

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2018-2019 – REPORT NO.

PENSION FUND COMMITTEE

17TH DECEMBER 2018

**REPORT OF: THE GROUP DIRECTOR,
CORPORATE AND FRONTLINE
SERVICES**

| | |
|--|--------------------------|
| | AGENDA ITEM NO. 4 |
| DELEGATED FUNCTIONS – UPDATE REPORT | |

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1.0 PURPOSE OF REPORT

- 1.1 This report sets out the key issues being addressed as delegated functions, as specified in the Pension Fund Governance Policy Statement, by the Group Director Corporate and Frontline Services.

2.0 RECOMMENDATIONS

- 2.1 It is recommended that the Committee :
- 2.1.1 Note the issues being addressed; and
- 2.1.2 Consider whether they wish to receive further detail on any issues.

3.0 BACKGROUND

- 3.1 The Group Director Corporate and Frontline Services (in their capacity as S151 officer) supported by an Investment and Administration Advisory Panel with appropriate officer, independent advisor and professional support, has delegated responsibility for all day to day operational matters.
- 3.2 The Panel advises on all aspects of the Pension Fund. It produces the annual report to Committee and is subject to Audit scrutiny. Areas upon which it gives advice are: -
- Selection, appointment and dismissal of the Fund's advisers, including actuary, benefits consultants, investment consultants, global custodian, fund managers, lawyers, pension funds administrator, and independent professional advisers.

- Making decisions relating to employers joining and leaving the Fund. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.
- Agreeing the terms and payment of bulk transfers into and out of the Fund.
- Agreeing Fund business plans and monitoring progress against them.
- Maintain the Fund's Knowledge and Skills Policy for all Pension Fund Committee Members and for all officers of the Fund, including determining the Fund's knowledge and skills framework, identifying training requirements, developing training plans and monitoring compliance with the policy.
- Formulating responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.
- Ensuring the Fund is managed and pension payments are made in compliance with the extant Local Government Pension Scheme Legislation, Her Majesty's Revenue & Customs requirements for UK registered pension schemes and all other relevant statutory provisions.
- Ensuring robust risk management arrangements are in place.
- Ensuring the Council operates with due regard and in the spirit of all relevant statutory and non-statutory best practice guidance in relation to its management of the Fund.
- Monitor investment performance.
- Work with the Fund Actuary to determine the level of employer contributions required from each employer within the Fund, and ensure such contributions are received.

3.3 The Investment and Administration Advisory Panel meets on a quarterly basis, the most recent meeting taking place on the 28th November 2018.

4.0 **INVESTMENT PERFORMANCE**

4.1 There is a quarterly reporting cycle for pension fund investment performance, with exception reporting agreed with fund managers where there are particular concerns. The most recent panel meeting considered investment performance to the end of September 2018.

- 4.2 During the quarter ended 30th September 2018, the overall value of the Fund increased from £3,400 million to £3,475 million.
- 4.3 A summary of performance relative to the Fund specific benchmark is shown below.

Total Portfolio

| | 2015 | 2016 | | | | 2017 | | | | 2018 | | | 3yr |
|----------|------|------|------|-----|------|------|-----|-----|-----|------|-----|-----|-------------|
| Quarter | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | |
| Fund | 6.0 | 1.4 | 5.3 | 7.9 | 1.8 | 5.1 | 2.8 | 1.7 | 3.9 | -2.0 | 6.6 | 2.8 | 15.2 |
| B'mark | 4.6 | 2.4 | 6.5 | 6.8 | 3.2 | 4.3 | 0.7 | 1.5 | 3.9 | -3.4 | 4.9 | 2.4 | 13.0 |
| Relative | 1.3 | -1.0 | -1.1 | 1.1 | -1.3 | 0.8 | 2.1 | 0.3 | 0.1 | 1.5 | 1.6 | 0.5 | 1.9 |

- 4.4 As shown, the rolling 3 year performance of the fund is 1.9% positive as compared to benchmark. For the last quarter, performance has been positive across the Baillie Gifford Traditional Portfolio, Newton High Alpha and CBRE Property with the passive portfolio also marginally outperforming the index.
- 4.5 Baillie Gifford High Alpha and BMOGAM Bonds underperformed the benchmark, with Invesco and Blackrock UK portfolios being transitioned out of.
- 4.6 The Advisory Panel meets with Fund Managers on a cyclical basis and at the November meeting met with BMOGAM and CBRE.

BMOGAM – Fixed Interest

- i) The value of the portfolio increased from £574.5M at the 30th September 2017 to £788.9M at the 30th September 2018;
- ii) During the latest quarter an additional £235M was invested with BMOGAM funded by the disinvestment with Invesco and Blackrock (UK Equities);
- iii) The rolling 3 year performance of the portfolio is 4.0% as compared to a benchmark of 3.7%;
- iv) The latest quarter saw performance at -1.1% which was 0.1% behind the benchmark.

