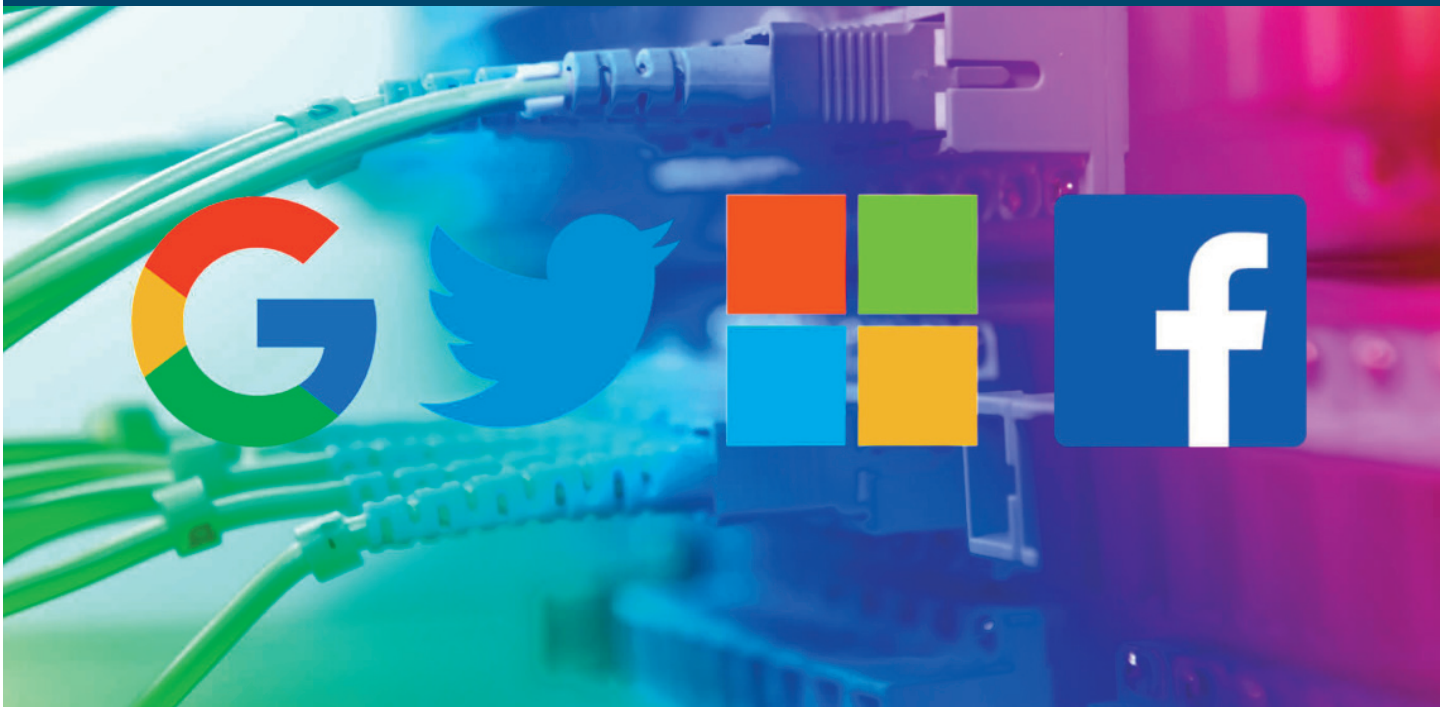




The Local Authority Pension Fund Forum (LAPFF) exists to promote the long-term investment interests of member funds and beneficiaries, and to maximise their influence as shareholders whilst promoting the highest standards of corporate governance and corporate responsibility at investee companies. Formed in 1990, LAPFF brings together a diverse range of 80 public sector pension funds and six Pools in the UK with combined assets of over £230 billion.

QUARTERLY ENGAGEMENT REPORT

JANUARY TO MARCH 2019



Ryanair Chair commits to standing down in 2020 after prospect of shareholder resolution by LAPFF

Auditing, Reporting and Governance Authority (ARGA) to replace FRC after LAPFF consultation contribution acknowledged

LAPFF part of investor group leading to Shell's proposal to include carbon reduction metrics in executive remuneration.

LAPFF joins investors calling on Facebook, Google and Twitter to strengthen controls on streaming of objectionable content following the Christchurch shootings.

