



**FOR PUBLICATION**

**DERBYSHIRE COUNTY COUNCIL**

**PENSIONS AND INVESTMENTS COMMITTEE**

**8 September 2021**

**Report of the Director of Finance & ICT**

**Stewardship Report**

## **1. Purpose**

1.1 To provide the Pensions & Investments Committee with an overview of the stewardship activity carried out by Derbyshire Pension Fund's (the Fund) external investment managers in the quarter ended 30 June 2021, together with an update in respect of the stewardship engagement carried out by the Local Government Pension Fund Forum (LAPFF) over the same time period, and to note the Fund's representatives at LAPFF meetings.

## **2. Information and Analysis**

### **2.1 LGIM & LGPSC Reports**

This report attaches the following two reports to ensure that the Pensions & Investments Committee is aware of the engagement activity being carried out by Legal & General Investment Management (LGIM) and by LGPS Central Limited (the Fund's pooling company) (LGPSC):

- Q2 2021 LGIM ESG Impact Report (Appendix 2)
- Q1 2021/22 LGPSC Quarterly Stewardship Report (Appendix 3).

LGIM manages around £1.5bn of assets on behalf of the Fund through passive products covering: UK Equities; Japanese Equities; Emerging Market Equities; and Global Sustainable Equities. LGPSC currently manages around £0.6bn of assets on behalf of the Fund through its Global Emerging Market Equities Sub-Fund and Global Investment Grade Bonds Sub-Fund. It is

expected that LGPSC will manage a growing proportion of the Fund's assets going forward as part of the LGPS pooling project.

These two reports provide an overview of the investment managers' current key stewardship themes and voting and engagement activity over the last quarter.

## **2.2 Local Authority Pension Fund Forum**

In October 1990, Derbyshire Pension Fund was one of seven founding members of the 'Like Minded Pensions Authorities' (LIMPA), which was later renamed as the Local Authority Pension Fund Forum (LAPFF) in May 1992. Today, the LAPFF has 90 members (83 Local Authority members and 7 operating pool companies) with over £300bn in collective assets under ownership/management. For over 30 years, LAPFF has worked to promote the highest standards of corporate governance to protect the long-term value of local authority pension funds.

A copy of LAPFF's Engagement Report for the quarter to 30 June 2021 is set out at Appendix 4. The Engagement Reports sets out details of LAPFF's engagement activities in the quarter, which include over 90 engagements with 59 companies on topics including: Climate Change; Board Composition; Employment Standards; Environmental Risk; Human Rights; and General Governance.

The Fund's In-house Investment Management Team (IIMT) participates in a quarterly LAPFF group call, where the LAPFF provides an update in respect of on-going engagement activities and seeks member feedback in respect of potential upcoming engagement activities. In future, Councillor Wilson, as Chair of this Committee, will also represent Derbyshire Pension Fund at meetings of the LAPFF.

## **3. Implications**

3.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

## **4. Background Papers**

4.1 Papers held in the Investment Section.

## **5. Appendices**

5.1 Appendix 1 - Implications.

5.2 Appendix 2 – Q2 2021 LGIM ESG Impact Report.

5.3 Appendix 3 – Q1 2021/22 LGPSC Quarterly Stewardship Report.

5.4 Appendix 4 – April - June 2021 LAPFF Quarterly Engagement Report

**6. Recommendation(s)**

That Committee:

- (a) notes the stewardship activity of LGIM, LGPSC and LAPFF.
- (b) notes that the Chair of Committee and a member of the Fund's In-house Investment Management Team will represent the Fund at meetings of the LAPFF.

**Report Author: Peter Handford**  
**Director of Finance & ICT**

## Appendix 1

### **Implications**

#### **Financial**

1.1 None

#### **Legal**

2.1 None

#### **Human Resources**

3.1 None

#### **Information Technology**

4.1 None

#### **Equalities Impact**

5.1 None

#### **Corporate objectives and priorities for change**

6.1 None

#### **Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)**

7.1 None

Q2 2021

# ESG Impact Report

Global engagement to  
deliver positive change



# Our mission

To use our influence to ensure:



1. Companies integrate environmental, social and governance (ESG) factors into their culture and everyday thinking



2. Markets and regulators create an environment in which good management of ESG factors is valued and supported

In doing so, we seek to fulfil LGIM's purpose: to create a better future through responsible investing.

# Our focus

## Holding boards to account

To be successful, companies need to have people at the helm who are well-equipped to create resilient long-term growth. By voting and engaging directly with companies, we encourage management to control risks while seeking to benefit from emerging opportunities. We aim to safeguard and enhance our clients' assets by engaging with companies and holding management to account for their decisions. Voting is an important tool in this process, and one which we use extensively.

## Creating sustainable value

We believe it is in the interest of all stakeholders for companies to build sustainable business models that are also beneficial to society. We work to ensure companies are well-positioned for sustainable growth, and to prevent market behaviour that destroys long-term value. Our investment process includes an assessment of how well companies incorporate relevant ESG factors into their everyday thinking. We engage directly and collaboratively with companies to highlight key challenges and opportunities, and support strategies that can deliver long-term success.

## Promoting market resilience

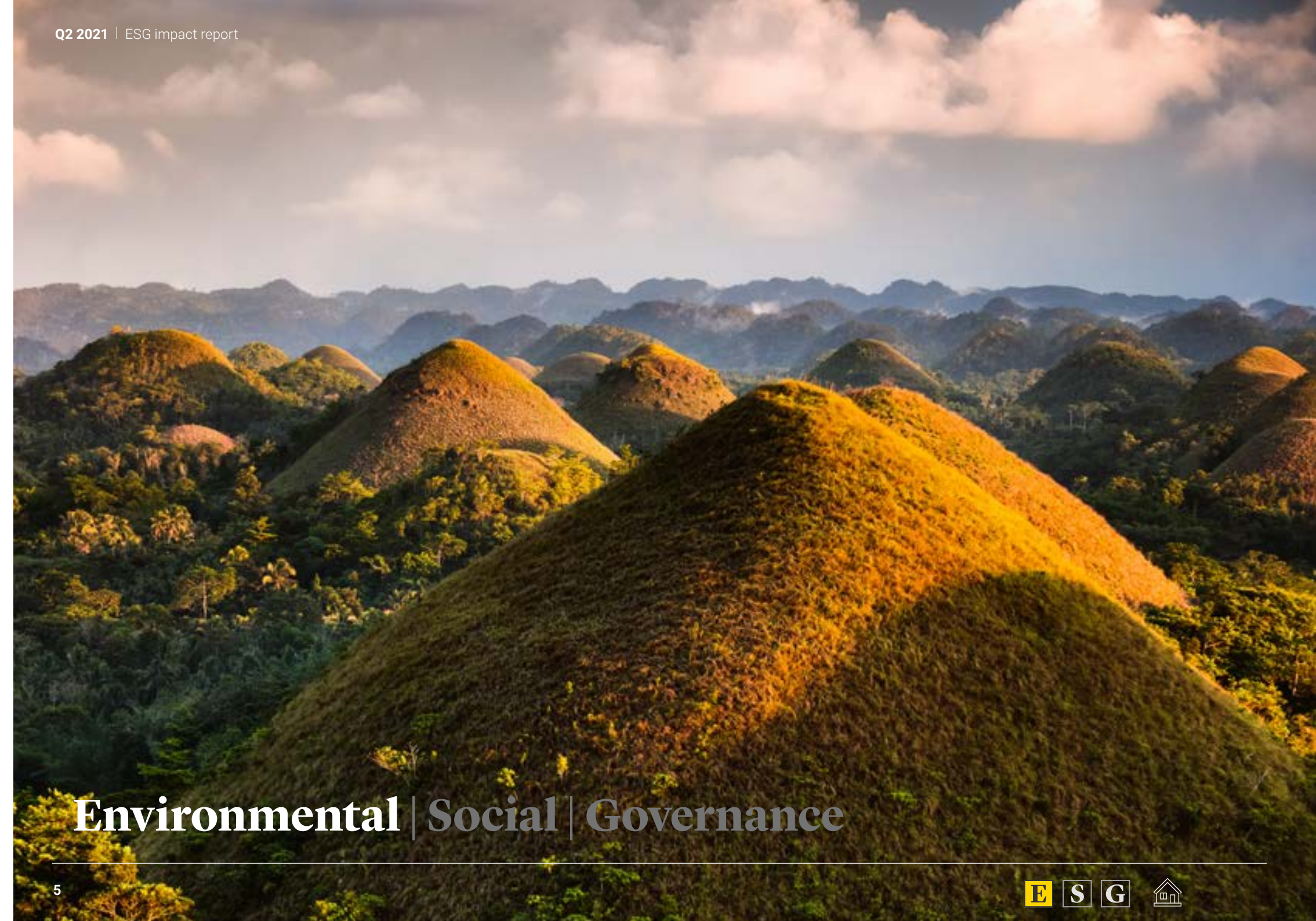
As a long-term investor for our clients, it is essential that markets are able to generate sustainable value. In doing so, we believe companies should become more resilient to change and therefore seek to benefit the whole market. We use our influence and scale to ensure that issues impacting the value of our clients' investments are recognised and appropriately managed. This includes working with key policymakers, such as governments and regulators, and collaborating with asset owners to bring about positive change.





## Action and impact

In the second quarter of 2021, we engaged with companies on a wide range of topics, from climate change to executive remuneration. You will find in this report details on our key activity during the period, including engagement campaigns, key votes and work with policymakers.



## Environmental | Social | Governance



# ESG: Environment

## The latest results of our strengthened Climate Impact Pledge

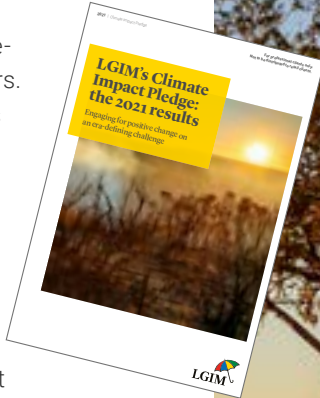
In 2020, we expanded our Climate Impact Pledge engagement programme to focus on around 1,000 global companies in 15 climate-critical sectors. We were pleased to see progress across most sectors. Notably, food retailer **Kroger\***, previously excluded as a sanction, has now been reinstated across select LGIM funds, following progress.

However, much remains to be done, which is why:

- Four new companies will be added to our exclusion list, taking the total number to 13.
- 130 companies have also been subject to voting sanctions for not meeting our minimum, data-driven standards.

## Sustainability summit

On 15 June 2021, LGIM hosted its inaugural Sustainability Summit, during which we announced the pledge’s results. The virtual global event focused on every aspect of ESG, illustrating its core role at LGIM, while showcasing our brand, purpose, capabilities and leadership as a responsible investor. More than 350 clients attended the event, along with 22 members of the press and 10 external speakers. Speakers included Nigel Topping, the UK Government’s expert and leader on climate change, internationally renowned environmentalist Dr. Jane Goodall, as well as CEOs of the large multinationals **Unilever\*** and **BHP\***.



\*References to any security are for illustrative purposes only.



## Supporting clients with their climate reporting

With the UK government rolling out new climate reporting requirements for pension schemes, we have developed a five-step checklist to help clients better understand how we can support them in meeting their regulatory obligations.

Our [article](#) contains more information about the checklist, including details of the carbon and climate metrics on which we intend to report.

## Asking questions at the LyondellBasell\* AGM

On 28 April 2021 we joined investor colleagues under the IIGCC/CA100+ umbrella to directly engage with the Chair and the Directors of the Board around the chemical company’s management of climate-related risks. Under this collaborative initiative we had asked for the board to add two discussion items to the AGM agenda: ‘Climate Change and Commitment Strategy’ and ‘Advisory Vote on Climate Change’. The company agreed to this and, alongside seven other investors, we asked multiple questions regarding LyondellBasell’s net-zero targets, science-based targets, lobbying, Task Force on Climate-Related Financial Disclosures (TCFD) reporting, and Paris-aligned activities. We also discussed director accountability and annual votes on the company’s transition plan. We had a dialogue with the Board directors and will continue to engage with the company.

\*References to any security are for illustrative purposes only.

## Finance for biodiversity pledge

In April 2021 we signed the Finance for Biodiversity pledge at the 15th meeting of the Conference of the Parties to the Convention on Biological Diversity (CBD), alongside more than 50 financial institutions representing over €9 trillion in assets under management and custody. The pledge calls on global leaders to agree on timely and effective measures to reverse nature loss to ensure ecosystem resilience.

As a signatory, by 2024 at the latest we commit to: collaborating and knowledge sharing; engaging with companies; assessing impact; setting targets; and reporting publicly. We will help develop policies and differentiated expectations across industries, with the aim that companies reduce their negative/increase their positive impacts on biodiversity.







### Shareholder proposals

LGIM voted in favour of shareholder proposals for oil majors **Chevron\*** and **ConocoPhillips\*** to set targets for emissions associated with the use of their products, and against the ‘say-on-climate’ proposals put forward by **Shell\*** and **Total\*** (now TotalEnergies\*) for an advisory vote from shareholders. We have provided further comment on the significance on these votes in our [blog](#).

Today, Japan is only second to the US in terms of the number of activist campaigns.<sup>1</sup> Proposals in Japan have focused mainly on unlocking the value trapped within large balance sheets by returning cash to shareholders. Common proposals call for the unwinding of cross shareholdings and increased dividends but these are rarely successful.

One emerging theme in shareholder proposals is climate change. Last year, **Mizuho Financial Group\*** was the first Japanese company to receive a [climate-related proposal](#). This year, environmental groups filed similar proposals calling for **Sumitomo Corporation\*** and **Mitsubishi UFJ Financial Group\*** to adopt and disclose plans to align their businesses with the goals of the Paris Agreement. While both companies have shown progress, including a commitment to achieve carbon neutrality by 2050, we chose to vote in favour of both proposals to signal our concerns around the pathway to successfully deliver on the long-term commitments. Neither passed, but they received 20% and 23% shareholder support, respectively.

At **Kansai Electric Power’s\*** AGM, 24 proposals predominantly related to governance and environmental issues were filed by [33 shareholders](#) including the municipal governments of Osaka City and Kyoto City. One of the proposals we supported requested the company to amend its articles to stop building new coal plants and to take measures to reduce emissions from coal generation.

**Toyo Seikan Group Holdings\*** received a proposal from an activist fund to amend its articles to disclose a plan outlining the business strategy, taking into account the TCFD framework.

While none of these shareholder resolutions passed in Japan, we hope our support for the resolutions has helped signal the importance and urgency for companies to act.

1. Source: CLSA based on Bloomberg data (as of 30 June 2021).  
\*References to any security are for illustrative purposes only.

### Significant votes

| Company name: ExxonMobil Corporation* |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                     |
|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| ISIN: US30231G1022                    | Market cap: \$236.9bn <sup>2</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Sector: Oil and gas |
| Issue identified:                     | Due to persistent concerns around governance, climate and capital allocation, the company was removed from select LGIM strategies in 2019, with sanctions applied under LGIM’s Climate Impact Pledge.<br><br>In 2020, we announced that we would be opposing the re-election of the company’s chair/CEO as we believe the separation of roles provides a better balance of authority and responsibility.<br><br>In 2021, we escalated our engagement by supporting an activist investor who proposed an alternative slate of directors, as the experience and skills of the proposed four candidates would, in our view, make a positive contribution to board effectiveness and oversight. We announced our voting stance ahead of the AGM, with our position being widely covered in major news outlets and referenced in the voting recommendations from proxy adviser ISS. |                     |
| Summary of the resolution:            | Proxy content at the AGM, 26 May 2021                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                     |
| How LGIM voted:                       | LGIM voted FOR: <ul style="list-style-type: none"><li>The four activist-proposed director nominees</li><li>A number of ESG shareholder proposals</li></ul> LGIM voted AGAINST: <ul style="list-style-type: none"><li>The re-election of the chair/CEO</li><li>The reappointment of auditors</li><li>The remuneration report</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                     |
| Rationale for the decision:           | We have had multiple engagements with the company but remain dissatisfied with the strength of the company’s climate targets and strategy, along with the levels of transparency around sustainability and lobbying, and with the levels of board oversight (in particular the combined chair/CEO roles).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                     |
| Outcome:                              | <ul style="list-style-type: none"><li>Three of the four proposed new directors have been appointed.</li><li>The chair of the remuneration committee, against whom LGIM voted last year, was not reappointed to the board.</li><li>A majority of shareholders voted for a report on climate-related lobbying.</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                     |
| Why is this vote significant?         | This is most high-profile example to date of a climate-related proxy contest; a recently formed hedge fund with a minority stake managed to galvanise sufficient support to replace a third of the board at a company that less than a decade ago was the world’s largest by market capitalisation.<br><br>For LGIM, the escalation is in keeping with our approach of holding individual directors accountable for their companies’ climate performance. We have commented on the significance on the vote repeatedly in the media and in our blog                                                                                                                                                                                                                                                                                                                            |                     |

2. The source for all market cap data in this document is Refinitiv, as at 21 July 2021  
\*References to any security are for illustrative purposes only.

| Company name: HSBC Holdings plc* |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |               |
|----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| ISIN: GB0005405286               | Market cap: £80.6bn                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Sector: Banks |
| Issue identified:                | <p>The bank has repeatedly been identified as a substantial climate change financier, continuing to finance new fossil fuel projects not in line with the Paris Agreement goals.</p> <p>To work towards a net-zero future aligned with Paris Agreement goals, ShareAction initially proposed a resolution to strengthen HSBC’s climate change policies and disclosure.</p> <p>As a result of further discussions between the company, the proponents and shareholders, ShareAction was sufficiently comfortable with management’s counter proposal to withdraw its own resolution.</p> |               |
| Summary of the resolution:       | <ul style="list-style-type: none"><li>AGM: 28 May 2021</li><li>Resolution 15 – to set, disclose and implement short- and medium-term targets, to publish and implement a phase-out policy and to report on progress.</li></ul>                                                                                                                                                                                                                                                                                                                                                         |               |
| How LGIM voted:                  | LGIM voted FOR the management-proposed climate change resolution (in line with management’s recommendation).                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |               |
| Rationale for the decision:      | <ul style="list-style-type: none"><li>LGIM has engaged with HSBC on its climate change policies and disclosures for a number of years, and we joined a collaborative engagement around the shareholder proposal ahead of the 2021 AGM.</li><li>We encouraged the Board to reach a compromise with the proponents to require only a single resolution, and so were happy to support management’s climate change proposal at the AGM.</li></ul>                                                                                                                                          |               |
| Outcome:                         | <ul style="list-style-type: none"><li>Engagement between company, proponent and institutional shareholders led to the preferred outcome of a single resolution supported by management and proxy advisers.</li><li>Resolution 15 received overwhelming support with 99.71% of votes cast FOR.</li><li>We will continue to monitor the strength of HSBC’s climate change policies and progress towards improved disclosure of targets and emissions across the portfolio.</li></ul>                                                                                                     |               |
| Why is this vote significant?    | <p>The topic of the proposal was in line with LGIM’s climate change policy stance and our campaign to push for a net-zero economy globally.</p> <p>Ahead of the AGM and while engagement between the parties continued, we had many client and press queries regarding our views and likely vote on the proposals.</p>                                                                                                                                                                                                                                                                 |               |

\*References to any security are for illustrative purposes only.



