

LONDON BOROUGH OF CAMDEN	WARDS: All
REPORT TITLE: Engagement Report	
REPORT OF: Executive Director Corporate Services	
FOR SUBMISSION TO: Pension Committee	DATE: 10 July 2024
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	
Executive Director Corporate Services Agreed
Date: 27/06/2024

1. LOCAL AUTHORITY PENSION FUND FORUM (LAPFF)

- 1.1 The Local Authority Pension Fund Forum (LAPFF) is a voluntary association of 87 local authority pension funds and 7 Local Government Pension Scheme (LGPS) pools, with combined assets of over £350bn. 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 31 March 2024.

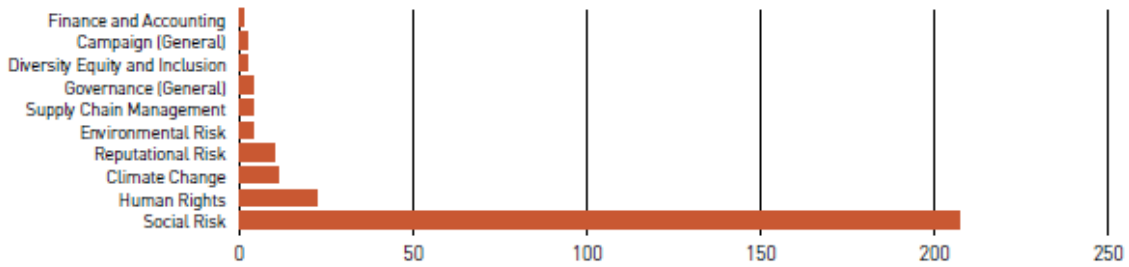
Quarterly Engagement Visual Data

- 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 charts present data on: topic, activity, outcomes, position engaged and company domiciles.
- 1.5 Social risk has been the subject of the most engagement, followed by Human Rights and Climate change. There were over 120 pieces of correspondence sent and over 90 letters received back. Most of the companies engaged with were UK based although US, Canadian, Swiss and French companies also featured.
- 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) in 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 1, 16 and 17. Climate Action, SDG 15: Life on Land, and SDG 12: Responsible Production and Consumption.

