



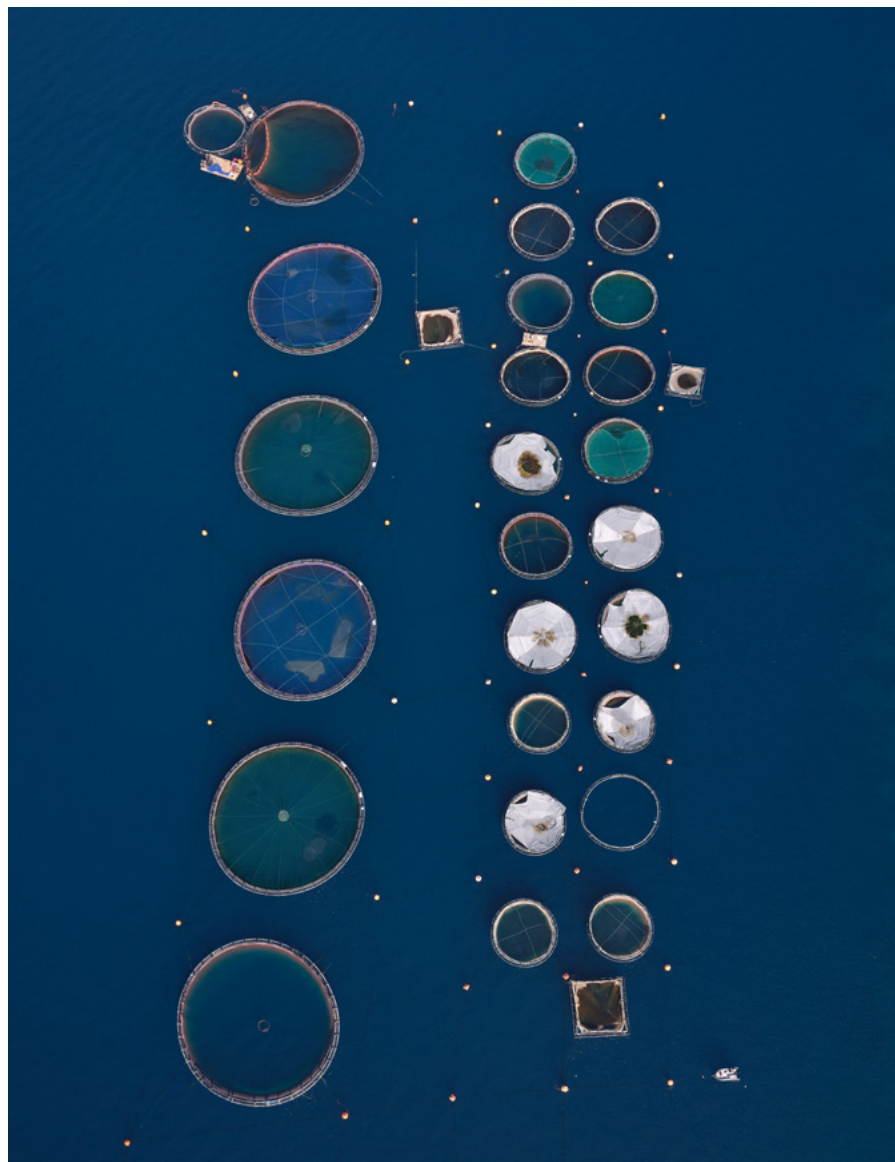
Quarterly  
Engagement  
Report

April-June  
2024



# Nature Stewardship, Water Stewardship, CAHRA

## ENGAGEMENTS



Offshore rows of floating cages for fish breeding and rearing

## NATURE STEWARDSHIP

### Nature Action 100 & Biodiversity

**Objective:** Engagement with nature is vital not only for the sustainability of the natural environment but also for the long-term financial viability of capital markets. Natural capital encompasses ecosystems, biodiversity, and land, underpins the global economy and is integral to the industries in which LAPFF's members invest.

The degradation of these natural assets poses significant financial risks – The World Economic Forum has highlighted

that a significant portion of the world's GDP—more than half—is moderately or highly dependent on nature (roughly US\$44 trillion in 2020). When looking at forecasted losses, nature is deteriorating globally and biodiversity is declining faster than at any time in human history, figures estimated by the World Bank provide that the degradation of certain natural ecosystem services—like wild pollination, food from marine fisheries, and timber from native forests—could lead to a \$2.7 trillion reduction in annual global GDP by 2030, where emerging

markets are expected to bear the brunt of this economic impact.

There is an increasing focus on the importance of nature, emphasised by the Kunming-Montreal Global Biodiversity Framework established during COP15 in December 2022. The framework set out clear expectations for conservation and maintaining a sustainable relationship with biodiversity. An associated regulatory framework, heightening corporate responsibilities on both reporting and due diligence with respect to the impact of business activities on nature and the environment continues to evolve. Encompassing regulation such as the Corporate Sustainability Reporting Directive (CSRD), Corporate Sustainability Due Diligence Directive (CSDDD), the EU's Deforestation Regulation, and voluntary initiatives such as the Science Based Targets Network (SBTN), and the Taskforce on nature-related Financial Disclosure (TNFD).

**Achieved:** Issues relating to nature and biodiversity have been a focus for investors, including LAPFF, for a number of years. However, more recently it has become a thematic priority for many within the investment community, with a more focussed and strategic approach to managing the associated risks. LAPFF has joined a series of engagements this quarter through the Nature Action 100 initiative, meeting with AbbVie, Merck & Co, Procter & Gamble, and Novo Nordisk. Nature Action 100 coordinated letters to all focus companies in September 2023, setting out investor expectations. Subsequently, engagement groups have been established and dialogues with companies established. Engagements have provided an opportunity to set out the expectations of the initiative, as well as giving the company chance to outline their response to managing the issue. A key focus for these initial calls has been looking at the assessment, seeking to better understand if companies have mapped the extent to which nature loss could affect their business model, including how both operations and supply chain activities may have a negative impact on nature. An overall take from the start of this engagement is that whilst companies are at different stages in assessing their full impacts and dependencies, they are all involved in the process at varying levels.



## ENGAGEMENTS



An ecologist samples a stream of polluted water

**In Progress:** As part of the Nature Action 100 initiative, investor groups intend to meet with target companies at least twice a year.

Outside of the initiative, LAPFF selectively engaged with Nestlé as one of its major holdings on the issue of regenerative agriculture in Q1 2024. LAPFF intends to engage with a selection of large food and beverage producers on this topic, as it begins to form part of strategies, not just from a nature and biodiversity perspective, but as part of some companies' climate strategies.

