

LONDON BOROUGH OF CAMDEN	WARDS: All
REPORT TITLE: Engagement Report	
REPORT OF: Executive Director Corporate Services	
FOR SUBMISSION TO: Pension Committee	DATE: 19 September 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:	
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RECOMMENDATIONS: The Committee is requested to note the contents of this report	
Signed by	
Executive Director Corporate Services Agreed
Date: 29/08/2024

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 30 June 2024.

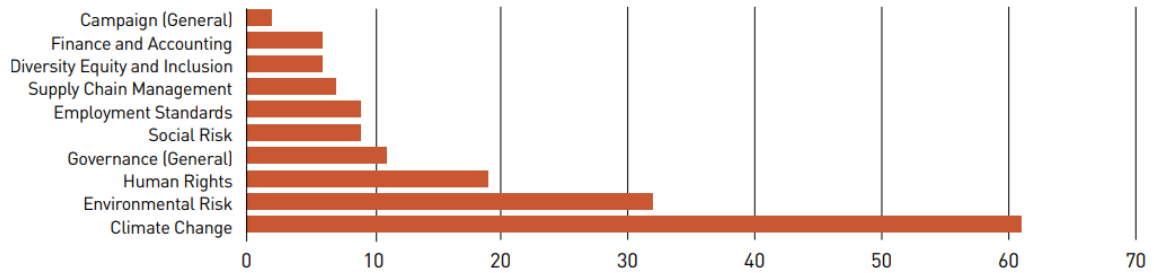
Quarterly Engagement Visual Data

- 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 Climate change and Environmental Risk have been the subject of the most engagement, followed by Human Rights and general Governance. Most of the companies engaged with were UK based although US, Canadian, Swiss and Danish 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 13 (Climate Action), SDG 16 (Peace, Justice & Strong Institutions) and SDG 12 (Responsible Production & Consumption) followed by SDG 11 (Sustainable Cities and Communities) and SDG 9 (Industry, Innovation and Infrastructure).