CBRE – Property

- i) The value of the property portfolio increased from £174.9M at the 30th September 2017 to £206.3M at the 30th September 2018;
- ii) An additional £15M was invested with CBRE during the latest quarter.

- iii) The rolling 3 year performance of the portfolio is 8.9% as compared to a benchmark of 6.8%;
- iv) The latest quarter saw performance at 1.9% which was 0.4% ahead of the benchmark.

4.7 As members are aware, the March meeting of the Committee agreed to the revised asset allocation strategy for the Fund and the steps to be taken to move toward the preferred strategy. The following table provides a summary of progress made in this regard to the 30th September 2018. Further allocations to property are projected to Quarter 1 2020.

| | Original Allocation % | Fund Value as at 30/9/18 £M | Allocation % as at 30/09/18 | Current Benchmark (Step 1) |
|-----------------------|--------------------------------------|--|--|---|
| Equities | 75 | 2,424 | 70 | 63 |
| Property | 5 | 204 | 6 | 10 |
| Fixed Interest | 18 | 780 | 22 | 25 |
| Cash | 2 | 66 | 2 | 2 |
| Total | | 3,474 | | |

- 4.8 Positive progress continues to be made by the Wales Pension Partnership (WPP) in the establishment of the first two sub funds for the collective investing of assets. The prospectus for Global High Alpha Equities, comprising 2 sub funds with differing risk / return characteristics, has been approved by the FCA (24th July 2018). The proposals for the second sub fund for UK and European Equities was agreed by the Joint Governance Committee on the 25th September 2018. The third phase relates to Fixed Interest with options in the process of being discussed.
- 4.9 Legal and General have been appointed as transition manager to carry out the physical movement of assets as cost efficiently as possible and in line with agreed transition principles. We propose to transition our 2 high alpha equity mandates into the Global High Alpha sub funds, both of which will have underlying manager outperformance targets commensurate with our current managers. This is currently anticipated to take place early in the new (calendar) year.

5.0 ADMINISTRATION ISSUES

- 5.1 The Regulator scheme return was duly completed and returned by the 6th November 2018. The Funding Strategy Statement is

currently being reviewed in light of changes to regulations relating to balances at cessation.

- 5.2 A valuation planning meeting has taken place with the Fund Actuary (AON), who will provide an overview of the process at the March 2019 committee meeting.
- 5.3 The GMP Reconciliation process remains on target to be concluded in December 2018.
- 5.4 The Annual General Meeting took place on the 13th November. The Fund Actuary (AON), the Funds Independent Advisor (David Cullinan) and the Pension Regulator presented at the event, which was relatively well attended.
- 5.5 GDPR work is ongoing with the next phase requiring complete document review. A document retention policy has been finalised.
- 5.6 The focus on Data Quality continues and was reinforced by the Regulator at the AGM. Key work includes :
 - Updated Data Improvement Plan;
 - Fund data scores obtained and included in the Scheme Return (93.4% common data; 81.2% scheme specific data);
 - Valuation extracts uploaded to actuary to resolve data queries early;
 - I-Connect mandatory roll out progressing;
 - Member Self Serve (MSS).
- 5.7 Member Self Serve (MSS) is now rolled out to Active, Deferred, Pensioner and Dependant members, with registrations shown below.

| | <u>Member Numbers</u> | <u>MSS Registrations</u> | <u>% of Member Numbers</u> | <u>Previous %</u> |
|------------|---------------------------|------------------------------|--------------------------------|-----------------------|
| Actives | 23,421 | 8,731 | 37.28% | 32.25% |
| Deferred | 25,931 | 6,081 | 23.45% | 22.45% |
| Pensioners | 16,810 | 2,373 | 14.12% | 13.19% |
| Dependants | 2,666 | 95 | 3.56% | 3.57% |

- 5.8 Eight 'Key Performance Service Standards' are monitored by the Panel. It was noted that to the end of October 2018, two measures were behind target.
 - **transfers in processed within 10 days** (72% against a target of 90%). This measure does not impact on the physical payment of benefits. Those cases not completed within the 10

day target (3 out of 5) during October 2018 were actually completed in 12 days;

- **percentage of preserved benefits processed within 10 days** (82% against a target of 90%). This measure does not impact on the physical payment of benefits. Those cases not completed within the 10 day period (16 out of 186) during October 2018 were actually completed in an average of 11.68 days).

5.9 The number of 'Internal Dispute Resolution Procedure' Appeals in progress remains extremely low, with no obvious trends to report.

6.0 PENSION BOARD

- 6.1 The Pension Board last met on the 5th November 2018, the next meeting is scheduled for the 11th January 2019.
- 6.2 There are no issues which the Board currently require to be brought to the attention of the Committee. Discussion included WPP governance, performance assurance and JGC reporting and minutes. The Board have requested sight of WPP policies and governance documents (including the Business Plan) as and when they become available.
- 6.3 Pension Board meeting agendas and minutes are published on the Fund website in accordance with the Pension Regulator's requirements.
- 6.4 The Chair of the Pension Board continues to attend meetings across the Fund's governance arrangements.