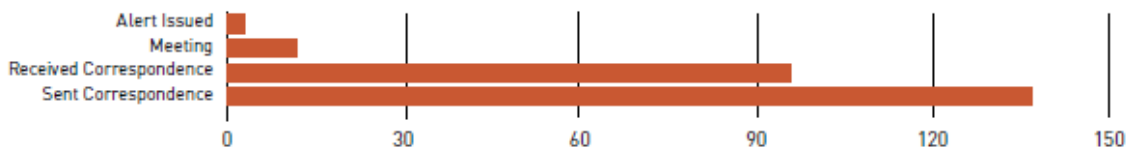
TABLE 1

ENGAGEMENT DATA

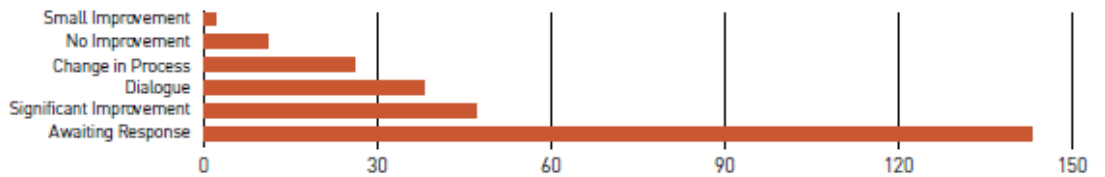
ENGAGEMENT TOPICS



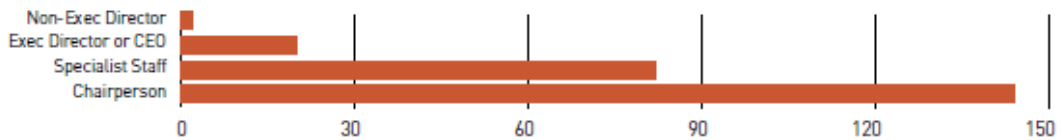
ACTIVITY



MEETING ENGAGEMENT OUTCOMES



POSITION ENGAGED



COMPANY DOMICILES

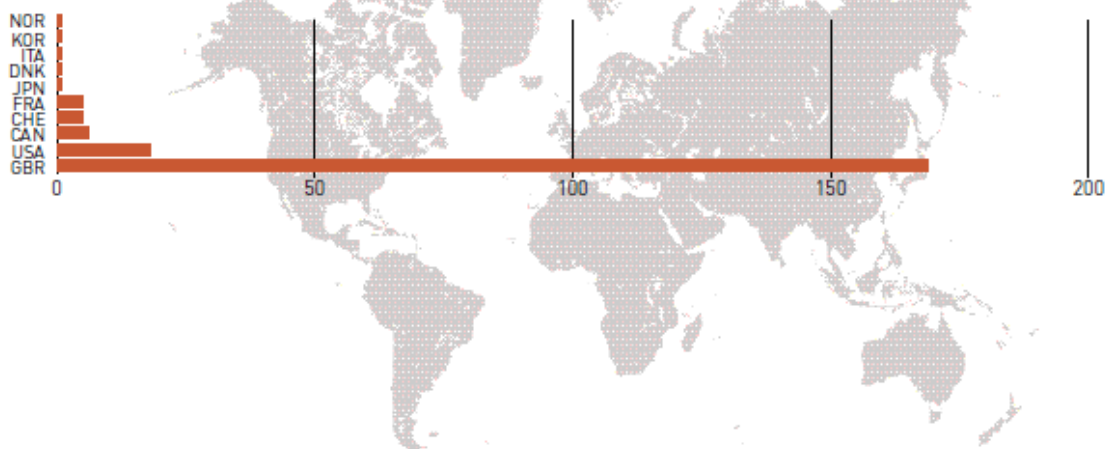
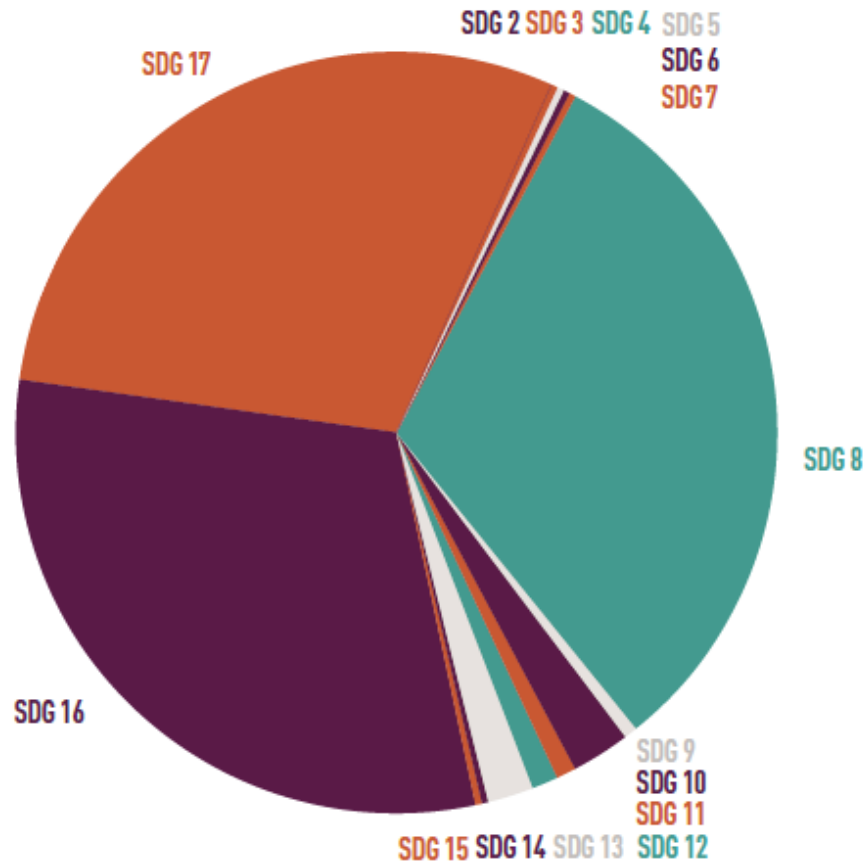


