

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**MUNICIPAL YEAR 2018-2019 – REPORT NO.5**

**PENSION FUND COMMITTEE**

**25<sup>TH</sup> MARCH 2019**

**REPORT OF: THE DIRECTOR OF  
FINANCE AND DIGITAL SERVICES**

	<b>AGENDA ITEM NO.5</b>
<b>DELEGATED FUNCTIONS – UPDATE REPORT</b>	

**Author – Barrie Davies, Director of Finance and Digital Services (01443) 424026**

**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 Director of Finance and Digital 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 Director of Finance and Digital 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 4<sup>th</sup> March 2019.

#### **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 December 2018.

- 4.2 During the quarter ended 31<sup>st</sup> December 2018, the overall value of the Fund reduced from £3,475 million to £3,212 million.
- 4.3 A summary of performance relative to the Fund specific benchmark is shown below.

### **Total Portfolio**

	2016				2017				2018				3yr
Quarter	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Fund	1.4	5.3	7.9	1.8	5.1	2.8	1.7	3.9	-2.0	6.6	.2.8	-8.1	<b>9.8</b>
B'mark	2.4	6.5	6.8	3.2	4.3	0.7	1.5	3.9	-3.4	4.9	2.4	-6.2	<b>8.9</b>
Relative	-1.0	-1.1	1.1	-1.3	0.8	2.1	0.3	0.1	1.5	1.6	0.5	-2.0	<b>0.8</b>

- 4.4 As shown, the rolling 3 year performance of the fund is 0.8% positive as compared to benchmark. For the last quarter, performance has been positive across the Newton and CBRE property portfolios, with negative performance across both Baillie Gifford mandates and the Blackrock passive. The bond mandate matched the index for the quarter.
- 4.5 The Advisory Panel meets with Fund Managers on a cyclical basis and at the March meeting met with Baillie Gifford to discuss both mandates.

### **Baillie Gifford Traditional (Core) Equity Mandate**

- i) The value of the portfolio reduced from £748.0M at the 31<sup>st</sup> December 2017 to £724.4M at the 31<sup>st</sup> December 2018;
- ii) During the latest year, £7.5M has been withdrawn from the portfolio as part of realigning our assets in line with the strategy agreed by the Committee in March 2018;
- iii) The rolling 3 year performance of the portfolio is 12.6% as compared to a benchmark of 9.7%;
- iv) The latest quarter saw performance at -14.0% which was 4.3% behind the benchmark.

### **Baillie Gifford High Alpha Equity Mandate**

- i) The value of the property portfolio reduced from £756.2M at the 31<sup>st</sup> December 2017 to £729.1M at the 31<sup>st</sup> December 2018;
- ii) The rolling 3 year performance of the portfolio is 14.1% as compared to a benchmark of 12.5%;
- iii) The latest quarter saw performance at -9.5% which was 1.2% ahead of the benchmark.

- 4.6 As members are aware, the March 2018 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 31<sup>st</sup> December 2018. Further allocations to property are projected to Quarter 1 2020.

	Original Allocation %	Fund Value as at 31/12/18 £M	Allocation % as at 30/09/18	Allocation % as at 31/12/18	Current Benchmark (Step 1)
<b>Equities</b>	75	2,072	70	65	63
<b>Property</b>	5	221	6	7	10
<b>Fixed Interest (UK)</b>	18	805	22	25	25
<b>Cash</b>	2	114	2	3	2
<b>Total</b>		<b>3,212</b>			

- 4.7 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, was approved by the FCA (July 2018), and transition into these sub funds was completed during January 2019. The proposals for the second sub fund for UK and European Equities was agreed by the Joint Governance Committee in September 2018 and has recently been approved by the FCA. The third phase relates to Fixed Interest with options in the process of being reviewed. Following review by the Panel and advisors, the fund has affirmed its ongoing requirement for Fixed Interest exposure to be UK.
- 4.8 Legal and General were appointed as transition manager to carry out the physical movement of assets as cost efficiently as possible and in line with agreed transition principles. Their report on the transition is due to be received by the end of March 2019.

## **5.0 ADMINISTRATION ISSUES**

- 5.1 The Funding Strategy Statement is currently being reviewed in light of changes to regulations relating to balances at cessation.
- 5.2 Valuation terms of reference have been received and a valuation commencement meeting has now taken place with the Fund Actuary (AON), who will provide an overview of the process elsewhere on this agenda.
- 5.3 The GMP Reconciliation process has now been concluded in line with the timescales set out.