7.0 OTHER ISSUES

- 7.1 The Panel reviewed the skills and knowledge framework and noted the updates.
- 7.2 The Risk Register was considered and updates noted. A review of the Risk Register is being dealt with elsewhere in this agenda.
- 7.3 The next meeting of the Committee is scheduled for the 25th March 2019. The agenda will include a presentation from AON on the valuation process and also consideration of fund governance documents in advance of the beginning of the new financial year. Given these agenda items, it is proposed that the March meeting be a joint Pension Fund Committee / Board meeting, with a return to a normal cycle of meetings thereafter. Clearly the decision making role of the committee will remain for this meeting.

- 7.4 Attached at appendix1 is the latest LAPFF quarterly engagement report for the quarter ended September 2018.

8.0 CONCLUSION

- 8.1 This report sets out, for the Committee, the key issues being addressed as delegated functions, as specified in the Pension Fund Governance Policy Statement, by the Group Director Corporate and Frontline Services.

QUARTERLY ENGAGEMENT REPORT

JULY TO SEPTEMBER 2018



Vote recommendations to oppose the election of Ryanair and Sports Direct Chairs amid employment concerns

Response to the Kingman Review sets out that the Financial Reporting Council is 'beyond repair'

Meetings with the Chairs of Sainsbury's and Pearson on governance risks prove useful

Executive Summary

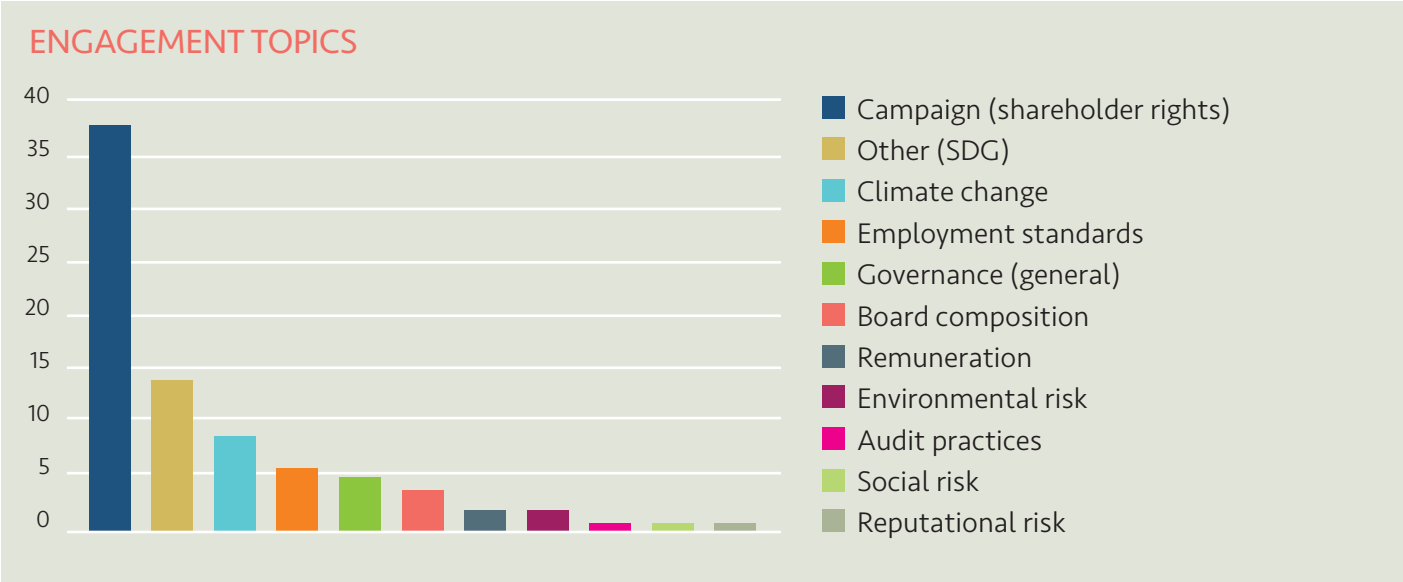
During the last quarter, LAPFF has engaged with 63 companies on issues ranging from employment standards to Sustainable Development Goals and shareholder rights.

The Forum issued two voting alerts ahead of the Ryanair and Sports Direct AGMs in September. Poor human capital management, along with continued concerns related to poor board oversight over governance issues led to recommendations to oppose annual reports and the Chair at both companies. The Forum also attended both companies’ AGMs.

With an aim to better understand how companies approach the UN Sustainable Development Agenda, LAPFF has liaised with 14 companies to discuss the topic of sustainable cities and climate risk management, as well as water stewardship and access to water and sanitation.

The Forum has submitted its response to the Kingman Review that aims to review the role and power of the Financial Reporting Council (FRC). Despite the responses not being public, the Forum considers that its position on disbanding the current FRC is widely shared.