# Environmental | Social | Governance



# ESG: Social

## Medical oxygen roundtables

The Investment Stewardship team was invited to participate in the first (of three) Access to Medical Oxygen roundtables, organised by the Access to Medicine Foundation and Every Breath Counts Coalition. The aim was to explore opportunities to increase access to medical oxygen in low-and middle-income countries (LMICs) in the context of COVID-19. The roundtable brought together companies and industry associations, investors, donor governments and foundations as well as global health agencies, such as the World Bank, World Health Organisation (WHO), and the Clinton Health Access Initiative.

Globally, to date, there have been approximately 180 million reported cases of COVID-19 and almost 4 million deaths.<sup>3</sup> Medical oxygen therapy is a core part of the treatment of patients with severe COVID-19. Of those admitted to hospital with COVID-19, 41% need supplemental oxygen.<sup>4</sup> With slower-than-expected vaccine rollout in many of the LMICs, access to oxygen and other medicines have been described during the

Access to Medical Oxygen roundtables as “exceedingly important” in reducing COVID-19 deaths in the short-term. Sir Jeremy Farrar, Director of the Wellcome Trust, an independent charitable foundation dedicated to combatting the most urgent global health challenges, has noted that medical oxygen will save more lives in 2021 than vaccines will, but supplies to many countries are precariously low.<sup>5</sup>

Medical oxygen is included under the Therapeutics Pillar of the Access to COVID-19 Tools Accelerator (ACT-A)—a global partnership led by WHO to accelerate development, production, and equitable access to COVID-19 tests, treatments, and vaccines. Under the umbrella of ACT-A, the ‘Oxygen Emergency Taskforce’ was established in February 2021 to help LMICs respond to the rapidly rising need for medical oxygen to treat COVID-19 patients.

The third roundtable was held on 9 June 2021 with the objective of engaging the oxygen industry more directly to prevent a repeat of the oxygen crises that have occurred in many LMICs, most recently in India and Nepal. The roundtable was opened by Carl Bildt, WHO Special Envoy for the Access to COVID-19 Tools Accelerator (ACT-A) and former Prime Minister and Foreign Secretary of Sweden. In conversations with participants and, in particular, some companies in which we invest, LGIM stated our clear support for those companies who were taking steps to increase access to medical oxygen and encouraged others to follow suit. We were delighted to hear, less than a week later, that two of the world’s largest medical oxygen suppliers **Air Liquide\*** and **Linde plc\*** – which have participated in the roundtables – had agreed to collaborate with the COVID-19 ‘Oxygen Emergency Taskforce’ to increase access to medical oxygen in LMICs.<sup>6</sup> We will continue to participate in the roundtables and encourage other investee holdings to support the efforts of the ‘Oxygen Emergency Taskforce’.

3. John Hopkins Coronavirus Resource Center, last accessed 22 June 2021: <https://coronavirus.jhu.edu/map.html>  
4. Jane Feinmann, BMJ 2021;373:n1166, last accessed 22 June 2021: <http://dx.doi.org/10.1136/bmj.n1166>  
5. Interview with Jeremy Farrar by Mun-Keat Looi, BMJ, International Features Editors, last accessed 22 June 2021: <https://www.bmj.com/content/372/bmj.n459>  
6. [Unprecedented cooperation with global oxygen suppliers paves way to increase access for low- and middle-income countries to address COVID-19 crisis - Unitaid](#)  
\*References to any security are for illustrative purposes only.



## Support of UN high level dialogue on AMR

On 23 January 2020 at the World Economic Forum annual meeting in Davos, the Access to Medicine Foundation, **FAIRR, PRI** and the UK Government launched a new initiative – Investor Action on Antimicrobial Resistance (AMR) – focused on tackling the global threat of drug-resistant infections. Since September 2020, LGIM has been a member of Investor Action on AMR. At the end of April 2021, under this umbrella and upon the request of the President of the United Nations (UN) General Assembly, we joined with other high profile organisations and supported the UN’s General Assembly’s Call to Action on AMR. The aim is to enhance global and political coordination, accountability and governance by strengthening future pandemic preparation and addressing challenges to tackle antimicrobial resistance. Collective dialogue and the influence of investors such as LGIM, will play a vital role in tackling AMR<sup>7</sup> and again, this underscores, and confirms, the need of a ‘One Health’ approach to AMR, of which LGIM is a firm believer.<sup>8</sup>

7. [\\*2021\\_06 PGA-letter-Summary-of-High-Level-Interactive-Dialogue-on-Antimicrobial-Resistance-AMR.pdf](#)  
8. The World Health Organization (WHO) has declared that AMR is one of the top 10 global public health threats facing humanity. Due to the complexity of AMR the WHO promotes a ‘One Health’ approach which brings together various stakeholders working in multiple fields such as human and animal health, food production, environment etc to work together in the designing and implementing research programmes, policies and legislation to attain better public health outcomes. A ‘One Health’ approach is essential in combating AMR as it affects all facets of society.  
\*References to any security are for illustrative purposes only.



Tax transparency

LGIM has long believed that tax is an ESG issue. Not only is it important that individual company earnings are of a high quality and not over-reliant on specific tax structures, but if over the longer term societies are insufficiently funded, this could lead to greater societal inequalities and begin to impact companies’ ability to operate sustainably. This quarter our desire to see greater transparency on tax and a fairer tax system has been bolstered by significant developments. In June, the G7 committed to set a global minimum corporate tax rate of at least 15%, and to take it forward with the G20. We have also lent our support, alongside other investors, to proposed legislation in [Europe](#), and the [US](#), which would mandate country by country tax reporting for multinational companies.



\*References to any security are for illustrative purposes only.

Significant votes

| Company name: McDonald's Corporation* |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                       |
|---------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|
| ISIN: US5801351017                    | Market cap: \$174.8bn                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Sector: Hotels, restaurants & leisure |
| Issue identified:                     | AMR is a key focus of the engagement strategy of LGIM’s Investment Stewardship team. We believe that, without coordinated action today, AMR could prompt the next global health crisis, with a potentially dramatic impact on the planet, its people, and global GDP.                                                                                                                                                                                                                                                                                                                                                                 |                                       |
| Summary of the resolution:            | Resolution 5 - Report on Antibiotics and Public Health Costs at the company’s AGM held on 20 May 2021.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                       |
| How LGIM voted:                       | LGIM voted FOR the shareholder resolution (against management).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                       |
| Rationale for the decision:           | LGIM voted in favour as we believe the proposed study will inform shareholders and other stakeholders of the negative ramifications of sustained use of antibiotics in the company’s supply chain and its impact on global health, with a particular focus on the systemic implications.<br><br>While LGIM applauds the company’s efforts over the past few years in reducing the use of antibiotics in its supply chain for chicken, beef and pork, we believe AMR is a financially material issue for the company and other stakeholders, and we wanted to signal the importance of this topic to the company’s board of directors. |                                       |
| Outcome:                              | 11.3% of shareholders supported the resolution. LGIM will continue to engage with the company and monitor progress.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                       |
| Why is this vote significant?         | We consider this vote to be significant as LGIM took the rare step of publicly pre-declaring it before the shareholder meeting.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                       |

\*References to any security are for illustrative purposes only.



| Company name: Rio Tinto plc*  |                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ISIN: GB0007188757            | Market cap: £98bn                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Sector: Mining                |                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Issue identified:             | Community rights and social license to operate.                                                                                                                                                                                                                                                                                                                                                                                         |
| Summary of the resolution:    | Resolution 3 and 4 – Approve remuneration report for UK and Australian law purposes.                                                                                                                                                                                                                                                                                                                                                    |
| How LGIM voted:               | LGIM voted AGAINST the remuneration reports, at both AGMs of the dual-listed mining giant.                                                                                                                                                                                                                                                                                                                                              |
| Rationale for the decision:   | LGIM believed that further reductions in the exit package awarded to the outgoing CEO would have been appropriate given the destruction of the heritage site at Juukan Gorge, the associated reputational damage and the strain it has put on community relations, which are essential to maintaining the social license to operate for the industry.                                                                                   |
| Outcome:                      | A majority of shareholders opposed the pay package at the UK AGM                                                                                                                                                                                                                                                                                                                                                                        |
| Why is this vote significant? | The destruction of a 46,000-year old heritage site in Western Australia during a 2020 mine site expansion prompted a backlash from local communities, the Australian government, the media and investors, culminating in the departure of four directors, including the chairman and the CEO. This vote represents the latest development in LGIM's efforts to press the company for accountability since the beginning of the scandal. |

\*References to any security are for illustrative purposes only.



# Environmental | Social | Governance



# ESG: Governance

## Summary of pre-declarations

This is the first year in which LGIM has centralised the reporting of our vote intentions in advance of a company’s AGM. LGIM’s voting intentions for 2021, in [our blog post](#), highlights the companies and resolutions we believe require additional scrutiny from the market. Publicly pre-declaring our vote intention is an important tool for our engagement activities. We decide to pre-declare for a number of reasons, including as part of our escalation strategy, where we consider the vote to be contentious, or as part of a specific engagement programme.

The pre-declarations covered a number of different ESG topics, too. For example, our post on Informa\* highlighted our intention to vote against a number of resolutions, including one pertaining to its remuneration policy, to reflect our concerns over the media company’s pay practices.

\*References to any security are for illustrative purposes only.



This is the first year in which LGIM has centralised the reporting of our vote intentions in advance of a company’s AGM.

## Co-filed significant shareholder resolutions

During the autumn of 2020 we co-filed, together with members of Investors for Opioid and Pharmaceutical Accountability (IOPA), two shareholder resolutions at **Eli Lilly\*** and **Gilead Sciences\*** seeking the appointment of an independent chair. LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 we have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 we have voted against all combined board chair/CEO roles. Furthermore, we have published a guide for boards on the separation of the roles of chair and CEO, and we have reinforced our position on leadership structures across our stewardship activities – e.g. via individual corporate engagements and director conferences.

In our advocacy process, the obvious next step was to start filing shareholder resolutions on this subject. At the Eli Lilly\* AGM the shareholder proposal received support from 42% (excl. insider shares) of the independent shareholders and at Gilead Sciences\* the same proposal received 35% support from shareholders. For Gilead Sciences\*, we also took the rare step of publicly pre-declaring our vote intentions before the shareholder meeting.

9. Source: Sumitomo Mitsui Trust Bank (as of 1 July 2021). Note that in a hybrid AGMs, a “participating” shareholder can view the meeting online but cannot vote during the meeting, while an “attending” shareholder can not only view but also vote during the meeting. Only a small number of companies have given shareholders the option to “attend” virtually.

10. In Japan, a new [law](#) has come into effect, allowing companies to hold virtual-only meetings without the need to amend the articles for two years from 16 June 2021.

\*References to any security are for illustrative purposes only.

## COVID-19 and virtual AGMs

In June, more than 300 Japanese companies held ‘hybrid AGMs’, allowing shareholders the option to either physically turn up for the meeting, or alternatively ‘participate’ or ‘attend’ online.<sup>9</sup>

Additionally, we note that 10 Japanese companies proposed to amend their articles of incorporation to allow virtual-only AGMs.<sup>10</sup> We chose to support proposals by companies that specified the situations - such as during a pandemic or major natural disaster - in which a virtual-only AGM would be allowed without shareholder approval (e.g. **Takeda Pharmaceutical Company\***). However, we voted against proposals that did not limit the conditions (e.g. **Sumitomo Mitsui Financial Group\***), as we believe that authorising companies to hold virtual-only meetings permanently could undermine the quality of exchange between shareholders and companies. This is particularly important to retail investors who do not have the same access to companies that institutional investors have outside the AGM.





Board composition

In 2021, we strengthened our board diversity policy to vote against companies in the TOPIX 500 in instances where there are no women on the board. This resulted in 51 votes against the chairman or most senior member of the board during the second quarter.<sup>11</sup> This is compared to six in the same period in 2020, the first year in which we implemented a voting policy in Japan to vote against any company in the TOPIX 100 with an all-male board. We are pleased to note that three of those six companies have appointed women directors to the board this year.



In 2021, we strengthened our board diversity policy to vote against companies in the TOPIX 500 in instances where there are no women on the board.

Further information and views on diversity in Japan can be found in the LGIM blog:

- [Why gender diversity in Japan’s boardrooms should matter to investors](#) (10 May 2021)
- [Hi-seiki, high stakes: how we engage on gender diversity in Japan](#) (17 May 2021)

Moreover, we have continued to vote against Japanese companies when independent directors account for less than one third of the board. During the latest quarter, we voted against 141 companies, down from 191 during the same period in 2020, due to board independence concerns.<sup>12</sup>

11. Votes represent voting instructions for our main FTSE pooled index funds which include approximately 500 Japanese holdings.  
12. Ibid.  
\*References to any security are for illustrative purposes only.

Significant votes

| Company name: AT&T*           |                                                                                                                                                                                                                                                                     |
|-------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ISIN: US00206R1023            | Market cap: \$199.3bn                                                                                                                                                                                                                                               |
| Sector: Telecommunications    |                                                                                                                                                                                                                                                                     |
| Issue identified:             | LGIM identified serious issues with the structure and quantum of AT&T’s executive remuneration. In particular, the US\$48 million sign-on equity award to the incoming CEO of its Warner Media division and a US\$9 million retention grant to the General Counsel. |
| Summary of the resolution:    | <ul style="list-style-type: none"><li>Item 3 - Advisory Vote to Ratify Named Executive Officers' Compensation</li><li>AGM – 30 April 2021</li></ul>                                                                                                                 |
| How LGIM voted:               | AGAINST                                                                                                                                                                                                                                                             |
| Rationale for the decision:   | The awards and payments made by AT&T did not meet LGIM’s expectations of fair and balanced remuneration both in respect to their magnitude and the lack of performance criteria.                                                                                    |
| Outcome:                      | A majority of investors (51.7%) voted against the advisory resolution, sending a strong signal to management that its remuneration policy revision.                                                                                                                 |
| Why is this vote significant? | This was a high-profile vote.                                                                                                                                                                                                                                       |

\*References to any security are for illustrative purposes only.

| Company name: General Electric*  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                     |
|----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| ISIN: US00206R1023, US3696041033 | Market cap: \$111.5bn                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Sector: Industrials |
| Issue identified:                | <p>LGIM believes that the roles of chair and CEO should be separated. The concentration of power in the hands of a single individual can be seen as an advantage for a company. For example, having a single person is thought by many to facilitate quick decision-making. However, LGIM believes that, on balance, the perceived advantages do not outweigh the risks of such a structure. Instead, a separate chair and CEO provides a balance of authority and responsibility that is in both the company's and investors' best interests. At the company's 2021 AGM, a shareholder resolution was proposed to require an independent chair, which would in effect result in a separation of the chair and CEO roles.</p> <p>LGIM is committed to addressing the issue of climate change. We believe that climate change and the transition to low-carbon presents both risks and opportunities for our investee companies. At the company's 2021 AGM, a shareholder resolution was filed by requesting that the company report on its progress towards achieving a target of net zero greenhouse gas emissions by 2050.</p> |                     |
| Summary of the resolution:       | <ul style="list-style-type: none"><li>Item 6 – Require Independent Board Chair</li><li>Item 7 – Report on Meeting the Criteria of the Net Zero Indicator</li><li>AGM –4 May 2021</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                     |
| How LGIM voted:                  | <ul style="list-style-type: none"><li>FOR – Item 6</li><li>FOR – Item 7</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                     |
| Rationale for the decision:      | LGIM voted to support both resolutions in an effort to improve the company's governance structure and to spur meaningful action by the company to address gaps in its climate related disclosure and strategy.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                     |
| Outcome:                         | <p>The resolution requiring an independent board chair received 29.8% votes in favour and failed to pass. LGIM will continue to engage with the company on this important governance structure best practice.</p> <p>The board and an overwhelming majority of 97.96% of investors supported the shareholder resolution. General Electric* and the board issued a statement reiterating their recognition that climate change is an urgent priority and that the company will disclose a Scope 3 emissions target and says that it plans on publishing a sustainability report in 2021 that will include whether the company intends to set a net-zero target and the rationale behind it.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                   |                     |
| Why is this vote significant?    | This was a high-profile vote.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                     |

\*References to any security are for illustrative purposes only.

# Public policy update



## United Kingdom

Over the past quarter, the UK government has been very active with regards to strengthening ESG-related policy and regulation. There have been announcements ranging from the UK audit reform, UK taxonomy, sustainability labelling, the Task Force on Climate-Related Financial Disclosures (TCFD), social factors in pensions schemes, green bond issuance, to sustainability disclosures requirements.

In May, LGIM and L&G Group submitted a joint response to the UK's 'Department for Work and Pensions and the Department for Business, Energy & Industrial Strategy' (BEIS) consultation on “*mandatory climate-related financial disclosures by publicly quoted companies, large private companies and Limited Liability Partnerships (LLPs)*”. LGIM has for many years been encouraging the significant strengthening climate-related reporting across the UK economy and beyond, and this consultation was very welcome. We again highlighted the importance that such regulations must be aligned across the investment chain to ensure the required data is disclosed by corporates, thus enabling disclosures further up the chain. This is critical if we are to get accurate, comparable and consistent disclosures for end investors. We were, however, disappointed to see that the ambition from BEIS was below what we feel is necessary i.e. reporting at a TCFD 4 pillar level as opposed to the full 11 recommendations. In collaboration with other investors, LGIM wrote to the government to highlight this as a serious area of concern.

LGIM has also been: i) engaging with the FCA on the next steps to the Lord Hill review (e.g. use of special purpose acquisition companies or ‘SPACs’); ii) preparing responses to the BEIS Audit Reform consultation; iii) joined the **Aldersgate Group** and UK Green Building Council **collaboration** of businesses and investors that wrote to the prime minister to call for the UK Planning Bill to deliver net zero and protect nature (**picked up** in the FT); and iv) reviewing the forthcoming FCA TCFD consultations for asset managers and standard listed issuers.

\*References to any security are for illustrative purposes only.



## United States

In June, we submitted a comment letter to Securities and Exchange Commission (SEC) as part of its **public input solicitation** for the climate change disclosure rules under consideration. Within the letter, among other points, we highlighted the importance of consistent global disclosure requirements across all asset classes on climate-related risks as well as the need for broader ESG disclosures. LGIM also met with the Environmental Protection Agency (EPA) in June to discuss the importance of federal methane policies, given the potency of substance and its incompatibility with a net zero future. In May, as part of the **Human Capital Management Coalition**, we met with SEC Chairman Gary Gensler to discuss human capital disclosure recommendations: number of workers, cost of work force, turnover and diversity.

We met to discuss human capital disclosure recommendations: number of workers, cost of work force, turnover and diversity.







