

LONDON BOROUGH OF CAMDEN	WARDS: All
REPORT TITLE: Engagement Report	
REPORT OF: Executive Director Corporate Services	
FOR SUBMISSION TO: Pension Committee	DATE: 4 December 2023
SUMMARY OF REPORT: 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.	
Local Government Act 1972 – Access to Information No documents requiring to be listed were used in the preparation of this report: Contact Officer: Nigel Mascarenhas Head of Treasury and Financial Services Finance Corporate Services Dennis Geffen Annexe Camley Street London. N1C 4DG Telephone: 0207 974 1904 Email: nigel.mascarenhas@camden.gov.uk	
RECOMMENDATIONS: The Committee is requested to note the contents of this report	
Signed by Director of Finance Agreed Date: 22/11/2023	

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 September 2023.

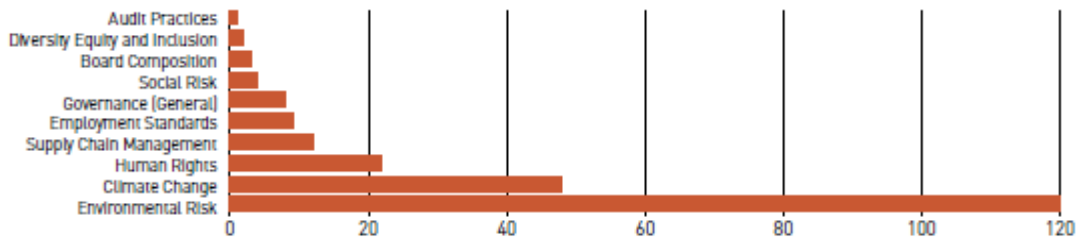
Quarterly Engagement Visual Data

- 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 Environmental Risk has been the subject of the most engagement, followed by Climate Change and Human Rights, with other issues such as Supply Chain Management and Employment Standards having lower levels of engagement over the quarter. With regards to activity, LAPFF sent 180 pieces of correspondence and met with companies on 19 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 6% of all outcomes however; 22% 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 15: Life on Land, SDG 13: Climate Action, SDG 11: Sustainable Cities and Communities, SDG 12: Responsible Production and Consumption, and SDG 10: Reduced Inequalities. This quarter was quite different from the previous quarter, where the focus was more around SDG 13: Climate Action, SDG 9: Industry, Innovation, and Infrastructure, SDG 12: Responsible Production and Consumption, and SDG 16: Peace, Justice and Strong Institutions.