TABLE 2

ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS

SDG 1: No Poverty	0
SDG 2: Zero Hunger	1
SDG 3: Good Health and Well-Being	2
SDG 4: Quality Education	0
SDG 5: Gender Equality	2
SDG 6: Clean Water and Sanitation	1
SDG 7: Affordable and Clean Energy	2
SDG 8: Decent Work and Economic Growth	220
SDG 9: Industry, Innovation, and Infrastructure	5
SDG 10: Reduced Inequalities	18
SDG 11: Sustainable Cities and Communities	6
SDG 12: Responsible Production and Consumption	7
SDG 13: Climate Action	13
SDG 14: Life Below Water	2
SDG 15: Life on Land	3
SDG 16: Peace, Justice, and Strong Institutions	213
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	206

1.7 The **Quarterly Engagement Report** for the quarter ended March 2024 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 April 2024

Transition v Disruptive replacement - Steel

- 2.1 This paper focussed on options and implications for decarbonisation of steel production and steel recycling. Traditional steel making is coke based whereas there are various aspects to green or carbon free steel. The results of the report will be used for engagement with Arcelor Mittal, SSAB (a Swedish steel supplier), Thyssen Krupp and Vesuvius. The paper concluded that central to decarbonising steel is availability of low-cost carbon free electricity.
- 2.2 Steel production is a major contributor to greenhouse gas emissions comprising approximately 8% of total global emissions. LAPFF policy is that the fossil fuel sector needs to be placed into managed decline and recognises that nature-based solutions (e.g. more tree cover to absorb carbon dioxide) should be for the residual hard to abate sectors, such as cement production.
- 2.3 The steel sector is proving to be disruptive. LAPFF has engaged with Arcelor Mittal via Climate Action 100+ for a number of years. However, more progress appears to be occurring with Thyssen Krupp and Swedish steel maker SSAB on a convincing disruptive route.
- 2.4 There are two initial steps to be replaced in steel production: removal of oxygen from iron oxide and then melting the iron and alloying it with other metals. This product then needs to be “formed”. All these three stages require energy.
- 2.5 An alternative to coal reduction of iron ore using carbon (which creates the greenhouse gas carbon dioxide) is the use of hydrogen which creates the by-product of water. This has an added advantage that the reduction can occur at lower temperatures which therefore requires less energy.
- 2.6 This solution has existed for decades, however the method of producing hydrogen has used fossil fuels in the past. The disruptive technology is the method of hydrogen production via electrolysis using renewable electricity.
- 2.7 Recycling of scrap steel will also be important going forwards from ships, white goods, cars etc. EU policy refers to general to the concept of the “circular economy” i.e. recycling as much as possible.
- 2.8 Although capital expenditure on disruptive technology may be less than traditional steel making, existing steel plants have a sunk cost, hence the timescale for replacement would be expected to follow the life of the depreciating asset.
- 2.9 The report sets out that the use of terms such as “green steel” by some large producers which is questionable if the whole process is really understood. Arcelor Mittal makes claims about green steel but is still using furnaces.
- 2.10 There were three remaining large-scale producers in the UK:
 - Redcar – British Steel – gone, site being redeveloped. One arc furnace to bring back production, announced December 2023.

