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RESPONSIBLE INVESTMENT

**ANNUAL
REPORT
2022**



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Chair's Introduction



Cllr Doug McMurdo,
LAPFF Chair

I often begin this foreword by noting uncertainties during the year. However, with the Omicron variant ramping up into the winter months of 2021, we truly did not know what would be possible in 2022. In this context, I would suggest that LAPFF has defied expectations.

For two years, I had been planning to visit Brazilian communities affected by the Fundão tailings dam collapse in Mariana and the Córrego do Feijão tailings dam collapse in Brumadinho, but Covid had prevented my travel. Finally, in August 2022, I was able to make this trip. You can read the details of the visit in this report, but suffice it to say, the experience was heart-wrenching. A meeting with a group of community members in Brumadinho who had lost loved ones in the tailings dam collapse left me in tears. Seeing weeds growing over a whole community where houses had been washed away by the mudslide in Mariana was excruciating.

I want to take the opportunity to thank the community representatives and community members from Conceição do Mato Dentro, Brumadinho, and Mariana who received me so warmly and graciously. I am deeply grateful for your time and your trust, and I restate my commitment here to LAPFF's doing everything possible to help alleviate your continued plight.

I must also thank Vale – in particular the company's chair, José Penido – who agreed to meet with me for two days, knowing some progress has been made but also the overwhelming amount of work that still needs to be done. Thanks must also be extended to André de Freitas, CEO of the Renova Foundation, for spending a significant amount of time showing me his organisation's reparations and resettlement work in Paracatu and Bento Rodrigues.

Last but not least, a big thank you to JGP Asset Management, and in particular José Pugas, for gathering Brazilian investors together with Vale during LAPFF's visit. JGP has been a tremendous partner. José's time and attention to this challenge are greatly appreciated, and I look forward to working with him, the other Brazilian investors, and Vale, to improve the Mariana compensation, reparations, and resettlement process in as speedy a manner as possible, to continue rehabilitation and reparation measures in Brumadinho, and to make sure nothing like this happens again!

None of this work would have been possible without the unwavering backing of my LAPFF colleagues. This visit was a big ask, but they wholeheartedly committed time, resources, and moral support to the work. Thank you also to my PIRC colleagues who supported the background research and logistics for the trip.

LAPFF did not stop at the Brazil initiative. For the last two years, LAPFF has also been a supporter of the 'Say on Climate' initiative. LAPFF made a big push on this initiative over the course of 2022, running a conference on the topic and committing to issue voting alerts on company climate plans. We do not rubber stamp resolutions, rewarding companies merely for putting the resolutions forward. LAPFF takes a science-based approach to evaluating company climate plans and votes accordingly. It is my firm belief that encouraging companies to provide shareholders with a 'Say on Climate' will make a difference in improving how companies undertake their decarbonisation activities.

The trip to Brazil and 'Say on Climate' work are only two of many projects and initiatives in which LAPFF is involved. You will find a more comprehensive explanation of all of LAPFF's work in this report.

It is only left for me to thank my LAPFF colleagues for their work this year. I am particularly grateful to the LAPFF Executive members who must often take very difficult decisions but do so with great wisdom and integrity. I would like to thank in particular two outgoing members of the LAPFF Executive, Cllr M. Tauqeer Malik and Cllr Glyn Caron. Your contributions to LAPFF's work are greatly appreciated.

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



Cllr Wilf Flynn,
LAPFF Executive Member



Tom Harrington,
LAPFF Executive Member



Cllr Yvonne Johnson,
LAPFF Executive Member



Sian Kunert,
LAPFF Executive Member



Cllr M Taqeer Malik,
LAPFF Executive Member



Cllr Steve Pearce,
LAPFF Executive Member



Cllr Eddie Pope,
LAPFF Executive Member



Cllr Andrew Thornton,
LAPFF Executive Member



W OUTS

The background image shows a weathered, brown-toned building with a multi-paned window. The foreground is filled with a pile of debris, including wooden planks, branches, and some plastic waste. The large yellow text 'W' and 'OUTS' is superimposed over the image, with the 'W' on the left and 'OUTS' on the right, partially obscuring the building and debris.

FOCUS: MINING AND HUMAN RIGHTS

While LAPFF engages with human rights as part of its approach to environmental, social, and governance (ESG) issues, it does so on the understanding that human rights are a financially material consideration. For example, recent UK litigation on the Samarco tailings dam collapse estimates that the disaster will cost BHP around £25 billion. That is money that could have been reinvested in the company or used to provide shareholder returns. Rio Tinto's Oyu Tolgoi mine in Mongolia will likely cost Rio Tinto over \$7 billion before even producing any ore. Vale has paid a £7 billion settlement in relation to the Brumadinho tailings dam collapse but is continuing to face litigation and loss of trust from both communities and investors; this lack of trust is reportedly creating operational difficulties for the company, for example in obtaining suppliers. Therefore, LAPFF holds a firm view that understanding and addressing corporate human rights impacts are necessary to ensure the sustainable creation of long-term shareholder value.

Brazil Visit

At the 2019 LAPFF conference, two affected community members from Brazil spoke about their experiences with Vale and BHP in the wake of tailings dam collapses in their communities. One spoke about the 2015 Mariana collapse, and one spoke about the 2019 Brumadinho collapse.

LAPFF Chair, Cllr Doug McMurdo was greatly affected by their accounts. During their presentations, the community members invited LAPFF to visit their communities. Cllr McMurdo subsequently accepted their invitations.

Covid prevented LAPFF's visit for two and a half years, but in the interim, LAPFF had many meetings and conversations with both the companies and affected community members. In 2022, Cllr McMurdo was finally able to make the trip, and LAPFF settled on three objectives for the visit:

- **Fact-finding:** LAPFF wanted to try to reconcile the widely divergent information from the companies and the communities. The goal of this investigation was to clarify the extent of the business risks for companies and investors.
- **Escalation of LAPFF engagement:** LAPFF hoped that the companies would take investor interests more seriously as a result of LAPFF's visit. Taking investors seriously means companies stepping up their activities on compensation, reparations, and resettlement for affected community members. On top of extended problems for affected communities, this request is financially material, as the longer the delay in all three areas the more it costs both companies and investors.
- **Improved human rights and environmental due diligence:** LAPFF aims to have the companies implement policies, procedures, and actions that will prevent future tailings dam collapses. Prevention not only saves lives and the environment but is much, much cheaper than any clean-up operations and reparations.

Cllr McMurdo visited Conceição do Mato Dentro first, an area affected by an Anglo American mine, Minas Rio. Minas Rio has not collapsed, but people in the community are afraid it will. This visit set the backdrop for the next two places he visited: Brumadinho and Mariana. These locations have had dam

collapses, and the consequences for people and investors if Minas Rio does collapse are stark.

Brumadinho is the site of the 2019 Vale tailings dam collapse that killed 272 people (including two unborn, as the communities call them). As LAPFF discovered during the visit, four bodies are still missing. Cllr McMurdo saw not only the site of the dam collapse but also the excavations for the bodies taking place. Security, polluted water, and mental health issues are three major concerns amongst affected community members in Brumadinho. This collapse, the second in three years for Vale, has created huge reputational risk for the company which is badly affecting its ability to create shareholder value in the long-term.

Mariana was the final location for community visits on LAPFF's trip. Communities in Mariana have been affected by the 2015 Samarco tailings dam collapse. BHP and Vale own Samarco, where communities continue to be affected by environmental damage, as well as health and housing concerns. BHP, Vale, and Brazilian authorities have created an organisation called the Renova Foundation to provide reparations and compensation, but seven years on only 53 of 573 houses have been completed. As a result, affected people are in temporary homes, and communities are struggling badly with mental health issues, among other issues. The delayed reparations are creating mounting financial costs for the companies and investors.

Cllr McMurdo spent three days meeting with representatives from Samarco, Vale, and the Renova Foundation. At Samarco, he saw the decharacterised tailings dam where the water has been drained and the tailings waste moved elsewhere. He then spent two days with Vale Chair, José Penido. On the first day, Cllr McMurdo and Mr Penido were joined by Renova Foundation CEO, André de Freitas on a visit to the Paracatu and Bento Rodrigues resettlements. On the second day, Mr Penido escorted Cllr McMurdo around various sites at Brumadinho, including the site of the dam collapse and the continuing excavations for the four remaining bodies. However, Vale staff also took Cllr McMurdo to some community development initiatives it sponsors, including a local park and food cooperative.

The last part of the trip was spent in Rio de Janeiro, where Cllr McMurdo met with investors to discuss what to do about the slow pace of reparations. In collaboration with a group of Brazilian investors led by JGP Asset Management, the group settled on three objectives for BHP and Vale.

The three objectives are:

- **Human rights protection:** Companies must improve engagement with affected communities, both to make appropriate reparations and compensation and to detect issues early so similar disasters do not happen in future.
- **Environmental inspections:** There must be independent environmental impact assessments to determine whether the water and soil are contaminated, not only by the tailings dam collapses, but also due to mining operations more broadly. For example, the communities say the companies polluted the water, whilst the companies say the water was naturally polluted.
- **Prevention of future tailings dam collapses:** There are currently three high risk Vale dams that could collapse at any time, one of which is three times the size of the Brumadinho dam and is located near the third largest city in Brazil. Therefore, the impacts of a collapse could be catastrophic. The investor group is concerned that Vale is not moving fast enough to decharacterise the high-risk dams and make them safe.

It will be a while before LAPFF can understand the extent to which its visit has had an impact. However, there are a few immediate positive outcomes for LAPFF members:

- Cllr McMurdo was able to obtain more information for LAPFF members to help them understand the business risk factors related to Anglo American, BHP, and Vale that they can factor into investment decisions.
- Through LAPFF's partnership with JGP Asset Management, a local Brazilian asset manager active in the ESG space, there are now four local investors involved in the company engagement rather than just one. LAPFF has found that local partners are necessary to improve these types of situations.
- Every community group LAPFF visited thanked LAPFF for caring. It meant a lot to them that investors from the other side of the world cared enough to come and see how they are suffering, especially because they feel that the companies themselves are not making this effort. LAPFF is proud to have been able to make this difference to the affected community members, even if it is a small difference at present.





↑ Cllr Murdoch with the Vale team at Vale's geomonitoring centre in Belo Horizonte



→ LAPFF Chair, Cllr Doug Murdoch at the Bento Rodrigues resettlement



↑ Houses in the Old Paracatu destroyed by the 2015 Mariana tailings dam collapse



→ 2019 Brumadinho tailings dam collapse. Bulldozers are excavating for four of the 272 bodies that remain missing.



↑ Sign with all 270 (plus two 'unborn') victims of the 25 January 2019 Brumadinho tailings dam collapse

LAPFF VISITS BRAZIL AUGUST 2022

It's clear that the companies have taken steps to improve the situation, but it's also clear to see the scale of the devastation. It will take a lot more time and effort to address the problems the communities are facing.



↑ Polluted river in Brumadinho, Brazil. Vale says it is naturally polluted – the communities say the mining companies have polluted the river to the point that it is unusable for drinking, growing crops, and recreation.

COMPANY ENGAGEMENTS

Vale

Objective: Vale has had two major tailings dam collapses in the last seven years and still has at least three high-risk dams in Brazil. LAPFF has assessed that Vale's weaknesses stem from historically poor corporate governance. Because appropriate governance has not been in place, the company has not been able to carry out effective social and environmental practices. Therefore, corporate governance has been a focus of engagement.