## WATER STEWARDSHIP

### UK water utility companies

**Objective:** LAPFF has been engaging with water utilities since 2022 following concerns about the pollution of rivers and coastal areas caused by storm overflows. Storm overflows are used to ensure

at times of high rainfall that sewage does not back up into homes. Under government plans to 2050, the number of overflow incidents is expected to fall over time and delivered by additional investment. As a highly regulated sector, this additional investment has to go through a review process with Ofwat every five years. Meeting environmental objectives set under the five-year plans not only has reputational impacts but, as a regulated system, these performance outcomes also result in either financial awards or penalties. As part of its engagements, LAPFF wants to ensure that progress is being made to reduce the number of overflows and that the next five-year business plans will be delivered cost-efficiently while meeting broader environmental and social commitments. This year's engagements took place against the backdrop of significantly wetter weather resulting in an increase in overflows. Nevertheless, LAPFF wanted to understand whether the companies were on track to meet their targets of reaching average of no more than 20 incidents per overflow per year by 2025.

**Achieved:** In the quarter LAPFF met the chair of United Utilities and the chief executive and chair of Pennon Group.

LAPFF continued its productive dialogue with United Utilities' chair, Sir David Higgins, about the environmental and financial challenges that persist in the water utilities sector. LAPFF discussed with the company its plans to meet its 2025 overflow target and its stretching 60% overflows reduction goal by 2030. Meeting this longer-term ambition will be contingent on the increased capital expenditure which will need to be approved by the regulator alongside increased prices for its customers. To deliver value for money, the company outlined the need for long-term pragmatic engineering in the sector.

In the quarter, LAPFF also met with Pennon Group's chair, Gill Rider, and Group CEO, Susan Davy. Pennon Group, which owns South West Water, has some significant challenges regarding its environmental performance, including storm overflows, bathing waters and the Environment Agency's assessment of the company.

## ENGAGEMENTS

LAPFF had sought to engage with the company previously, so it was positive that we were able to meet with both the chair and CEO. Despite its challenges, the company were positive when pushed about its plans as well as providing historical context. The meeting covered the impact of wetter weather, meeting 2025 targets, data on overflows, engagement with customers, their focus on bathing waters, the group's 2025-2030 business plan and its approach to improving its environmental performance rating, which has been below expected levels for several years in a row.

**In progress:** LAPFF will continue to engage the companies to ensure that progress is being made against their targets on overflows. LAPFF will also be following the final determinations by the regulator and ensuring that plans will be delivered cost efficiently to the benefit of shareholders and their wider stakeholders.

### Chipotle

**Objective:** LAPFF has been engaging with Chipotle on its approach to water stewardship since 2019. The initial engagement objective was met during 2022, with the company undertaking an ingredient level water risk assessment to identify areas of water stress within its supply chain. The mapping exercise identified suppliers operating in regions of water stress. Having identified priority regions, LAPFF's expectation is for the company to set measurable and time-bound targets to reduce negative impacts on freshwater.

**Achieved:** During Q2 LAPFF met with Chipotle in advance of the publication of its sustainability report. The company had requested the opportunity to provide an update on the work it had undertaken as it relates to managing water risk across the business. The discussion was relatively high-level given the sustainability report had not been released publicly. However, it was clear from the overview provided that the approach being proposed to drive improved water outcomes would fail to meet the expectations of LAPFF, specifically relating to measurability. As a result, LAPFF Executive member John Anzani wrote

to the company immediately following the call reemphasising the Forum's expectations, including by providing peer examples of best practice. Shortly after the engagement Chipotle published its sustainability report which included a goal to support water stewardship efforts to conserve and restore watersheds in priority regions.

**In Progress:** LAPFF welcomes the publication of the water related goal set by Chipotle, as well as improved disclosures on the percentage of water withdrawn and consumed from regions with high baseline water stress. However, the goal itself lacks specificity and measurability, it is also not timebound and does not provide a framework of accountability. As such, LAPFF will continue to work with the company to develop robust and ambitious water goals.

## CLIMATE

## BANKING AND FINANCE

### HSBC

**Objective:** LAPFF's focus on banks with respect to climate change has looked at the risk to the business of lending to a declining sector with the risk of stranded assets creating collateral risk and the risk of bad debts.

**Achieved:** During Q2 LAPFF met with HSBC's Group Head of Sustainability and the Senior Non-Executive Director and also attended the bank's 2024 AGM.

HSBC has developed a comprehensive energy transition plan addressing both opportunities and risks that LAPFF deems relevant.

From these meetings and the AGM, it became clear that the outgoing CEO, Noel Quinn, takes the issue seriously and has assembled a team accordingly. LAPFF found it particularly interesting when Quinn mentioned his preference for appointing someone with extensive experience in climate change rather than a "rebranded" CSR person.

LAPFF also inquired whether HSBC assesses risk on a group basis or for individual subsidiaries and was pleased to learn that the bank focuses on the latter.

**In Progress** LAPFF is in the process of writing out to HSBC to organise a meeting with the new CEO. The Forum continues to look in depth at the implementation of the climate transition plan.

### Canadian banks

**Objective:** As part of its work on banks and climate change, LAPFF identified Canadian banks as worthwhile engagement candidates. Reports indicated that Canadian banks are increasing lending to oil and gas companies, while other banks were stepping away. The scale of this lending (greater than HSBC and Barclays), combined with reasonably material shareholders and a more receptive political backdrop than, for example, the US, prompted this focus. LAPFF wrote to the five largest Canadian banks requesting meetings. In April, LAPFF met with three of the largest Canadian banks: Bank of Nova Scotia, Royal Bank of Canada, and Toronto Dominion. The objective of the initial engagement was to outline LAPFF's views to the companies, understand their positions, and assess the prospect for further engagement.

**Achieved:** This was the first engagement LAPFF had with all three companies, and it was promising from the outset in establishing a dialogue and ongoing relationship. The companies were open in sharing their climate reporting efforts and the challenges in finding meaningful metrics for disclosure and reporting. The banks were receptive to providing more disclosure. LAPFF learned the companies' opinions on carbon capture and storage (CCS) and liquefied natural gas (LNG), and while there is still an attachment to LNG, the rationale and the different factors became clearer. The banks were receptive to LAPFF's opinions and views on gas and oil.

During the meetings, LAPFF discussed its views on transition risks, natural gas, blue hydrogen, and CCS. LAPFF focused on the banks' approaches to client engagement in the energy

## ENGAGEMENTS

sector and renewable energy finance. There were discussions on developing methodologies to analyse clients' transition plans, embedding digital approvals into transactions, and tracking progress against reduction targets. Scotiabank, in particular, demonstrated the greatest commitment to taking climate change seriously among the three banks, although there is still room for improvement.