European Union

As ever, the European Union (EU) continues to lead the way on developing a comprehensive policy and regulatory framework in sustainable finance, as well as driving progress on the transition to a low-carbon economy (and meet the Paris Agreement targets) across each sector. An area of focus for the EU at this time is improving ESG transparency right across the investment chain. In May, following last year’s consultation on reviewing the Non-Financial Reporting Directive, the EU released its proposal for the **‘Corporate Sustainability Reporting Directive’**. While this is just the first step, and a lot will depend on how close the EU aligns with the new IFRS Sustainability Standards Board (which is key), we welcome the proposal. We have summarised the key changes in [our blog](#). We will be continuing to engage with the EU and advocate for robust sustainable finance policies, including an area that the EU may have overlooked, integrating strong ‘stewardship’ activities. It is also worth mentioning we [joined a collaboration](#) through The Institutional Investors Group on Climate Change (IIGCC) on reiterating the requirements and the importance of a strong EU methane policy, with our stance covered by major news agency [Reuters](#).



Japan

In June, the Tokyo Stock Exchange (TSE) **announced** the second revision of Japan’s Corporate Governance Code, which was first compiled in 2015 and revised in 2018. This was accompanied by the Japan Financial Services Agency’s (FSA) revised Guidelines for Investor and Company Engagement (Engagement Guidelines) **announced** the same day. LGIM engaged with the public consultation both directly and alongside our partners in the Asian Corporate Governance Association (ACGA), and also worked with the International Corporate Governance Network (ICGN) to provide input into the *"Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code"* (set up by the TSE and the FSA).

LGIM welcomes the Code’s enhancements to: i) board independence; ii) references to climate change (including TCFD-aligned reporting) and human rights issues among others as aspects of sustainability for the board to embrace; iii) strengthened wording regarding nomination and remuneration committees; and iv) increased emphasis on diversity at the board and management level.

All are issues that LGIM has advocated on for many years. In our view, however, the latest board independence requirements still leave room for further enhancement. Moreover, we believe the revised Code does not sufficiently add to the sections on the management and timing of [shareholder meetings](#), and cross-shareholdings (we note, however, that there have been some additions to the Engagement Guidelines). Additionally, in future revisions, we would like to see a number of important items – including English disclosures, TCFD-aligned reporting, and independent board committees – become applicable to companies beyond just those listed on the prime market. We have also recommended that the TSE and FSA consider ways to monitor and enforce compliance against the Code, as adherence should not be a tick-box exercise and any non-compliance should be explained with compelling reasons. A sound corporate governance framework is in the long-term interests of all participants in the Japanese market, and we will continue to engage on this topic going forward.

\*References to any security are for illustrative purposes only.

In April, and in the context of delivering on Paris Agreement, LGIM engaged on pushing the Japanese government to encourage setting an appropriate 2030 greenhouse gas emission reduction target to be included in their National Determined Contribution (NDC – which was being negotiated ahead of COP26 later this year). LGIM’s position was to encourage a strengthening of the reduction target to 50% below 2013 levels (which had previously been set at just 26%), however, the government eventually decided on a less ambitious 46% reduction target along with an unofficial goal to aim to reduce emissions by 50%. It is encouraging to see that the government has now codified into law its commitment for the economy to be carbon-neutral (net zero) by 2050. We are also pleased to announce that LGIM is now part of the **‘Japan Climate Leaders’ Partnership’** (JCLP), and look forward to collaborating with the group on Japanese climate related policy.

\*References to any security are for illustrative purposes only.

ACGA Japan Working Group

LGIM has been a member of the Asian Corporate Governance Association (ACGA), an independent research and advocacy non-profit membership organisation based in Hong Kong, since 2012. This year, Aina Fukuda, who leads LGIM’s stewardship efforts in Japan, was appointed deputy chair of the ACGA Japan Working Group (JWG). The JWG is a sub-group of ACGA investor members comprised of professionals committed to advancing corporate governance and stewardship in Japan on behalf of their organisations. The JWG comprises 29 ACGA member organisations with global assets under management of more than US\$20tn (as of December 2020).

During her two-year term, Aina will represent LGIM and work with ACGA and the JWG chair to advance JWG’s engagement with regulators, listed companies and other key stakeholders in Japan. Since her appointment, JWG members have identified corporate engagements on board independence, diversity, and capital management (e.g. cross-shareholdings) as a key priority for the group. Other JWG meetings during this quarter involved knowledge sharing as well as constructive dialogue between JWG members and Japanese companies, proxy advisers, and NGOs.







Australia

LGIM responded to a [Treasury consultation](#) that is reviewing the regulatory regime for proxy advice and looking to introduce reforms that reportedly encourage greater transparency in the system. This consultation was similar to that of the SEC in the US in 2019, a proposal to which LGIM strongly opposed. In the US, the SEC has announced the ruling will be revisited. We encouraged the Treasury in Australia not to proceed with the proposal highlighting: i) that proxy advisers are agents of investors, not issuers; ii) research must be independent; iii) investors take the final decision on voting; and iv) that investors already publicly publish voting reports, engagements, and voting policies on their websites. We will closely follow this proposal going forward.



Global

G7

In June, world leaders gathered at the G7 meeting in Cornwall, UK. While there was a lot on the agenda, we felt there were some very positive signals for the 'ESG space', specifically: i) the political ambition and alignment on climate change and biodiversity (ahead of both COPs later this year); ii) ESG disclosures; iii) corporate tax standards; iv) anti-microbial resistance; and v) financing the transition to low carbon economies in emerging markets. Please see our [blog](#) for further details.

There were some very positive signals for the 'ESG space' at the G7 meeting in June 2021.

\*References to any security are for illustrative purposes only.



Tax

This quarter has seen some big moves in our desires to see greater transparency on tax and a fairer tax system. As mentioned above, in June the G7 committed to set a global minimum corporate tax rate of at least 15%, and to take it forward with the G20. We have also lent our support, alongside other investors, to proposed legislation in [Europe](#) and [the US](#) which would mandate country by country tax reporting for multinational companies.

Climate change

In June, LGIM joined the 2021 [Global Investor Statement](#) to governments on the climate crisis. The statement was coordinated by The Investor Agenda and represents 457 investors with more than US\$41tn in assets under management and custody. The statement sets out five actions that governments need to urgently take steps on: i) strengthening National Determined Contributions (NDC) for 2030 and in-line with limiting warming to 1.5 degrees centigrade; ii) commit to mid-century net zero targets with decarbonisation roadmaps; iii) strengthen pre-2030 policy actions e.g. phase out fossil-fuel subsidies; iv) ensure COVID-19 recovery plans support the transition to net zero; and v) mandate climate risk disclosures e.g. TCFD. LGIM is also: i) preparing a response to the FSB's consultation on establishing cross-sectorial TCFD metrics; and ii) working with a collaborative group of investors to push for a greater focus and action on micro-fibre pollution.

Agriculture

Continuing our focus on ensuring that policymakers strengthen their focus and policies to reduce greenhouse gas emissions (GHG) emitted by the agriculture sector – see our previous engagement on [EU Common Agricultural Policy](#) when we met with the Commission to discuss and spoke about during closing remarks [of this event](#) – we have joined a collaborative with the [FAIRR Initiative](#) titled 'Where is the Beef'. The [investor statement](#) is urging all G20 nation to enact ambitious policies and to publicly disclose effective targets for GHG reductions in the agriculture sector within or alongside their NDCs commitments at COP26. If well managed, the sector can actually serve as a 'carbon sink'. The statement has received strong support from the former secretary-general of the UNs, Ban Ki-Moon, and was [picked up](#) in the media.

\*References to any security are for illustrative purposes only.

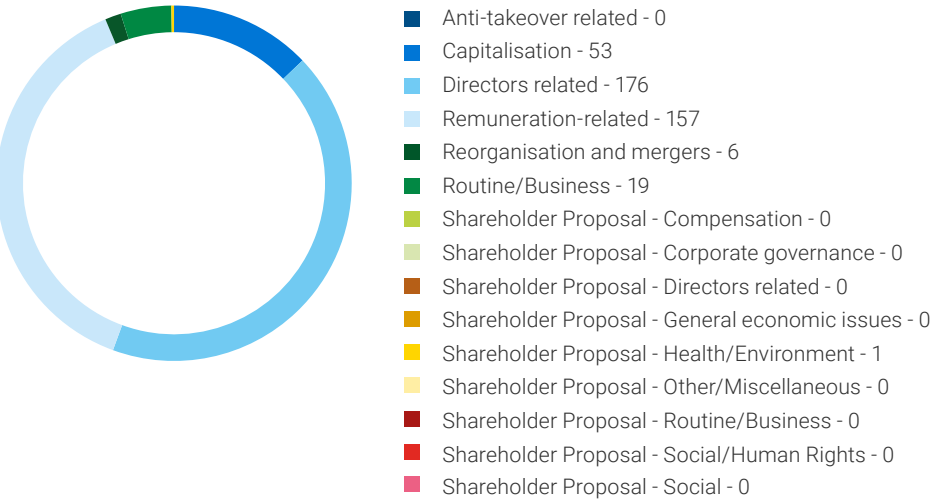


# Regional updates

## UK - Q2 2021 voting summary

| Proposal category                                                                    | Total for | Total against | Total abstentions |
|--------------------------------------------------------------------------------------|-----------|---------------|-------------------|
| Anti-takeover related                                                                | 215       | 0             | 0                 |
| Capitalisation                                                                       | 1077      | 53            | 0                 |
| Directors related                                                                    | 2150      | 176           | 0                 |
| Non-Salary compensation                                                              | 332       | 157           | 0                 |
| Reorganisation and mergers                                                           | 26        | 6             | 0                 |
| Routine/Business                                                                     | 1312      | 19            | 0                 |
| Shareholder Proposal - Compensation                                                  | 1         | 0             | 0                 |
| Shareholder Proposal - Corporate governance                                          | 0         | 0             | 0                 |
| Shareholder Proposal - Directors related                                             | 2         | 0             | 0                 |
| Shareholder Proposal - General economic issues                                       | 0         | 0             | 0                 |
| Shareholder Proposal - Health/Environment                                            | 2         | 1             | 0                 |
| Shareholder Proposal - Other/Miscellaneous                                           | 0         | 0             | 0                 |
| Shareholder Proposal - Routine/Business                                              | 0         | 0             | 0                 |
| Shareholder Proposal - Social/Human rights                                           | 0         | 0             | 0                 |
| Shareholder Proposal - Social                                                        | 0         | 0             | 0                 |
| Total                                                                                | 5117      | 412           | 0                 |
| Total resolutions                                                                    | 5529      |               |                   |
| No. AGMs                                                                             | 295       |               |                   |
| No. EGMs                                                                             | 42        |               |                   |
| No. of companies voted on                                                            | 314       |               |                   |
| No. of companies where voted against management/abstained on at least one resolution | 173       |               |                   |
| % of companies where at least one vote against management (includes abstentions)     | 55%       |               |                   |

Votes against management



Number of companies voted for/against management



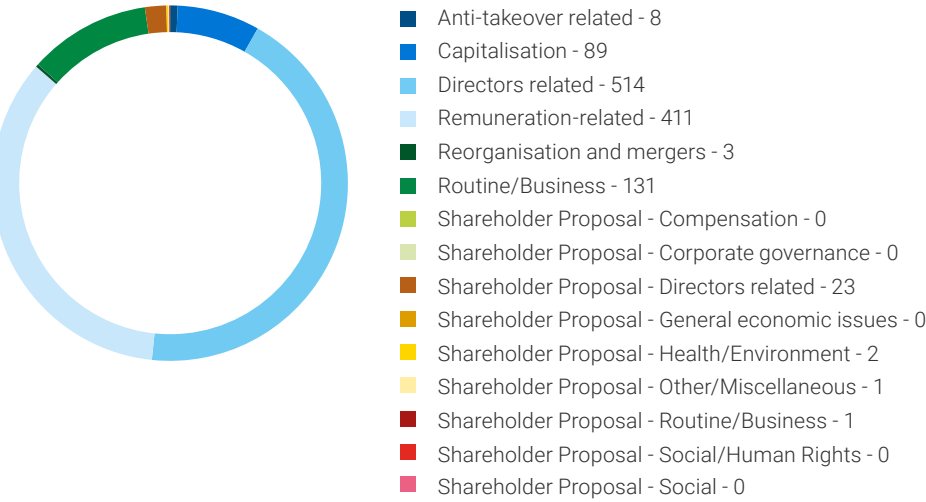
**LGIM voted against at least one resolution at 55% of UK companies over the quarter.**



## Europe - Q2 2021 voting summary

| Proposal category                                                                    | Total for | Total against | Total abstentions |
|--------------------------------------------------------------------------------------|-----------|---------------|-------------------|
| Anti-takeover related                                                                | 4         | 8             | 0                 |
| Capitalisation                                                                       | 684       | 89            | 0                 |
| Directors related                                                                    | 2118      | 502           | 12                |
| Non-Salary compensation                                                              | 689       | 409           | 2                 |
| Reorganisation and mergers                                                           | 57        | 3             | 0                 |
| Routine/Business                                                                     | 1692      | 128           | 3                 |
| Shareholder Proposal - Compensation                                                  | 2         | 0             | 0                 |
| Shareholder Proposal - Corporate governance                                          | 4         | 0             | 0                 |
| Shareholder Proposal - Directors related                                             | 19        | 23            | 0                 |
| Shareholder Proposal - General economic issues                                       | 0         | 0             | 0                 |
| Shareholder Proposal - Health/Environment                                            | 1         | 2             | 0                 |
| Shareholder Proposal - Other/Miscellaneous                                           | 1         | 1             | 0                 |
| Shareholder Proposal - Routine/Business                                              | 6         | 1             | 0                 |
| Shareholder Proposal - Social/Human rights                                           | 0         | 0             | 0                 |
| Shareholder Proposal - Social                                                        | 0         | 0             | 0                 |
| Total                                                                                | 5277      | 1166          | 17                |
| Total resolutions                                                                    | 6460      |               |                   |
| No. AGMs                                                                             | 322       |               |                   |
| No. EGMs                                                                             | 11        |               |                   |
| No. of companies voted on                                                            | 325       |               |                   |
| No. of companies where voted against management/abstained on at least one resolution | 281       |               |                   |
| % of companies where at least one vote against management (includes abstentions)     | 86%       |               |                   |

Votes against management



Number of companies voted for/against management



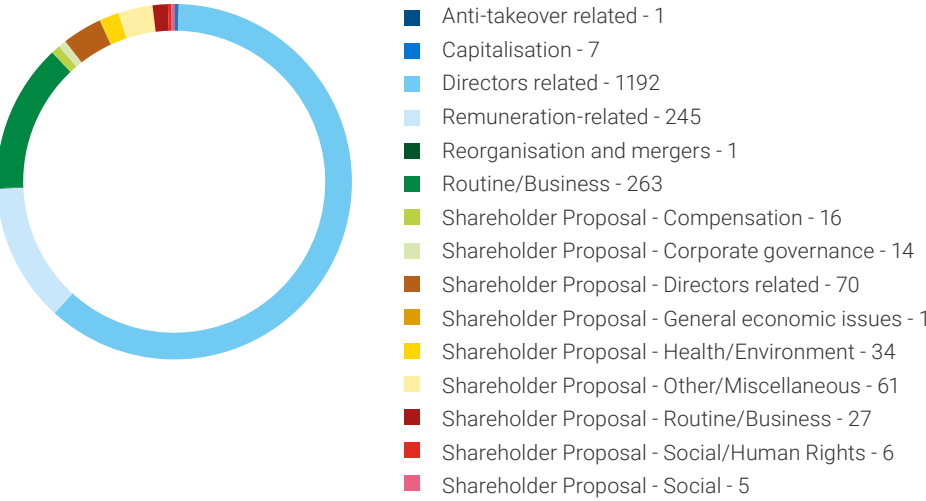
**LGIM voted against at least one resolution at 86% of European companies over the quarter.**



North America - Q2 2021 voting summary

| Proposal category                                                                    | Total for | Total against | Total abstentions |
|--------------------------------------------------------------------------------------|-----------|---------------|-------------------|
| Anti-takeover related                                                                | 59        | 1             | 0                 |
| Capitalisation                                                                       | 53        | 7             | 0                 |
| Directors related                                                                    | 3813      | 1187          | 5                 |
| Non-Salary compensation                                                              | 423       | 245           | 0                 |
| Reorganisation and mergers                                                           | 12        | 1             | 0                 |
| Routine/Business                                                                     | 310       | 263           | 0                 |
| Shareholder Proposal - Compensation                                                  | 4         | 16            | 0                 |
| Shareholder Proposal - Corporate governance                                          | 16        | 14            | 0                 |
| Shareholder Proposal - Directors related                                             | 62        | 70            | 0                 |
| Shareholder Proposal - General economic issues                                       | 0         | 1             | 0                 |
| Shareholder Proposal - Health/Environment                                            | 6         | 34            | 0                 |
| Shareholder Proposal - Other/Miscellaneous                                           | 5         | 61            | 0                 |
| Shareholder Proposal - Routine/Business                                              | 2         | 27            | 0                 |
| Shareholder Proposal - Social/Human rights                                           | 0         | 6             | 0                 |
| Shareholder Proposal - Social                                                        | 13        | 5             | 0                 |
| Total                                                                                | 4778      | 1938          | 5                 |
| Total resolutions                                                                    | 6721      |               |                   |
| No. AGMs                                                                             | 520       |               |                   |
| No. EGMs                                                                             | 10        |               |                   |
| No. of companies voted on                                                            | 526       |               |                   |
| No. of companies where voted against management/abstained on at least one resolution | 508       |               |                   |
| % of companies where at least one vote against management (includes abstentions)     | 97%       |               |                   |

Votes against management



Number of companies voted for/against management



- No. of companies where we supported management
- No. of companies where we voted against management

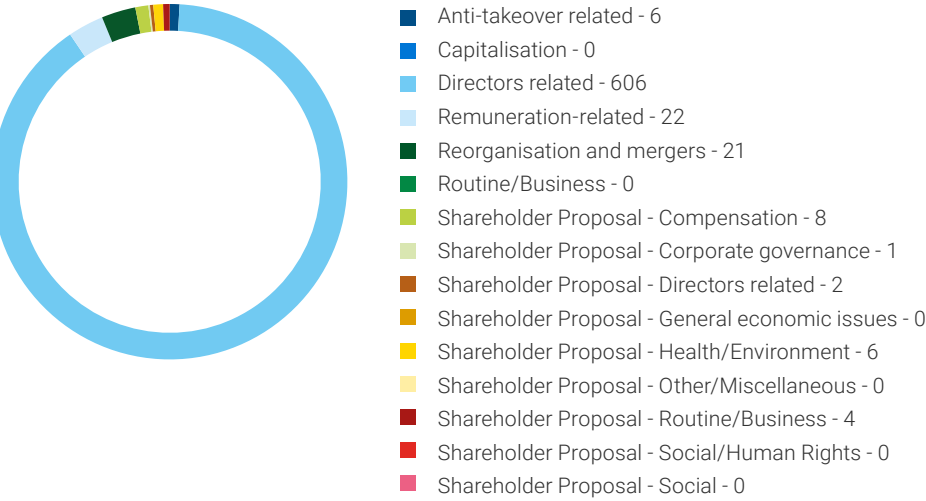
**LGIM voted against at least one resolution at 97% of North American companies over the quarter.**