- 5.4 Year end accounting terms of reference have been received from the actuary and disseminated to employers as appropriate.
- 5.5 GDPR work is ongoing with the next phase requiring complete document review, supported by the Council's Information Management Team.
- 5.6 The focus on Data Quality continues and was reinforced by the Regulator at the AGM. Key work includes :
- Data Improvement Plan updated to assist data quality improvements and reported to Pension Board.
  - The valuation extracts for the interim valuation run at 31/08/2018 were uploaded to the actuary. Results received to be analysed shortly and employers engaged to resolve data queries.
  - As previously resolved, I-connect is now being rolled out on a mandatory basis by December 2019.
  - MSS has been rolled out to LG members (updated take-up table below)
  - MSS Councillor actives and deferred, also activated.
- 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 % age</u>
Actives	23,319	8,726	37.48%	37.28%
Deferred	26,165	6,242	23.86%	23.45%
Pensioners	16,927	2,564	15.15%	14.12%
Dependants	2,671	99	3.71%	3.56%

- 5.8 Eight 'Key Performance Service Standards' are monitored by the Panel. It was noted that to the end of January 2019, three measures were behind target.
- **transfers in processed within 10 days** (68% against a target of 90%). This measure does not impact on the physical payment of benefits. Performance during January was impacted due to delays in the receipt of actuarial guidance for estimates with a relevant date post 29<sup>th</sup> October 2018;
  - **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. During January 156 cases were completed 1 of which was over target.

- **Refund of contributions processed within 10 days** (94.35% against a target of 95%). Marginally behind target, noted that performance for the latest month was 100%.

- 5.9 The number of 'Internal Dispute Resolution Procedure' Appeals in progress remains extremely low, with no obvious trends to report.
- 5.10 The plans to transition to hosted cloud technology has continued to be implemented with MSS transitioned during February 2019. Migration of the core pension system is being tested. Cyber Security initial compliance work has been completed with an action plan developed for ongoing assurance purposes. Cyber Security will be incorporated in the future work programme for the committee.

## **6.0 PENSION BOARD**

- 6.1 The Pension Board last met on the 11<sup>th</sup> January 2019, the next meeting is scheduled for the 25<sup>th</sup> March, jointly with the committee.
- 6.2 The key issues arising from the latest meeting are :
- a. WPP governance and performance assurance processes; Chair of Board to meet with Chair of Committee.
  - b. Training to be provided to the Board on stock lending.
  - c. Consider ways to improve employer engagement at the Annual General Meeting.
- 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 Attached at **appendix1** is the latest LAPFF quarterly engagement report for the quarter ended December 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 Director of Finance and Digital Services.

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# QUARTERLY ENGAGEMENT REPORT

OCTOBER TO DECEMBER 2018



LAPFF raises the stakes and calls for a shareholder resolution at Ryanair

AGM attendance raises operational risk of joint ventures in relation to Samarco dam

Competition and Markets Authority final report devotes an appendix to LAPFF's 'expectations gap' on audit quality

Kingman Review recommends disbanding the FRC in line with LAPFF position

Affordability and climate risk strategy explored in meetings with construction firms and housebuilders

Regulatory and other challenges of plastic waste and pollution addressed with consumer goods and packaging companies



# Executive Summary

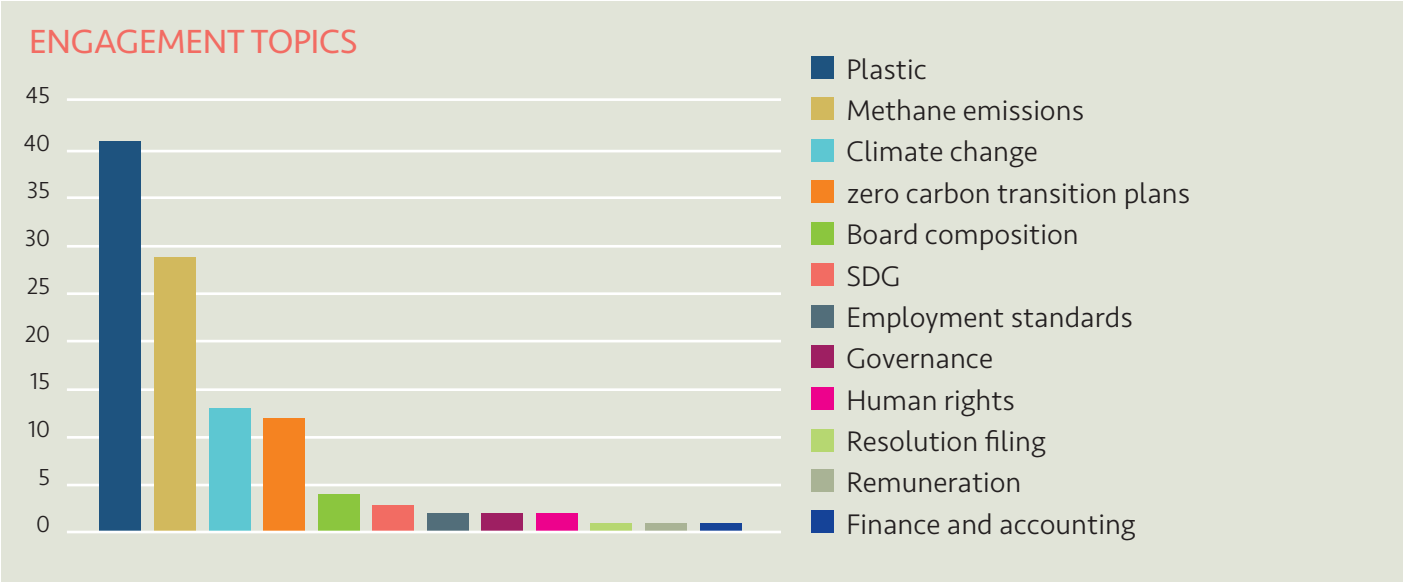
Concerned about the continuing human capital management and governance issues at Ryanair, the Forum announced a proposal to file a shareholder resolution ahead of the company’s 2019 AGM, with the aim of replacing the current Chair David Bonderman, who has been on the board for 22 years, and ensuring that a coherent succession plan is in place for Chief Executive Michael O’Leary. Despite numerous efforts to meet with a Board member, Ryanair has not yet agreed to such a meeting.