LAPFF calls for tech company Initial Public Offerings (IPOs) to adopt the principle of one share, one vote.

The Forum joins investors in calling for the 20 largest carbon emitting utilities companies based in the US to commit to achieving net-zero carbon emissions by 2050.

LAPFF takes on role of liaising with affected communities in investor tailings dam initiative.

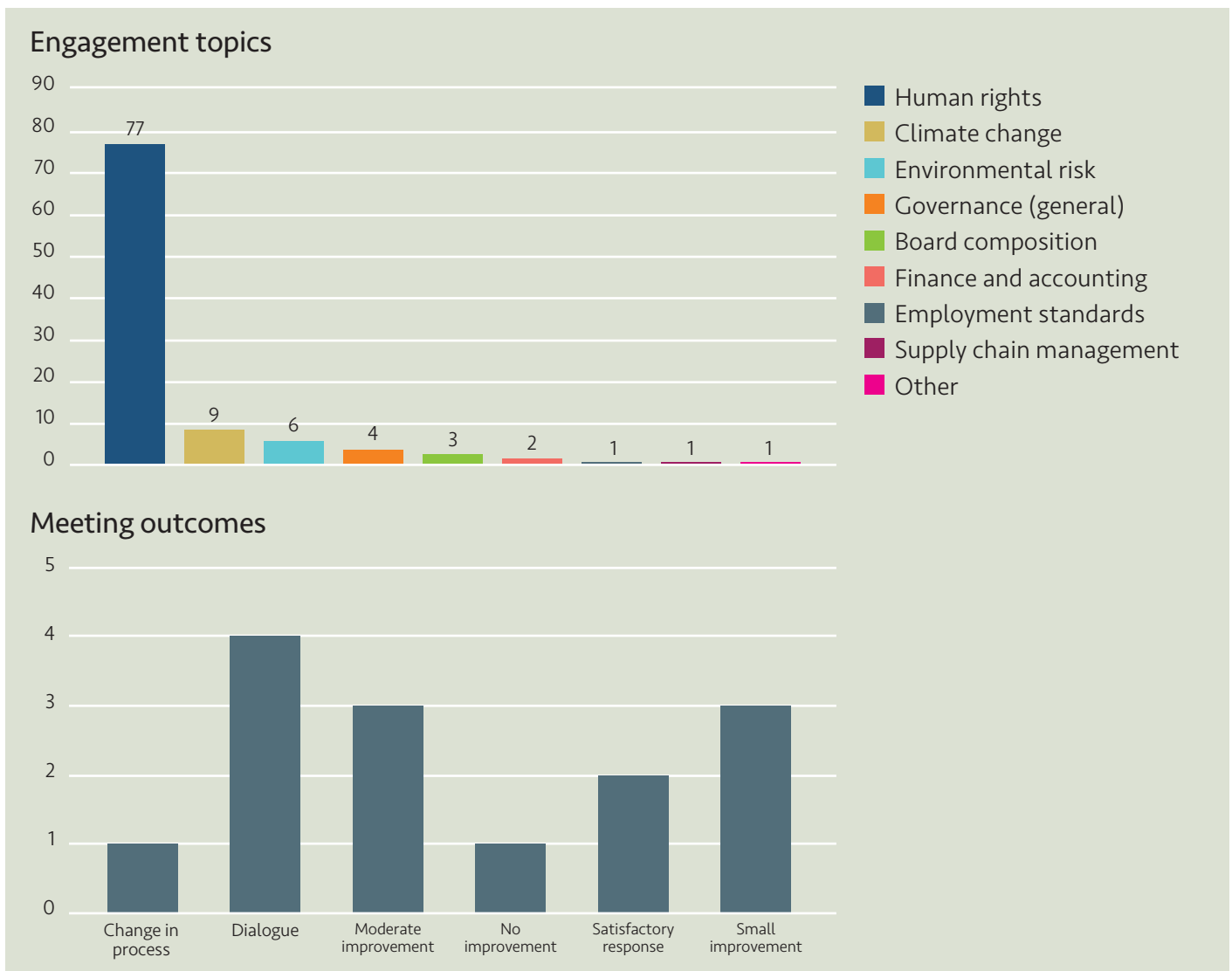
This Quarter – At A Glance

In February Ryanair announced that current Chairman David Bonderman would be replaced during 2020. The statement was made after LAPFF had voiced an intention to requisition the AGM in order to propose a resolution requesting Mr Bonderman resign from the Board.