Achieved: LAPFF does take the view that Vale's corporate governance has improved over the course of its engagement with the company. While spending two days with Vale's chair in Brazil, LAPFF came to the conclusion that he and some of his senior colleagues are committed to improving Vale's social and environmental impacts. The question is whether this team can bring the rest of the company with them.

In Progress: LAPFF has spoken numerous times with Vale about appropriate and effective corporate governance. Although Vale has improved in this respect, the company has more to do. There have also been a number of conversations about improving corporate culture. Again, although LAPFF has noted improvements in this regard, there is significant progress needed, particularly in relation to the company's approach to engaging with affected community members.

BHP

Objective: BHP has historically been open to engagement with LAPFF and, as far as is evident, other investors. However, when pressed on its approach to addressing its impacts from the Samarco tailings dam collapse, BHP has shut down its engagement avenues. This withdrawal from engagement raises significant concerns for LAPFF, both in terms of the prospects for improving the company's approach to human rights and environmental impacts and in terms of what this behaviour says about its company culture. LAPFF has also had, and continues to have, significant concerns about BHP's approach to non-operated joint ventures.

Achieved: LAPFF has written continuously to BHP expressing its concerns about the company's lack of engagement and questioning the company's reasoning in refusing to engage. There are signs, however, that the company has begun to acknowledge LAPFF's concerns about joint ventures.

In Progress: LAPFF will continue to press on the engagement issue as it believes that engagement is critical to progress, and that BHP has not adequately justified its position not to engage. It will also continue pushing the company to consider better ways that ensure ESG issues do not fall through accountability gaps present in joint venture governance structures.

Renova Foundation

Objective: BHP, Vale, and Brazilian authorities set up the Renova Foundation with the express purpose of carrying out compensation, reparations, and resettlements for people affected by the Samarco tailings dam collapse. LAPFF's objective in engaging with Renova Foundation is to ensure that these reparations are carried out in an appropriate manner as quickly as possible. The primary request of affected community members with whom LAPFF has engaged with has been to ensure that the Renova Foundation delivers their houses in a manner acceptable to them.

Achieved: Most of the infrastructure in the Bento Rodrigues resettlement has been completed. Over the course of the year, the number of completed houses in this resettlement increased from 10 to 53. However, given that seven years have passed, this number is still severely insufficient, particularly as community members have said that 255 houses in total need to be built in the resettlement. No houses had been completed in Paracatu, where community members state that 274 houses are meant to be rebuilt.

After visiting the two resettlements mentioned (there are additional ones) LAPFF's view is two-fold. First, Renova is in charge of building entire communities from scratch. This is no small task, and it is understandable that it could take some time. However, to the second point, it appears that the delays stem in large part from poor organisational governance and engagement processes with affected community members. Therefore, in LAPFF's view the housebuilding could be significantly further along if there were appropriate governance and engagement mechanisms between the companies, the Renova Foundation, and the communities.

In Progress: LAPFF is exploring various ways to encourage better and faster housebuilding in Bento Rodrigues and Paracatu. This investigation has involved working with Brazilian investors, most prominently JGP Asset Management.

Anglo American

Objective: LAPFF has previously had assurances from Anglo American that its Minas Rio dam is safe because it has a downstream construction, whereas the Mariana and Brumadinho dams had upstream construction. However, it was clear to LAPFF during its visit to communities affected by Minas Rio how threatened they feel by this dam. Consequently, LAPFF would like to ensure that the Anglo American board, and other company representatives, understand just how afraid these affected communities are about the possibility of this dam's collapse and that the company engages meaningfully and effectively with communities to gain this understanding and ensure the dam is indeed safe.

Achieved: LAPFF has alerted Anglo American to the communities' concerns on a number of occasions, including through a letter to the chair raising these concerns. The company chair and CEO have been receptive.

In Progress: Anglo American has recently had a legacy dam collapse at Jagersfontein (albeit it is now two owners removed) in South Africa from which people died and were displaced. LAPFF will continue to engage with Anglo American to ensure that the company listens appropriately and effectively to communities downstream of its currently owned and takes appropriate accountability for its legacy tailings dams.

Workers and Communities

Objective: LAPFF has been engaging with workers and communities affected by company operations in a range of industries over the course of its history. Engagement with communities affected by mining companies has ramped up over the last four years for two reasons. First, it is the right thing to do. Second, the information these communities have provided LAPFF about investee companies has been invaluable.

questioning is aimed at understanding in more detail issues that are of great importance to workers and communities, and that are financially material to investee companies and investors.

Over the past year, LAPFF has engaged extensively with community representatives in Brazil in relation to its trip, with communities advising on the itinerary for what they wished LAPFF to see during the visit.

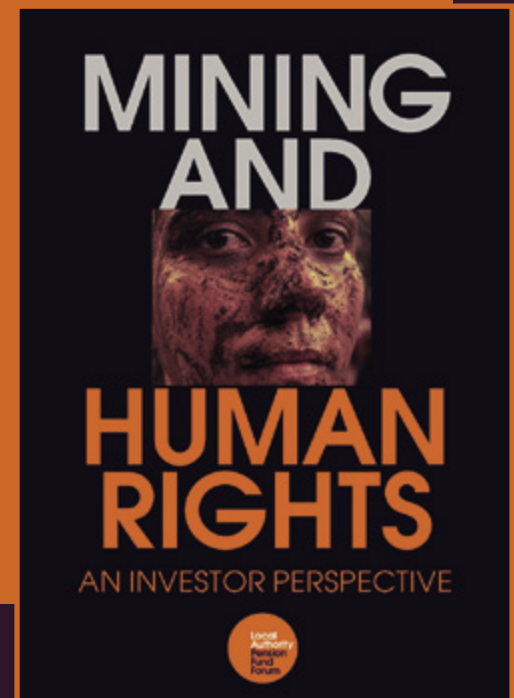
Achieved: Based on worker and affected community input, LAPFF has been able to challenge companies in a range of industries on their assertions and commitments. For example, community members in Paracatu had concerns about silting affecting a river's flow. Cllr McMurdo was able to raise this concern with the companies involved to alert them both to community concerns and to potential operational and reputational risks for companies and investors.

LAPFF has found that worker and community input often directly contradicts that of the companies, so LAPFF has been able to use this discrepancy in information to question both parties. This questioning is aimed at understanding in more detail issues that are of great importance to workers and communities, and that are financially material to investee companies and investors.

In Progress: On the back of engagement with workers and communities to date, LAPFF will continue to engage extensively with these stakeholders. To a certain extent, LAPFF's engagement has been experimental, but it has been effective in getting companies to take affected community input more seriously. LAPFF will continue to look for ways to engage with workers and communities that furthers the interests of these stakeholders, companies, and investors alike.

MINING AND HUMAN RIGHTS REPORT

After engaging with a range of mining companies over the past four years, LAPFF was keen to share its findings more broadly. It therefore published a report on mining and human rights in April 2022. The report covered Anglo American, BHP, Glencore, Rio Tinto, and Vale. This list of companies represented those with whom LAPFF had engaged, and continues to engage, extensively. The report disclosed some troubling findings, including a tendency of mining companies to 'cherry-pick' affected communities for engagement, significant impacts on water resources by mining activities (which are often exacerbated by climate change) and accountability gaps on environmental, social, and governance issues through joint ventures in the sector.



OTHER MINING ENGAGEMENTS

Rio Tinto

Objective: There are indications from both Rio Tinto and affected stakeholders that the company is making improvements in the wake of its destruction of 46,000-year-old caves at Juukan Gorge, Australia in 2020. However, both these stakeholders and the company acknowledge there is a long way to go.

Achieved: Rio Tinto has shown a willingness to engage with stakeholders and take on board suggestions in a way it did not do in the immediate wake of Juukan Gorge. LAPFF's mining and human rights report did not hold back in its observation of corporate human rights practices, including Rio Tinto's. Yet the company's new chair, CEO, and CFO reached out to engage with LAPFF on a number of occasions over the year, and they repeatedly seek suggestions for improvement. In speaking with other investors and stakeholders, there is also a sense that Rio Tinto's CEO is creating a better culture of accountability than the culture that led to Juukan Gorge.

In Progress: LAPFF has some concerns that Rio Tinto tends to focus almost exclusively on workers and communities in Australia. This focus could reflect the excellent efforts of Australian investors in pushing the company to improve. However, LAPFF is conscious of Rio Tinto's global reach, including its human rights and environmental impacts at Oyu Tolgoi in Mongolia, Resolution Copper in the US, and its legacy impacts in Papua New Guinea, among other locations. Therefore, LAPFF would like to see the company develop a coherent global approach to preventing, mitigating, and remediating its human rights and environmental impacts. A good start would be carrying out independent social and environmental impact assessments.

Resolution Copper

Objective: In LAPFF's view, BHP and Rio Tinto's joint venture in Arizona – Resolution Copper – is potentially another Juukan Gorge. Affected community members, namely some local Arizona Indigenous groups, are concerned that the mining approach will destroy one of their sacred cultural heritage sites. LAPFF's aim in engaging on Resolution Copper is to prevent such an outcome by ensuring that BHP and Rio Tinto are undertaking appropriate human rights and environmental due diligence in their approach to the project.

Achieved: The US Forest Service issued an environmental impact statement for the project that was later rescinded on the basis that the assessment was flawed. LAPFF is concerned that BHP and Rio Tinto are relying on this assessment as a means of progressing the project without doing their own independent assessment. Therefore, LAPFF has asked Rio Tinto, the project operator, to undertake an independent environmental impact assessment to determine whether the project and mining approach are in fact viable. Representatives of affected communities have done their own assessment and have determined that apart from the anticipated cultural impact, the mine is viable from neither an environmental nor a structural standpoint.

In Progress: LAPFF is continuing to monitor developments related to Resolution Copper. A new environmental impact statement from the US Forestry Service is yet to be issued, but LAPFF will continue to work with Rio Tinto and BHP to push for an independent assessment of the project's viability from a structural, social, and environmental point of view.



Mural in defence of Indigenous land rights

Glencore

Objective: LAPFF has engaged with Glencore on a range of topics, including board composition, anti-bribery and corruption, climate, and human rights. Over the course of the year, LAPFF was approached by Peruvian community members concerned that Glencore's operations at Antapaccay are creating negative social and environmental impacts, in particular water contamination. Glencore has said that the water in the area is naturally undrinkable. LAPFF's objective is to investigate both positions.

Achieved: LAPFF held a webinar with some affected community members so that they could share their experiences and provide investors with context and information to present to Glencore. They spoke about the increased level of contamination from the mine and social problems related to mining operations.

In Progress: LAPFF will now take the information from the affected communities to Glencore and try to determine the source of the contamination and social concerns. However, based on LAPFF's prior engagements of this nature, an independent environmental and social impact assessment will be needed. LAPFF has asked Glencore for independent assessments of its processes in the past (for example, in relation to its internal control system) and will continue to push the company to take this route in relation to a range of critical processes. In any event, LAPFF will continue to seek updates from affected community representatives.

Freeport McMoran

Objective: Along with BHP and Rio Tinto, Freeport McMoran is another mining company with operations in Arizona and the US Southwest. While the company has had concerns in relation to engagement with affected communities, LAPFF thought it would be useful to obtain another perspective

Children living in poverty in the Occupied Palestinian Territories

on the relationship between mining companies and affected communities in the region.

Achieved: LAPFF held a meeting with a Freeport McMoran representative to hear about the approach to engagement with affected community members. Within the first ten minutes of the conversation, the company representative spoke about the importance of free prior and informed consent. LAPFF was pleased to hear this perspective from a mining company. Often, LAPFF hears that companies aim only for consultation on their own terms. Notwithstanding any shortcomings in the Freeport McMoran engagement process, the fact that the company recognises this international human rights law principle is encouraging and sets it apart from many of its peers.

