NORTHERN LGPS
STEWARDSHIP REPORT
Q3 2021

GREATER MANCHESTER / MERSEYSIDE / WEST YORKSHIRE

PLANET, PEOPLE, PLACE

NLGPS NEWS Q3

Refining RI: NLGPS policy updated

As we reported last quarter, during 2021 NLGPS committed to updating the Responsible Investment Policy that underpins the pool's stewardship activity. Our principal objective in doing so is to ensure that the work we undertake on behalf of beneficiaries is effective in contributing to both the achievement of decent returns and positive real-world change. It's important to NLGPS that our RI activity has a clear link back to our people and our region.

We also want to learn from those that we think practice effective responsible investment. So we mapped the existing RI policies of leading international pension funds and asset owners to identify best practice and issues or approaches that we may not have previously considered. Pulling together findings from this process and contributions from the three NLGPS member funds led to expand or add to the policy in a number of areas.

Our approach to climate change and other environmental issues has been expanded, with new sections covering issues such as biodiversity loss, sustainable agriculture and water stewardship. NLGPS has a public target for 100% of assets to be net zero-emissions by 2050. This decarbonisation goal will be regularly evaluated in line with our objective of maintaining long-term financial performance. As part of its Net Zero Asset Owner commitment, the NLGPS is developing interim decarbonisation objectives and targets. We continue to put particular emphasis, too, on the Just Transition.

We have also enhanced the 'S' aspect of the policy by introducing an expanded section on 'People'. This covers both employment standards and workplace issues and human rights. This is an area where NLGPS expects to be active, both through LAPFF and in its own right. We have also introduced public health as a new area of RI activity, as this is closely linked to socio-economic status.

Most important, of course is how this policy will be put into practice. Our intention has been to develop the RI policy with an eye to where we expect or would like to be active. Therefore we hope the revised policy will also give beneficiaries a sense of how we will promote their interests through our RI activity.

NORTHERN LGPS WILL:

- Make financially material climate change considerations an integral part of its investment strategy
- Engage with boards to improve the governance, management and disclosure on climate risk
- Engage over water stewardship
- Promote Decent Work
- Support the UN Guiding Principles on Business and Human Rights
- Advocate for companies to consider public health impacts of products
- Monitor the behaviour of investee companies in respect of tax planning
- Back reform of accounting standards

GLIL Update

GLIL Infrastructure has announced a joint venture with ion Ventures to invest £150m into Flexion, the specialist utility and energy storage infrastructure company. The aim is to have 1GW of operational assets within 5 years, to scale up UK energy storage and support a just transition to net zero.

This is GLIL's 11th investment, and will allow Flexion to develop, build, own and manage energy storage systems, particularly large-scale batteries servicing the grid. It will help stabilise the UK's energy system, enable further national electrification to meet net-zero targets and in doing so advance a just transition that ensures the economy and livelihoods are not swept away by climate goals.

NLGPS NEWS Q3

Competition policy as an ESG risk

Since the election of Joe Biden as President in the US, reinvigorated enforcement of competition policy (known as antitrust in the US) has increased in salience as an ESG risk. While most attention has been focused on the tech sector it is clear the potential impact ranges much wider.

One of Biden's early moves was to install Lina Khan as chair as the Federal Trade Commission (FTC). Khan's academic career was focused on issues relating to monopoly and she was author of an influential paper looking at the influence of Amazon. The high stakes involved in the FTC's role can be seen in the attempts of Facebook to have Khan recuse herself from involvement in work relating to the social media giant, on the basis of her previous criticisms of the sector.

Biden is clearly committed to antitrust enforcement, however, and issued a wide-ranging executive order in the summer. Incorporating 72 separate measures covering technology and transportation to healthcare and banking, the order is meant to encourage greater competition and address the imbalance of power in the US labour market caused by concentration.

To emphasise that it's not just Big Tech that matters in September the Biden-Harris administration pointed to the meat processing industry as another sector it was looking at.