Overall, LAPFF's objectives were met in this round of engagement. The Forum had constructive dialogues with the companies, and while there were disagreements on several points, the banks are not in denial about climate change and have plans in place. This provides a foundation for further discussions. There was an immediate willingness to improve reporting, and the banks appeared to welcome the views of serious international investors as providing another perspective on their businesses

**In Progress:** LAPFF intends to continue engagement with banks in the autumn to develop investor expectations from the Forum's point of view.

### ASIA RESEARCH AND ENGAGEMENT (ARE)

#### United Overseas Bank

**Objective:** Through Asia Research and Engagement's Platform for Energy Transition LAPFF has been engaging with banks and power generation companies in Asia. The objective has been for focus companies to implement credible transition pathways.

**Achievement:** A key engagement for the Forum this quarter through ARE was with United Overseas Bank (UOB), a company that LAPFF has participated in engagements with since the beginning of 2023. The call provided a positive outlook on the company's transition pathway and the regulatory landscape in which it is operating. In the past year, the company set up a Sustainability Advisory Panel, comprising three independent members, which advises the Bank's Board on various sustainability issues.

**In Progress:** LAPFF will continue to join engagements with key energy and finance companies focussing on accelerating the energy transition in Asia.

## ENERGY

### Drax

**Objective:** LAPFF has been aware for several years, from its own research as well as public coverage of the company that the Drax business model faces considerable challenges, which includes the continuation of government subsidy. On the environmental side there are significant issues with claims of net zero sustainability as well as continuity of supply of imported wood pellets. Given the importance of these issues LAPFF research has tended to be as, if not more, robust than mainstream investment research of brokers and fund managers, who may be overly reliant on a corporate message.

**Achieved:** LAPFF made a submission to the Department of Energy and Net Zero on "Biomass" for which wood pellets are one type of "biomass".

During the quarter LAPFF identified a link between press reports that Drax has been cutting down rare forest wood in Canada, and reports that during the energy crisis Drax had closed a plant as it was more profitable to sell the

pellets, than to use the pellets for power generation.

The BBC reported that Drax took more than 40,000 tonnes of wood from so-called "old-growth" forests in 2023. Old-growth is some of the oldest forest which the provincial government says provides "unique habitats, structures and ecological functions".

LAPFF also attended the Drax AGM, where the majority of whom attended were protesters and were removed. Of the remainder, only one shareholder asked a question that wasn't challenging the business model and practices. As a result of several questions asked at the meeting, LAPFF has subsequently been offered meetings with the CFO and Senior Independent Director (SID).

**In Progress:** The meetings offered with the CFO and the senior SID are pending. The issues LAPFF has raised are central to the business model and – whilst not making investment decisions - LAPFF questions the quality of research and depth of understanding of asset managers who have made an active decision to invest.

### BP & Shell

**Objective:** During continued engagement with Shell and BP, LAPFF's approach has remained to test oil and gas companies beyond claims of decarbonisation based on existing business models to challenge the viability of the current business. This



Shell Refinery Wesseling



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expectation, based on LAPFF policy, is that the demand for hydrocarbons will 1) reduce in aggregate terms; and 2) that demand will be met by lowest cost producers. BP has been regarded as at the better end of the sector in recognising climate change as an issue.

**Achieved:** From meeting the then new chair of Shell in 2023, LAPFF believes that the position holds that the company is better run from the top, as the chair has a more realistic grasp of the issues at stake regarding decarbonisation and is a plainer communicator. LAPFF repeated this sentiment in its voting alert where it recommended voting in favour of the re-election of the chair.

LAPFF attended Shell's AGM on 21 May 2024 virtually, where the Forum assessed substantial threats to the company's business model. In the absence of investment in products that would fully replace the scale of the fossil fuel business, it is LAPFF's continued assessment that parts of the business need to be put into managed decline with cash returned to shareholders. There does seem to be some recognition of that in respect of oil and petrol supply and refining.

Shell has said that it cannot make the investment case for renewables. That is not in itself unreasonable but does support the argument for more cash returns to shareholders instead.

LAPFF has previously questioned the extent to which its climate change strategy has been sufficiently integrated into business planning and financing. LAPFF is therefore pleased that there has been restructuring and the energy transition work and corporate strategy now reports to the CFO.

Despite the Forum's recommendation in favour of re-electing Sir Andrew Mackenzie, Shell chair, in a voting alert, LAPFF recommended a series of votes against multiple other directors, the company's annual and remunerations reports, its 'Say on Climate' vote, but recommended voting in favour of the Follow-This resolution.

With regards to BP, LAPFF has noted some rowing back from their 2023 carbon reduction targets. Although BP has made some commitment to investment in renewables, and is stating the supply of power for electric vehicles is a growth area, it does appear that the company

has substantial threats to its business model regarding the scope of no-carbon products that would fully replace the scale of the fossil fuel business, and that more cash returns to shareholders should be more clearly set out.

**In Progress:** Meetings with the both the Shell and BP chief executives are pending. LAPFF continues to challenge whether Carbon Capture and Storage can be made to work as a line of business, given that the costs involved make it a last resort if cheaper substitute energy sources are not possible. Developments in aviation fuels and biofuels need to be examined in more detail, and the Forum needs to explore robustly the extent to which climate strategy is integrated into business planning and financing.

## CLIMATE VOTING ALERTS

**Objective:** LAPFF has continued its initiative looking at climate-related shareholder resolutions and respective voting alerts, as numerous resolutions were put to the ballot. These proposals ask companies to take steps in addressing a range of climate-related risks. They include requests that companies set science-based targets, plan for a just transition and disclose on climate-related lobbying activities.

**Achieved:** LAPFF has released voting alerts covering 49 climate-related resolutions during the quarter. Of the 42 resolutions voted upon at the time of writing, proposals received an average of 22% support. There was a solid baseline of support, with over three quarters of proposals receiving more than 10% and well over half of proposals receiving 20% or more support. Of those proposals receiving single digit support, the majority had a controlling shareholder in opposition and as such diluting the efficacy of the independent vote. The most significant shareholder dissenting votes were at Quest Diagnostics (42% support), Markel Corporation (36% support) and Centene Corp (36% support).