The Forum also progressed work on the topic of plastics, joining a coalition of investors engaging with companies on the overall threats posed by plastic waste and pollution. The Forum met with two companies on this, as well as discussing the use of single-use plastic specifically. Additionally, the Forum co-signed a letter to a range of companies on reducing plastic pellet loss.

The quarter saw many engagements with Board members of housebuilders and construction companies on the topic of sustainable cities and climate risk management. Part of a broader topic of Sustainable Development Goals, these meetings sought to broaden the Forum’s understanding of how these companies approach issues around planning and affordability, and seek assurance that tackling climate change is integral to the business strategy.

During this quarter, LAPFF engaged with 95 companies on issues ranging from human capital management and Board composition to climate change reporting and sustainability.

# Company Engagement



## SOCIAL RISK



### Ryanair

In continuing attempts to meet with members of the **Ryanair** Board, Acting Chair Cllr Paul Doughty attended the AGM and reiterated a request to meeting, but this was not secured. Following a failure to listen to shareholders' concerns after almost 30% of voted against Mr Bonderman's re-election at the September AGM, LAPFF announced plans to file a shareholder resolution at the 2019 AGM that would recommend the Company replace Mr Bonderman and set out succession plans for Chief Executive Michael O'Leary.

### Social Risks and Poor Management at BHP and Sports Direct

During the quarter, Cllr Paul Doughty attended **BHP Billiton's** AGM, where he inquired about operational risks of joint ventures, specifically in relation to the Samarco dam. While the company noted that a different approach to joint ventures would not have prevented Samarco, BHP learned a number of lessons from the tragedy. The Forum also met with community members affected by the Samarco dam collapse to listen to their personal experiences and to assess what additional issues can be raised with the company in the future.

At **Sports Direct's** AGM in December, Cllr Doughty inquired about the current acquisition strategy which might not be appropriate to create sufficient value for shareholders. The Forum questioned the company's reasoning behind acquiring struggling high street retailers House of Fraser and Evans Cycles, in light of Michael Ashely's comments that the 'high street is dying'. Sports Direct assured the Forum that all efforts will be paid to save the high street and shareholder assets will be protected. When asked about including an independent body in the selection process of a workers representative, the company did not comment.

Following a meeting with the Vice President of investor relations representative earlier this year, LAPFF wrote to the Lead Independent Director of **Motorola Solutions**, requesting a meeting to discuss the Company's human rights policy and due diligence processes relating to operation in the Occupied Palestinian Territories.

LAPFF continued to engage with companies on gender diversity through its membership in the 30% Club Investor

Group, which currently has a focus of UK companies in the energy sector. The group is also reaching out to search firms to ensure that they fully embrace the voluntary code of conduct on diversity.

### 'Expectations Gap is a Red Herring': LAPFF Responds to Competition and Markets Authority

The LAPFF response to the Competition and Markets Authority (CMA) consultation on the UK audit market, submitted on 29 October 2018, highlighted the deficiencies of the Financial Reporting Council and the standards and inspection regimes under that. LAPFF received a very quick response from the enquiry and a meeting was held with the acting chair of LAPFF on 13 November. The officials met were very engaged on the issues, and given similar information from the investor coalition that LAPFF has been a member of, the subject of the legal opinions of George Bompas QC for LAPFF was discussed in detail.

The matter of the auditors' claim of an 'expectation gap' between what they are supposed to do and what the public expects them to do, came up. The final CMA report devoted an appendix chapter to the subject. It states that 'LAPFF described the expectations gap as a red herring. LAPFF argued that the audit quality problem is a result of the industry's misinterpretation of the existing legal framework. In short, if the existing regime was interpreted and applied properly, the expectation gap would disappear because the current legal framework should be robust enough to produce the quality outcomes stakeholders expect.'

The CMA report also made far reaching recommendations to reform the UK audit market. Firstly, separating the consulting parts of accounting firms from audit, a form of ring fencing. Secondly, requiring that FTSE 350 companies must have joint auditors, the second auditor not being one of the Big 4.

On the same day the Kingman Review reported on the future of the Financial Reporting Council. It recommends, in line with the LAPFF position, that the FRC is disbanded and replaced with a statutory body constituted by Parliament. The Review recommends this as the Auditing, Reporting and Governance Authority.