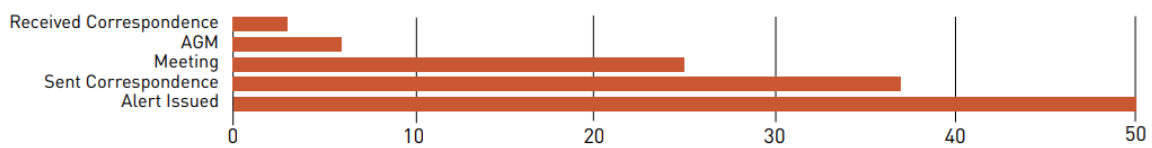
TABLE 1

ENGAGEMENT DATA

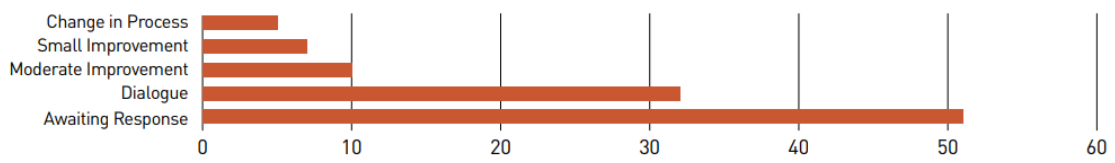
ENGAGEMENT TOPICS



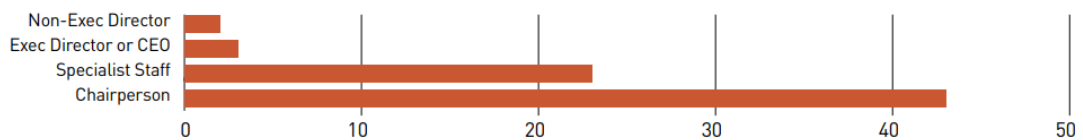
ACTIVITY



MEETING ENGAGEMENT OUTCOMES



POSITION ENGAGED



COMPANY DOMICILES

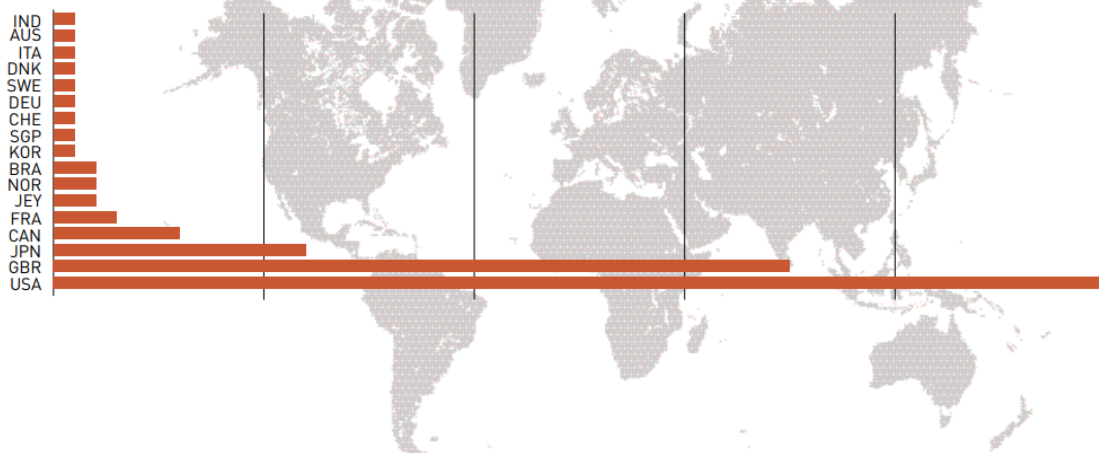
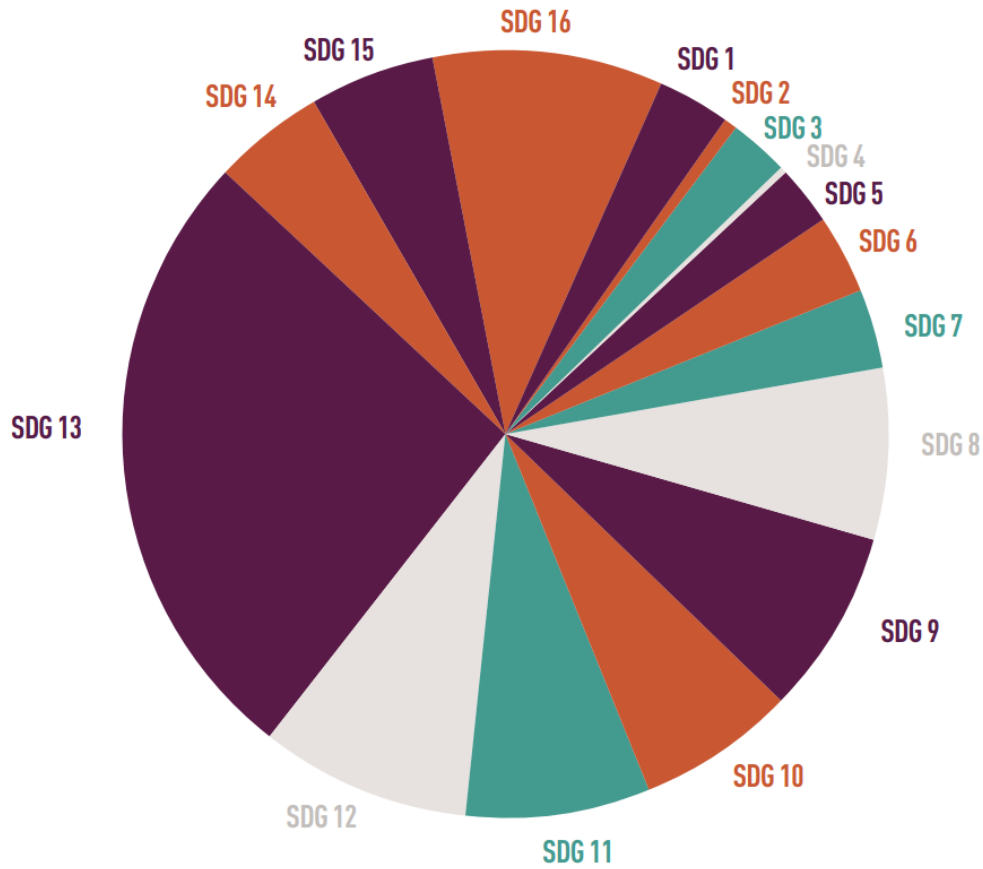