When assessing LAPFF alerts year-on-year there is a noticeable decline in overall levels of investor support. Of the 15 resolutions which were also filed at the same companies last year, there was on average a 5.3% decline in support. Climate lobbying proposals were most affected, seeing on average an 8.5% drop. One such proposal at US truck manufacturer PACCAR saw a particularly precipitous fall in support, from 46% to 28%. Climate resolutions at Boeing and Raytheon also saw support decline by greater than 10%. There are a number of potential drivers of the diminishing support for climate-related shareholder proposals. Perhaps the most significant being the broader anti-ESG backlash. In the US, a number of states have passed apparent anti-ESG legislation, resulting in the removal of mandates to asset managers perceived to be overtly supporting a particular agenda. The legislative push has been supported by fossil fuel lobbying organisations such as the American Petroleum Institute and the Texas Public Policy Foundation. It appears to have had some success in effecting a change in approach from some asset managers, exemplified by the aforementioned decline in support for climate proposals.

Notably, low support (7.4%) for the Just Transition proposal at ExxonMobil was in line with a lack of shareholder dissent across the company's AGM ballot. It is considered likely that the company's unprecedented legal intimidation of activist shareholders, who were forced to withdraw a separate climate proposal, had a chilling effect beyond the company's own ballot.

**In Progress:** LAPFF will consider engagement with companies where there was significant shareholder support for a climate-related shareholder proposal. LAPFF will continue to issue climate voting alerts to support resolutions that align with its engagement goals.

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Container ship Maastricht Maersk heads north on Red Sea towards Suez Canal

## HUMAN RIGHTS

### CAHRA

**Objective:** LAPFF has noted an increasing scale and intensity of armed conflict globally in the last few years and is concerned both about its social and environmental impacts and, consequently, its financial impacts. One of the areas experiencing conflict is the Red Sea, where Maersk and other shipping companies have faced attacks stemming from the escalation of conflict in Gaza. As Maersk is a company widely held by LAPFF members, LAPFF wanted to engage the company to understand the challenges it is facing in relation to operating in conflict zones.

**Achieved:** A cordial introductory meeting with Maersk suggests that while the company has some policies and frameworks in place to address its operations in conflict zones, it might need to do further work to develop its heightened human rights due diligence (hHRDD). Through its participation in the Investor Alliance for Human Rights (AHR) pilot project on conflict-affected and high-risk areas (CAHRAs), LAPFF has learned that companies need to be undertaking hHRDD in line with UN Guiding Principles on Business and Human Rights when operating in conflict zones. LAPFF participated in a number of IAHR CAHRA trainings this quarter to

understand better how to support LAPFF members in CAHRA-related engagements with companies.

**In Progress:** LAPFF and Maersk are working to hold a follow up meeting to discuss Maersk's approach to hHRDD in greater detail. LAPFF is also continuing to engage as a supporting investor through the IAHR pilot project to inform engagement with Maersk and other companies on CAHRAs.

### Mondelez Voting Alert

**Objective:** In line with LAPFF's aim to engage companies on conflict-affected and high-risk areas (CAHRAs), LAPFF issued a voting alert for Mondelez International, Inc.

**Achieved:** LAPFF recommended support for a shareholder resolution calling on the company to issue a third-party report assessing the effectiveness of the company's implementation of its human rights policy in respect of CAHRAs. In total, around 30.8% of shareholders voting supported the resolution.

**In Progress:** LAPFF will continue to evaluate CAHRA-related resolutions at other companies to determine whether voting alerts are warranted.

## MINING AND HUMAN RIGHTS UPDATE

### Organisation for Economic Cooperation and Development (OECD) Forum on Responsible Mineral Supply Chains

**Objective:** LAPFF was invited to present at this year's OECD Forum on Responsible Mineral Supply Chains to share its work on mining and human rights. Attendance at the conference was also an opportunity to hear what other industry stakeholders are focused on.

**Achieved:** The panel was organised by the Principles for Responsible Investment (PRI) Advance human rights initiative. A PRI Advance representative chaired the panel, which included speakers from the OECD and La Banque Postale Asset Management. The discussion focused on three topics: stewardship tools, leverage, and escalation in the context of investor engagement on human rights; human rights data; and engagement with stakeholders and rights-holders. The audience included a range of stakeholders, including a representative from Rio Tinto.

**In Progress:** The panel was well-received and prompted discussions with a variety of stakeholders, including companies, a representative of the United Nations, and affected community members from Tanzania and South Africa. LAPFF will follow up with all these stakeholders.

### Anglo American AGM

**Objective:** LAPFF tracked developments with BHP's proposed takeover of Anglo American. A LAPFF representative attended the Anglo American AGM this quarter to hear both the company's view of the takeover proposal and to observe the board's response to shareholder questions on this topic.

**Achieved:** While there were a few questions about the takeover the board

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was clear that it was not able to speak much about the proposed deal. As a result, the meeting primarily consisted of questions relating to Anglo American's human rights and environmental conduct in South America and South Africa.

**In Progress:** LAPFF has written to both BHP and Anglo American to request meetings in relation to the takeover proposal and is working with both companies to find mutually agreeable times to meet given the time constraints of the proposed deal. LAPFF is also continuing to engage with Anglo American through PRI Advance as a supporting investors, including through a meeting this quarter coordinated by engagement leads, Morgan Stanley and Schroders.

### Glencore Voting Alert

**Objective:** LAPFF issued a voting alert for Glencore ahead of its 2024 AGM to express concern about the company's sustainability practices and lack of engagement with investors.

**Achieved:** This lack of engagement has led LAPFF to join a collaborative engagement with Glencore led by Achmea Asset Management. LAPFF and the other investors in this engagement have been approached by community members in Peru and Colombia who spoke about the environmental and human rights impacts of Glencore's operations on their lives. LAPFF was also approached by community members from the Brazilian Amazon affected by a Glencore – Rio Tinto – South32 joint venture about which they expressed concern. LAPFF consequently issued a voting alert for Glencore expressing grave concern about the company's human rights and climate governance and practices.

**In Progress:** LAPFF will continue to seek engagement with Glencore and to participate in the Achmea collaborative engagement.

### PRI Advance – Vale

**Objective:** LAPFF is a lead investor on the PRI Advance engagement with Vale and had been seeking a company response to the PRI group's asks from its last meeting with Vale in October 2023.

**Achieved:** Vale has now sent through a written response to the PRI Advance group's requests. In a second meeting with the PRI Advance group during this quarter, Vale stated that a permanent CEO of the Renova Foundation has been appointed, although LAPFF cannot find a public statement verifying this information so will be following up with the company on this point. The Renova Foundation is the entity set up by the Brazilian authorities with BHP and Vale after the Samarco tailings dam collapse in Mariana, Brazil in November 2015 to administer reparations. However, Vale has stated a willingness to continue to engage with the PRI group, which is positive.

