

<b>LONDON BOROUGH OF CAMDEN</b>	<b>WARDS: All</b>
<b>REPORT TITLE:</b> Engagement Report	
<b>REPORT OF:</b> Executive Director Corporate Services	
<b>FOR SUBMISSION TO:</b> Pension Committee	<b>DATE:</b> 20 September 2023
<b>SUMMARY OF REPORT:</b>  This report brings Members up to date with engagement activity undertaken by the Fund and on its behalf by LAPFF (the Local Authority Pension Fund Forum) since the last Committee meeting. This work is important to the Fund's ambition to be a fully engaged investor and demonstrates its commitment to Responsible Investment and engagement in Environmental, Social and Governance (ESG) issues as the Fund works to maximise returns on investment.	
<b>Local Government Act 1972 – Access to Information</b> No documents requiring to be listed were used in the preparation of this report:  <b>Contact Officer:</b> Nigel Mascarenhas Head of Treasury and Financial Services Finance Corporate Services Dennis Geffen Annexe Camley Street London. N1C 4DG  <b>Telephone:</b> 0207 974 1904 <b>Email:</b> <a href="mailto:nigel.mascarenhas@camden.gov.uk">nigel.mascarenhas@camden.gov.uk</a>	
<b>RECOMMENDATIONS:</b>  The Committee is requested to:  1. note the contents of this report and 2. note the pass-through voting that will apply the Fund's voting policy to the passive equity allocation managed by Legal and General (L&G) set out in section 3.	
<b>Signed by</b>  Director of Finance ..... <b>Agreed</b> .....  Date: ..... <b>11/09/2023</b> .....	

## 1. Local Authority Pension Fund Forum (LAPFF) Business Meetings

- 1.1 The Local Authority Pension Fund Forum (LAPFF) is a voluntary association of 87 local authority pension funds and seven Local Government Pension Scheme (LGPS) pools (ACCESS have recently joined), with combined assets of over £350 billion. It exists to promote the investment interests of member funds, and to maximise their influence as shareholders to promote high standards of corporate governance and corporate responsibility amongst the companies in which they invest.
- 1.2 Members of the Pension Committee are welcome to attend meetings of the Forum. As a member of LAPFF the Fund is entitled to contribute to and participate in the work plan organised by the Forum around issues of common concern.
- 1.3 LAPFF produce a **Quarterly Engagement Report** to give an overview of the work undertaken. This is attached as **Appendix A** to this report and highlights the achievements during the quarter. It also lists engagement undertaken with several companies. **Table 3** lists the value of the Fund's equity holdings with those companies, as at 30 June 2023.