TABLE 2

ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS

SDG 1: No Poverty	8
SDG 2: Zero Hunger	1
SDG 3: Good Health and Well-Being	6
SDG 4: Quality Education	1
SDG 5: Gender Equality	6
SDG 6: Clean Water and Sanitation	8
SDG 7: Affordable and Clean Energy	8
SDG 8: Decent Work and Economic Growth	17
SDG 9: Industry, Innovation, and Infrastructure	19
SDG 10: Reduced Inequalities	16
SDG 11: Sustainable Cities and Communities	19
SDG 12: Responsible Production and Consumption	21
SDG 13: Climate Action	64
SDG 14: Life Below Water	11
SDG 15: Life on Land	13
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 the quarter ended June 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. **COMPANY ENGAGEMENTS**

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

Nature Stewardship - Nature Action 100 & Biodiversity

- 2.2 LAPFF continued its engagement efforts focusing on **Nature Stewardship**, driven by the critical importance of nature and biodiversity for the sustainability of the natural environment and the long-term viability of capital markets. Natural capital, which includes ecosystems and biodiversity, underpins the global economy and is highly dependent on natural resources. The degradation of these assets poses significant financial risks.
- 2.3 LAPFF has engaged through **Nature Action 100** with companies such as **AbbVie, Merck & Co, Procter & Gamble**, and **Novo Nordisk** to understand how companies assess and manage their impacts on nature and biodiversity. These efforts align with the regulatory frameworks, such as the **Kunming-Montreal Global Biodiversity Framework**, established during COP15 in 2022.
- 2.4 LAPFF seeks to ensure that companies have clear, measurable goals to address nature loss and biodiversity decline, which will continue to be a critical engagement area.

Water Stewardship

- 2.5 LAPFF engaged with **UK water companies** to address issues related to water management, particularly focusing on storm overflows and environmental sustainability.
- 2.6 Key engagements were held with **United Utilities** and **Pennon Group**. Both companies outlined their plans to reduce storm overflows by 2025 as part of their environmental objectives and infrastructure improvements. LAPFF will continue to monitor progress on these plans, ensuring that companies deliver on their commitments and that these efforts provide value to shareholders and stakeholders alike.

Climate Action and Banking - HSBC and Canadian Banks

- 2.7 LAPFF extended its engagement efforts with banks, focusing on the risks associated with climate-related lending. The engagement aimed to encourage financial institutions to phase out their financing of fossil fuel projects and increase their support for renewable energy projects.
- 2.8 LAPFF met with **HSBC** to discuss its transition plan, which outlines its commitments to climate change and energy transition, with particular attention to opportunities in Asia. Further engagement will be sought to monitor how well these plans are being implemented.
- 2.9 LAPFF also expanded its focus to Canadian banks, engaging with institutions such as **Toronto Dominion, Royal Bank of Canada**, and **Bank of Montreal**, to discuss their climate transition plans. These banks have been slower to align

with global best practices, and LAPFF is pushing for more stringent climate-related policies.

Corporate Governance and Human Rights

- 2.10 LAPFF engaged with **Nestlé**, focusing on its strategies and initiatives to implement regenerative agriculture practices. While progress has been made, LAPFF will continue to assess the impact of these initiatives to ensure long-term sustainability.
- 2.11 LAPFF also held its first engagement with **Chipotle**, focusing on water stewardship. Chipotle's water-related policies were discussed in the context of the **CERES corporate benchmark**, and LAPFF aims to support the company in developing more ambitious water stewardship targets.
- 2.12 **TJX Companies**, which faces supply chain risks linked to deforestation, engaged with LAPFF to discuss developing a robust public deforestation policy. LAPFF continues to advocate for responsible supply chain management, particularly for companies at high risk of environmental impacts.