Company Engagement



GOVERNANCE RISK



Sidney Taurel, Chair of Pearson

At a meeting with **Sainsbury's**, LAPFF Executive member Cllr Doug McMurdo spoke with Chair David Tyler about cybersecurity management post-General Data Protection Regulation (GDPR) and how this is managed at the Board level. The meeting also covered the 2016 acquisition of Argos as well as the planned Asda merger and how these can impact investor value, customer experience and employment.

LAPFF also met with the Chair of **Pearson**, Sidney Taurel, to better understand the company's approach to the changing publishing environment and to discuss the new focus on digital content and book rentals. The Forum was also pleased to hear about positive changes to the Company's executive remuneration and plans to increase female representation throughout the Company. Other topics covered included climate-related financial disclosure and eliminating plastics in packaging for printed materials.

Along with 80 investors, the Forum was named on letters to more than 40 US companies that serve on the **National Association of Manufacturers' (NAM)** board. NAM has launched an aggressive critique of shareholder engagement especially on climate and is working against shareholders being able to file resolutions as well as any responses received. The letter expressed concerns regarding a recent report funded and distributed by NAM, which states that shareholder resolutions diminish company value. The letters call for the companies to distance themselves from NAM's position and to communicate their concerns to NAM leadership.

With an aim of gaining a better understanding of companies' approach to the Sustainable Development Goals, LAPFF wrote to **Stagecoach Group, Go-Ahead Group, Taylor Wimpey, Persimmon, Berkeley Group, Bovis Homes** and **Barratt Developments** on the topic of sustainable cities and climate risk management. The Forum also wrote to the most widely-held food and beverage companies on their approach to water stewardship and ensuring adequate water and sanitation practicalities across the supply chain, as well as to **United Utilities** and **Severn Trent** on sustainable and efficient water use.

Voting alerts

Ahead of the **Sports Direct International** Annual General Meeting, LAPFF issued a [voting alert](#) advising members to oppose the annual report, share repurchase and the re-election of Chair Keith Hellawell, Chief Executive Mike Ashley and Senior Independent Director Simon Bentley. Owing to the unresolved employment issues, the Forum continues to consider that the company does not have adequate governance structures and processes in place to foster the creation of long-term shareholder value. The Forum further recommended a vote in favour of the remuneration report and to abstain on the remuneration policy.

An [alert](#) was also issued recommending a vote against **Ryanair's** annual report and the Chair, David Bonderman, amid continuing human capital management issues across the company and the company's failure to deliver adequate customer service during flight cancellations. There are further concerns over the overall level of independence on the board, including Mr Bonderman himself, who has been on the Board for over twenty years.

ENVIRONMENTAL AND CARBON RISK

The Forum Vice Chair Cllr Doug McMurdo spoke with **Unilever** representatives on the topic of sustainable palm oil and the recent critiques of the Roundtable on Sustainable Palm Oil (RSPO), of which Unilever is a founding member. The Forum was interested to know how the Economic, Social and Governance (ESG) components are balanced within RSPO and discussed how the S component can be more integrated within the work of RSPO. The Company also provided insight into the decision to move to a single share class structure.



Amu Power plant

LAPFF co-signed a letter to the chair and chief executive of **General Electric**, John Flannery, asking the company to re-consider the acquisition of a stake in Amu Power coal plant in Kenya. The Forum is of the view that the investment is at odds with the Company's public positioning on climate change and the Paris Agreement.

Collaborative engagement with **BP** continued with one of the regular '8 on 8' meetings with investors and senior BP staff, as part of the Climate Action 100+ initiative.



Discussions focused on the company's 'race to lower carbon' including an efficiency focus in upstream technology and the company's new technology and investments. As BP is the lead provider of methane in the US, LAPFF asked about the focus on methane emission control in the US and promoting methane management beyond the company's direct impact. The Forum also asked about the ambition and scale of the company's plans for Electric Vehicle charge points.

At a collaborative meeting with Simon Thompson, the Chair of **Rio Tinto**, LAPFF joined other members of the Institutional Investors Group on Climate Change (IIGCC) to follow up the Company's progress in disclosing more information subsequent to the shareholder resolution at this year's AGM on membership of trade bodies and lobbying practices. It was noted that Rio has sold all its coal operations, but still relies on coal as an energy source in Mongolia and South Africa.



In September, LAPFF continued its collaborative engagement with **Ford Motor Company** under the aegis of Climate Action 100+. The meeting sought to pursue existing dialogue on the company's position on public policy on vehicle greenhouse gas emission standards, in the context of the Climate Action 100+ requests on emission reduction and enhanced disclosure.

SOCIAL RISK

Employment Standards

Following strong investor concern over governance and employment practices at Sports Direct and Ryanair, the Forum attended both of the companies' AGMs in September. At the **Sports Direct** AGM, LAPFF spoke to the employee representative about the election process and inquired about some of the feedback from staff. The Forum also spoke to the newly elected Chair and the new female director. The Forum considers that the changes in leadership are likely to result in a more constructive discussion with the Company in the future.

