

ANNUAL REPORT 2023



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Chair's Forward

The past year is one characterised by uncertainty. As we seek some distance from the Covid pandemic, other challenges have started to arise. Globally, we are seeing an increase in war and conflict and ever more pressing concerns about climate change and natural resources, while human rights challenges for companies and their supply chains persist. At home, we have had a sustained period of inflation and a cost-of-living crisis. All these developments affect LAPFF members and their beneficiaries, so LAPFF has been working on measures to understand them better and contribute to solutions.

Sadly, the war in Ukraine has continued unabated, and conflict linked to the Occupied Palestinian Territories continues. We have also seen conflict continue in Myanmar, coups in Gabon and Niger, a flare up of the conflict in Nagorno-Karabakh, and tensions rising between China and Taiwan, just to name a few areas of concern. Consequently, LAPFF has stepped up its engagement with both companies and other investors on this issue to understand better how to engage in a helpful way with companies operating in conflict affected and high-risk areas. This engagement is necessary not least because the humanitarian and human rights conditions in these countries have a bearing on whether investee companies can create sustainable shareholder value.

The climate crisis is also showing no signs of abating. During the year, the UN Secretary General, Antonio Guterres, referred to 'global boiling' rather than just global warming with July 2023 being the hottest month on record globally. LAPFF continues to be concerned about the levels of greenwashing it hears from companies across a range of industries that produce high levels of carbon emissions and other emissions that contribute to the climate crisis. While there remain serious concerns about the downgrading of decarbonisation ambitions of oil and gas companies, LAPFF engagements over the year have provided insights into the credibility of company approaches and we have seen some progress regarding more realistic approaches to offsetting alongside some climate-governance improvements. At National Grid, LAPFF's collaborative engagement work within the year resulted in a commitment to improved lobbying disclosure while the company has responded to our call for improved grid connection. LAPFF also ramped up its activity on climate-related shareholder resolutions, issuing voting alerts to members covering over 50 resolutions of which around half resulted in significant vote for action on transition plans, targets, lobbying and a just transition.

In line with member wishes, LAPFF has started to engage more on natural resource protection, particularly in the context of climate change. Greenwash is not only a concern in relation to climate and the environment. LAPFF continues to be disappointed at the greenwash exhibited by a number of mining companies in relation to their human rights records. During the year, LAPFF published a report detailing its 2022 visit to Brazil where it met with affected community members, company representatives, and Brazilian investors to understand better what needs to be done to address the continued challenges stemming from the Mariana and Brumadinho tailings dam collapses from 2015 and 2019, respectively. Engagement on human rights with the mining sector continues and will do so until LAPFF sees the kind of



Cllr Doug McMurdo,
LAPFF Chair

improvements that meet with its expectations on human rights and environmental protection.

Coming out of the Covid pandemic and in the context of the conflicts across the globe, we have seen inflation rates at their highest for a generation. This level of inflation has led to a cost-of-living crisis in the UK that has been characterised by energy, food, and housing insecurity for many people. LAPFF consequently undertook both policy and company engagements on levelling up, pay rises, and the minimum wage. Additionally, I have been participating in a government-led social issues taskforce on behalf of LAPFF to help address the lack of attention to these types of social issues in the investor space. Another domestic issue that continues to cause public concern and create investment risks is the environmental performance of UK water companies. While the severe reputational risks they face continues, LAPFF engagement, which is in its second year, is seeing some improvements in plans for addressing pollution.

Given the challenges and investment risks, it might not be surprising, then, that LAPFF membership grew over the year to 87 member funds and seven pooled companies. More and more, LAPFF members are recognising the financial materiality of environmental, social, and governance factors and the role LAPFF plays in trying to clarify and leverage that link for them.

I would like to take this opportunity to thank all the LAPFF members, and particularly those who have played an active role in promoting and supporting the execution of the LAPFF work plan. Special thanks go to the 2023 LAPFF Executive Committee which has had an ever-increasing workload and number of company engagements.

A couple of LAPFF Executive members have chosen to step down from the LAPFF Executive, and my warm thanks go to Cllr Adrian Garden, Cllr Wilf Flynn and Cllr Steve Pearce for their support and contributions. A special thanks also to our colleague, Rodney Barton, who is stepping down after many years of exceptional contributions to the LAPFF Executive. As a result, Cllr Mark Norris, Cllr John Cooke, Neil Sellstrom, and Euan Miller have joined the LAPFF Executive Committee. We warmly welcome them.

As we look ahead to next year, LAPFF's engagement work will take place against the backdrop of persistent stewardship risks and new uncertainties. If this was not challenging enough, our task as responsible investors is being made still harder by sustained attacks on ESG. However, while the picture can look daunting, in the fight against climate change we are now witnessing certain sectors rapidly transforming while more broadly regulators internationally are placing greater emphasis on the need to consider ESG factors, something which LAPFF has long championed. Such progress acts as a reminder that change is possible and, coupled with the challenges we face, demands a redoubling of our efforts.

LAPFF Executive Committee



Cllr Doug McMurdo,
Chair, LAPFF



Cllr Rob Chapman,
Vice-Chair, LAPFF



Cllr John Gray,
Vice-Chair, LAPFF



John Anzani,
LAPFF Executive Member



Rodney Barton,
LAPFF Executive Member



Rachel Brothwood,
LAPFF Executive Member



Cllr Ged Cooney,
LAPFF Executive Member



Cllr Wilf Flynn,
LAPFF Executive Member



Cllr Adrian Garden,
LAPFF Executive Member



Tom Harrington,
LAPFF Executive Member



Cllr Heather Johnson,
LAPFF Executive Member



Cllr Yvonne Johnson,
LAPFF Executive Member



Sian Kunert,
LAPFF Executive Member



Euan Miller, LAPFF Executive
Member



Cllr Steve Pearce,
LAPFF Executive Member



Cllr Eddie Pope,
LAPFF Executive Member

ENGAGEMENT SNAPSHOTS 2023

Climate Voting Alerts

LAPFF issues alerts on climate targets, plans, lobbying and transition resolutions, many of which receive significant votes.

Brazil report

LAPFF publishes report on its visit with communities in Brazil relating to tailing dam safety.

National Grid engagement

LAPFF presses the company to do more to ensure its grid can accommodate green energy infrastructure and requests greater clarity on its climate transition plan.

Shell Engagement

LAPFF meets the chair of Shell to discuss the company's delay of decarbonisation, approach to renewable energy and unsatisfactory Energy Transition Plan.

Capital markets – listing rules

The LAPFF Executive sets up a Capital Markets Working Group to tackle growing concern regarding the Financial Conduct Authority relaxing the Listing Regime further.

UN Working Group Consultation

LAPFF submits a response to the UN Working group on Business and Human rights consultation on investor, ESG, and human rights, calling for investors to improve in this area.

Water stewardship

LAPFF engages with Chipotle, McDonald's, and Burberry to promote water stewardship and ensure water-related risks are appropriately managed as CoChair of the Valuing Water Finance Initiative, an international collaboration coordinated by CERES.

APPG

LAPFF backs parliamentary group hosts event with Minister on LGPS consultation alongside meetings on levelling up, affordable housing and illiquid assets.

New Members

LAPFF welcomes Hillingdon Pension Fund and the ACCESS Pool, bringing total membership to 87 member funds and seven pool companies.

Uyghur Forced Labour Consultation

LAPFF participates in the Modern Slavery and Human Rights Policy and Evidence Centre's project aimed at informing investors on how to mitigate risks associated with Uyghur forced labour.

LAPFF Mid-Year Conference

LAPFF hosts its first mid-year conference with speakers covering climates and executive pay, modern slavery, and European investor litigation.

LAPFF POLICY ENGAGEMENTS

FAIR AND JUST TRANSITION

LGPS Reform: Party Conference Fringe Meetings

Objective: To address systemic risks and market-wide opportunities, LAPFF seeks to engage policymakers on areas for reform. An important area identified within the LAPFF's workplan is the need for a fair and just transition. Failure to consider the social implications of the energy transition risks undermining support for the transition and also creates company specific risks. Following a report into a just transition produced by the LAPFF-supported All-Party Parliamentary Group on Local Authority Pension Funds, LAPFF hosted fringe meetings at the party conferences on the issue. The meetings sought to set out LAPFF's position and make the case for policy that supported investors and companies to deliver a just transition.

Achieved: Within the reporting period LAPFF held meetings on the just transition at the Conservative and SNP conferences, having held a meeting at the Labour conference on the issue and with the Lib Dem conference cancelled due to the Queen's funeral. LAPFF set out why the just transition was an investor issue, including avoiding a backlash against environmental regulation and climate action. LAPFF speakers provided examples of the work that LAPFF undertakes to avoid the social risks and promote climate 'goods' (such as new jobs)

associated with the transition. LAPFF Executive representatives were able to discuss with politicians what governments can do and answer questions from the audience made up of delegates, councillors, and stakeholders.

In progress: LAPFF will continue to engage national politicians on environmental, social, and governance issues given the role legislation, regulation, and government programmes play in improving and promoting higher corporate standards.

Social Factors Taskforce

Objective: LAPFF has been engaging companies on social issues since it was first formed. However, despite their importance in investment opportunities and risks, approaches and activities on social factors are often less advanced than environmental and governance issues. A DWP consultation in 2021 sought to understand the approaches of investors to social factors. LAPFF responded to the consultation outlining the work it has undertaken and calling for more action by investors and government on social factors. In response to the consultation, the government stated that it would establish a taskforce to look into the issue.

Achieved: LAPFF was invited to participate on the newly created Taskforce on Social Factors. The taskforce is chaired by Luba Nikulina, Chief Strategy officer at IFM, who spoke at the LAPFF conference in 2022. The taskforce aims to support

pension scheme trustees and the wider industry with issues related to managing social factors. LAPFF's Chair, Cllr Doug McMurdo, has participated in the taskforce discussions and has been able to provide LAPFF's insights into the issues. The taskforce is producing a report which will aim to support trustees through guidance and provide a wider set of recommendations.

In progress: The taskforce will consult on the report before it is finalised and published.



Parliamentary Debate – Human Rights and Mining

LAPFF's report on its visit to Brazil to visit communities affected by tailings dam collapses and other mining safety concerns informed a parliamentary debate on the need for legislation on accountability for extraterritorial human rights impacts by UK-based mining companies. LAPFF also submitted consultation responses this year to the UN Working Group on Business and Human Rights. More on this contribution is provided below in the human rights section of the report. ●

LEADERSHIP: EMERGING AND DEVELOPING INITIATIVES

LAPFF considers itself a leader in a number of environmental, social, and governance areas. Two of those areas are: the establishment of a 'Say on Climate' voting initiative and a multistakeholder engagement approach to promoting human rights in the mining sector.

Say on Climate

Objective: Climate change presents shareholders with significant investment risks. The level of risk is reflected in growing regulatory attention on company action and disclosures. Reporting against TCFD's framework is expected of many UK-based listed companies and across sections of the investment community. In addition, the UK's Transition Plan Taskforce, established by HM Treasury, is developing a 'gold standard' for climate transition plans.

Due in part to these developments and concerted investor pressure over recent years, more and more companies are providing investors greater levels of climate disclosure and are setting out their transition plans. Yet, despite the investment needed to decarbonise companies and the expectations for companies to have plans, investors are not universally provided with a specific vote to scrutinise and have their say on the plans. LAPFF therefore seeks to encourage companies to provide a climate transition plan vote.

Achieved: To address the lack of companies providing shareholders with a vote, at the start of 2023 LAPFF alongside Sarasin & Partners, CCLA Investment Management, and the Ethos Foundation, wrote to the FTSE All-Share (excluding investment trusts) requesting shareholders be provided the opportunity to support their transition plan through an AGM resolution. The letter highlighted the importance investors placed on having a vote. Some companies responded by stating that they were planning to have an annual 'Say on Climate' vote and others stated that they expected to do so every three years when their plan was updated. However, most of those that responded said that they did not intend to hold a specific vote and noted engagement with shareholders on the issue.