The cost of beef has risen by 14.0%; pork by 12.1%; and poultry by 6.6% since December last year. Meanwhile a report from the US government stated that Q1 2021 and Q2 2021 were the most profitable quarters in history for some of these companies.

As a result the US government has raised concerns about the level of market concentration. Tyson Foods, JBS USA, National Beef and Cargill control approximately 55-85% of the market – allowing producers to drive down earnings for farmers and ranchers.

The materiality of these issues can be seen in cases over the summer. When the FTC's case against Facebook took a knock in June the company's shares surged, although the regulator refiled in August. When the WTW-Aon merger, which was being challenged by the Department of Justice, collapsed it triggered a break fee of $1bn.

Where Big Tech is perhaps unique is that competition risk is deeply embedded in the business model in a way that is analogous to employment-related risk in gig economy companies. However, it is also clear that companies in other sectors watch what is happening to competition policy in relation to technology in the expectation that it may affect their sector next.

Nor is this a US-specific issue. The EU is also deeply committed to enforcing competition policy and the UK has set up a Digital Markets Unit within the Competition and Markets Authority (CMA). The CMA is currently putting Facebook under pressure over its acquisition of Giphy.

In its role as RI advisor to the NLGPS, PIRC published a briefing on ESG issues relating to competition policy in 2021 and has held a number of engagements on this topic during the year. These have included cases where regulatory sanctions have been applied to companies for breaches of competition rules. Engagement in relation to the CMA's activity in support of leaseholders was a particular focus in Q3.

Mergers and stewardship

The reduction in UK-listed businesses has continued during 2021, with a number of high-profile UK companies disappearing through takeovers. The departure of WM Morrison is particularly significant for NLGPS as the company is both a home-grown success story, headquartered in Bradford, and well-known through regular engagement.

The supermarket chain became the subject of a takeover battle between rival private equity firms with Clayton, Dubilier & Rice ultimately the successful bidder. Other UK PLCs taken private, or in the process of being so, include G4S, Ultra Electronics, St Modwen, Aggreko, McCarthy & Stone and John Laing Group. With many PE firms sitting on 'dry powder' there is an expectation that this wave may continue. It's not just a private equity story, though, with a number of takeovers being driven by public companies too.

The overall trend does point to some important ESG considerations for investors. For example, 'S' issues, particularly relating to the workforce, can come into play during takeovers. The hostile takeover of GKN by Melrose Industries in 2018 continues to generate controversy, with strike action looming in Birmingham. Local MP Jack Dromey has linked a GKN Automotive site closure in his constituency to the takeover.

The previously discussed issue of competition policy may also increasingly come into play. Regulatory challenge to the Aon-WTW merger seems to have been one factor in its failure and the CMA's action in relation to Facebook's acquisition of Giphy maybe an important test of the appetite of competition authorities to force companies to unwind deals.

There are some interesting issues too in relation to the role of hedge funds during the takeover process as collectively they can come to acquire a significant economic interest in the success of deals without holding shares.

To date there has not been significant commentary in the ESG community on the role of stewardship in relation to mergers and acquisitions. However, as the wave of takeovers continues this is an area where more scrutiny is likely.

NLGPS NEWS Q3

The books are burning

Whilst the component elements of 'ESG' are often treated as separate and distinct elements, and analysts tend to specialise in one more than others, recent years have seen more effort to bring them together. Audit and accounting is a field that, scandals aside, often causes the eyes of many ESG specialists to glaze over, but increasingly it is being linked to wider concerns, especially in relation to climate change.

Research from Carbon Tracker published in September revealed that 70% of the world's biggest corporate emitters failed to disclose the effects of climate risk in their 2020 financial statements. These included Chevron, Exxon Mobil, BMW, and Air France-KLM.

Meanwhile 80% of their auditors showed 'no evidence of assessing climate risk when reporting'. The report - Flying Blind: The glaring absence of climate risk in financial reporting – also found that none of the companies surveyed incorporated Paris-aligned assumptions into their financial statements.