**In Progress:** The PRI group will evaluate Vale's responses and is working to set a follow up meeting to discuss next steps. LAPFF is also continuing to participate as a support investor in the PRI Advance Anglo American engagement and to connect investors from other groups with community members affected by the mining companies covered through the Advance initiative.

### Luxury Goods

**Objective:** LAPFF pursued an engagement with luxury goods manufacturers in Q1 of 2024, seeking to understand how companies were responding to the challenges and risks associated with human rights violations, such as forced labour, child labour, unsafe working conditions, and inadequate wages.

**Achieved:** LAPFF engaged with Moncler and Burberry during Q2. The Forum had not met or engaged with Moncler previously and marked the first-time meeting with Burberry on this issue. This provided an opportunity for the Forum to begin a dialogue on how the companies were addressing human rights risks, seeking more information on how audits were being carried out, and how risks were being addressed throughout their supply chains. In comparison to some of their peers, who are operating at a much larger scale with broader supply chains, both Moncler and Burberry should have more visibility of high-risk suppliers.

Two of the largest beauty companies in the world, Estée Lauder and L'Oréal, also faced reports of child labour in

their jasmine supply chains, an integral ingredient in the manufacturing of their perfumes. A documentary by the BBC explored ineffective auditing systems that were failing to pick up on multiple instances of child labour. LAPFF wrote to both companies requesting a meeting to understand how they were addressing the reports.

**In Progress:** Given that the meetings were held in close proximity to company reporting cycles, LAPFF is in the process of analysing the updated materials.

LAPFF is set to hold a meeting with L'Oréal in early July, whilst Estée Lauder has yet to respond, regarding child labour in their supply chains.

## GOVERNANCE

### BAE Systems

**Objective:** Ensuring investee companies uphold the highest standards of corporate governance continues to be a priority for LAPFF. During Q2 the Forum met with BAE, to discuss governance as well as their approaches on human rights due diligence in the context of ongoing global conflict.

**Achieved:** LAPFF met with the chair of the board, Cressida Hogg, discussing her first year in post, and how she had managed the company's strategy and governance in the face of global conflict. BAE showed confidence in its business model and colleagues.

**In Progress:** LAPFF will continue to monitor how defence companies are responding to global conflicts.

### London Stock Exchange Group

**Objective:** LAPFF has been concerned about the weakening of standards relating to new entrants to the London listed companies' market, which has included, Aston Martin Lagonda, NMC Health, Finabl and Quindell, the former of which has lost >90% of its value since listing, the other three being 100% losses.

The LAPFF Executive convened a 'Capital Markets Working Group' in the light of a recent concerted campaign by some interests to further weaken the



# ENGAGEMENT



Photo by 2Photo Pots on Unsplash

Water stewardship concerns in Madagascar

standards of the listing regime. That campaign has included the Capital Markets Industry Taskforce, which is just that, it is a coalition of “fee earning” interests rather than shareholder interests, including issues of investor protection.

**Achieved:** An open letter was sent to the chair of London Stock Exchange Group, asking for an evidence based approach, and to supply the evidence for assertions made to date. That letter was released to Reuters and obtained wide coverage. The response did not sufficiently address the core issues. A letter has also been sent to the chair of the Financial Conduct Authority (FCA) which is the UK Listing Authority.

**In Progress:** LAPFF has written back to the LSEG to request evidence, and also to point out that body was set up under the

auspices of the Investment Management Association known as the “Investor Forum” has turned itself into the Investor and Issuers Forum. The Forum is also considering what further steps that will be decided after the General Election. The FCA has responded with a holding letter. The Times on 27 June 2024 covered issues with poor listing standards consistent with the LAPFF approach.

## Ofwat

**Objective:** LAPFF has been engaging with water companies and having identified issues with the model of water regulation decided to research and engage on the issue of Ofwat the regulator.

**Achieved:** Issues identified from LAPFF research include:

- Ofwat allowing a definition of gearing as debt divided by assets, when the accepted definition of gearing is debt divided by equity. The Ofwat measure understates gearing and hence risk.
- LAPFF also identified that Ofwat gives a return on assets based on a theoretical capital structure with a presumed amount of equity, even though many water companies have less equity than that. An example of this is Thames Water, who do have considerably less equity.

On the basis of the issues identified, LAPFF sent a letter has been sent to Ofwat chief executive, David Black, who has been in post since April 2022.

**In Progress:** LAPFF is awaiting a response from the chief executive, and also the results of the general election before it considers potential next steps.

## ENGAGEMENT

### Diversity

**Objective:** During Q2 LAPFF pursued engagement with Japan stock exchange listed companies, with the goal of addressing the lack of female representation on Boards.

**Achieved:** LAPFF initiated correspondence with five companies. Toyota Industries responded positively, indicating that they plan to appoint a female director at their next AGM. During a meeting the company also provided more detail on its approach to promoting diversity across the organisation.

**In Progress:** LAPFF is seeking a meeting with Nexon Co later in the year, and will monitor gender ratios on boards as Japan's requirement comes closer, for at least one female board director by 2025, and at least 30% female directors by 2030.

### VOTING ALERTS

#### Amazon, Alphabet, Meta & Tesla

**Objective:** LAPFF has been issuing voting alerts for US technology companies since 2018 to highlight investor and stakeholder concerns relating to these companies' environmental, social, and governance practices. US technology companies face many shareholder resolutions each year, ranging from calls for one share-one vote to content moderation concerns to public health impacts. This year, artificial intelligence featured prominently in a number of the shareholder resolutions, and the impact of the US anti-ESG movement was noted.

**Achieved:** LAPFF issued voting alerts for all four companies in line with LAPFF policies on corporate governance, climate change, environment, and human rights. It recommended support for the vast majority of the shareholder resolutions. Each voting alert was sent to the relevant company for comment, but the companies did not respond with any substantive comments.

**In Progress:** LAPFF will continue to issue voting alerts as appropriate for these companies. It also seeks engagement meetings with them, primarily through US investors. However, board access – which LAPFF is used to with UK and Australian companies – remains elusive in the US market.

### STAKEHOLDER ENGAGEMENT

#### LAPFF-IndustriALL webinar on employment industry scheme pilot in Bangladesh

LAPFF engaged with a number of community and labour stakeholders during Q2. As part of its work to help investors understand how social issues are financially material, LAPFF once again partnered with IndustriALL to host a webinar on a pilot employment injury scheme in Bangladesh. Investors heard about how the cost of this programme was tolerated by corporates as a means to improve worker health, and therefore their work performance and longevity.