Japan - Q2 2021 voting summary

| Proposal category                                                                    | Total for | Total against | Total abstentions |
|--------------------------------------------------------------------------------------|-----------|---------------|-------------------|
| Anti-takeover related                                                                | 0         | 6             | 0                 |
| Capitalisation                                                                       | 1         | 0             | 0                 |
| Directors related                                                                    | 3614      | 606           | 0                 |
| Non-Salary compensation                                                              | 209       | 22            | 0                 |
| Reorganisation and mergers                                                           | 77        | 21            | 0                 |
| Routine/Business                                                                     | 267       | 0             | 0                 |
| Shareholder Proposal - Compensation                                                  | 1         | 8             | 0                 |
| Shareholder Proposal - Corporate governance                                          | 1         | 1             | 0                 |
| Shareholder Proposal - Directors related                                             | 23        | 2             | 0                 |
| Shareholder Proposal - General economic issues                                       | 0         | 0             | 0                 |
| Shareholder Proposal - Health/Environment                                            | 38        | 6             | 0                 |
| Shareholder Proposal - Other/Miscellaneous                                           | 0         | 0             | 0                 |
| Shareholder Proposal - Routine/Business                                              | 17        | 4             | 0                 |
| Shareholder Proposal - Social/Human rights                                           | 0         | 0             | 0                 |
| Shareholder Proposal - Social                                                        | 0         | 0             | 0                 |
| Total                                                                                | 4248      | 676           | 0                 |
| Total resolutions                                                                    | 4924      |               |                   |
| No. AGMs                                                                             | 396       |               |                   |
| No. EGMs                                                                             | 3         |               |                   |
| No. of companies voted on                                                            | 399       |               |                   |
| No. of companies where voted against management/abstained on at least one resolution | 307       |               |                   |
| % of companies where at least one vote against management (includes abstentions)     | 77%       |               |                   |

Votes against management



Number of companies voted for/against management



- No. of companies where we supported management
- No. of companies where we voted against management

**LGIM voted against at least one resolution at 77% of Japanese companies over the quarter.**

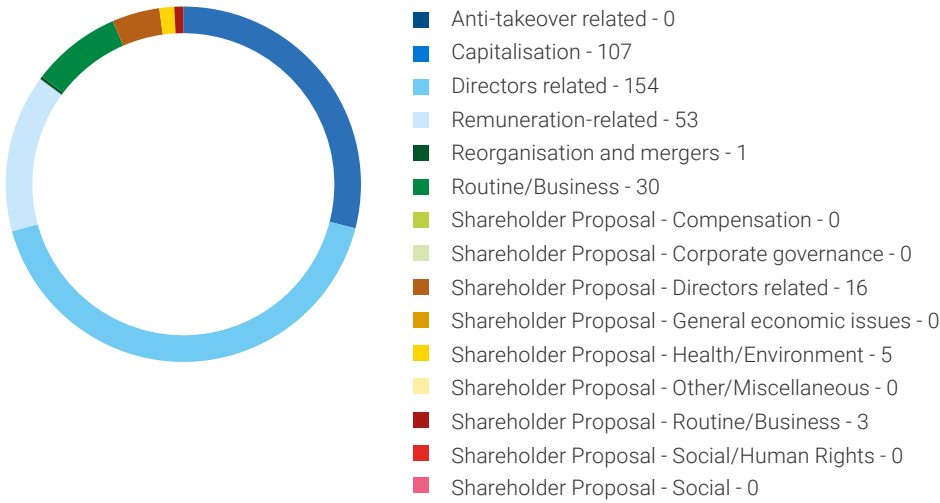




Asia Pacific - Q2 2021 voting summary

| Proposal category                                                                    | Total for | Total against | Total abstentions |
|--------------------------------------------------------------------------------------|-----------|---------------|-------------------|
| Anti-takeover related                                                                | 4         | 0             | 0                 |
| Capitalisation                                                                       | 137       | 107           | 0                 |
| Directors related                                                                    | 371       | 149           | 5                 |
| Non-Salary compensation                                                              | 25        | 53            | 0                 |
| Reorganisation and mergers                                                           | 41        | 1             | 0                 |
| Routine/Business                                                                     | 259       | 30            | 0                 |
| Shareholder Proposal - Compensation                                                  | 0         | 0             | 0                 |
| Shareholder Proposal - Corporate governance                                          | 0         | 0             | 0                 |
| Shareholder Proposal - Directors related                                             | 0         | 16            | 0                 |
| Shareholder Proposal - General economic issues                                       | 0         | 0             | 0                 |
| Shareholder Proposal - Health/Environment                                            | 1         | 5             | 0                 |
| Shareholder Proposal - Other/Miscellaneous                                           | 0         | 0             | 0                 |
| Shareholder Proposal - Routine/Business                                              | 0         | 3             | 0                 |
| Shareholder Proposal - Social/Human rights                                           | 0         | 0             | 0                 |
| Shareholder Proposal - Social                                                        | 0         | 0             | 0                 |
| Total                                                                                | 838       | 364           | 5                 |
| Total resolutions                                                                    | 1207      |               |                   |
| No. AGMs                                                                             | 117       |               |                   |
| No. EGMs                                                                             | 25        |               |                   |
| No. of companies voted on                                                            | 131       |               |                   |
| No. of companies where voted against management/abstained on at least one resolution | 104       |               |                   |
| % of companies where at least one vote against management (includes abstentions)     | 79%       |               |                   |

Votes against management



Number of companies voted for/against management



■ No. of companies where we supported management  
■ No. of companies where we voted against management

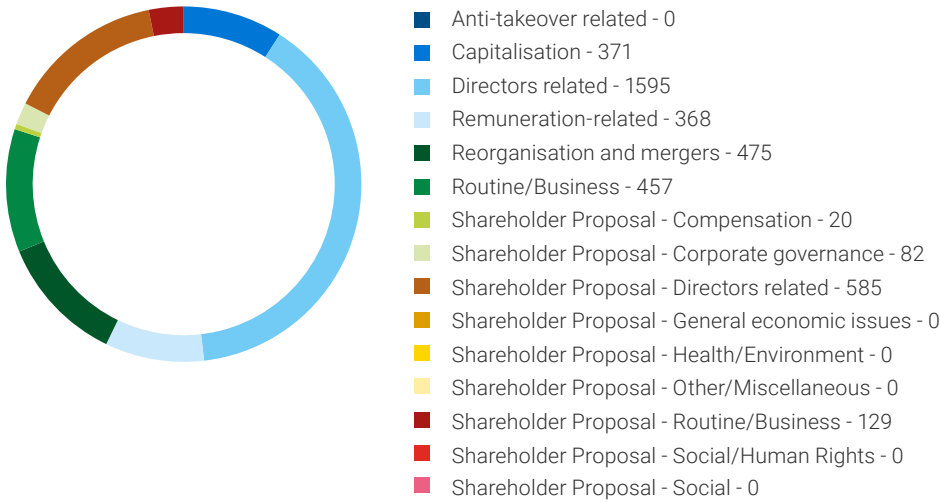
**LGIM voted against at least one resolution at 79% of Asia Pacific companies over the quarter.**



Emerging markets - Q2 2021 voting summary

| Proposal category                                                                    | Total for | Total against | Total abstentions |
|--------------------------------------------------------------------------------------|-----------|---------------|-------------------|
| Anti-takeover related                                                                | 1         | 0             | 0                 |
| Capitalisation                                                                       | 1954      | 371           | 0                 |
| Directors related                                                                    | 4080      | 1239          | 356               |
| Non-Salary compensation                                                              | 133       | 368           | 0                 |
| Reorganisation and mergers                                                           | 1761      | 475           | 0                 |
| Routine/Business                                                                     | 6506      | 457           | 0                 |
| Shareholder Proposal - Compensation                                                  | 8         | 20            | 0                 |
| Shareholder Proposal - Corporate governance                                          | 19        | 82            | 0                 |
| Shareholder Proposal - Directors related                                             | 86        | 570           | 15                |
| Shareholder Proposal - General economic issues                                       | 0         | 0             | 0                 |
| Shareholder Proposal - Health/Environment                                            | 0         | 0             | 0                 |
| Shareholder Proposal - Other/Miscellaneous                                           | 0         | 0             | 0                 |
| Shareholder Proposal - Routine/Business                                              | 20        | 129           | 0                 |
| Shareholder Proposal - Social/Human rights                                           | 0         | 0             | 0                 |
| Shareholder Proposal - Social                                                        | 0         | 0             | 0                 |
| Total                                                                                | 14568     | 3711          | 371               |
| Total resolutions                                                                    | 18650     |               |                   |
| No. AGMs                                                                             | 1110      |               |                   |
| No. EGMs                                                                             | 323       |               |                   |
| No. of companies voted on                                                            | 1142      |               |                   |
| No. of companies where voted against management/abstained on at least one resolution | 826       |               |                   |
| % of companies where at least one vote against management (includes abstentions)     | 72%       |               |                   |

Votes against management



Number of companies voted for/against management



■ No. of companies where we supported management  
■ No. of companies where we voted against management

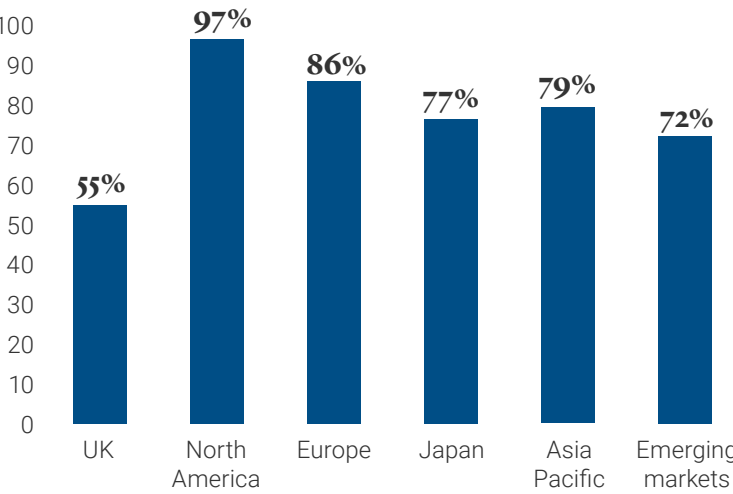
**LGIM voted against at least one resolution at 72% of emerging market companies over the quarter.**



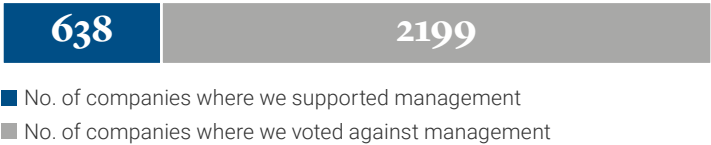
Global - Q2 2021 voting summary

| Proposal category                                                                    | Total for | Total against | Total abstentions | Total |
|--------------------------------------------------------------------------------------|-----------|---------------|-------------------|-------|
| Anti-takeover related                                                                | 283       | 15            | 0                 | 298   |
| Capitalisation                                                                       | 3906      | 627           | 0                 | 4533  |
| Directors related                                                                    | 16146     | 3859          | 378               | 20383 |
| Non-Salary compensation                                                              | 1811      | 1254          | 2                 | 3067  |
| Reorganisation and mergers                                                           | 1974      | 507           | 0                 | 2481  |
| Routine/Business                                                                     | 10346     | 897           | 3                 | 11246 |
| Shareholder Proposal - Compensation                                                  | 16        | 44            | 0                 | 60    |
| Shareholder Proposal - Corporate governance                                          | 40        | 97            | 0                 | 137   |
| Shareholder Proposal - Directors related                                             | 192       | 681           | 15                | 888   |
| Shareholder Proposal - General economic issues                                       | 0         | 1             | 0                 | 1     |
| Shareholder Proposal - Health/Environment                                            | 48        | 48            | 0                 | 96    |
| Shareholder Proposal - Other/Miscellaneous                                           | 6         | 62            | 0                 | 68    |
| Shareholder Proposal - Routine/Business                                              | 45        | 164           | 0                 | 209   |
| Shareholder Proposal - Social/Human rights                                           | 0         | 6             | 0                 | 6     |
| Shareholder Proposal - Social                                                        | 13        | 5             | 0                 | 18    |
| Total resolutions                                                                    | 34826     | 8267          | 398               | 43491 |
| No. AGMs                                                                             |           |               |                   | 2760  |
| No. EGMs                                                                             |           |               |                   | 414   |
| No. of companies voted on                                                            |           |               |                   | 2837  |
| No. of companies where voted against management/abstained on at least one resolution |           |               |                   | 2199  |
| % of companies where at least one vote against management (includes abstentions)     |           |               |                   | 78%   |

% of companies with at least one vote against (includes abstentions)



Number of companies voted for/against management



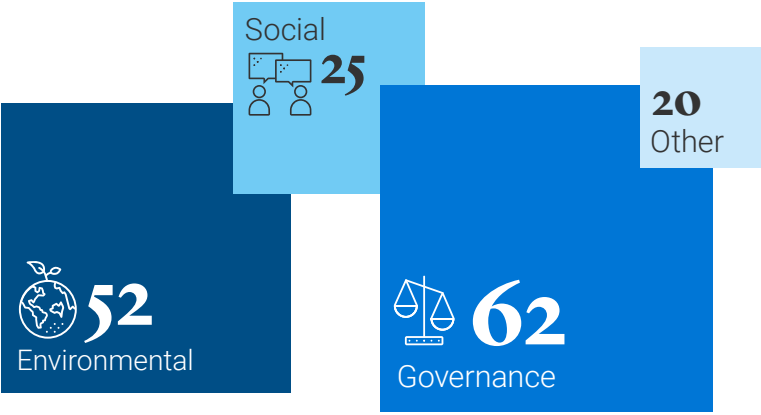
Global engagement summary



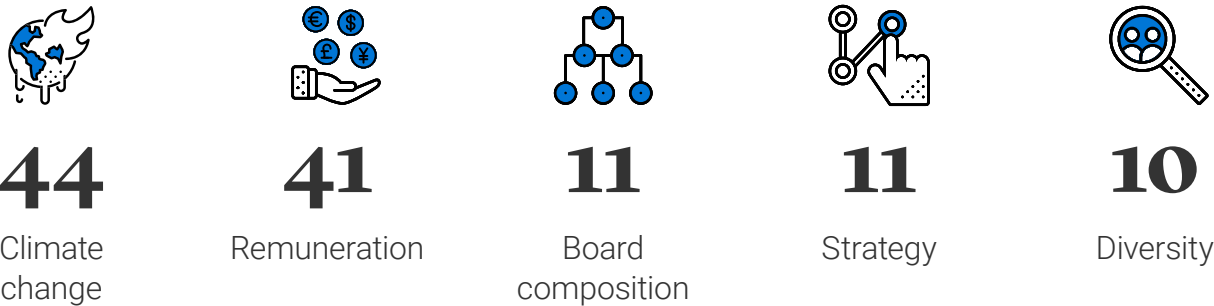


Breaking down the engagement numbers

Breakdown of engagement by themes

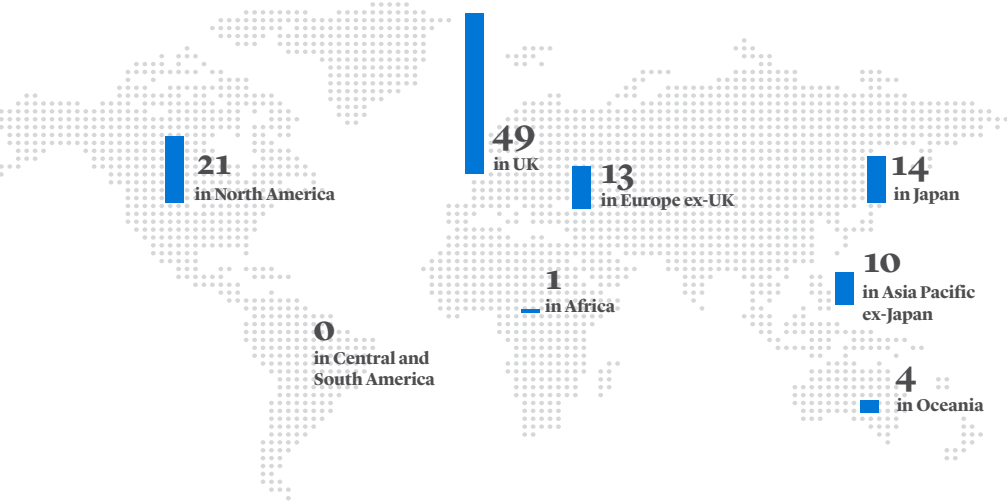


Top five engagement topics\*

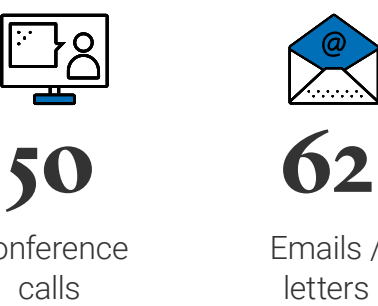


\*Note: an engagement can cover more than a single topic

Regional breakdown of engagements



Engagement type



Contact us

For further information about LGIM, please visit [lgim.com](https://lgim.com) or contact your usual LGIM representative



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# Quarterly Stewardship Update

**FIRST QUARTER, 2021-22** (APRIL - JUNE 2021)





# Responsible Investment & Engagement

## LGPS Central's approach



LGPS Central's approach to Responsible Investment & Engagement carries two objectives:

### OBJECTIVE #1

*Support investment objectives*

### OBJECTIVE #2

*Be an exemplar for RI within the financial services industry, promote collaboration, and raise standards across the marketplace*

These objectives are met through three pillars:



This update covers LGPS Central's (LGPSC) *stewardship* activity. Our stewardship efforts are supplemented by global engagement and voting services provided by EOS at Federated Hermes (EOS). For more information please refer to our Responsible Investment & Engagement Framework and Annual Stewardship Report.

## ADDITIONAL DISCLOSURES

Responsible Investment & Engagement Framework



Annual Stewardship Report



Voting Principles



Voting Disclosure



Voting Statistics



Signatory of:



# 01 Engagement and Stewardship Themes



The G7 economies<sup>1</sup> have struck a new agreement on taxing multinationals, designed to pave the way for a global accord at the next G20 meeting in November 2021. The G7 countries have all agreed a global minimum corporate tax rate of at least 15%, designed to reduce the incentive of large multinationals to shift profits to low-tax offshore havens. The move is aimed at getting multinationals, particularly tech giants, to pay more into government coffers which have been hit during the pandemic. World leaders have hailed the agreement, with US Treasury Secretary proclaiming that it “would end the race to the bottom in corporate taxation”. Google, Amazon and Facebook have all said they welcomed the G7’s move, though several non-governmental organisations have argued that the deal does not go far enough. This development is very welcome as we continue engagement with companies on tax transparency and responsible tax behaviour.