- Scunthorpe. – British Steel – announced November 2023 that blast furnace will close. Will be replaced by one electric arc furnace in Scunthorpe, the other in Teeside, Redcar, above
- Port Talbot – TATA – closure of blast furnaces announced January 2024. One electric arc furnace is to be built on same site.

2.11 Given that recycled steel is a growth market and the UK does not have low cost electricity necessary for the production of full process green steel then the presence of recycled steel would seem to be economically inevitable, bar subsidy, or future cheaper green power.

LAPFF Voting alerts and Pass-Through Voting (PTV)

2.12 The Camden Fund was the first Fund to use pass-through voting offered by Tumelo working with Legal and General. LAPFF policy is to encourage fund managers to offer asset owners invested in pooled funds the opportunity to exercise their own voting choices.

2.13 Until recently pooled funds have not offered asset owners the opportunity for pass-through voting (PTV). The advent of new platforms and technology is starting to emerge and change this.

2.14 LAPFF issues several voting alerts each year. With the development of PTV services, there is the opportunity for LAPFF to support its members vote in line with LAPFF voting alerts in pooled funds.

2.15 This could help increase LAPFF's voice and deliver better outcomes for members.

2.16 The report outlines PTV services Tumelo is providing for LGIM passive funds, with other fund managers potentially likely to offer similar services in the future.

2.17 The report sets out how this could be operationalised for LAPFF voting alerts.

2.18 The report agreed to:

- provide support to members that wanted to vote in line with LAPFF voting alerts in pooled funds
- LAPFF's research and engagement partner's remit to provide LAPFF voting alerts includes the operationalisation of PTV,
- LAPFF produce a short guide for members about PTV and LAPFF voting alerts

Workplan – member input and finalisation

2.19 Two funds provided written input for consideration for the draft work plan: West Midlands and the Environment Agency.

2.20 Where members consider extra work should be done for the workplan throughout the year, or where new areas of focus arise outside the existing workplan, scoping papers will be produced providing background research alongside an assessment of the amount of work and other resources that might be needed to undertake these engagements.

2.21 The work plan follows last year's structure. Climate risk continues to feature prominently – in respect of supply and demand for hydrocarbons and the need for credible transition plans. The climate risk sections have been updated and

revised to align with current market practices and LAPFF's latest perspectives on specific issues.

- 2.22 Given the importance and risks associated with biodiversity and natural resource management, these issues now have their own subsection, with additional information outlining LAPFF's objectives for the upcoming year.
- 2.23 Reflecting and building on the work LAPFF is undertaking and current geopolitical developments, the scope of work concerning human rights has been broadened to include a greater focus on humanitarian considerations and conflict affected areas.
- 2.24 Executive remuneration has been given more focus in this version, with specific work intended to address issues on this topic.
- 2.25 Considerations on artificial intelligence have been further developed in different subsections, looking at potential human rights impacts, and governance issues.

Task Force on Climate-related Financial Disclosures (TCFD)

- 2.26 In September 2022, the Government consulted on climate change reporting in the LGPS, with the intention to require LGPS schemes to report on climate change risks, using the TCFD1 framework, and so bringing them in line with larger private sector pension schemes. Although the government has yet to formally provide a response or implement this requirement, it is widely expected to do so.
- 2.27 In light of this, and/or in response to stakeholder pressure, many LGPS funds and pools have either started climate risk reporting or are considering how they would in practice be able to meet the needs of the requirements.
- 2.28 The reporting requirements envisaged are extensive, largely reflecting the TCFD framework but potentially with additional requirements or clarifications. Key elements of the report are expected to include:
 - Governance
 - Strategy
 - risk management, including the use of scenario analysis with one scenario reflecting the ambition of the Paris agreement (limiting warming to below 2 degrees)
 - metrics and targets for the assessment and management of climate risks and opportunities, including calculation of the carbon footprint of the fund's assets, and engagement activities, including LAPFF reporting.
- 2.29 It was agreed that LAPFF would produce a guidance paper for LGPS funds on meeting the expected disclosure requirements. The report would provide details of the reporting requirements, optional aspects of reporting and maximising the value of the report, examples of best practice, and practical suggestions for evaluating and working with partners on the reporting.