In Progress: There are still questions for Freeport McMoran about its approach to engagement with affected communities, and LAPFF will seek a further meeting with the company to explore the company's approach further.

AFFECTED COMMUNITY WEBINARS

Part of LAPFF's work to educate members and investors more widely on the social and environmental impacts of mining companies has involved holding webinars with affected community members. LAPFF began holding these webinars early in the Covid period and has continued to do so throughout 2022. Apart from the information they provide to investors, these webinars are a useful way to gain access to affected communities around the world.

This year, LAPFF heard from communities in Peru affected by Glencore's operations. Communities from Brazil and Colombia shared their experiences with Glencore and Anglo American. Investors also heard about Rio Tinto's legacy in Bougainville, Papua New Guinea at the Panguna



mine. There were updates on the impact of Resolution Copper on water resources in the surrounding areas and on BHP's role in the Samarco tailings dam collapse in Brazil.

OTHER HUMAN RIGHTS ENGAGEMENTS

Occupied Palestinian Territories (OPT)

Objective: It is essential that companies operating in conflict zones recognise the human rights risks associated with such operations. Acknowledging these human rights risks more fully informs business risk. LAPFF has worked to engage over 15 companies that operate in the Occupied Palestinian Territories (OPT). LAPFF's continued goal is that companies with operations in the area undertake enhanced human rights due diligence to ensure that they are not contributing to any direct or indirect human rights abuses. The Forum has continued to request that companies undertake this due diligence in the form of human rights impact assessments led by an independent third party.

Achieved: Over the past year, LAPFF has met with Booking Holdings for a second time and held first meetings with Bezeq and Motorola. LAPFF's engagement with Booking Holdings in April built on a meeting first held with the company in September 2021, at which point the company did not

have any form of public human rights policy. Booking Holdings has now published its human rights policy. Although the policy does not refer to the OPT, it does cover accommodation in conflict-affected areas, noting the need for heightened due diligence on listings in such areas. The statement also calls for appropriate action where the company determines that it may be directly linked to negative human rights impacts, but it does not appear to take into consideration indirect impacts.

LAPFF also followed up on a 2021 engagement with Alstom, in which the company's cancelled legacy contracts for the Jerusalem Light Railway were discussed. The correspondence encouraged Alstom to reach out to the United Nations Office of the High Commission for Human Rights (OHCHR) to discuss the company's inclusion in the OHCHR's report covering business activities related to settlements in the Occupied Palestinian Territories. The Forum also heard from General Mills, which has taken the decision to divest from a stake in an Israeli subsidiary based on an overall business strategy restructure.

In Progress: LAPFF is continuing to press companies to undertake increased levels of human rights due diligence in conflict zones such as the OPT. LAPFF will consider issuing voting alerts for its members where it deems that companies do not have sufficient human rights policies, statements, or practices in conflict zones. The Forum also intends to maintain a dialogue with the companies that it has already met, aiming to guide them on the benefits that investors see from improved human rights practices and reporting.

Meeting with UN Rapporteur on the OPT

Objective: LAPFF has engaged on a couple of occasions with Professor Michael Lynk, the former UN Special Rapporteur on the situation of rights in the Palestinian territories occupied since 1967. He wrote to a number of LAPFF members in November 2021 on this topic.

Achieved: LAPFF met with the Rapporteur and discussed the Forum's approach of requesting improved levels of human rights due diligence. The Forum provided Mr Lynk with additional information on how LAPFF engages with companies and some of the technicalities relating to UK pension fund fiduciary duties.

In Progress: Professor Lynk's position as Special Rapporteur has now been taken up by Ms Francesca Albanese. LAPFF intends to reach out to both the new Rapporteur and the OHCHR to discuss any potential updates on the report published by the OHCHR in February 2020 on business activities related to settlements in the Occupied Palestinian Territories.

Uyghur Forced Labour

Objective: Over the past couple of years, there has been increased coverage of the Xinjiang region and its connection to the use of Uyghur forced labour. Reports of multinational companies with supply chain links to factories in the region have proliferated. One such publication is the 'Uyghurs for Sale' report published by the Australian Strategic Policy

Institute (ASPI) think tank in March 2020. ASPI's report linked 82 brands in the technology, clothing and automotive sectors, and has been used by global investors as a reference point for engagement. LAPFF's approach has been to analyse how thorough companies' supply chain due diligence processes are, and flag where companies could be more transparent in their reporting. LAPFF also met with ASPI to discuss the think tank's work on Uyghur forced labour in order to gain a better understanding of what level of engagement the organisation has with companies.

Achieved: LAPFF wrote to eight companies in 2021, securing meetings with Dell & Cisco in the first half of 2022. LAPFF discussed the alleged ties to Uyghur forced labour and supply chain due diligence procedures, audit process, subsequent corrective action plans, and reporting with



Uyghur workers, Xinjiang region, China

both companies. Both companies' responses to the allegations declared that they had not found any instances of forced labour in their supply chains, but they appeared to take on board LAPFF comments about more transparent reporting on their audit processes and remedy procedures. LAPFF did not get the impression that the companies' audit processes were as thorough as they needed to be in the regions to uncover any labour rights abuses. LAPFF also joined the Investor Alliance for Human Rights' (IAHR) Uyghur working group during the year, which offers a space to share knowledge and engage with companies across industries.

In Progress: LAPFF will be leading an engagement with Home Depot Inc through the IHAR after a report from Sheffield Hallam University alleged links between PVC flooring and Uyghur forced labour.

Workforce Disclosure Initiative Collaborations

Objective: ShareAction continues to run its annual Workforce Disclosure Initiative (WDI) survey. The Initiative aims to improve corporate transparency and accountability on workforce issues, providing companies and investors with detailed and comparable data on workforce issues. LAPFF has supported the WDI for several years now and continues to do so.

Achieved: LAPFF wrote to 13 companies on the WDI's priority list this year, all companies that have repeatedly declined to participate in the survey. Amongst these are large companies such as Amazon and Tesla, both of which have been subject to continued scrutiny on their global labour practices. LAPFF received responses from Starbucks and Amazon to these letters, both of whom declined to take part again in the survey.

In Progress: LAPFF continues to monitor labour rights issues across

world and continues to support the WDI in its endeavours to create a more transparent landscape on workplace practices for both investors and companies alike.

Modern slavery engagements with Rathbones

Objective: Rathbones' Votes Against Slavery engagement is a collaborative engagement, drawing support from 122 investors with assets under management totalling £9.6 trillion. LAPFF supported this engagement, which targets companies failing to comply with Section 54 of the Modern Slavery Act.

Achieved: LAPFF met with three companies alongside Rathbones and other investors this year: Segro, Synthomer and ITV. These engagements were subsequent to the companies complying with the Modern Slavery Act. However, LAPFF impressed upon the companies the benefits of more transparent reporting around grievance mechanisms and remediation processes.

In Progress: LAPFF continues to engage on modern slavery and other labour issues widely across engagements, and is looking at potential target companies for future engagement.

TotalEnergies: Myanmar & Russia

Objective: Rising tensions in Myanmar, following the coup d'état in February 2021, create heightened reputational, operational, legal and financial risks for companies with business partners in the country. In January 2022, TotalEnergies announced plans to divest from its Myanmar operations after a presence in the country of around 30 years. This decision was taken just before the war in Ukraine began, and the

company was subsequently criticised by Greenpeace and Friends of the Earth for not divesting from Russian operations. LAPFF was intrigued to hear more about the company's decision-making process and its approach to a 'responsible' exit from Myanmar.

Achieved: Total's representative provided a detailed overview of the company's decision to withdraw from Myanmar, alongside the precautionary measures it would be undertaking in the months leading up to the exit. LAPFF gained a better understanding of the considerations that TotalEnergies faced through its withdrawal from the region, hearing about some aspects of the decision-making process, the company's structural changes, and how it was intending to support humanitarian aid in the region. LAPFF also heard about Total's ongoing activities in Ukraine and Russia.

In Progress: A representative from TotalEnergies is set to speak at the 2022 LAPFF Annual Conference, to talk about Total's approach to setting parameters on human rights and to talk through the company's withdrawal from Myanmar in further detail. LAPFF is also looking at potential engagements through the Investor Alliance for Human Rights' Myanmar engagement group, which the Forum joined this year.

Technology Company Voting Alerts

Objective: For several years, LAPFF has raised serious governance concerns about technology companies and has recommended that members vote in favour of proposals to improve human rights practices to the minimum standard that LAPFF and markets expect. These concerns manifested this year as voting alerts on shareholder proposals that covered human rights as well as climate and lobbying.

Achieved: Ahead of the Apple AGM, LAPFF issued a voting alert focused on shareholder proposals covering human rights. These proposals included improved transparency regarding the removal of apps following concerns around freedom of expression in China, undertaking a civil rights audit, and reporting on policies and procedures to guard against forced labour. The alert recommended members vote in favour of these proposals as well as resolutions requesting better gender and ethnic pay gap reporting and an assessment of the risks associated with workplace concealment clauses.

At Amazon, 11 resolutions were filed covering human rights due diligence, worker safety, working conditions, freedom of association and tax reporting. Earlier in the year, LAPFF had heard concerns from staff in the US and Spain about working conditions and an anti-union campaign at the company. Based in part on such stakeholder engagement, and to ensure enhanced reporting so that investors could understand the material risks they face, LAPFF supported the resolutions.

LAPFF has raised serious governance concerns at Meta Platforms, including the joint chief executive and chair role and dual class shares. The Forum had also previously been involved in a collaborative engagement to improve safeguarding standards following the Christchurch terrorist attack. Proposals at this year's AGM covered these issues and human rights impact assessments and misinformation reporting more broadly. LAPFF recommended voting for ten proposals based on previous work and ongoing concerns.

Alphabet, parent company of Google and YouTube, faced the largest set of resolutions. In total, LAPFF supported 16 proposals covering concerns about climate practices, human rights (including racial equity and privacy), and board diversity.

Many of these proposals secured the backing of a significant share of independent shareholders. Investors thus continued to voice their concerns and send a clear message about practices at some of the largest

technology companies in the world.

In progress: Despite the fact that these resolutions were supported by a large proportion of independent shareholders, LAPFF remains concerned that the companies in question are failing to properly acknowledge, let alone address, the concerns of responsible investors or the impact the companies have on the environment and society. The governance and shareholding structures at the companies remain particularly worrying given that they insulate directors from investor concerns, which may lead to the build-up of risk. For example, 28 percent of shareholders voted in favour of changing the dual class capital structure at Meta Platforms and 24 percent voted in favour of a human rights assessment. However, because of the dual class share structure, their founder, the chief executives and chairs have over half the votes despite owning a minority stake in the companies. As such, proposals not backed by the chief executives will always garner a minority of votes, and the executives are shielded from the true scale of external shareholder concern. Therefore, in LAPFF's view, much still needs to be done to improve basic corporate governance practices at these companies.

Sainsbury's and Living Wage

Objective: ShareAction's 'Good Work Coalition' aims to promote good working standards, including adoption of a living wage and eradication of insecure work. The Coalition engaged both Sainsbury's and Marks & Spencer, looking for both companies to achieve accreditation through the Living Wage Foundation (LWF). This accreditation would mean that the companies would pay their own workers and third-party contractors the real living wage.

Achieved: LAPFF joined collaborative engagements with other investors in the coalition, which resulted in Sainsbury's matching rates for the living wage in Outer London to those wages paid in Inner London.