Mining and Human Rights

- 2.13 LAPFF engaged with mining companies such as **Glencore** and **Grupo Mexico** on their human rights and environmental practices. LAPFF highlighted the potential for human rights campaigns to target these companies due to their ongoing challenges in managing environmental and community relations. Engagements with these companies are ongoing, with a focus on improving stakeholder engagement and climate practices.
- 2.14 **SAP** was another key company LAPFF engaged with, focusing on risks related to the use of artificial intelligence (AI) in human resources functions. The discussions revolved around the company's framework for managing human rights risks, particularly in relation to AI, and LAPFF will continue to monitor these risks.
- 2.15 LAPFF remains committed to engaging companies in various industries to promote responsible corporate governance, environmental sustainability, and human rights. The Forum will continue to push for transparent reporting, improved due diligence, and clear targets in these areas.

3. LAPFF BUSINESS MEETING July 2024

Business meetings provide members with updates on overall engagement activity over the previous quarter as well as hearing from LAPFF executive members on specific company engagements. These meetings also enable members to debate current initiatives and help shape new proposals. The programme often includes a presentation from an external speaker on a responsible investment topic related to the work plan or member interests.

Several key discussion points from the meeting include the following:

Conflict affected and High-Risk Area (CAHRA) Background

- 3.1 Increasing calls for engagement: LAPFF members are being urged to engage with companies operating in conflict-affected and high-risk areas (CAHRAs) due to the unique operational, reputational, legal, and financial risks involved.
- 3.2 Heightened Due Diligence: Companies in these regions must follow heightened human rights and environmental due diligence (hHREDD) as outlined by the

UN Guiding Principles on Business and Human Rights (UNGPs). This includes assessing impacts on both human rights and conflicts.

- 3.3 **Investor Risks:** Investors should identify red flags that signal the emergence of conflict zones to mitigate legal liabilities and reputational risks.
- 3.4 **Engagement Focus:** LAPFF has started engaging with companies in conflict areas to better understand their risk management. Ongoing engagements include those with Maersk, defence companies, and others as part of the Investor Alliance for Human Rights (IAHR) project. This project involves organizations like the Local Authority Pension Fund Forum (LAPFF) engaging with companies operating in conflict-affected areas to better understand and manage human rights risks. This engagement aims to ensure that these companies adhere to high standards of human rights due diligence, especially in challenging environments
- 3.5 **Recommendations:** LAPFF will continue its existing engagements and send a letter to FTSE 100 companies asking about their hHREDD processes related to CAHRAs.

Transition and Cement

- 3.6 **Cement Industry Emissions:** Cement production is responsible for approximately 8% of global CO₂ emissions. Emissions come not only from energy use but also from the unavoidable chemical process of breaking down calcium carbonate (limestone).
- 3.7 **Decarbonization Challenges:** Unlike other sectors that can substitute processes or materials, carbon capture and storage (CCS) is one of the only viable options for reducing cement emissions.
- 3.8 **Engagement Opportunities:** Cemex and Heidelberg offer engagement opportunities, particularly around the feasibility of CCS in their operations.
- 3.9 **CCS Development:** Heidelberg aims to have a functional CCS plant in Norway by late 2024. This project is a key opportunity for investors to observe progress in non-fossil fuel-related CCS.
- 3.10 **Cost Challenges:** A key issue in cement production is how the additional cost of CCS and switching power sources will be absorbed by the industry and passed on to consumers.

3.11 Future meeting dates are:

Business Meeting & AGM, 16 October 2024

LAPFF Annual Conference 4-6 December 2024

TABLE 3: EQUITY HOLDINGS IN RELATION TO LAPFF'S Q2 2024 COMPANY ENGAGEMENTS

3.12 LAPFF engaged 101 companies during the quarter. The following table shows Camden's holdings in the companies that were engaged.

