

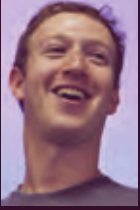
CLIMATE EMERGENCY

Local
Authority
Pension
Fund
Forum

Annual
Report
2019



PROUDLY
PROTECTING
LOCAL
AUTHORITY
PENSIONS



RESPONSIBLE INVESTING FOR LONG TERM RETURNS

Local
Authority
Pension
Fund
Forum



Chair's Introduction



Cllr Doug McMurdo, LAPFF Chair

This was a tumultuous year for my start as LAPFF Chair. Not only have I stepped into the shoes of two LAPFF legends – Cllrs Kieran Quinn and Ian Greenwood – but the uncertainty of the Brexit negotiations and increased concern about climate change mean that LAPFF's work has taken on a new level of importance.

That said, some elements of the policy landscape have started to become more concrete. When pooling first started, no one was sure how it would work or if it would work. But we have reached a point now where all eight pools are up and running, albeit with various levels of actual pooling having taken place. As the pools consolidate and stabilise, they are able to take a more active role in the LAPFF agenda.

The other encouraging development is the rapid growth of the just transition initiative. Until now, there have been a number of different initiatives – both on climate and on the social dimension of investments – that have largely been operating independently of each other. The just transition concept and framework provides investors with a constructive way forward in tackling the climate crisis and fulfilling LAPFF's policy commitment to the Sustainable Development Goals (SDGs).

LAPFF's activities have been facilitated by its rapid membership growth. At 30 September – the end of the reporting period for this year's report – LAPFF had a record 80 individual fund members and six Pool members. This number looks set to rise further, and the added support can only help LAPFF with its climate change objectives, focusing on corporate strategic resilience to climate change, the just transition, and the range of LAPFF engagements supporting these goals.

In addition to its engagement on strategic resilience and the just transition, the Forum has continued its collaboration with some investor initiatives that help leverage investor engagement, such as the 30% Club and the Climate Majority project. LAPFF has also become involved in some newer collaborations over the course of the year, such as a micro-insurance engagement and an investor tailings dam initiative. More information on these and other engagements are provided in the report. All of these activities further LAPFF's mission of encouraging responsible investment for long-term returns.

In conclusion, I welcome a much changed LAPFF Executive Committee – their details are provided on the following page – and extend a huge thank you to outgoing members of the Executive who have played an important role in building LAPFF into the powerful entity it has become. We hope that the new Executive members can build on the legacy of our predecessors to make the Forum's impact even greater.

Cllr Doug McMurdo, LAPFF Chair
LAPFF

A handwritten signature in black ink, appearing to read 'Doug McMurdo', written over a light grey background.

LAPFF EXECUTIVE



Cllr Doug McMurdo,
Chair, LAPFF



Cllr Rob Chapman,
Vice-Chair, LAPFF



Cllr John Gray,
Vice-Chair, LAPFF



John Anzani,
LAPFF Executive Member



Rodney Barton,
LAPFF Executive Member



Rachel Brothwood,
LAPFF Executive Member



Cllr Glyn Caron, LAPFF
Executive Member



Cllr Ged Cooney,
LAPFF Executive Member



Tom Harrington,
LAPFF Executive Member



Cllr Yvonne Johnson,
LAPFF Executive Member



Abigail Leech,
LAPFF Executive Member



Cllr M Taqeer Malik, LAPFF
Executive Member



Cllr Eddie Pope,
LAPFF Executive Member



Helen Price,
LAPFF Executive Member



Cllr Andrew Thornton,
LAPFF Executive Member



Cllr Jill Whitehead,
LAPFF Executive Member



824

total number of
engagements with
companies during
the year

RISING PRESSURE ON CLIMATE ACTION

From school strikes led by Greta Thunberg to children protesting at LAPFF member fund offices to Extinction Rebellion and climate protests outside LAPFF Business Meetings at Parliament Square, Forum member funds have seen up close the growing public outrage about the climate crisis during 2019.

These events, as well as increasingly alarming science-based and financial analysis, have led a number of local authorities to declare 'climate emergencies'.

LAPFF recognizes both the difficulty of addressing climate risks in investments and the urgency of doing so, and is supporting funds in responding to this challenge. There have been two main areas of work for LAPFF during 2019 aimed at supporting member funds in both addressing the climate crisis and ensuring stable returns for their members.

First is LAPFF's increasing focus on climate engagement as mandated by members at the beginning of the year. This work includes raising climate risk and carbon management in nearly every direct company engagement. It has also involved being increasingly active in the Climate Action 100+ (CA100+) and other international collaborative investor initiatives.

CA100+ aims to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. Its three main objectives are to ensure companies implement a strong governance framework for oversight of climate risk

and opportunity, take action to curb emissions across the value chain, and strengthen climate-related financial disclosure.

The second aspect of the Forum's work acknowledges the need to account for the social impacts of climate change.

In November 2018, LAPFF signed a Statement of Investor Commitment to Support a Just Transition on Climate Change, which noted that,

"There is an increasing recognition that the social dimension of the transition to a resilient and zero-carbon economy has been given insufficient attention, notably in terms of the implications in the workplace and wider community. Achieving a just transition, in line with the 2015 Paris Agreement on Climate Change, will help to accelerate climate action in ways that deliver the Sustainable Development Goals."

This framing of the crisis reinforced the approach LAPFF has been taking for a number of years. Therefore, this report will set out LAPFF's work through a just transition lens as a means of providing funds with an understanding of how to enact their climate emergency mandates effectively.

3

LAPFF has a three-pronged approach to engagement: company engagement, policy engagement, and stakeholder engagement. The Forum's company and policy engagement approaches are well-established. Over the past year, LAPFF has taken a stronger position on stakeholder engagement to reflect the fact that more and more, investors appreciate a rounded engagement process.

1 Company engagement

The just transition initiative recognizes the importance of investor engagement with companies to encourage policies and processes aligned with science-based climate indicators. To this end, the Forum's Tom Harrington and Cllr Glyn Caron met with representatives from **AngloAmerican** to discuss this topic.

The AngloAmerican engagement reflects LAPFF's unique engagement style. Whereas fund managers typically meet with investee companies on behalf of asset owners, LAPFF members meet directly with investee company representatives, usually board members.

Why is this face-to-face engagement important? In the Forum's experience, it is helpful for companies to hear directly from asset owners so that they can receive first hand feedback from the representatives of entities holding their shares. It is also helpful for LAPFF representatives to hear directly from companies, for example, for Tom and Glyn to hear about AngloAmerican's challenges in implementing a just transition. This direct engagement coupled with the collective level of holdings by LAPFF funds provides Executive members considerable weight in company engagements.

Consequently, LAPFF is able to employ an engagement style that is balanced and respectful, yet challenging. This approach means that the Forum will support board members where there are improvements, but will also challenge where performance needs to improve.

To reflect this balanced and respectful, yet challenging style, LAPFF has a set escalation strategy for company engagements. In general, LAPFF first meets with company chairs or board directors, either one-on-one or through appropriate collaborative investor engagements. If these

meetings do not meet the Forum's expectations in terms of progress, the Forum might issue a voting alert to its members. Voting alerts can reflect positive developments too, with LAPFF choosing to support a resolution as a means of recognizing a company's progress. Collective engagements with other trusted investors and the filing and co-filing of shareholder resolutions are other powerful tools the Forum employs to move company engagements forward.

2 Policy engagement

Having the right policy environment is essential to achieving a just transition. Industrial change sparked by environmental regulation is set to have significant implications for communities, consumers and employees. Policy focused exclusively on achieving a net zero economy without consideration of the wider social implications is likely to affect some people and communities more than others and could endanger the very objective of decarbonising the economy. In this context, ensuring that policy is fit for purpose and investors can adequately voice and shape the decisions of companies will be a requisite component of a just transition.

While the main focus of LAPFF's work is to engage directly with companies, public policy often sets the framework for these engagements. For example, over the last year, LAPFF has been engaging with carmakers, **GM** and **Ford**, regarding the rollback of federal emissions and fuel efficiency standards in the US. Engaging with companies to move to lower carbon emissions is a lot harder when

minimum standards are weaker. This is because the short-term economic imperative and incentives might not be to go beyond current regulation even if it is in the long-term economic and environmental interest of all parties. With this in mind, the Forum secured a significant victory when Ford and other car makers agreed to higher standards with California that will drive up regulatory requirements.

The importance of public policy is also evident in other areas of the Forum's work. Over the years, the Forum has engaged with the policy-making process through responses to government consultations and directly through meetings with politicians and policy makers. The importance of this can be seen most clearly in the Forum's engagement on the FRC and financial reporting standards. This has involved both engaging with MPs on Select Committees and, more widely, assisting MPs putting down Parliamentary Questions.