The Government announced plans to replace the Financial Reporting Council (FRC) with the Auditing, Reporting and Governance Authority (ARGA). This comes in the aftermath of the Kingman Review which recommended the FRC be disbanded, a position promoted by LAPFF after many years of raising concerns over the FRC.

After pledging to include the overall reduction of its net carbon footprint in considering executive remuneration outcomes, Royal Dutch Shell Plc published its remuneration report enacting this commitment. As a member of the Climate Action 100+ investor initiative, LAPFF welcomes Royal Dutch Shell's steps in addressing the need to tackle climate change proactively. This is a small but pioneering step towards enabling companies to prepare for the low carbon transition.

COMPANY ENGAGEMENT ACTIVITIES



GOVERNANCE RISK

Financial Reporting Council to be Disbanded

The Government has announced plans to replace the Financial Reporting Council (FRC) with the Auditing, Reporting and Governance Authority (ARGA). Both the Kingman Review, which recommended the replacement, and the recent CMA consultation acknowledged LAPFF's contribution to the debate and enacted the Forum's recommendation to disband the FRC. The ARGA will have stronger enforcement powers. LAPFF's position has also been picked up by the BEIS Select Committee Enquiry into audit following the collapse of Carillion. The day after evidence had been taken from the large accounting firms, the first major audit case, AssetCo, to result in a Court judgment since 1968 found against Grant Thornton. The judgment confirms the statutory objective of audited accounts consistent with the position of George Bompas QC. The following week evidence from the CEO of the ICAEW confirmed that there were issues between International Accounting Standards and Company Law, something that had been previously denied. Members of the BEIS Committee have made it clear that the problem is not the law but the standards.

Ryanair

Ryanair Chairman, David Bonderman, will step down from the board by the 2020 AGM, the Company has said. This announcement comes after a lengthy shareholder rights campaign spearheaded by LAPFF. 2018 was a turbulent year including strikes by staff resulting in widespread travel disruption and the issuance of a profit warning. After continued challenge on the long-term tenure of the Chair, the Company announced that he will not seek re-election next summer. LAPFF had drafted a shareholder resolution requesting that Mr Bonderman resign. This draft resolution was conveyed to Ryanair just before the Company's statement about Mr Bonderman's stepping down was released.

Response to EU Consultation on Remuneration Report

LAPFF responded to a targeted consultation on standardising the presentation of remuneration reports under the Shareholders' Rights Directive. The aim of the consultation was to contribute towards the production of non-binding guidelines which help companies disclose clear, understandable, comprehensive and comparable information on individual directors' remuneration. In LAPFF's view, overall, implementation of the proposals will improve the disclosure of matters relating to executive compensation across EU markets. Standardising the reporting format will also help shareholders to assess directors' remuneration, to what extent that remuneration is linked to the performance of the company and how the company implements its remuneration policy in practice. As such, the response is largely supportive of the proposed reporting framework.

Dual-class Shareholdings at Tech Companies

LAPFF joined other investors in writing to Lyft, the US ride-share company, expressing opposition to the dual-class share structure proposed in its IPO. To provide context, a restatement of LAPFF's [policy](#) on support for the principle of one share, one vote was re-issued publicly. LAPFF considers that shareholders who have the same financial commitment to the company should have the same rights and that dual share structures with differential voting rights are disadvantageous to many shareholders and should be reformed. In the public statement, investors have called for shareholders' economic exposure and risk to be aligned with their influence and voting rights post IPO.

Social Media Companies

LAPFF [has joined a group of investors](#) calling for social media companies to strengthen controls on objectionable content and live streaming following the Christchurch shootings in March. The Forum's involvement came about due to increasing concerns about the social and financial damage that could be caused by inappropriate or illegal content on social media even before Christchurch, with members considering engagement in 2017 and having made contact with New Zealand Super in February of this year.



ENVIRONMENTAL AND CARBON RISK

Along with other investor participants in the 'Climate Action 100+' initiative, Cllr Robert Chapman met with executives from steel manufacturing giant, **ArcelorMittal**. The meeting focused on the Company's progress towards decarbonising operations and planning for the transition to a low carbon economy. As part of the discussion, Cllr Chapman pressed on whether the company would be setting science-based targets in line with the Paris Accord, and if ArcelorMittal would consider linking carbon reduction performance with executive remuneration.