As reported in LGPS Central’s Stewardship Update for Q4 2020-21, we co-signed a letter to the COP26 President asking for support to investors by seeking publication of key underlying assumptions and commodity price projections tied to a 1.5C scenario. The International Energy Agency’s special report *Net Zero by 2050: a Roadmap for the Global Energy Sector* published on 18 May provides clarity in this regard. The roadmap highlights the gap between where we are and where the 1.5C scenario says we need to be. The IEA describes the energy transition as an all-hands-on-deck crisis that “hinges on a singular, unwavering focus from all governments—working together with one another, and with businesses, investors and citizens.” “No new oil and natural gas fields are needed in our pathway, and oil and natural gas supplies become increasingly concentrated in a small number of low-cost producers”. The IEA’s mandate to “secure affordable energy supplies to foster economic growth” means fully deploying established clean resources, such as

renewables and batteries, but also further developing technologies that make little to no impact today, including carbon capture, green hydrogen, and long-duration energy storage.

Below, we give examples of ongoing or new engagements which relate to the four Stewardship Themes that have been identified in collaboration with our Partner Funds. While the bulk of our engagement effort is centred around these themes, we also regularly cover other key ESG issues such as fair remuneration, board composition, and human rights. We have included two such examples in this update.

Our Stewardship Themes over the current three-year period (2020 – 23) are:

- Climate change
- Plastic
- Fair tax payment and tax transparency
- Technology and disruptive industries

This quarter our engagement set<sup>2</sup> comprised 679 companies with 1,578 engagement issues. The high number of engagement issues reflects the fact that April – June is Annual General Meeting (AGM) season for key markets and we or our partners frequently raise multiple issues with companies around the time of an AGM. These issues are not necessarily tied in with ongoing engagements or with specific engagement objectives<sup>3</sup>. Against 510 specific engagement objectives set by our stewardship provider, there was achievement of some or all engagement objectives on 138 occasions. Most engagements were conducted through letter issuance or remote company meetings at Chair, Board or senior management levels.

<sup>1</sup> G7 members are Canada, France, Germany, Italy, Japan, United Kingdom and United States with the European Union as permanent participant.

<sup>2</sup> This includes engagements undertaken directly, in collaboration, and via our contracted Stewardship Provider.

<sup>3</sup> There can be more than one engagement issue per company, for example board diversity and climate change.



## CLIMATE CHANGE ENGAGEMENTS

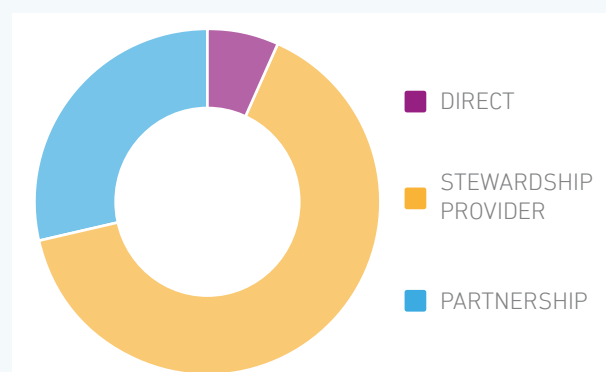
This quarter, our climate change engagement set comprised 247 companies with 310 engagements issues<sup>4</sup>. There was engagement activity on 298 engagement issues and achievement of some or all specific engagement objectives on 109 occasions.

The Transition Pathway Initiative (TPI) published its annual State of Transition report during the quarter. TPI is a tool set up to assess not just how companies manage climate change risk but where the companies are going in the future; their future carbon performance. 400 companies across 16 sectors have been assessed. The average management quality level of all companies assessed is now at 2.6, on a ranking from 0 to 4, with 4 being the highest. This means that companies are half-way between building capacity on climate change and "integrating climate change into operational decision-making". TPI's carbon performance assessment tests the alignment of company emissions/targets with the UN Paris Agreement goals, using three scenarios; 2015 Paris Pledges, 2°C, and Below 2°C. 15% of companies are aligned with the Below 2°C benchmark in 2050. The assessments done by TPI and its excellent research team at London School of Economics, Grantham Institute, are all publicly available and based on publicly available information. More companies are setting NZ by 2050 targets. Setting the target is the easy bit; acting, including defining short- and medium-term targets is harder. However, companies that have set targets are doing better than those that have not according to the State of Transition Report. LGPS Central continues as a member on TPI's Steering Committee and are able to shape how the tool develops to encompass e.g., the banking sector, corporate fixed income and sovereign debt.

Through Climate Action 100+ we have engaged an **oil & gas major** that has recently outlined its proposal to become a net-zero business by 2050 or sooner. The company put forward an Energy Transition Plan for investors to vote on at their AGM during the quarter. The resolution passed with 88.7% support from

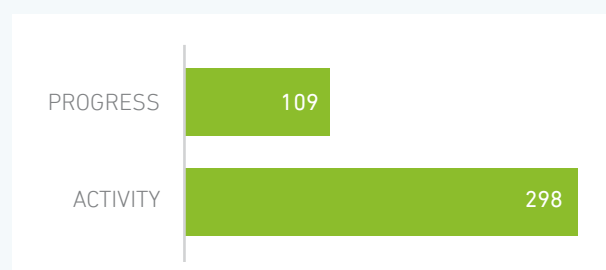
shareholders and will allow shareholders an annual advisory vote to express whether sufficient progress has been made in delivering the plan. The company considers that their net-zero target aligns with a 1.5°C degree trajectory and that scope 3 emissions are included. However, we have some concerns around the lack of short- and medium targets that can back up the net-zero ambition, as well as an apparent reliance from the company on customers cutting consumption rather than the company cutting production to align with Paris. We would like more clarity from the company on their use of nature offsets<sup>5</sup> and Carbon Capture and Storage technologies and on how this will be achieved at the scale needed. A shareholder proposal requesting the company to set and publish targets for GHG emissions reduction in line with Paris was put to a vote at the AGM and received a healthy 30% support. LGPS Central voted against the Energy Transition Plan and for the shareholder proposal in order to signal that we are asking more also of leading companies in order to really see a step-change for the sector.

### ENGAGEMENT VOLUME BY TYPE



- 310 engagements in progress
- Majority of engagements undertaken via CA100+
- TPI State of Transition report shows that companies with climate targets make better transition progress

### ENGAGEMENT VOLUME BY OUTCOME



<sup>4</sup> There can be more than one climate-related engagement issue per company.

<sup>5</sup> A carbon offset is a reduction in emissions of carbon dioxide or other greenhouse gases made in order to compensate for emissions made elsewhere.



## PLASTIC ENGAGEMENTS

This quarter our single-use plastics engagement set comprised 30 companies with 51 engagement issues<sup>6</sup>. There was engagement activity on 39 engagements and achievement of some or all engagement objectives on 19 occasions.

We have continued our engagement with six **packaging companies** through a sub-group of the PRI plastics working group led by Dutch investor Achmea Investment Management. The investor group has put forward expectations of companies to set targets for their use of sustainable materials and to: clearly disclose progress against those targets; clearly outline the initiatives they are using to reduce plastic pollution; ensure full alignment between the company's sustainable materials strategy and carbon emissions reduction strategy; and include sustainability-related performance KPIs in executive remuneration. Overall, we have seen high receptiveness to the engagement from these companies. All of them are experiencing greater interest/higher demand from their customer base for sustainability (e.g., re-used plastic) though with variations across regions and sectors they serve.

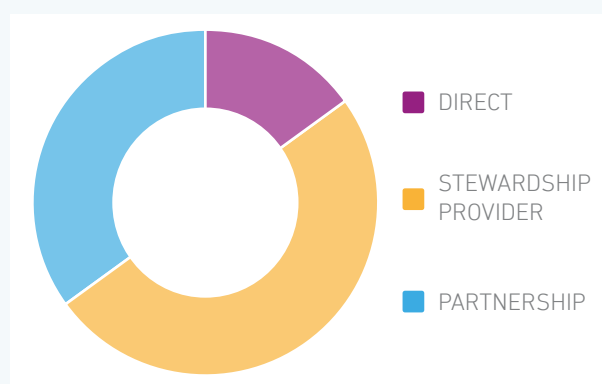
As part of the collaborative project, we engaged an **Australian packaging company** on their strategy and roadmap to use more sustainable packing. The company has set a target for all plastic packaging to be recyclable or reusable by 2025. We probed the company on which solutions and materials will help achieve this target and it is clear that recyclability plays the biggest part. The company is working with clients to identify individual roadmaps for a "plastic transition" and acknowledges that this is work in progress with varying product protection needs (e.g., perishable goods) and sustainability standards creating technical challenges. There is ongoing collaboration between the company and waste management industry participants, looking at product barriers (what makes a product valuable for recycling) and flexible packaging collection infrastructure. The company is showing leadership on sustainability and circularity, but we would like to see more detailed disclosure on their solutions and progress against targets, more ambitious targets beyond 2025 including alternative materials, and clear reflection of sustainability targets in remuneration.

### MICRO-PLASTICS ENGAGEMENT PROJECT TARGETING WASHING MACHINE MANUFACTURERS

Through an engagement project led by First Sentier Investors and supported by 30 investors, we seek to encourage domestic and commercial washing machine manufacturers to add filter technology as standard to all new washing machines produced by the end of 2023. This is in order to help combat microplastics pollution to the environment, a problem caused in large proportion by synthetic textiles which release microfibres (a type of microplastic) when washed. Devices are already available to hinder this pollution, which can most effectively be stopped through a built-in washing machine filter that captures microfibers within the washing machine, thereby stopping them entering waterways.

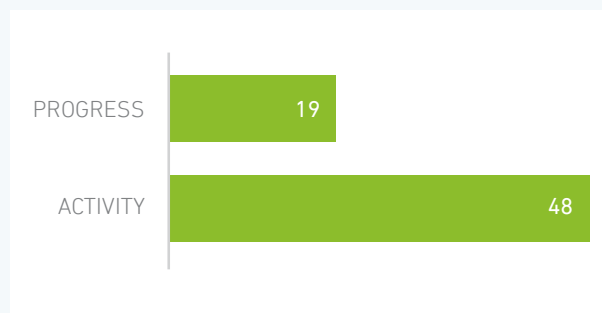
A first round of engagements with 18 target companies have been concluded by the investor group. Initial discussions indicate that some manufacturers are willing to take leadership on providing a solution to this plastic pollution problem by adding microfibre filters to new machines, while some will require guidance from regulators before acting. Next steps for the investor collaboration will include raising the profile of the engagement, developing a workshop on industry best practice, engaging with manufacturers but also their industry trade groups, as well as focusing on policy developments. The investor collaboration is supported by the Marine Conservation Society.

#### ENGAGEMENT VOLUME BY TYPE



- 51 engagements during the quarter
- Engagement with six companies on their global sustainable packaging targets continues
- Micro-plastics engagement targeting washing machine manufacturers off to promising start

#### ENGAGEMENT VOLUME BY OUTCOME



<sup>6</sup> There can be more than one plastic-related engagement issue per company.



## FAIR TAX PAYMENT AND TAX TRANSPARENCY ENGAGEMENTS

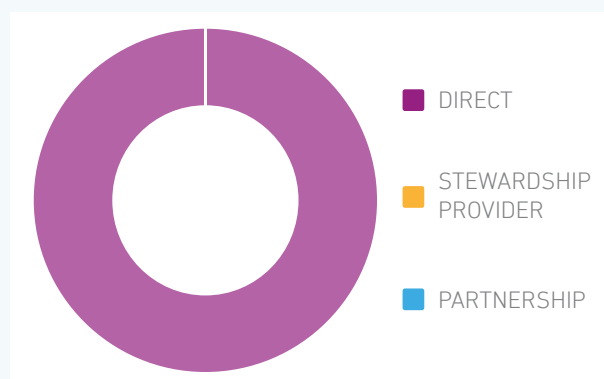
This quarter, our tax transparency engagement set comprised seven companies with seven engagement issues. There was engagement activity on two engagements and achievement of some or all engagement objectives on both occasions.

Through a PRI tax working group, we have co-signed a letter to the European Parliament supporting a draft directive on public country-by-country reporting (CBCR) in the EU. We view it as vital that multinational companies provide disaggregated information on taxes paid in all countries and across operations. The proposal would require public reporting of certain information such as revenues, number of employees, profit or loss before tax, tax accrued and paid, accumulated earnings, stated capital and tangible assets. Many companies already provide revenue, profit and tax paid by territory which is submitted to tax authorities. This is best practice under existing OECD Base Erosion and Profit Shifting guidelines, which means that companies already collect the data and can provide it to stakeholders more broadly. CBCR is crystallising as best practice in tax transparency, for instance through a Global Reporting Initiative Tax Standard which was launched in early 2020. While only a minority of multinationals currently provide shareholders and other stakeholders CBCR, those that do view it as an opportunity to “demystify” tax and have expressed to us that it has largely been well received by stakeholders.

We met with a **multinational pharmaceutical company** to discuss several ESG issues, including responsible tax behaviour, environmental protection, ethics and transparency. The company has established a tax policy and explained that the Audit Committee assesses its approach to tax. We discussed existing and emerging tax standards, for instance through the OECD Base Erosion and Profit Shifting (BEPS) project, which the company appears to take an active part in. A recommendation under BEPS Pillar 2 is a minimum tax for multinational companies (MNEs) on their global income, with the objective of preventing MNEs from diverting taxable income to low tax jurisdictions. The company is engaging directly with OECD through a Pharma group specifically on how deferred taxation will work for multinationals and on how the risk taken in Research & Development is rewarded. We would like to see the company share tax-relevant Country-by-Country Reporting (CBCR) with shareholders so that we can make a meaningful assessment of their tax behaviour. We were not convinced by their argument that this level of information can easily be misinterpreted and will continue to encourage the company to broaden its transparency in this regard. The company takes a holistic approach to environmental protection, assessing and managing climate change and climate resilience, water stewardship and waste management. Life-cycle assessments are done for all products coming to market in order to understand the natural resource footprint. The company uses an eco-dashboard on its website which is updated on a quarterly basis. Furthermore, the company has set an ‘Ambition Zero Carbon’ strategy to eliminate emissions by 2025 and be carbon negative across the entire value chain by 2030. A

similarly holistic approach is taken to ethics and transparency, with a Global Ethics and Compliance programme that encompasses privacy, safety and health of employees, inclusion and diversity, life-long learning and expectations of suppliers to elevate broader ethical business conduct.

### ENGAGEMENT VOLUME BY TYPE



- Seven engagements during the quarter
- Collaboration with peer European investors to engage a selection of companies across vulnerable sectors continues
- We co-signed a letter to the European Parliament supporting a draft directive on public country-by-country reporting (CBCR) in the EU

### ENGAGEMENT VOLUME BY OUTCOME



## TECHNOLOGY AND DISRUPTIVE INDUSTRIES

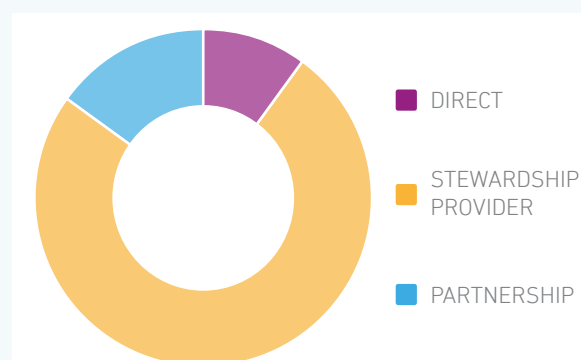
This quarter our technology and disruptive industries engagement set comprised 31 companies with 48 engagements issues. There was engagement activity on 40 engagement issues and achievement of some or all engagement objectives on 11 occasions.

LGPSC has continued participation in a collaborative investor engagement, led by the Council on Ethics to the Swedish National Pension Funds, discussing human rights risks with a group of American technology companies<sup>7</sup>. During the quarter, the investor group, supported by the PRI secretariat, has focused on engagement with industry standard setters including the Sustainability Accounting Standards Board (SASB) and the UN High Commissioner for Human Rights (OHCHR). The collaboration held a meeting with SASB to feed into the SASB Governance in the Internet Media and Services Industry consultation. A separate interactive panel discussion was held with OHCHR on the role and responsibility of institutional investors in promoting the uptake of the UN Guiding Principles on Business and Human Rights (UNGPs) among digital technology companies. Engagement with the technology companies including **Google (Alphabet), Amazon, Apple, Facebook, Microsoft and Twitter** will continue during 2021 and be based on the recently launched Investor Expectations on human rights. We have over the last two years engaged some of the same companies, Facebook, Twitter and Alphabet, specifically on the issue of social media content moderation. Without a doubt, the platforms have all moved to strengthen controls to prevent the live streaming and distribution of objectional content. However, it is a difficult job for investors to assess if these changes are appropriate for the scale of the problem. Therefore, the collaboration has commissioned some external research (due Q3 2021) to help with this assessment. The success or failure of the social media companies in moderating content and preventing abuse is likely to determine whether users stay on the platforms or move towards alternatives. In addition, if the platforms are perceived as unable or unwilling to effectively moderate user-submitted content, we expect regulation will ensue. We expect the outsourced research will have some core recommendations for the social media companies. The plan is to distribute it to the companies and hold a further round of engagement meetings before taking final stock of the engagement project and objectives achieved over this period.

On our behalf, EOS at Federated Hermes engaged an **Asian Technology Hardware & Equipment** company on several ESG issues including human resources and treatment of Uyghur workers. The company has established a new strategy to move into areas such as robotics and electric vehicles. EOS requested the company disclose more about how these growth areas will be considered in terms of the net-zero strategy. As regards human resources, we note that the company has made good progress in its disclosures, but there is room for improvement for instance in providing more audit details, and more on employee engagement and grievances. Specifically, on Uyghur workers, the Company had the Responsible Business Alliance conduct a Validated Audit

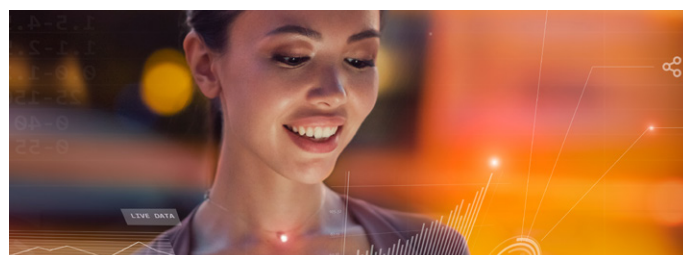
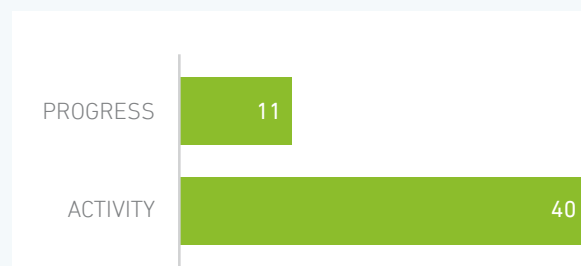
Process and published a report in October 2020 indicating that no workers from the autonomous region<sup>8</sup> were employed at the time of the audit. The Company did not provide any details about how this process was carried out but offered the report as evidence. The Company also addressed questions about student workers, sharing its updated code of conduct about conditions to protect and monitor student workers. Engagement will continue to follow up regarding human capital management and working conditions in general.