To continue LAPFF's push for a vote, later in the year LAPFF organised another letter to 35 companies in sectors considered to face heightened climate risks, whose actions are essential to meeting the Paris goals, and where risks

to investors are significant. The letter was again supported by CCLA Investment Management, Sarasin & Partners and the Ethos Foundation. LAPFF also gained wider support, with a total 18 signatories signing on which collectively represented £1.8 trillion in assets under management, further demonstrating that LAPFF is far from alone on the issue. The letter urged companies to provide a vote stating that it would enable investors to first express their views on transition plans through a specific AGM vote rather than immediately voting against the chair or another board member.

LAPFF also sought to gain wider attention of the issue. In both cases, there was press coverage of the initiative covering why such votes were being called for.

In progress: LAPFF is tracking responses to the latest letter. LAPFF will continue work with other investors and will be engaging with companies on providing shareholders with a specific transition plan vote.

Climate Voting Alert Initiative

Objective: To support LAPFF's work on addressing climate risks through company engagement meetings, LAPFF provides members with a series of dedicated climate change alerts. These are focused on climate-related shareholder resolutions with the aim of ensuring that companies are better addressing climate risks. The focus of the alerts covered issues related to LAPFF engagement themes, including transition plans, adequate targets, lobbying and a just transition.

Achieved: During the year, LAPFF issued climate alerts which covered over 50 resolutions. Around half of resolutions gained over 20 percent or more shareholder votes reflecting the level of support for companies to improve their climate change practices and policies and which provided a clear message to the companies. Receiving over 20 percent is generally seen as a significant vote (and is described as such in the UK Corporate Governance Code) with

The Sonora River, contaminated by the spill of about 10 million gallons of copper sulfate and heavy metals from the Buenavista copper mine



companies expected to engage and respond to shareholders on the issues which caused shareholders to take a different position to that of the board.

The voting alerts focused on transition policies and plans did well. Approaching half (48 percent) of shareholder votes supported a resolution on this issue at Quest Diagnostics and over one in three backed resolutions at Raytheon Technologies (37 percent) and JPMorgan Chase (35 percent). There were also significant votes at Lockheed Martin (33 percent), Wells Fargo (31 percent), Mosaic Company (30 percent) and Bank of America (28 percent).

There were a number of climate targets resolutions. These resolutions included targets which include all emission scopes, absolute emission reductions targets and Paris-aligned targets. There were significant votes at Public Storage (35 percent), Valero Energy (32 percent), Chubb Limited (29 percent), TotalEnergies (29 percent) and Berkshire Hathaway (23 percent).

Cenovus board supported a shareholder resolution around climate lobbying reporting, which resulted in 99 percent votes of approval. On

other shareholder resolutions on climate lobbying reports and ensuring alignment of direct and indirect lobbying activity with Paris and other climate objectives, there were significant votes at Paccar (46 percent), Coterra Energy (37 percent), Wells Fargo (32 percent) and Amazon (24 percent).

There were also a handful of shareholder resolutions on just transition which LAPFF issued alerts for. They were supported by 31 percent of shareholders at BorgWarner, 27 percent at Amazon, 19 percent at Chevron and 16 percent at Marathon Petroleum.

In progress: LAPFF will continue to issue climate voting alerts to support resolutions which further support engagement objectives such as around targets, plans, lobbying and a just transition. Providing support for these resolutions helps deliver a clear message to companies around the urgent action needed to address climate change and is particularly important as some fund managers' support for shareholder resolutions has started to fall.

Mining and Human Rights: Brazil Report and Grupo Mexico

Objective: LAPFF has been engaging with major mining companies on human rights for the last five years. This engagement stemmed from tailings dam collapses in Brazil linked to BHP and Vale and from Rio Tinto's destruction of cultural heritage at Juukan Gorge in Australia.

Achieved: After visiting Brazil in August 2022 to visit communities affected by tailings dam collapses in Mariana and Brumadinho, LAPFF published a report of its findings after thorough engagement with both the affected communities and the companies involved. Its translation of the report into Portuguese was underway at the time of this annual report's publication.

In Progress: Additionally, LAPFF has now undertaken an engagement with Grupo Mexico in relation to a tailings pond leak at one of its operations in Sonora, Mexico. Affected community members have shared with LAPFF that they believe certain health problems and environmental damage – in particular, water contamination – are linked to this leak. LAPFF has met once with the company and once with affected community members at this stage and will look to progress the engagement in the coming year.

Human rights engagements with Rio Tinto and Anglo American are continuing too. LAPFF is continuing to work with Rio Tinto to ensure that the company's relationships with communities affected by its operations globally are improving. Engagement with Anglo American is taking place primarily through LAPFF's participation in the new PRI Advance human rights initiative. More on LAPFF's participation in this initiative is set out below in the section 'Principles for Responsible Investment (PRI) Advance Human Rights'. ●

PROMOTING GOOD GOVERNANCE



Capital Market Reform and Capital Markets Working Group

Objective: LAPFF has continued to focus on policy making in the area of reliable accounts given problems with accounting standards and standards of auditing. The focus also extends to climate change aspects of accounts, including decarbonisation.

Accounts have continued to be unreliable despite the Companies Act requiring accounts to be sufficiently reliable to make lawful distributions by undertaking a calculation (two calculations for public companies) based on the numbers in the accounts.

Related to that, the numbers will be drawn up on either a going concern basis or a break-up basis. Getting that right depends on whether a company is capable of being a going concern or not.

International Accounting Standards are not only not assessed for that objective of company law, but aspects of these standards run counter to it by applying the standards accounts may contain unrealised (non-cash profits) and leave out losses. That is a significant problem because cash-based profits are the drivers of being able to be a going concern, as is the absence of material fraud.

Two legal opinions from George Bompas KC for LAPFF in 2013 and 2015 dealt with the incompatibility. A decade on, an attempt has been made to patch the problem, which was introduced and then withdrawn.

On 19 July 2023, the Department for Business and Trade (DBT) laid new reporting regulations before Parliament for approval. The draft 'Companies (Strategic Report and Directors' Report) (Amendment) Regulations 2023' created a number of new corporate reporting requirements for very large UK Companies – defined in the regulations as a 'company with a high level of employees and turnover'. The Regulation was subsequently withdrawn as a result of what appears to have been lobbying led by the London Stock Exchange.

In-scope companies would have been required to provide a distributable profits figure in the notes to the company's accounts. As this

information was to be included in the notes to the accounts, it was to be subject to audit.

This attempt to fix a problem by indirect means was far from perfect. For example, some subsidiaries relevant to the robustness of groups would have fallen outside of the new regulation. A Freedom of Information Act request has been made to discover by whom and when the lobbying occurred.

International standard setters are also creating a clash in matters relevant to climate change and other issues. Section 172 Companies Act requires considering the impact of companies' activities on third parties as well as the impact on companies themselves.

However, the International Sustainability Accounting Standards Board (ISASB) has placed itself under the wing of the International Accounting Standards Board, a body which has consistently shown itself to be in thrall to the worst aspects of corporate and large accounting firm lobbying.

The ISASB is following a model where all that matters is the impact of climate changes on a company, as opposed to the impact of the company on climate change. As ever, masking simple factors under a veil of complexity is taking place, as are conflicts of interest and 'usual suspects' being appointed to committees.

Achieved: The concept of Paris aligned accounts is now a mainstream issue outside of the ambit of international accounting standard setters. The project started as an initiative between Sarasin Partners and LAPFF.

LAPFF submitted a strong response to the Financial Conduct Authority's consultation on relaxing the Listing Regime further. That response was met by equally strong condemnation of the FCA proposals by other large asset owners, including RailPEN. In light of this development, the LAPFF Executive has decided to set up a Capital Markets Working Group.

LAPFF has for over a decade been concerned about the dropping of standards required of companies listing on UK capital markets, with specific problems regarding certain mining and extractive companies. More recently a group of City of London

interests bereft of asset owner representation has made efforts to drop standards even further.

In progress: There are overlapping issues with the poor quality of some companies coming to the UK for listing, as with NMC Health which joined the FTSE 100 and then collapsed, and poor-quality accounting. There are also ongoing issues given the work being done by the DWP Select Committee on pensions. Parliament will be a point of focus for the newly formed Capital Markets Working Group.

Diversity: 30% Club Investor Group

Objective: The 30% Club Investor Group runs multiple initiatives. Initially, the focus was on enhancing gender diversity within UK boards, advocating for a minimum representation of 30 percent of women on FTSE 350 boards and in senior roles within FTSE100 firms. More recently, the group has expanded its objectives to encompass promoting a range of diversity considerations through every level of a business.

Achieved: Alongside other investors, LAPFF joined a series of engagements with various companies: Sanwa Holdings, Bridgestone Corp, Kamigumi Co, and Marubeni Corporation. Japanese companies tend to lag behind EU, UK and some US companies when looking at the promotion of diversity and inclusion. None of the companies LAPFF engaged were members of the Japanese Charter of the 30% Club. Nonetheless, all companies provided positive dialogue on diversity and inclusion more widely than just the boardroom.

LAPFF is also leading on engagements with KKR & Co Inc, and Shinhan Financial Group as the 30% Club Investor Group's Global Workstream continues to seek increased diversity levels at board and senior level outside of the UK and EU. LAPFF wrote to these companies in September 2023.



Elon Musk Tesla tweet

In Progress: LAPFF hopes to secure meetings with both KKR and Shinhan Financial in the fourth quarter of 2023. The 30% Club Investor Group offers valuable opportunities to engage alongside other investors as part of a core group.

Technology Sector and Governance

Objective: LAPFF recognised a number of years ago that technology companies tend to have poor governance structures, including dual class shares and share concentration in the hands of their founders. Many of the technology companies LAPFF members hold are headquartered in the US and are notoriously hard to engage. Consequently, LAPFF's objective each year is to issue voting alerts challenging these companies' governance arrangements.

Achieved: This year, LAPFF issued voting alerts to support a large number of shareholder resolutions at Alphabet, Amazon, Meta, and Tesla, calling on the companies to improve not only their corporate governance approaches, but also a range of social and environmental activities. It also sought to engage more with US investor partners to leverage its voice with these companies.

In Progress: LAPFF will continue to issue voting alerts and participate in collaborative engagements in this area until the companies demonstrate acceptable improvement in their environmental, social, and governance practices.

Anti-Bribery and Corruption: Glencore

Objective: Glencore pled guilty to

bribery and corruption charges in a number of jurisdictions this year. LAPFF had repeatedly asked the company to undertake an independent assessment of its internal controls, with repeated promises that the company would consider this request.

Achieved: It never did. Although the bribery charges took place prior to LAPFF's request and the company had publicly set out measures it had taken to respond to the charges, LAPFF felt it would have been helpful for the company to take this additional step. As it turns out, the US Department of Justice has now required this independent assessment of Glencore.

In Progress: LAPFF is continuing to monitor Glencore's activities in relation to governance, climate, and human rights. It is hoped that the company's change in leadership will yield more responsible business practices. ●



The background of the image shows a landscape with several white wind turbines and high-voltage power line towers. The scene is set in a field with tall grass in the foreground and a clear blue sky with some clouds. A semi-transparent orange rectangle is overlaid on the image, containing the text.

CLIMATE + STRATEGIC RESILIENCE

Industry Collaboration and Transition Pathways; CA100+: National Grid

Objective: To support LAPFF's work on decarbonising energy supply and transition pathways, LAPFF has been a lead investor on the CA100+ collaboration for six years now with National Grid. This year saw the continuing need to ensure the company recognises its role and takes action in hastening the energy transition. An emerging request of LAPFF was to seek demonstrable actions by the company to move beyond merely supporting decarbonisation and see itself as an active player in driving it – notably in addressing the challenge of grid connections.

Given this request, LAPFF set priorities and milestones for the year, including a commitment from the company to align the business with Science-Based Targets Initiative (SBTi) standards on 1.5C (with an envisioned target of July 2024), clear investment plans to infrastructure and distribution systems in delivering an electrical infrastructure, disclosure of just transition and access plans to all areas of the grid in both UK and US operations, an understanding of the policy barriers the Grid face and unlace the company's reluctance to relinquish gas entirely and finally significant progress on disclosure of corporate engagement, and lobbying with a greater transparency on its involvement with lobbying organisations.