Company	Harris (£000)	BG (£000)	L&G Future World (£000)	L&G Global (£000)	TOTAL (£000)	Topic
ABBVIE INC			1,636	2,091	3,727	Environmental Risk
ALPHABET INC	4,313	4,195	7,029	13,508	29,045	Human Rights
ALTRIA GROUP INC.			528	576	1,104	Environmental Risk
AMAZON.COM INC.	1,497	7,241	6,019	12,282	27,039	Climate Change
AMERICAN EXPRESS COMPANY			914	904	1,818	Climate Change
ANGLO AMERICAN PLC						Governance (General)
AP MOLLER - MAERSK AS				83	83	Governance (General)
BAE SYSTEMS PLC			163	19	182	Governance (General)
BANK OF AMERICA CORPORATION	3,549		1,527	1,844	6,920	Climate Change
BANK OF NOVA SCOTIA			343	381	724	Climate Change
BARCLAYS PLC			184	18	202	Climate Change
BERKSHIRE HATHAWAY INC.			41	5026	5,067	Climate Change
BHP GROUP LIMITED (AUS)			510	914	1,424	Campaign (General)
BRITISH AMERICAN TOBACCO PLC			279	35	314	Environmental Risk
BURBERRY GROUP PLC				3	3	Human Rights
CAPITAL ONE FINANCIAL CORPORATION	3,148		219	356	3,723	Climate Change
CENTENE CORP	2,591		195	235	3,021	Climate Change
CENTERPOINT ENERGY INC			67	129	196	Climate Change
CENTRAL JAPAN RAILWAY CORP			48	154	202	Diversity Equity and Inclusion

CHIPOTLE MEXICAN GRILL INC			445	591	1,036	Environmental Risk
CHUBB LIMITED			474	720	1,194	Climate Change
COMPASS GROUP PLC			263	4	267	Employment Standards
DBS BANK LTD			259	335	594	Climate Change
DRAX GROUP PLC						Climate Change
DTE ENERGY COMPANY			52	151	203	Climate Change
ENBRIDGE INC			260	511	771	Climate Change
EQUINOR ASA			48	161	209	Climate Change
ESTEE LAUDER COMPANIES INC.			130	173	303	Supply Chain Management
EXPEDITORS INT'L OF WASHINGTON INC.			61	115	176	Climate Change
EXXON MOBIL CORPORATION				3,392	3,392	Climate Change
FRASERS GROUP PLC				13	13	Employment Standards
GLENCORE PLC	1,784				1,784	Environmental Risk
HAYS PLC						Employment Standards
HOLLYWOOD BOWL GROUP PLC						Employment Standards
HSBC HOLDINGS PLC		792	707	51	1,550	Climate Change
HUNTINGTON INGALLS INDUSTRIES INC.			109	190	299	Climate Change
IMPERIAL BRANDS PLC			103	32	135	Environmental Risk
INTERCONTINENTAL HOTELS GROUP PLC						Employment Standards
INTERNATIONAL BUSINESS MACHINES CORPORATION			873	1,099	1,972	Climate Change
ITC LTD			62	103	165	Environmental Risk
JAPAN TOBACCO INC			169	240	409	Environmental Risk
JOHNSON & JOHNSON			2,555	2,426	4,981	Environmental Risk
KINDER MORGAN INC			116	254	370	Climate Change

KT&G CORP			57	40	97	Environmental Risk
LOCKHEED MARTIN CORPORATION			473	655	1,128	Climate Change
LONDON STOCK EXCHANGE GROUP PLC			289	7	296	Finance and Accounting
LOREAL SA			572	708	1,280	Human Rights
MARKEL CORPORATION		1,600	86	136	1,822	Climate Change
MCDONALD'S CORPORATION			1,219	1,303	2,522	Human Rights
MERCK & CO. INC.			2,290	2,299	4,589	Environmental Risk
META PLATFORMS INC		6,384	4,984	7,559	18,927	Human Rights
MITCHELLS & BUTLERS PLC						Employment Standards
MITIE GROUP PLC						Employment Standards
MITSUBISHI UFJ FINANCIAL GRP			695	872	1,567	Climate Change
MIZUHO FINANCIAL GROUP INC			318	371	689	Climate Change
MONCLER SPA			85	88	173	Human Rights
MONDELEZ INTERNATIONAL INC			480	597	1,077	Human Rights
MORGAN STANLEY			809	773	1,582	Climate Change
NATIONAL GRID PLC			54	14	68	Climate Change
NESTLE SA			1,248	1,727	2,975	Social Risk
NEXON CO LTD				46	46	Diversity Equity and Inclusion
NEXTERA ENERGY INC		806	517	994	2,317	Climate Change
NIPPON STEEL CORP				114	114	Climate Change
NORTHUMBRIAN WATER GROUP						Environmental Risk
OLD DOMINION FREIGHT LINE INC.			81	239	320	Climate Change
PACCAR INC.			152	347	499	Climate Change
PENNON GROUP PLC						Environmental Risk