#### Rio Tinto QMM stakeholder engagement session

Rio Tinto invited a number of its investor and non-governmental organisation (NGO) stakeholders to participate in a session with managers of the company's QMM operation in Madagascar. QMM has been accused by community members of failing to protect local water quality. This concern had previously prompted LAPFF engagement with Rio Tinto on the issue of water stewardship, and led the Forum to call for water impact assessments at QMM and other Rio Tinto mine sites globally. The discussion was helpful but left a number of questions about QMM's water protection practices unanswered. LAPFF is following up with a range of stakeholders to understand better the water quality in areas surrounding QMM.

# COMPANY PROGRESS REPORT

LAPFF engaged 101 Companies engaged over the quarter

Company/Index	Activity	Topic	Outcome
ABBVIE INC	Meeting	Environmental Risk	Moderate Improvement
ALPHABET INC	Alert Issued	Human Rights	
ALTRIA GROUP INC.	Sent Correspondence	Environmental Risk	Awaiting Response
AMAZON.COM INC.	Alert Issued	Climate Change	
AMERICAN EXPRESS COMPANY	Alert Issued	Climate Change	
ANGLO AMERICAN PLC	AGM	Governance (General)	Dialogue
AP MOLLER - MAERSK AS	Meeting	Governance (General)	Dialogue
BAE SYSTEMS PLC	Meeting	Governance (General)	Moderate Improvement
BANK OF AMERICA CORPORATION	Alert Issued	Climate Change	
BANK OF NOVA SCOTIA	Meeting	Climate Change	Dialogue
BARCLAYS PLC	Meeting	Climate Change	Small Improvement
BERKSHIRE HATHAWAY INC.	Alert Issued	Climate Change	
BHP GROUP LIMITED (AUS)	Sent Correspondence	Campaign (General)	Awaiting Response
BRITISH AMERICAN TOBACCO PLC	Sent Correspondence	Environmental Risk	Awaiting Response
BURBERRY GROUP PLC	Meeting	Human Rights	Change in Process
CAPITAL ONE FINANCIAL CORPORATION	Alert Issued	Climate Change	
CENTENE CORP	Alert Issued	Climate Change	
CENTERPOINT ENERGY INC	Alert Issued	Climate Change	
CENTRAL JAPAN RAILWAY CORP	Sent Correspondence	Diversity Equity and Inclusion	Awaiting Response
CHIPOTLE MEXICAN GRILL INC	Meeting	Environmental Risk	Small Improvement
CHUBB LIMITED	Alert Issued	Climate Change	
COMPASS GROUP PLC	Sent Correspondence	Employment Standards	Awaiting Response
DBS BANK LTD	Meeting	Climate Change	Moderate Improvement
DRAX GROUP PLC	AGM	Climate Change	Dialogue
DTE ENERGY COMPANY	Alert Issued	Climate Change	
ENBRIDGE INC	Alert Issued	Climate Change	
EQUINOR ASA	Alert Issued	Climate Change	
ESTEE LAUDER COMPANIES INC.	Sent Correspondence	Supply Chain Management	Awaiting Response
EXPEDITORS INTERNATIONAL OF WASHINGTON INC.	Alert Issued	Climate Change	
EXXON MOBIL CORPORATION	Alert Issued	Climate Change	
FRASERS GROUP PLC	Sent Correspondence	Employment Standards	Awaiting Response
GLENCORE PLC	Alert Issued	Environmental Risk	
HAYS PLC	Sent Correspondence	Employment Standards	Awaiting Response
HOLLYWOOD BOWL GROUP PLC	Sent Correspondence	Employment Standards	Awaiting Response
HSBC HOLDINGS PLC	AGM	Climate Change	Change in Process
HUNTINGTON INGALLS INDUSTRIES INC.	Alert Issued	Climate Change	
IMPERIAL BRANDS PLC	Sent Correspondence	Environmental Risk	Awaiting Response
INTERCONTINENTAL HOTELS GROUP PLC	Sent Correspondence	Employment Standards	Awaiting Response
INTERNATIONAL BUSINESS MACHINES CORPORATION	Alert Issued	Climate Change	
ITC LTD	Sent Correspondence	Environmental Risk	Awaiting Response
JAPAN TOBACCO INC	Sent Correspondence	Environmental Risk	Awaiting Response
JOHNSON & JOHNSON	Meeting	Environmental Risk	Change in Process
KINDER MORGAN INC	Alert Issued	Climate Change	
KT&G CORP	Sent Correspondence	Environmental Risk	Awaiting Response
LOCKHEED MARTIN CORPORATION	Alert Issued	Climate Change	
LONDON STOCK EXCHANGE GROUP PLC	Sent Correspondence	Finance and Accounting	Dialogue
LOREAL SA	Received Correspondence	Human Rights	Moderate Improvement
MARKEL CORPORATION	Alert Issued	Climate Change	
MCDONALD'S CORPORATION	Received Correspondence	Human Rights	Dialogue
MERCK & CO. INC.	Meeting	Environmental Risk	Small Improvement
META PLATFORMS INC	Alert Issued	Human Rights	
MITCHELLS & BUTLERS PLC	Sent Correspondence	Employment Standards	Awaiting Response
MITIE GROUP PLC	Sent Correspondence	Employment Standards	Awaiting Response
mitsubishi UFJ FINANCIAL GRP	Alert Issued	Climate Change	