TABLE 1

ENGAGEMENT DATA

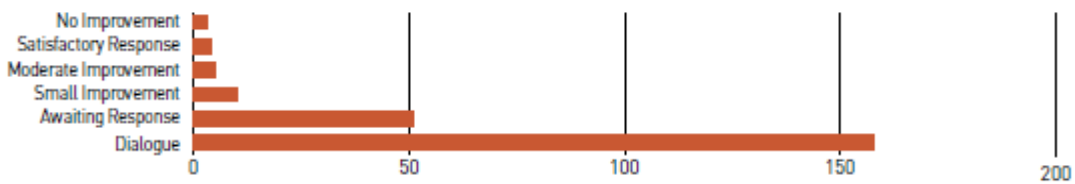
ENGAGEMENT TOPICS



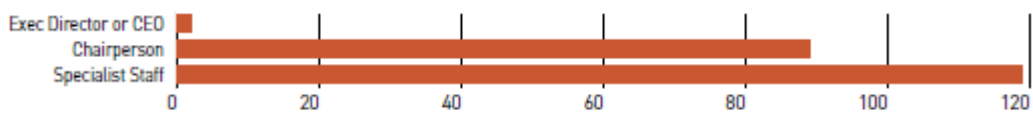
ACTIVITY



MEETING ENGAGEMENT OUTCOMES



POSITION ENGAGED



COMPANY DOMICILES

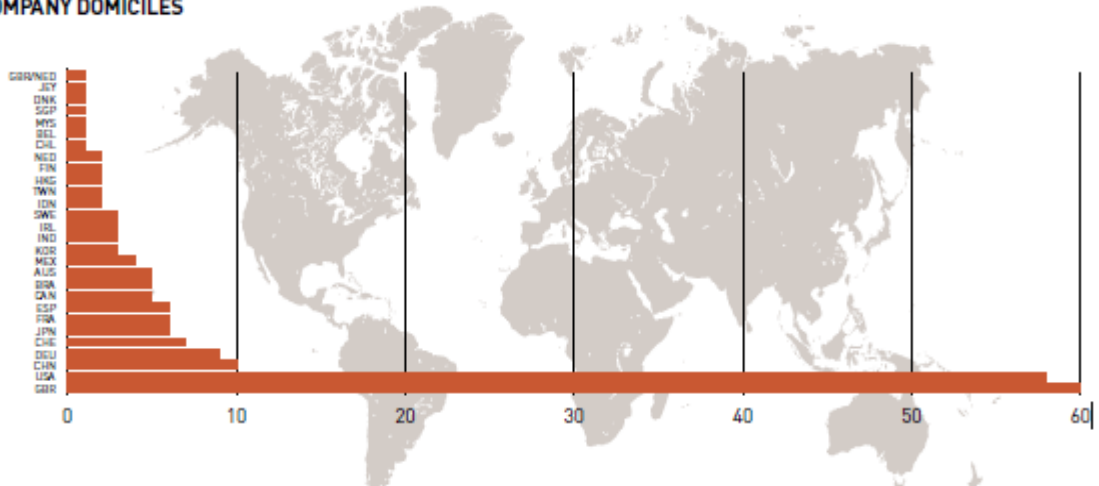
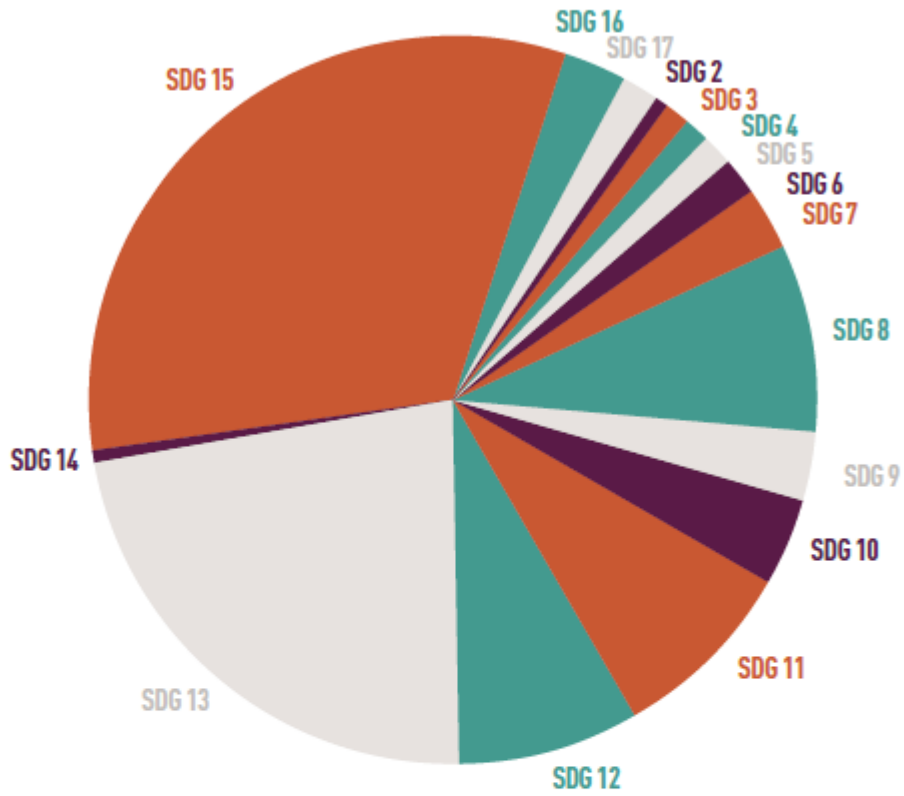


TABLE 2

ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS	
SDG 1: No Poverty	0
SDG 2: Zero Hunger	2
SDG 3: Good Health and Well-Being	4
SDG 4: Quality Education	4
SDG 5: Gender Equality	4
SDG 6: Clean Water and Sanitation	6
SDG 7: Affordable and Clean Energy	9
SDG 8: Decent Work and Economic Growth	27
SDG 9: Industry, Innovation, and Infrastructure	10
SDG 10: Reduced Inequalities	13
SDG 11: Sustainable Cities and Communities	27
SDG12: Responsible Production and Consumption	27
SDG 13: Climate Action	73
SDG 14: Life Below Water	2
SDG 15: Life on Land	106
SDG 16: Peace, Justice, and Strong Institutions	9
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	5