More generally, the policy environment has a clear bearing on LAPFF's work, not least regarding regulation of local authority pension funds and the pooling process but also social and environmental protection. Engaging Parliamentarians and other voices that have different positions from those of the Forum is an additional way of facilitating social and environmental improvements that can contribute to improved investor returns. Therefore, LAPFF will continue to engage with parliamentarians who potentially shape the agenda in ways that the Forum disagrees with and that hinders its purposes.

Against this backdrop the Forum has been engaging policymakers on a just transition. During the year, the Forum attended the Liberal Democrat, Labour, Conservative and Scottish Nationalist Party party conferences. At the conferences, the Forum discussed with politicians, including the UK pensions minister, the

importance of a just transition from an investor perspective and how a just transition commission could help. Through the LAPFF-backed All Party Parliamentary Group, the Forum has engaged parliamentarians on other issues, such as the Kingman Review of the FRC, on pooling, pensions regulations and employment standards.

3 Stakeholder engagement

Appropriate stakeholder engagement is fundamental to an effective just transition. If investors fail to engage effectively with workers and communities, it will be difficult – if not impossible – to ensure that a transition to a net zero economy provides an adequate number of good quality jobs and respects community needs in the process. This may in turn affect the political support for action on climate change.

Consequently, LAPFF increased its stakeholder engagement activities during 2019. The Forum has routinely engaged with unions and workers in previous years, recognising the important information these stakeholders can provide about investee companies. This engagement has included speaking to unions about developments at **Ryanair** and having workers share their insights at a LAPFF investor briefing. However, LAPFF has now started to embed the process of engaging community members affected by investee company operations in its overall engagement approach.

Specifically, LAPFF has been the stakeholder liaison in the investor tailings dam initiative spearheaded by the Church of England Pensions Board and the Council on Ethics of the Swedish National Pension Funds. The Forum has facilitated calls between

community representatives and the lead investors in the initiative, and has presented community statements to meetings of the initiative participants. LAPFF Executive members have also met with community representatives from Arizona, US and Madagascar in relation to **Rio Tinto** and **BHP** projects.

Other investors have responded positively to this engagement, requesting more detail about the community engagement process and seeking ways to improve this dialogue. LAPFF is therefore ramping up its community engagement activities, in the first instance through making it possible for members of the Samarco and Brumadinho communities to travel to Bournemouth to present in person at the 2019 LAPFF annual conference.

11
meetings with workers
and community
representatives



After consistent engagement with LAPFF and other investors, **ArcelorMittal** announces an aim to be carbon neutral in European operations by 2050.



In the past, LAPFF has had mixed success in obtaining meetings with foreign companies that have on-going corruption litigation charges.

However, all of the companies approached on this issue engage with LAPFF.



Ford alongside three other car makers agrees a deal with California on fuel efficiency standards after engagement with LAPFF and other investors.



LAPFF increases the visibility of affected community interests in investor engagements and highlights why this input is important from an investor perspective.



LAPFF ACHIEVE- MENTS

Seven LAPFF members pre-declare votes in favour of the **BHP** resolution seeking to have BHP withdraw from industry organisations lobbying in a manner inconsistent with the goals of the Paris Agreement.



LAPFF advocates for disbanding the **FRC**, which will now be replaced by **ARGA**.



LAPFF proposes a possible shareholder resolution to press for a new Chair at **Ryanair**. The company responds by stating that both the Chair and the Senior Independent Director will step down by the 2020 AGM.



Shell makes a commitment to link climate to executive pay - LAPFF had raised this possibility with company representatives since 2007.



Ten LAPFF members co-file a shareholder resolution at **BP**, asking for a report on its strategy consistent with the Paris agreement. The resolution garners more than 99% support.





Investing in a Just Transition

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After consistent engagement with LAPFF and other investors, Arcelor Mittal announces an aim to be carbon neutral in European operations by 2050.



The largest global carbon emitters

Given that 100 companies are responsible for over 70% of global emissions, the collaborative investor initiative, Climate Action 100+ engages with these as well as an additional 60 other companies that have significant opportunity to drive the clean energy transition. Outcomes from engagement undertaken through the Climate Action 100+ framework have been well documented in the initiative's first progress report.

LAPFF co-lead engagement with **ArcelorMittal** and took on the lead investor role with **National Grid** as well as providing support in engagements with a number of other companies. Engagement with Lakshmi Mittal, the joint chair/chief executive of ArcelorMittal and senior executives, led to a number of commitments including setting the goal of being carbon-neutral in Europe by 2050.

Long-term engagement with National Grid continued with attendance at the 2019 AGM. This gave Cllr Glyn Caron the opportunity to congratulate the chair, Sir Peter Gershon, on the company's joining the Powering Past Coal Alliance, which the Forum had requested at the most recent meeting with company executives. Positive announcements were notable following other engagements, including from **Centrica's** exit from the oil and gas production which came subsequent to meeting with the company's new Chair, Charles Berry.

LAPFF was also able to leverage collaboration through its partnership with the US-based Climate Majority Project, joining a call to the 20 largest carbon emitting US utility companies to commit to achieving net-zero carbon emissions by 2050. By the end of September, **Entergy**, **NextEra**, **WEC Energy Group** and **NRG Energy** indicated 2030 targets in line, or ahead of, science-based parameters, with others such as **DTE Energy** making commitments to 2050 goals.

Engagement outcomes

While much engagement – with companies, regulators and stakeholders alike – is dialogue working toward specific goals, there are also important breakthroughs. The following pages include a summary of LAPFF engagements with positive outcomes highlighted where relevant.

The Climate Emergency: clean energy and strategic resilience

Carbon reduction is clearly a fundamental element of a just transition to a net zero economy. The entire just transition initiative is premised on the need to achieve a net zero economy for both social and environmental reasons.

Understanding and responding to the investment implications of climate change as a systemic risk continued to be a high priority for LAPFF members and a core element of the LAPFF work plan during the year. Engagement focused on boards' business strategies in ensuring resilience at the same time as ensuring transition activities are 'just' for employees and communities and that adaptation considerations are included. Members also endorsed the LAPFF approach which is to engage not only with the largest carbon-emitting companies but across all sectors.

Numerous successful outcomes from LAPFF's engagements are included throughout this report. A notable example comes from the house-building sector. Given that the built environment contributes around 40% of the UK's total carbon foot-print, addressing new build as well as retro-fitting is a core component of the zero-carbon drive. A positive outcome here is **Taylor Wimpey's** commitment to set science-based targets.

100
companies are
responsible for
70%
of global emissions

Lobbying

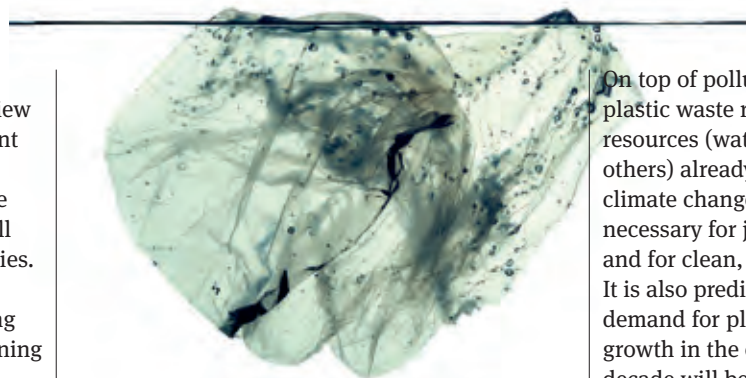
In October 2018, members agreed LAPFF policy to formalise a clear view on the approach to the misalignment of public statements by companies on climate policy and those of trade bodies to which they belong, as well as companies' own lobbying activities. This trend had been particularly evident when LAPFF was addressing climate impacts with integrated mining companies and US carmakers.

In the summer of 2019, LAPFF joined other investors writing to 55 US companies to press them to ensure that their lobbying activities were consistent with the goals of the Paris Agreement on climate change. The Forum also collaborated in writing to over 30 global oil and gas companies to speak out publicly on the need to maintain both the federal regulation of methane and the US Environmental Protection Agency's ability to take enforcement action under the Clean Air Act. Recognising the associated risks to utility companies, the same ask was made of a number of US Electric Power companies, and LAPFF wrote in the same vein to the **National Grid** Chair as the company has significant operations in the US distributing electricity and natural gas.

Lobbying activity has also been a central element of engagement with US car makers on fuel efficiency as set out in the policy section of this report. A voting alert for the **General Motors** 2019 AGM cited concerns, in contrast with **Ford's** agreeing a deal with California on standards to reduce emissions regardless of federal roll-backs.