### Governance at Housebuilders and Glencore

With the aim of gaining a better understanding of companies' approach to the Sustainable Development Goals, in particular the goal on sustainable cities and communities, LAPFF met with a number of housebuilders and construction companies. At a meeting with the Chair of **Persimmon**, Roger Devlin, LAPFF Vice Chair Cllr Doug McMurdo asked about issues around planning and the Help to Buy scheme. On climate risk management, the Company expressed interest in measuring Scope 3 emissions. The Forum was also interested to hear the company's plan to repair its damaged reputation over executive payouts, following opposition from 49% of shareholders on remuneration for Chief Executive, Jeff Fairburn.



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At a meeting on the same topic with Kevin Beeston, the Chair of **Taylor Wimpey**, Cllr McMurdo inquired about the sustainability of the Help to Buy scheme and the company's relationship with central government. The company then discussed climate risk management and assured LAPFF that science-based targets will be set. Diversity across the business was also a topic of discussion. The overall approach to sustainable cities and other development goals was also raised with the chief executive of **Barratt Developments**, David Thomas. The meeting discussed standards for homes, noting the board's focus on climate risk, which includes adaptation measures taken in siting for flooding as well as the need for science-based targets.

Along with other investors, including Sarasin and Church Commissioners, LAPFF met with Tony Hayward, the Chair of **Glencore** to ensure that the company has appropriate measures in place to deal with bribery and corruption. Investors present were also proposing that the company undergoes an independent review of its internal controls, to which Glencore committed to.

LAPFF also expressed its concern over **Amazon's** lack of meaningful engagement with its shareholders, despite concerns related to management of certain environmental, social and governance matters. In a collaborative letter to the company, signatories noted their interest in filing a resolution if no response is received.

At **Rio Tinto's** ESG Forum hosted by the Chair, the Board as well as senior management, company representatives discussed the importance of incorporating ESG in business strategy and communicating about potential issues with shareholders. During a Q&A, investors engaged on a range of topics including relationship with employees and unions, fatality rate and joint ventures, as well as climate-related financial disclosure and climate change competence at Board level.

### ENVIRONMENTAL AND CARBON RISK

#### Tackling Climate Risk at Oil and Gas Companies

One of the big stories of the quarter, was **Royal Dutch Shell** publishing a [joint statement](#) with Climate Action 100+ lead investors, setting out its corporate strategy to implement its commitment made in 2018 which was to reduce the *Net Carbon Footprint* of its energy products by around half by 2050. Specific milestones include targets linked to remuneration, annual reporting on the progress, alignment with the TCFD recommendations and review of trade association memberships. Acting Chair Cllr Paul Doughty attended Shell's 'Board Day' in December. The Chair Chad Holliday was in attendance along with the Chairs of the Audit, Remuneration and CSR Committees and described various attributes of the board members that make them effective for Shell. Cllr Doughty asked Mr Holliday how environmental, social and governance standards can be respected through non-operated joint ventures in which Shell is involved. Cllr Doughty used the example of a recent communication by IndustriALL expressing concern about working conditions for contract workers at Shell operations.

An 'eight on eight' meeting of **BP** executives and 'Climate Action 100+' investors continued long-term regular engagement with the company. Discussions aimed to tease out further details on the company's strategy for the transition to a low carbon economy, including more information on target setting over the short, medium and long-term; ensuring capex on oil and gas development is aligned with the Paris agreement and provision of information on emissions associated with the production and use of the company's products.

The focus on the oil and gas companies does not diminish, and in December, under a tight time-frame, funds were offered the opportunity to co-file a shareholder resolution to **ExxonMobil** as part of Climate Action 100+ engagement. The resolution called for the company to disclose short, medium and long-term greenhouse gas targets aligned the Paris Climate Agreement.

Along with a group of 61 investors, the Forum asked 30 companies to declare their support for continued US Environmental Protection Agency (EPA) regulation of methane emissions and to oppose the elimination of direct regulation of methane emissions. Natural gas is almost entirely methane which is 87 times more potent in global heating than carbon dioxide over a twenty year period. If emissions from gas production, storage and delivery exceed 2% of gas produced, there is no climate benefit compared to coal. The participating investors believe that



rolling back current methane regulation would be a threat to long-term viability of the oil and gas sector.

### Utilities and clean energy

A meeting with **National Grid** co-ordinated by Climate Action 100+ provided encouraging news that the group will look at a 1.5 degree scenario. Cllr Robert Chapman asked about the most positive areas of 'value change' for shareholders. In the response, the decarbonisation of transport was cited, with further information provided on the timescale for the roll out of charging points around the UK's motorway system. The different market forces at work in the UK and US businesses are very apparent. National Grid works closely with consumers in its US operations where Massachusetts, New York and Rhode Island have each adopted targets mandating an 80% reduction in CO<sub>2</sub> emissions by 2050 across their entire economies. The Group is working in a number of areas to progress this including energy efficiency, micro-grids and geothermal.

