	NOT CARRIED	83.45
ALPHABET INC.	6/3/2020	11. Stockholder proposal regarding majority vote for election of directors	FOR	NOT CARRIED	70.51
CATERPILLAR, INC.	6/10/2020	1.02 Re-elect David L. Cathoun	OPPOSE	CARRIED	5.19
CATERPILLAR, INC.	6/10/2020	1.08 Re-elect Susan C. Schwab	OPPOSE	CARRIED	2.86
CATERPILLAR, INC.	6/10/2020	4. Report of Lobbying Activities	FOR	NOT CARRIED	65.55
CATERPILLAR, INC.	6/10/2020	5. Independent Board Chairman	FOR	NOT CARRIED	69
CATERPILLAR, INC.	6/10/2020	6. Shareholder Action by Written Consent	FOR	NOT CARRIED	55.08
GENERAL MOTORS COMPANY	6/16/2020	9. Shareholder proposal regarding report on lobbying communications and activities	FOR	NOT CARRIED	66.19
DELTA	6/18/2020	5. Climate Lobbying Report	FOR	NOT CARRIED	53.33
MIZUHO FINANCIAL GROUP	6/25/2020	5. Amend Articles of Incorporation – Disclose Paris Agreement-aligned investment strategy and plan	FOR	ND	
3i GROUP PLC	6/25/2020	3. Approval of Directors' Remuneration Policy	OPPOSE	CARRIED	5.74
TESLA, INC	7/7/2020	2. Tesla Proposal for Non-Binding Advisory Vote on Executive Compensation	OPPOSE	CARRIED	
TESLA, INC	7/7/2020	7. Stockholder proposal regarding Additional Reporting on Human Rights	FOR	NOT CARRIED	
HOMESERVE PLC	7/17/2020	3. Approval of Directors' Remuneration Policy	OPPOSE	CARRIED	95.65% 4.31%
EXPERIAN PLC	7/22/2020	3. Approval of Directors' Remuneration Policy	OPPOSE	CARRIED	95.34% 6.50%
DIAGEO PLC	9/29/2020	3. Approval of Directors' Remuneration Policy	OPPOSE	CARRIED	93.12% 6.88%

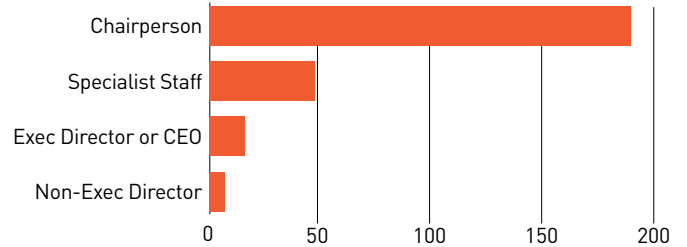
# DATA

## DOMICILES

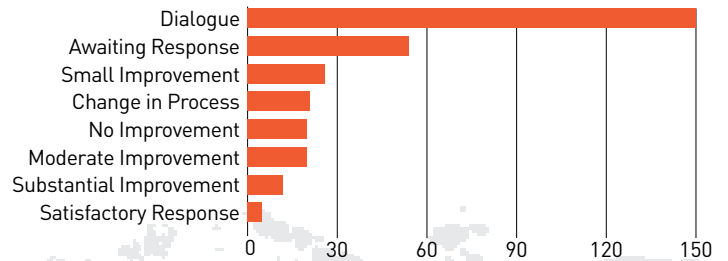


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AUS	20
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BRA	9
FRA	7
IRL	7
CAN	6
NLD	4
DEU	4
JPN	4
CHE	2
HKG	2
JEY	2
VGB	1
ITA	1
ZAF	1
KOR	1
DNK	1

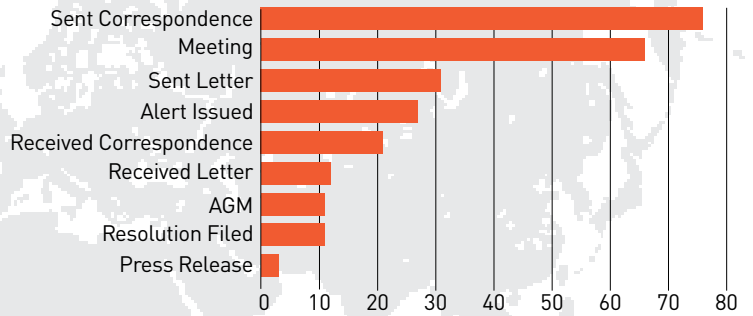
## POSITIONS



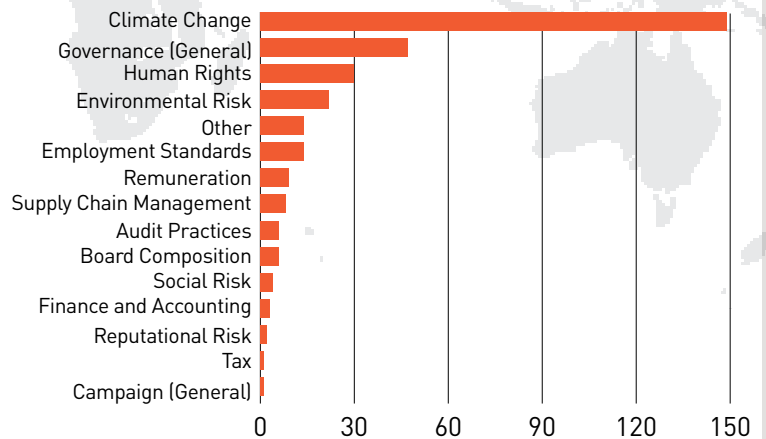
## MEETING ENGAGEMENT OUTCOMES



## ACTIVITY



## TOPIC







## Members

### Funds

Avon Pension Fund  
 Barking and Dagenham (London Borough of)  
 Barnet LB  
 Bedfordshire Pension Fund  
 Bexley (London Borough of)  
 Brent (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

### Pools

Border To Coast Pension Partnership  
 Brunel Pension Partnership  
 LGPS Central  
 London CIV  
 Northern LGPS  
 Wales Pension Partnership