Ford alongside three other car makers agrees a deal with California on fuel efficiency standards after engagement with LAPFF and other investors

Plastics



On top of polluting our environment, plastic waste reduces access to critical resources (water and fish, among others) already compromised by climate change. These resources are necessary for jobs, not only good jobs, and for clean, healthy communities. It is also predicted that, due to global demand for plastics, the largest area of growth in the oil sector over the next decade will be in petro-chemicals. A recent McKinsey report predicts that the chemicals sector will account for more than half of the growth in oil demand over the next 15 years. Therefore, the reduction of plastic pollution is an important component of a just transition.

During the year the Forum has progressed work on the issue of plastics, joining a coalition of investors engaging with companies on the overall threats posed by plastic waste and pollution. The Forum met with two companies on this specific issue, **Nestlé** and **PepsiCo**, as well as discussing single-use plastic specifically. Additionally, the Forum co-signed a letter to a range of companies on reducing plastic pellet loss as well as a letter to **Starbucks** on the issue of plastic packaging.

In the months following the engagement with PepsiCo, the company committed to reducing use of virgin plastic across its portfolio by 35% by 2025. This pledge will build upon the company's prior commitment to the UK Plastics Pact to increase its use of recycled content in plastics packaging to 30%.

"If plastic production and use grow as currently planned, by 2030, these emissions could reach 1.34 gigatons per year—equivalent to the emissions released by more than 295 new 500-megawatt coal-fired power plants."⁴

"With a number of local authorities declaring climate emergencies this year, it is becoming increasingly clear that local authority investors must press investee companies to take all possible steps to stem the climate crisis."

Cllr Doug McMurdo, Chair of Local Authority Pension Fund Forum

Press:

Utilities and the Drive to Zero Carbon

Power companies must accelerate decarbonisation and support ambitious climate policy

Financial Times, 20 December 2018

BP agrees to more climate reporting after 'constructive' investor talks

IPE, 1 February 2019

Investors urge cement makers to cut emissions

Financial Times, 21 July 2019

Germany and Slovakia head list of new Alliance members at UN Climate Action Summit

Powering Past Coal Alliance, 22 September 2019

⁴World Energy Outlook 2018 <https://webstore.iea.org/download/summary/190?fileName=English-WEO-2018-ES.pdf> ³Global Energy Perspective https://www.mckinsey.com/-/media/McKinsey/Industries/Oil%20and%20Gas/Our%20Insights/Global%20Energy%20Perspective%202019/McKinsey-Energy-Insights-Global-Energy-Perspective-2019_Reference-Case-Summary.ashx

¹Plastic & Climate The Hidden Costs of a Plastic Planet

Reliable Accounts

A just transition is only possible with accurate accounting. This means that audit firms need to take the initiative in integrating climate costs and impacts into their auditing regimes.

LAPFF has been participating in an initiative led by Sarasin Partners to speak with the Big Four auditors about assessing and disclosing climate impacts in auditor statements for companies. So far, the engagement has been disappointing, with auditors either seeking to hide behind accounting standards rather than engage with the issues, or placing the onus on investors to define the auditor role in reporting on climate.

This deflection and intransigence seems to be systemic within the industry as it is also typical of the audit and accounting regulator, the Financial Reporting Council (FRC), both in relation to climate as well as fundamental questions about true and fair view. The pressure from LAPFF on the short-comings of the FRC paid off in the spring of 2019 with the Kingman Review. The late Cllr Ian Greenwood had been one of the first people to meet Sir John in relation to his Review. The main positions proposed by LAPFF - including that the FRC needed to be replaced by a body properly accountable to Parliament - were mirrored in the Review's recommendations. One crucial recommendation that has been approved is for a new regulatory body to be formed; it will be called The Audit, Reporting and Governance Authority (ARGA).

Then acting Chair of LAPFF, Cllr Paul Doughty, attended a meeting with the Competition and Markets Authority (CMA) on the structure of the auditing industry, and the LAPFF positions on the mismatch of the standards and the law, following the two opinions of George Bompas QC, were cited in a special section in the CMA's call for evidence.

The LAPFF position on the collapse of Carillion was also taken up by the Business, Energy and Industry Select (BEIS) Committee, and the LAPFF

position on the law was vindicated by the chance settling of a major case at the High Court (*AssetCo v Grant Thornton*) in the middle of the inquiry.

In presenting to the BEIS Committee, both the outgoing CEO of the FRC and the CEO of the Institute of Chartered Accountants in England and Wales (ICAEW) were forced to admit on the record that there was a gap between International Accounting Standards and company law in respect of the creditor and shareholder protection regime known as 'capital maintenance', a position that had been resisted for years.

The technical issues with auditing and accounting have been the subject of an ongoing review on audit quality by Sir Donald Brydon, to which LAPFF has responded. The review is expected to report in 2020.

In Ireland, the position of accounting standards and the banks was the subject of a one-off hearing of the Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach on 28th May 2019. The LAPFF document 'UK and Irish Banks Post Mortem' was the basis of the analysis presented by Tim Bush of PIRC and Cormac Butler, a banks and accounting standards expert from Limerick who spoke at the 2012 LAPFF conference. The conclusion of the Committee was that the accounting standards were defective, and that banks had hidden losses and were insolvent at the time of the bailout.

LAPFF advocates for disbanding the FRC, which will now be replaced by ARGA.

1.34 gigatons

of emissions by
2030 from plastic production
and use as currently planned

"We are paying back a debt that we should not be paying back. And we are imposing austerity on people in the pursuit of repayment of that debt that we should not do."

The Chairman of the Committee, John McGuinness TD, saw the issue in clear macro-economic terms

Press:

Reliable Accounts: Challenging the Auditors

Kingman review proposes replacing FRC with new, stronger regulator
IPE, 18 December 2018

Big Four warns against breaking up UK audit firms
Financial Times, 13 November 2018

Chief executive of audit watchdog to step down amid independent probe
IPE, 2 November 2018

'Total failure of a political ideology': SNP MP blasts outsourcing industry at SNP18 fringe
Common-Space, 9 October 2018

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

Audit market reform

LAPFF blames 'defective' accounting rules for 2008 Irish banking crisis
IPE, 7 June 2019

Local authority pension funds back UK audit market reform proposals
IPE, 24 April 2019.



Agribusiness

Agribusiness is a large contributor to climate change on a range of fronts – feed production and enteric fermentation⁵ among the two largest. The global demand for animal-based products, which is expected to increase as a result of the emerging middle-class across Asia, has resulted in mass deforestation, soil erosion and water shortages. There is also increasing antibiotic resistance as the agribusiness sector continues to use antibiotics as growth promoters within livestock.

These issues pose major market, reputational and operational risks. A good example of market risk is the increase in price volatility of agricultural commodities. It is likely that the demand for meat produce will continue to increase as economic and population expansion continues across China, India and Indonesia. This trend is likely to occur simultaneously to a demand for meat sourced on a regenerative and organic basis. These market shifts will undoubtedly increase the likelihood of commodity volatility and threaten returns over the longer term.

The reduction in agricultural efficiency and subsequent impact on livestock production also poses a major potential risk. This phenomenon is particularly relevant to the use of exhumed rainforest as a region to cultivate and develop. The soil in these areas often proves to be nutrient-deficient. As productivity decreases, the need to more regularly shift agricultural production rises, which

in turn increases the risk of stranded assets.

With these risks in mind and, as part of a collaborative engagement facilitated by Ceres and FAIRR, LAPFF was the lead investor in a meeting with American fast food giant **Chipotle Mexican Grill**. In a discussion with the company's Chief Corporate Responsibility Officer, Director of Sustainability and Director of Procurement, LAPFF raised with them the corporate approach to managing water risk, board oversight and supply chain management. LAPFF also set out its expectations as an investor, challenging company practices in areas in which it was deemed to lag behind industry peers.

Palm oil is also a good case in point. LAPFF has been a member of the PRI working group on palm oil for a number of years. Palm oil plantations have not only been cited for decimating resources necessary to mitigate climate change, they have also been associated with significant species loss and employment violations. During September, LAPFF signed a statement by the Investor Working Group on Sustainable Palm Oil, which highlighted investors' expectations of companies regarding sustainable palm oil. It asks companies operating across the palm oil value chain to adopt and publicly disclose a 'no deforestation, no peat, no exploitation' policy.

LAPFF also signed up to an investor statement on deforestation and forest

fires in the Amazon co-ordinated by the PRI. The statement called on companies to disclose and implement a commodity-specific no deforestation policy with quantifiable, time-bound commitments covering the entire supply chain. This statement was issued in direct response to the escalating crisis of deforestation and forest fires in Brazil and Bolivia.