Investors have long been frustrated by companies failing to meet expectations on climate reporting, but these frustrations are compounded yet further by the unwillingness of auditors to play their part in making this information available to investors. Carbon Tracker recommends companies disclose climate-related forward-looking estimates and assumptions to show how they are taking these risks into account. This gives investors a starting point for their analyses. It also demands auditors ensure that the financial statements are consistent with other company disclosures about climate-related matters, and that assumptions and estimates are adequately scrutinised in the audits and transparently disclosed in company reports.

However, getting companies and auditors to ensure that accounts properly reflect climate risk is only one side of the story. These disclosures need to be properly assessed by investors too, and there remains a lot further to go in terms of investors exercising their rights effectively in relation to financial reporting.

The overwhelming majority of auditor appointments pass with almost no opposition and rejected auditor appointments are extremely rare. This reflects the fact that most investors vote for almost all auditor appointments every year.

In contrast NLGPS members have opposed a significant number of auditor appointments for many years due to concerns about potential conflicts of interest, long tenure and so on. Wider ESG concerns will become a more significant element in assessing auditor appointments in future and this will in turn influence our voting decisions. We also expect to see greater scrutiny of how such rights are used in relation to climate-related financial reporting.

The gloves are off

One of the knock-on effects of the ongoing pandemic has been a surge in demand for personal protective equipment. Rubber gloves have been one of the products most in demand, leading a major boost in the share prices of some manufacturers, but also greater scrutiny of their practices.

Malaysian firm Top Glove has attracted the most attention. It was hit by a Withholding Release Order (WRO), effectively an import ban, from US Customs and Border Protection (CBP) in 2020 over allegations of forced labour.

One issue that has been particularly prevalent in the rubber glove industry is the use of recruitment fees by companies that provide labourers to the manufacturers. Essentially the workers, many of them economic migrants, pay for the opportunity to work. The fees can leave workers in debt, or bonded labour.

Labourers working for Top Glove had previously paid such fees. The company also experienced Covid-19 outbreaks at its sites in 2020 leading to negative media coverage of working conditions.

Top Glove has sought to address these issues and has already paid millions to ensure workers' recruitment fees are refunded. One positive outcome has been that the WRO was lifted in September, leading to a recovery in its share price. However other manufacturers could still face action by the CBP or procurement policy in other countries.

During 2020 and 2021 PIRC has engaged with a number of companies in the PPE supply chain including Top Glove and Ansell. Further engagement is anticipated in line with NLGPS policy in relation to labour and human rights.

SOCIAL RISKS IN LOGISTICS

In September Tom Harrington from the Greater Manchester Pension Fund was a panel member on a webinar organised by PIRC on social risks in logistics. This event was spurred by the split of XPO Logistics in two: XPO and GXO.

The company has faced criticism for misclassification of workers and its use of the UK furlough scheme, and suffered an embarrassing defeat on its Say on Pay resolution at its AGM during the summer.

To explore these concerns in greater depth, the webinar featured a range of speakers including XPO/GXO workers and Beth Gutelius PhD, Research Director of the Center for Urban Economic Development at the University of Illinois Chicago.

Tom provided an investor perspective on social and governance issues at investee companies.

EFFECTIVE ENGAGEMENT Q3

PIRC ENGAGEMENTS: RETAIL

This quarter there were engagements undertaken with a number of fashion, clothing, and retail companies on behalf of Northern LGPS. These centred around human rights and working conditions and were of particular importance to Northern funds. In line with the updated RI policy, undertaking due diligence in line with UNGPs on Business and Human Rights is a prerequisite to ensure adequate working practices.

Over 1% of Hugo Boss shares are held by NLGPS funds, whilst the headquartering of JD Sports in Greater Manchester makes it of particularly relevance. JD Sports in particular has faced scrutiny due to a high CEO-staff pay ratio and its use of the furlough scheme. That's in addition to concerns over workforce engagement and the disclosure of workforce metrics.