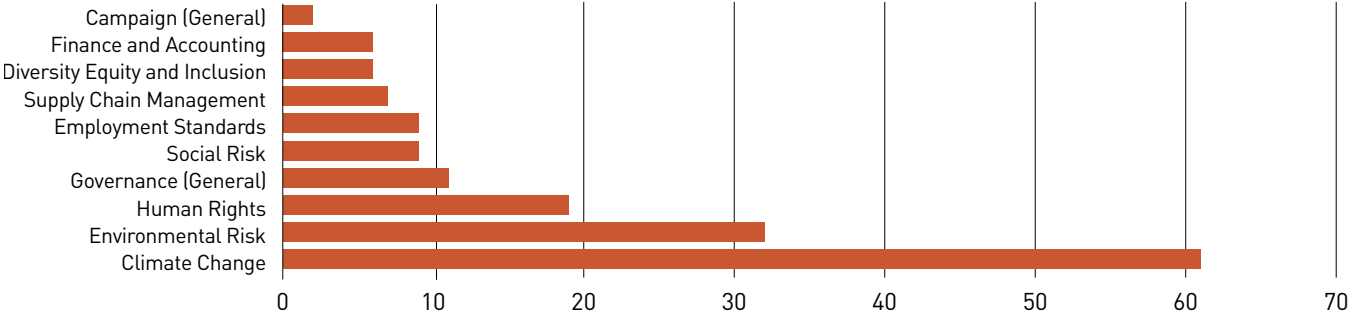
# COMPANY PROGRESS REPORT

Cont'd

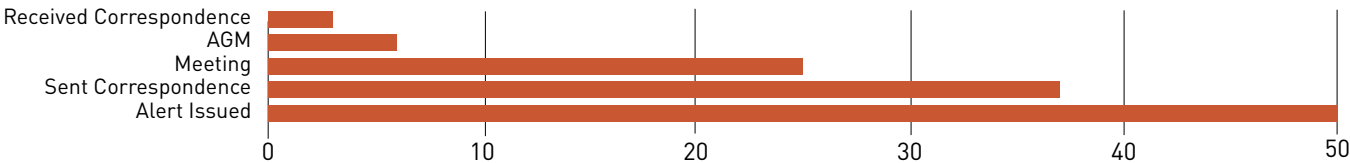
MIZUHO FINANCIAL GROUP INC	Alert Issued	Climate Change	
MONCLER SPA	Meeting	Human Rights	Moderate Improvement
MONDELEZ INTERNATIONAL INC	Alert Issued	Human Rights	
MORGAN STANLEY	Alert Issued	Climate Change	
NATIONAL GRID PLC	Meeting	Climate Change	Moderate Improvement
NESTLE SA	Alert Issued	Social Risk	
NEXON CO LTD	Received Correspondence	Diversity Equity and Inclusion	Dialogue
NEXTERA ENERGY INC	Alert Issued	Climate Change	
NIPPON STEEL CORP	Alert Issued	Climate Change	
NORTHUMBRIAN WATER GROUP	Sent Correspondence	Environmental Risk	Awaiting Response
OLD DOMINION FREIGHT LINE INC.	Meeting	Climate Change	Dialogue
PACCAR INC.	Alert Issued	Climate Change	
PENNON GROUP PLC	Meeting	Environmental Risk	Change in Process
PHILIP MORRIS INTERNATIONAL INC.	Sent Correspondence	Environmental Risk	Awaiting Response
POWER CORPORATION OF CANADA	Alert Issued	Climate Change	
QUEST DIAGNOSTICS INCORPORATED	Alert Issued	Climate Change	
REPUBLIC SERVICES INC.	Alert Issued	Climate Change	
RIO TINTO PLC	AGM	Environmental Risk	Dialogue
ROSS STORES INC	Alert Issued	Climate Change	
ROYAL BANK OF CANADA	Meeting	Climate Change	Dialogue
RTX CORP	Alert Issued	Climate Change	
SEVERN TRENT PLC	Sent Correspondence	Environmental Risk	Awaiting Response
SHELL PLC	AGM	Climate Change	Dialogue
SKYWORKS SOLUTIONS INC	Alert Issued	Climate Change	
SOUTHERN COMPANY	Alert Issued	Climate Change	
SSAB (SVENSKT STAL AB)	Sent Correspondence	Environmental Risk	Awaiting Response
STAFFLINE GROUP PLC	Sent Correspondence	Employment Standards	Awaiting Response
SUMITOMO MITSUI FINANCIAL GROUP	Alert Issued	Climate Change	
SUNCOR ENERGY INC	Alert Issued	Climate Change	
TESLA INC	Alert Issued	Governance (General)	
THE BOEING COMPANY	Alert Issued	Climate Change	
THE GOLDMAN SACHS GROUP INC.	Alert Issued	Climate Change	
THE KROGER CO.	Alert Issued	Climate Change	
THE PROCTER & GAMBLE COMPANY	Meeting	Environmental Risk	Small Improvement
THE TORONTO-DOMINION BANK	Meeting	Climate Change	Dialogue
THE TRAVELERS COMPANIES INC.	Alert Issued	Climate Change	
THYSSENKRUPP AG	Sent Correspondence	Environmental Risk	Awaiting Response
TOTALENERGIES SE	AGM	Governance (General)	Awaiting Response
TOYOTA INDUSTRIES CORP	Meeting	Diversity Equity and Inclusion	Small Improvement
TOYOTA MOTOR CORP	Alert Issued	Climate Change	
UNITED OVERSEAS BANK LTD	Meeting	Climate Change	Moderate Improvement
UNITED UTILITIES GROUP PLC	Meeting	Environmental Risk	Moderate Improvement
VALE SA	Meeting	Human Rights	Dialogue
WELLS FARGO & COMPANY	Alert Issued	Climate Change	
YARA INTERNATIONAL ASA	Alert Issued	Climate Change	
YASKAWA ELECTRIC CORP	Sent Correspondence	Diversity Equity and Inclusion	Awaiting Response
ZOETIS INC.	Sent Correspondence	Environmental Risk	Awaiting Response