LAPFF also met company representative independently to discuss the company's position before the annual general meeting (AGM) after the coalition filed a resolution relating to the company becoming accredited by the LWF.

The coalition's meeting with Marks & Spencer provided a valuable conversation. M&S appeared content to continue conversations with the LWF to see how it could improve.

In Progress: Given the rapidly changing economic situation and high inflation, LAPFF is continuing to monitor the coalition's initiatives.

Collaboration with 30% Club Investor Group

Objective: The 30% Club Investor Group has continued to engage across various workstreams. The Group began by looking at gender diversity on UK boards, including a push for a minimum of 30 percent women on FTSE 350 boards and at senior management levels in FTSE100 companies. In the last couple of years, the group has extended its ambitions to race equity in UK boardrooms, as well as targeting US boards on gender diversity.

Achieved: This year, LAPFF supported several letters to US companies regarding their respective approaches to diversity at senior levels, particularly on the board. The group received responses from Liberty Media and Transdigm Group. However, both responses were rudimentary and offered no demonstration of commitment. SMFG has shown a willingness to try to improve gender diversity at senior levels of the company and has maintained an ongoing open dialogue with the investor group.

In Progress: LAPFF continues to support the 30% Club investor group and its workstreams. It continues to champion the principle that good levels of board diversity discourage 'group think'.



A nurse is holding a nutritional education workshop for obese patients

Healthy Markets

Objective: Health is becoming a greater focus of investor engagement. Global food production, nutrition issues, investment risks stemming from global population growth, and the impact of global pharmaceutical companies on global health have all risen up the investor agenda. Increasing regulation, reputational damage, and the increased risk of litigation are all possible consequences for companies failing to deal with health impacts appropriately.

Achieved: LAPFF has supported ShareAction's Healthy Markets Initiative and the Access to Nutrition Index (ATNI), throughout the year. Notably, LAPFF has co-led on an engagement with Kellogg's through the year, meeting with the company twice. Since first engaging, the company has announced its decision to create three distinct publicly listed companies by the end of 2023, creating uncertainty around governance, marketing and food profiling. All of these topics have been discussed in engagement meetings.

LAPFF has also continued to support the Investors for Opioid

and Pharmaceutical Accountability (IOPA), a collaboration of investors established in 2017 to engage with opioid manufacturers, distributors and retail pharmacies in relation to the opioid epidemic in the US. The group put various resolutions to company AGMs in the US throughout the 2021/2022 AGM season and had a range of successes on anti-competitive practices, 'Vote No' on compensation, and calls for independent chairs, amongst others.

In Progress: ShareAction's Healthy Markets Initiative has evolved into its 'Long Term Investors in People's Health Initiative' which looks to engage on health more widely than nutrition and food. LAPFF has joined and will seek to engage through this updated initiative. LAPFF also continues to support the ATNI and will continue to co-lead on the Kellogg's engagement, aiming to support and encourage the company in a positive direction as it moves towards its brand split in 2023.

IOPA's workstreams for 2022/2023 are currently under discussion. LAPFF will continue to keep its members abreast of opportunities to co-file resolutions in this workstream during the season.

Socio Economic Diversity Taskforce

Objective: The City of London's Taskforce on Socio Economic Diversity continued its workstreams this year, seeking to address issues of social mobility in the UK's financial sector. LAPFF Vice Chair, John Gray, was appointed to the Taskforce's Advisory Board at its inception in November 2020. Socio-economic background is a lesser talked about aspect of diversity and LAPFF sees the Taskforce as an opportunity to contribute to a valuable conversation on the benefits of addressing it.

Achieved: Cllr Gray has continued to contribute on behalf of LAPFF at regular meetings of the Taskforce and its advisory board. LAPFF also hosted a roundtable with the Taskforce and its members this year, which provided an opportunity for members to learn more about the issue and to feed into an industry consultation. Questions on data gathering, intersectionality, culture, targets and the broader ecosystem on diversity were posed.

In Progress: The Taskforce's workstream is nearing an end. LAPFF is looking to continue support for future workstreams. Socio economic diversity is an issue that LAPFF will continue to raise with companies when engaging on diversity more broadly.

AFFECTED WORKER WEBINARS

Garment Workers/ IndustriALL

LAPFF has partnered with IndustriALL to share worker accounts of the union's social protection initiative. During the year, the two organisations co-hosted a webinar to introduce the initiative to investors and explain why social protection gaps can be both devastating to workers and detrimental to the creation of shareholder value.

CHILD

NAT

The image features the letters 'NAT' in a large, bold, black, sans-serif font. The letters are positioned in the upper half of the frame. The background is a photograph of a sky filled with soft, white, and light blue clouds. The lighting suggests a bright, sunny day, with the clouds having a warm, golden-yellow tint near the top. The overall composition is clean and modern.

SAY ON CLIMATE

LAPFF continued its active involvement encouraging companies to put their climate transition plans to shareholders for approval. Together with Sarasin and Partners and the Children's Investment Fund Management (TCI) LAPFF wrote to the FTSE All Share (excluding investment trusts) to request that boards set out their strategy to manage the transition to net zero emissions business operations. The need for boards of companies to formulate these strategies was made clear in the context of the existing global carbon budget; on current trends, the IPCC has indicated that for an 83 percent chance of remaining within 1.5°C of warming, the world's existing carbon budget is likely to be exhausted before 2030.

The ask was for companies to provide shareholders with the opportunity to support disclosure of greenhouse gas emissions and reduction plans by putting an appropriate resolution on their 2022 AGM agenda.

There was a good response to this correspondence, with many company chairs indicating that they were actively considering how to best report back to shareholders and ensure endorsement of appropriate strategies.

Many responses showed progress on addressing emissions reductions and some companies ultimately put transition plans to their 2022 AGMs for shareholder approval. One example was the London Stock Exchange Group, with whom LAPFF met later in 2022. This meeting was instructive, as the company provides guidance on reporting to encourage and engage companies, as well as having made progress by moving its own internal targets forward to 2040 from 2050.

The UK government is moving towards making publication of corporate net zero transition plans mandatory and has set up a high-level 'transition plan taskforce' to set a 'gold standard' for climate action plans by the end of 2022. Given the positive response from companies to the investor letter, it was decided to hold an event at which companies, investors and other interested parties could discuss how best to formulate and disclose such plans and put them to shareholders for review. In February, a range of speakers from the investor, corporate, regulatory and advisory fields gathered, together with a packed audience, to discuss what should be in such a 'gold standard' climate action plan.

BP

Objective: As with all major oil and gas producers, the LAPFF objective is both to test the commitment to achieving net zero (according to the Paris agreement) and challenge the business model in the light of climate change pressures and cheaper renewable alternatives.

Achieved: LAPFF has concluded that BP is amongst the most credible of the oil and gas companies in terms of articulating the outcomes of the Paris agreement. Most notable is BP's reference to a finite carbon budget irrespective of the 2050 date, as opposed to merely being net zero by 2050.

Nevertheless, the LAPFF alert in 2022 recommended voting against the BP Climate Change Plan and in favour of the resolution from 'Follow This' a Dutch led shareholder group. Both votes were due to insufficient evidence of a plan for progress by 2030.

In Progress: LAPFF subsequently met with the Chief Executive of BP and engagement will continue. Relations with the company have been good and the Forum looks forward to continuing constructive engagement with BP.

Shell

Objective: As with BP, LAPFF's objective is both to test the commitment to achieving Paris-aligned net zero targets and challenge the business model in light of climate change pressures and the fact that renewables are cheaper.

Achieved: LAPFF's own research and engagement with NGOs has led to the conclusion that Shell does not have a credible transition plan and is not articulating the outcomes of the Paris agreement properly. That was the LAPFF conclusion for the 2021 AGM, and this conclusion has been reinforced by a subsequent decision of a Dutch Court.

Engagement with Shell demonstrates that there can be limitations in collaborative engagement with other asset managers and fund managers where those parties are overly reliant on taking the company messages as fact. Another factor is that difficult situations with powerful people can be 'above the pay grade' of some investor personnel, which is not a problem with LAPFF. A further problem is leaders of some collaborative groups wishing to see positive outcomes to vindicate their engagement as successful, even when it has not been a success.

For the 2022 AGM, LAPFF recommended member funds vote against Shell's Climate Plan and vote for the Follow This resolution.

In Progress: LAPFF has been in correspondence with the recently appointed new chair and expects engagement to continue at board level.

Banks

Objective: Meetings with the chairs and senior management of several UK-listed banks continued in 2022, following close engagement in 2021. Indeed, the 2021 LAPFF annual report noted 'Investors will consider [a] company's net zero roadmap carefully in reviewing votes for the 'Say on Climate' resolution at the 2022 AGM.'

A meeting with the Standard Chartered Chair, José Viñals, in the first half of 2022, aimed to determine how the company was progressing its work with clients on carbon emission reductions and aligning them with its approach to the energy transition. On the debate of absolute versus intensity targets, the bank considered that having absolute emissions targets may restrict the assistance it can offer clients to reduce emissions in the long run.

Engagement also continued with Barclays, aiming to clarify progress made on the company's climate change strategy, as well as how the company was addressing identified gaps. This engagement included meeting to determine progress on climate transition planning, given the commitment to publish a bank-wide plan in 2023.

At HSBC, engagement focused on client transition plans and how investments can help drive their climate agendas.

Achieved: LAPFF issued an alert advising members not to support Standard Chartered's 'pathway to net zero by 2050' resolution due to the lack of targets in place to demonstrate the transition is fully aligned with a 1.5°C

scenario. Nearly 17% of shareholders opposed the company resolution.

LAPFF was pleased to welcome progress by Barclays on setting some financed emission targets and a timeline for setting others, as well as supporting the strategy focusing on net zero operations and supply chain pathways. A voting alert for members flagged these developments, but due to concerns over the setting of emission intensity reduction targets rather than absolute targets, the recommendation was for members to oppose the resolution to approve the climate strategy. In total, over 19 percent of shareholders opposed the company's climate strategy.

It was noted that for HSBC, as with some other banks, targets have been set for some sectors and plans are in place to set them for remaining sectors. In particular, there is a focus on small and medium-sized enterprises and their transition plans given that they do not have access to the same level of resources that large companies have.

In Progress: For all the banks, a particular focus of engagement is on new financing for the oil and gas sector given that the International Energy Agency has said that 'there is no need for investment in new fossil fuel supply in our net zero pathway'.

National Grid

Objective: As joint lead investor in the Climate Action 100+ collaborative initiative, LAPFF continued its long-term engagement with National Grid. Five meetings were held over the year, including a meeting solely with LAPFF and company representatives.

Achieved: LAPFF welcomed the company's decision to put its plans to a vote at the July AGM. A voting alert was issued to members that noted positive progress in the group aligning its emissions reduction targets with the Science-Based Targets initiative. It was also considered positive that targets are for absolute (not intensity) emissions reductions. Ultimately, however, LAPFF advised members to oppose the plan. Opposition was recommended because despite draft climate action plans from Massachusetts and New York state agencies proposing that all of the nearly 10 million households in these states change their heating systems to electric heat pumps by 2050, National Grid still envisaged 50 percent of households in these states having some form of gas burning system by 2050.

LAPFF attended the AGM and noted the importance of government, companies, and regulators working constructively together to address the energy transition. Although it had been a difficult decision to not provide support for the company's AGM proposal, Paula Reynolds, the National Grid chair did give thanks for the quality of engagement undertaken.

In Progress: Engagement has continued to identify and unlock potential policy barriers to the delivery of decarbonisation in the power and utilities sector. These barriers include legislative challenges, measures to accelerate being contingent upon new net zero infrastructure, actions around affordability and a fair and just transition.