The value chain of the agribusiness sector, which extends from fast-food chains and supermarket shelves to machine operators and farm workers all over the world, is responsible – both directly and indirectly – for supporting the livelihoods of countless individuals and families. Any changes to it should, in the Forum's view, incorporate concepts of a just transition. Many of those people supported by the sector live and work in remote communities leaving them vulnerable to sudden and extreme market and regulatory shifts.

"The lack of scrutiny on the (agribusiness) sector has meant that these companies have been allowed to scale their operations, markets and production volumes without clear controls. This creates systemic risks: not just for companies, but also their global food customers, investors, consumers and society at large⁶."

⁵ Enteric fermentation is a digestive process that results in carbohydrates decomposing and fermenting. This process produces methane as a by-product.

⁶ Jeremy Collier FAIRR Protein Producer Index 2019 <https://s3-eu-west-1.amazonaws.com/assets.fairr.org/downloads/FAIRR+Index+2019+Report+-+Public.pdf>

Human rights

Human rights are being severely affected by climate change. Human rights outcomes related to climate impacts include the loss of land, forced migration, and loss of life and resources due to conflict. People also have their rights to livelihood and work affected. Consequently, human rights impacts are of primary concern in a just transition.

LAPFF's work on human rights during this past year has been challenging. The year began with the tragic news of another tailings dam collapse in Brazil that led to the deaths of nearly 300 people. The Forum has been active in the investor initiative that resulted, liaising with affected communities (see Stakeholder Engagement section above). Although there is a long way to go, the initiative has succeeded in obtaining disclosures from over 300 companies globally on their tailings dam risks. LAPFF has also seen success in having the affected stakeholder voice included more substantially in the investor initiative, and company engagements more broadly.

The issue of defence companies and their role in the war in Yemen also came to the fore this year. A number of local authority funds were cited as having investments in defence companies whose weapons were being used by Saudi Arabia to bomb Yemeni communities. Given that weapons contracts are highly controlled by state clients, the Forum was not sure how responsive the companies would

be to engagement requests. However, LAPFF has managed to speak with three major defence contractors – **BAE, Boeing and Lockheed Martin** – in relation to this issue.

LAPFF's primary request was that these companies recognize the Yemeni population as an affected stakeholder. The rationale was that this recognition would drive change in the strategic direction of the companies. However, it also became clear that companies might be able to gain leverage with their government clients through developing more commercial contracts, contracting with government departments other than defence departments, and looking to non-traditional weaponry such as cyber-weapons, to help stem the loss of human life. This engagement is on-going.

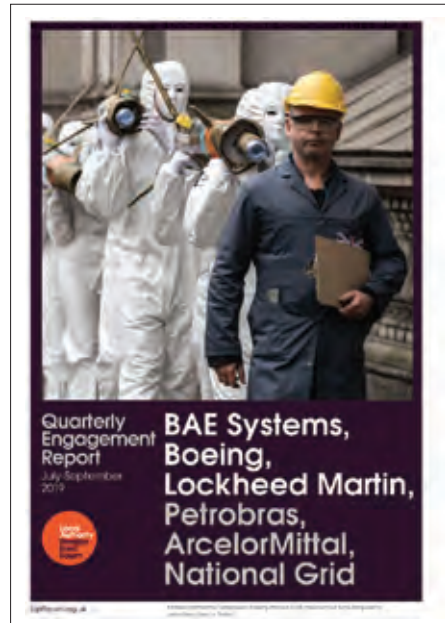
'It has been encouraging to see investors engage more and more with the community input over the course of the year. Investors are increasingly understanding the value of community perspectives, both to protect the interests of those affected most by corporate activities and to gain an understanding of how corporate actions are affecting the potential for shareholder value creation.'

Cllr Rob Chapman

726

collaborative tailings dam letters sent to companies through the Church of England/Swedish Council of Ethics tailings dam initiative

LAPFF increases the visibility of affected community interests in investor engagements and highlights why this input is important from an investor perspective.



Corruption

Corrupt activity compromises a company's ability to dedicate time and resources to carbon reduction and is often associated with human rights abuse. Therefore, it is a significant impediment to a just transition.

After a joint engagement with Sarasin Partners, the Church Commissioners, and Royal London Asset Management in relation to **Glencore** and the corruption charges the company is facing, the Forum extended its engagement on corruption to a number of other companies – **Petrobras, ENI, Shell and Total**.

In the past, companies have been wary of discussing their corruption allegations on the grounds that they are not allowed to disclose any information while litigation is on-going. Therefore, as with the defence contractor engagements, the Forum anticipated that the companies might be resistant to requests for engagement. However, Shell was the only company to push back. The other companies all responded quickly to agree to meetings.

Although this engagement is at its inception, it is clear that better corporate governance would have prevented, or at least mitigated, the damage these companies have faced in relation to corruption allegations.

In the past, some foreign companies have been resistant to engagement where they have on-going litigation charges. However, all of the companies approached engaged with LAPFF.

"The complicated nature of the relationships and contracts involved in the implicated deals is striking. We had to bring in Global Witness to explain some of the transactions to us. These are also obviously companies that have large climate change impacts, so this area came up in some of the discussions too, highlighting the relevance of the just transition to LAPFF's engagements."

Cllr Rob Chapman

Workforce issues

Trade unions have been one of the significant voices in the just transition debate. They have made the point that a just transition must be concerned with the creation of good jobs in a green economy, not just any jobs. To this end, LAPFF has continued its hallmark engagements on employment standards.

In relation to individual company engagements, Cllr John Gray attended the Annual General Meetings (AGMs) of **Sports Direct** and **Ryanair**. Cllr Gray pushed both companies to become more responsive to shareholders. Ryanair CEO, Michael O'Leary, spoke to Cllr Gray at the AGM, and LAPFF is currently engaging further with the company. This engagement comes on the back of a proposed LAPFF resolution to have current Chair, David Bonderman, step down as Chair after 23 years. The prospect of this resolution seems to have prompted Ryanair to take action as it has promised that Mr. Bonderman, along with current Senior Independent

Director, Kyran McLaughlin, will step down by Ryanair's 2020 AGM.

This past year, the Forum took a decision to join the Workforce Disclosure Initiative (WDI), an innovative programme established by responsible investment NGO, ShareAction.

In doing so, LAPFF became one of 120 investors supporting the initiative with \$14 trillion in assets under management.

A number of US companies continue to be difficult engagement propositions. LAPFF joined a large group of investors known as 'The Big Tent' to pressure US technology giant, **Amazon**, into engaging. The initiative saw success in getting Amazon to include a number of shareholder resolutions on the ballot at the Company's AGM, including a resolution filed by Amazon workers in relation to climate change.

Tesla was another company with which the Forum has engaged over the

last few years. Even with a new Chair, Tesla does not seem eager to take some shareholder concerns on board. This year, LAPFF issued a voting alert that questioned Tesla's ability to contribute to a just transition. The alert also advocated for a public policy committee to help address some of the employment standards issues Tesla has been facing.

LAPFF has been a long-standing member of the 30% Club investor group that has focused on ensuring that FTSE100 companies all have at least 30% female representation on their boards. The 30% Club investor group's engagement work has broadened its focus to incorporate female representation in the workforce – specifically at the executive level – not just on the board. This decision follows news that for the first time, the proportion of women on FTSE 350 boards has moved past 30%.

Board and workplace diversity has been explored with a number of LAPFF engagements, including a collaborative '30% investor group' engagement with the combined chair and chief executive of the property company, **Daejan Holdings**. Daejan is now the only listed company never to have had a woman on the board. The meeting was useful in providing a better understanding of the board's approach to the issue, and although no commitments were given to increase gender diversity at board level, better understanding was achieved on measures to ensure women's progress through the organisation and on identified gender-pay discrepancies.

23

number of years
David Bonderman
has been chair at
Ryanair



Top Michael O'Leary, Ryanair
Above Mike Ashley, SportsDirect

“We were clear at both the Sports Direct and Ryanair AGMs that as concerned shareholders, LAPFF does not want to voice these concerns in front of a broad audience. These conversations can be conducted in private, but the companies have to be prepared to meet and hold constructive discussions.”