Achieved: LAPFF sought to iron out the mixed messaging from the company on its commitments. There was a concern the company seemed to be waiting for power companies and regulators to make progress rather than leading the debate. LAPFF pushed for greater accountability here, asking for the rapid development of long-term plans of investment in infrastructure, customer adaption, and regulatory engagement with policy makers.

Business Model Changes

LAPFF pushed for the company to take more ownership in supporting customers to transition, and to

recognise its role as the ultimate enabler. LAPFF inquired about how the company incorporates local community issues in building new infrastructure as well as ensuring grid access. It further inquired how the nationalisation of the Electricity System Operator (ESO) part of the business will affect the company, with some concern that this change in business model could reduce accountability for the energy transition.

However, the company appears to be reluctant to give up all gas distribution, and LAPFF looked to draw out the reasons why. LAPFF will continue to explore this stance as even a small operation of gas could jeopardise National Grid's ability to achieve net zero. To date, the company still retains its gas assets in Massachusetts and New York. However, it has sold off the majority (60 percent) of its UK gas business. Currently, the energy mix is 70 percent electric and 30 percent gas, down from 40 percent, and it is expected to fall further. LAPFF feels the issue is becoming more urgent as the long-term assumptions built into gas infrastructure projects (return/depreciation periods) are starting to stretch beyond 2050.

Grid Connection Delay

The other major issue is the delay in grid connection that is increasingly seen as a major obstacle in decarbonising the UK grid. LAPFF sought to clearly understand the reasons for the delay in connection that seemed to affect projects from taking form. The company responded by publishing a policy statement calling for reform which would enable it to move faster, which LAPFF felt was a step in the right direction and a recognition of the problem. However, LAPFF's view is that there is more it can do to lay out its own vision and to outline its plans, see below.

Lobbying Disclosure

LAPFF was concerned about the lack of disclosure around the Grid's disclosure of lobbying activities and its membership of lobbying organisations. There are some high-level policies on lobbying, but the company does not disclose memberships. Good practice is to publish a list of associations and to conduct an annual review of membership of such organisations. LAPFF spoke to the company on this issue but was not satisfied with its response. For

this reason, LAPFF recommended voting against resolution 18 on political expenditure in its voting alert in June. However, just before the AGM the company did commit to publishing a comprehensive report on its memberships of large organisations and to reviewing its lobby activities, which was very much in line with LAPFF's demands.

In progress: There are a number of areas in which LAPFF will seek improvement in relation to National Grid's performance on climate.

Concern – Pace of Connections

During the year, National Grid faced criticism over the pace of the grid connections. Many clean energy projects cited the grid as the biggest barrier in getting a project up and running. Potentially, the grid connection could become an obstacle to the UK's decarbonising. LAPFF addressed this with the company, feeling if the issue were not treated as a higher priority, the obstacle would only deepen.

Part of the issue is connection requests must be dealt with in order of application under the grid regulation process, whether they are viable or not. The company has started to respond to these issues by calling for policy change to help unblock the pipeline.¹ From LAPFF's engagement, it appears National Grid is at last starting to take the connection challenges seriously. However, LAPFF's view is that the company can do more. LAPFF will seek to understand this complex issue further but would like to see targets for grid connections (or reducing connection delays). LAPFF also would like to see a clearer strategy for the development of the grid and higher efforts to voluntarily seek regulatory change by lobbying within the sector.

Concern – Capacity Building

Building on the connection problems, LAPFF felt visibility was needed on the planning of new infrastructure and the investments by National Grid to enable the scale of the energy transformation required to get to net zero in the UK. This infrastructure development is both a major growth opportunity for a utility company to expand

through building new infrastructure and a major capital expenditure challenge given the scale of the required investment. LAPFF expects the company to lay out a strategy plan for progress on investment in new infrastructure. LAPFF would also like the company to recognise the importance of enabling connections and scaling up the grid infrastructure.

Concern – Lobbying

As stated above the company has committed to good disclosure on lobbying. However, it has reached out to LAPFF to establish what exactly LAPFF wants and how the company should disclose. LAPFF will therefore engage with the company on detailed expectations to ensure its lobbying report is published before the AGM next year and meets LAPFF members' needs.

Concern –Grid Access to All Communities

LAPFF will seek clarity on how the company will reach all areas of the population (urban/rural) to transition so no area is left behind.

LAPFF finds National Grid is not unequivocally at the forefront of the energy transition. This lack of leadership creates significant reputational risk for the company and broader systematic concerns over the rate of decarbonisation, especially in the UK. The root cause of this position might be a strategic interest in maintaining heating gas as part of its business, despite the challenges of using gas in a net zero world. This view, in turn, might then lie behind its failure to get ahead of the grid connection issue, and its poor lobbying disclosure. LAPFF would like to see the company revisit its “vision,” address of some of the concerns outlined above in its annual report and set out a strategy more fully aligned with net zero, even if it allows for some flexibility.

Fuller disclosure might help to alleviate these concerns and LAPFF expects the company to improve disclosure materially ahead for the 2024 AGM. LAPFF will engage further to help facilitate this improved disclosure. Failing a clear demonstration of improvement LAPFF might choose to consider recommending stronger voting action in the future.



Shell Oil refinery in Pernis the Netherlands

CLIMATE AND PARIS-ALIGNED ACCOUNTS

Shell

Objective: LAPFF's focus has been on research to identify unsound claims which delay decarbonisation consistent with a Paris-Aligned 1.5C scenario. Shell has been used as a case study in a lack of progress to an orderly transition. This approach was taken in view of the fact that a transition plan, which was rejected by the Dutch judiciary, had been applauded and supported by some asset managers.

Achieved: LAPFF's engagement and research has identified:

- uncosted and indefinite references to carbon capture and storage (CCS) which does not sit well with its use of oil or gas, Shell's main polluting products. CCS is an energy consuming and resource intensive process.
- reliance on trees to mitigate fossil fuel emissions when reforestation is a solution for hard to abate emissions from other sectors.
- lack of progress on diversification away from fossil fuels to renewables. Firm numbers for this are now available via new EU reporting requirements. That reveals that Shell's revenue from wind and solar power is 0.04 percent and 0.02 percent respectively.

- a climate transition plan that has no proper legal standing. Disclaimers in the annual report and accounts ring fences around the ‘transition plan’ from the annual report and accounts. Legally the annual report and accounts exist to inform voting at annual general meetings. A climate transition plan which sits outside of that is not suitable for gaining necessary reliable information. Added to that, the ‘transition plan’ itself has substantial disclaimers.

LAPFF has met with the Chair of Shell with some meeting of minds on some issues.

Comments from the new leadership at the Shell Annual General meeting, including that Shell does not have enough visibility on some putative sources of future revenue and growth to attach numbers to, does accord with LAPFF’s critique in LAPFF’s voting alerts since 2020. Therefore, LAPFF’s assessment is that some of LAPFF’s

criticisms of prior management have been borne out, albeit with a time lag. The director of strategy role, which managed climate change and – unhelpfully – public relations, has been abolished. Climate change functions now report to the finance director, who has stated that numbers will need to be put onto claims. The new CEO, Wael Sawan, has said that speculative nascent technologies cannot have numbers put to them.

It is also becoming clearer that Shell has missed the boat on renewable opportunities. LAPFF’s policy is that the fossil fuel sector needs to be put into managed decline. With that in mind not all fossil fuel companies are best placed to be investing in renewables. The financing to date of the rapidly expanding wind and solar power capacity has been from sources other than the cash surpluses of fossil fuel companies. It may well be that stripped of past ‘green wash’ there is a limited future for Shell as its established sources of revenue and asset base shrinks.

In progress: Further to Shell’s rowing back from its already unsatisfactory Energy Transition Plan, the company is now a point of special focus for LAPFF, given both its size and importance as an investment, as well as the scale of its emissions. LAPFF continues to aim to have the company understand its role in the energy transition and take action accordingly.

Having barely better than a bond return in over 20 years, Shell’s investment performance historically is poor, which is indicative of inadequate investment decision making. This is alongside the company having no appreciable record or prospect of material investment in renewables. Therefore, further effort will be put into understanding the numbers and the business model as well as direct engagement.

LAPFF’s independence and style has meant that LAPFF, as in other areas, takes leadership roles that may initially be seen as outlying, but then become common thinking.



Deforestation in Scotland

Drax

Objective: Drax is the UK's largest power station and largest CO₂ emitter. Drax has converted from burning coal to produce electricity to burning wood. The wood is sourced primarily from southern states of the United States. Drax uses the concept of 'dynamic carbon sinks' to justify its claims to carbon neutrality, i.e., forests are harvested and the wood that is burned regrows.

LAPFF's focus has been on research to identify unsound claims which delay decarbonisation consistent with a Paris Aligned 1.5C scenario. A central issue with Drax is seeking any evidence of short-run carbon neutrality as well as wider community and ecological aspects.

Achieved: Achievements have been wholly negative as LAPFF has seen no evidence that the forest stock in the US is growing to offset Drax's emissions. Drax commissions

"catchment area" reports for each area in which wood is harvested. Once read in detail, it is apparent that rather than a quantitative test to prove contemporaneous offset, the test in the reports is that forest stock is not shrinking. These reports do not provide quantitative or qualitative evidence that the annual capture of carbon exceeds the emissions from Drax.

In short there is significant concern that Drax is contributing to net increases in atmospheric carbon, in addition to wood being an inefficient source of energy which, per unit of energy obtained, creates more carbon emissions than even coal.

The report for one catchment area where trees are harvested states that there may be increased carbon capture. However, this continues to state that this is due to natural native hardwood being replaced by faster growing conifers. That is therefore an ecological problem.

LAPFF attended the 2023 AGM

and there was significant unease at Drax's activities, with no shareholders speaking positively. There were also representations from people in the southern US states concerned about cutting down primary forest and health affecting emissions from pellet plants.

In progress: Drax's answer is that things will be clearer once the company is able to capture carbon from its burning by using carbon capture technology. However, that is not proven at scale and is heavily subsidy dependent, on top of an already exceptionally large subsidy required for pellet burning. Drax's activities continue to attract cross party criticism.

Some of LAPFF's analysis appears to go deeper than company dependent research done on the investment side of member funds and their fund managers. Balancing that with third party contrary evidence will remain a challenge.



BP

Objective: BP is one of the more difficult situations to read and react to. In terms of not denying climate change and making some progress to transition to renewables, it has been regarded as 'best in class'. For example, BP has said that "we aim to be a global leader in safely developing, building, operating, and owning offshore wind farms. We're making waves towards our aims, developing cutting-edge offshore wind farms in the Irish and North Sea capable of contributing to the UK's 50-gigawatt and Scotland's 11-gigawatt wind power targets by 2030."

Achieved: LAPFF has met with now former Chief Executive, Bernard Looney. There has been much criticism this year of the company's scaling back its 2030 emissions reductions, said to be in reaction to the war in Ukraine and the need for short-term energy security. Meetings were constructive and informative.

However, the change of chief executive adds to uncertainty, and research and engagement may need to change approach. Despite this, statements in October 2023 from the interim chief executive and the chair indicate that progress to net zero targets and 2040 aims will progress month to month.

In progress: LAPFF is waiting for a meeting with the chair given the current gap in leadership. Considering that BP does appear to have elements of a business model without carbon, LAPFF will be following events closely. LAPFF's longstanding policy on fossil fuels is that the sector needs to be put into managed decline. Whether BP and others fossil fuel companies have an orderly transition with alternative products or shrink as companies in a disorderly or orderly manner is the key question for both engagement and investment professionals. As with Drax, investment analysis appears to be lagging.

Housebuilders

Objective: The housing sector is a major contributor to greenhouse gas emissions and is therefore the focus of ever tighter environmental regulation. The financial pressures of higher energy costs also underline the potential business risks of failing to improve environmental performance of homes in use. To reduce climate risks that investors in the sector face, LAPFF seeks to engage housebuilders on their plans and progress to net zero. Engagements with the sector have also sought to gain assurances about their approach to addressing legacy issues around fire safety and ground rent arrangements for leaseholders.