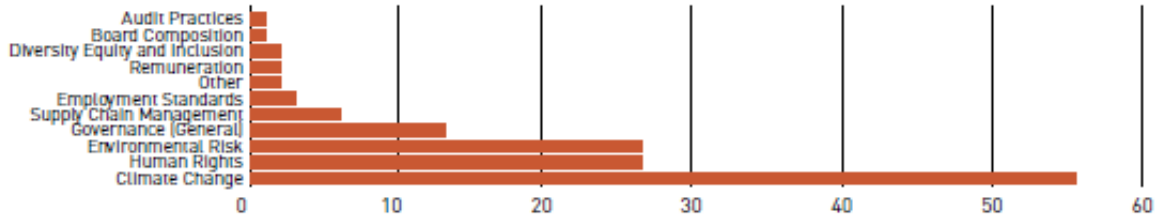
### Quarterly Engagement Visual Data

- 1.4 A visual representation has also been included in LAPFF's report which provides a snapshot into the types of engagement undertaken by LAPFF over the quarter and can be seen below in Table 1. The first chart splits activity into five subsections: topic, activity, outcomes, position engaged and company location.
- 1.5 Climate change has been the subject of the most engagement as expected, followed by human rights and environmental risk, with other issues such as governance having lower levels of engagement over the quarter. With regards to activity, LAPFF sent 27 pieces of correspondence and met with companies on 23 occasions. Excluding those awaiting response, statistically most of LAPFF's activity is performed in dialogue with the firms. As opposed to the previous quarter, improvement only makes up 8% of all outcomes however; 21% of total engagement outcomes are awaiting response.
- 1.6 LAPFF also provide data on what types of issues are being discussed during engagements and their frequency relating to Sustainable Development Goals (SDGs – Table 2). These were adopted by the United Nations in 2015 and also link to the Fund's Investment beliefs. Over the quarter, LAPFF has done most engagement with companies over: SDG 13: Climate Action, SDG 9: Industry, Innovation, and Infrastructure, SDG 12: Responsible Production and Consumption, and SDG 16: Peace, Justice and Strong Institutions. This quarter was quite different from the previous quarter, where the focus was more around SDG 10: Reduced Inequalities, SDG 11: Sustainable Cities and Communities, and SDG 8: Decent Work and Economic Growth.