During a meeting with **Southern Company**, co-ordinated by the 50/50 initiative, company representatives talked about the reasons for not having a separate Climate Committee, but instead delegating to the operations committee to address climate risks. The meeting also discussed climate-related disclosure and the use of climate-related metrics as part of executive remuneration.

LAPFF joined other Climate Action 100+ investors in writing to a number of utility companies, urging them to accelerate decarbonisation by setting out transition plans to net-zero carbon economy. Signatories also called on companies to support the development of ambitious climate policy and ensure that their trade associations are aligned with this objective.

### Cross sectoral engagement

A first meeting was held with **ArcelorMittal** under the aegis of the Climate Action 100+ Group. The meeting covered governance of climate risk at the company and plans for emission reductions through the use of low carbon technologies across operations. Scenario planning, target setting and Taskforce on Climate-related Financial Disclosure reporting were also discussed.

A collaborative conference call, was held with **General Electric Company** to follow up on an letter sent earlier in the year on the climatic impacts of the proposed Amu Power coal project in Kenya. On the call, company representatives committed only to listen to questions and provide written answers. LAPFF asked if the company had considered how prices quoted for coal versus renewables might change over a two to five year time frame, and their view on renewables. A follow-up letter to the company set out a range of issues, including on this point, by asking for the levelised cost of electricity the company used in its evaluation.

LAPFF has signed on to an [Investor Statement](#) supporting a just transition to a low-carbon economy. This statement recognises that the social impact of a low-carbon energy transition is often overlooked. However, to avoid stranded workers and stranded communities, as well as stranded

physical assets, and to facilitate a smooth transition, social impacts need to be considered.



LAPFF also signed a statement from the Investor Working Group on Sustainable Palm Oil, which highlighted what investors' expect of companies regarding sustainable palm oil, and asks companies operating across the palm oil value chain to adopt and publicly disclose a 'no deforestation, no peat, no exploitation' policy. The statement serves to update an early [position paper](#) (signed by LAPFF).



FINANCIAL  
CONDUCT  
AUTHORITY

An exchange of correspondence with the Financial Conduct Authority (FCA) aimed to better understand how shareholder resolutions are being dealt with at dual-listed companies and to prompt the FCA to promote better practice in the regulatory framework for shareholder accountability. The Forum was specifically concerned with a resolution on climate change at Rio Tinto and reiterated to the FCA that climate risk is a pressing policy issue that affects all companies.

### Plastics: 2025 Target for Biodegradable, Compostable and Recyclable Materials at PepsiCo and Nestlé

As a member of the Plastic Solutions Investor Alliance, the Forum engages with consumer goods companies on the overall threats posed by plastic waste and pollution. In November, the Forum participated in a collaborative call with **Nestlé** to discuss the company's global packaging commitment and the related challenges of moving towards a more circular plastic economy. Plastic packaging and pollution was also discussed with **PepsiCo**. The company discussed plans to solely use plastic that is biodegradable, compostable and recyclable by 2025. Both companies expressed concerns over the challenges of having global operations with different regulations. The two companies are working together to achieve the 2025 target.

The Forum has also signed an investor letter urging companies to commit to zero plastic pellet loss across their whole business and to assess and report on all progress. Plastic pellets are used to create almost all plastic products and it is estimated that over 200 thousand tonnes of pellets or other micro-plastics enter the ocean each year<sup>1</sup>. The letter was sent to over 40 companies in associated supply chains which included plastic manufacturers, plastic packaging manufacturers, transport and logistic companies, retailers and consumer companies.

<sup>1</sup>Eunomia (2016) Plastics in the Marine Environment <http://www.eunomia.co.uk/reports-tools/plastics-in-the-marine-environment/>

## MEDIA COVERAGE

### Ryanair: Pressure for a New Chair

[Ryanair hits headwinds in 2018, but is still well placed to grow](#) – Irish Times, 26 December 2018

[Ryanair, O'Leary sotto l'assedio dei fondi inglesi](#) – First Online, 9 November 2018

[Investoren fordern Ablung des Ryanair-Verwaltungsratschefs](#) – Ariva.de, 5 November 2018

[ESG Roundup: UK public sector schemes to oppose Ryanair chairman](#) – IPE, 30 October 2018

[Pension funds heal pressure on Ryanair to ditch chairman](#) – The Times, 29 October 2018

[Pension fund revives efforts to change Ryanair leadership](#) – LGC, 29 October 2018

[Council pension fund forum calls for Ryanair chair to step down](#) – LocalGov, 29 October 2019

[Ryanair investors square up for second fight over chairman Bonderman](#) – Independent, 29 October 2018

[Ryanair investors call for chairman to go, CEO succession plan - media reports](#) – ProactiveInvestors, 29 October 2018

[Crisis en Ryanair: nueva conspiracion interna para que el presidente dimita](#) – preferente.com, 29 October 2018

[Ryanair investors call for chairman to stand down in 2019](#) – The Guardian, 28 October 2018

[Ryanair shareholder reignites calls to replace chairman](#) – Financial Times, 28 October 2018