SSE

In 2021, LAPFF recommended a vote of abstain for SSE's Net Zero Transition Report. This recommendation was based on omissions from the report on Scope 3 emissions, capital allocation and alignment with targets of the Paris Agreement. SSE has made notable progress in its ambition to reach net zero emissions since the 2021 AGM. LAPFF welcomed the additions of more Science Based Targets aligned to 1.5°C and recommended a vote of support for the company's 2022

AGM. LAPFF retained concerns about the company's references to carbon capture and storage (CCS) and the role this technology will play in reducing the company's Scope 1 emissions, although it did not appear that SSE intended to use this technology as a means of reducing the bulk of its emissions.

Arcelor Mittal

Objective: Dialogue with Arcelor Mittal, the largest global listed steel company, has yielded positive results on its climate action strategy since engagement first started in 2018. Together with other joint-lead CA100+ investors, LAPFF progressed engagement through meetings, correspondence, and AGM attendance.

Attending the 2022 AGM, LAPFF asked about the board's ambitions for a carbon emissions reduction target aligned with a 1.5°C scenario, for a commitment to a short-term reduction target, and for the zero-carbon strategy to be put to shareholders for approval at the 2023 AGM.

Achieved: Responses by Aditya Mittal, the CEO, summarised company progress to date well. He considered it incorrect to conclude that the target was not 1.5°C-aligned and believed the company was making significant progress.

On shorter-term progress, he detailed various projects that exemplified progression on decarbonisation in Canada, Spain, France and Belgium. The Canadian project is the most advanced, using hydrogen in a direct-reduced iron process. On time scale, he indicated that progress would accelerate towards the end of the next decade. On the request for putting the transition plan to shareholders for approval at the next AGM, Mr Mittal noted that shareholder engagement on this question would be monitored before deciding ahead of the next AGM.

In progress: Since the AGM, the company has announced an acquisition in Brazil that would enable it to capitalise on planned third-party

investment to form a clean electricity and green hydrogen hub. LAPFF and lead collaborative investors continue to push on various aspects of company strategy, including capital alignment and the pace of decarbonisation required.

Drax

Objective: Drax owns the UK's largest power generation site at Drax in Yorkshire, which consists of a coal burning plant converted to burning wood pellets, mainly imported from North America. Drax's business model is dependent on very large government subsidies, and with management planning on further subsidies for carbon, capture and storage (CCS) research and engagement has been focused on the sustainability of the business model, as well as the skills and credibility of the board.

Achieved: LAPFF issued a voting alert which recommended voting against the re-election of the Chair Philip Cox, receipt of the annual report and accounts, a resolution on political donations as well as the re-election of David Nussbaum – the director who states experience in climate change matters. LAPFF's doubts about the company were reinforced by the position of other shareholders in attendance at the AGM. Not one speaker had confidence in the company's strategy.

There were several claims at the meeting that Drax was not merely burning the waste from sawmills and forest management, but that whole trees were being felled and used.

In Progress: LAPFF's analysis has since been reinforced by a BBC Panorama TV programme which showed that wood was being felled and consumed directly for pellet making as well as felling coming from Primary Forests (being old growth natural forest, as distinct from planted).

The rebuttal from Drax's CEO to the Panorama statement contains statements which accentuate LAPFF's concern. The 'sustainable' narrative



Wood burning, the main focus of Drax's business

used by Drax has been that that the material Drax uses is a by-product from normal commercial forestry management and a by-product of sawmill activity from sawdust and offcuts from timber making and twisted and bent logs (classified as 'low grade roundwood').

However, the Drax statement indicated that rather than the wood used for pellet making being a by-product of forestry management and sawmilling, the position is reversed. This is because Drax itself is in some cases out-bidding timber companies for forest clearing licences, at times even being the sole bidder. That means demand for pellets rather than demand for merchantable wood is driving the clearing of forests.

The Panorama production identified that "low grade" twisted and bent logs comprised just 11 percent of what was being used. The Drax rebuttal to the BBC programme has used the new term of 'wood that the timber industry did not want to take' which includes wood that could be used for sawing or pulp. This would seem to be a consequence of Drax controlling the bidding for forest clearance, for satisfying its demand for pellets, rather than the timber industry driving supply. In simple terms the economics of this suggests that Drax's subsidy-assisted demand

for pellets has overtaken the normal demand for timber itself.

Drax has also refuted that the forest involved was 'Primary Forest' on the basis it was near a road. However, the site was more than six miles from a road and the UN definition of primary forest is linked to the ecological state of the forest, not its wilderness status. The Canadian government uses maps for more convenient estimation; that is not the same as designation on the ground.

In progress: An urgent meeting with the Chair of Drax is pending.

LAPFF'S VOTING ALERTS ON CLIMATE-RELATED SHAREHOLDER RESOLUTIONS INITIATIVE

A major focus of LAPFF's work is improving company approaches to climate change to reduce the related financial risks. To strengthen the approach, LAPFF started a new voting initiative. The ongoing initiative extends the coverage of LAPFF voting alerts on climate-related proxy proposals. Proposals are assessed on whether companies are meeting the expectations LAPFF has of companies, including those within LAPFF's responsible investment policy guide.

The alerts focused on climate lobbying, risk and transition reporting, and target setting. To date, the alerts have covered US and Japanese markets (in addition to those UK companies already covered during the year). At the Caterpillar AGM, management backed the resolution on Climate Transition Planning which received the support of 96 percent of votes. There were significant votes in favour of shareholder resolutions at Monster Beverage (44 percent in favour of a report on the company's plans to reduce GHG emissions) Dollar Tree (55 percent of votes in favour of Climate Transition Planning) and

J-Power (26 percent of votes in favour of a business plan with science-based short- and medium-term Paris-aligned emissions reductions targets). The intention is for the initiative to ratchet up over next year's AGM season.

A full list of Say on Climate voting alerts and the subsequent AGM voting results can be viewed in the stats section at the back of this report.

OTHER CLIMATE ENGAGEMENTS

Conference of the Parties: COP26

COP26 in Glasgow was seen as the 'must attend' event of the year for investment practitioners seeking concrete commitments for action to implement the goals of the Paris Agreement. For LAPFF it was a unique opportunity to impress upon national and local governments the importance of addressing the just transition imperative.

Cllr McMurdo, the LAPFF chair, was in Glasgow for the summit and attended several events. At each of these, he made it clear that the imperative of a fair and just transition, including the creation of quality employment opportunities, is of the upmost importance for LAPFF.

There were also discussions around better regulation and enforcement of auditing standards to ensure material climate risks are included in company accounts. As the LAPFF chair asked, "Where is the policeman?"

"PEOPLE MUST BE AT THE HEART OF THE TRANSITION"

Cllr McMurdo, LAPFF in Glasgow

JUST TRA

SPOTLIGHT: RESPONSIBLE MINERAL SOURCING

Objective: With increased global levels of production for electric vehicles (EVs), there is an accompanying uptick in the level of minerals required to create the batteries that power these vehicles. The International Energy Agency (IEA) published a report in 2021 estimating that the total mineral demand for clean energy technologies is set to be six times the demand in 2020 by 2040. As history and a series of LAPFF engagements have taught us, mining is fraught with human rights issues. As the demand for minerals goes up, and with it the mining operations to supply this demand, it is essential that human rights are respected and that the transition to net zero is done so in a fair and just manner. To this effect, LAPFF sought to engage EV manufacturers to discuss their approaches to responsible mineral sourcing.

Achieved: LAPFF met with representatives from BMW, Mercedes and Ford during the year to discuss their approaches to responsible mineral sourcing, human rights and supply chain due diligence. A core point of discussion in all of these meetings was the companies' membership of the Initiative for

Responsible Mining Assurance (IRMA) an organisation which aims to create a global audit standard for the mining industry. The standard set by IRMA has received input from a wide range of stakeholders and appears to be a thorough process. Companies are citing membership of this initiative as a positive step towards securing minerals in a responsible manner, but none engaged by LAPFF thus far have been able to quantify how many of their suppliers had signed up to IRMA, or what timeline they have for ensuring their suppliers were IRMA members.

In Progress: LAPFF is seeking meetings with senior company representatives involved in the supply chains at some of the companies it met during the year. LAPFF is also seeking meetings with those companies that failed to respond to the first round of correspondence. Heavy goods vehicles manufacturers will be included in this next round of communications. Transparent reporting of supply chains will be essential to ensure that companies are taking appropriate action on responsible mineral sourcing.

MISSION

CLIMATE COLLABORATIONS

Asia Transition Platform

LAPFF's participation in this investment collaboration ensures that local knowledge of markets and engagement culture can be leveraged in engagement with financial institutions and coal-exposed power companies.

Over the course of the year, LAPFF was represented in formal input at the AGMs of two Chinese banks (Bank of China and Industrial and Commercial Bank of China), one Singaporean bank (DBS Group Holdings), and two Chinese power companies (Huaneng Power International and Huadian Power International). For the banks, there was a focus on financed emissions and capital market activities, with the boards being provided with a detailed statement in advance of the meetings.

Correspondence was undertaken with several other banks including China Construction Bank, Industrial

Bank and Agricultural Bank of China, and with Japanese and Malaysian companies. Where possible, meetings were arranged with companies in which substantial numbers of LAPFF members had holdings; these included meetings with Mizuho Financial Group and Sumitomo Mitsui Financial Group (SMFG).

Two meetings were held with Mizuho Financial Group. Progress was identified by the second meeting with the formation of a 'sustainability promotion committee' and setting of medium-term targets for the electric power sector. It was recognised that more detail could be provided on the strategy to reach these targets. A meeting with SMFG noted the company's commitment to provide a detailed action plan as part of its roadmap to addressing climate change. Part of the engagement 'ask' was to set net zero financed emissions along with short- and medium-term targets. This request was followed up by a voting recommendation supporting a resolution asking for disclosure of short- and medium-term greenhouse gas emissions reduction targets.

CA100+

LAPFF has been a member of Climate Action 100+ (CA100+) since its inception. As an investor-led initiative, CA100+ aims to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. LAPFF has been active as co-lead investor for ArcelorMittal and National Grid as well as being a member of the collaborative groups for 13 other companies. Some of these engagements are set out in more detail elsewhere in this annual report (such as with Shell, BP, the Brazilian-listed Suzano, the UK-listed integrated miners, and US auto manufacturers).

Additionally, LAPFF has engaged collaboratively with other CA100+ companies, including three meetings with LyondellBasell Industries. Progress has been made on disclosing initiatives for carbon reduction up to 2030, but more clarification is being sought on short-term carbon reduction goals and more strategic positioning for the company. A meeting with E.on pushed for the inclusion of more detailed information on climate risk in the company's accounts.

POLICY AND REGULATION

Public policy and regulation play an important role in forming the environment in which LAPFF operates. As the UK Stewardship Code notes, signatories should 'identify and respond to market-wide and systemic risks to promote a well-functioning financial system'. This response includes engaging policymakers and regulators as well as wider stakeholders on areas for reform to reduce the systemic risks facing LAPFF members.

CONSULTATION RESPONSES

As part of this work, LAPFF submitted several consultation responses focusing on policy areas important to its membership. Following research which raised concerns about the way carbon offsetting was being used, LAPFF responded to a consultation from the UK's Climate Change Committee (CCC). The consultation response asserted LAPFF's position emphasising the need for real emissions reductions, finite capacity of offsetting, and the need for strict definitions of difficult to abate sectors.