In addition to the funds held, their founding, headquartering and operations in Greater Manchester are not insignificant factors in the local economy. What happens to JD Sports can have wider ramifications for the municipality. Investigations by the Competition and Market Authority (CMA) over whether or not ownership of Footasylum breaches competition rules also continues to overhang the Bury-based firm.

The entire fashion industry has already come in for some criticism. The degree to which 'fast fashion' contributes to rubbish and pollution has environmental implications at a time when the world is increasingly understanding of the acute nature of the problem.

Simlarly, the mistreatment of workers in the UK – with issues including low pay, anti-union policies and substandard health and safety measures – is not something that investors can simply gloss over.

There are concerns too about human rights violations in the supply chain. As most manufacturing is outsourced to third countries, often with lower working and environmental standards, there are significant risks in being implicated in human rights violations – with all the financial and reputational impacts that follow.

EFFECTIVE ENGAGEMENT Q3

HUGO BOSS

Topics Arising: The company's approach to mitigating human rights impacts throughout the supply chain
Engagement: Hugo Boss is one of a number of companies targeted for engagement over human rights issues, drawing on their score in the Corporate Human Rights Benhcmark.
T he company stated that ensuring respect for human rights is a fundamental part of their business. They reported on a Code of Conduct that all suppliers and potential new must follow, and how suppliers must 'commit to go on a journey with us'. If an issue is found at one of the suppliers, the Company does not 'delist' them instantly; they will work with the supplier to educate and speak to them about issues of concern. The company's view is that simply ending their relationship with suppliers does not necessarily help affected workers.

The company undertakes assessments of different risks on a 'country by country' basis and look to be a part of a solution in each different country. The company stated that they would think about providing their perception of country risks in more detail as they do undertake their own country by country risk assessment and display their supplier base and locations on their website.

They have strong relationships in some countries such as Turkey and have a strong partnership with ACT.

PIRC asked about the recent allegations about cotton use in Xinjiang region in China, The use of Uyghur labour is a potentially serious supply chain issue; Canada has already called Chinese actions in East Turkestan genocide, and failure to probe the nature of work could result in named complicity down the line.

The company stated that it rejected allegations from the European Centre for Constitutional and Human Rights.

The Company were then asked about remedial action in relation to previous claims made against the Company in India. They found some of their supplier factories were bringing young women in, keeping them there and promising them they would be married once they have earned a certain amount. The isolated location of these factories and the power held over these women create real and present gendered risks. Hugo Boss asked them to provide accompaniment to these women when travelling to and from work. They tried to work with suppliers to insist on changing with the times to align their actions and way they treat workers with the western world.

In terms of board-level accountability the Company stated that their Chief Operating Officer is responsible for Sustainability and ESG matters.

The Company were then asked about their reporting on union density and collective bargaining. They stated that there might be places around the globe where they have a information on union density but do not have an overall picture. They felt that to report this and their collective bargaining coverage in each country is something that would overwhelm them and therefore is not possible at this time.

Finally, they were asked to what extent their labour controversies are financially material. They stated that Sustainability is essential, and the relevance gets more and more as time goes on. Issues raised in public always have the potential to have a financial impact if they are not dealt with. They stated that the compoany has not yet experienced cases that affected their share price, but the potential is there should they not monitor and deal with any issues swiftly.

Outcome/follow up: Having established a dialogue, PIRC will continue to engage with Hugo Boss to support the company's efforts to uphold human rights standards.

ASOS

Issues: Employment conditions; union relations; human rights in the supply chain
Engagement: Discussion centred on how to mitigate supply chain risks in its logistics and warehousing operations. It came after a relatively high number of incident reports occurring from the delivery of dangerous goods by third party companies used by ASOS. It prompted a discussion about their own due diligence processes with contractors. ASOS felt that it had scrutinised the H&S data, and that a "safety first" approach was taken.

PIRC set out the expectation that workers should have the right to be represented by a union of their choosing, and that such unions are engaged with by the company. However, ASOS confirmed that its recognition agreement with Community union had been extended for 3 years, despite most being members of the GMB union, suggesting a gap between what is said and what is practiced on the ground.
Outcome/follow up: PIRC has requested the disclosure of workforce and supply chain H&S data relevant to the discussion.