- 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 AGM and Business Meeting October 2023**
 - 2.1 The **Annual General Meeting (AGM)** reappointed Cllr McMurdo as chair with the Vice Chairs remaining also (Cllrs Chapman and Gray). Cllr Johnson from our Committee was also reappointed to the Executive. The Annual report was approved entitled "[Now more than ever](#)" with sections on Human Rights, Climate, the Just Transition, Policy and Regulation, Environment, Reliable Accounts and Stewardship.
 - 2.2 **Liability Driven Investment (LDI)** - this report follows the publication of the findings of two Parliamentary Committees, one the House of Lords, the other the House of Commons into the liability driven investment bond market crisis of September 2022.
 - 2.3 The rise in interest rates on 22 September 2022 was partly in response to the mini budget of 6 September. However, there was an inherent flaw in the LDI strategies going hand in hand. There was insufficient collateral to deal with the changes (falls) in bond values. As a result of the crisis, which was blamed on the mini budget, which was more of a catalyst than a root cause, two Parliamentary Committees began enquiries.
 - 2.4 The issues emerging from both committees are: herd behaviour, a lack of impact assessment and group think, revolving door recruitment, a defensive policy making processes and a conflicted HM Treasury (the growth in LDI led to captive domestic buyers of gilts).
 - 2.5 The report concluded that the LDI issues were ongoing and difficult. Accounting standards play a role in this. The marketing of these new products has driven herd behaviour. The LAPFF paper will need to be updated once the Department of Work and Pension (DWP) Committee has finished its inquiry into pensions.
 - 2.6 **Reliable accounts** - Tim Bush gave an update to the meeting. There are two main issues - first, whether accounts overstate assets and understate liabilities and linked to the going concern concept. Various parliamentary committees have looked at this over the years. Reform of the accounting model has been very slow. Counsel's opinion taken by LAPFF showed accounting standards did not comply with the Banking Act.
 - 2.7 **Meta and Myanmar** - This report looked at the role of Meta's (previously Facebook) algorithms in promoting violence against the Rohingya people in Myanmar. Meta's platform, Facebook, is cited by the UN as having played a 'determining role' in Myanmar, which led to the genocide of 25,000 people, alongside over 600,000 Rohingya's fleeing Myanmar's Rakhine state into Bangladesh.
 - 2.8 The rise of misinformation, hate speech, and incitement to violence through the platform highlights the potential dangers of Meta's algorithms, and that of technology companies more widely. These adverse human rights impacts have operational, reputational, legal, and financial consequences for the companies in question and for their investors.

- 2.9 Human rights issues are well documented in Myanmar, even more so since the 2021 Military coup d'état. This report focused only on the Meta and Rohingya issue, not other issues in the country, which LAPFF has already been engaging on.
- 2.10 The report recommended that LAPFF consider different avenues for engagement with Meta, including collaborative engagement. Failing successful engagement, LAPFF will consider voting recommendations against directors in future AGMs as an escalation strategy. LAPFF will undertake an analysis of how technology companies more widely could potentially cause, contribute to, or be directly linked to human rights abuses committed by governments.
- 2.11 **Asia Research engagement (ARE)** - LAPFF joined Asia Research and Engagement's Asia Collaborative Engagement Platform for Energy Transition in April 2021 after a report was presented at the LAPFF Business Meeting.
- 2.12 Until now, membership of this collaborative initiative has been free of charge. LAPFF was informed recently that ARE is seeking financial contributions from investors to replace funders that have exited, citing that these investor contributions would enable ARE to better scale engagements and strengthen its claims to represent investors in 2024.
- 2.13 The chargeable service does come with proposals to extend the engagement, past what is currently offered by the collaborations, and the organisation provides access to Asian companies that LAPFF might well not have access to otherwise. The meeting agreed to membership for one year with a review in January 2025.
- 2.14 **Rio Tinto Shareholder resolution** - A LAPFF initiated shareholder resolution and supporting statement requesting that Rio Tinto undertake independent water impact assessments at its mining operations has been drafted. This has been circulated to a range of stakeholders, including a couple of asset managers and some affected community groups, for comment. There was feedback on the resolution framing, and it appears that there is initial support for it. The meeting agreed to support the draft shareholder resolution to Rio Tinto calling for the company to undergo independent water impact assessments.