LAPFF Vice Chair Cllr Paul Doughty attended the **Ryanair** AGM in Dublin. He inquired about alleged disciplinary actions against staff for not reaching sales targets and noted the issues around workers on Irish contracts. Cllr Doughty also asked about potential repayments for the delays and cancellations during industrial strikes.

Diversity

Through its membership of the 30% Club investor group, the Forum requested meetings with companies from the energy sector to discuss board governance processes around nominations and succession planning for both non-executives and executives and how diversity is considered in this process.

RELIABLE ACCOUNTS/CONSULTATION RESPONSES

LAPFF submitted its [response](#) to the Kingman Review, with the main recommendations being: disbanding the current FRC, creating a stand-alone UK Financial Accounting Standard Board, putting some audit oversight functions into a Companies Commission with the Insolvency Service, and creating a UK auditing oversight board. Disappointingly, the Kingman Review team have decided not to make the responses public. However, it is clear from those that have been published by the party making the submission, that the LAPFF position is widely shared.

These statements are from the response of fifth largest accounting firm BDO: 'It is our view that the FRC's reputation for regulation is poor...' '...the FRC's reputation for standard-setting has been, and will continue to be, undermined. For this reason alone, we believe that the two functions should be separated into different bodies.' and 'the FRC's failings are partly due to the conflict of interest engendered by its dual responsibilities for standard-setting and compliance, and partly through its "negative" impact on the audit market place.'

MEDIA COVERAGE

Ryanair

[Ryanair cancels flights after strike by pilots and cabin crew](#) – Financial Times, 28 September 2018

[UK public pension group call for 'oppose' votes at Ryanair AGM](#) – Business Insider, 14 September 2018

[UK public pension group to oppose Ryanair at AGM](#) – Reuters, 14 September 2018

[Local authority pension group seeks to outst Ryanair chair](#) – Local Government Chronicle, 14 September 2018

[UK pension fund will oppose Ryanair at annual meeting](#) – The Guardian, 14 September 2018

[Ryanair chairman David Bonderman facing turbulence](#) – The Times, 15 September 2018

[Michael O'Leary's lockdown won't keep Ryanair's woes a secret](#) – The Guardian, 15 September 2018

[Ryanair says shareholder will back Bonderman at AGM](#) – Independent, 19 September 2018

[Ryanair CEO O'Leary admits he needs to improve his performance](#) – Bloomberg, 19 September 2018

[Ryanair investors Royal London to oppose re-election of airline's chair at AGM](#) – City AM, 19 September 2018

[Ryanair faces growing backlash at annual shareholder meeting](#) – The Guardian, 19 September 2018

[Ryanair shareholders re-elect O'Leary and Bonderman](#) – RTE, 20 September 2018

[Ryanair chief survive shareholder revolt](#) – Travel Weekly, 20 September 2018

[Ryanair faces turbulent AGM](#) – The Times, 20 September 2018

[Ryanair boss Michael O'Leary may leave within five years](#) – BBC, 20 September 2018

[Ryanair reports 30% votes against re-election of chairman Bonderman](#) – Morningstar, 20 September 2018

[Ryanair chair survives shareholder revolt but investors want change](#) – The Guardian, 20 September 2018

[Council pension fund rebel at Ryanair meeting](#) – The MJ, 20 September 2018

[Ryanair chairman re-elected at AGM by narrower margin amid concerns about strikes](#) – Proactive Investors, 20 September 2018

[Ryanair board survives AGM intact but dissatisfaction evident](#) – The Irish Times, 20 September 2018



Sports Direct

[Debenhams comment by Sports Direct forces watchdog to intervene](#) – The Guardian, 12 September 2018

[Ashley turn on shareholder after shambolic week for Sports Direct](#) – Shropshire Star, 14 September 2018

Reliable Accounts

[Britain needs a companies commission](#) – Economia, 9 August 2018

[UK accountancy watchdog 'too close' to big four, say critics](#) – Financial Times, 20 August 2018

[Independent Review considers calls for UK audit regulator to be shut down](#) – IPE, 28 August 2018

[UK accounting watchdog to publish hospitality register](#) – Financial Times, 13 September 2018

[Accountancy can be made to work for investors](#) – Financial Times, 13 September

Climate

[Investor group opposes General Electric plans for Kenyan power plant](#) – Reuters, 19 July 2018

[UK pension fund forum urges greater climate action from 16 firms](#) – Environmental Finance, 10 August 2018

[Fracking investments by council pension funds 'unlawful'](#) – BBC, 3 September 2018

Other

[How gender pay gap data is being used in investor engagement](#) – Professional Pensions, 28 August 2018

[Barnet pension scheme votes to join the LAPFF](#) – Pensions Expert, 9 July 2018