A range of issues were discussed at a Climate Action 100+ meeting with Simon Thompson, chair of **Rio Tinto** and the corporate head of strategy. The Company had just issued its first [report](#) aligned with the Taskforce on Climate Related Financial disclosure. Having disposed of its last coal assets in 2018, the Company sets out the impact of the low-carbon transition on its other commodities. As with many companies, the greatest challenges come with scope 3 emissions - the use of products down the supply chain - and for Rio Tinto, the supply of iron-ore to the steel sector is a case in point. A resolution had been filed with the Australian entity, Rio Tinto Ltd, on the Company's lobbying activities, in particular its relationship with the Minerals Council of Australia (MCA). The resolution has been withdrawn after the Company agreed to work more closely with the MCA to ensure future statements are 'technology neutral'.

In December, at least one LAPFF member fund joined other investors in filing a resolution for the **Exxon** 2019 AGM, requesting that the Company disclose short, medium and long-term greenhouse gas reduction targets in line with the Paris climate agreement. Exxon challenged the proposal seeking no-action relief with the US Securities and Exchange Commission (SEC) and the resolution did not make it to the ballot.

As a member of the Climate Majority Project, LAPFF joined other coalition members calling on the 20 largest carbon emitting US utility companies to commit to achieving net-zero carbon emissions by 2050, and to make this commitment by September 2020. The institutional investor statement called for a transition away from carbon intensive energy production and for companies to devise economically attractive ways to achieve net zero targets. Central to this was recommendations on governance reforms companies should adopt to maintain focus on the overall goal of net-zero emissions.



SOCIAL RISK

Human Rights and Employment Standards

Institutional investors, led by the Church of England and Swedish Council of Ethics of the AP funds, have begun a large-scale initiative to prevent the further collapse of tailings dams. The initiative stems from the collapse of the Vale tailings dam in Brumadinho in late January. The Church of England convened a meeting of companies, investors, industry groups and industry experts on 4 March to discuss the causes of tailings dam failures. Cllr Robert Chapman attended the event on behalf of LAPFF. The Forum has been asked to play a pivotal role in the initiative, that of liaising with community members affected by both the Brumadinho and Samarco disasters. A statement from the community members was read out at the end of the March meeting, and LAPFF will continue to look for opportunities to bring the community representatives into future meetings.

The LAPFF chair met with Santander Consumer USA (SCUSA) to discuss employment standards, the failed appointment of a new CEO - Andrea Orcel, and the possibility of Santander's joining RE100, the renewable energy initiative. Cllr Doughty also attended an investor roundtable with the Nestle chair, Paul Bulcke, and asked about the Company's response to millennial demands for more socially and environmentally responsible practices. He further asked whether the UK Modern Slavery Act had had any impact on Nestle's approach to supply chain management.

LAPFF, along with a large a coalition of investors, signed a letter sent to 49 insurance companies to encourage the development of best practice around the provision of micro-insurance. The letter outlined that privately provided micro-insurance can create an affordable, accessible safety net which enables people to climb out of poverty. Insurance companies should consider specially tailored policies aimed at providing fair and transparent insurance products to those customers who are the least well served today.

Diversity

LAPFF continued to engage with companies on gender diversity through its membership in the 30% Club Investor group. As part of this initiative a letter was sent to Millennium & Copthorne Hotels plc, outlining the benefits of embracing cognitive diversity and requesting a meeting with the Chair to discuss the importance of diversity considerations in board balance, independence and in executive appointments. On 21 March, shortly after the meeting request was made, the company announced that Ms Paola Bergamaschi Broyd will be joining M&C's Board of Directors as an independent Non-Executive Director with immediate effect. LAPFF also attended a meeting with executive search firm Warren Partners to discuss the challenges the firm has found in increasing the number of female placements at board level.