Q3 Quarterly engagement report

- 2.15 The Q3 Quarterly Engagement Report (QER) can be found in Appendix A, covering company engagements over the quarter. LAPFF welcomed its newest member, the ACCESS pool, bringing the membership to 87 LGPS funds and seven pooled companies.
- 2.16 LAPFF engaged with global insurers on approaches to decarbonisation and natural resources.
- 2.17 Mining and Human Rights engagements continued with Anglo American, BHP, Glencore, Rio Tinto, and Vale and with a new mining company, Grupo Mexico, as LAPFF was approached by community members affected by a 2014 leak at one of the company's tailings ponds in Sonora, Mexico.
- 2.18 LAPFF's chair, Cllr Doug McMurdo, met the chairs of three water companies to ensure that reputational risks and regulatory scrutiny around environmental performance were addressed.

- 2.19 LAPFF’s chair, Cllr Doug McMurdo, met the chairs of three water companies to ensure that reputational risks and regulatory scrutiny around environmental performance are being addressed.
- 2.20 LAPFF met with Volkswagen and Volvo Group, both for the first time, on the issue of critical mineral sourcing.
- 2.21 The LAPFF Chair also met the chair of Shell to discuss its unsatisfactory Energy Transition Plan.
- 2.22 LAPFF joined calls with Mizuho Financial Group, China Construction Bank (CCB), and Huaneng Power through Asia Research and Engagement’s Energy Transition Platform.
- 2.23 **Future meeting dates** are:

LAPFF Conference, 6 to 8 December 2023
 Business Meeting, Wednesday 31 January 2024
 Business Meeting, Wednesday 17 April 2024
 Business Meeting, Wednesday 12 July 2024
 Business Meeting & AGM, 16 October 2024

Table 3: Equity Holdings in relation to LAPFF’s Q3 2023 Company Engagements

2.24 LAPFF engaged 182 companies during the quarter.

Company	Harris (£000)	BG (£000)	L&G Future world (£000)	L&G Global (£000)	Total (£000)	Topic
3m			235	357	592	Environmental Risk
Abbvie			1,305	1,545	2,850	Environmental Risk
Aia		4,632	638	720	5,990	Environmental Risk
Ajinomoto			92	120	212	Environmental Risk
Alibaba Group	4,370	1,932	157	1,072	7,531	Environmental Risk
Alimentation Couche-Tard			116	253	369	Environmental Risk
Allianz	5,659		604	413	6,676	Environmental Risk
Alphabet	8,897	5,632	5,115	8,636	28,280	Diversity Equity and Inclusion
Amazon.Com	5,267	7,737	4,845	7,604	25,453	Environmental Risk
Amcors			60	91	151	Environmental Risk
Anglo American				240	240	Environmental Risk
Antofagasta				45	45	Climate Change
Apple			16,033	18,755	34,788	Diversity Equity and Inclusion
Aramark				66	66	Environmental Risk
Archer-Daniels- Midland			107	267	374	Environmental Risk
Asian Paints			145	111	256	Environmental Risk
Associated British Foods				61	61	Human Rights & Environmental Risk

Company	Harris (£000)	BG (£000)	L&G Future world (£000)	L&G Global (£000)	Total (£000)	Topic
Aston Martin Lagonda Global						Climate Change
Astrazeneca			849	1,484	2,333	Environmental Risk
Aviva			80	98	178	Environmental Risk
Axa			289	343	632	Environmental Risk
Bae Systems			103	252	355	Climate Change
Barclays		1,710	131	215	2,056	Climate Change
Barratt Developments				36	36	Climate Change
Barrick Gold			85	192	277	Environmental Risk
BASF			143	282	425	Environmental Risk
Bayer	5,866		489	653	7,008	Environmental Risk
Berkshire Hathaway	1,848		33	4,054	5,935	Environmental Risk
BHP Group			520	924	1,444	Environmental Risk
Booking Holdings			496	649	1,145	Human Rights
BP			277	709	986	Climate Change
Britannia Industries			49	44	93	Environmental Risk
Bunge				90	90	Environmental Risk
Burberry			58	71	129	Environmental Risk
Carrefour			31	74	105	Environmental Risk
Centrica			33	63	96	Social Risk & Climate Change
Charoen Pokphand Indonesia				31	31	Environmental Risk
China Construction Bank			33	362	395	Climate Change
China Life Insurance			59	92	151	Environmental Risk
China Mengniu Dairy				69	69	Environmental Risk
Colgate-Palmolive			398	428	826	Environmental Risk
Compagnie Financiere Richemont			80	185	265	Governance (General)
Conagra Brands			70	102	172	Environmental Risk
Corteva			202	265	467	Environmental Risk
Costco			783	1,540	2,323	Environmental Risk
CRH		3,862	91	286	4,239	Climate Change
Danone	2,711		181	247	3,139	Environmental Risk
DCC				39	39	Climate Change