### ENGAGEMENT VOLUME BY TYPE



- 48 engagements in progress
- Development of Human Rights expectations for technology companies
- Encouraging steps taken by social media platforms to strengthen controls to prevent the live streaming and distribution of objectional content

### ENGAGEMENT VOLUME BY OUTCOME



<sup>8</sup> Xinjiang Uyghur Autonomous Region (XUAR)



## Examples of engagement outside of stewardship themes



### COMBATTING MODERN SLAVERY

We have this quarter continued participation in the engagement project convened by Rathbones during Q1 of 2021, to engage 62 FTSE350 companies asking for Modern Slavery Act compliance. According to the Act, companies over a certain size (turnover of more than £36 million per year) have to post a modern slavery statement on their website. Furthermore, they must have a process in place by which the statement is approved by the board; signed by a director; and reviewed annually. As per end June 2021, all companies have responded and 55 are now compliant. Initial positive responses have given an opening for meetings to discuss companies' approaches to modern slavery. This is an important step beyond the initial ask of compliance with the Modern Slavery Act, to focus on the content of the statement and to enable investors an understanding of the key risks facing individual companies. In June, we joined Rathbones in engagement with a **UK retailer** that is taking a robust and holistic approach to tackling modern slavery, seeing it in the larger perspective of human rights risk. The company has recently assessed its net-zero climate strategy and chosen to broaden this to include social risks, with the aim of capturing the interlinkages that exist between environmental and social factors. Human rights as a theme is getting specific attention through a working group with a direct line to the company Board. In 2017, the company established a Modern Slavery Risk tool which has since been extended to include all human rights risks. The tool is both product and region specific and it is possible to select specific risks (for instance gender, forced labour, child labour) but also assess the broader risk picture. The company described the tool as very useful, and strives to continue embedding it further in its business functions. Areas of increasing concern in relation to modern slavery are transport and haulage, as well as sea freight. We commended the company for its detailed modern slavery statement and for the high level of transparency around high-risk areas.

### DIVERSITY AND RACIAL EQUALITY

Our external stewardship provider, EOS at Federated Hermes, has engaged companies across regions, including UK and US, on representation of women and ethnic minorities on boards and amongst leadership teams. During voting season, we opposed FTSE 100 chairs in the UK at five meetings for failing to meet minimum expectations for racial diversity on boards. Shareholder proposals filed with several US companies urged each board to oversee a racial equity audit analysing the company's impacts on non-white stakeholders and communities of colour. Globally, we opposed the re-election of directors deemed most responsible<sup>9</sup> due to concerns about insufficient diversity. In the US, where we expect women and ethnic minorities to make up at least 40% of the board at the largest companies, we opposed 39% of nominating committee chairs, including at **Kinder Morgan, Thermo Fisher Scientific** and **Discovery**.

In the UK, we continued to push for greater gender diversity on boards and among executives/leadership teams. We expect FTSE 350 boards in the UK to have reached 33% female representation, for FTSE 100 companies to have at least one woman on the executive committee, and for women to comprise at least 20% of the executive committee and its direct reports. We opposed the directors responsible (typically the board chair) at companies that fell below our expectations, such as at **Ocado, Imperial Brands** and **Glencore**.

<sup>9</sup> Most responsible refers to their role within e.g., specific committees within the Board, any committee that would have oversight/responsibility related to diversity and inclusion throughout the organisation.

## 02 Voting



### POLICY

For UK listed companies, we vote our shares in accordance with a set of bespoke LGPSC UK Voting Principles. For other markets, we consider the recommendations and advice of our third-party proxy advisor, EOS at Federated Hermes.

With the 2021 AGM season ending, it is clear that there is increasing pressure on companies, in all sectors, to address climate change and other ESG factors within their business models. While shareholder proposals for ESG topics permeated all sectors, climate change resolutions in the Energy sector have featured most prominently in the headlines. Around 20 companies, primarily European but also some Canadian companies, put climate transition plans to a vote at their respective AGMs. All plans were passed by shareholders with support ranging from 88% to 99% support. We welcome this trend but view it as critical that companies report on progress against transition plans and that this progress is assessed against credible benchmarks, such as the newly established [Climate Action 100+ Benchmark](#). Alongside these management-led resolutions, we saw unique shareholder revolt at U.S. oil giant ExxonMobil. An activist hedge fund, Engine No.1, successfully replaced three of ExxonMobil's Board members, following concerns the Company was failing to implement a viable climate change strategy. The independent board members received support from some of

ExxonMobil's largest shareholders – BlackRock, Vanguard and State Street – a significant signal to other companies in the Oil & Gas sector. ExxonMobil's closest rival, Chevron, is also under scrutiny for its currently lack-lustre energy transition, and a 'Follow This' shareholder resolution requiring the reduction of Scope 3 emissions passed with 61% of shareholder support. This AGM season, we also saw proposals for racial equity audits, and as impacts of the coronavirus pandemic continue to be felt around the world, scrutiny of companies' treatment of employees and executive pay remain high on the agenda.

### COMMENTARY

Between April and June 2021, we:

- Voted at 1,981 meetings (27,434 resolutions) globally
- Opposed one or more resolutions at 1,342 meetings
- Voted with management by exception at 85 meetings and abstained at six meetings.
- Supported management on all resolutions at the remaining 548 meetings.

A full overview of voting decisions for securities held in portfolios within the Company's Authorised Contractual Scheme (ACS) – broken down by market, issues and reflecting number of votes against and abstentions – can be found [here](#).





## EXAMPLES OF VOTING DECISIONS

We voted against the election of Yang Siu Shun as Director on the Board of **Tencent Holdings Ltd**. The female director ratio at Tencent is 12% after the AGM. We expect any company we invest in, regardless of region, to take a pro-active approach on diversity. In China/Hong Kong, we view it as reasonable to expect at least 20% female board representation by 2021. Tencent has only one female board member out of eight. Given that a board space might be opening up, we view this as a good time to signal that investors are serious about gender diversity. Further to this, we voted against two resolutions that would allow issuance of equity without pre-emptive rights and reissuance of repurchased shares, which would exceed 10 percent. In line with LGPS Central Voting Principles, we aim to avoid unnecessary dilution of our shares and seek to preserve our rights of pre-emption (right of first refusal). While we understand the Company's need for flexibility, we would only support such a general authority up to 10% of the share capital, unless there is a specific purpose, which is not the case. Although resolutions 5 and 7 were passed by the Tencent AGM, a clear opposition was voiced by 31.9% and 31.6% of shareholders who voted against.

At Barclays' AGM we voted against a shareholder proposal asking **Barclays** to set emissions reduction targets and to phase out the provision of financial services to fossil fuel projects and companies, in line with the Paris Agreement. LGPS Central has engaged Barclays actively through a ShareAction-led collaboration during

2020 centred around the asks in a shareholder proposal which we co-filed in January 2020. Dialogue has been constructive, and the company seems receptive to investor input and dialogue. While we did not support this year's shareholder proposal, put forward by Market Forces (MF), we feel that we have ample opportunity to continue the engagement expressing our expectations. The MF proposal can be interpreted to go further than the shareholder proposal LGPS Central co-filed at Barclays's 2020 AGM, in that certain projects and companies are considered not in line with Paris from the outset. In the 2020 proposal there was an explicit reference to phasing out of finance to non-Paris aligned energy and utility companies. Barclays has made progress in developing its climate strategy, putting forward a new methodology, BlueTrack, for determining alignment with the goals of the Paris Agreement for the energy and power sectors, including relevant 2025 targets. This sector-based approach is consistent with expectations on banks which have recently been launched by the Institutional Investor Group on Climate Change. We view it as important to recognise the progress made by Barclays over the last year and the intended improvements.

We voted against the Chair of the Board at the AGM of **Rio Tinto** due to the Board's failure to understand and review risk and culture in the period leading up to the destruction of Juukan Gorge, Western Australia. Furthermore, the Board failed to act in a timely and

proportionate manner to address the fallout from the destruction of the archaeologically significant sites. An Australian Parliamentary inquiry was carried out to investigate Rio Tinto's actions and found the destruction to be "inexcusable". We also opposed the remuneration policy and reports. It is disappointing that a key issue that has prevented us from supporting the policy and report in previous years, the heavy focus on Total Shareholder Return in the Long-term Incentive Plan (LTIP), remains in the new policy. We do not believe this reflects the company's strategy, priorities or stakeholders. We also have concern over the LTIP payments made to the departed CEO, which was 20 percent above what he received the previous year in which no major incidents akin to Juukan Gorge had occurred. A positive element to the remuneration policy is the inclusion of additional ESG metrics, which we welcome.

At the AGM of **NextEra**, we voted against executive pay and also against Kirk Hachigian who is Chair of the compensation committee. We find it concerning that executive pay is in the top quartile, that options capable of vesting in a short time frame are included in the long-term incentive plan, and the auto-accelerated vesting of awards in the severance arrangement. The CEO's incentive was paid at the maximum value of \$4.8m, which is a high quantum. We supported Director Rudy Schupp in his capacity as Chair of the nominations committee in light of the Company's commitment to share further climate disclosure. NextEra is planning to set medium and long-term climate goals later this year and is likely to pursue validating these new goals with the Science-Based Targets Initiative in the next two years. Encouragingly, NextEra will publish a TCFD-aligned climate chapter in its ESG report this year, which will include a 1.5C scenario analysis. NextEra was not challenged on its corporate lobbying at this year's AGM, as was the case at the 2019 and 2020 AGMs. The Company has made some progress on this and has committed to providing an annual review of its trade association

memberships alongside committing to an annual disclosure update 180 days after the close of calendar year. It is hoped that this will further improve the company's level of transparency, as despite improvements, current disclosures still do not provide investors with sufficient assurance that lobbying activities are fully aligned with the Paris agreement.

At the AGM of **Facebook**, we voted for two governance-related shareholder proposals, one asking that the company recapitalise to one share one vote and the other, that it has an independent board chair. These are core tenets of good corporate governance for any company in any market and also clearly stated expectations in LGPSC Voting Principles. We also supported a proposal asking Facebook to report on how it combats online child sexual exploitation. We voted against a shareholder proposal requesting that the board nominate a director candidate who is both independent and an expert in human rights. We normally do not support the election of a director whose sole attribute as a board member is expertise on one subject matter. In the case of human rights at Facebook, we however supported the same proposal which was put to the 2020 AGM to reinforce our expectations of the Company in respect of management of objectionable content. The Company's response to our collaborative engagement on social media content control including objectionable content has improved during 2020 and Facebook has taken very encouraging steps to manage and mitigate risks. This includes conducting human rights training for all members of staff; developing a Code of Conduct; establishing a Human Rights Defender Working Group which now meets regularly; and producing an annual Human Rights Disclosure Report. With these actions/processes, the Board will be better able to oversee human rights risks and the need for specific expertise is less urgent, hence our decision to vote against the proposal.



LGPS CENTRAL LIMITED'S

# Partner Organisations

*LGPS Central actively contributes to the following investor groups :*





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## Quarterly Engagement Report

April-June  
2021

Local  
Authority  
Pension  
Fund  
Forum

# Shell, Exxon, ArcelorMittal, National Grid, Tesco, Hanwha

## CLIMATE EMERGENCY



# Shell Pushed to the Brink on Climate

**Objective:** LAPFF has engaged with Shell for many years, including as a participant in the CA100+ initiative. The objective has been to see a clear and credible business transition path towards net zero by 2050, with appropriate reductions in all emissions prior to 2050 in order to reach that goal.

**Achieved:** LAPFF is a member of CA100+ and the Shell engagement group, and along with several other members was concerned about the commitment Shell had to becoming net zero. The two lead engagers entered into a non-disclosure agreement with the company, therefore privy to Shell's approach whilst unable to inform other members of the group until after the public statements in support were made. Shell's approach was released in February 2021. LAPFF had however analysed what was said perhaps more fully and sceptically than others,

and LAPFF recommended voting against Shell's climate transition resolution and for the resolution of campaign group Follow This.

The Shell resolution at the 18 May AGM passed with 11% opposition, but 30% of voting shareholders voted in favour of the Follow This resolution. However, on 26 May a Dutch Court concluded that Shell's plans were inadequate on each of the points that LAPFF had highlighted. These were:

- that the small print showed the proposal was not incorporated into operating plans or budgets and that these things would only occur when Shell's customers had made adjustments;
- that the proposals for Carbon Capture and Storage and Nature Based solutions were ill-defined (as well as not in budgets or operating plans);

- that emissions were based on discredited "intensity" measures rather than absolute emissions; and
- that there were no targets for emissions reduction by 2030.

In consequence the Court has required that Shell reduce its global absolute emissions by 45% by 2030 with reference to 2019 emissions in order to begin to meet Paris goals.

**In Progress:** The company has indicated it intends to appeal the judgment. The current plan from LAPFF is to engage with the incoming chair, Sir Andrew Mackenzie. A key issue for discussion is why LAPFF and the Courts were able to draw the same conclusion despite a considerable public relations effort to push the opposite. The key lesson from Shell is that LAPFF engages as part owners of the company, not default supporters of incumbent management.



# CLIMATE EMERGENCY

**Media coverage** - [LAPFF urges member funds to oppose Shell climate strategy - Pensions Age Magazine](#)  
[UK public pension forum recommends vote against Shell on climate - News, IPE](#)  
[Pension Forum LAPFF Recommends Members Vote Against Shell Climate Plan - ESG Today](#)

**UPDATE 2** - [Shell climate plan should be opposed at AGM - funds group - Reuters](#)  
[UK pensions group recommends members oppose Shell's climate strategy at AGM - Nasdaq](#)  
[Shell climate plan should be opposed at AGM - funds group - Euronews](#)  
[Shell Climate Plan Should Be Opposed At AGM Says Funds Group - Checkout](#)

## Exxon Board Overhauled

**Objective:** Exxon has for years been a poster child for climate change denial, despite evidence that extensive Exxon research had identified the harmful effects of climate change decades ago. Consequently, investors – including LAPFF – have voted for a number of years now to overhaul the Exxon board.

**Achieved:** The requests from LAPFF to meet with members of the Exxon board were consistently fobbed off, including as recently as the spring of this year. In light of these refusals, it was not a difficult decision to issue advice to back a slate of four directors proposed by hedge fund Engine No.1 and vote against the election of other members.

The first signs that things were not going the way the company would like was an unscheduled one and a half hour gap in the company's AGM on 26 May. At the time of writing, the votes have still not been fully counted and announced. However, Exxon has stated that three of the Engine No. 1 candidates have been elected to the board and three of the board nominated candidates were not.

**In Progress:** In light of this tremendous result of shareholder activism, LAPFF hopes to be able to engage with new board members.

## Say on Climate Ramps Up

**Objective:** LAPFF has been speaking with Sir Chris Hohn, of The Children's Investment Fund Management, who came up with an idea to press companies to put their climate plans and strategies to vote



Sir Chris Hohn, of The Children's Investment Fund Management,

at AGMs in much the way that say on pay votes take place currently. The goal of this initiative is to allow shareholders the opportunity to hold all companies more accountable for their carbon management activities, not just those with high carbon emissions.

**Achieved:** While there have been mixed views on this initiative, there have been a number of positive outcomes from these votes. For example, LAPFF was able to use Shell's say on climate resolution to express significant concerns about the company's climate plans. It is also putting pressure on companies that did not bring such resolutions to their AGMs this year to do so next year. Anglo American announced at its 2021 AGM that it will bring an advisory resolution on its climate plans to the 2022 AGM, joining a number of other companies making this commitment. Finally, this initiative is driving clarity for investors on how to assess company climate initiatives. Several organisations have come together to rate company plans on a number of factors, such as targets and strategy, in particular the Climate Action 100+ benchmark. These analyses help investors to understand and evaluate company climate plans in a systematic and strategic manner.

**In Progress:** Some commentators have expressed concern that the Say on Climate initiative misses the mark and deflects attention from real action, such as voting out board directors. However, we have seen this year with the Exxon board debacle that investors can do both and indeed the Say on Climate initiative emphasizes the fact that 'annual shareholder votes on climate transition action plans are complementary to other votes

on critical climate matters, such as disclosure, audit and other board votes. As this initiative develops and investors gain a better sense of what to ask of companies, it seems likely that say on climate resolutions will be an important tool in the arsenal of responsible investors seeking to press companies in the right direction on climate.

## National Grid

**Objective:** A meeting was held with National Grid representatives as part of the ESG roadshow the company is undertaking prior to the July AGM. LAPFF Vice Chair Cllr Rob Chapman, together with other lead CA100+ investors, met with Steve Thompson, Environmental Sustainability Manager and Nick Ashworth Director of Investor Relations. The primary objective for LAPFF was to assess company progress against the CA100+ benchmark in anticipation of questions to put to the chair prior to the 2021 AGM and the resolution for an advisory vote on the group net zero transition plan, ie. a 'say on climate' vote.

**Achieved:** The company has now set a new Scope 3 target to reduce carbon emissions 37.5% below the 1990 baseline by 2034, up from the previous target of 20% by 2030. This target is aligned with the science-based targets initiative. Scope 3 emissions are by far the largest proportion of the company's emissions, and, having signed up to the science-based targets initiative, it is welcome to see this amended mid-term concrete target. Although National Grid is buying WPD Group, the UK's largest electricity distribution business, it is still devoting attention to including hydrogen in the domestic gas supply. Concerns were raised about this focus and the potential of locking in stranded assets.

**In Progress:** A meeting is scheduled with the new chair, Paula Rasput Reynolds in July, prior to the late July AGM.

## ArcelorMittal

**Objective:** At a meeting in May, Cllr Chapman led a collaborative investor meeting to ascertain if there was an increased focus on hydrogen as opposed to processes reliant on carbon capture

## COMPANY ENGAGEMENT

and storage (CCS) to ensure all procedures were in place to input questions to the AGM, and to ask if the company would consider a 'say on climate' vote at its 2022 AGM.

**Achieved:** Company representatives indicated there had always been an emphasis of hydrogen, even if it wasn't reported in that way and the recent

separation of hydrogen and 'smart carbon' in their reporting showed this. However, more information was provided on ArcelorMittal's electrolysis technology, the company's Siderwin project on which it is collaborating with 11 partners, which shows a lot of potential. The company agreed to liaise on AGM arrangements. Subsequent to this, LAPFF received

correspondence indicating that the CA100+ benchmark would be referenced in their next Climate Action report.

**In Progress:** The second group-wide Climate Action report has been much delayed but is due to be published around the end of June, after which a further meeting will be sought.

## Mining and Human Rights

**Objective:** During the quarter, LAPFF aimed to raise the link between human rights and financial performance at mining companies. The impetus for this angle on the engagement has come from speaking with mining companies for whom law suits and fines spanning many years persist and grow while human rights issues remain unresolved.