JD SPORTS

Overview: Established in 1981 in Bury, JD Sports Fashion plc is a retailer and distributor of sports and athletics wear and equipment. It owns one of the UK's largest distribution facilities in Rochdale. The Group has over 800 stores and operates online businesses for its various retail outlets.
Topics/ issues arising: Workforce engagement; disclosure of workforce metrics.
Engagement: PIRC queried why there are no H&S metrics disclosed in the annual report, despite an abundance of internal data, the company responded that they prefer to use accreditations to avoid negative press generated by safety metrics. These metrics should be reported on as standard. The company acknowledges that workforce related disclosure lags other FTSE 350 companies, with a view to reviewing and possibly improving disclosure.

When asked whether there any concerns about how pay inequality can affect an already high turnover and motivation, the company retorted to increases in the legal minimum wage in recent years, and thus dismissing motivation. It was reported that the company does not recognise unions and believes membership is low overall. JD Sports pointed out that union access to their sites is not prohibited and representatives are involved in disciplinaries and grievances where staff want them to be.
Outcome/follow up: PIRC has requested data points including staff turnover, days lost to injury, workforce Covid cases and workforce composition in terms of contract type. Future meetings will request more detail of how warehouse staff are involved in the forums.

EFFECTIVE ENGAGEMENT Q3

CEMENT

The cement industry contributes to around 8% of global CO_2 emissions. As such, emissions reductions on an industry-wide basis would be of great benefit to the climate and help 'keep 1.5°C alive'. But achieving such targets is easier said than done. The need to heat limestone and other materials above 1400°C is extremely energy intensive. What's more, there is no viable alternative for cement in constructing both new buildings and new renewable resources – both vital for achieving a just transition.

As energy production shifts away from fossil fuels, many new sites will require construction – and that means more cement. Particularly if nuclear power is chosen, there will be an increased demand on even current levels to safely construct these power stations.

With demand expected to hold, and possibly even increase, the industry will have to rely on technological advances in reducing energy intensity to achieve decarbonisation targets. Carbon Capture Utilisation and Storage (CCUS) was put forward by all three cement companies engaged with. But that technology is still in its comparative infancy, is reliant on local factors (geological storage for one) and has been contested by scientific literature as a form of greenwashing.

The environmental need to decarbonise is well known, but the cement industry could also be hit with regulatory requirements. How to square this circle is a challenge that faces companies, investors and policymakers. These engagements were intended to begin the process of finding answers.

PIRC engaged with three of these companies with operations around the world: CRH, Holcim and Buzzi Unicem. The aim was to build a constructive dialogue covering ideas for how best the industry overall could achieve emissions reductions within a just transition.

CRH outlined that the key message is about protecting, retraining, and compensating workers affected by the transition. The company outlined that CCUS will require new skills that could increase levels of employment. Holcim said that it did not anticipate a huge displacement of people in the buildings and material sector, arguing that the industry won't be able to reduce the number of sites due to demand for cement. If this is indeed the case, it is difficult to envisage how meaningful a role CCUS can play in the industries efforts to decarbonise.

Buzzi Unicem's emissions were relatively high in comparison to its peers, owing to assets relying on more carbon intensive energy in Russia and Ukraine. This could point to the requirement lying with governments hastening energy production to renewables, and investors financing more efficient energy generation and storage.

LAPFF ENGAGEMENTS: ENERGY

As the climate crisis becomes ever more acute, pressure is mounting on energy firms to lay out precisely the steps they are undertaking to reduce their emissions. The new RI policies make very explicit the desire to invest in companies that are on track to have net zero-emissions by 2050, making this as much financially as it is environmentally imperative.

The risks to energy firms are three pronged. There is reputation to consider, with market forces allowing for pressure campaigns all the way up to boycotts if companies are not considered to be acting enough on climate. There are regulatory risks from governments seeking to reduce emissions, and the chance that increasingly stronger rules and punishments will directly harm business models and profitability.