Cllr John Gray

Press:

Ryanair: Pressure for a New Chair

Ryanair hits headwinds in 2018, but is still well placed to grow
Irish Times, 26 December 2018

Ryanair, O'Leary sotto l'assedio dei fondi inglesi
First Online, 9 November 2018

Investoren fordern Ablösung des Ryanair-Verwaltungsratschefs
Ariva.de, 5 November 2018

ESG Roundup: UK public sector schemes to oppose Ryanair chairman
IPE, 30 October 2018

Pension funds heal pressure on Ryanair to ditch chairman
The Times, 29 October 2018

Pension fund revives efforts to change Ryanair leadership
LGC, 29 October 2018

Council pension fund forum calls for Ryanair chair to step down
LocalGov, 29 October 2019

Ryanair investors square up for second fight over chairman Bonderman
Independent, 29 October 2018

Ryanair investors call for chairman to go, CEO succession plan - media reports
ProactiveInvestors, 29 October 2018

Crisis en Ryanair: nueva conspiración interna para que el presidente dimita
preferente.com, 29 October 2018

Ryanair investors call for chairman to stand down in 2019
The Guardian, 28 October 2018

Ryanair shareholder reignites calls to replace chairman
Financial Times, 28 October 2018

Ryanair shareholder gear up for fresh call to ditch chair
The Telegraph, 28 October 2018

Ryanair shareholder calls for chairman's ouster
Reuters, 28 October 2018

Ryanair shareholders call for chairman David Bonderman to be replaced
ITV, 28 October 2018

Un actionnaire de Ryanair demande l'éviction du président
Capital, 28 October 2018

Workers on boards

Should more companies give employees a seat on their boards?
Telegraph, 29 May 2019

Businesses are resisting worker

representation on boards

Personnel Today, 3 May 2019

With rich investment managers in charge, shareholder vetos on exec pay are meaningless

Left Foot Forward, 16 May 2019

Corporate Britain drops the ball on worker directors in favour of government cop outs

Independent, 1 May 2019.

Worker directors increasingly prominent in debates on corporate governance reform

Involvement & Participation Association, N/D

Capita appoints two employees to its board

ShareCast, 13 June

Capita set to join club of companies with worker directors on the board

The Times, 6 May

Sports Direct AGM

Pension fund anger at Sports Direct's Mike Ashley: 'There's a problem here'
Yahoo! Finance, 11 September 2019

A third of Sports Direct investors vote against re-electing Mike Ashley
The Guardian, 11 September 2019

Sports Direct in race against time to find new auditor

Financial Times, 11 September 2019

Sports Direct shares recover some losses

The BBC News, 29 July 2019

Results debacle hits Sports Direct shares

The Times, 30 July 2019

LAPFF proposes a possible shareholder resolution to press for a new Chair at Ryanair. The company responds by stating that both the Chair and the Senior Independent Director will step down by the 2020 AGM.



Technology

Forecasts about how we are to achieve a net zero carbon economy are usually predicated on a step change in the development and take-up of new technology. New technology encompasses both supply of energy through new renewable technologies and shifts in energy demand, such as advanced manufacturing technologies and electric vehicles. In this context, at the **National Grid** AGM, Cllr Glynn Caron welcomed the company's move to produce a new sensitivity analysis for a zero energy scenario outlining the steps that would be needed to decarbonise the grid as well as energy demand.

However, such disruptive technologies to decarbonise the economy will not only impact businesses. New technologies will create new jobs but also make others redundant, adversely affecting some workers and communities. In LAPFF's just transition engagement with **AngloAmerican**, the Forum raised this issue of new technology impacting on labour demand. Similarly the just transition was raised in a collaborative engagement with **Total**.

The downsides of disruptive technology have been apparent in other engagements. The Forum's discussions with Tesla, a company that potentially will play a central role in decarbonising the car industry, have focused on health and safety concerns about their Fremont car plant. Despite introducing new technologies on the production line, reports have suggested that incident rates are higher than their competitors. There have been similar concerns that employment standards and health and safety records have been worse in new industries, including in the renewable energy sector.

More broadly the social implications for the workforce and therefore on business performance was a common theme in engagements on disruptive technology. At the engagement with **Santander**, the Forum raised concerns about voice recognition software that was discriminatory in the way that it assessed staff performance.

Technological risks also cover cybersecurity and the Forum continued to engage individually and through a Principles for Responsible Investment (PRI)-led initiative with companies on their policies and practices to manage these risks. In addition, an emerging governance issue that the Forum has been tracking over the past years has been internet content, covering fake news and inappropriate content. The Forum issued voting alerts at **Facebook**, **Twitter** and **Alphabet** recommending members support shareholder resolutions to requesting companies to produce content governance reports. Managing these risks is made difficult because of poor governance arrangements at many tech companies. So ahead of several high-profile Initial Public Offerings the Forum published a statement calling on companies to have good governance practices, such as ensuring one share – one vote.

Press:

Technology IPOs

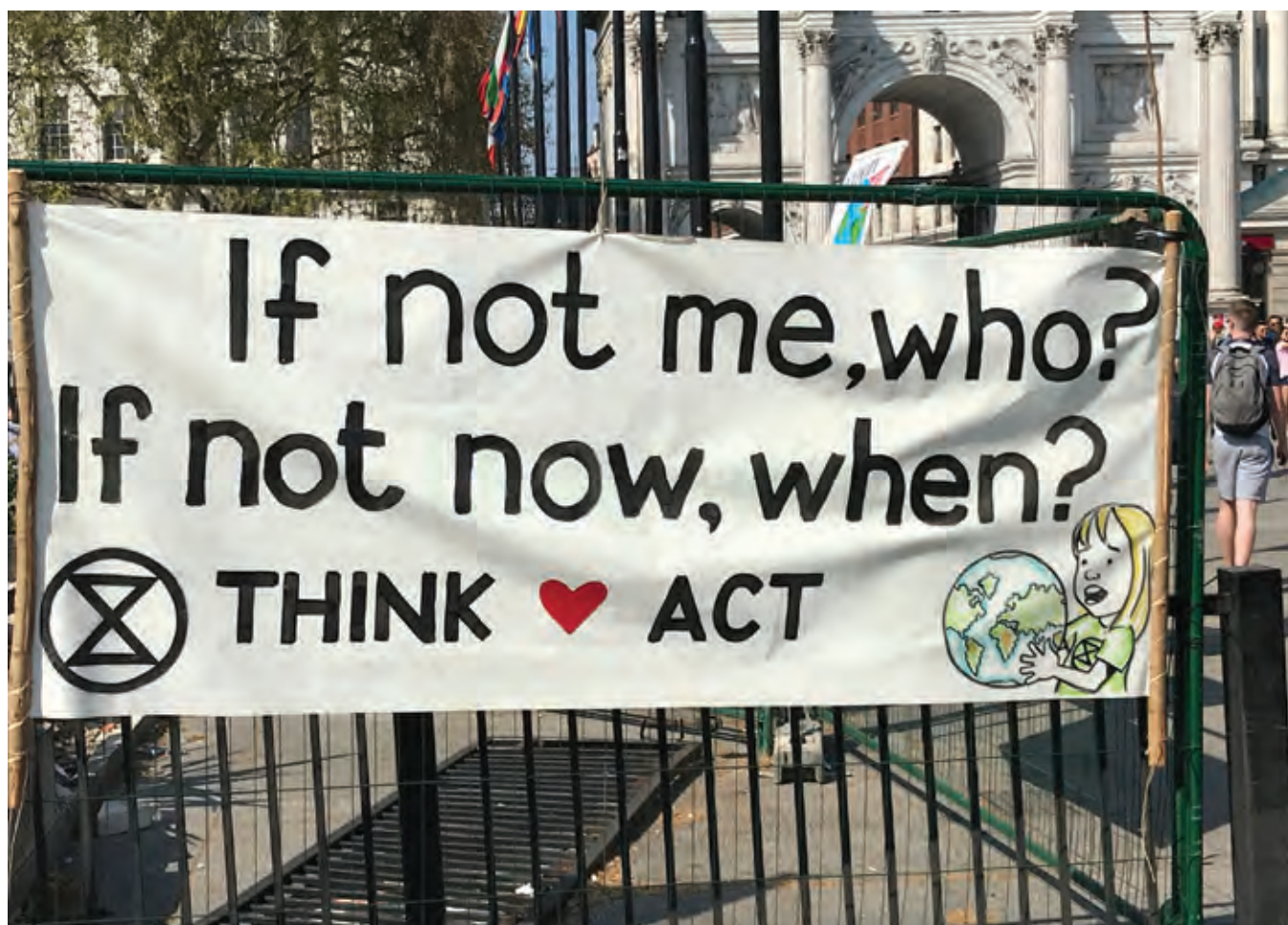
Investors call for Lyft to scrap dual-class share plans
FT, 17 March 2019

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.

Super Fund corrals \$13trn for livestreaming action
Newsroom, 20 August 2019





Tax

Governments will need to allocate appropriate financial resources to tackle climate change and enable a swift and just transition to a net zero economy. This money should come in part from adequate corporate tax revenue.

LAPFF has been engaging on corporate tax transparency and payments since 2014, in partnership with tax expert, Richard Murphy. There was a significant development on tax transparency during 2019 with the Global Reporting Initiative (GRI) issuing a consultation on a well-received tax standard to add to its ESG reporting toolkit.