Achieved: LAPFF's Chair met with the Chair of Taylor Wimpey to discuss the company's approach to climate change. Since LAPFF last met the company, the company has made significant progress in delivering on the asks LAPFF makes of many companies regarding climate change. This includes a transition plan, which has Scope 1-3 emission targets and a net zero 2045 commitment. The company provided detail around operational emissions, its approach to residual emissions (and challenges around the offsetting market), emissions from its homes when sold, and supply chain emissions from diesel and concrete. LAPFF discussed the company developing more detailed just transition plans. The meeting also covered the agreement with the Competition and Markets Authority (CMA) over ground rent and the works and costs related to fire safety.

In progress: LAPFF will continue to engage housebuilders on climate transition approaches and plans and ensure that emissions are progressively being reduced.

STRATEGIC RESILIENCE

Climate and Finance

Objective: In 2020, LAPFF undertook an engagement with large global insurers in which LAPFF members

held a large number of shares. The aim of the engagement was to target important financial actors on the basis that they could create positive incentives for improved climate policy and practice on a systemic basis given their role in the global economy.

The engagement revealed certain shortcomings in the industry's approach to climate change. Not least was the concern that most companies were examining the impact of climate on their businesses without first examining how their businesses impact on climate change. As is the case with human rights impacts, LAPFF's view is that companies cannot adequately determine the impacts of climate on their businesses without first determining their impacts on climate change. Consequently, one of the primary objectives of this latest round of engagement is to ensure that the insurers are assessing their impacts on climate, not just the impacts of climate on their businesses.

Achieved: Consequently, LAPFF wrote to the eleven insurers contacted in 2020 for updates to their climate activities. Given the massive policy challenges on climate and the increasing interest by LAPFF members in natural resources depletion, including biodiversity and deforestation, it was felt that this engagement should be resumed. This time, LAPFF also asked about the extent to which their climate work covered natural resources protection. LAPFF found that most of the insurers approached were eager to engage with LAPFF on this topic. One notable exception is Berkshire Hathaway, which was not accessible or responsive during the 2020 round of engagement either. LAPFF held one meeting, with Munich Re, which has been very responsive to this engagement, during the year under review.

In Progress: In the coming months, LAPFF will meet with other major insurers to understand the work they have undertaken on climate and natural resources in the last three years. This engagement will also be extended to major global banks in which LAPFF members hold significant numbers of shares. Development in this area will be particularly important given the imminent launch of the Taskforce for Nature-related Financial Disclosure framework. ●

ENVIRONMENTAL PROTECTION





Algida ice cream products owned by Unilever

SHAREACTION'S LONG TERM INVESTORS FOR PEOPLE'S HEALTH (LIPH) COLLABORATION

Public Health: Healthy Markets Initiative

Unilever

Objective: LAPFF has maintained engagement with Unilever plc throughout 2023, primarily via ShareAction's Long Term Investors in People's Health initiative. Following the co-filing of a shareholder resolution by LAPFF funds during 2022, which was subsequently withdrawn following commitments made by Unilever, investors requested that the company provide more granularity in disclosures relating to how well its portfolio promotes health and wellbeing, as well as to use government-endorsed nutrient profiling models (NPM) to define healthier products. The ultimate objective was for the company to be in a position to set and publish targets to increase the sales of healthy products.

Achieved: During the period under review, Unilever published targets

and new disclosure practices which included a commitment to publish annual assessments of the healthiness of its products on a global basis as well as for 16 key strategic markets, in line with six government-endorsed nutritional criteria and disclose this on data in their annual reports. The commitment on disclosure was accompanied by a target of 85 per cent of the 'servings' it delivers to be compliant with its own nutrient profiling model - the Unilever Science-based Nutrition Criteria (USNC) by 2028. These commitments marked a significant improvement in how the company is managing risks relating to public health.

In Progress: Despite progress, in January, May, and September of 2023, meetings were held with the company to request greater ambition with regards to the proposed target. It remains the view of LAPFF that basing the target on 'servings' as opposed to proportion of sales, and also using an in-house NPM, lacked

the desired robustness as set out in the withdrawal agreement. Investors would have preferred that the company assess the healthiness of its products against an independent NPM. The company's response to the investor ask was that it viewed its targets to be challenging and would have a net positive outcome for public health.

Nestlé

Objective: LAPFF also maintained engagement with Nestlé throughout 2023. The objective of the engagement, similar to that of Unilever, is for Nestlé to set and publish targets to increase the sales of healthy products as well as improve disclosure of its existing portfolio.

Achieved: LAPFF met with Nestlé in May and July of 2023 to set out expectations in relation to reporting and target setting. In September 2023, Nestlé announced a target with which it aims to grow the sales of its more nutritious products by CHF 20-25 billion by 2030, representing 50 percent growth over 2022 sales. The target applies to products with a Health Star Rating (HSR) of 3.5 stars or more and account for nearly 60 percent of the company's food and beverage sales.

In Progress: Whilst recognising a slight improvement in Nestlé's approach to managing public health risk, investors remain concerned. Without a proportional target, the sales of Nestlé's less healthy products could increase at the same, or even at a greater, pace as the healthy product sales. As a result, Nestlé's target cannot definitively be said to have a positive impact on public health.

Water Stewardship

Objective: LAPFF is co-chair of the Valuing Water Finance Initiative (VWFI), a global investor-led effort, facilitated by the NGO, Ceres. The aim of the initiative is to engage companies with a significant water footprint to value and act on water as a financial risk and drive the necessary large-scale change to better protect water systems.

Achieved: During the year under review, LAPFF met with Burberry Plc to discuss the company's approach to water stewardship. A headline aim of the VWFI is to work with companies so as not to negatively impact water availability or water quality in areas across their value chain. Water scarcity poses a material risk throughout Burberry's cotton and leather supply chains whilst disposal of wastewater at manufacturing sites and dye houses risks polluting local watersheds. The company outlined its process for assessing risk at a commodity, regional and individual facility level. Burberry has made good progress in identifying water risk in recent years.

LAPFF also met with the US-listed beverage manufacturer Constellation Brands during 2023 to discuss the company's approach to water stewardship. The engagement built on an initial call held during 2022 in which the company had committed to undertaking a water risk assessment covering its supply chain. Constellation Brands undertook an initial assessment using the WRI Aqueduct tool, which highlighted a number of facilities operating in regions of high-water stress. LAPFF encouraged the company to set targets to prevent it negatively impacting water availability in water-scarce areas.

LAPFF met with McDonald's as part of a coalition of investors to discuss the company's approach to managing environmental risk across its agricultural supply chain. McDonald's has previously undertaken a water risk assessment, including key commodities within its supply chain using the WRI Aqueduct Water Risk tool to identify high risk areas. To date, the company has not disclosed the results of this assessment. During the call LAPFF requested the company disclose the findings from its water risk assessment to facilitate a better understanding of the material risks facing the company.

In Progress: The VWFI has released an assessment and benchmark of Burberry, Constellation Brands and McDonalds. LAPFF will review the benchmark to identify potential shortcomings with regards managing water risk across the three focus companies. The VWFI benchmark will provide a means through which performance on this issue can be tracked over time.

Water Companies and Sewage

Objective: UK water utility companies are frequently in the news because of concerns around pollution. With public concern high the companies face severe operational challenges which flow from the reputational risks. The sector has also faced political and regulatory scrutiny. A parliamentary inquiry characterised the situation as a 'sewage crisis' and called for stronger regulation and for bonuses not to be paid while companies 'fail the environment'. As the sector acts effectively as regional monopolies under economic and environmental regulations, there are significant regulatory risks.

The major cause of concern is the use of storm overflow drains. These are used during periods of high rainfall to stop wastewater backing up into people's homes but result in sewage being released into the waterways. The widespread use of storm overflows is a result of old infrastructure and lack of investment. To address the issue the government has set targets and has outlined a mandatory £56bn investment programme as part of its Storm Overflows Discharge Reduction Plan covering the period to 2050.

Engagement with the sector commenced the previous year and seeks to ensure that these regulatory and reputational risks are being addressed through enhanced environmental performance. A central focus of engagements was on companies having credible plans to reduce the amount of sewage pollution. The engagements also sought to ensure credible climate plans and ensure the emerging financial problems at Thames Water were not impacting the rest of the sector.

Achieved: During the year, a further round of engagements with water utility companies took place.

LAPFF's Chair, Cllr Doug McMurdo, met the chair of Severn Trent, Christine Hodgson. The meeting included an open discussion about the challenges facing the sector. LAPFF welcomed the improvements that the company had made in reducing the number of overflow incidents and being ahead of the company's targets.

However, much remains to be done. The engagement also covered the company's longer-term plans, targets,

and the capital investment needed. LAPFF raised the issue of executive pay and reputational risks around bonuses at a time of intense public scrutiny. The company then provided LAPFF with an update on its climate transition plans, including capturing emissions from the sewage treatment process.

Next, LAPFF's Chair met with David Higgins, Chair of United Utilities. Like the meeting with Severn Trent, the discussion was open and positive. The company outlined how it had achieved a reduction in the level of overflow incidents and plans for further reductions. The engagement covered the importance of scaling up the supply chain to deliver new and much enlarged investment plans, issues impacting the whole sector and reputational risks around executive pay. The meeting also addressed climate mitigation and adaptation.

Finally, Cllr Doug McMurdo met Northumbrian Water. Northumbrian Water is owned by three holding companies, two of which (CK Hutchinson and CK Asset Holdings Limited) are held by a large number of LAPFF members. In a useful meeting, the company representative outlined plans and targets it must meet to reduce storm overflows. The meeting discussed the capital expenditure that will be needed to deliver the plans and implications this might have for the affordability of water charges. The meeting covered wider environmental implications, including Scope 3 emissions and climate adaptation.

Due to the importance of regulation within the sector, LAPFF also sought a meeting with Ofwat. The meeting provided useful insights and covered issues around capital expenditure, affordability, the delivery of expanded investment plans, the financial resilience of the sector and the impact of climate change on water availability.

In Progress: It was positive to hear that progress was being made in reducing overflows and plans were being developed. However, there remain significant risks. Unfavourable news coverage and public concern about sewage pollution show few signs of subsiding, especially as the investment plans will take time to be delivered. At the same time, regulation could become more exacting. LAPFF will continue to engage companies on progress and plans of water utility companies. ●



HUMAN RIGHTS

+

EMPLOYMENT PRACTICES



SOVEREIGN-BASED ENGAGEMENTS

Occupied Palestinian Territories: Bank Leumi

Objective: LAPFF members continue to express apprehension regarding the investment risks linked to companies operating in the Occupied Palestinian Territories (OPT). LAPFF takes the view that companies involved in business activities within this region should undertake independent assessments of human rights risks, recognising that operating in a conflict zone inherently entails elevated human rights concerns, and as a result, increased business risks. LAPFF has had dialogue with some companies but concentrated its efforts on Israeli financial institutions, which it had not yet met.

Achieved: LAPFF reached out to four Israeli financial institutions, which it previously had deemed to not have engaged in a meaningful manner, or had not engaged at all: Mizrahi Tefahot Bank, Israel Discount Bank, Bank Hapoalim and Bank Leumi. Whilst the former three failed to respond to LAPFF's continued requests for engagement, Bank Leumi responded and a dialogue was opened, making it the first Israeli financial institution with which LAPFF had spoken. LAPFF presented some ideas on what improved human rights disclosures might look like and pushed for further detail on how the bank incorporated human rights risks into its investment decisions.

In Progress: LAPFF has initiated engagements with other companies considered to be active in the Occupied Palestinian Territories going into 2023/2024 reporting year and will look to continue the dialogue with Bank Leumi going forward. Other strategies will be considered for engaging those companies that do not respond.



Myanmar workers take part in a May Day street march in Yangon, Myanmar

Myanmar

Objective: Since the military coup in Myanmar in February 2021, allegations of a drop in human rights standards and labour rights violations throughout the country have surfaced. Concerns about these issues continue as the Myanmar junta extended the state of emergency in both February and July 2023. This situation has provoked recommendations from NGOs, think tanks, civil societies and investors alike. However, there has been a mixed response from companies, with some choosing what they have referred to as a 'responsible exit,' whilst others have chosen to remain. LAPFF sought to engage a variety of companies with garment factories in Myanmar on how they are approaching their choices, looking to better understand both the rationale of their choices and to examine their global supply chain due diligence. Through the year, LAPFF approached Tesco, H&M, Nike, Adidas, and Associated British Foods (Primark) on their approaches to operating in Myanmar.