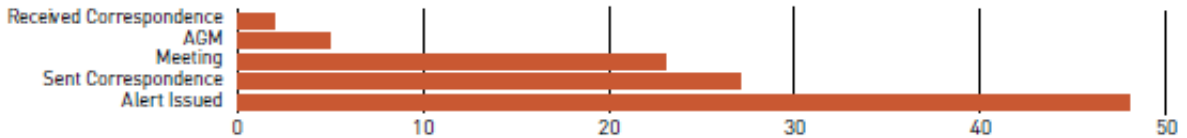
**TABLE 1**

**ENGAGEMENT DATA**

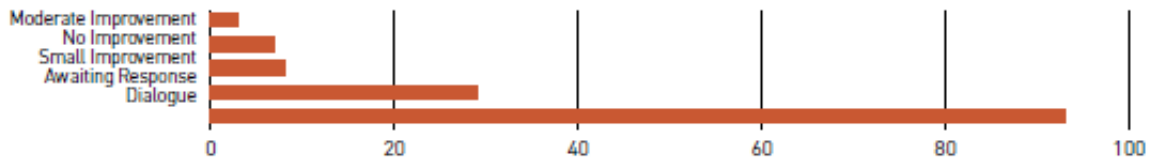
**ENGAGEMENT TOPICS**



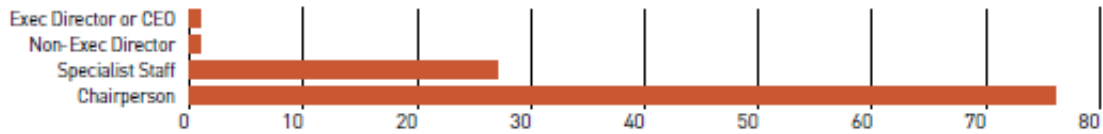
**ACTIVITY**



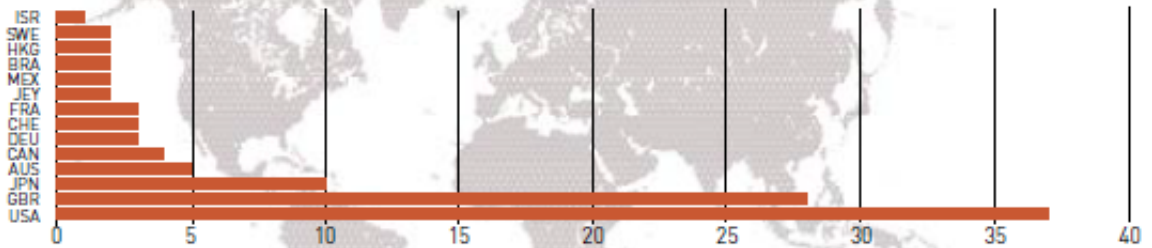
**MEETING ENGAGEMENT OUTCOMES**



**POSITION ENGAGED**

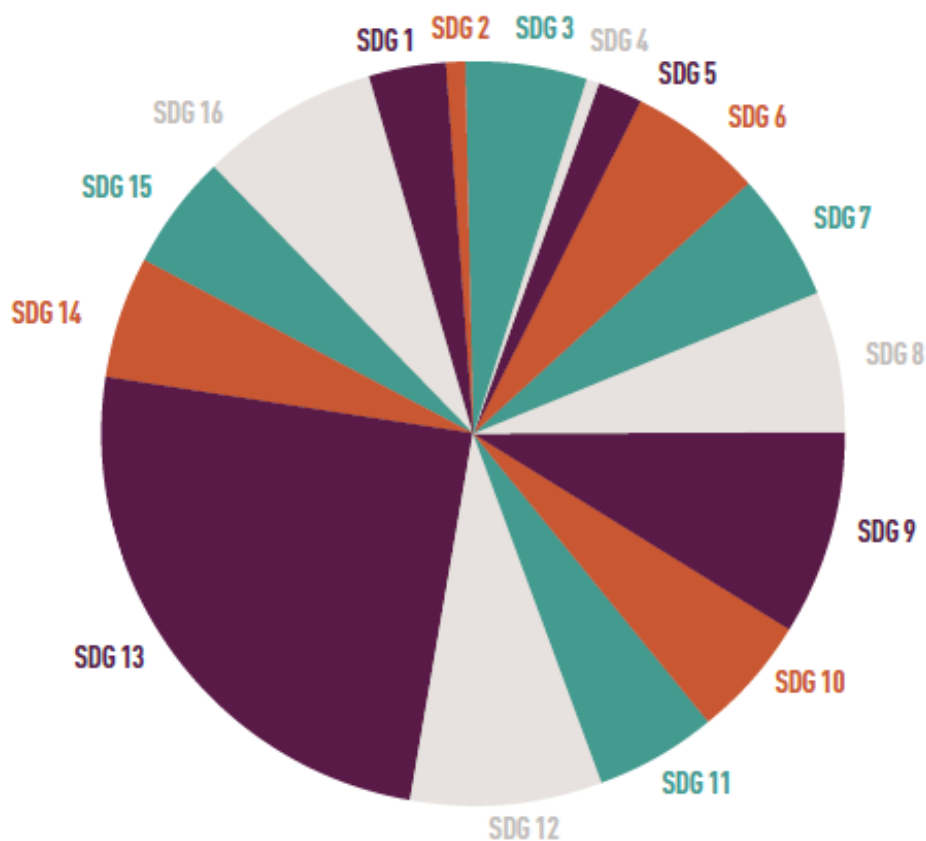


**COMPANY DOMICILES**



**TABLE 2**

**ENGAGEMENT DATA**



<b>LAPFF SDG ENGAGEMENTS</b>	
SDG 1: No Poverty	10
SDG 2: Zero Hunger	3
SDG 3: Good Health and Well-Being	16
SDG 4: Quality Education	1
SDG 5: Gender Equality	6
SDG 6: Clean Water and Sanitation	18
SDG 7: Affordable and Clean Energy	16
SDG 8: Decent Work and Economic Growth	19
SDG 9: Industry, Innovation, and Infrastructure	26
SDG 10: Reduced Inequalities	16
SDG 11: Sustainable Cities and Communities	16
SDG12: Responsible Production and Consumption	25
SDG 13: Climate Action	74
SDG 14: Life Below Water	16
SDG 15: Life on Land	15
SDG 16: Peace, Justice, and Strong Institutions	23
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

1.7 The **Quarterly Engagement Report** for April to June discussed a number of important issues and some of these issues are summarised in the following paragraphs, the full report is appended as **Appendix A**.

## 2. **LAPFF Business Meeting July 2023**

2.1 **Capital Markets - listing regime:** The London Stock Exchange (LSE) say that there are not many new listings on the exchange and want listing requirements to be relaxed. They also cite Executive pay as a reason companies are not listing. However there is little evidence that this is actually the case. A UK Capital Markets Industry Taskforce (CMIT) has been formed but appears to have some links to Government policy.

2.2 The Government are consulting on reduced listing requirements. LAPFF has had concerns about the integrity of the UK Listing Regime. These concerns relate to the perceived loosening of the Listing Regime from 2000 onwards (letting the wrong kind of companies list) as well as concern about the integrity of financial information (poor audit quality and defective accounting standards), and the conflicted position of the United Kingdom Listing Authority (UKLA) given that the prudential regulatory functions of the Financial Conduct Authority (FCA)/ Prudential Regulation Authority (PRA) can be at odds with shareholder protection, i.e. not putting new money into a bank which is a lost cause. The report recommended that LAPFF continues to monitor this area carefully and responds to the consultation. LAPFF will seek to set up a meeting with the FCA. LAPFF will set up a capital markets working group and will engage with the LSE.