All-Party Parliamentary Group (APPG) on Local Authority Pension Funds

- 2.30 The APPG has been running since 2015 and has been successfully engaging policymakers on issues of importance to LAPFF's workplan and the LGPS. This has included meetings with LGPS ministers.

- 2.31 New rules governing APPGs have been introduced to clamp down on foreign interference in parliamentary business. These rules are incrementally being introduced to make it harder to establish and maintain APPGs, and will impact smaller APPGs, such as LAPFF's.
- 2.32 This issue has been discussed between the APPG secretariat and chair, and it will be incredibly hard for the APPG to continue. Therefore, the APPG will need to deregister.
- 2.33 However, others in similar situations are seeking to continue the work of APPGs through Westminster Forums. The current APPG chair, Clive Betts MP, has agreed to chair a Westminster Forum on Local Authority Pension Funds.
- 2.34 The important work of the APPG would therefore continue under difference auspices. It would remain cross party and enable LAPFF to engage parliamentarians and policymakers on issues important to the Forum.
- 2.35 The work of the APPG will therefore continue under the auspices of a new Local Authority Pension Fund Westminster Forum.
- 2.36 LAPFF will again this year run a **mid-year conference** after their business meeting on 10 July at Church House, Westminster, SW1 (12.30-6pm). Topics planned, include sessions on a fair and just transition, climate risk modelling, the challenges facing Boeing, Conflict-affected and high-risk areas and the risks and opportunities facing banks with the head of climate change at HSBC. The programme is available on the LAPFF website and Members can access it [here](#).

3. COMPANY ENGAGEMENTS

- 3.1 The Quarterly Engagement Report (QER) can be found in Appendix A, covering company engagements over the quarter ended March 2024.

Banks and Climate Change – Barclays and HSBC

- 3.2 Banks have a significant role to play in addressing climate change, through providing finance to the energy transition and by moving capital away from the fossil fuel sector, as well as using their influence more widely as lenders to support and encourage companies to transition. From the perspective of the banks, financing the energy transition represents a significant and growing business opportunity, while lending to the fossil fuel sector carries with it the risks of "stranded assets" and potential reputational damage.
- 3.3 LAPFF's objective in engaging with the sector is to see banks developing and implementing clear policies, together with evidence of progress, in the following areas:
- 3.4 • Support for the energy transition through financing activities supporting renewable and clean energy, energy efficiency and other climate solutions.
- 3.5 • Managing and scaling down exposure to the fossil fuel industry, particularly in regard to long term and new projects and activities.
- 3.6 • A clear commitment to assessing all relevant client businesses on their exposure to climate change, assessment, and support on developing transition plans and activities, including appropriate assessment of key risk areas.