[Ryanair shareholder gear up for fresh call to ditch chair](#) – The Telegraph, 28 October 2018

[Ryanair shareholder calls for chairman's ouster](#) – Reuters, 28 October 2018

[Ryanair shareholders call for chairman David Bonderman to be replaced](#) – ITV, 28 October 2018

[Un actionnaire de Ryanair demande l'éviction du président](#) – Capital, 28 October 2018



### Reliable Accounts: Challenging the Auditors

[Kingman review proposes replacing FRC with new, stronger regulator](#) – IPE, 18 December 2018

[Big Four warns against breaking up UK audit firms](#) – Financial Times, 13 November 2018

[Chief executive of audit watchdog to step down amid independent probe](#) – IPE, 2 November 2018

['Total failure of a political ideology': SNP MP blasts outsourcing industry at #SNP18 fringe](#) – Common-Space, 9 October 2018

### Utilities and the Drive to Zero Carbon

[Power companies must accelerate decarbonisation and support ambitious climate policy](#) – Financial Times, 20 December 2018

### Asset Managers and ESG

[£230bn pensions body tells AMs to 'up your game' on ESG](#) – Citywire Selector, 20 December 2018

[Public pension funds 'underwhelmed' by managers on ESG](#) – IPE, 20 December 2018

[Pension funds criticise asset managers over lax ESG approach](#) – LGC, 19 December 2018

[Mitigating the investment risks of rising income inequality](#) – Impact Alpha, 8 November 2018

[For the LGPS, ESG is a shared priority with a split approach](#) – LGC, 22 October 2018

## COMPANY PROGRESS REPORT

95 companies engaged over the quarter

## Q4 2018 ENGAGEMENT DATA

Company	Activity	Topic	Outcome
ALIBABA GROUP HOLDING LIMITED	Letter	Commit to zero plastic pellet loss	Dialogue
AMCOR LTD	Letter	Commit to zero plastic pellet loss	Dialogue
AMOREPACIFIC CORP	Letter	Commit to zero plastic pellet loss	Dialogue
ANADARKO PETROLEUM CORPORATION	Letter	Support methane emissions regulation	Dialogue
ANTERO RESOURCES	Letter	Support methane emissions regulation	Dialogue
APACHE	Letter	Support methane emissions regulation	Dialogue
ARCELORMITTAL SA	Meeting	Climate Change	Change in Process
BARRATT DEVELOPMENTS PLC	Meeting	Other (SDG)/Climate Change	Satisfactory Response
BASF SE	Letter	Commit to zero plastic pellet loss	Dialogue
BEIERSDORF AG	Letter	Commit to zero plastic pellet loss	Dialogue
BEMIS COMPANY INC	Letter	Commit to zero plastic pellet loss	Dialogue
BHP GROUP PLC (GBR)	AGM	Governance (Joint ventures)/ Human Rights	Dialogue
BP PLC	Meeting/ Letter	Climate Change/ Support methane emissions regulation	Small Improvement
C.H. ROBINSON WORLDWIDE INC.	Letter	Commit to zero plastic pellet loss	Dialogue
CABOT OIL & GAS	Letter	Support methane emissions regulation	Dialogue
CENTRICA	Letter	Set out transition plans to net-zero carbon economy	Dialogue
CEZ	Letter	Set out transition plans to net-zero carbon economy	Dialogue
CHESAPEAKE ENERGY CORPORATION	Letter	Support methane emissions regulation	Dialogue
CHEVRON	Letter	Support methane emissions regulation	Dialogue
CIMAREX ENERGY	Letter	Support methane emissions regulation	Dialogue
CONOCOPHILLIPS	Letter	Support methane emissions regulation	Dialogue
CONTINENTAL RESOURCES	Letter	Support methane emissions regulation	Dialogue
COVESTRO AG	Letter	Commit to zero plastic pellet loss	Dialogue
DAIRY FARM INTL HOLDINGS LTD	Letter	Commit to zero plastic pellet loss	Dialogue
DEVON ENERGY	Letter	Support methane emissions regulation	Dialogue
DIAMONDBACK ENERGY, INC.	Letter	Support methane emissions regulation	Dialogue
DOW DUPONT COMPANY	Letter	Commit to zero plastic pellet loss	Dialogue
DSV A/S	Letter	Commit to zero plastic pellet loss	Dialogue
E.ON SE	Letter	Set out transition plans to net-zero carbon economy	Dialogue
EASTMAN CHEMICAL COMPANY	Letter	Commit to zero plastic pellet loss	Dialogue
EDF	Letter	Set out transition plans to net-zero carbon economy	Dialogue
ENBRIDGE	Letter	Support methane emissions regulation	Dialogue
ENCANA	Letter	Support methane emissions regulation	Dialogue
ENEL SpA	Letter	Set out transition plans to net-zero carbon economy	Dialogue