Too often forgotten is the fact that these companies do not operate in a vacuum. Their entire model, be it extraction, generation, sales or transfers, takes place within a society already feeling the effects of climate change. If companies exacerbate the problems through failure to curtail their emissions, then their very logistical viability could come under threat from the direct impacts of the climate crisis.

For too long, fossil fuel companies have been guilty of obfuscating the need to act and then, when faced with overwhelming scientific evidence, offloading responsibility to governments and consumers. The indulgence of scientifically unproven technologies like CCUS and tree planting is another example of shifting the narrative away from the required action.

In last quarter's report, engagement with Shell and the subsequent divisions in approach were laid out. LAPFF opposed Shell's AGM resolutions then for overly focusing on customers rather than the company itself, the use of nature-based solutions, and a lack of clarity about CCUS.

Subsequently, LAPFF Chair Doug McMurdo met with Shell representatives this quarter to discuss future plans. The previous Shell Chair's statement that oil and gas would be needed as part of the company's portfolio for the foreseeable future faced opprobrium from LAPFF. It was impressed upon the new Chair that current net zero objectives would not align with the Paris agreement.

EFFECTIVE ENGAGEMENT Q3

There were significant inconsistencies in Shell's business strategy, business model and climate strategy, particularly when compared to others in the sector. LAPFF will continue to engage with Sell to work toward a truly Paris-aligned climate and business plan.

In a similar if more productive vein, Vice-Chair Rob Chapman engaged with SSE over Scope 3 targets and a 'say on climate'. LAPFF and SSE have had a long-standing and productive dialogue on ESG issues. We have undertaken some innovative work in both the social and the environmental areas, not least a just transition to a zero-carbon economy.

That said, LAPFF raised some concerns around Scope 3 emissions measurements and targets. A number of just transition challenges for the company were also discussed, along with a further discussion on the relevance of, and uses for, CCUS. After the engagement meeting, Cllr Chapman also attended SSE's AGM by virtual means to ask questions around CCUS and grid structure in relation to SSE's climate goals.

In addition LAPFF has had a long-term ongoing engagement with National Grid, most recently as joint-lead investor in the Climate Action 100+ (CA100+) engagement. Vice-Chair Rob Chapman met with new National Grid Chair Paul Rasput Reynolds to encourage robust decarbonisation plans. This culminated in a 'say on climate' resolution at National Grid's AGM, which asked shareholders to approve annual reporting on the compay's net zero strategy, 2030 action plan, and progress against emission reduction targets.

LAPFF sought more ambition from National Grid on phasing out fossil fuels, owing to the new International Energy Agency Net Zero pathway. This would involve setting short-term targets for 2025, and looking for changes to allow for a larger take up of electrification for heating. It was considered the outcome of the meeting was 'change in progress'.

MINING

Mining companies have found themselves under increasing pressure over their perceived lack of care for the social impacts of their actions. Their continued ignorance in the face of community concerns perpetuates the belief that they are failing to consider human rights concerns.

Beneficiaries in the North of England are do not need telling what can go wrong if mining operations fail to live up to worker and community expectations. Neglecting workplace standards and the wider community can have devastating long-term consequences. Failure to properly plan for a just transition has the potential to be extremely damaging to communities and the larger regions in which they are based.

Many of these mining companies face the same environmental challenge as those outlined in the energy sector. However, they are also faced with additional responsibilities to safeguard the communities in which they operate – whereby failure to ensure proper health and safety management risks challenges over human rights violations and potentially litigation too.

From July to September, LAPFF Chair Doug McMurdo met with mining executives to try and understand the motivations behind their policies and reasons for their lack of action.

However, such inaction is not industry-wide. After the publication of their second Group Climate Action report, LAPFF recognises the substantial progress at Arcelor Mittal.