Achieved: Nike and Adidas have been subject to letters from the House Select Committee on the Chinese Communist Party regarding supply chain links to cotton produced with Uyghur forced labour from the Xinjiang region. LAPFF therefore sought meetings to discuss their presence in both Myanmar and Xinjiang. Nike failed to respond to LAPFF's engagement request or

follow-ups, but Adidas welcomed a call. It was unclear whether any response to the House Select Committee from Adidas would be made public, but the company representatives provided a comprehensive detailing of its global supply chain due diligence programme alongside a stated justification for remaining in Myanmar.

By the time LAPFF met with Tesco, the company had already chosen to exit the country, and the meeting focused on the process it had undergone in taking this decision. LAPFF's takeaway from the engagement was that defining what a responsible exit looked like from the region was a difficult thing to do.

In speaking with Next, LAPFF questioned the company on why it had decided to stay in the region whilst many of its peers had exited. Although LAPFF appreciated that the company had publicly disclosed a case study in which it had found child labour in a factory in Myanmar with transparency and accountability being vitally important to investors, LAPFF noted that increased disclosure around this issue could be provided on remediation practices.

Both H&M and Associated British Foods (Primark) provided written responses confirming public disclosures about looking to responsibly exit the country but did not agree to a call with LAPFF.

In Progress: Companies continue to take different stances on what they believe to be the right approach to

engaging with Myanmar. LAPFF recognises the difficult decisions companies must make in this situation and similar ones, so it will continue to monitor and engage with companies as appropriate. LAPFF will also seek to engage experts on this issue to try to define a more concrete approach to present to companies in these situations. Whilst defining what a responsible exit looks like in the country remains a challenge, it is important for companies that take a certain decision are able to demonstrate how they have prevented, mitigated, and remediated negative human rights impacts and sought the best outcome for those on the ground.

Russia-Ukraine

Unilever

Objective: Unilever has been in the spotlight for failing to leave Russia after the Russian invasion of Ukraine. LAPFF has participated in a range of investor calls highlighting the challenges for companies in Unilever's position and approached the company to understand better its challenges in deciding whether to remain in or exit the Russian market.

Achieved: LAPFF met with Unilever's Chair, Nils Anderson, to discuss this issue and sought to understand Unilever's decision in the context of three issues that had been raised through investor and UN guidance on this topic: the essentiality of the company's products and services in Russia, the health and safety of staff in Russia, and the impact staying or

leaving would have on the Russian regime.

In Progress: LAPFF is continuing to engage with the company to determine what the best outcome would be for Unilever and investors from both a human rights and a financial perspective.

SECTOR-BASED ENGAGEMENTS

Mining and Human Rights

Objective: Because the mining sector has historically had a poor track record on human rights, LAPFF has focused on this sector under the human rights category of its work plan. Although LAPFF has unequivocal concerns about the human rights impacts the sector causes, and to which it contributes and is directly linked, through its engagements with mining companies, LAPFF emphasises the financial consequences of human rights abuses in the sector.

Achieved: LAPFF's work on human rights contributed to the policy and engagement space at both the domestic and international levels in a number of ways this year.

UN Working Group on Business and Human Rights

LAPFF's visit to Brazil garnered attention from the UN Working Group on Business and Human Rights, which

invited LAPFF to present its work at the 2022 UN Forum on Business and Human Rights in Geneva. LAPFF's Chair, Cllr Doug McMurdo, attended the Forum and participated on a panel of investors who set out how they integrate human rights into their company engagement activities. This event led to an invitation for LAPFF to present its work at the OECD Forum on Supply Chain Minerals early in 2023.

Consultation Responses

LAPFF also submitted a consultation response to the UN Working Group on Business and Human Rights consultation on investors, ESG, and human rights in late 2023. This consultation sought to understand better how investors could do more to implement the UN Guiding Principles on Business and Human Rights. In this response, LAPFF called for a better regulatory environment for investors to implement meaningful ESG practices. Earlier in the year, LAPFF submitted a response to UN Working Group on Business and Human Rights consultation on extractive industries, just transition, and human rights. LAPFF's response called for mandatory reporting on climate plans to include just transition factors, including stakeholder mapping and free, prior and informed consent (FPIC), and for boards to regularly engage with stakeholders and undertake FPIC in good faith.

LAPFF Brazil Report

LAPFF was approached by a number of investors after publishing its report on its visit to Brazil. The investors shared that they had not been aware of the nature and scale of mining impacts on human rights until they read LAPFF's report.

UK Parliamentary Debate

Additionally, there was a UK Parliamentary debate on the tailings dam collapse in Mariana during which participants repeatedly referred to the LAPFF report. Opposition MPs pushed the minister attending to have the government consider implementing legislation to hold UK companies to account for their extraterritorial human rights impacts. This debate took place in the context of litigation against BHP for that company's role in the Mariana tailings collapse.

In Progress: Although LAPFF's work in this area is gaining traction, LAPFF



Ukrainian supporters hold candles to mark the one-year anniversary of the full-scale Russian invasion of Ukraine

still has not seen the human rights outcomes it would have hoped for in this industry. It will continue to try to innovate in this space and to try to obtain concrete human rights outcomes in order to set the groundwork for improved financial sustainability in the sector. This work is particularly important in the context of an increased need for transition minerals to facilitate the clean energy transition and is part of the work LAPFF is doing on a fair and just transition.

ISSUE-BASED ENGAGEMENTS

Responsible Mineral Sourcing

Objective: LAPFF has continued to engage with electric vehicle (EV) manufacturers as a burgeoning global production of EVs corresponds with a surge in the necessity for minerals to construct the batteries. The International Energy Agency (IEA) published a report in 2021 estimating that the total mineral demand for clean energy technologies is set to be six times the demand in 2020 by 2040. A series of LAPFF engagements, and continual research reports on the issues provide that EV supply chains are fraught with human rights and environmental issues, from mineral procurement right through to the refinement and processing of minerals.

Achieved: LAPFF established initial conversations with representatives from Renault, General Motors, Volvo, and Volkswagen across the year. Engagements have highlighted that supply chains for vehicle manufacturers are vast and complex, with limited transparency. In these initial meetings, LAPFF has pushed for enhanced disclosures at every level of a company's human rights risk management, from the way audits are undertaken, to how corrective action plans and remediation are implemented if and when instances of contractual non-conformance or human rights abuses are found. LAPFF has also continued to press for company membership of the Initiative for Responsible Mining Assurance (IRMA), an organisation which aims to



Lithium fields in the Atacama desert in Chile, South America



create a global audit standard for the mining industry. Company reactions to IRMA have been mixed, but LAPFF has continued to push for increased transparency and accountability, which is only possible through global collaboration.

In Progress: LAPFF is set to continue its engagements on this issue, building on engagements already held with Renault, Mercedes, and BMW in the fourth quarter of 2022. Whilst predominantly looking at the procurement of minerals, LAPFF has also asked companies about the refinement and processing of those minerals and will look to probe more on the full supply chain of minerals for vehicle manufacturers. This line of questioning becomes ever more important for companies and investors as new legislative instruments are enacted globally.

Employee Remuneration: Kingfisher

Objective: How businesses allocate their resources and provide compensation to both senior executives and the company's broader workforce hold significance for investors. In an article published by the Financial Times in January 2023, a study on the reduction of wages within the FTSE100 was conducted. The article however highlighted a few companies that had implemented salary hikes for their lowest-paid employees in line with, or above, inflation rates at the time. In light of the cost-of-living crisis, LAPFF wrote to BT, Vodafone, and Kingfisher, as companies that had been cited for increasing wages.

Achieved: LAPFF subsequently met with Kingfisher in April, seeking to understand the company's rationale behind these pay increases and the considerations accounted for during the decision-making process. LAPFF asked about the company's NED visits, forums for employee feedback, and investments made in skills training for employees with the company providing a positive outset on how it had reached a decision to provide such a pay rise to its employees.

In Progress: LAPFF is cognisant that the cost-of-living crisis is continuing and may seek to engage other companies on their pay approaches.

Modern Slavery: Uyghur Forced Labour

Objective: LAPFF has continually supported the need for a transition to net zero to be done in a fair and just manner. This year, the Modern Slavery and Human Rights Policy and Evidence Centre (Modern Slavery PEC) unveiled a project aimed at investigating the connections between the global climate crisis and modern slavery. As part of this initiative, Anti-Slavery International, Sheffield Hallam University, and the Investor Alliance for Human Rights are conducting a thorough examination of Uyghur forced labour within the green technology sector, including electric vehicles and solar panels production. The overarching goal of the project is to offer guidance to investors on how to mitigate the risks associated with Uyghur forced labour and other affected individuals in their green technology investments.

Achieved: LAPFF participated in the initial consultation phase of the project, where an assessment was made of participants' comprehension of forced labour issues within these sectors. Subsequently, LAPFF engaged in a two-day workshop, collaborating with other investors and NGOs to unpack the phenomenon of forced labour. During this workshop, LAPFF and other investors were invited to delve into the challenges that investors encounter when addressing these risks and identify obstacles to engagement information gaps, all with a view to exploring pathways to progress in both addressing and understanding these issues and to provide a framework for other investors to use to engage on these issues.

LAPFF does not have large exposure to many of the problematic solar panel producers that have alleged Uyghur forced labour in their operations or direct supply chains. However, LAPFF has been incorporating and will continue to incorporate questions on forced labour into engagements with

electric vehicle manufacturers, where many issues lie. The perspectives that LAPFF was able to offer as an asset owner were welcomed by the workshop organisers.

OTHER COLLABORATIVE ENGAGEMENTS

Principles for Responsible Investment (PRI) Advance Human Rights

Objective: LAPFF was accepted as a participant in the PRI Advance human rights initiative which kicked off in early 2023. The PRI initiative focuses on two sectors: mining and renewables. LAPFF is a lead engager in the Vale group and is a collaborative engager in the Anglo American group. The objective of this initiative is to improve human rights practices at the mining companies chosen as targets for engagement. LAPFF's objective in participating in this group is to leverage its own work with the mining sector on human rights by working with other investors in the responsible investment space.

Achieved: The Anglo American engagement is well underway with the group having held an initial meeting with the company to set out its objectives and expectations. As LAPFF was brought on fairly late as a lead investor in the Vale engagement, that process has been slower to take off, but the strategy is now set and an initial meeting with the company is expected shortly. Both companies have been open to meeting with the PRI groups.

In Progress: The group strategies and goals will develop as the engagements progress. However, as mentioned, LAPFF has not seen the progress on human rights in the mining sector it would have liked to see. Therefore, it is hoped that this collaborative process will expedite improved human rights practices at mining companies.

Investor Alliance for Human Rights (IAHR)

Objective: The IAHR operates under the Interfaith Center on Corporate Responsibility (ICCR) and coordinates a group of global investors interested in promoting human rights. LAPFF joined the initiative a couple of years ago and has found its resources invaluable. Therefore, LAPFF seeks to attend webinars and join IAHR working groups wherever possible to help support LAPFF's own engagements.

Achieved: LAPFF is a member of the Uyghur working group, the ICT working group, and this year attended a number of IAHR webinars exploring how investors can help promote responsible business practices at investee companies operating in Russia and Ukraine, among other conflict zones. In late September, LAPFF was invited to join a new IAHR working group on conflict and high-risk areas (CAHRA), and LAPFF has gratefully accepted this invitation.

In Progress: LAPFF is continuing to build its relationship with IAHR to determine how these two organisations can operate in a mutually beneficial way to support investors on human rights.

Asia Research and Engagement's Energy Transition Platform (ARE)

Objective: LAPFF has supported ARE's Energy Transition Platform over the past two years. This platform engages companies in Asia's leading financial markets, largely focussing on financial institutions exposed to coal and carbon risk as well as coal-exposed power companies.