COMPANY PROGRESS REPORT

63 companies engaged over the quarter

Q3 2018 ENGAGEMENT DATA

| Company | Activity | Topic | Outcome |
|-------------------------------------|----------------|---|-------------------------|
| A3M Company | Letter | Campaign (Shareholder rights) | Dialogue |
| ABB Ltd | Letter | Campaign (Shareholder rights) | Dialogue |
| Abbott Laboratories | Letter | Campaign (Shareholder rights) | Dialogue |
| American Electric Power Company Inc | Letter | Campaign (Shareholder rights) | Dialogue |
| Barratt Development plc | Letter | Other (SDGs) | Dialogue |
| Berkeley Group Holdings plc | Letter | Other (SDGs) | Dialogue |
| Bovis Homes Group plc | Letter | Other (SDGs) | Dialogue |
| BP plc | Meeting | Climate Change | Substantial improvement |
| Bristol-Myers Squibb Company | Letter | Campaign (Shareholder rights) | Dialogue |
| Brown-Forman Corporation | Letter | Campaign (Shareholder rights) | Dialogue |
| Cairn Energy plc | Letter | Board composition | Dialogue |
| Caterpillar Inc | Letter | Campaign (Shareholder rights) | Dialogue |
| Conocophillips | Letter | Campaign (Shareholder rights) | Dialogue |
| Cummins Inc | Letter | Campaign (Shareholder rights) | Dialogue |
| Deere & Company | Letter | Campaign (Shareholder rights) | Dialogue |
| Devon Energy Corporation | Letter | Campaign (Shareholder rights) | Dialogue |
| Dow DuPont Company | Letter | Campaign (Shareholder rights) | Dialogue |
| Eli Lilly and Company | Letter | Campaign (Shareholder rights) | Dialogue |
| Emerson Electric Co | Letter | Campaign (Shareholder rights) | Dialogue |
| ExxonMobil Corporation | Letter | Campaign (Shareholder rights) | Dialogue |
| Fluor Corporation | Letter | Campaign (Shareholder rights) | Dialogue |
| Ford Motor Company | Meeting/Letter | Climate change/Campaign (Shareholder rights) | Small improvement |
| General Electric Company | Letter | Campaign (Shareholder rights)/ Climate change | Dialogue |
| Glencore plc | Letter | Audit practice | Dialogue |
| Go-Ahead Group plc | Letter | Other (SDG) | Dialogue |
| Intel Corporation | Letter | Campaign (Shareholder rights) | Dialogue |
| Johnson & Johnson | Letter | Campaign (Shareholder rights) | Dialogue |
| Johnson Controls Inc | Letter | Campaign (Shareholder rights) | Dialogue |
| Leggett & Platt Inc | Letter | Campaign (Shareholder rights) | Dialogue |
| Lockheed Martin Corporation | Letter | Campaign (Shareholder rights) | Dialogue |
| Marathon Petroleum Corporation | Letter | Campaign (Shareholder rights) | Dialogue |
| McCormick & Company Inc | Letter | Campaign (Shareholder rights) | Dialogue |
| Merck & Co Inc | Letter | Campaign (Shareholder rights) | Dialogue |
| Microsoft Corporation | Letter | Campaign (Shareholder rights) | Dialogue |
| National Grid plc | Letter | Climate change | Dialogue |
| Nestle SA | Letter | Other (SDG) | Dialogue |
| Nostrum Oil & Gas plc | Letter | Board composition | Dialogue |
| Novartis AG | Letter | Campaign (Shareholder rights) | Dialogue |
| Pearson plc | Meeting | Governance/Remuneration | Moderate improvement |
| Pennon Group plc | Letter | Other (SDG) | Dialogue |
| PepsiCo Inc | Letter | Other (SDG) | Dialogue |
| Persimmon plc | Letter | Other (SDG) | Dialogue |
| Pfizer Inc | Letter | Campaign (Shareholder rights) | Dialogue |
| PPG Industries Inc | Letter | Campaign (Shareholder rights) | Dialogue |