## Q4 2018 ENGAGEMENT DATA

Company	Activity	Topic	Outcome
ENGIE	Letter	Set out transition plans to net-zero carbon economy	Dialogue
EOG RESOURCES	Letter	Support methane emissions regulation	Dialogue
EQT	Letter	Support methane emissions regulation	Dialogue
EQUINOR/ SATOIL	Letter	Support methane emissions regulation	Dialogue
EXPEDITORS INTERNATIONAL OF WASHINGTON INC.	Letter	Commit to zero plastic pellet loss	Dialogue
EXXON MOBIL CORPORATION	Letter	Commit to zero plastic pellet loss/ Climate Change	Dialogue
FORTUM OYJ	Letter	Set out transition plans to net-zero carbon economy	Dialogue
GAS NATURAL SDG SA	Letter	Set out transition plans to net-zero carbon economy	Dialogue
GENERAL ELECTRIC COMPANY	Letter	Climate Change	Dialogue
GLENCORE PLC	Meeting	Governance (Corruption)	Small Improvement
GODREJ CONSUMER PRODUCT	Letter	Commit to zero plastic pellet loss	Dialogue
GREIF INC -CL A	Letter	Commit to zero plastic pellet loss	Dialogue
HESS CORPORATION	Letter	Support methane emissions regulation	Dialogue
IBERDROLA SA	Letter	Set out transition plans to net-zero carbon economy	Dialogue
JERONIMO MARTINS SGPS SA	Letter	Commit to zero plastic pellet loss	Dialogue
JOHNSON & JOHNSON	Letter	Commit to zero plastic pellet loss	Dialogue
KINDER MORGAN	Letter	Support methane emissions regulation	Dialogue
KUEHNE NAGEL INTERNATIONAL AG	Letter	Commit to zero plastic pellet loss	Dialogue
LG CHEMICAL LTD	Letter	Commit to zero plastic pellet loss	Dialogue
MARICO LTD	Letter	Commit to zero plastic pellet loss	Dialogue
MOTOROLA SOLUTIONS INC.	Letter	Human Rights	Dialogue
NATIONAL FUEL GAS	Letter	Support methane emissions regulation	Dialogue
NATIONAL GRID PLC	Meeting/Letter	Climate Change/Employment Standards/Set out transition plans to net-zero carbon economy	Moderate improvement
NATURA COSMETICOS SA	Letter	Commit to zero plastic pellet loss	Dialogue
NESTLÉ SA	Letter/Meeting	Commit to zero plastic pellet loss/ Environmental risk (plastic)	Small Improvement
NIPPON EXPRESS CO LTD	Letter	Commit to zero plastic pellet loss	Dialogue
NOBLE ENERGY	Letter	Support methane emissions regulation	Dialogue
OCCIDENTAL	Letter	Support methane emissions regulation	Dialogue
PANALPINA WELTTRANSPORT AG	Letter	Commit to zero plastic pellet loss	Dialogue
PEPSICO	Meeting	Environmental Risk (Plastic)	Change in Process
PERSIMMON PLC	Meeting	Other (SDG)/Climate Change/ Remuneration	Small Improvement
PETROCHINA CO LTD	Letter	Commit to zero plastic pellet loss	Dialogue
PIGEON CORP	Letter	Commit to zero plastic pellet loss	Dialogue
PIONEER NATURAL RESOURCES COMPANY	Letter	Support methane emissions regulation	Dialogue
QEP RESOURCES	Letter	Support methane emissions regulation	Dialogue
RANGE RESOURCES COMPANY	Letter	Support methane emissions regulation	Dialogue

## Q4 2018 ENGAGEMENT DATA

Company	Activity	Topic	Outcome
RELIANCE INDUSTRIES LTD	Letter	Commit to zero plastic pellet loss	Dialogue
REPSOL	Letter	Support methane emissions regulation	Dialogue
ROYAL DUTCH SHELL PLC	Meeting/Letter	Climate Change/Support methane emissions regulation	Moderate Improvement
RWE AKTIENGESELLSCHAFT	Letter	Set out transition plans to net-zero carbon economy	Dialogue
RYANAIR HOLDINGS PLC	Letter	Board Composition	Dialogue
SHOPRITE HOLDINGS LTD	Letter	Commit to zero plastic pellet loss	Dialogue
SONOCO PRODUCTS COMPANY	Letter	Commit to zero plastic pellet loss	Dialogue
SOUTHERN COMPANY	Meeting/Letter	Climate Change/ Set out transition plans to net-zero carbon economy	Small Improvement
SOUTHWESTERN	Letter	Support methane emissions regulation	Dialogue
SPORTS DIRECT INTERNATIONAL	Meeting	Finance and Accounting/ Employment Standards	Dialogue
SSE PLC	Letter	Set out transition plans to net-zero carbon economy	Dialogue
TAYLOR WIMPEY PLC	Meeting	Other (SDG)/ Climate Change	Satisfactory Response
TESCO PLC	Letter	Commit to zero plastic pellet loss	Dialogue
THE COCA-COLA COMPANY	Letter	Commit to zero plastic pellet loss	Dialogue
THE PROCTER & GAMBLE COMPANY	Letter	Commit to zero plastic pellet loss	Dialogue
TOYO SEIKAN KAISHA LTD	Letter	Commit to zero plastic pellet loss	Dialogue
UNILEVER PLC	Letter	Commit to zero plastic pellet loss	Dialogue
UNI-PRESIDENT ENTERPRISE CO	Letter	Commit to zero plastic pellet loss	Dialogue
WALMART INC.	Letter	Commit to zero plastic pellet loss	Dialogue
WHITING PETROLEUM CORP	Letter	Support methane emissions regulation	Dialogue
XPO LOGISTICS INC	Letter	Commit to zero plastic pellet loss	Dialogue