Objective: LAPFF joined calls with nine companies over the year: Mitsubishi UFJ Financial, Sumitomo Mitsui Financial, Kasikornbank, United Overseas Bank, Electric Power Development, Mizuho Financial Group, DBS Bank, China Construction Bank, and Huaneng Power. LAPFF has seen relationships between western

investors and these companies grow since the inception of the engagement, fostering positive conversations on the energy transition. Conversations have largely focused on exclusion of new oil and gas for finance and energy companies alike, investment in new green technologies, and carbon risk rating considerations. Progress in parts of Asia is slow compared to what LAPFF would like to see, but establishing a dialogue where LAPFF has not previously had one with companies is vitally important.

In Progress: LAPFF continues to support ARE's Energy Transition Platform so that the Forum and other investors can continue to develop relationships in Asia and contribute to a meaningful dialogue on transition risks in the market.

The FAIRR Initiative

Objective: The FAIRR Initiative is a global investor network that focuses on addressing ESG risks and opportunities associated with the global food sector. Through its membership, FAIRR collectively represents over US\$70 trillion in combined assets under management. It has numerous research avenues and focuses its engagements on specific topics related to the food sector. One of FAIRR's particular areas of focus since its inception is antimicrobial resistance as a financially material risk for investors.

Achieved: LAPFF signed onto two engagements through FAIRR. The first engagement looks at driving greater disclosure and clarity over how and if animal pharmaceutical companies are addressing the risk of antimicrobial resistance throughout their value chains. LAPFF signed letters for seven companies through this engagement.

The second engagement stream aims to drive the adoption and implementation of comprehensive antibiotic policies for quick-service restaurant chains in North America. LAPFF signed onto 12 letters for this engagement.

In Progress: LAPFF is set to join a call with Restaurant Brands International in the fourth quarter of 2023 with the initiative to discuss the company's antibiotic policies and will seek to

join engagements as appropriate throughout the year.

Investor Initiative for Responsible Care (IIRC)

Objective: During the Covid pandemic, LAPFF joined the newly formed Investor Initiative for Responsible Care (IIRC), a coalition of 138 responsible and long-term investors in the care sector with \$4.4 trillion in assets under management, coordinated by UNI Global Union. The initiative seeks to reduce investment risks associated with employment and care standards in the nursing home sector. The initiative does so by engaging companies, real estate investment trusts and regulators.

Achieved: As part of the initiative LAPFF is lead investor at US-based real estate investment trust (REIT), Welltower. LAPFF wrote to the company seeking a meeting and for the company to provide information including on oversight mechanisms and exposure levels. The company did not respond to the letter seeking a meeting, which was the second such request. As such, LAPFF decided to issue a voting alert. The alert noted LAPFF's expectation that investee companies engage with shareholders and that boards keep in touch with the views of shareholders. Given this expectation, the lack of a response and the potential investment risks, LAPFF recommended a vote against the chair of the company. In the end, 6.9 percent of votes opposed the re-election of the chair. Although a minority, the oppose vote was higher than most chairs receive and indicates a level of concern.

The initiative also met with the EU Commissioner responsible for care. The initiative set out the case for better care and employment disclosures and improvements to care quality and employment conditions to reduce investor risk in the sector. The meeting came off the back of a new EU care strategy and discussion also focused on how implementation of the strategy could support the aims of responsible investors in the sector to improve care quality and employment standards to help deliver sustainable returns.

In progress: LAPFF will continue its participation IIRC and continue to seek to engage companies and REITs, such as Welltower.

Fair and Just Transition: Collaboration with the World Benchmarking Alliance

Objective: A just transition seeks to ensure that the benefits of the move to a decarbonised economy are maximised and fairly shared while minimising negative impacts and supporting those affected. LAPFF therefore seeks to engage companies to ensure decarbonisation is achieved in a fair fashion and companies have credible just transition plans. Such plans are most needed where likely disruption caused by climate action will be greatest.

Achieved: LAPFF signed onto an investor statement by the World Benchmarking Alliance (WBA). The statement followed a just transition assessment by the WBA into high emitting companies. The assessment found "a lack of action from companies to identify, prepare and mitigate the social impacts of their low-carbon strategies, potentially putting millions of workers employed in these industries at risk of unemployment." The statement called for companies to engage and plan for a just transition and was signed by around 60 investors.

Following up on the assessment and statement, WBA initiated a collaborative initiative to engage oil and gas companies on a just transition. LAPFF indicated its interest in participating in these collaborative engagements.

In progress: LAPFF will participate in engagements with oil and gas companies which will be focused on social dialogue on just transition issues and improved just transition planning. ●

ENGAGEMENT HIGHLIGHTS

VOTING ALERTS

Apart from focusing on say on climate voting alerts during the year, LAPFF also issued a number of voting alerts to promote improved human rights and employment practices at US companies, including Amazon, Facebook, and Tesla. The table below contains the full list of LAPFF voting alerts issued during the year:

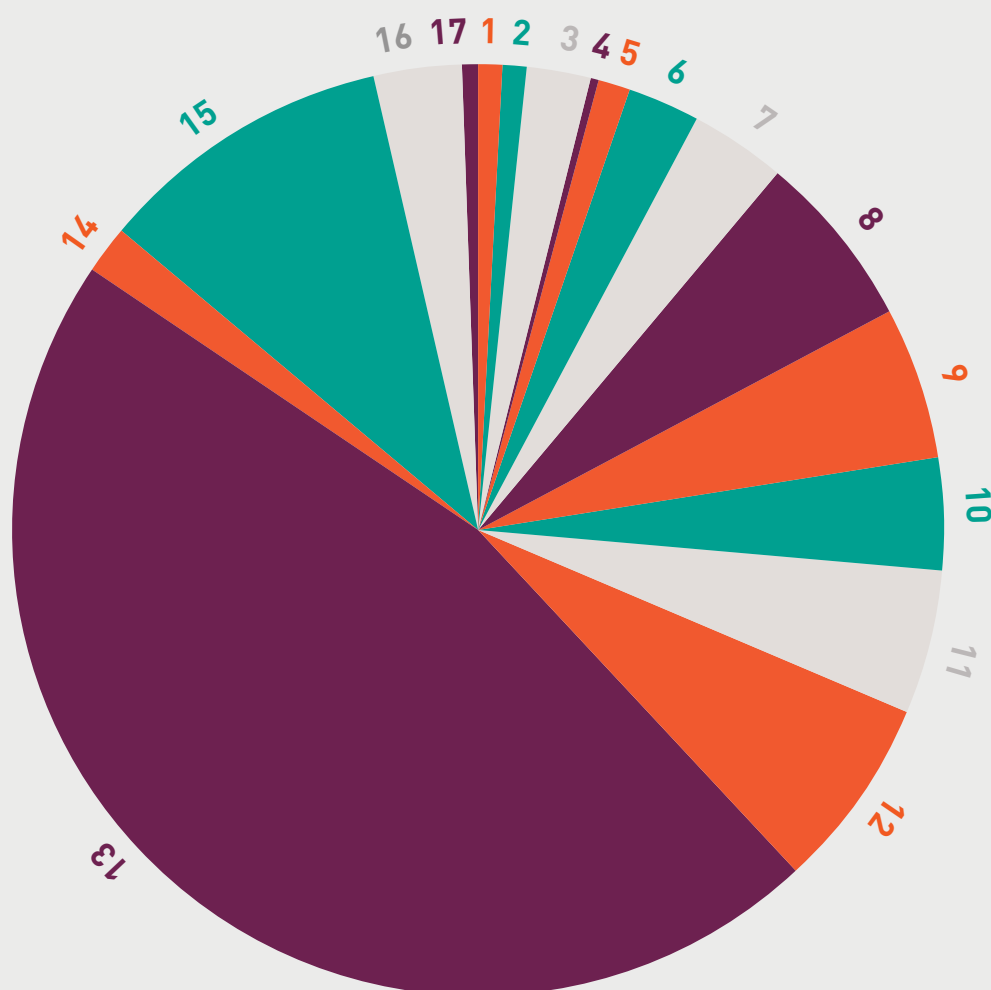
Company	AGM Date	Resolution	Recommendation	FOR	Against/ Abstain/ Withhold
Starbucks Corporation	23-Mar-23	5. Report and Plant Based Milk Pricing	FOR	5.25	94.75
		6. CEO Succession Planning	FOR	20.85	79.15
		8. Assessing Workers' Rights Commitments	FOR	51.35	48.65
		9. Creation of Board Committee on Corporate Sustainability	AGAINST	2.65	97.35
Rio Tinto	06-Apr-23	1. Receipt of the 2022 Annual Report	AGAINST	97.68	2.32
		2. Approve Remuneration Report (UK)	AGAINST	94.25	5.75
		3. Approve Remuneration Report (Australia)	AGAINST	94.21	5.79
		4. Approve Potential Termination Benefits	AGAINST	97.59	2.41
		7. Re-elect Megan Clarke	AGAINST	91.81	8.19
BP plc	27-Apr-23	9. Re-elect Simon Henry	ABSTAIN	97.07	2.93
		1. Receive the Annual Report	AGAINST	49.34	50.66
		3. 'Approve remuneration policy'	AGAINST	47.12	52.88
		7. 'To re-elect Paula Rosput Reynolds as a director'	AGAINST	48.78	51.22
		25. Follow This shareholder resolution on climate change targets	FOR	8.37	91.63
DRAX Group	26-Apr-23	1 Receive the Annual Report	AGAINST	99.15	0.85
		2 Approve the Remuneration Report	AGAINST	85.86	14.14
		3 Approve the Remuneration Policy	AGAINST	97.12	2.88
		5 Re-elect Philip Cox (chairman) as director	AGAINST	96.38	3.62
		16 Approve political donations	AGAINST	94.63	5.37
CENTERPOINT ENERGY, INC.	21-Apr-23	5. Shareholder proposal relating to disclosure of our Scope 3 emissions and setting Scope 3 emissions targets	FOR	18.23	81.77
PACCAR INC	25-Apr-23	6. Stockholder Proposal Regarding a Report on Climate-Related Policy Engagement	FOR	47.43	52.57
BANK OF AMERICA	25-Apr-23	8. Shareholder proposal requesting greenhouse gas reduction targets	FOR	11.36	88.64
		9. Shareholder proposal requesting report on transition planning	FOR	28.06	71.94
WELLS FARGO & COMPANY	25-Apr-23	7. Shareholder Proposal: Climate Lobbying Report	FOR	32.03	67.97
		8. Shareholder Proposal: Climate Transition Report	FOR	30.79	69.21
		5. Lobbying and its alignment with our net zero ambition	FOR	Not reported	0.00
CENOVUS ENERGY	26-Apr-23	5. Lobbying and its alignment with our net zero ambition	FOR	6.82	93.18
THE GOLDMAN SACHS GROUP INC.	26-Apr-23	9. Shareholder Proposal Regarding a Policy to Phase Out Fossil Fuel-Related Lending & Underwriting Activities	FOR	12.49	87.51
		10. Shareholder Proposal Regarding Disclosure of 2030 Absolute Greenhouse Gas Reduction Goals	FOR	34.54	65.46
PUBLIC STORAGE	02-May-23	5. Shareholder proposal regarding Greenhouse Gas Reduction Targets	FOR	37.35	62.65
RTX Corp	02-May-23	8. Greenhouse Gas Reduction Plan	FOR	98.76	1.24
ANGLO AMERICAN PLC	26-Apr-23	1. Receive the Annual Report and Accounts	AGAINST	93.92	6.08
		15. Approve the Remuneration Policy	AGAINST	92.60	7.40
		16. Approve the Remuneration Implementation Report	FOR	16.03	83.97
MARATHON PETROLEUM CORPORATION	26-Apr-23	9. Shareholder Proposal Seeking a Report on Just Transition	FOR	31.47	68.53
BORGWARNER INC.	26-Apr-23	7. Stockholder Proposal to Request the Board of Directors to Publish a Just Transition Report	FOR	33.07	66.93
Lockheed Martin Corporation	27-Apr-23	10. Shareholder Proposal to Issue a Report on the Company's Intention to Reduce Full Value Chain GHG Emission	FOR	78.34	21.66
VALE SA	28-Apr-23	1. Approval of the Financial Statements	AGAINST	86.73	13.27
		5.7. Elect Manuel Lino Silva da Sousa	FOR	3.69	96.31
IMPERIAL OIL	02-May-23	Shareholder Proposal 1: Adopt an absolute greenhouse gas reduction target	FOR	18.50	81.50
ENBRIDGE	03-May-23	Shareholder Proposal 5 – Whether the Company's pattern of lobbying and political donations in the U.S. is creating unnecessary business risk and is consistent with its net zero goal	FOR	24.44	75.56
		Shareholder Proposal 6 – Annual disclosure of all of the Company's scope 3 emissions using accepted definitions and in absolute terms	FOR	36.58	63.42
		7. Shareholder Proposal Regarding a Report on Corporate Climate Lobbying	FOR	26.63	73.37
COTERRA ENERGY INC	04-May-23	4. Shareholder proposal: Report on Climate-related Risks	FOR	17.87	82.13
BERKSHIRE HATHAWAY	06-May-23	5. Shareholder proposal: Climate Change Risks Audit	FOR	22.66	77.34
		6. Shareholder proposal: Climate Change Targets	FOR	31.83	68.17
		5. Stockholder proposal to set different GHG emissions reductions targets (Scopes 1, 2 and 3)	FOR	13.63	86.37
VALERO ENERGY CORPORATION	09-May-23	5. Shareholder Proposal Regarding the Adoption of Scopes 1 and 2 Emissions Targets	ABSTAIN	49.87	50.13
AMEREN CORPORATION	11-May-23	1. Receive the Annual Report	FOR	9.89	90.11
HSBC Plc	05-May-23	17. Shareholder Resolution on Strategy Review	FOR	34.79	65.21
JPMORGAN CHASE & CO.	16-May-23	9. Report on Climate Transition Planning	FOR	12.44	87.56
		12. Absolute GHG Reduction Goals	FOR	28.68	71.32
		14. Shareholder Proposal on Greenhouse Gas Emissions Targets	FOR	47.68	52.32
CHUBB LIMITED	17-May-23	6. Stockholder Proposal Regarding Greenhouse Gas Reduction and Transition Plan	AGAINST	86.06	13.94
QUEST DIAGNOSTICS INCORPORATED	17-May-23	1(3). Election of J.B. Straubel	FOR	5.80	94.20
TESLA INC.	16-May-23	5. Key Person Risk Report	FOR	14.51	85.49
THE TRAVELERS COMPANIES, INC.	24-May-23	6. Shareholder proposal relating to GHG emissions	FOR	15.62	84.38
SOUTHERN COMPANY	24-May-23	7. Set Scope 3 GHG Targets	FOR	Not reported	0.00
THE MOSAIC COMPANY	25-May-23	7. Stockholder proposal to report on the Company's plans to reduce greenhouse gas emissions	FOR	88.76	11.24
TOTALENERGIES SE	26-May-23	A. Shareholder resolution on targets for indirect Scope 3 emissions	FOR	1.25	98.75
CHEVRON CORPORATION	31-May-23	5. stockholder proposal to rescind the 2021 "reduce scope 3 emissions"	FOR	9.32	90.68
		6. stockholder proposal to set a medium-term Scope 3 GHG emissions reduction target	FOR	17.22	82.78
		9. stockholder proposal to report on worker and community impact from facility closures and energy transitions	FOR	6.66	93.34
		6. Report on Retirement Plan Options (alignment with decarbonisation)	FOR	33.91	66.09
		7. Report on Customer Due Diligence (use of technologies and services)	FOR	10.24	89.76
AMAZON, INC.	24-May-23	8. Additional Reporting on Content and Product Removal/Restrictions	AGAINST	1.59	98.41
		9. Additional Reporting on Content Removal Requests	FOR	26.99	73.01
		10. Additional reporting on Stakeholder Impacts	FOR		