In the subsequent report produced by the CCC, the statutory body took positions very similar to those of LAPFF. It noted that emission

reductions must come first and that while high quality offsetting could play a role, it will only be a small part of the transition. In fact, the report noted that offsetting could be used by business to slow the transition, and there is a lack of clarity from business about what offsetting means in their net zero plans. The CCC was critical of overstatements around emissions reductions from land-based projects, a point that LAPFF has been making for the last few years. The report called on greater regulation of the sector and noted that: 'Out of the 35% of the FTSE350 whose emissions reduction plans include the use of 'offsets', the vast majority did not specify what kind of carbon credit project would be used and did not specify what activities would be 'offset' beyond 'residuals' or 'hard to abate' emissions.'

LAPFF's engagement work with transport companies was reflected with submissions to the Department for Transport on 'jet zero' aviation consultation and its consultation on ending the sale of new, non-zero emission buses, coaches and minibuses. LAPFF noted its engagement experience demonstrated that without strong and timely regulation, achieving the UK's ambitions for reducing emissions will be slower and less effective than it could be, as some companies tend only to meet minimum regulatory requirements.

On non-zero emission buses, coaches, and minibuses, LAPFF called for sales to be ended by 2025 noting that the average lifespan of such vehicles meant leaving it later would jeopardise meeting climate change objectives. The 'jet zero' consultation called for technological advances to be better reflected in scenarios and the need to switch to electric flights for domestic travel. In response to the consultation, the government has brought forward its date for net zero emission flights and intends to consult on how it expects this target to be achieved.

LAPFF has long called on companies to set out their plans for decarbonising business models. It was therefore a significant win that at COP26 the government announced it would require large companies and the

financial sector to publish transition plans. As part of this initiative, the government established the Transition Plan Taskforce (TPT) to develop a framework for transition plans.

LAPFF's response to the TPT draft framework highlighted the importance of transition plans to investors. It outlined the need to focus on real emission reductions to guard against misuses of net zero. The response agreed with the government about the expectation of companies to have 'Paris-aligned' accounts that properly reflect the impact of achieving real zero emissions for assets, liabilities, profits and losses. The response also stressed the importance of a fair and just transition, largely absent in the consultation, but vital to reducing the financial risks associated with climate inaction. Consultation responses are being considered and the final TPT framework will inform new requirements for financial institutions and listed companies.

Outside the UK, LAPFF responded to the US National Action Plan on Responsible Business Conduct consultation. The Plan seeks to strengthen the US government's role in advancing business conduct among US companies, based on OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. LAPFF's response stressed the importance of strong sanctions and enforcement to raise standards. The response also highlighted the importance of climate change within such a plan, not least because of the link between the environment and human rights, but also because of the social risks (for workers, communities, consumers) of an unjust transition. LAPFF made the case for legally binding obligations (rather than the current voluntary system) which are becoming more commonplace globally and the need to move beyond corporate philanthropy to a focus on human rights as a core facet of ensuring sustainable returns for businesses function. LAPFF further welcomed a focus on strong stakeholder engagement.

Responsible Investment for a Just Transition: APPG Inquiry

Climate change is widely accepted as a systemic market and investment risk. Targets are being set and plans drawn up for decarbonising business and investment models. However, a cursory glance at such disclosures and reports often reveals a glaring omission: people. Investors are increasingly concerned that failure to consider the social implications of the transition to net zero risks undermining support for the necessary transition, slowing the pace of decarbonisation and thus increasing the costs associated with climate change.

To help guard against such a scenario, the LAPFF-supported All-Party Parliamentary Group (APPG) for Local Authority Pension Funds established an inquiry into responsible investment for a fair and just transition. The inquiry, chaired by Clive Betts MP, ran over the course of 2021, hearing and receiving evidence from LAPFF members, other investors, companies, trade unions and from the Climate Change Committee.

The inquiry culminated in a report examining the issues. The report noted that a just transition seeks to ensure the benefits of a shift to net zero are shared, while supporting those most impacted by the change. As such it is about the fair distribution of climate 'goods' – such as new jobs – and climate 'bads' – such as negative impacts on communities if older industries are phased out. It outlined the main stakeholders who would be affected and the financial risks of not considering the social implications of the transition.

The inquiry found that the initial step investors could take to reduce these risks was to recognise the challenge and include it in policy statements. This step could then drive action, including understanding the risks and opportunities covering quantitative metrics and qualitative

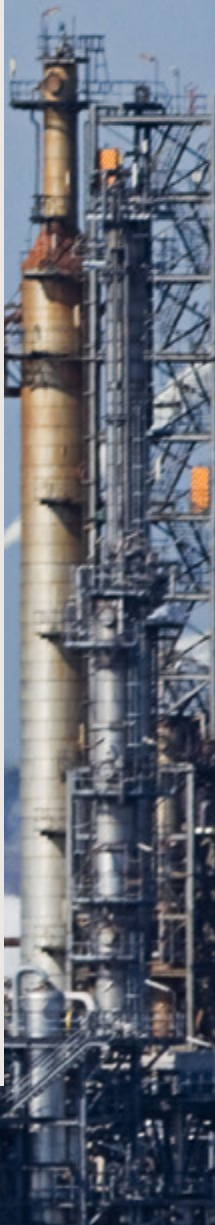
evidence (by engaging affected stakeholders). Subsequently, investors can use policy and information on risks to set expectations. This information could be used in discussions with their asset managers about their approach to a just transition and in engagements with companies, including considering escalation where progress was deemed slow or inadequate.

While there is much that investors can do, the report also concluded that government would play the primary role. It was felt there needed to be a clearer commitment from government to a fair and just transition, and that it could help investors understand just transition risks by considering which social issues listed companies should have to report on. The report finished by calling for a UK-wide just transition commission to bring together different partners to identify the risks and opportunities and build consensus around a plan.

The launch event included presentations from the then pensions minister, Guy Opperman MP, Rachel McEwen from SSE and LAPFF Chair, Cllr Doug McMurdo. The report gained national media coverage and was publicly endorsed by SSE.

Party Conferences Fringe Meetings

To further raise the issue of the just transition, the Forum hosted events at the political party conferences. The events were well attended and included speakers from the main political parties as well as the Grantham Research Institute at the LSE which runs the Financing a Just Transition Alliance, of which LAPFF is a member. The discussions provided LAPFF executives with the opportunity to make the case with policymakers about the need to include a social dimension in climate change regulations and programmes. It also gave executives the opportunity to highlight LAPFF's work engaging companies with politicians and wider stakeholders who attend the conferences.





ENVIRO

Chipotle and Water Stewardship

Objective: LAPFF has been engaging with Chipotle on the company's approach to water stewardship for three years. The focus of the engagement this year has been to encourage the company to undertake a full value chain water risk assessment. This approach is to better understand the business's impact on local watersheds and to use the findings of the assessment to inform quantitative performance metrics and best practices for water management, targeted to the areas of high water stress. LAPFF argued that without this assessment, Chipotle would not be well placed to identify its total water risk exposure and prepare for water supply uncertainties associated with climate change.


Achieved: After a period of heightened engagement with the company, LAPFF member Greater Manchester Pension Fund filed a resolution ahead of Chipotle's 2022 AGM. In light of the growing pressures on water supply, quality, and quantity posed by climate change, the proposal requested that the company undertake

a comprehensive assessment of its total water risk exposure and develop policies and practices to reduce this risk. Following discussions between LAPFF and the company, an agreement was reached that would see the resolution withdrawn from the ballot. The withdrawal was conditional upon formal commitments being made relating to the company's water stewardship programme. LAPFF held a follow-up call with Chipotle during 2022 to measure progress made against LAPFF's initial asks. In response to the resolution, the company has completed a materiality assessment covering ingredients, its supply chain and restaurants.

In Progress: Given the company now has a better understanding of the water-related risks facing the business, the next phase of the stewardship plan is to develop context-based targets that relate specifically to areas of the operations under high water stress. LAPFF will continue to work with the company to develop these goals.

Biodiversity

Objective: Deforestation has played a huge role in contributing to climate change and continues to



do so. Alongside climate change, it is also associated with a swathe of environmental degradation and human rights abuses across the world. Global companies continue to source commodities that are associated with deforestation and its highly detrimental consequences.

Achieved: LAPFF supported a finance sector roadmap which aims to eliminate commodity-driven deforestation. This roadmap is coordinated by Global Canopy and supported by a collection of global investors. By the end of September, the working group associated with the initiative had coordinated to set a list of target companies and was putting together letters to engage with companies.

In Progress: LAPFF will monitor the engagements with Global Canopy and provide support where necessary. LAPFF is also considering engagements with Brazilian investor, JGP, with whom LAPFF met in Brazil.

Plastics

Objective: Plastics continue to pollute global ecosystems and are entering food streams at an alarming rate. Companies must seek to take steps

to reduce single-use plastics and find alternatives for their product ranges. Among one of the biggest food and drink conglomerates, Nestlé has a role to play in creating standards for such reductions.

Achieved: LAPFF continues to be a member of As You Sow's Plastic Solutions Investor Alliance (PSIA), and joined a collaboratives call hosted by the alliance. Nestlé talked about sustainable alternatives to packaging but did not provide information on the alternatives themselves, noting them as projects. Company representatives also talked about the approach taken to a circular economy and current systems in place in developing countries, aiming to recycle as much plastic as the company produces. Although recycling is essential it does not stop plastics from entering the ecosystem. There are also energy costs associated with recycling that were not disclosed.

In Progress: LAPFF will continue to push companies to research alternatives to single-use plastic. LAPFF continues to support the PSIA and will consider additional companies for engagement on plastics throughout the coming year.

RELIABLE ACCOUNTS

UK Endorsement Board (IFRS 17)

Objective: During the year, the UK Accounting Standards Endorsement Board (UKEB) set about endorsing the new accounting standard applicable to insurance companies: IFRS 17. LAPFF's view is that the standard was written to suit vested interests, with the prior draft of the international standard substantially modified following a letter to the then Chancellor Philip Hammond from large UK insurers complaining about it.

A concessionary feature added allows insurers to discount their insurance annuity liabilities at the risk rate – as opposed to pension funds which under international accounting standards have to discount the same liabilities at the risk free (government bond) rate. One implication of this

feature is that the number IFRS 17 gives for 'liabilities' goes down if a corporate pension fund is 'bought out' by an insurer even though the actual obligations haven't changed.

As with the LAPFF position following banking collapses, the aim is to gain cross-party support in Parliamentary debates.

Achieved: Freedom of Information Act requests and Parliamentary questions assisted by LAPFF have shown that there are problems within the Department for Business, Energy and Industrial Strategy.

It became clear throughout the year that the UKEB and its advisory groups are packed with vested interests, those that are not committed to public interest. An unsatisfactory process was used to appoint a permanent chair who had been appointed on a temporary basis outside of normal

public appointment procedures, and Parliamentary questions have revealed defects in the process to make the temporary appointment permanent.

In Progress: Current market instability caused by margin calls from Liability Driven Investment products (LDIs) has revealed that sellers of novel financial products are not necessarily the best placed parties to challenge the risk of their products. The key feature of LDIs is that they purport to hedge the (accounting) liability for pensions, as opposed to the obligation (the cash flow profile). However, an obvious conclusion given that the number for 'liabilities' is different when the same obligation is vested in an insurer is that the hedges might well be for the wrong thing.

The LAPFF Executive has formed a subgroup to deal with these matters.

STEWARDSHIP

LAPFF is a service provider and as such has different reporting requirements from asset owners and asset managers under the Stewardship Code. The Stewardship Code covers four main areas: Purpose and Governance, Investment Approach, Engagement, and Rights and Responsibilities. LAPFF continues to demonstrate adherence to the Code.