- 3.7 LAPFF has been seeking to improve the disclosure and accountability on direct and indirect lobbying of National Grid (Fund holdings of £0.495m managed by L&G Global and Future World). In November, LAPFF and the Church of England wrote to the company stating their expectations for its upcoming lobbying report. LAPFF was happy to discuss the transition plan to be published next year, this is likely to be updated next year and will be put to a shareholder vote. LAPFF also encouraged the company to look at how they can facilitate new infrastructure to be built and the company's wider role in the energy transition. The company recognises the challenge in reaching long-term targets of net zero by 2040.
- 3.8 LAPFF attended a meeting with the Chair of BP (Fund holdings of £0.945m managed by L&G Global and Future World), Helge Lund, in November and were told that the departure of Chief Executive Bernard Looney had not changed BP's climate commitments (including the transition away from fossil fuels and net-zero by 2050).
- 3.9 LAPFF met with representatives from Persimmon (Fund holdings of £0.41m managed by L&G Global) to discuss target setting covering issues around embodied carbon, transition planning and so-called hard to abate sectors within the supply chain, trial schemes for net-zero homes and engagement with smaller suppliers on the transition.
- 3.10 TJX Companies (Fund holdings of £1.241m managed by L&G Global and Future World) is exposed to various commodities linked to deforestation in its supply chain, it currently lacks a public deforestation policy and doesn't address this issue in its vendor code of conduct. LAPFF have met with TJX Companies for the first time to discuss the development of such a policy. Cllr Johnson took part in this meeting as part of the Executive.
- 3.11 LAPFF met with Nestlé (Fund holdings of £3.332m managed by L&G Global and Future World) to gain insights into the strategies and initiatives involved in implementing regenerative agriculture. The conversations indicated a strong commitment from Nestlé, further evaluation will be required in the future to gauge the impacts of strategies. Cllr Johnson took part in this meeting as part of the Executive.
- 3.12 The initial engagement objective for Chipotle's (Fund holdings of £0.725m managed by L&G Global and Future World) approach to water stewardship was met during 2022. In October 2023, CERES published a corporate benchmark assessing the water stewardship practices of 72 companies against the six corporate expectations for valuing water, Chipotle underperformed relative to the Quick Service Restaurant (QSR) peer group. LAPFF have met with the company in December to discuss progress in adopting a more ambitious approach to its water stewardship.
- 3.13 Human Rights Engagements
- 3.14 Companies Glencore (Fund holdings of £2.327m managed by Harris and L&G Global) and Grupo Mexico (Fund holdings of £0.165m managed by L&G Global and Future World) were the focus for engagement this quarter. LAPFF is of the view that in the coming year Glencore is likely to be the target of a concerted union and community campaign due to its human rights and environmental practices. LAPFF have reached out to the company for a follow up meeting to discuss stakeholder concerns and to push the company to build and disclose stronger stakeholder engagement mechanisms and climate practices.

- 3.15 Heather Johnson, executive member of LAPFF, met with SAP (Fund holdings of £1.014m managed by Harris) facing specific risks related to AI, including products which support HR functions. The discussion focused on how the company was managing the risks of adverse human rights impacts and the company has set out the framework and processes in place for preventing negative impacts.
- 3.16 LAPFF has maintained ongoing dialogues with Ford (Fund holdings of £0.497m managed by L&G Global and Future World), Renault (Fund holdings of £0.052m managed by L&G Global) and Mercedes (Fund holdings of £4.807m managed by Harris, L&G Global and Future World), all of which have shown notable progress in their human rights management processes and efforts to comply with regulations.
- 3.17 LAPFF continues to find great value in engaging with community groups affected by mining company operations. LAPFF held their first in-person meeting since the pandemic with those affected by Glencore operations in Columbia and Peru. LAPFF will continue to seek to clarify the link between human rights and financial materiality in its engagements with both companies and investors.
- 3.18 LAPFF continued to work closely with the Investor Alliance for Human Rights, both in relation to the Uyghur Group and in relation to conflict-affected and high-risk areas.
- 3.19 Governance Engagement
- 3.20 LAPFF met with the Chair of Barclays (Fund holdings of £0.347m managed by L&G Global and Future World), Nigel Higgins in October to discuss the ban of former executive Jes Staley and to discuss the actions the bank had taken including freezing deferred bonuses to Stanley at the time of investigation. LAPFF will be monitoring the governance going forward as the company have said they have strengthened their board recruitment practices and have remained vigilant. LAPFF have also requested an update of Barclay's climate policy and have arranged to have a meeting on this topic separately.

3.21 Future meeting dates are:

Business Meeting, Wednesday 10 July 2024

Business Meeting & AGM, 16 October 2024

LAPFF Mid-Year conference 10 July Church House, Westminster, SW!