## NETWORKS AND EVENTS

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



The Forum's 23rd annual conference focused on the financial aspects of corporate governance. Presentations from Lord Davies, Baroness Brown, James Bloodworth and many others covered a wide range of topics including problematic accounting rules, executive remuneration, the climate crisis, plastics, human capital management risks and diversity.

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### global witness

At a collaborative meeting with Peter Jones of Global Witness, the Forum discussed Glencore's relationship with notorious businessman Dan Gertler and related corruption allegations. Global Witness provided three examples around the time of Glencore's IPO that suggested significant financial benefit to Mr Gertler, and no apparent commercial benefit to Glencore.

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LAPFF Acting Chair, Cllr Paul Doughty, met with the Head of UK and Ireland at the Principles of Responsible Investment (PRI) in December. LAPFF has joined a number of PRI engagements in the past and the two organisations are continuing to look for ways to work together on the responsible investment agenda. In October, the Forum attended a call with PRI to update signatories on cyber engagements and discuss next steps in escalating activities on this topic.

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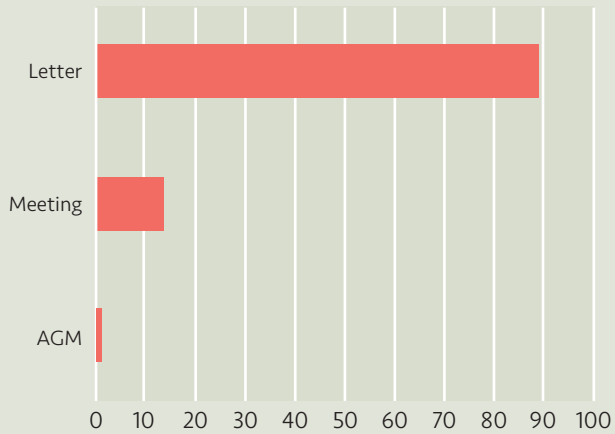


Tom Powdrill of the International Transport Workers' Federation, spoke about employment standards at Ryanair and the role of pension funds at the October meeting of the All Party-Parliamentary Group (APPG) on Local Authority Pension Funds. Chaired by Clive Betts MP, the meeting also covered the topic of localising pension fund investments, introduced by Craig Berry, a former employee of Sheffield Political Economy Research Institute. The minutes from the meeting can be accessed [here](#).

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## COMPANY ENGAGEMENT ACTIVITIES

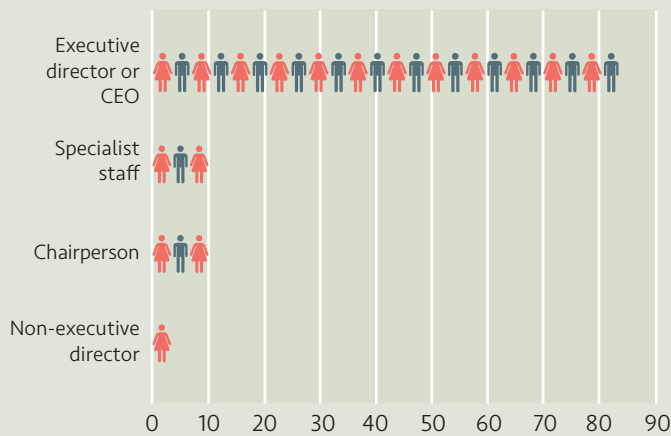
### Company engagement activities



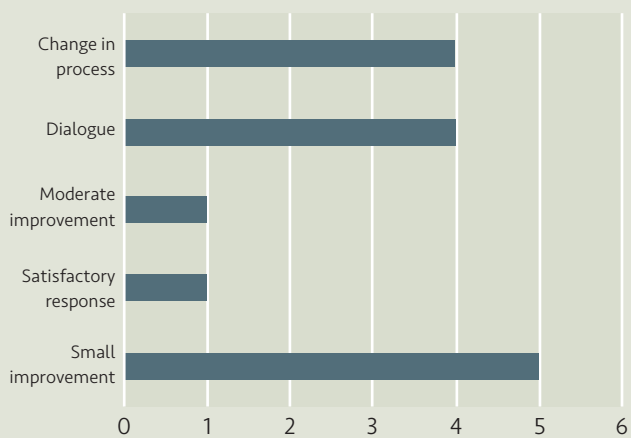
### Company domiciles



### 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