LAPFF has responded to systemic risks across the financial system, from mining and human rights to reliable accounts to the environment, among other topics. These engagements are done not simply because they are the 'right thing to do' but because of their clear financial materiality. Financial stewardship is characterised by

prudent decision-making that ensures stable returns for investors; this decision-making covers environmental, social, and governance factors.

When it comes to engagements with companies, LAPFF aims to establish mutually beneficial relationship, for example one that ensures the wellbeing of affected stakeholders (such as community groups) but also provides long-term positive finances. These two factors, rather than being contradictory, in fact complement each other. Reputational, legal, regulatory, environmental and financial impacts can end up costing both companies and investors far more than mitigation, adaption and change would ever have done.

As a matter of course, LAPFF does not advocate for divestment, but rather for funds to use their holdings, in collaboration with likeminded investors, to engage companies for more desirable outcomes. Promotion of investor engagement is the purpose of LAPFF voting alerts. Tools and initiatives such as Say on Climate are designed to bring about robust dialogue between investors and companies, but dialogue that provides clear expectations that companies can achieve. There are other tools for engagement escalation if it is felt that companies are not being responsive, such as the filing of shareholder resolutions.

Voting Alerts

Company	AGM Date	Resolution	Recommendation	FOR	AGAINST/WITHHOLD/ ABSTAIN*
Apple	04-Mar-22	5. Reincorporate with Deeper Purpose	ABSTAIN	96.66	3.34
Apple	04-Mar-22	6. Transparency Reports	FOR	31.36	68.64
Apple	04-Mar-22	7. Forced Labour	FOR	33.25	66.75
Apple	04-Mar-22	8. Pay Equity	FOR	33.30	66.70
Apple	04-Mar-22	9. Civil Rights	FOR	52.83	47.17
Apple	04-Mar-22	10. Report on Concealment clauses	FOR	49.32	50.68
Rio Tinto	08-Apr-22	1. Annual Report	OPPOSE	97.90	2.10
Rio Tinto	08-Apr-22	2. Remuneration Report Implementation	OPPOSE	95.07	4.93
Rio Tinto	08-Apr-22	3. Remuneration Report	ABSTAIN	95.02	4.98
Rio Tinto	08-Apr-22	7. Re-elect Megan Clark AC	OPPOSE	91.51	8.49
Rio Tinto	08-Apr-22	17. Climate Action Plan	OPPOSE	82.10	17.90
Drax Group	27-Apr-22	1. Receive the Annual Report	OPPOSE	99.44	0.27
Drax Group	27-Apr-22	6. Re-elect Philip Cox (chairman) as director	OPPOSE	98.64	1.18
Drax Group	27-Apr-22	11. Re-elect David Nussbaum as director	OPPOSE	99.12	0.70
Drax Group	27-Apr-22	15. Approve political donations	OPPOSE	97.02	2.75
Glencore	14-Apr-22	1. Approve the Annual Reports and Accounts	OPPOSE	49.78	50.14
Glencore	14-Apr-22	13. Approve 2021 Climate Progress Report	OPPOSE	75.58	23.50
Vale	14-Apr-22	4G. Election of Marcelo Gasparino da Silva	OPPOSE	65.45	34.55
Vale	14-Apr-22	4H. Election of Maura Gentile Rodrigues Cunha	OPPOSE	65.87	34.13
Vale	14-Apr-22	7. Establishment of Global Annual Compensation	OPPOSE	WITHDRAWN	
Vale	14-Apr-22	8. Ratification of Payment of Annual Compensation	OPPOSE	WITHDRAWN	
Standard Chartered	04-May-22	31. Approve Net Zero Pathway	OPPOSE	82.89	16.96
BP	12-May-22	3. 'Net Zero - from ambition to action' report	OPPOSE	85.46	11.08
BP	12-May-22	23. Follow This shareholder resolution on climate change targets	FOR	14.73	84.42
Barclays	20-May-22	26. Approve Barclays' Climate Strategy, Targets and Progress 2022	OPPOSE	80.00	18.99
Shell	24-May-22	20. Advisory Vote on Energy Transition	OPPOSE	77.38	19.45
Shell	24-May-22	24. Request for climate targets aligned with paris agreement ('Follow This')	FOR	19.90	78.16
Meta	25-May-22	4. Dual class capital structure	FOR	28.08	71.92
Meta	25-May-22	5. Independent chair	FOR	16.69	83.31
Meta	25-May-22	6. Concealment clauses	FOR	18.92	81.08
Meta	25-May-22	7. Report on external costs of misinformation	FOR	2.72	97.28
Meta	25-May-22	8. Report on community standards enforcement	FOR	19.19	80.81
Meta	25-May-22	9. Report and advisory vote on the metaverse	FOR	2.91	97.09
Meta	25-May-22	10. Human rights impact assessment	FOR	23.68	76.32
Meta	25-May-22	11. Child sexual exploitation online	FOR	17.22	82.78
Meta	25-May-22	13. Report on lobbying	FOR	20.55	79.45
Meta	25-May-22	14. Assessment of audit & risk oversight committee	FOR	10.44	89.56
Amazon	25-May-22	6. Human rights due diligence on customer use of products and services	FOR	39.99	60.01
Amazon	25-May-22	7. Alternative director candidate policy	FOR	22.15	77.85
Amazon	25-May-22	8. Report on packaging materials	FOR	48.62	51.38
Amazon	25-May-22	9. Report on worker health and safety differences	FOR	12.71	87.29
Amazon	25-May-22	10. Additional reporting on use of certain contract clauses	FOR	24.65	75.35
Amazon	25-May-22	12. Alternative tax reporting	FOR	17.35	82.65
Amazon	25-May-22	13. Additional reporting on freedom of association	FOR	38.57	61.43
Amazon	25-May-22	14. Additional reporting on lobbying	FOR	47.03	52.97
Amazon	25-May-22	16. Report on warehouse working conditions	FOR	43.74	56.26
Amazon	25-May-22	17. Additional reporting on gender/racial pay	FOR	28.65	71.35
Amazon	25-May-22	19. Report on customer use of certain technologies	FOR	40.42	59.58
Alphabet	01-Jun-22	5. Lobbying Report	FOR	18.94	81.06
Alphabet	01-Jun-22	6. Climate Lobbying Report	FOR	18.80	81.20
Alphabet	01-Jun-22	7. Report on Physical Risks of Climate Change	FOR	17.74	82.26
Alphabet	01-Jun-22	8. Report on Water Management Risks	FOR	22.54	77.46
Alphabet	01-Jun-22	9. Racial Equity Audit	FOR	22.31	77.69
Alphabet	01-Jun-22	10. Report on Concealment Clauses	FOR	11.95	88.05
Alphabet	01-Jun-22	11. Equal Shareholder Voting	FOR	33.16	66.84
Alphabet	01-Jun-22	13. Human Rights Assessment of Data Centre Siting	FOR	16.99	83.01
Alphabet	01-Jun-22	14. Report on Data Collection, Privacy, and Security	FOR	12.21	87.79
Alphabet	01-Jun-22	15. Algorithm Disclosures	FOR	18.96	81.04
Alphabet	01-Jun-22	16. Misinformation and Disinformation	FOR	23.00	77.00
Alphabet	01-Jun-22	17. Report on External Costs of Disinformation	FOR	3.51	96.49
Alphabet	01-Jun-22	18. Report on Board Diversity	FOR	5.25	94.75
Alphabet	01-Jun-22	19. Establishment of Environmental Sustainability Board Committee	FOR	4.74	95.26
Alphabet	01-Jun-22	20. Policy on Non-Employee Representative Director	FOR	2.55	97.45
Alphabet	01-Jun-22	21. Report on Policies Regarding Military and Militarized Policing Agencies	FOR	9.16	90.84
Caterpillar	08-Jun-22	4. Report on Climate Policy	FOR	95.50	4.50
Monster Beverage Corp	14-Jun-22	4. A report on the company's plans to reduce GHG emissions	FOR	44.06	55.94
Electric Power Development Co Ltd	28-Jun-22	8. Partial Amendments to the Articles of Incorporation	FOR	25.83	74.17
Sumitomo Mitsui Financial Group	29-Jun-22	4. Setting and disclosing short and medium-term greenhouse gas emissions reduction targets consistent with the goals of the Paris Agreement	FOR	27.00	73.00
Sumitomo Mitsui Financial Group	29-Jun-22	5. Partial Amendments to the Articles of Incorporation (Financing consistent with the IEA's Net Zero Emissions Scenario	FOR	10.00	90.00
Dollar Tree Inc	30-Jun-22	5. Shareholder Proposal Regarding Climate Transition Planning	FOR	54.54	45.46
National Grid	11-Jul-22	19. To Approve the Climate Transition Plan	OPPOSE	96.48	1.54
SSE Plc	21-Jul-22	21. Net Zero Transition Report	FOR	98.41	1.08

*The AGAINST/WITHHOLD/ABSTAIN column is a sum of the percentages of all the votes in those three categories mentioned, to take into account where some markets have either the withhold or abstain vote.





LAPFF CONFERENCE 2021

After a virtual affair in 2020, LAPFF returned to an in-person Conference in 2021 at the Bournemouth Hilton with a bumper schedule. The theme of the event was ‘Engaging for Change’, a title aimed at recognising the anticipated effects of a tumultuous, Covid-hit period.



The just transition featured prominently, and the Conference opened with the Just Transition report, introduced by APPG Chair Clive Betts MP. The Chair of Sainsbury’s, Martin Scicluna, spoke about how the supermarket is addressing climate change, before Sir Chris Hohn elaborated on the Say on Climate initiative that featured so prominently in LAPFF’s work in 2022. Mark Campanale from Carbon Tracker answered ‘What did Cop 25 do for you?’, Ewan Mitchell of Planet Tracker discussed greenwashing, before Radio 4’s Leo Johnson wrapped up proceedings with a talk on building back better by “future proofing” structures and companies.

On the subject of Covid itself, the Conference heard from Lisa Nathan of UNI on how the care sector coped during Covid, whilst Lim Cheong Guan, an executive director at Top Glove, outlined how Covid impacted corporate culture.

The programme also included Martyn Jones and Baroness Bowles, formerly of Deloitte and ICAEW respectively, discussing accounting and fraud; Sir Jon Thompson of the FRC explained the regulator’s transformation into ARGA. Owen Walker provided snippets from his book *Built on a Lie* about the downfall of fund manager Neil Woodford; Simon Howard, Chair of the

Taskforce on Pension Scheme Voting Implementation, spoke on split voting for pension funds, and the taskforce’s recommendations to government, regulators, and industry.

Attendees heard from community representatives affected by the Brazilian Tailings Dams collapses. There were representatives and family members of those who had died, detailing how the collapses at Brumadinho and Mariana had not only left hundreds dead, but also had profound emotional, environmental, financial and social ramifications for survivors. Following on from this account, Professor Robert McCorquodale elaborated on the LAPFF Mining and Human Rights Report that spoke in part to the claims made by community members.