LAPFF Annual Conference 4-6 December 2024

TABLE 3: EQUITY HOLDINGS IN RELATION TO LAPFF'S Q1 2024 COMPANY ENGAGEMENTS

3.22 LAPFF engaged 35 companies during the quarter.

Company	Harris (£000)	BG (£000)	L&G Future World (£000)	L&G Global (£000)	TOTAL (£000)	Topic
ABB LTD			306	447	753	Campaign (General)
ABBVIE INC			1,815	2,122	3,937	Environmental Risk
AP MOLLER - MAERSK AS			0	57	57	Human Rights
APPLE INC			13,317	16,513	29,830	Human Rights
BAE SYSTEMS PLC			176	346	522	Human Rights
BANK OF MONTREAL			555	466	1,021	Climate Change
BANK OF NOVA SCOTIA			409	413	822	Climate Change
BURBERRY GROUP PLC			37	36	73	Human Rights
CANADIAN IMPERIAL BANK OF COMMERCE			315	303	618	Climate Change
CATERPILLAR INC.			610	1,235	1,845	Human Rights
COMPAGNIE FINANCIERE RICHEMONT SA			101	239	340	Human Rights
EQUINOR ASA			42	159	201	Climate Change
FUJITSU LTD			200	195	395	Governance (General)
HERMES INTERNATIONAL			327	581	908	Human Rights
HSBC HOLDINGS PLC			610	993	1603	Climate Change
J SAINSBURY PLC			0	40	40	Campaign (General)

Company	Harris (£000)	BG (£000)	L&G Future World (£000)	L&G Global (£000)	TOTAL (£000)	Topic
KERING SA	2,859		180	188	3,227	Human Rights
KKR & CO INC			196	441	737	Diversity Equity and Inclusion
LENNAR CORPORATION			157	287	444	Climate Change
LOCKHEED MARTIN CORPORATION				649	649	Human Rights
LVMH (MOET HENNESSY - LOUIS VUITTON) SE		926	982	1,481	3,389	Human Rights
MONCLER SPA			94	103	197	Human Rights
NATIONAL GRID PLC			148	333	481	Climate Change
NESTLE SA			1,799	1,290	3,089	Environmental Risk
OCCIDENTAL PETROLEUM CORPORATION			71	295	366	Climate Change
RIO TINTO PLC			67	453	520	Environmental Risk
ROYAL BANK OF CANADA			982	937	1,919	Climate Change
RTX CORP			0	0	0	Human Rights
SHINHAN FINANCIAL GROUP LTD			95	108	203	Diversity Equity and Inclusion
STARBUCKS CORPORATION			655	671	1,326	Human Rights
THALES			44	113	157	Human Rights
THE BOEING COMPANY			472	720	1,192	Governance (General)
THE TORONTO-DOMINION BANK			693	709	1,402	Climate Change

Company	Harris (£000)	BG (£000)	L&G Future World (£000)	L&G Global (£000)	TOTAL (£000)	Topic
TYSON FOODS INC			108	46	154	Human Rights
UNITED UTILITIES GROUP PLC		1,017	56	58	1,131	Finance and Accounting
TOTAL	2,859	1,943	25,619	33,027	63,448	

4. VOTING

- 4.1 A total of 1,406 resolutions were voted upon (this may include non-voting items) across 124 meetings in the quarter. A summary is provided in the table below:

TABLE 4: VOTING

Vote	Occurrences	Proportion (%)
For	907	64.51
Against	481	234.21
Withhold	3	0.21
Abstain	4	0.28
Non-Voting	8	0.57
Not Supported	0	0.00
Withdrawn	0	0.00
US Frequency Vote on Pay	3	0.21
Total	1,406	100%

- 4.2 The vast majority of meetings occurred in the UK & British Overseas (104 out of 124). Resolutions on annual reports were 41% FOR, on Directors were 71% FOR, on Executive Pay were 17% 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. Further details are published quarterly here: [Pensions - Camden Council](#) (navigate to the Voting Information section).

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 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 Q1 2024

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