		11. Alternative Tax Reporting (tax transparency)	FOR	17.55	82.45
		12. Additional Reporting on Climate Lobbying	FOR	23.54	76.46
		13. Additional Reporting on Gender/Racial Pay	FOR	29.03	70.97
		15. Amendment to Bylaws to Require Shareholder for Certain Future Amendments (Universal Proxy)	FOR	11.45	88.55
		16. Additional Reporting on Freedom of Association	FOR	34.63	65.37
		17. New Policy Regarding Executive Compensation Process	FOR	6.46	93.54
		18. Additional Reporting on Animal Welfare Standards	FOR	5.56	94.44
		19. Additional Board Committee (Public Policy)	FOR	6.27	93.73
		20. Alternative Director Candidate Policy	FOR	18.32	81.68
		21. Report on Warehouse Working Conditions	FOR	35.16	64.84
SHELL	23-May-23	2 Approval of the Directors Remuneration Policy	AGAINST	93.94	6.06
		3 Approval of the Directors Remuneration Report	AGAINST	93.97	6.03
		9 Reappoint Dick Boer as a Director of the Company	AGAINST	99.11	0.89
		10 Reappoint Neil Carson as a Director of the Company	AGAINST	98.89	1.11
		11 Reappoint Ann Godbehere as a Director of the Company	AGAINST	98.26	1.74
		12 Reappoint Jane Holl Lute as a Director of the Company	AGAINST	99.27	0.73
		13 Reappoint Catherine Hughes as a Director of the Company	AGAINST	97.80	2.20
		14 Reappoint Sir Andrew Mackenzie as a Director of the Company	FOR	92.37	7.63
		15 Reappoint Abraham (Bram) Schot as a Director of the Company	AGAINST	99.25	0.75
		25 Approve Shell's Energy Transition Plan	AGAINST	76.57	23.43
		26 Approve Shareholder Resolution 'Follow This'	FOR	19.29	80.71
WELLTOWER INC	23-May-23	1a. Director Elections: Kenneth J. Bacon	AGAINST	93.04	6.96
GLENCORE PLC	26-May-23	1. Approve the Annual Report	AGAINST	99.26	0.74
		13. 2022 Climate Report	AGAINST	34.87	65.13
		19. Shareholder Resolution on Climate Action Transition Plan	FOR	28.83	71.17
META PLATFORMS, INC.	31-May-23	3. Government Takedown Requests	AGAINST	0.42	99.58
		4. Dual Class Capital Structure	FOR	27.94	72.06
		5. Human Rights Impact Assessment of Targeted Advertising	FOR	16.78	83.22
		6. Report on Lobbying Disclosures	FOR	14.52	85.48
		7. Report on Allegations of Political Entanglement and Content Management Biases in India	FOR	4.54	95.46
		8. Report on Lobbying Alignment with Climate Goals	FOR	9.77	90.23
		9. Report on Reproductive Rights and Data Privacy	FOR	9.56	90.44
		10. Report on Enforcement of Community Standards and User Content	FOR	7.14	92.86
		11. Report on Child Safety Impacts and Harm Reduction to Children	FOR	16.23	83.77
		12. Report on Pay Calibrations to Externalized Costs	FOR	7.14	92.86
		13. Performance Review of Audit & Risk Oversight Committee	FOR	6.63	93.37
EXXON MOBIL CORPORATION	31-May-23	9. Establish a Scope 3 Target and Reduce Hydrocarbon Sales	FOR	10.26	89.74
		14. Litigation Disclosure Beyond Legal and Accounting Requirements	FOR	8.92	91.08
		16. Energy Transition Social Impact Report	FOR	15.36	84.64
NEW YORK COMMUNITY BANCORP INC	01-Jun-23	9. Report on corporate climate lobbying in line with Paris Agreement	FOR	93.75	6.25
COMCAST CORPORATION	07-Jun-23	9. Shareholder proposal to set different greenhouse gas emissions reduction targets	FOR	9.71	90.29
		10. Shareholder proposal to report on political contributions and company values alignment	FOR	18.88	81.12
ALPHABET, INC.	02-Jun-23	6. Lobbying Report	FOR	17.74	82.26
		7. Congruency Report	ABSTAIN	0.43	99.57
		8. Climate Lobbying Report	FOR	14.14	85.86
		9. Report on Reproductive Rights and Data Privacy	FOR	6.97	93.03
		10. Human Rights Assessment of Data Center Siting	FOR	13.02	86.98
		11. Human Rights Assessment of Targeted Ad Policies and Practices	FOR	17.78	82.22
		12. Algorithm Disclosures	FOR	16.97	83.03
		13. Report on Alignment of YouTube Policies with Legislation	FOR	17.94	82.06
		14. Content Governance Report	AGAINST	0.60	99.40
		15. Performance Review of Audit and Compliance Committee	FOR	8.34	91.66
		16. By-Laws Amendment (Universal Proxy)	AGAINST	4.94	95.06
		17. Executives to Retain Significant Stock	FOR	9.71	90.29
		18. Equal Shareholder Voting (Eliminate Dual Class Stock)	FOR	30.73	69.27
DOLLARAMA INC.	07-Jun-23	6. Shareholder proposal – adoption of net zero targets	FOR	Not reported	0.00
COSTAR GROUP INC	08-Jun-23	5. Manage Climate Risk Through Comprehensive Science-Based Targets	FOR	27.23	72.77
CATERPILLAR INC.	14-Jun-23	6. Report on Corporate Climate Lobbying in Line with Paris Agreement	FOR	28.05	71.95
TOYOTA MOTOR CORP	14-Jun-23	4. Partial Amendments to the Articles of Incorporation (Annual review and report on impact on TMC caused by climate-related lobbying activities and the alignment with the goals of the Paris Agreement)	FOR	Not reported	0.00
SUMITOMO MITSUI FINANCIAL GROUP	29-Jun-23	3. Partial Amendments to the Articles of Incorporation (Issuing and disclosing a transition plan to align lending and investment portfolios with the Paris Agreement's 1.5 degree goal requiring net zero emissions by 2050)	FOR	Not reported	0.00
MITSUBISHI UFJ FINANCIAL GROUP	29-Jun-23	3. Partial amendment to the Articles of Incorporation (Issuing and Disclosing a Transition Plan to Align Lending and Investment Portfolios with the Paris Agreement's 1.5 Degree Goal Requiring Net Zero Emissions by 2050)	FOR	Not reported	0.00
Electric Power Development (J-Power)	28-Jun-23	3. Partial amendment to the Articles of Incorporation	FOR	21.22	78.78
NATIONAL GRID	10-Jul-23	1. Receive the Annual Report and Accounts	OPPOSE	99.36	0.64
		18. Political Donations	OPPOSE	97.33	2.67
Ryanair Holdings Plc	14-Sep-23	2. Approve the Remuneration Report	OPPOSE	90.60	9.40
		3. Approve Remuneration Policy	OPPOSE	72.81	27.19
FEDEX CORPORATION	21-Sep-23	6. Shareholder proposal: Just Transition Report	FOR	29.71	70.29
KLA Corporation	02-Nov-22	4. Stockholder proposal for a report on net zero targets and climate transition planning	FOR	25.12	74.88
BHP	10-Nov-22	1. Approve the financial statements and reports	ABSTAIN	Not reported	0.00
		8. Re-elect Ken MacKenzie	OPPOSE	95.24	4.76
		12. Approval of equity grants to the CEO	OPPOSE	5.12	94.88
		13. Amendment to the Constitution	FOR	98.18	1.82
		14. Policy advocacy	FOR	12.73	87.27
		15. Climate accounting and audit	FOR	18.66	81.34
13. Amendment to the Constitution	FOR	98.18	1.82		
14. Policy advocacy	FOR	12.73	87.27		
15. Climate accounting and audit	FOR	18.66	81.34		

*The AGAINST/WITHHOLD/ABSTAIN column is a sum of the percentages of all the votes in those three categories mentioned, to take into account where some markets have either the withhold or abstain vote.

LAPFF ENGAGEMENT STATISTICS

LAPFF engaged with 565 companies during the year.