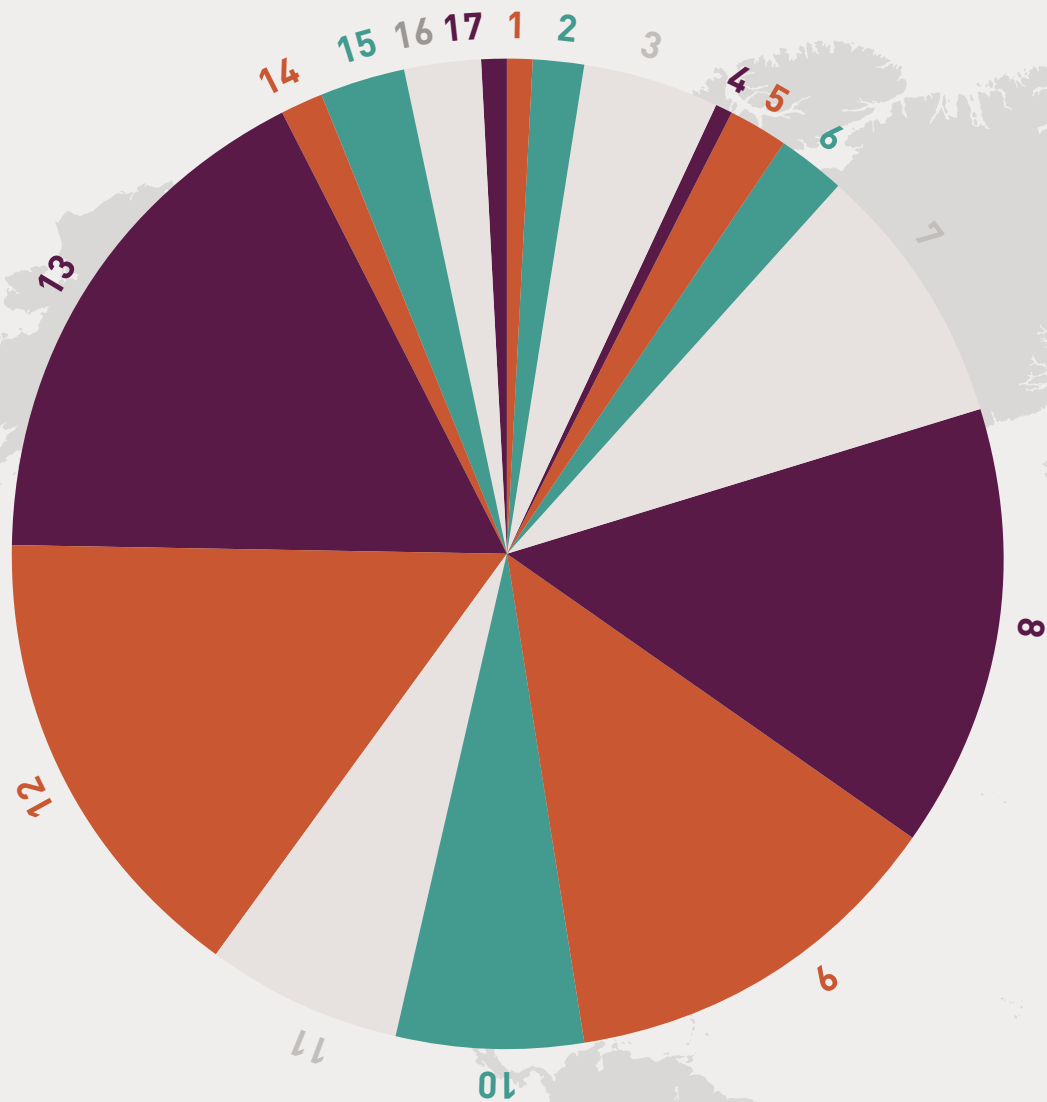
On the issues of equality and tackling discrimination, Mandy Kirby, representing the City of London Corporation Socio-Economic Diversity Taskforce, spoke on socio-economic background and career progression in financial services. Later, Tejal Patel from SOC Investment Group discussed racial equity audits, and their use as a critical tool for shareholders in ensuring that full investment potential is realised through unlocking the best talent from all racial backgrounds.

This year’s pre-dinner speaker was broadcaster and author David Olusoga who, in keeping with the Conference’s theme, talked about the change that Britain has undergone in its ethnic composition and race relations, as well as the untold stories of black British history.

We look forward to welcoming members to the South Coast once again for the 2022 Conference.



LAPFF ENGAGEMENT STATISTICS



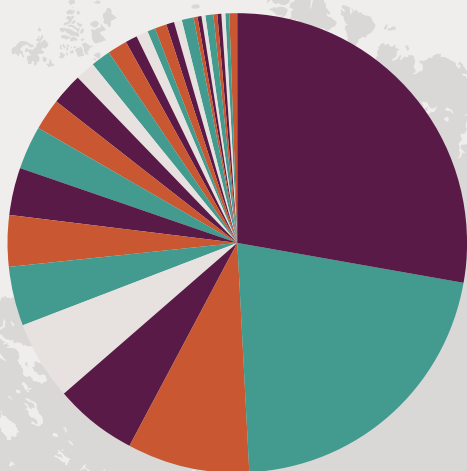
LAPFF SDG ENGAGEMENTS

Goal

1 No Poverty	10
2 Zero Hunger	14
3 Good Health and Well-Being	42
4 Quality Education	5
5 Gender Equality	20
6 Clean Water and Sanitation	20
7 Affordable and Clean Energy	81
8 Decent Work and Economic Growth	137
9 Industry, Innovation, and Infrastructure	120
10 Reduced Inequalities	57
11 Sustainable Cities and Communities	61
12 Responsible Production and Consumption	144
13 Climate Action	163
14 Life Below Water	13
15 Life on Land	26
16 Peace, Justice, and Strong Institutions	24
17 Partnership for the Goals	6

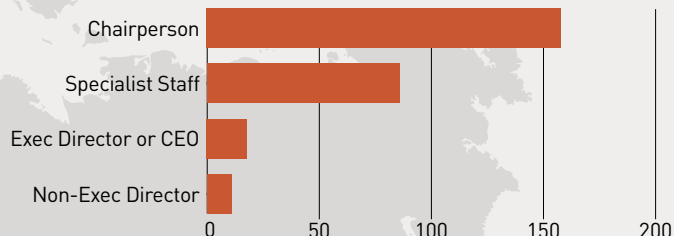
The charts included here do not include 385 letters sent to the FTSE AllShare on putting a climate transition plan to shareholders for approval at the AGM. Letters were not sent to investment trusts or companies that had already committed to doing so. Excluding this engagement, LAPFF engaged with 159 companies.

DOMICILES

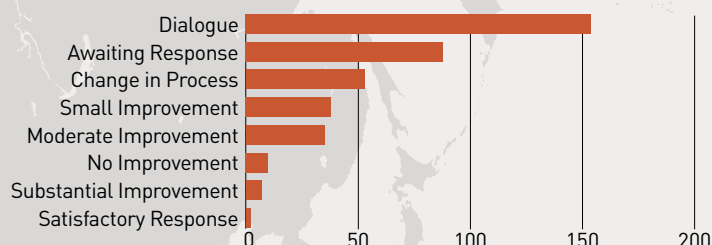


United Kingdom	84
USA	64
Japan	26
Germany	18
France	17
Luxembourg	12
Brazil	11
Australia	10
PR China	9
Switzerland	7
Israel	7
Russia	4
Norway	4
Jersey	4
Sweden	3
Singapore	2
Ireland	2
Thailand	2
India	2
Spain	2
Hong Kong	2
Poland	1
Malaysia	1
Denmark	1
Netherlands	1
Italy	1
Kenya	1
Austria	1
Korea Republic	1
Czechia	1

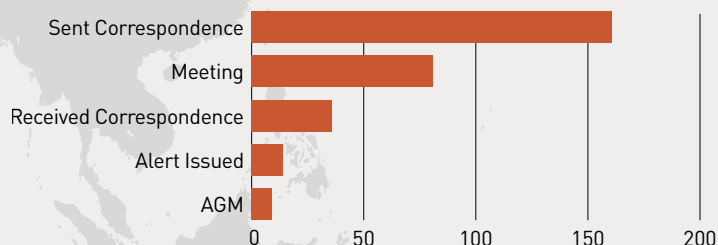
POSITIONS



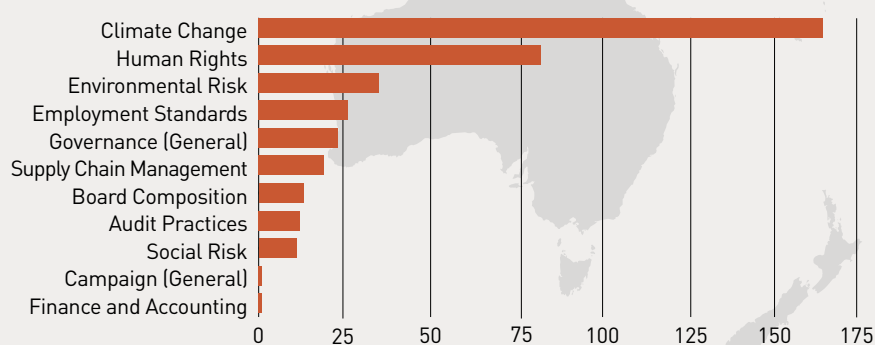
MEETING ENGAGEMENT OUTCOMES



ACTIVITY



TOPIC



For LAPFF and its members, corporate responsibility and long-term shareholder value are two sides of the same coin. When company standards fall short on issues such as human rights, climate change or executive pay, it creates reputational, operational and legal risks all of which are financially material to investors.

LAPFF enables members to act together to guard against these risks by engaging with company chairs and boards, attending AGMs and providing voting recommendations all of which seek **to effect change** at investee companies.

Members

- Avon Pension Fund
- Barking and Dagenham Pension Fund
- Barnet Pension Fund
- Bedfordshire Pension Fund
- Berkshire Pension Fund
- Bexley (London Borough of)
- 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 Pension Fund
- Durham Pension Fund
- Dyfed Pension Fund
- Ealing Pension Fund
- East Riding Pension Fund
- East Sussex Pension Fund
- Enfield Pension Fund
- Environment Agency Pension Fund
- Essex Pension Fund
- Falkirk Pension Fund
- Gloucestershire Pension Fund
- Greater Gwent Pension Fund
- Greater Manchester Pension Fund
- Greenwich Pension Fund
- Gwynedd Pension Fund
- Hackney Pension Fund
- Hammersmith and Fulham Pension Fund
- Haringey Pension Fund
- Harrow Pension Fund
- Havering Pension Fund
- Hertfordshire Pension Fund
- Hounslow Pension Fund
- Isle of Wight Pension Fund
- Islington Pension Fund
- Kent Pension Fund
- Kingston upon Thames Pension Fund
- Lambeth Pension Fund
- Lancashire County Pension Fund
- Leicestershire Pension Fund
- Lewisham Pension Fund
- Lincolnshire Pension Fund
- London Pension Fund Authority
- Lothian Pension Fund
- Merseyside Pension Fund
- Merton Pension Fund
- Newham Pension Fund
- Norfolk Pension Fund
- North East Scotland Pension Fund
- North Yorkshire Pension Fund
- Northamptonshire Pension Fund
- Nottinghamshire Pension Fund
- Oxfordshire Pension Fund
- Powys Pension Fund
- Redbridge Pension Fund
- Rhondda Cynon Taf Pension Fund
- Scottish Borders Council
- 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
- Tower Hamlets Pension Fund
- Tyne and Wear Pension Fund
- Waltham Forest Pension Fund
- Wandsworth Borough Council Pension Fund
- Warwickshire Pension Fund
- West Midlands Pension Fund
- West Yorkshire Pension Fund
- Westminster Pension Fund
- Wiltshire Pension Fund
- Worcestershire Pension Fund

Pool Company Members

- Border to Coast Pensions Partnership
- LGPS Central
- Local Pensions Partnership
- London CIV
- Northern LGPS
- Wales Pension Partnership

LAPFF

MEMBERS

ACTING

TOGETHER

ENGAGING

STAKEHOLDERS

& POLICYMAKERS

MAKING CHANGE