MEDIA COVERAGE

Ryanair

[Ryanair bows to investor pressure as Michael O’Leary moves upstairs and chairman departs](#) – Telegraph, 4 February

[O’Leary remains commanding presence at Ryanair](#) – FT, 4 February 2019

[Ryanair boss O’Leary in chance to win €100m bonus](#) – FT, 8 February 2019

[Investors ready to block €100m bonus package for Ryanair boss](#) – The Telegraph, 23 February 2019

[Pension fund forum hails move to replace Ryanair chair](#) – Local Government Chronicle, 4 February

Technology IPOs

[Investors call for Lyft to scrap dual-class share plans](#) – FT, 17 March 2019

[Investors Ask Lyft to Scrap Two-Share Plan Ahead of IPO](#) – Bloomberg, 16 March 2019.



[Investor group calls on Lyft to scrap dual-class share structure](#) – Reuters, 18 March 2019.

Illegal Dividends

[UK audit inquiry reignites ‘illegal dividends’ dispute](#) – IPE, 18 February 2019

[UK to replace audit regulator after damning review](#) – IPE, 12 March 2019

Climate

[BP agrees to more climate reporting after ‘constructive’ investor talks](#) – IPE, 1 February 2019

NETWORKS AND EVENTS

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Church of England Tailings Dam Meeting

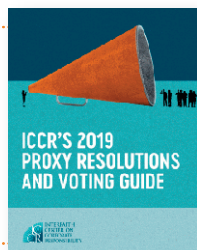
The Church of England and Swedish Council of Ethics convened a meeting with ICMM and a few member companies to tackle the collapse of tailings dams. LAPFF presented a statement from the communities affected by the Brumadinho and Samarco dam collapses.

IRMA Investor and Finance Industry Meeting

Update on new Initiative for Responsible Mining Assurance (IRMA) standard and discussion about the role investors can play in the initiative.

ICCR Proxy Voting Guide Overview

ICCR presented an overview of the shareholder resolutions being proposed in the US. Lobbying, climate change and human rights are the areas with the most resolutions being filed.



APPG

Nicola Parish, Executive Director of Frontline Regulation and Pauline Lancum, Case Management Team Leader, at The Pensions Regulator (TPR) spoke about the regulator’s role in local authority pensions. In the well-attended session, they explained TPR’s role in local authority pensions, how TPR is changing as a regulator as well as the challenges ahead and how TPR and LAPFF can work together.



Nomura Research Institute

The Forum met with Chie Misui of Nomura Research Institute. Discussion were centred around Japanese companies providing disclosure in English, and also problems around the financial statements and audit reports not being issued in sufficient time for investors in advance of the annual meeting.

COMPANY PROGRESS REPORT

104 companies engaged over the quarter

Q1 2019 ENGAGEMENT DATA

Company	Activity	Topic	Outcome
AFRICAN RAINBOW MINERALS	Sent letter	Human Rights	Dialogue
AIA	Sent letter	Human Rights	Dialogue
ANGLO AMERICAN	Sent letter	Human Rights	Dialogue
ANGLO GOLD ASHANTI	Sent letter	Human Rights	Dialogue
ANTOFAGASTA MINERALS	Sent letter	Human Rights	Dialogue
ANZ-AUSTRALIA & NEW ZEALAND BANK	Sent letter	Governance (General)	Dialogue
ARCELORMITTAL SA (2)	Meeting	Environmental Risk	Small Improvement
ASIA COMMERCIAL JOINT STOCK BANK	Sent letter	Human Rights	Dialogue
BANCO BRADESCO	Sent letter	Human Rights	Dialogue
BANCO DAVIVIENDA	Sent letter	Human Rights	Dialogue
BANCO DE CHILE	Sent letter	Human Rights	Dialogue
BANCO DE CREDITO E INVERSIONES	Sent letter	Human Rights	Dialogue
BANCO SANTANDER CHILE	Sent letter	Human Rights	Dialogue
BANCO SANTANDER MEXICO	Sent letter	Human Rights	Dialogue
BANCO SANTANDER SA	Meeting	Employment Standards	Small Improvement
BANDHAN BANK	Sent letter	Human Rights	Dialogue
BANK CENTRAL ASIA	Sent letter	Human Rights	Dialogue
BANK MANDIRI	Sent letter	Human Rights	Dialogue
BANK OF NINGBO	Sent letter	Human Rights	Dialogue
BANK OF THE PHILIPPINE ISLANDS	Sent letter	Human Rights	Dialogue
BANK RAKYAT	Sent letter	Human Rights	Dialogue
BARRICK	Sent letter	Human Rights	Dialogue
BB SEGURIDADE PARTICIPACOES	Sent letter	Human Rights	Dialogue
BBVA CONTINENTAL	Sent letter	Human Rights	Dialogue
BDO UNIBANK	Sent letter	Human Rights	Dialogue
BHP	Sent letter	Human Rights	Dialogue
BOTSWANA INSURANCE HOLDINGS	Sent letter	Human Rights	Dialogue
CAFCA LTD (2)	Sent Letter	Finance and Accounting	Awaiting Response
CHINA MERCHANT'S BANK	Sent letter	Human Rights	Dialogue
CHINA PACIFIC INSURANCE	Sent letter	Human Rights	Dialogue
CHIPOTLE MEXICAN GRILL INC	Sent Letter	Environmental Risk	Dialogue
CODELCO	Sent letter	Human Rights	Dialogue
COMMERCIAL INTERNATIONAL BANK	Sent letter	Human Rights	Dialogue
CREDICORP	Sent letter	Human Rights	Dialogue
CREDIT AGRICOLE EGYPT	Sent letter	Human Rights	Dialogue
DISCOVERY	Sent letter	Human Rights	Dialogue
ENTERPRISE GROUP	Sent letter	Human Rights	Dialogue
EXXON MOBIL CORPORATION (2)	Meeting	Climate Change	Dialogue
FIRSTRAND	Sent letter	Human Rights	Dialogue