BHP and Vale are examples of this problem. BHP is facing protracted litigation in the UK over its role in the Samarco dam collapse in Brazil, and both BHP and Vale are facing fines of one million Reais a day for each day they fail to make adequate and complete reparations to the victims of the Samarco dam collapse. Rio Tinto is also facing threats of billions of dollars in losses at its Oyu Tolgoi operation in Mongolia, in part because of poor relations with affected community members. And Anglo American is facing a class action lawsuit for alleged lead poisoning in Zambia that stems back to 1925, as well as continued operational problems at Cerrejon, its joint venture in Colombia with BHP and Glencore. (Just to note, Anglo American and BHP have recently withdrawn from this joint venture).

**Achieved:** Consequently, LAPFF asked a question at the Rio Tinto AGM about whether the company would be willing to quantify the financial cost of its social failures. Noting the complexities in doing so, it would be helpful for investors to understand some of the financial consequences of mining companies' social failings in order to make clear that they are losing money when companies do not respect human rights and broader social issues in their operations.

LAPFF has also raised this issue with BHP and Vale in engagement meetings. For example, LAPFF issued four questions on behalf of affected community members that asked for the financial

### Some of Rio Tinto's problems

Top: The lead smelting plant at Kabwe, Zambia, one of the ten most polluted places in the world

Right: Affected communities in the Oyu Tolgoi operation in Mongolia

Below: Protests against its joint venture in Colombia with BHP and Glencore





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implications of various actions Vale has had to take in response to the Mariana and Brumadinho dam collapses in Brazil. These financial implications are important not least because the Renova Foundation, the joint venture between BHP and Vale established to make reparations after the Mariana dam collapse, has spent 13.1 billion Reais to date, according to its website, with very little progress on housing by all accounts. A meeting with the Renova CEO in late June suggested that he was optimistic that house building and resettlement would speed up in the coming months.

In June, LAPFF Chair, Cllr Doug McMurdo, met with Rio Tinto's new CEO, Jakob Stausholm, who replaced Jean-Sebastian Jacques after the company's destruction of the caves at Juukan Gorge in Western Australia last year. The discussion covered Mr. Stausholm's vision for company culture at Rio Tinto post-Juukan Gorge. Cllr McMurdo also met with Anglo American CEO, Mark Cutifani, to ask about Mr. Cutifani's visit to Cerrejon, a site that lost 91 production days during 2020 due to a strike. This meeting followed a webinar with workers at Cerrejon who cited deplorable working conditions at the mine and a webinar last quarter with community members affected by the mine who cited a litany of human rights and environmental violations associated with the project. In fact, these groups have filed a complaint with multiple National Contact Points of the OECD to complain about the conditions stemming from the mine's operations.

Glencore and BHP also faced implications from the OECD complaint regarding Cerrejon, but it has been announced that Anglo American and BHP have sold their shares in the joint venture to Glencore. These sales were announced just days after Cllr McMurdo met with both Glencore Chair, Tony Hayward, and BHP Chair, Ken MacKenzie. Glencore's on-going litigation around compliance was discussed, and Cllr McMurdo once again pressed Mr. MacKenzie on the ESG failings of joint ventures, including the financial implications for investors of these failings.

**In Progress:** LAPFF will continue to drive home the link between social and environmental failures by mining companies and poor or reduced long-term financial returns for investors. It is clear that making this link for companies

and investors alike will take some time, especially given that mining companies just announced unprecedented dividends this AGM season in the midst of Covid and serious on-going human rights and environmental problems, but this issue will come home to roost eventually. The clearest link for both companies and investors on this point appears to be the struggles that companies have with joint ventures, so LAPFF is continuing to push on this point whenever possible. LAPFF will also continue to track developments with house building and resettlements following the Samarco dam collapse.

**Media coverage - 'Devastating': Can Rio's local boss rebuild trust after Juukan disaster? - [smh.com.au](#)**  
**Rio Tinto suffers huge revolt over pay - [Financial Times - ft.com](#)**  
**Investors oppose Rio Tinto pay report over rock shelter outrage - [Reuters](#)**

### LAPFF Posts Monthly Updates on Samarco Dam Collapse

**Objective:** One area where Brazilian community members have asked LAPFF to push in relation to reparations after the Samarco dam collapse in Brazil is on housing. Only ten houses have been rebuilt in over five and a half years in three of the main areas where houses were destroyed by the sludge released from the dam according to affected community members and the companies.

**Achieved:** Consequently, LAPFF has started publishing monthly updates on its website of the number of houses built over five and a half years after the dam collapse. The Forum contacts BHP and Vale, the companies involved, and the Renova Foundation, the joint venture entity responsible for reparations, and the affected communities for updated information. What quickly became clear was that the company data did not match the community data by a long way, so LAPFF has had to publish each party's data separately.

**In Progress:** LAPFF has now undertaken this exercise for three months, but only three houses have been built in that time according to the companies and the communities. LAPFF will continue to press for these houses to be built well, quickly, and in accordance with the needs and wishes of the affected community members.

### Brazilian Investor and Community Engagements

**Objective:** Another area where community members affected by the Mariana and Brumadinho dam collapses asked LAPFF to help was in connecting them with Brazilian investors who could support their efforts.

**Achieved:** Last year, LAPFF made an initial attempt to reach out to one of the main Brazilian investors in Vale – Previ. However, it came to light that the Vale Chair at the time was also the CEO of Previ, so no progress was made on that front. Subsequently, LAPFF – through Principles for Responsible Investment (PRI) – has connected with JGP Credito, a Brazilian investment firm that has an in-house ESG team. JGP Credito has shown significant interest in engaging with the affected communities. They asked questions from affected community members at Vale's AGM on behalf of LAPFF and joined LAPFF's quarterly meeting with affected community members to get acquainted with community representatives.

LAPFF Chair, Cllr Doug McMurdo, was also invited by PRI to participate in a webinar aimed at Brazilian investors. He was asked to speak on a panel addressing the 'S' in ESG and raised a number of thoughts and issues LAPFF has encountered in its tailings dam engagements in Brazil. A well-known responsible investor in Brazil, Fabio Alperowitch, chaired the panel, and LAPFF has been corresponding with him since. Mr. Alperowitch has met with affected community representatives in Brazil after LAPFF put these two parties in touch and is looking to connect LAPFF with more Brazilian investors who might be interested in this engagement, though he suggests that responsible investors in Brazil are few and far between.

**In Progress:** While affected community members have expressed gratitude for LAPFF's assistance and efforts so far on their behalf, it is clear that local investors engaged on this issue would have better success. This is because they understand not just the local language but the local cultural and political levers to make progress. LAPFF will therefore continue to work on building a coalition of Brazilian investors to help take this engagement forward.

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A "pyramide of shoes" in Paris residents stacked up their old shoes in solidarity with Handicap International's bid to bring attention for demands on a global ban of anti-personnel mines and cluster bombs.

### Hanwha Drops Cluster Munitions Business

**Objective:** In 2014, LAPFF was approached by some of its members to undertake an engagement with defence companies to ask them to stop producing and selling cluster munitions. This engagement was difficult because these companies were on government defence contracts, so the

prospect of having investors carry the necessary weight to convince them to stop producing and selling cluster munitions seemed slim.

**Achieved:** However, about a year later, Singapore Technologies wrote to LAPFF stating that the company had ceased the production and sale of cluster munitions, in part due to pressure from LAPFF and other investors on this issue. Then, in December 2020, LAPFF began to receive emails from another company with which the Forum had engaged – Hanwha Corporation – stating that company had sold off its cluster munitions business.

The company offered meetings to investors recently, and LAPFF Executive member, Cllr Wilf Flynn, met with Hanwha representatives to discuss the company's decision to dispose of its cluster munitions business. The possibility of a say on climate resolution to next year's AGM was also discussed as it transpired that the South Korean government is keen to promote sustainability and green technology.

**In Progress:** LAPFF has sought clarity on whether Hanwha would be willing to put a say on climate resolution to its next AGM.

### Israeli-Palestinian Engagement Continues

**Objective:** LAPFF approached seventeen companies in October 2020 operating in the Occupied Palestinian Territories (the Territories), seeking to raise a number of concerns based on their operations in the Territories. Subsequently, one

meeting was held alongside several email communications.

**Achieved:** LAPFF subsequently wrote in June 2021 to sixteen of the companies initially engaged (Altice Europe N.V. has been taken private since the initial round of engagement) requesting that they undertake human rights impact assessments (HRIAs) related to their operations in the Territories. The hope is that companies operating in the Territories will understand the importance of undertaking these HRIAs, not only to highlight where the companies might be complicit in human rights infringements, but also to provide insight on potential investment risks for shareholders. The Forum also issued voting alerts for Booking Holdings Inc, TripAdvisor Inc and Expedia Group Inc, all of whom have been non-responders thus far in the LAPFF engagement. The voting alerts were issued after LAPFF met with representatives from the UN including the Office of the United Nations High Commissioner for Human Rights (OHCHR) to better understand the methodology used in producing the reports the OHCHR has issued on this issue in previous years. In February 2020, the OHCHR issued a listing of companies that are active in the Territories and that raise human rights concerns. LAPFF has based its company engagement targets on this list.

**In Progress:** The Forum will seek to put pressure on the companies with which it has engaged to undertake these HRIAs and will consider voting alerts on a case-by-case basis.

## AGMs and Voting Alerts

**Objective:** Each year, LAPFF circulates voting alerts and attends AGMs of companies with which the Forum is targeting engagement. Last year and this year have been challenging on one hand and have opened opportunities on the other hand because of Covid. LAPFF has managed to attend several AGMs and to issue a number of voting alerts to date.

**Achieved:** LAPFF has attended AGMs this year for Rio Tinto, Barclays, Anglo American, ArcelorMittal, Shell, and Lyondell Basell so far this year. Here is a taste of a couple:

### AGMS

#### ArcelorMittal

As the company did not have an AGM that was open to shareholders in 2020, LAPFF had pushed for more access this year. The company had put arrangements in place to allow written questions, but in the event, the widespread crash of many internet sites on the day of the AGM meant a hastily arranged zoom session gave far more open and transparent access. Aditya Mittal, the recently appointed chief executive, gave a positive response to providing an accelerated timeline for implementing hydrogen technology, saying that the company

wanted to be a leader and that another announcement on hydrogen developments was imminent. In response to a request for a 'say on climate' vote at the 2022 AGM, Bruno LaFont, the lead independent director, noted that they would consult with shareholders on this.

#### Lyondell Basell

The LAPFF chair, Cllr McMurdo, participated in the company AGM, as part of a 'formal discussion' scheduled for the AGM by the CA100+ lead investors, which focussed on the company's performance against the CA100+ benchmark. LAPFF noted the annual forum as the best forum for understanding a broad range



## COMPANY ENGAGEMENT



of shareholder views and asked the company to put its climate strategy to vote at the 2022 AGM and annually at each AGM, in effect for a ‘say on climate’.

### VOTING ALERTS

LAPFF has also issued several voting alerts so far this AGM season. Alerts issued have been for: Rio Tinto, HSBC, Glencore, Barclays, Shell, Facebook, Amazon, Exxon, Expedia, Trip Advisor, Booking Holdings, Mitsubishi UFJ Financial Group, and Delta Airlines. Below is some detail on a few of the alerts:

#### Barclays

LAPFF advised voting in favour of a resolution asking the company to implement a strategy with improved targets to phase out the provision of financial services to fossil fuel projects consistent with the Paris Agreement. A company meeting in April had indicated the criteria for investing in oil sands companies was for these companies to have a less than average carbon emission intensity by 2030, compared to other oil sands companies. The alert flagged up that it would be helpful if Barclay’s next year’s Annual Report disclosed the amount of fossil fuel dependent lending.

#### Mitsubishi UFJ Financial Group

The voting recommendation to members was to vote in favour of a resolution for the company to disclose an annual plan of the business strategy to align financing and investments with the goals of the Paris Agreement. The alert noted that the company continues to provide significant finance to fossil fuel expansion and deforestation, falling far short of Paris alignment.

Media coverage - <https://www.reuters.com/business/sustainable-business/uk-pensions-group-says-backs-climate-resolution-mitsubishi-ufj-2021-06-28/>

#### Delta Airlines

LAPFF advised members to support a resolution for Delta to evaluate and report on how the company’s lobbying activities align with the Paris Agreement and how the company plans to mitigate risks presented by any such misalignment. At the AGM, the resolution passed with a majority vote.

**In Progress:** LAPFF will continue to issue voting alerts and attend AGMs as relevant and possible throughout the year.

### Diversity Engagements and Socio-Economic Task Force

**Objective:** The Hampton-Alexander Review set a target of 33% representation of women on FTSE350 boards and in Executive Committees by the end of 2020. With this target in mind, LAPFF views the financial sector as a laggard in the FTSE100 in terms of gender pay gaps and female representation. LAPFF has also sought to engage on ethnic diversity and approached the City of London Taskforce on Socio Economic Diversity.

**Achieved:** LAPFF approached six companies in the financial services sector in the FTSE100, holding meetings with both Standard Life Aberdeen and Lloyds Banking Group. Both companies provided a detailed insight into the issues they face in championing woman and how they are tackling the gender pay gap. Lloyds Banking Group is one of the first companies in the FTSE100 to post an ethnicity pay gap report and recognises that there is work to be done in this area. With the City of London Taskforce on Socio Economic Diversity in mind, the Forum also asked how social class was taken into account with both companies. Then in May 2021, Cllr John Gray, LAPFF Vice-Chair was appointed to the City of

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London's Taskforce Advisory Board on Socio-Economic Diversity. The Forum has also continued its participation in the 30% Club Investor Group Meetings which provides a space to discuss best practice among investors in relation to female representation on company boards.

**In Progress:** The Forum will extend its engagement on diversity and pay gaps to the FTSE350, looking to see where companies have not yet met targets of the Hampton-Alexander review, and where wider pay gaps exist. Cllr John Gray will also be involved in the City of London's Taskforce Advisory Board, which will have a series of workstreams seeking to tackle the issue of socio-economic diversity in the financial services sector.

### Worker Safety during the Pandemic

**Objective:** The coronavirus pandemic has highlighted the importance that companies must place on the S in ESG to safeguard workers and protect and enhance shareholder value. The heightened exposure of workers and others to the pandemic in some sectors potentially poses serious investment risks for LAPFF members. It also goes to the heart of LAPFF's objectives of promoting responsible investment and the highest standards of corporate governance. Engagements sought to ensure that proper processes have been in place during the crisis and that boards were providing proper oversight as the crisis has unfolded. These engagements have focused on sectors most at risk including the outsourcing and social care sectors.

**Achieved:** LAPFF met with Capita and Serco. The meeting with Capita covered the safeguarding of staff and the balance of working from home and from call centres. At the meeting with the new chair of Serco, LAPFF discussed how the board managed the pandemic. There was a discussion around PPE and cleaning in hospitals, as well as organising video calls for prisons.

Alongside the outsourcing sector, the care sector has been identified as facing specific risks. The Forum met the chair of Target Healthcare REIT. Although providing the buildings rather than the care, property companies play an important role in ensuring high standards. The need to engage both tenants and landlords was discussed at the meeting. LAPFF,

## WEBINAR



### COLOMBIAN WORKERS AT THE CERREJON MINE

UNI Global worked with LAPFF to set up a webinar with workers at the Cerrejon coal mine in Colombia. They reported horrendous working conditions and threats to their personal safety. Cerrejon is a joint venture between BHP, Anglo American, and Glencore.

### CLIMATE LAW WEBINAR

LAPFF teamed with Hausfeld LLP to run a webinar on developments in climate law. The following week, the Dutch courts handed down a ruling that Shell must cut its global carbon emissions by 45 percent by 2030 based on a 2019 benchmark.

**"I am noticing a worrying trend of asset disposal without consideration for the conduct of the entities to which the disposals are made. This phenomenon cuts across coal businesses sold to small and unaccountable businesses without knowing whether emissions will be cut to cluster munitions businesses sold to entities with no promise of working to cease the production and sale of cluster munitions. Sweeping issues into another room will not solve the world's problems, nor will it create better investment opportunities for investors."**

LAPFF Chair, Cllr Doug McMurdo

alongside a range of other investors, also signed on to an expectations for the nursing home sector statement. The statement, coordinated by UNI Global, calls on providers to improve standards for residents and staff in the wake of the pandemic.

**In Progress:** The Forum will continue to be engaging companies on this agenda and collaboratively with the care sector as part of the UNI Global initiative.

### Electric Vehicles and Climate Change

**Objective:** Car use is a major contributor to global carbon emissions. Carmakers are facing tightening regulatory emission and fuel standards across the globe, which will require them to move to electrify their fleets. LAPFF has sought to engage companies through approaching this challenge and pushing for emission reductions in the short term and longer-term commitments to net zero. The Forum has also been engaging through Climate Action 100+ with US companies.

**Achieved:** After meeting with General Motors in January 2021, LAPFF joined a collaborative call alongside CA100+ this June to further discuss the company's approach to electrifying its product line and its position on climate lobbying. General Motors produces several large sized vehicles including trucks and SUVs. The pivot for these to a 1.5C pathway is necessary for the company to align itself with its competitors in transitioning to a net-zero economy. This was the main topic of discussion at the meeting.

**In Progress:** LAPFF will continue its engagement with vehicle producers around changing regulation and their approach to electrifying product lines. General Motors appears to be lagging behind competitors in this area, and the Forum will continue to push for quicker production of electric vehicles.

### Anglo American on Climate

**Objective:** The mining sector poses considerable climate risks to investors. The sector's operations are often carbon intensive and some minerals extracted, notably coal, are of great harm to the environment. LAPFF, as part of Climate Action 100+, has sought greater disclosure on Scope 3 and emissions data, an emphasis on reducing thermal coal



## ENGAGEMENT

mining, setting Scope 3 goals and targets, and ensuring lobbying aligned with net zero.

**Achieved:** Anglo American has committed to carbon neutrality by 2040 across all assets for Scope 1 and 2 emissions which represents a step forward and is a recognition that 2050 was too far away. The meeting covered how Anglo American is seeking to reduce emissions from mining and included a discussion of capital allocation and mining activities required to support the transition to net zero.

**In Progress:** LAPFF is seeking to engage further with Anglo American on its Scope 3 emissions. There is work to be done on measuring emissions and fully accounting for carbon emissions that are present in the value chain.

### COLLABORATIVE ENGAGEMENTS

#### IOPA engagement meetings

LAPFF has continued to participate in the Investors for Opioid and Pharmaceutical Accountability (IOPA) meetings. The group has run a number of Vote No campaigns, notably at Cardinal and AmerisourceBergen. The group also wrote to the chairs of compensation committees at eleven companies, scrutinising how executive compensation had been handled in light of charges being brought for opioids settlements.

#### Collaborative initiatives on Climate

The SEC was seeking input to proposed climate change disclosure. LAPFF, as a CERES member, co-signed a letter supporting essential principles, including basing disclosure rules on the Taskforce on Climate-related Financial Disclosure (TCFD) guidance, having industry specific metrics, promoting emissions disclosure and the inclusion of material climate disclosures in financial filings.

In April, LAPFF co-signed an investor call for methane and flaring regulations at federal level in the US. The aim is to support and encourage the Biden administration to enforce strong methane regulations for the oil and gas industry. It is considered regulation will be low-cost for industry. Methane emissions are potent greenhouse gases, 84 times more powerful than carbon dioxide in the first two decades after release.