RIO TINTO

Objective: Recognising the financial impacts of its social challenges.
Achieved: LAPFF attended Rio Tinto's AGM and Chair Doug McMurdo met Rio Tinto's Chief Financial Officer, Peter Cunningham, to discuss the issue further. Mr Cunningham understands and agrees that social impacts affect financial materiality at companies. Rio Tinto acknowledges that despite progress since Juukan Gorge, the company has some way to go to regain investor and affected community trust.

One area where Rio Tinto has improved substantially is in its willingness to engage with LAPFF. After the destruction of the Juukan Gorge rock shelters, LAFF tried in vain to obtain meetings with the Chair, but did not manage to do so for over six months.

This year, LAPFF met with Mr Cunningham in addition to CEO Jakub Stausholm and Chair Simon Thompson. The company continues to offer meetings with various specialist staff and affected community members. LAPFF recognises that engagement is not progress. Words are cheap and plentiful, but meaningful action is harder to come by. There is often a sharp contrast in the information provided by community members whom LAPFF hears from separately and that put forward by company representatives.

In Progress: LAPFF continues to liaise with other interested investors, Rio Tinto, and affected community representatives in Australia, the US, Papua New Guinea, and elsewhere. This triangulated communication helps to paint a more complete picture for LAPFF of Rio Tinto's progress from an environmental, social, and financial perspective.

EFFECTIVE ENGAGEMENT Q3

ANGLO AMERICAN

Objective: Relaying concerns over insufficient engagement with community members affected by the company's operations
Achieved: LAPFF Chair Doug McMurdo met with Anglo American's Mark Cutifani, pressing him about his visit to the controversial Cerrejon joint venture in Colombia. He was open in discussing the political, cultural, and environmental challenges, and just days after speaking to both Mr. Cutifani and BHP Chair Ken MacKenzie, LAPFF received news that both Anglo American and BHP were pulling out of the joint venture, leaving Glencore as the sole mining giant involved with the project.

LAPFF representatives also met with Anglo American to discuss the company's next 'say on climate' resolution. Anglo American has developed a detailed community engagement approach as part of its Social Way programme. However, the fact remains that all three companies have been investors in Cerrejon during a time when there have been allegations of severe human rights and environmental violations. There should have been and still should be robust systems in place to prevent such investment in the first place, rather than reacting to unfolding circumstances.
In Progress: LAPFF will continue to engage with Anglo American on its community engagement approach and its climate approach.

BHP

Objective: BHP will be affected by the proposed cultural heritage law to increase protections for Indigenous communities in Western Australia. LAPFF is seeking to find out more about the law and its impacts on communities and mining companies.
Achieved: LAPFF had a meeting with the company's Indigenous Affairs Representative. The main point of contention appears to be the level of say affected communities have over whether projects move forward, a so-called 'right of veto'. While there are apparently improvements from the last piece of legislation, the question is whether sufficient positive change will be made to the new legislation to protect affected communities from another Juukan Gorge.
In Progress: LAPFF will continue to engage with BHP and affected community members to see if there is an intermediary role for LAPFF to play in promoting a positive outcome to this debate and the eventual legislation.

ARCELOR MITTAL

Objective: Discuss company progress in light of the long-awaited Group Climate Action report.
Achieved: ArcelorMittal now has a groupwide emission intensity reduction target for 2030 of 25%, and 35% for Europe. The LAPFF Vice-Chair, Cllr Chapman, commended the strengthening of targets and announcements of zero carbon steel plants in Spain and Canada. On request, the report also included a mapping of the company progress against the CA100+ benchmark. This mapping will be used by many investors to inform AGM voting. Also raised were Paris-aligned accounts, climate considerations in remuneration, consulting shareholders on a transition plan vote at the 2022 AGM and requesting that the company run the 2022 AGM as openly as it did the 2021 AGM when the meeting was run on a virtual platform.
In Progress: Given the strengthened decarbonisation targets and 'real world' impact of the new zero carbon steel plants, this engagement was considered to have shown substantial progress.