The Forum responded to the GRI consultation and supported its development and use. The standard is now under review, and if it is approved, it is expected to be published before the end of 2019.

“A key, and very welcome, feature of this work was the variety of comments from stakeholder groups that made clear just how important country-by-country reporting is. LAPFF contributed significantly in this way, in writing and in stakeholder meetings and added a powerful contribution from a particular type of pension fund describing a real need for information that current reporting does not provide.”

Professor Richard Murphy, a member of the GRI advisory panel on its payments to government standard

Shell makes a commitment to link climate to executive pay - LAPFF had raised this possibility with company representatives since 2007.

Executive Pay

The past year has seen an increasing trend in companies linking climate change performance metrics or indicators with executive pay. One of these companies was **Shell**, which took the decision to link its executive remuneration scheme more directly to climate metrics at the end of 2018. Shortly after Shell's announcement, oil and gas rival **BP** declared that it would link carbon reduction targets to the remuneration of 36,000 of its employees. LAPFF had been engaging with BP in the build up to this announcement as part of the Climate Action 100+ initiative.

It is worth noting that the inclusion of climate-related compensation metrics was proposed by former LAPFF Executive member, Toby Simon, a couple of years ago during a meeting with Shell Remuneration Committee Chair, Gerard Kleisterlee. The suggestion built on previous engagement dating back to an initial meeting in 2007 with the CEO on linking executive remuneration to climate-related performance measures.

Whilst the concept of linking environmental performance with compensation is widely considered a positive step towards addressing climate change, investors have also raised concerns that the metrics can be 'gamed' to ensure maximum pay-out. During the year under review the Forum, along with a group of other investors, engaged with **The Southern Company** over concerns that the qualitative metric within its compensation structure could be gamed. Southern had already announced GHG reduction (through the closure of carbon intensive assets) of over the amount necessary to achieve maximum pay-out. The point was made that if these decisions have already been made there is no incentive to drive continued reduction over the performance period. Ultimately, the incentive scheme had a design flaw that theoretically enables participants to be financially rewarded for failing to reduce GHG emissions. The company acknowledged investor concerns.

From a just transition perspective, this link is important in aligning good governance, good social practice and climate. Shell already has a metric linking 'social licence to operate' with executive pay, so adding climate-related incentives will help meet the just transition element of the company's pay arrangements.

“LAPFF first approached Shell about this link in 2007. We were told it was too difficult a proposition. However, there has been a contextual shift in the discussion about climate that seems to have made the link possible now. LAPFF congratulates Shell, and the other investors pushing for this development, and looks forward to seeing how its commitment is implemented.”

Clr Rob Chapman

Micro-insurance engagement

Micro-insurance is another important tool in enabling the just transition. It is well known that the most vulnerable people, and particularly those in the Global South, are already experiencing the worst impacts of climate change. Micro-insurance is one way to provide those who have the fewest resources and the least economic resilience with a safety net for adverse climate impacts.

LAPFF was approached by Stewart Investors to sign on to a letter engaging with 49 insurance companies globally about their approach to micro-insurance. Stewart Investors has also spoken to the MicroInsurance Centre based in the US to help promote micro-insurance products. The engagement has now been narrowed down to focus on those companies keen to pursue micro-insurance options.



20%

residential sector's
percentage of UK
carbon emissions

Housebuilding

Achieving a just transition to a zero carbon economy will mean decarbonising housing construction and use in a way that ensures that homes available are affordable for local residents. As part of LAPFF's engagements on sustainable cities and in line with its work on the UN Sustainable Development Goals, the Forum has engaged with housebuilders, covering both the environmental and social sustainability of their operations.

The residential sector accounts for just under 20% of carbon emissions in the UK. One of the major challenges in decarbonising the economy will therefore be making homes carbon neutral. For housebuilding to achieve this ambition means reducing the emissions when building the homes, changing the materials used in construction, improving insulation and shifting reliance on gas for cooking and heating. The housebuilding industry is also at the forefront of climate adaptation, with companies explaining to the Forum how they are factoring increased flood risks into schemes and increased risks of overheating into home design. The Forum also discussed how socially sustainable homes are being developed, in particular through

2018 rewarded pay for Jeff Fairburn,
former CEO of Persimmon

6648%
of salary

these companies' roles in delivering new affordable housing.

Over the year the Forum engaged with chairs and chief executives of the three largest housebuilders: **Barratt Developments, Taylor Wimpey and Persimmon**. Engagements focused on how companies were using new technologies to reduce the carbon footprint of the construction methods, but also their targets for reducing emissions. The Forum requested that companies not simply measure and set targets for the emissions produced when building a home (scope 1 and 2 emissions) but also for the homes when built and in use (scope 3 emissions) where regulation and consumer preference were likely to focus in the future.

The Forum also sought reassurances about how housebuilders were delivering on their social obligations to develop and contribute to the provision of affordable housing. LAPFF highlighted the reputational risks of not doing so, especially in the context of Persimmon's high pay awards and the Forum also stressed the importance of relationships with local communities and planning authorities, who ultimately grant the housebuilders planning permissions required to develop homes and generate shareholder value.



PERSIMMON - Jeff Fairburn

Over the past two years the Forum has been engaging with the FTSE 100 housebuilder Persimmon. The company courted controversy when its chief executive at the time received a bonus in excess of £100m.

Cllr Doug McMurdo met with Persimmon's chair shortly after public outcry over excessive pay at the company. The company outlined that the award was under an old long-term incentive plan (the new one included a pay cap) and that they were contractually obliged to honour the pay award. Cllr McMurdo expressed his deep unease with the level of the pay award and explained that considerable efforts would be needed to repair the damage done to the company's reputation amongst the public and other stakeholders.

Shortly after the meeting it was announced that the chief executive, Jeff Fairburn, would step down. The Forum followed up this initial engagement by meeting with Marion Sears, chair of the remuneration committee, and attending the company's AGM. The company outlined its agreement with other executive directors that benefited from the scheme to limit future bonuses. The board expressed contrition for what had happened and set out how a new review of customer care would address complaints about build quality. The company also stated that it would be paying all directly employed staff the Living Wage. At the AGM, Cllr Paul Doughty asked whether the company would consider appointing an employee to the board to help safeguard against similar problems occurring in the future. Both employee board representation and the company's strategic approach to ensuring climate resilience had been raised with Ms. Sears.

Over the course of the engagements, the Forum has seen and helped to bring about change. The Forum will continue to monitor the steps the company is taking to help repair the reputational damage that the company has suffered.

Voting alerts

Investor action, not just analysis, is necessary to address climate change and promote a just transition. LAPFF voting alerts provide both, with recommendations for LAPFF members on how to vote on particular resolutions at AGMs underpinned by analysis of the principal issues facing the companies concerned.

Accordingly, LAPFF increased its number of voting alerts to seventeen during 2019, a majority of which address company resilience in light of climate change. A notable alert was for **Exxon**, in which LAPFF advised members to oppose the re-election of almost all board members, except for the independent chair, due to the board's insufficient approach to ensuring the company's resilience in the face of climate change. The Forum also advised support on two shareholder resolutions at the same AGM, requesting reports, respectively, on the risks of Gulf Coast petrochemical investments and on lobbying.

Press:

LAPFF supports majority of Amazon shareholder resolutions
Professional Pensions, 20 May 2019