Company	Harris (£000)	BG (£000)	L&G Future world (£000)	L&G Global (£000)	Total (£000)	Topic
Devon Energy			53	201	254	Environmental Risk
Dow			112	242	354	Environmental Risk
Essity			51	107	158	Environmental Risk
Fedex			158	373	531	Climate Change
Fmc			75	85	160	Environmental Risk
Ford Motor			220	385	605	Human Rights
Foshan Haitian Flavoring & Food				14	14	Environmental Risk
Freeport-Mcmoran			156	368	524	Environmental Risk
Fresnillo				10	10	Climate Change
GM			282	347	629	Human Rights
Glencore				497	497	Environmental Risk & Climate Change
Grupo Mexico			52	91	143	Governance (General) & Human Rights & Environmental Risk
H&M			46	75	121	Human Rights
Hormel Foods				74	74	Environmental Risk
HSBC			655	1,112	1,767	Climate Change
Huaneng Power International				17	17	Climate Change
Indofood Sukses Makmur				23	23	Environmental Risk
Inner Mongolia Yi Li Ind Co				28	28	Environmental Risk
International Paper			30	72	102	Environmental Risk
Itochu			60	350	410	Environmental Risk
J Sainsbury				41	41	Employment Standards
JBS				30	30	Environmental Risk
Johnson & Johnson			2,684	2,793	5,477	Environmental Risk
Kellogg			79	111	190	Environmental Risk
Kimberly-Clark			145	311	456	Environmental Risk
KKR & Co			111	232	343	Board Composition
Koninklijke (Royal) DSM			165	208	373	Environmental Risk
Koninklijke Ahold Delhaize			117	214	331	Environmental Risk
L&G			88	118	206	Environmental Risk
LG Chemical			140	161	301	Environmental Risk

Company	Harris (£000)	BG (£000)	L&G Future world (£000)	L&G Global (£000)	Total (£000)	Topic
Lloyds Banking			183	259	442	Environmental Risk & Climate Change
Loreal			571	704	1,275	Environmental Risk
Lowe's Companies			700	873	1,573	Environmental Risk
LVMH			1,035	1,516	2,551	Governance (General)
Marico				20	20	Environmental Risk
Marubeni				165	165	Environmental Risk
Mcdonald's			1,333	1,432	2,765	Environmental Risk
Melrose Industries				60	60	Climate Change
Mercedes-Benz Group	7,458		347	452	8,257	Human Rights
Merck & Co			1,981	1,902	3,883	Environmental Risk
Meta Platforms			2,989	4,113	7,102	Human Rights
Metlife				238	238	Environmental Risk
Microsoft		9,879	14,340	16,436	40,655	Governance (General)
Mitsui & Co			98	355	453	Environmental Risk
Mizuho Financial Group			249	248	497	Climate Change
Mondelez International			460	642	1,102	Environmental Risk
Mondi				52	52	Environmental Risk
Nan Ya Plastics			38	79	117	Environmental Risk
National Grid Gas			159	338	497	Climate Change
Natwest Group			59	116	175	Climate Change
Nestle			1,489	2,010	3,499	Climate Change & Environmental Risk
Novartis	2,580		1,207	1,054	4,841	Environmental Risk
Nutrien			86	192	278	Environmental Risk
Occidental Petroleum			68	266	334	Environmental Risk
OJI				20	20	Environmental Risk
Orica				28	28	Environmental Risk
Packaging Corporation Of America				77	77	Environmental Risk
Pepsico			1,238	1,654	2,892	Environmental Risk
Pfizer			1,288	1,345	2,633	Environmental Risk
Ping An Insurance Group				29	29	Environmental Risk