VOTING Q3

Voting in the third quarter was quieter as usual, but there were still some notable events. On remuneration, companies registering significant votes against pay resolutions included Lamprell in the UK, Electronic Arts, DXC Technology and Abiomed in the US, and Prosus in the Netherland. In all cases NLGPS opposed.

A number of shareholder proposals at US companies on 'written consent' did well in Q3. A majority of shareholders supported these resolutions at Conagra Brand, Electronic Arts, NortonLife Lock and NetApp. NLGPS has supported all resolution this topic.

There were a string of shareholder resolutions at Fedex covering topics such as racism and corporate culture, the need for an independent chair, political donations and lobbying. NLGPS supported all these resolutions although none was successful in securing the support of a majority of investors.

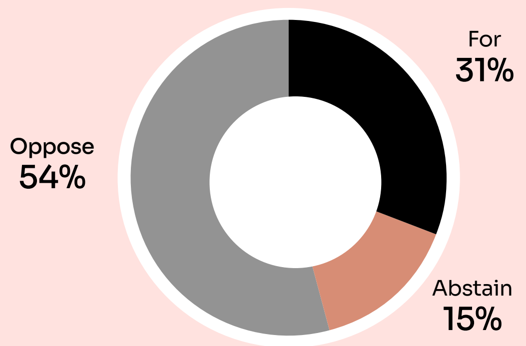
Our full voting record is online.

Q3 SHAREHOLDER RESOLUTIONS

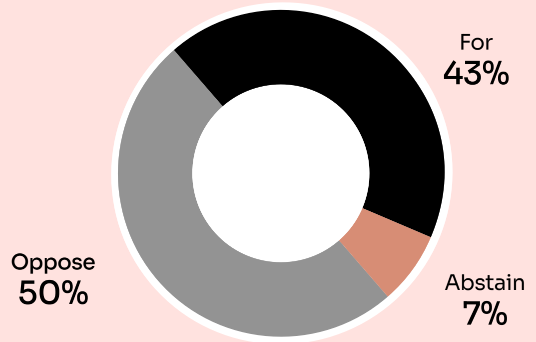
Company Name	Topic	Support	NLGPS vote
CONAGRA BRANDS INC.	Written Consent	82.8	For
ELECTRONIC ARTS INC	Written Consent	57.6	For
NORTONLIFE LOCK INC	Introduce an Independent Chair Rule	51.6	For
NETAPP INC	Written Consent	51.5	For
MCKESSON CORPORATION	Written Consent	40.6	For
FEDEX CORPORATION	Report on Racism in Corporate Culture	39.9	For
ILLINOIS TOOL WORKS INC.	Written Consent	35.3	For
FEDEX CORPORATION	Introduce an Independent Chair Rule	28.7	For
FEDEX CORPORATION	Political Donations	27.9	For
FEDEX CORPORATION	Submit Severance Agreement to Shareholder Vote	9.5	For
FEDEX CORPORATION	Lobbying	3.7	For

Written Consent: "Shareholders request that the board of directors take such steps as may be necessary to permit written consent by the shareholders entitled to cast the minimum number of votes that would be necessary to authorize an action at a meeting at which all shareholders entitled to vote thereon were present and voting. This includes a shareholder ability to initiate any appropriate topic for written consent."

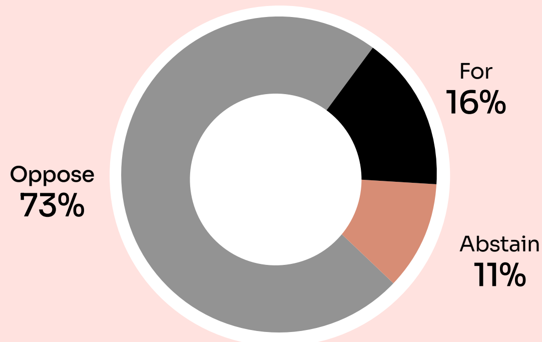
Votes on remuneration advisory, Q3 2021



Votes on remuneration binding, Q3 2021



Auditor appointments, Q3 2021



Director elections, Q3 2021