The full set of voting alerts, topics and LAPFF's recommended votes

Company	Resolution Topic	Vote
Alphabet	Nomination of employee representative director	FOR
	Report on content governance	FOR
Amazon	Annual Report on Management of Food Waste	FOR
	Reduction in Threshold for Calling Special Shareholder Meetings	FOR
	Request for Ban on Government Use of Certain Technologies	FOR
	Report on Impact of Government Use of Certain Technologies	FOR
	Report on Certain Products - Offensive Material	FOR
	Independent Board Chair	FOR
	Report on Certain Employment Policies - Sexual Harassment	FOR
	Report on Climate Change Topics	FOR
	True Diversity Board Policy	FOR
	Requested Changes to Gender Pay Reporting	FOR
	Report on Integrating ESG Metrics into Executive Compensation	ABSTAIN
Anadarko	Vote Counting Practices for Shareholder Proposals	FOR
	Paris Compliant Business Plan	FOR
BHP	Amendment to Constitution of BHP Group Limited	FOR
	Lobbying inconsistent with goals of Paris Agreement	FOR
BP	ClimateAction 100+ climate change disclosures	FOR
Caterpillar	Director election - Dennis A. Muilenburg (Boeing)	OPPOSE
	Remove proxy access re-submission threshold	FOR
	Report on activities in conflict-affected areas	FOR
Chevron	Report on reducing carbon footprint	FOR
	Adopt policy for an independent Chair	FOR
Exxon	Director election - Susan K. Avery	OPPOSE
	Director election - Angela F. Braly	OPPOSE
	Director election - Ursula M. Burns	OPPOSE
	Director election - Kenneth C. Frazier	OPPOSE
	Director election - Steven A. Kandarian	OPPOSE
	Director election - Douglas R. Oberhelman	OPPOSE
	Director election - Samuel J. Palmisano	OPPOSE
	Director election - Steven S. Reinemund	OPPOSE
	Director election - William C. Weldon	OPPOSE
	Director election - Darren W. Woods	OPPOSE
	Independent Chair	FOR
	Report on risks of Gulf Coast Petrochemical Investments	FOR
	Report on lobbying	FOR
Facebook	Content governance report	FOR
Ford	Disclosure of the company's lobbying activities/expenditures	FOR
GM	Report on lobbying communications and activities	FOR
HSBC	Unfair and discriminatory state deduction from pension	FOR
Rio Tinto	Amend company constitution	FOR
	Transition planning disclosure	ABSTAIN
Ryanair	Director election - David Bonderman	OPPOSE
	Director election - Michael Cawley	OPPOSE
	Director election - Kyran McLaughlin	OPPOSE
	Director election - Howard Millar	OPPOSE
	Director election - Dick Milliken	OPPOSE
	Director election - Michael O'Brien	OPPOSE
	Director election - Michael O'Leary	OPPOSE
	Director election - Julie O'Neill	OPPOSE
	Director election - Louise Phelan	OPPOSE
Sports Direct	Approve the report and accounts	OPPOSE
	Director election - David Daly	OPPOSE
	Director election - Mike Ashley	OPPOSE
	Director election - David Brayshaw	OPPOSE
	Director election - Richard Bottomley	OPPOSE
	Director election - Cally Price	OPPOSE
	Director election - Nicola Frampton	OPPOSE
	Re-appoint Grant Thornton as auditor	WITHDRAWN
	Establish a Public Policy Committee	FOR
Tesla	Approve the Tesla 2019 Incentive Plan	OPPOSE
Twitter	Report on content enforcement policies	FOR

voting
alerts

17

companies

62

resolutions

Shareholder resolutions

Receiving recommendations on how to vote at AGMs is one thing; following through on voting is quite another, as LAPFF has found over the course of the year.

A central element of LAPFF's escalation strategy with company boards is the process of filing shareholder resolutions. This approach is employed either in support of strategies or disclosures requested in engagement or to indicate that shareholders require more from the board. This essential tool for accountability from boards needs regulatory underpinning, and the Forum exchanged correspondence with the Financial Conduct Authority (FCA) to prompt better practice in the regulatory framework for shareholder accountability. The Forum was specifically concerned with procedures for resolutions on climate change management at Australian and UK dual-listed companies and reiterated to the FCA that climate risk is a pressing policy issue that affects all companies. This exchange with the FCA is on-going.

In December, at least two LAPFF members joined other investors in filing a resolution for the **Exxon** 2019 AGM, requesting that the Company disclose carbon 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. LAPFF thus took the stance that the entire board should be challenged as set out in its voting advice to members.

Long-term engagement with **BP**, most recently with the Climate Action 100+ investor group, culminated in ten LAPFF members co-filing a resolution to the company requesting reporting on strategy in line with the Paris Agreement. This resolution was to include how each new capex investment in exploration, acquisition or development of oil and gas resources and reserves is evaluated. It outlined investor expectations relating to implications for BP's business model and, after support from the BP Board, the resolution passed with 99% shareholder support.

Since corporate lobbying had been identified as particularly retrograde in certain sectors, some LAPFF members took the opportunity to file or co-file resolutions at certain US companies that had made significant federal and state lobbying expenditures but lacked or had poor disclosure on trade association memberships.

Seven LAPFF members pre-declare votes in favour of the BHP resolution seeking its withdrawal from industry organisations lobbying in a manner inconsistent with the goals of the Paris Agreement.

Ten LAPFF members co-file a shareholder resolution to BP, asking for a report on its strategy consistent with the Paris agreement. The resolution garners more than 99% support.



Darren W. Woods, Chairman, President and CEO of Exxon Mobil Corporation

Fund manager voting

This year has seen an increasing focus on fund manager voting on AGM resolutions relating to climate change. Asset owners have expressed concerns that some managers are not taking effective action to promote a just transition on behalf of clients. The Forum's experience confirms this, as a number of fund managers are not voting in line with LAPFF voting recommendations shared with them by LAPFF members.

Forum members can have a direct influence on company boards that are part of LAPFF's engagement programme by supporting the LAPFF Voting Alerts that are issued every year. However, it is clear that asset managers also have a significant influence on the same companies' management. Therefore, the greater the alignment between LAPFF alerts and asset manager voting, the more impact the Forum will have.

The Forum undertook a short initial review of asset manager voting on climate-related resolutions where LAPFF issued Voting Alerts. This analysis showed that there is variation between asset managers in terms of their alignment with the Forum's positions, with some rarely voting in line with LAPFF. In addition the research identified some managers that do not disclose their voting record in the UK, which falls short of best practice as outlined in the UK Stewardship Code.

Press: Asset Managers and ESG

£230bn pensions body tells AMs to 'up your game' on ESG

Citywire Selector, 20 December 2018

Public pension funds 'underwhelmed' by managers on ESG

IPE, 20 December 2018

Pension funds criticise asset managers over lax ESG approach

LGC, 19 December 2018

Mitigating the investment risks of rising income inequality

Impact Alpha, 8 November 2018

For the LGPS, ESG is a shared priority with a split approach

LGC, 22 October 2018

Inside view: How to be an effective steward of assets

Funds Europe Magazine, 25 September 2019

LAPFF Conference 2018

The 2018 LAPFF Conference reflected on the loss of two LAPFF icons – Cllr Kieran Quinn and Cllr Ian Greenwood – both of whom were highly successful LAPFF Chairs and played a major role in the Forum's development. So it was perhaps symbolic that the conference also saw a change in venue. After 20 years at the Highcliff Marriott in Bournemouth, the Conference found a new home at the Bournemouth Hilton.

The conference focused on a topic LAPFF has been tackling since 2010 – auditing standards and the regulatory environment. Accordingly, the title of the conference was 'The Financial Aspects of Corporate Governance: Back to the Future'. The conference kicked off with a reprise of the debate about the global financial crisis presented by George Magnus under the questioning of John Plender of the FT, who had chaired a panel with George at the 2009 LAPFF annual conference.

The programme included Alan Miller, CIO and Founding Partner of SCM Direct, who explained some of the concerns with the Financial Conduct Authority. The conference covered other financially-relevant corporate governance issues too. Lord Mervyn Davies of Abersoch spoke to his landmark Davies Report which advocates for more female representation on boards. He was followed by Ann Francke, who addressed the gender pay gap; Iain Gold, who provided an update on the Teamster Union's engagement with **National Express**, and James Bloodworth and Philip Augar who presented on the topics of their books, respectively, precarious work in Britain and corporate governance at Barclays.

Julia King, Baroness Brown of Cambridge, chair of the Adaptation Committee on Climate Change spoke on 'changing our ways' with Steven Butts, Head of Corporate Responsibility & Code Compliance giving an overview of how **Wm Morrison Supermarkets** plc are responding to the plastics crisis. Deborah Hargreaves, Founder of the High Pay Centre, presented the findings of her

book 'Are Chief Executives Overpaid'. Director remuneration is a constant engagement on the LAPFF agenda.

The Forum's longstanding critique of the failures of the UK financial regulators in general and the Financial Reporting Council specifically, was amplified by several speakers. Jonathan Ford and Richard Brooks covered the issue of fair value accounting in the latter's book 'Bean Counters', which was particularly critical of the Big Four auditors. On the future of the FRC, following the Kingman Report, Baroness Sharon Bowles challenged the Government to implement the Review's recommendations in full, including replacing the existing regulator.

'shareholders need to be tougher in their communication with corporates on remuneration and need to speak with one voice'

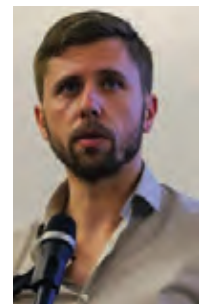
Lord Davies

'engagement with companies to change behaviour is essential.'

Baroness Brown from the Adaptation Committee on Climate Change

'Too big to fail institutions are now even bigger, the Eurozone is a slow-motion accident waiting to happen'

John Plender



Education and Training

A number of events are run throughout the year, from regular quarterly executive and Business meetings, to presentations to LAPFF fund pension committees and pension boards, and pool member seminars.