# ENGAGEMENT DATA

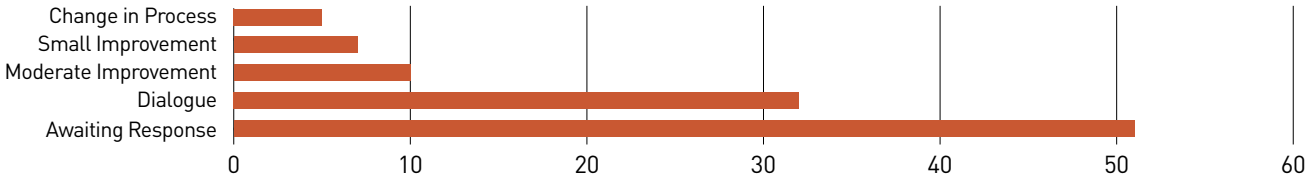
## ENGAGEMENT TOPICS



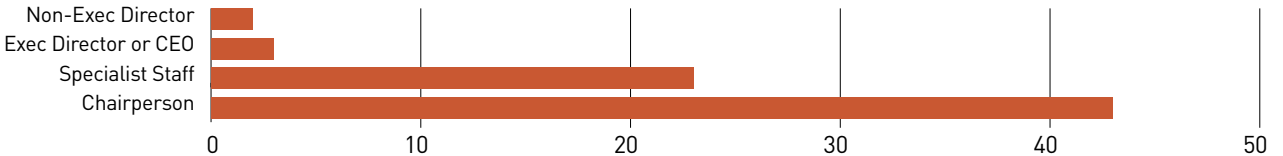
## ACTIVITY



## MEETING ENGAGEMENT OUTCOMES



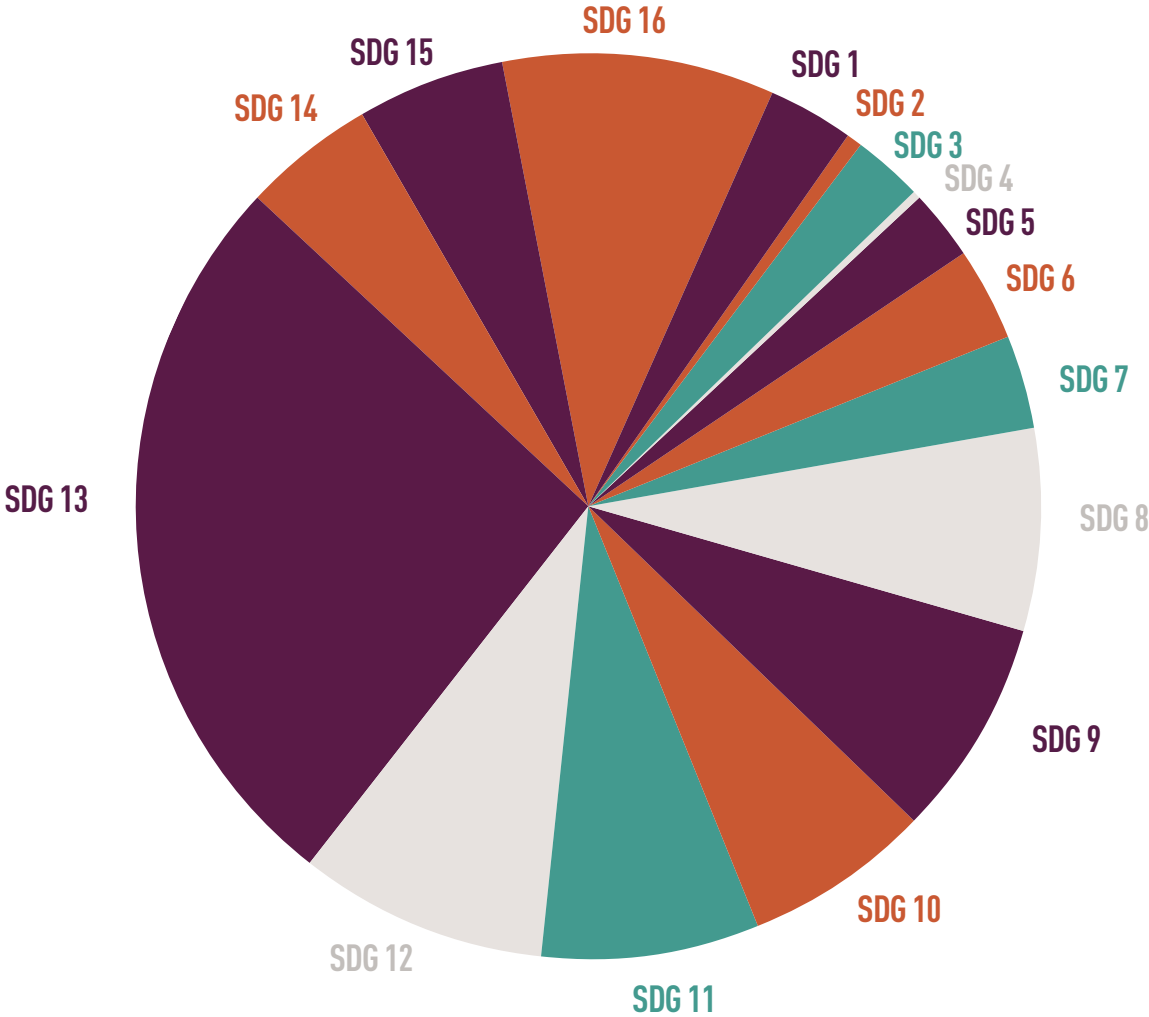
## POSITION ENGAGED



## COMPANY DOMICILES



# 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



## LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

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Avon Pension Fund	Environment Agency Pension Fund	Lincolnshire Pension Fund	Swansea Pension Fund
Barking and Dagenham Pension Fund	Essex Pension Fund	London Pension Fund Authority	Teesside Pension Fund
Barnet Pension Fund	Falkirk Pension Fund	Lothian Pension Fund	Tower Hamlets Pension Fund
Bedfordshire Pension Fund	Gloucestershire Pension Fund	Merseyside Pension Fund	Tyne and Wear Pension Fund
Berkshire Pension Fund	Greater Gwent Pension Fund	Merton Pension Fund	Waltham Forest Pension Fund
Bexley (London Borough of)	Greater Manchester Pension Fund	Newham Pension Fund	Wandsworth Borough Council Pension Fund
Brent (London Borough of)	Greenwich Pension Fund	Norfolk Pension Fund	Warwickshire Pension Fund
Cambridgeshire Pension Fund	Gwynedd Pension Fund	North East Scotland Pension Fund	West Midlands Pension Fund
Camden Pension Fund	Hackney Pension Fund	North Yorkshire Pension Fund	West Yorkshire Pension Fund
Cardiff & Glamorgan Pension Fund	Hammersmith and Fulham Pension Fund	Northamptonshire Pension Fund	Westminster Pension Fund
Cheshire Pension Fund	Haringey Pension Fund	Nottinghamshire Pension Fund	Wiltshire Pension Fund
City of London Corporation Pension Fund	Harrow Pension Fund	Oxfordshire Pension Fund	Worcestershire Pension Fund
Clwyd Pension Fund (Flintshire CC)	Havering Pension Fund	Powys Pension Fund	
Cornwall Pension Fund	Hertfordshire Pension Fund	Redbridge Pension Fund	<b>Pool Company Members</b>
Croydon Pension Fund	Hillingdon Pension Fund	Rhondda Cynon Taf Pension Fund	ACCESS Pool
Cumbria Pension Fund	Hounslow Pension Fund	Scottish Borders Pension Fund	Border to Coast Pensions Partnership
Derbyshire Pension Fund	Isle of Wight Pension Fund	Shropshire Pension Fund	LGPS Central
Devon Pension Fund	Islington Pension Fund	Somerset Pension Fund	Local Pensions Partnership
Dorset Pension Fund	Kensington and Chelsea (Royal Borough of)	South Yorkshire Pension Authority	London CIV
Durham Pension Fund	Kent Pension Fund	Southwark Pension Fund	Northern LGPS
Dyfed Pension Fund	Kingston upon Thames Pension Fund	Staffordshire Pension Fund	Wales Pension Partnership
Ealing Pension Fund	Lambeth Pension Fund	Strathclyde Pension Fund	
East Riding Pension Fund	Lancashire County Pension Fund	Suffolk Pension Fund	
East Sussex Pension Fund	Leicestershire Pension Fund	Surrey Pension Fund	
Enfield Pension Fund	Lewisham Pension Fund	Sutton Pension Fund	