Q1 2019 ENGAGEMENT DATA

Company	Activity	Topic	Outcome
FREEMPORT-MCMORAN	Sent letter	Human Rights	Dialogue
GENERAL ELECTRIC COMPANY (2)	Received letter	Climate Change	Moderate Improvement
GENERAL MOTORS COMPANY	Sent letter	Climate Change	Dialogue
GHANA COMMERCIAL BANK	Sent letter	Human Rights	Dialogue
GLENCORE	Sent letter	Human Rights	Dialogue
GOLD FIELDS	Sent letter	Human Rights	Dialogue
GOLDCORP	Sent letter	Human Rights	Dialogue
GUARANTY TRUST BANK	Sent letter	Human Rights	Dialogue
HDFC STANDARD LIFE	Sent letter	Human Rights	Dialogue
HYDRO	Sent letter	Human Rights	Dialogue
ICICI PRUDENTIAL	Sent letter	Human Rights	Dialogue
ITAU UNIBANCO	Sent letter	Human Rights	Dialogue
JX NIPPON	Sent letter	Human Rights	Dialogue
KASIKORNBANK	Sent letter	Human Rights	Dialogue
KENYA COMMERCIAL BANK	Sent letter	Human Rights	Dialogue
KOTAK MAHINDRA BANK	Sent letter	Human Rights	Dialogue
LIBERTY HOLDINGS	Sent letter	Human Rights	Dialogue
LOCKHEED MARTIN CORPORATION	Sent letter	Human Rights	Dialogue
LONMIN	Sent letter	Human Rights	Dialogue
MAX FINANCIAL	Sent letter	Human Rights	Dialogue
MCDONALD'S CORPORATION	Sent letter	Environmental Risk	Dialogue
MEARS GROUP PLC	Meeting	Board Composition	Satisfactory Response
MILLENNIUM & COPTHORNE HOTELS PLC (3)	Sent letter	Board Composition	Substantial Improvement
MINERA SAN CRISTOBAL	Sent letter	Human Rights	Dialogue
MINSUR	Sent letter	Human Rights	Dialogue
MITSUBISHI MATERIALS	Sent letter	Human Rights	Dialogue
MMG	Sent letter	Human Rights	Dialogue
NATIONAL MICROINSURANCE BANK	Sent letter	Human Rights	Dialogue
NESTLE SA (2)	Meeting	Governance (General)	Satisfactory Response
NEWCREST MINING	Sent letter	Human Rights	Dialogue
NEWMONT	Sent letter	Human Rights	Dialogue
OLD MUTUAL	Sent letter	Human Rights	Dialogue
ORANO	Sent letter	Human Rights	Dialogue
PEPSICO INC.	Meeting	Supply Chain Management	Dialogue
PING AN	Sent letter	Human Rights	Dialogue
POLYRUS	Sent letter	Human Rights	Dialogue
PORTO SEGURO	Sent letter	Human Rights	Dialogue
RESTAURANT BRANDS INTERNATIONAL INC	Sent letter	Environmental Risk	Dialogue
RIO TINTO GROUP (3)	Meeting	Climate Change	Moderate Improvement
SANLAM	Sent letter	Human Rights	Dialogue
SOUTH32	Sent letter	Human Rights	Dialogue
SOUTHERN COMPANY	Meeting	Climate Change	Change in Process