2.3 **UKLA consultation response** - this item followed on from the previous item and formed the draft response to the consultation issued by the UK Listing Authority (UKLA) - CP23/10: Primary Markets Effectiveness Review. LAPFF is strongly opposed to these proposals in the consultation in principle. LAPFF note that there are a significant number of loaded questions which indicate that decisions have already been taken prior to consultation. They also note a lack of support for the proposals in the consultation.

2.4 Prior to 2000 the Listing Authority operated with a mode of self-regulation under the mutually owned London Stock Exchange. These proposals in the Primary Markets Effectiveness Review create a reduction in basic listing standards from those that have been in place for a long time, including under that self-regulation. That itself is evidence that the high standards were set originally in a manner of mutual benefit. However, since then, demutualisation standards have fallen, as has market performance.

2.5 The consultation avoids the statutory objective of consumer protection which the FCA is responsible for. At the same time, it appears that the FCA is bending things to fit a macro-economic objective from the Government, which is not in the remit of the FCA, and undermines the FCA's claims to be independent. If a regulator set up by Parliament is being coerced in any way to deliver aspects of government policy that do not sit with its objectives, then the obvious solution to being a piggy-in-the-middle is to report that to Parliament. Over meddling in the listing regime for economic objectives would seem likely

to make investment in UK companies less attractive for domestic and global equity investors.

- 2.6 **Climate Metrics and Exec Pay** - Climate (and other Environmental, Social and Governance - ESG) metrics are increasingly being integrated into executive pay policies. This is viewed as a positive step to incentivising climate action. However, a number of studies have raised concerns about the way in which pay incentives have been structured and the high vesting rates. While LAPFF already supports the linking of pay incentives to performance against a company's business strategy and key performance indicators, LAPFF does not explicitly set out its position on the issue of ESG-linked pay policies.
- 2.7 As the issue becomes a more prominent feature for engagement and is being supported through industry and government backed initiatives and guidelines, the report sets out what policy stance LAPFF could take on the issue. This includes addressing the weaknesses that have been highlighted in studies into current practices. It was agreed that LAPFF's Responsible Investment Policy Guide is amended to include a section on climate metrics and executive remuneration as set out in the report and that the issue is not a standalone focus for LAPFF engagement work.

### **Q2 Quarterly engagement report**

- 2.8 The Q2 Quarterly Engagement Report (QER) can be found in Appendix A, covering company engagements over the quarter.
- 2.9 LAPFF has had good traction with **Rio Tinto** (Fund holdings of £2.28m managed by Harris, L&G Global, and L&G Future World) who have now replaced their CEO.
- 2.10 **Glencore** (Fund holdings of £3.79m managed by Harris and L&G Global) has been noted as having the highest exposure to coal of all miners and they may be looking to sell their interests.
- 2.11 LAPFF engaged with **Adidas** (Fund holdings of £2.02m managed by L&G Global and Future World) over their operations in Myanmar. There is no union access, and they also operate with the Uyghur where forced labour accusations have been made about the cotton trade. There are factories working for them where they are sole suppliers, so if they closed there would be an issue with those workers. LAPFF will continue to monitor how the company chooses to publicise its supply chain practices, as well as continuing to monitor labour rights issues in both Myanmar and Xinjiang. LAPFF also raised the topic of a Human Rights impact assessment.
- 2.12 **Shareholder resolution on Human Rights to Mining Companies:** The more LAPFF engages with mining companies, the more it is clear that these companies rarely undertake appropriate social, environmental, or human rights impact assessments. Having a clear understanding of a company's social and environmental impacts can highlight for investors corporate governance concerns with companies, and consequently any practices that could compromise their ability to create sustainable shareholder value.

2.13 LAPFF's engagement with mining companies has revealed a particular concern about their impact on water resources in the areas where they operate. These concerns can and do create significant operational, reputational, legal, and financial risks for companies, and consequently investors. Therefore, it is necessary for investors to have sight of independent water impact assessments of mining companies. For a range of reasons it was considered appropriate to start this process with Rio Tinto and then assess whether it is feasible to continue with other major mining companies.