Q3 2018 ENGAGEMENT DATA

| Company | Activity | Topic | Outcome |
|------------------------------------|--------------------------|--|----------------------|
| Procter & Gamble Company | Letter | Campaign (Shareholder rights) | Dialogue |
| Rio Tinto Group (GBP) | Meeting | Climate change | Moderate improvement |
| Ryanair Holdings plc | Alert issued/AGM | Employment standards/Board composition | Change in process |
| Sainsbury (J) plc | Meeting | Governance (General) | Dialogue |
| Severn Trent | Letter | Other (SDG) | Dialogue |
| Southern Company | Letter | Climate Change/Campaign (Shareholder rights) | Dialogue |
| Sports Direct International plc | Alert issued/AGM/ Letter | Employment standards/Board composition | Dialogue |
| Stagecoach Group plc | Letter | Other (SDG) | Dialogue |
| Suez Environment | Letter | Other (SDG) | Dialogue |
| Taylor Wimpey plc | Letter | Other (SDG) | Dialogue |
| Textron Inc | Letter | Campaign (Shareholder rights) | Dialogue |
| The Boeing Company | Letter | Campaign (Shareholder rights) | Dialogue |
| The Coca-Cola Company | Letter | Other (SDG) | Dialogue |
| The Goodyear Tire & Rubber Company | Letter | Campaign (Shareholder rights) | Dialogue |
| Tullow Oil plc | Letter | Board composition | Dialogue |
| Unilever plc | Meeting | Environmental risk/Social risks/ Governance | Small improvement |
| United Technologies Corporation | Letter | Campaign (Shareholder rights) | Dialogue |
| United Utilities Group plc | Letter | Other (SDG) | Dialogue |
| Verizon Communications Inc | Letter | Campaign (Shareholder rights) | Dialogue |

NETWORKS AND EVENTS

The following lists some of the events and meetings attended by or on behalf of LAPFF representatives during the quarter:



In July, the Forum organised an investor briefing to discuss governance and workforce issues at Ryanair, chaired by Cllr Ian Greenwood. The meeting heard from Ryanair cabin crew, representatives from the International Transport Workers Federation, an HSBC analyst and a partner at Charles Russell Speechlys.



The Local Government Pensions Minister, Rishi Sunak MP, spoke at the July meeting of the All Party-Parliamentary Group (APPG) on Local Authority Pension Funds. Chaired by Clive Betts MP, the meeting covered the importance of investing in infrastructure, pooling and revisited the topic of including Councillors as members of LGPS. Richard Murphy, Professor of Practice in International Political Economy and Director of Tax Research LLP also addressed the group on the lack of transparency within the big four accountancy firms – Deloitte, KPMG, Ernst & Young and PwC – and emphasised the importance of having strong accountancy standards. The minutes from the meeting can be accessed [here](#).



The Forum joined a new investor alliance to engage companies on plastic pollution, led by the As You Sow Initiative. The Plastic Solutions Investor Alliance are intending to primarily focus on plastic packaging and to initiate dialogue with four large international consumer goods companies: PepsiCo, Procter & Gamble, Nestle and Unilever.



Through its membership in the Principles for Responsible Investment (PRI) Investor Working Group on Sustainable Palm Oil, the Forum attended a webinar on the risks that banks associated with deforestation face and the importance of investor engagement. The Forum also attended a webinar on companies that allegedly buy illegal palm oil in Indonesia.



Attendance at the Global Climate Action Summit in San Francisco emphasised the central importance of investors in sending strong signals to government to step up action by 2020, when global emissions need to peak and then swiftly decline. Conference outcomes set out a 'call to action' for all parties to take advantage of the opportunities to transition to a low-carbon economy.



In September, LAPFF also attended the annual Climate Week in New York. The summit, which was launched by The Climate Group in 2009, gathers politicians, nongovernmental organisations, activist, policy makers and representatives from businesses to drive climate action forward.



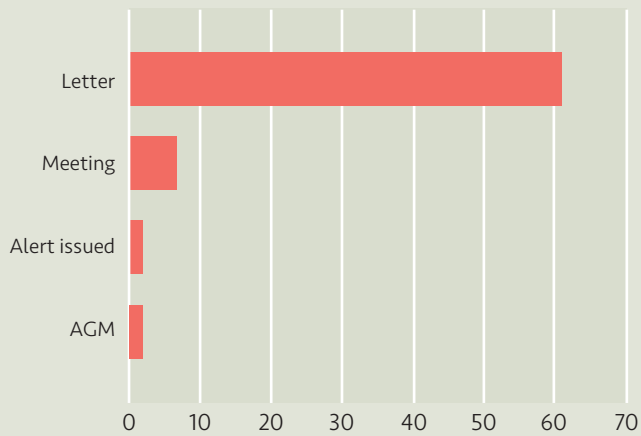
At a CEO Investor Forum organised by 'CECP: The CEO Force for Good,' the Forum heard from a range of CEOs including from NRG Energy, IBM and GSK. The event reviewed the positive impact of communicating long-term value creation with investors.



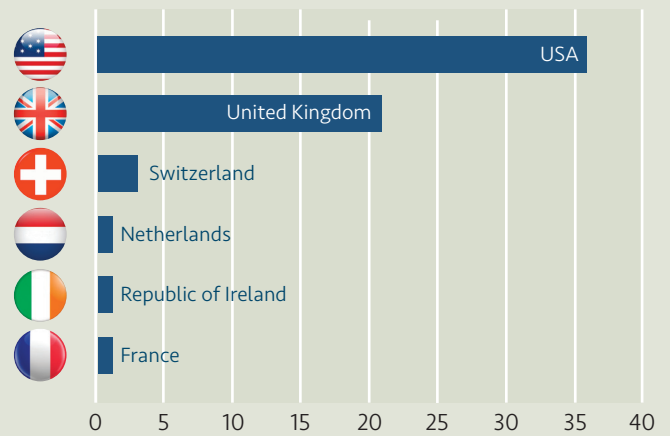
The Financial Reporting Council (FRC) has launched independent research into FTSE350 companies' diversity and inclusion reporting. The Forum attended an event organised by the FRC on current trends in reporting and related initiatives.