LAPFF, as in previous years, has signed a Global Investor Statement to

Governments on the Climate Crisis in advance of the United Nations Climate Change Conference (COP26) taking place in November this year. There are five main asks, including a request for governments to strengthen their nationally determined contributions (NDCs) for 2030 to limit warming to align with 1.5 degrees Celsius.

### CONSULTATION RESPONSES

#### LAPFF Just Transition Inquiry

The All-Party Parliamentary Group for Local Authority Pension Funds' inquiry into 'Responsible investment for a just transition' continued. The LAPFF-supported APPG inquiry, chaired by Clive Betts MP, held its third evidence session in May. The meeting heard from Colin Baines (Investment Engagement Manager, Friends Provident Foundation); Sarah Teacher (CEO, Impact Investing Institute); Andy Gouldson (Chair of the Leeds Climate Commission) and Peter Brierley (Lead Organiser, Citizens UK). The call for evidence has now closed and the inquiry is reviewing the evidence to be discussed at the next meeting before the final report is published in October ahead of COP 26.

#### DWP Consultation – 'S' in ESG

LAPFF responded to the DWP's consultation on 'consideration of social risks and opportunities by occupational pension schemes'. Although the consultation did not cover LGPS funds, as pension regulation and legislation for the Forum's sector tends in the end to mirror DWP's LAPFF submitted a response. The Forum's response outlined LAPFF's policy approach to social issues and how and what themes we engage companies on. LAPFF's response also stated that social issues are often overlooked and there was a need for much greater company disclosure.

#### Investor Letter to SEC on Proxy Voting Rules

The Biden Administration SEC has signalled that it plans to support investors' ESG aspirations, not least by failing to enforce the Trump era imposition of obstacles to filing shareholder resolutions on ESG. However, US investors remain concerned that the US proxy voting rules will not facilitate ESG-related resolutions and sent a letter to this effect which

LAPFF signed.

#### BEIS White Paper on Audit Reform

In 2018 LAPFF made a submission to the Financial Reporting Council (FRC) dealing with governance of companies which presented serious concerns about the FRC and its own governance. That led to a period of circumspection which then led to the Kingman Review. The Kingman Review concluded that the FRC was not fit for purpose and would be replaced by a new body, the Auditing, Reporting and Governance Authority (ARGA).

This White Paper deals with some of the issues relevant to the transition to ARGA. Some of the issues around accounting and auditing standards have not been addressed. The problem LAPFF identifies in its response is not so much reform of the law, but implementation of existing law. Some parties have argued that the law is different to the position of LAPFF. However, that approach overlooks the fact that what the law states is merely an articulation of economic facts.

Central to the preparation of the accounts is whether they should be prepared on a going concern basis. Several basic principles are relevant to the determination of that. Phantom 'profits' and phantom 'net assets' will create a risk of a phantom 'going concern' and if auditors sign accounts without bottoming these considerations then their opinions will be wrong.

Being able to distinguish between cash or near cash (realised) or non-cash (unrealised) items is essential to determine whether a company is capable of being a going concern or not. A company may not be a going concern if it cannot service debt and cover ordinary costs and – absent additional sources of funds or guarantees – that requires cash flows from profits, not unrealised gains.

The same applies with the matter of effective internal control, including the absence of material fraud.

Unfortunately, both International Accounting Standards (IFRS) and International Auditing Standards (ISA) water down, or even go against, such basic principles. Some other issues are also covered on the LAPFF website.

**Media coverage** - [LAPFF questions UKEB's approval of accounting standards - Pensions Age Magazine](#)

## ENGAGEMENT

### AFL-CIO and EU Tax Letters

There are continued concerns that country-by-country-reporting laws on tax are not addressing the full scope of the reporting gaps. For example, a recent AFL-CIO letter on this issue to the US Congress called for laws requiring that companies report their taxes for all countries in which they operate, not just a general 'rest of the world' category. PRI sent a letter on this issue to the European Union shortly after the AFL-CIO letter was sent in the US. LAPFF signed both letters.

### Facial Recognition Technology Investor Statement

Human rights concerns surrounding facial recognition technology have surfaced in the last few years. LAPFF issued a voting alert to Amazon on this topic both last year and this year and signed an investor statement circulated by Candriam on this issue this quarter.

Media coverage - <https://www.professionalpensions.com/news/3076049/lapff-supports-majority-amazon-shareholder-resolutions>

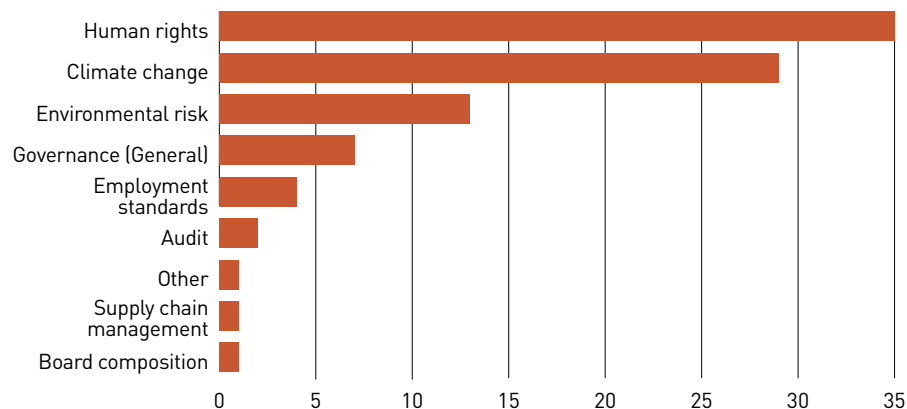
### HM Treasury Consultation on Aviation Tax Reform

In its response to the consultation, LAPFF called on the Treasury to review the current position of air tickets being VAT free and aviation fuel incurring no duty. A price signal of reducing domestic air passenger duty (APD) would likely encourage more flights. This outcome is in stark and direct opposition to the government's own climate change target to reduce emissions by 78% by 2035 over 1990 levels. LAPFF has long recognised the imperative to address climate change as a systemic investment concern for investors. With aviation expected to grow to be the biggest source of UK emissions by 2050, it is a significant contributor to the material financial risks of climate change with the potential for loss of shareholder value.

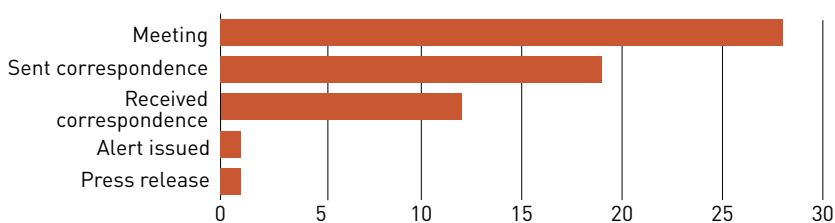
Media coverage - [LAPFF urges Treasury to review position on APD amid 'contradictory signalling' - Pensions Age Magazine](#)

## ENGAGEMENT DATA

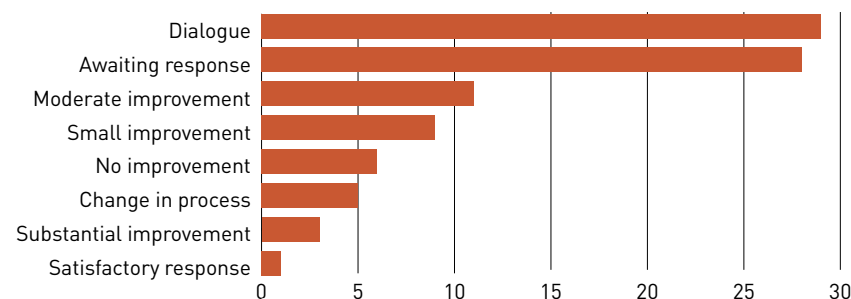
### ENGAGEMENT TOPICS



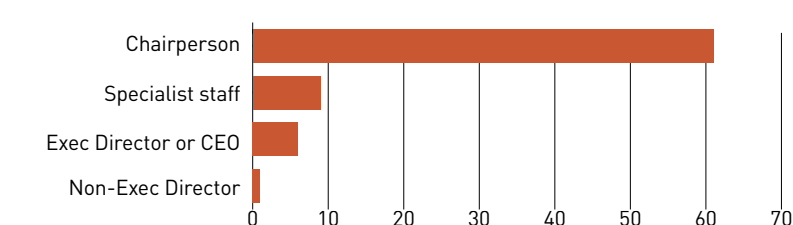
### ACTIVITY



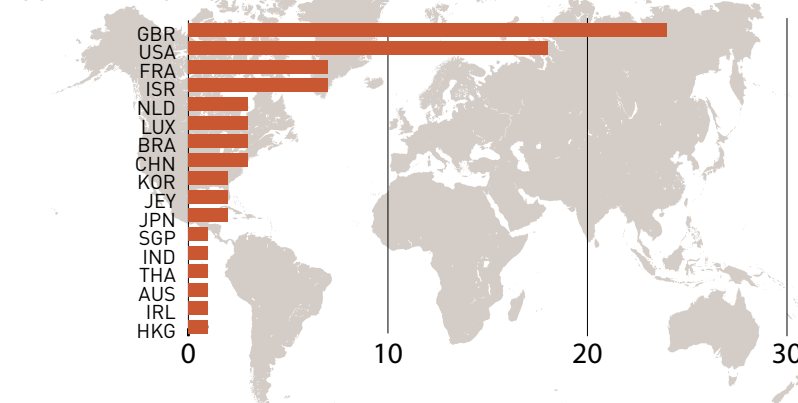
### MEETING ENGAGEMENT OUTCOMES



### POSITION ENGAGED



### COMPANY DOMICILES





# COMPANY PROGRESS REPORT

59 Companies engaged over the quarter

\*The table below is a consolidated representation of engagements so reflects the number of companies engaged, not the number of engagements

| Company/Index                                | Activity                | Topic                | Outcome                 |
|----------------------------------------------|-------------------------|----------------------|-------------------------|
| ABBOTT LABORATORIES                          | Sent Correspondence     | Environmental Risk   | Awaiting Response       |
| AIR LIQUIDE SA                               | Sent Correspondence     | Climate Change       | Dialogue                |
| ALSTOM SA                                    | Sent Correspondence     | Human Rights         | Dialogue                |
| AMAZON.COM INC.                              | Alert Issued            | Human Rights         | Dialogue                |
| ANGLO AMERICAN PLC                           | Meeting                 | Human Rights         | Change in Process       |
| APPLE INC                                    | Sent Correspondence     | Environmental Risk   | Awaiting Response       |
| ARCELORMITTAL SA                             | Received Correspondence | Climate Change       | Substantial Improvement |
| BANK HAPOLIM B M                             | Sent Correspondence     | Human Rights         | Awaiting Response       |
| BANK LEUMI LE-ISRAEL BM                      | Sent Correspondence     | Human Rights         | Awaiting Response       |
| BARCLAYS PLC                                 | Meeting                 | Climate Change       | Dialogue                |
| BARRATT DEVELOPMENTS PLC                     | Sent Correspondence     | Climate Change       | Awaiting Response       |
| BEZEQ THE ISRAELI TELECOMMUNICATION CORP LTD | Sent Correspondence     | Human Rights         | Awaiting Response       |
| BHP GROUP PLC                                | Meeting                 | Governance (General) | Moderate Improvement    |
| BOOKING HOLDINGS INC.                        | Alert Issued            | Human Rights         | No Improvement          |
| BP PLC                                       | Meeting                 | Environmental Risk   | Awaiting Response       |
| CHARTER COMMUNICATIONS INC                   | Meeting                 | Environmental Risk   | Awaiting Response       |
| COMPAGNIE DES ALPES                          | Sent Correspondence     | Environmental Risk   | Awaiting Response       |
| CONSTELLATION BRANDS INC.                    | Meeting                 | Environmental Risk   | Change in Process       |
| CRH PLC                                      | Received Correspondence | Climate Change       | Small Improvement       |
| DBS GROUP HOLDINGS LTD                       | Sent Correspondence     | Climate Change       | Dialogue                |
| DELEK GROUP LTD                              | Sent Correspondence     | Human Rights         | Awaiting Response       |
| EXPEDIA GROUP INC                            | Alert Issued            | Human Rights         | No Improvement          |
| FACEBOOK INC.                                | Alert Issued            | Governance (General) | Moderate Improvement    |
| FREEPORT-MCMORAN INC.                        | Sent Correspondence     | Human Rights         | Dialogue                |
| GENERAL MILLS INC                            | Sent Correspondence     | Human Rights         | Awaiting Response       |
| GENERAL MOTORS COMPANY                       | Meeting                 | Climate Change       | Small Improvement       |
| GLENCORE PLC                                 | Meeting                 | Governance (General) | Moderate Improvement    |
| HANWHA CORP                                  | Meeting                 | Human Rights         | Substantial Improvement |
| HUADIAN POWER INTL CORP LTD                  | AGM                     | Climate Change       | Change in Process       |
| HUANENG POWER INTERNATIONAL                  | AGM                     | Climate Change       | Dialogue                |
| IMPACT HEALTHCARE REIT PLC                   | Sent Correspondence     | Employment Standards | Awaiting Response       |
| INDORAMA VENTURES PCL                        | Sent Correspondence     | Human Rights         | Awaiting Response       |
| ISRAEL DISCOUNT BANK LTD                     | Sent Correspondence     | Human Rights         | Awaiting Response       |
| LLOYDS BANKING GROUP PLC                     | Meeting                 | Governance (General) | Moderate Improvement    |
| MITSUBISHI UFJ FINANCIAL GRP                 | Sent Correspondence     | Climate Change       | Dialogue                |
| MIZRAHI TEFAHOT BANK LTD                     | Sent Correspondence     | Human Rights         | Awaiting Response       |
| MORRISON PLC                                 | AGM                     | Other                | No Improvement          |
| MOTOROLA SOLUTIONS INC.                      | Sent Correspondence     | Human Rights         | Awaiting Response       |
| NATIONAL GRID PLC                            | Meeting                 | Climate Change       | Substantial Improvement |
| NEXTERA ENERGY INC                           | Sent Correspondence     | Climate Change       | Dialogue                |
| PAZ OIL CO LTD                               | Sent Correspondence     | Human Rights         | Awaiting Response       |
| PERSIMMON PLC                                | Sent Correspondence     | Climate Change       | Dialogue                |
| RIO TINTO PLC                                | AGM/MEETING             | Human Rights         | Change in process       |
| ROYAL DUTCH SHELL PLC                        | Meeting                 | Climate Change       | Dialogue                |
| SAINSBURY (J) PLC                            | Meeting                 | Climate Change       | Moderate Improvement    |
| SANOFI                                       | Meeting                 | Environmental Risk   | Awaiting Response       |
| SERCO GROUP PLC                              | Meeting                 | Employment Standards | Small Improvement       |
| SHUI ON LAND LTD                             | Sent Correspondence     | Environmental Risk   | Awaiting Response       |
| SONIC HEALTHCARE LTD                         | Sent Correspondence     | Climate Change       | Awaiting Response       |
| STANDARD LIFE ABERDEEN PLC                   | Meeting                 | Board Composition    | Moderate Improvement    |
| TARGET HEALTHCARE REIT LTD                   | Meeting                 | Employment Standards | Moderate Improvement    |
| TAYLOR WIMPEY PLC                            | Sent Correspondence     | Climate Change       | Awaiting Response       |
| TOTALENERGIES SE                             | Received Correspondence | Climate Change       | Moderate Improvement    |
| TOYOTA MOTOR CORP                            | Sent Correspondence     | Environmental Risk   | Awaiting Response       |

## COMPANY PROGRESS REPORT

59 Companies engaged over the quarter

\*The table below is a consolidated representation of engagements so reflects the number of companies engaged, not the number of engagements

|                         |                         |                    |                   |
|-------------------------|-------------------------|--------------------|-------------------|
| Transco (National Grid) | Meeting                 | Climate Change     | Small Improvement |
| TRIPADVISOR INC.        | Received Correspondence | Human Rights       | Small Improvement |
| VALE SA                 | Meeting                 | Climate Change     | Dialogue          |
| YES BANK                | Sent Correspondence     | Human Rights       | Awaiting Response |
| YUHAN CORP              | Sent Correspondence     | Environmental Risk | Awaiting Response |

## LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Avon Pension Fund  
Barking and Dagenham (London Borough of)  
Barnet LB  
Bedfordshire Pension Fund  
Bexley (London Borough of)  
Berkshire Pension Fund  
Brent (London Borough of)  
Bromley (London Borough of)  
Camden (London Borough of)  
Cardiff and Vale of Glamorgan Pension Fund  
Cambridgeshire Pension Fund  
Cheshire Pension Fund  
City and County of Swansea Pension Fund  
City of London Corporation  
Clwyd Pension Fund  
Cornwall Pension Fund  
Croydon LB  
Cumbria Pension Scheme  
Derbyshire County Council  
Devon County Council  
Dorset County Pension Fund  
Durham Pension Fund

Dyfed Pension Fund  
Ealing (London Borough of)  
East Riding of Yorkshire Council  
East Sussex Pension Fund  
Enfield (London Borough of)  
Environment Agency Pension Fund  
Essex Pension Fund  
Falkirk Council  
Gloucestershire Pension Fund  
Greater Gwent Fund  
Greater Manchester Pension Fund  
Greenwich Pension Fund  
Gwynedd Pension Fund  
Hackney (London Borough of)  
Hammersmith and Fulham (London Borough of)  
Haringey (London Borough of)  
Harrow (London Borough of)  
Havering LB  
Hertfordshire  
Hounslow (London Borough of)  
Islington (London Borough of)  
Kingston upon Thames Pension Fund  
Lambeth (London Borough of)

Lancashire County Pension Fund  
Leicestershire  
Lewisham (London Borough of)  
Lincolnshire County Council  
London Pension Fund Authority  
Lothian Pension Fund  
Merseyside Pension Fund  
Merton (London Borough of)  
Newham (London Borough of)  
Norfolk Pension Fund  
North East Scotland Pension Fund  
North Yorkshire County Council Pension Fund  
Northamptonshire County Council  
Nottinghamshire County Council  
Oxfordshire Pension Fund  
Powys County Council Pension Fund  
Redbridge (London Borough of)  
Rhondda Cynon Taf  
Shropshire Council  
Somerset County Council  
South Yorkshire Pensions Authority  
Southwark (London Borough of)  
Staffordshire Pension Fund

Strathclyde Pension Fund  
Suffolk County Council Pension Fund  
Surrey County Council  
Sutton (London Borough of)  
Teesside Pension Fund  
Tower Hamlets (London Borough of)  
Tyne and Wear Pension Fund  
Waltham Forest (London Borough of)  
Wandsworth (London Borough of)  
Warwickshire Pension Fund  
West Midlands Pension Fund  
West Yorkshire Pension Fund  
Westminster CC  
Wiltshire County Council  
Worcestershire County Council

### Pool Company Members

Border to Coast Pensions Partnership  
Brunel Pensions Partnership  
LGPS Central  
Local Pensions Partnership  
London CIV  
Northern LGPS  
Wales Pension Partnership