2.14 It was agreed to explore the possibility that LAPFF draft a shareholder resolution for the 2024 Rio Tinto AGM asking the company to undergo independent water impact assessments, and to report publicly on the assessment findings and steps the company has taken to remediate any problems by the 2025 AGM. A report will be brought back to the next LAPFF Business meeting about the feasibility of this project.

2.15 **Future meeting dates** are:

Business Meeting & AGM, Wednesday 4 October 2023  
LAPFF Conference, 6 to 8 December 2023

### 3. **Pass-through voting**

3.1 The Fund has for years been lobbying on split voting practice and ensuring that its voting policy can be applied as widely as possible on public equity market funds.

3.2 Members have been updated as part of the voting policy and engagement reports that currently the only funds we can exercise our own voting policy is with Harris (L&G and Baillie Gifford are in pooled funds). This is because the Harris mandate is segregated – i.e. we own the individual stocks. In pooled funds we own units and the pools vote their own voting pool policy – so we have to accept their voting intentions which often aren't as bold or progressive as ours. Split voting is the practice of being able to vote different policies amongst different pooled members. L&G have been working with PIRC, our voting provider, and Tumelo, a fintech company, to allow them to apply our voting intentions to their funds.

3.3 To address the issue, the Fund explored a partnership between L&G and fintech company Tumelo, which allows L&G's clients to cast pass-through votes. This will enable the Fund to apply our bespoke voting policy, which currently applies to its segregated investments but not to its pooled investments.

3.4 Our voting policy, supported by PIRC, has been designed to ensure votes cast on behalf of the Fund reflects its commitment to Responsible Investment and best practice Environment, Social and Governance principles.

3.5 The solution will allow the Fund to vote with one strong voice and is expected to operate shortly. Tumelo have been invited to the meeting to talk to their pass through voting solution.

**Table 3: Equity Holdings in relation to LAPFF's Q2 2023 Company Engagements**

3.6 LAPFF engaged 84 companies during the quarter.

Company/Index	Harris (£000)	BG (£000)	L&G Future world (£000)	L&G Global (£000)	Total (£000)	Topic
ADIDAS AG		1,628	182	213	<b>2,023</b>	Supply Chain Management
ALPHABET INC	8,897	5,632	5,115	8,636	<b>28,280</b>	Human Rights
AMAZON.COM INC.	5,267	7,737	4,845	7,604	<b>25,453</b>	Human Rights
AMEREN CORPORATION				138	<b>138</b>	Climate Change
ANGLO AMERICAN PLC				240	<b>240</b>	Human Rights
ASSOCIATED BRITISH FOODS PLC				61	<b>61</b>	Human Rights
BANK LEUMI LE-ISRAEL BM				39	<b>39</b>	Human Rights
BANK OF AMERICA CORPORATION	5,125		1,165	1,295	<b>7,585</b>	Climate Change
BARCLAYS PLC		1,710	131	215	<b>2,056</b>	Climate Change
BERKSHIRE HATHAWAY INC.	1,848		33	4,054	<b>5,935</b>	Climate Change
BHP GROUP LIMITED (AUS)			520	924	<b>1,444</b>	Human Rights
BORGWARNER INC				74	<b>74</b>	Climate Change
BP PLC			277	709	<b>986</b>	Environmental Risk
BRIDGESTONE CORP			108	147	<b>255</b>	Board Composition
CENOVUS ENERGY INC				153	<b>153</b>	Climate Change
CENTERPOINT ENERGY INC				119	<b>119</b>	Climate Change
CENTRICAPLC			33	63	<b>96</b>	Social Risk
CHEVRON CORPORATION			385	1,762	<b>2,147</b>	Climate Change
CHUBB LIMITED			247	517	<b>764</b>	Climate Change
CK HUTCHISON HOLDINGS LTD			34	99	<b>133</b>	Environmental Risk
COMCAST CORPORATION			647	1,113	<b>1,760</b>	Climate Change
COSTAR GROUP INC		2,323	139	232	<b>2,694</b>	Climate Change
COTERRAENERGY INC				125	<b>125</b>	Climate Change
DBS BANK LTD			207	261	<b>468</b>	Climate Change
DOLLARAMA INC			90	119	<b>209</b>	Climate Change