Company	Harris (£000)	BG (£000)	L&G Future world (£000)	L&G Global (£000)	Total (£000)	Topic
PPG Industries			181	226	407	Environmental Risk
Restaurant Brands International			90	152	242	Environmental Risk
Rio Tinto		1,401	97	483	1,981	Environmental Risk & Climate Change
Roche Holding			1,437	1,370	2,807	Environmental Risk
Rolls-Royce			40	113	153	Climate Change
Ryanair			37		37	Remuneration
Salesforce	4,153		1,022	1,297	6,472	Board Composition
Samsung Electro-Mechanics				38	38	Governance (General)
Severn Trent			41	57	98	Environmental Risk
Shell			482	1,439	1,921	Climate Change
Shinhan Financial Group			64	78	142	Board Composition
Sime Darby Plantation				19	19	Environmental Risk
Smurfit Kappa Group			38	61	99	Environmental Risk
Solvay				50	50	Environmental Risk
SSE			37	177	214	Climate Change & Governance (General)
Standard Chartered			89	143	232	Climate Change
Stora Enso				43	43	Environmental Risk
Suzano			40	38	78	Climate Change & Environmental Risk
Sysco				243	243	Environmental Risk
Taiwan Semiconductor		3,905	2,777	2,653	9,335	Governance (General)
Target			298	394	692	Environmental Risk
Taylor Wimpey				32	32	Climate Change
Tesla		4,289	2,716	4,674	11,679	Human Rights
The Kraft Heinz			136	183	319	Environmental Risk
The Kroger Co.	1,918		90	199	2,207	Environmental Risk
The Procter & Gamble			2,071	2,323	4,394	Environmental Risk
The Sherwin-Williams			272	410	682	Environmental Risk

Company	Harris (£000)	BG (£000)	L&G Future world (£000)	L&G Global (£000)	Total (£000)	Topic
The Tjx Companies			483	633	1,116	Environmental Risk
Ti Fluid Systems						Climate Change
Tongwei				10	10	Environmental Risk
Tyson Foods			40	92	132	Environmental Risk
Unilever			634	916	1,550	Governance (General) & Social Risk & Human Rights & Environmental Risk
United Utilities			47	58	105	Environmental Risk
Upm-Kymmene			59	105	164	Environmental Risk
Volkswagen			86	207	293	Human Rights
Volvo			250	119	369	Human Rights
Weyerhaeuser			133	159	292	Environmental Risk
WH Group				24	24	Environmental Risk
Whitbread			50	61	111	Employment Standards
Wilmar International				35	35	Environmental Risk
Woolworths			177	198	375	Environmental Risk
Yum! Brands			262	252	514	Environmental Risk
Zijin Mining Group				64	64	Environmental Risk
Zoetis			484	518	1,002	Environmental Risk
Zurich Insurance Group			416	429	845	Environmental Risk
Total	50,727	46,380	91,684	129,113	317,904	

3. Voting

- 3.1 A total of 2304 resolutions were voted upon (this may include non-voting items) across 158 meetings in the quarter. A summary is provided in the table below:

TABLE 4: VOTING

Vote	Occurrences	Proportion (%)
For	1523	66.1
Against	777	33.8
Withhold	0	0.0
Abstain	0	0.0
Non-Voting	4	0.1
Not Supported	0	0.0
Withdrawn	0	0.0
US Frequency Vote on Pay	0	0.0
Total	2304	100%

- 3.2 The vast majority of meetings occurred in the UK (148 out of 158). Resolutions on annual reports were 46% FOR, on Directors were 80% FOR, on Executive Pay were 4% FOR, and Dividends were 100% FOR.
- 3.3 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.
- 3.4 The companies at which LAPFF voted during the quarter are listed in **Appendix B** for information. More information can be provided upon request.

4. RESPONSIBLE INVESTOR COMMENT

- 4.1 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.

5. ENVIRONMENTAL IMPLICATIONS

- 5.1 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.

6. FINANCE COMMENTS OF THE EXECUTIVE DIRECTOR CORPORATE SERVICES

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

7. **LEGAL COMMENTS OF THE BOROUGH SOLICITOR**

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

8. **APPENDICES**

Appendix A - LAPFF quarterly engagement report Q3 2023

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