Q1 2019 ENGAGEMENT DATA

Company	Activity	Topic	Outcome
STANDARD BANK GROUP	Sent letter	Human Rights	Dialogue
STANDARD CHARTERED	Sent letter	Human Rights	Dialogue
SUL AMERICA	Sent letter	Human Rights	Dialogue
SUMITOMO METAL MINING CO., LTD.	Sent letter	Human Rights	Dialogue
SUNDARAM FINANCE	Sent letter	Human Rights	Dialogue
TECK	Sent letter	Human Rights	Dialogue
TI FINANCIAL	Sent letter	Human Rights	Dialogue
TOTAL SA	Meeting	Environmental Risk	Moderate Improvement
UNITED UTILITIES GROUP PLC	Meeting	Other	Small Improvement
VALE	Sent letter	Human Rights	Dialogue
VIETNAM PROSPERITY JOINT COMMERCIAL BANK	Sent letter	Human Rights	Dialogue
Wafa ASSURANCE	Sent letter	Human Rights	Dialogue
YUM! BRANDS INC.	Sent letter	Environmental Risk	Dialogue
ZANACO	Sent letter	Human Rights	Dialogue

Company domiciles



LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

- Avon Pension Fund
- Barking and Dagenham
- Barnet LB
- Bedfordshire Pension Fund
- Border to Coast Pensions Partnership
- Brunel Pensions Partnership
- Cambridgeshire Pension Fund
- Camden Pension Fund
- Cardiff & Glamorgan Pension Fund
- Cheshire Pension Fund
- City of London Corporation Pension Fund
- Clwyd Pension Fund (Flintshire CC)
- Cornwall Pension Fund
- Croydon Pension Fund
- Cumbria Pension Fund
- Derbyshire Pension Fund
- Devon Pension Fund
- Dorset County Council
- Durham Pension Fund
- Dyfed Pension Fund
- Ealing Pension Fund
- East Riding Pension Fund
- East Sussex Pension Fund
- Enfield Pension Fund
- Falkirk Pension Fund
- Gloucestershire
- Greater Gwent Pension Fund
- Greater Manchester Pension Fund
- Greenwich Pension Fund
- Gwynedd Pension Fund
- Hackney Pension Fund
- Hammersmith and Fulham
- Haringey Pension Fund
- Harrow Pension Fund
- Havering Pension Fund
- Hertfordshire
- Hounslow Pension Fund
- Islington Pension Fund
- Kingston upon Thames Pension Fund
- Lambeth Pension Fund
- Lancashire
- Leicestershire Pension Fund
- Lewisham Pension Fund
- LGPS Central
- Lincolnshire Pension Fund
- London CIV
- London Pension Fund Authority
- Lothian Pension Fund
- Merseyside Pension Fund
- Merton LB
- Newham Pension Fund
- Norfolk Pension Fund
- North East Scotland Pension Fund
- North Yorkshire Pension Fund
- Northern LGPS
- Northamptonshire Pension Fund
- Northumberland Pension Fund
- Nottinghamshire County Council
- Oxfordshire Pension Fund
- Powys Pension Fund
- Redbridge Pension Fund
- Rhondda Cynon Taf Pension Fund
- Shropshire Pension Fund
- Somerset Pension Fund
- South Yorkshire Pension Authority
- Southwark Pension Fund
- Staffordshire Pension Fund
- Strathclyde Pension Fund
- Suffolk Pension Fund
- Surrey Pension Fund
- Sutton Pension Fund
- Swansea Pension Fund
- Teesside Pension Fund
- The Environment Agency Pension Fund
- Tower Hamlets Pension Fund
- Tyne and Wear Pension Fund
- Wales Pension Partnership
- Waltham Forest Pension Fund
- Wandsworth Council
- Warwickshire Pension Fund
- West Midlands ITA Pension Fund
- West Midlands Pension Fund
- West Yorkshire Pension Fund
- Westminster
- Wiltshire Pension Fund
- Worcestershire Pension Fund