Company/Index	Harris (£000)	BG (£000)	L&G Future world (£000)	L&G Global (£000)	Total (£000)	Topic
<b>E.ON SE</b>				186	<b>186</b>	Social Risk
<b>ELECTRIC POWER DEVELOPMENT CO</b>				16	<b>16</b>	Climate Change
<b>ENBRIDGE INC</b>			243	487	<b>730</b>	Climate Change
<b>EXXON MOBIL CORPORATION</b>				2,820	<b>2,820</b>	Climate Change
<b>GLENCORE PLC</b>	3,294			497	<b>3,791</b>	Human Rights
<b>GRUPO MEXICO SA DE CV</b>			52	91	<b>143</b>	Human Rights
<b>GSK PLC</b>			362	494	<b>856</b>	Climate Change
<b>HENNES &amp; MAURITZ AB (H&amp;M)</b>			46	75	<b>121</b>	Human Rights
<b>HONEYWELL INTERNATIONAL INC.</b>			454	898	<b>1,352</b>	Environmental Risk
<b>HSBC HOLDINGS PLC</b>			655	1112	<b>1,767</b>	Governance (General)
<b>IBERDROLASA</b>		119	296	503	<b>918</b>	Social Risk
<b>IDEX CORPORATION</b>				105	<b>105</b>	Climate Change
<b>IMPERIAL OIL LIMITED</b>				59	<b>59</b>	Climate Change
<b>JPMORGAN CHASE &amp; CO.</b>			2,570	2,757	<b>5,327</b>	Climate Change
<b>KAMIGUMI CO LTD</b>				15	<b>15</b>	Diversity Equity and Inclusion
<b>KELLOGG COMPANY</b>			79	111	<b>190</b>	Other
<b>KINGFISHER PLC</b>				40	<b>40</b>	Employment Standards
<b>LINDT &amp; SPRUNGLI AG</b>				170	<b>170</b>	Environmental Risk
<b>LOCKHEED MARTIN CORPORATION</b>			515	677	<b>1,192</b>	Climate Change
<b>MARATHON PETROLEUM CORPORATION</b>			77	334	<b>411</b>	Climate Change
<b>MARKEL CORPORATION</b>		2,318	83	118	<b>2,519</b>	Climate Change

Company/Index	Harris (£000)	BG (£000)	L&G Future world (£000)	L&G Global (£000)	Total (£000)	Topic
<b>META PLATFORMS INC</b>			2,989	4,113	<b>7,102</b>	Human Rights
<b>MITSUBISHI UFJ FINANCIAL GRP</b>			480	550	<b>1,030</b>	Climate Change
<b>NATIONAL GRID PLC</b>			159	338	<b>497</b>	Climate Change
<b>NEXT PLC</b>			58	76	<b>134</b>	Supply Chain Management
<b>NIKE INC.</b>			711	850	<b>1,561</b>	Human Rights
<b>NINTENDO CO LTD</b>			290	302	<b>592</b>	Environmental Risk
<b>PACCAR INC.</b>			127	276	<b>403</b>	Climate Change
<b>PUBLIC STORAGE</b>			272	296	<b>568</b>	Climate Change
<b>QUEST DIAGNOSTICS INCORPORATED</b>			54	100	<b>154</b>	Climate Change
<b>RAYTHEON TECHNOLOGIES CORP</b>			424	930	<b>1,354</b>	Climate Change
<b>RIO TINTO GROUP (AUS)</b>	1,401		225	657	<b>2,283</b>	Human Rights
<b>ROCHE HOLDING AG</b>			1,437	1,370	<b>2,807</b>	Environmental Risk
<b>SANOFI</b>			561	762	<b>1,323</b>	Environmental Risk
<b>SANWA HOLDINGS CORP</b>				16	<b>16</b>	Diversity Equity and Inclusion
<b>SEVERN TRENT PLC</b>			41	57	<b>98</b>	Environmental Risk
<b>SHELL PLC</b>			482	1,435	<b>1,917</b>	Climate Change
<b>SOUTHERN COMPANY</b>			161	494	<b>655</b>	Climate Change
<b>SUMITOMO MITSUI FINANCIAL GROUP</b>			316	348	<b>664</b>	Climate Change
<b>TESLA INC</b>		4,289	2,716	4,674	<b>11,679</b>	Human Rights
<b>THE GOLDMAN SACHS GROUP INC.</b>			756	677	<b>1,433</b>	Climate Change
<b>THE HOME DEPOT INC</b>			1,178	2,037	<b>3,215</b>	Human Rights
<b>THE MOSAIC COMPANY</b>			55	75	<b>130</b>	Climate Change