PHILIP MORRIS INTERNATIONAL INC.			958	1,107	2065	Environmental Risk
POWER CORPORATION OF CANADA			93	103	196	Climate Change
QUEST DIAGNOSTICS INCORPORATED			54	110	164	Climate Change
REPUBLIC SERVICES INC.			190	261	451	Climate Change
RIO TINTO PLC			148	187	335	Environmental Risk
ROSS STORES INC			279	327	606	Climate Change
ROYAL BANK OF CANADA			1,000	1,029	2,029	Climate Change
RTX CORP						Climate Change
SEVERN TRENT PLC		1,055		11	1,066	Environmental Risk
SHELL PLC			471		471	Climate Change
SKYWORKS SOLUTIONS INC			63	115	178	Climate Change
SOUTHERN COMPANY			207	557	764	Climate Change
SSAB (SVENSKT STAL AB)				34	34	Environmental Risk
STAFFLINE GROUP PLC						Employment Standards
SUMITOMO MITSUI FINANCIAL GROUP			598	688	1,286	Climate Change
SUNCOR ENERGY INC				323	323	Climate Change
TESLA INC			2,471	3779	6,250	Governance (General)
THE BOEING COMPANY			424	688	1,112	Climate Change
THE GOLDMAN SACHS GROUP INC.			1,025	982	2,007	Climate Change
THE KROGER CO.	2,369		124	218	2,711	Climate Change
THE PROCTER & GAMBLE COMPANY			2,425	2,663	5,088	Environmental Risk
THE TORONTO-DOMINION BANK			590	657	1,247	Climate Change
THE TRAVELERS COMPANIES INC.			256	324	580	Climate Change
THYSSENKRUPP AG				16	16	Environmental Risk

TOTALENERGIES SE			363	886	1,249	Governance (General)
TOYOTA INDUSTRIES CORP			63	87	150	Diversity Equity and Inclusion
TOYOTA MOTOR CORP	18		1,211	1,600	2,829	Climate Change
UNITED OVERSEAS BANK LTD			133	182	315	Climate Change
UNITED UTILITIES GROUP PLC		1,022	47	18	1,087	Environmental Risk
VALE SA				283	283	Human Rights
WELLS FARGO & COMPANY				1,424	1,424	Climate Change
YARA INTERNATIONAL ASA				31	31	Climate Change
YASKAWA ELECTRIC CORP			62	59	121	Diversity Equity and Inclusion
ZOETIS INC.			538	544	1,082	Environmental Risk
TOTAL	19,269	23,095	54,590	87,301	184,255	

4. VOTING

4.1 A total of 13,454 resolutions were voted upon across 906 meetings in the quarter. A summary is provided in the table below:

TABLE 4: VOTING

Vote	Occurrences	Proportion (%)
For	7,534	56
Against	5,455	41
Withhold	208	2
Abstain	57	0
Non-Voting	180	1
Not Supported	0	0
Withdrawn	3	0
US Frequency Vote on Pay	17	0
Total	13,454	100%

4.2 The vast majority of meetings occurred in the USA and Canada (489 out of 906). Resolutions on annual reports were 35% FOR, on Directors were 62% FOR, on Executive Pay were 6% FOR, and Dividends were 97% 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 Q2 2024

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