COMPANY ENGAGEMENT ACTIVITIES

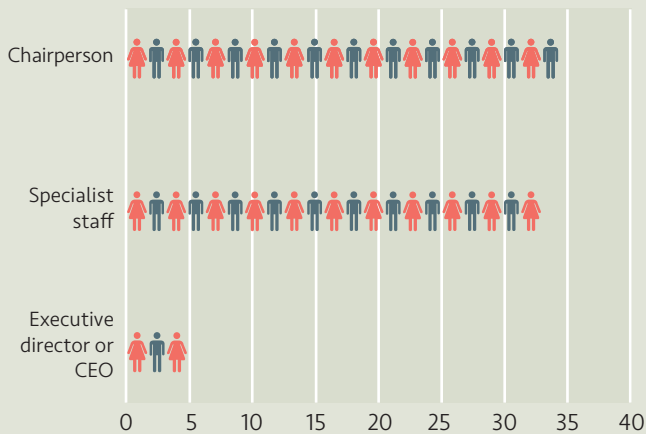
Company engagement activities



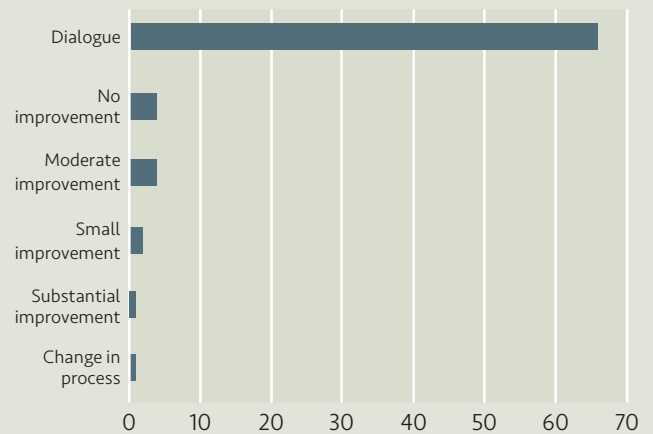
Company domiciles



Position engaged



Outcomes



LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

- Avon Pension Fund
- Barking and Dagenham LB
- Barnet LB
- Bedfordshire Pension Fund
- Border to Coast Pensions Partnership
- Cambridgeshire Pension Fund
- Camden LB
- Cardiff and Vale of Glamorgan Pension Fund
- Cheshire Pension Fund
- City and County of Swansea Pension Fund
- City of London Corporation
- Clwyd Pension Fund
- Cornwall Pension Fund
- Croydon LB
- Cumbria Pension Scheme
- Derbyshire CC
- Devon CC
- Dorset County Pension Fund
- Durham Pension Fund
- Dyfed Pension Fund
- Ealing LB
- East Riding Of Yorkshire Council
- East Sussex Pension Fund
- Enfield LB
- Environment Agency Pension Fund
- Falkirk Council
- Gloucestershire Pension Fund
- Greater Gwent Fund
- Greater Manchester Pension Fund
- Greenwich Pension Fund
- Gwynedd Pension Fund
- Hackney LB
- Hammersmith and Fulham LB
- Haringey LB
- Harrow LB
- Havering LB
- Hertfordshire County Council Pension Fund
- Hounslow LB
- Islington LB
- Lambeth LB
- Lancashire County Pension Fund
- Leicestershire Pension Fund
- Lewisham LB
- Lincolnshire CC
- London CIV
- London Pension Fund Authority
- Lothian Pension Fund
- Merseyside Pension Fund
- Merton LB
- Newham LB
- Norfolk Pension Fund
- North East Scotland Pension Fund
- North Yorkshire CC Pension Fund
- Northamptonshire CC
- Northern Pool
- Northumberland CC
- Nottinghamshire CC
- Oxfordshire Pension Fund
- Powys CC Pension Fund
- Redbridge LB
- Rhondda Cynon Taf
- Shropshire Council
- Somerset CC
- South Yorkshire Pension Authority
- Southwark LB
- Staffordshire Pension Fund
- Strathclyde Pension Fund
- Suffolk CC Pension Fund
- Surrey CC
- Sutton LB
- Teesside Pension Fund
- Tower Hamlets LB
- Tyne and Wear Pension Fund
- Wales Pension Partnership
- Waltham Forest LB
- Wandsworth LB
- Warwickshire Pension Fund
- West Midlands ITA Pension Fund
- West Midlands Pension Fund
- West Yorkshire Pension Fund
- Westminster LB
- Wiltshire CC
- Worcestershire CC