Company/Index	Harris (£000)	BG (£000)	L&G Future world (£000)	L&G Global (£000)	Total (£000)	Topic
THE TJX COMPANIES INC.			483	633	1,116	Environmental Risk
THE TRAVELERS COMPANIES INC.			216	262	478	Climate Change
TOKYO ELECTRIC POWER CO INC				36	36	Climate Change
TOTALENERGIES SE			253	844	1,097	Climate Change
TOYOTAMOTOR CORP	20		965	1,226	2,211	Climate Change
UNITED UTILITIES GROUP PLC			47	58	105	Environmental Risk
VALE SA				309	309	Environmental Risk
VALERO ENERGY CORPORATION			103	274	377	Climate Change
VOLVO AB			119	250	369	Human Rights
WELLS FARGO & COMPANY				1,045	1,045	Climate Change
WELLTOWER INC			186	259	445	Governance (General)
WH GROUP LTD				24	24	Climate Change
<b>Total</b>	<b>25,852</b>	<b>25,756</b>	<b>35,454</b>	<b>66,130</b>	<b>153,192</b>	

#### 4. Voting

- 4.1 A total of 5616 resolutions were voted upon (this may include non-voting items) across 317 meetings in the quarter. A summary is provided in the table below:

**TABLE 4: VOTING**

Vote	Occurrences	Proportion (%)
For	3751	66.8
Against	1841	32.8
Withhold	1	0.0
Abstain	0	0.0
Non-Voting	8	0.1
Not Supported	0	0.0
Withdrawn	3	0.1
US Frequency Vote on Pay	12	0.2
<b>Total</b>	<b>5616</b>	<b>100%</b>

- 4.2 The vast majority of meetings occurred in the UK (269 out of 317). Resolutions on annual reports were 36% FOR, on Directors were 81% FOR, on Executive Pay were 11% FOR, and Dividends were 100% FOR.

4.3 A non-vote occurs where there is an agenda item that does not require a vote but is merely there for information. 'Withhold' votes are the equivalent of oppose votes. In the US and Canada, often shareholders may not vote against or abstain on directors and can only withhold their votes. Withdrawn means an item was originally on the agenda but the company withdrew it after publication, for instance where there was a death or resignation of the director standing for election.

4.4 The companies at which LAPFF voted during the quarter are listed in **Appendix B** for information. More information can be provided upon request.

## 5. **RESPONSIBLE INVESTOR COMMENT**

5.1 Understanding how the Fund engages with firms, both individually and as part of LAPFF, is a key part of exercising the Fund's influence as a responsible investor, helping to ensure that the assets in which the Fund invests align with Camden's investment beliefs.

## 6. **ENVIRONMENTAL IMPLICATIONS**

6.1 Further to the Responsible Investment Comment above, a firm understanding of how the Fund engages with firms in which it holds investments improves the Fund's ability to invest in line with our investment principles.

## 7. **FINANCE COMMENTS OF THE EXECUTIVE DIRECTOR CORPORATE SERVICES**

7.1 The Executive Director Corporate Services has no finance comments to add.

## 8. **LEGAL COMMENTS OF THE BOROUGH SOLICITOR**

8.1 The Local Government Pension Scheme Guidance on Preparing and Maintaining an Investment Strategy Statement states that an Administering Authority should publish a report an annual report on voting activity. This report is part of the process of discharging that responsibility.

## 9. **APPENDICES**

**Appendix A** - LAPFF quarterly engagement report Q2 2023

**Appendix B** - The companies at which LAPFF voted during the quarter