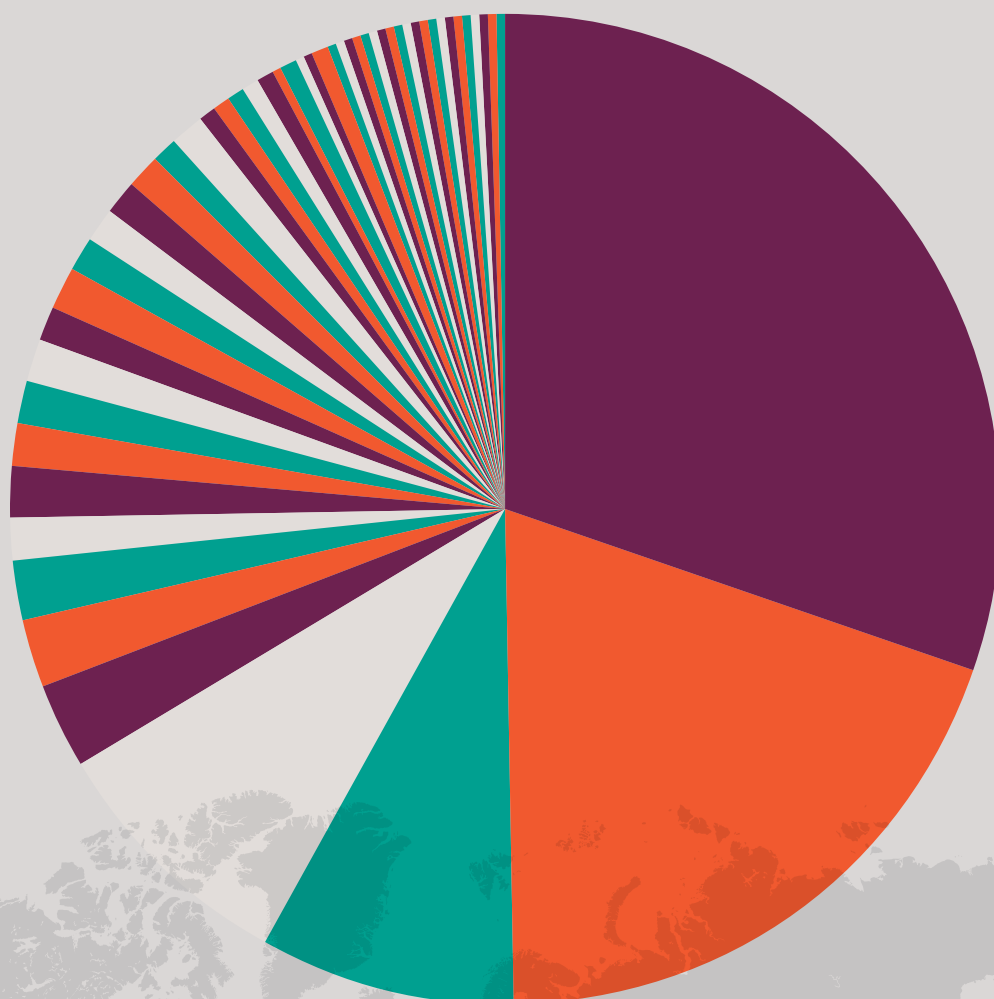
LAPFF ran a dedicated seminar on the 'Just Transition' in Leeds following the April Business meeting. This event highlighted how the impact on communities and workers of a shift to a zero carbon economy is often overlooked. Representatives from the LSE, the TUC, the University of Leeds and a LAPFF member fund all provided their perspectives.

Following the LAPFF AGM in July, a refreshed executive committee was in place by September. An induction session ensured the agreed simplified process for training was embedded and provided newer members with an overview of LAPFF's engagement approach and style, as well as a couple of 'deep dives' into priority topics for members.

As ever, climate change as a 'priority' topic was a frequent request for presentations to members, with visits to a number of members at a variety of events including Camden, Hackney, Northern LGPS, Suffolk, Surrey, Tower Hamlets, Warwickshire and the Welsh Pension Funds Responsible Investment Seminar.



Data



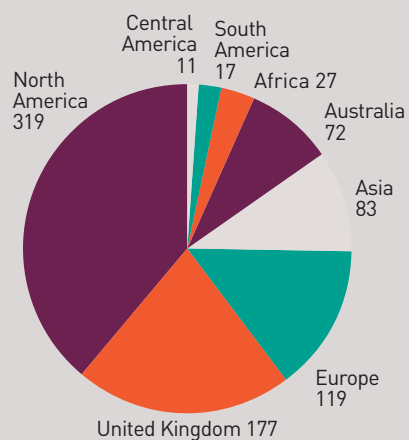
DOMICILES

USA	250	Italy	9	Sweden	2	Isle of Man	1
Great Britain	161	France	9	Argentina	2	Czech Republic	1
Australia	69	Hong Kong	8	Colombia	2	United Arab Emirates	1
Canada	69	Korea	7	Taiwan	2	Zambia	1
Japan	23	Jersey	6	Denmark	2	Morocco	1
South Africa	18	Indonesia	5	Israel	2	Egypt	1
China	15	Austria	4	Cayman Islands	2	Falkland Islands	1
India	13	Bermuda	4	Philippines	2	Cyprus	1
Holland	13	Singapore	4	Peru	2	Trinidad and Tobago	1
Switzerland	12	Belgium	4	Mexico	2	Papua New Guinea	1
Brazil	11	Portugal	3	Chile	2	Mozambique	1
Luxembourg	11	Greece	3	Thailand	1	Botswana	1
Germany	11	Malaysia	3	Kenya	1	Mauritius	1
Spain	10	New Zealand	3	Virgin Islands	1	Finland	1
Ireland	10	Russia	2	Nigeria	1	Romania	1
Norway	9	Poland	2	Slovakia	1		

COMPANIES MOST ENGAGED

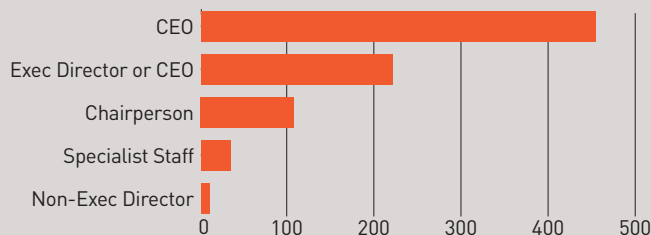
Company	Number of Engagements	Number of Members Holding
Exxon Mobil Corporation	8	27
Southern Company	7	22
Arcelormittal Sa	7	21
General Electric Company	7	24
Royal Dutch Shell Plc	6	53
General Motors Company	6	17
Rio Tinto Group (Gbp)	5	44
Chevron Corporation	5	26
Amazon.Com Inc.	5	37
Glencore Plc	5	28

ENGAGEMENT BY REGION

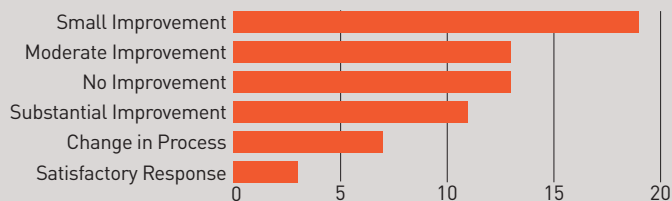


all six
habitable continents
were engaged in 2019
human rights and
climate change
were the top two
engagement categories

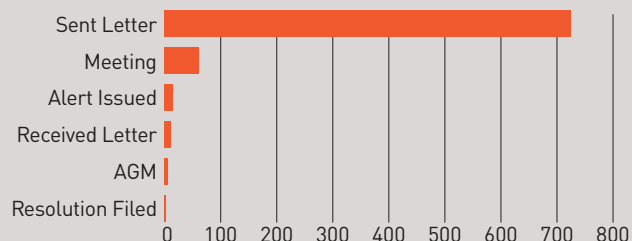
POSITIONS



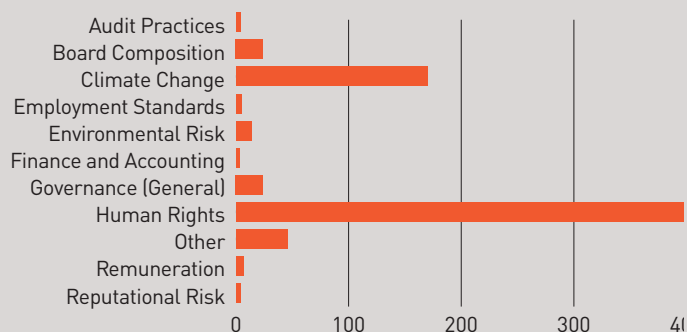
MEETING ENGAGEMENT OUTCOMES



ACTIVITY



TOPIC





Members

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