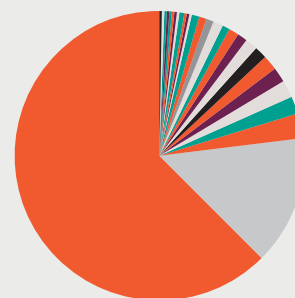


LAPFF SDG ENGAGEMENTS

Goal

1 No Poverty	14
2 Zero Hunger	10
3 Good Health and Well-Being	27
4 Quality Education	6
5 Gender Equality	15
6 Clean Water and Sanitation	32
7 Affordable and Clean Energy	43
8 Decent Work and Economic Growth	79
9 Industry, Innovation, and Infrastructure	67
10 Reduced Inequalities	54
11 Sustainable Cities and Communities	63
12 Responsible Production and Consumption	89
13 Climate Action	601
14 Life Below Water	24
15 Life on Land	131
16 Peace, Justice, and Strong Institutions	42
17 Partnership for the Goals	5

DOMICILES



United Kingdom	517
USA	118
Japan	23
Ireland	17
Australia	16
Jersey	14
Germany	14
France	12
Czechia	11
Brazil	9
Canada	9
Sweden	8
PR China	8
Israel	7
Hong Kong	7
Mexico	6
Singapore	3
India	3
Korea	3
Netherlands	3
Guernsey	3
Taiwan	2
Bermuda	2
Luxembourg	2
Finland	2
Indonesia	2
Malaysia	1
Belgium	1
Mauritius	1
Denmark	1
Isle of Man	1

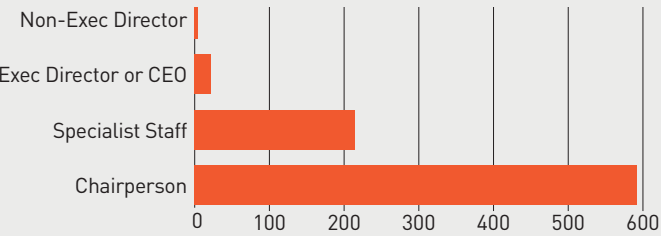
COMPANIES ENGAGED

LAPFF has various approaches to engagements depending on any given topic and engagement. In some cases, LAPFF signs on a significant number of collaborative engagement letters to gain leverage with other investors on an issue. This approach allows LAPFF less individual impact but aims to raise awareness and collective pressure on the companies involved. In other cases, LAPFF engages in a very targeted way with specific companies intensively over a long period of time to try to obtain concrete change and outcomes. This latter approach necessarily means that there will be fewer companies engaged, but LAPFF undertakes this approach where it feels it has a particular relationship with a company – as in the mining and human rights engagements – to influence company culture and thinking and to press for improved ESG outcomes. For the full set of LAPFF company engagements during the year, please contact a LAPFF representative..

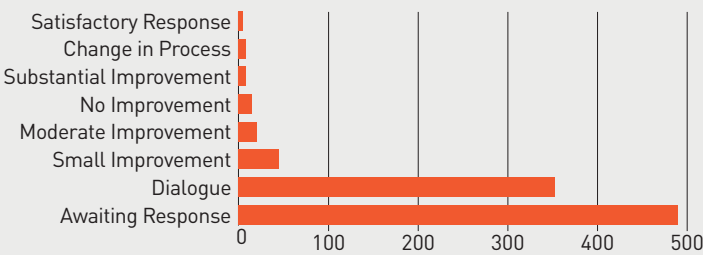
AGM ATTENDANCE

LAPFF’s physical attendance at company annual general meetings (AGMs) was put on hold during the Covid pandemic, but a number of companies are running physical meetings again and LAPFF has attended a few. This year, LAPFF attended both the Rio Tinto and Anglo American AGMs in person. At the Rio Tinto AGM, LAPFF called for greater detail on how Rio Tinto is seeking to ensure its license to operate with communities affected by its mining operations. At the Anglo American AGM, LAPFF called for the company board to meet with affected communities during board country visits to project sites. LAPFF also attended the SSE AGM in Scotland. SSE reached out to LAPFF to contribute an AGM question, and LAPFF obliged. SSE was the first major company to issue a just transition plan, and LAPFF’s question to the company focused on whether SSE is reconsidering any of its just transition principles. There was a follow up question probing the company’s approach to carbon capture and storage.

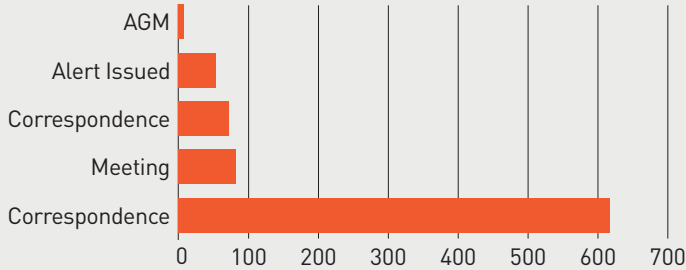
POSITIONS



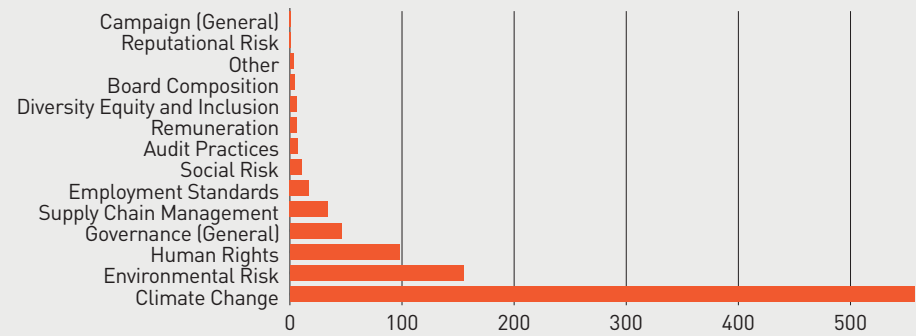
ENGAGEMENT OUTCOMES

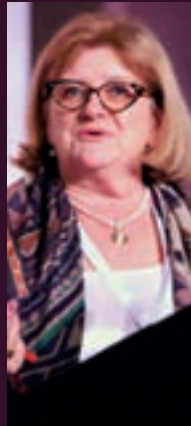


ACTIVITY



TOPIC





MEMBER SUPPORT

LAPFF ANNUAL CONFERENCE 2022

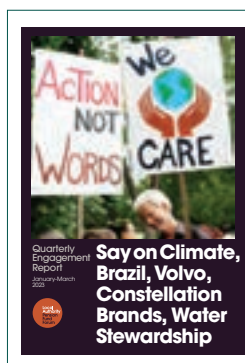
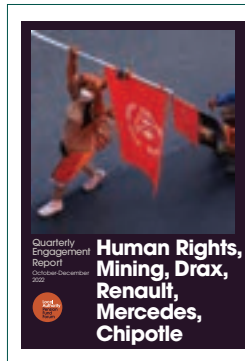
LAPFF's Annual conference in December 2022 took place at the Bournemouth Hilton. The conference discussed a number of issues related to LAPFF's workplan including climate, human rights, water sustainability, a fair and just transition and levelling up. Across the three days delegates heard from a range of representatives including LAPFF members, companies and investors. The 2023 LAPFF annual conference is being held at the Bournemouth Hilton from 6 – 8 December and members can look forward to equally informative and engaging sessions.



COMMUNICATIONS

Publications

Apart from this annual report, LAPFF issues quarterly engagement reports that are released publicly at the end of each quarter and a weekly chair's email to members with updates of LAPFF work during the relevant week. LAPFF also issues issue-specific reports, such as the Brazil report, from time to time. It issues voting alerts to LAPFF members only, although LAPFF members are encouraged to share these alerts with their asset managers.



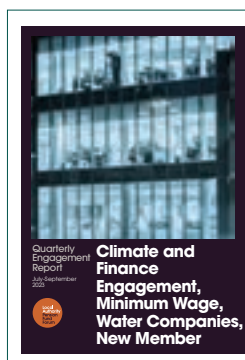
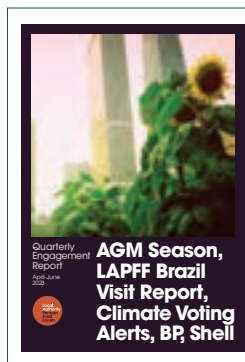
Media Outreach

When LAPFF deems it necessary to escalate an engagement, it sometimes does so through press releases and media outreach more broadly. Increasingly, members of the press approach LAPFF for comment on a variety of topics. Examples of LAPFF being cited in the press are below:

Member Resources

LAPFF has a Forum Officer who conducts recruitment and retention on behalf of the organisation. LAPFF Executive members also liaise with current and prospective members to inform them of LAPFF's work and the benefits of membership.

The LAPFF website has both public-facing pages and members-only pages for documents such as voting alerts and business meeting reports. Additional resources are provided to LAPFF members in the form of business meeting reports and induction training for new member funds and pools, or new joiners within existing LAPFF member funds and pools.



LAPFF Meetings

LAPFF holds four executive and four business meetings each year. It also holds a LAPFF strategy meeting once a year to ensure that the organisation is on track for a sustainable future. The LAPFF AGM is held just prior to the final business meeting of the year and confirms the nominations of the new LAPFF Executive members. There are also sub-groups within the LAPFF Executive to facilitate the smooth running of LAPFF.

LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Avon Pension Fund
 Barking and Dagenham Pension Fund
 Barnet Pension Fund
 Bedfordshire Pension Fund
 Berkshire Pension Fund
 Bexley (London Borough of)
 Brent (London Borough of)
 Cambridgeshire Pension Fund
 Camden Pension Fund
 Cardiff & Glamorgan Pension Fund
 Cheshire Pension Fund
 City of London Corporation Pension Fund
 Clwyd Pension Fund (Flintshire CC)
 Cornwall Pension Fund
 Croydon Pension Fund
 Cumbria Pension Fund
 Derbyshire Pension Fund
 Devon Pension Fund
 Dorset Pension Fund
 Durham Pension Fund
 Dyfed Pension Fund
 Ealing Pension Fund
 East Riding Pension Fund
 East Sussex Pension Fund
 Enfield Pension Fund
 Environment Agency Pension Fund
 Essex Pension Fund
 Falkirk Pension Fund
 Gloucestershire Pension Fund
 Greater Gwent Pension Fund
 Greater Manchester Pension Fund
 Greenwich Pension Fund
 Gwynedd Pension Fund
 Hackney Pension Fund
 Hammersmith and Fulham Pension Fund
 Haringey Pension Fund
 Harrow Pension Fund
 Havering Pension Fund
 Hertfordshire Pension Fund
 Hillingdon Pension Fund
 Hounslow Pension Fund
 Isle of Wight Pension Fund
 Islington Pension Fund
 Kensington and Chelsea (Royal Borough of)

Kent Pension Fund
 Kingston upon Thames Pension Fund
 Lambeth Pension Fund
 Lancashire County Pension Fund
 Leicestershire Pension Fund
 Lewisham Pension Fund
 Lincolnshire Pension Fund
 London Pension Fund Authority
 Lothian Pension Fund
 Merseyside Pension Fund
 Merton Pension Fund
 Newham Pension Fund
 Norfolk Pension Fund
 North East Scotland Pension Fund
 North Yorkshire Pension Fund
 Northamptonshire Pension Fund
 Nottinghamshire Pension Fund
 Oxfordshire Pension Fund
 Powys Pension Fund
 Redbridge Pension Fund
 Rhondda Cynon Taf Pension Fund
 Scottish Borders Pension Fund
 Shropshire Pension Fund
 Somerset Pension Fund
 South Yorkshire Pension Authority
 Southwark Pension Fund
 Staffordshire Pension Fund
 Strathclyde Pension Fund
 Suffolk Pension Fund
 Surrey Pension Fund
 Sutton Pension Fund
 Swansea Pension Fund
 Teesside Pension Fund
 Tower Hamlets Pension Fund
 Tyne and Wear Pension Fund
 Waltham Forest Pension Fund
 Wandsworth Borough Council Pension Fund
 Warwickshire Pension Fund
 West Midlands Pension Fund
 West Yorkshire Pension Fund
 Westminster Pension Fund
 Wiltshire Pension Fund
 Worcestershire Pension Fund

Pool Company Members

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



A large, bold, orange 'IMP' logo is superimposed over a photograph. The background image shows a wide, textured glacier flowing towards a dark, rocky shoreline. Several small figures of people are visible on the shore, providing a sense of scale. The sky is a pale, hazy blue. The 'IMP' text is a solid, vibrant orange color.