



Shropshire Council
Legal and Democratic Services
Shirehall
Abbey Foregate
Shrewsbury
SY2 6ND

Date: Thursday, 15th June 2023

Committee:
Pensions Committee

Date: Friday, 23 June 2023

Time: 10.00 am

Venue: Shrewsbury/Oswestry Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND

You are requested to attend the above meeting.

The Agenda is attached.

There will be some access to the meeting room for members of the press and public, but this will be limited. If you wish to attend the meeting, please email democracy@shropshire.gov.uk to check that a seat will be available for you.

Please click [here](#) to view the livestream of the meeting on the date and time stated above.

The recording of the event will also be made available shortly after the meeting on the Shropshire Council YouTube Channel: [Here](#)

Tim Collard
Assistant Director – Legal and Governance

Members of the Committee:

Thomas Biggins
Roger Evans
Simon Harris
Brian Williams

Co-opted Members (Voting):

Nathan England
Carolyn Healy

Co-opted Members (Non-Voting):

Jean Smith (Pensioner Representative)
Byron Cooke (Employee Representative Telford & Wrekin Council)
Lindsay Short (Employee Representative Shropshire Council)

Substitute Members of the Committee:

Chris Schofield (SC)
Mark Williams (SC)
Andy Burford (T&W)
Paul Watling (T&W)
Helen Macmillan (SC Employee Rep)
Vacancy (T&W Employee Rep)
Vacancy (Pensioner Rep)

Your Committee Officer is:

Sarah Townsend Committee Officer

Tel: 01743 257721
Email: sarah.townsend@shropshire.gov.uk

AGENDA

1 Election of Chairman

To elect a Chairman for the forthcoming year.

2 Apologies and Substitutions

To receive apologies for absence and notification of any substitutions.

3 Appointment of Vice-Chairman

To appoint a Vice-Chairman for the forthcoming year.

4 Disclosable Interests

Members are reminded that they must declare their disclosable pecuniary interests and other registrable or non-registrable interests in any matter being considered at the meeting as set out in Appendix B of the Members' Code of Conduct and consider if they should leave the room prior to the item being considered. Further advice can be sought from the Monitoring Officer in advance of the meeting.

5 Minutes of the Previous Meeting (Pages 1 - 6)

The minutes of the meeting held on 17 March 2023 are attached for confirmation, marked 5.

Contact: Sarah Townsend (01743 257721)

6 Public Questions

To receive any questions or petitions from members of the public, notice of which has been given in accordance with Procedure Rule 14. The deadline for this meeting is 5.00 p.m. on Monday, 19 June 2023.

7 Shropshire County Pension Fund Audit Plan 2022-23 (Pages 7 - 28)

The report of Grant Thornton is attached, marked 7.

Contact: Grant Patterson (0121 2325296)

8 Corporate Governance Monitoring (Pages 29 - 164)

The report of the Pensions Investment and Responsible Investment Manager is attached, marked 8.

Contact: Peter Chadderton (07990 086399)

9 Pensions Administration Monitoring (Pages 165 - 184)

The report of the Pensions Administration Manager is attached, marked 9.

Contact: Debbie Sharp (01743 252192)

10 Exclusion of Press and Public

To consider a resolution under paragraph 10.2 of the Council's Access to Information Procedure Rules that the proceedings of the Committee in relation to Agenda Items 11 to 17 shall not be conducted in public on the grounds that they involve the likely disclosure of exempt information as defined by the categories specified against them.

11 Exempt Minutes of the Previous Meeting (Exempted by Category 3) (Pages 185 - 188)

The exempt minutes of the meeting held on 17 March 2023 are attached for confirmation, marked 11.

Contact: Sarah Townsend (01743 257721)

12 Equity Protection Update (Exempted by Category 3) (Pages 189 - 202)

The presentation of Mr Colin Cartwright, Aon, is attached, marked 12.

13 Investment Strategy Review Update (Exempted by Category 3) (Pages 203 - 216)

The presentation of Mr Colin Cartwright, Aon, is attached, marked 13.

14 Investment Monitoring - Quarter to 31 March 2023 (Exempted by Category 3) (Pages 217 - 268)

The exempt report of the Head of Pensions – LGPS Senior Officer is attached, marked 14.

Contact: Justin Bridges (01743 252072)

15 Investment Strategy Statement (Exempted by Category 3) (Pages 269 - 290)

The exempt report of the Head of Pensions – LGPS Senior Officer is attached, marked 15.

Contact: Justin Bridges (01743 252072)

16 Governance (Exempted by Category 3) (Pages 291 - 304)

The exempt report of the Pensions Administration Manager is attached, marked 16.

Contact: Debbie Sharp (01743 252192)

17 New Employers (Exempted by Category 3) (Pages 305 - 308)

The exempt report of the Pensions Administration Manager is attached, marked 17.

Contact: Debbie Sharp (01743 252192)

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Agenda Item 5

Minutes of Pensions Committee held on 17 March 2023



Pensions Committee

23 June 2023

10.00 a.m.

MINUTES OF THE PENSIONS COMMITTEE MEETING HELD ON 17 MARCH 2023 10.00 A.M. - 11.55 A.M.

Responsible Officer: Sarah Townsend
Email: sarah.townsend@shropshire.gov.uk Tel: 01743 257721

Present:

Members of the Committee:

Councillors Roger Evans, Simon Harris, Chris Schofield (Substitute for Thomas Biggins) and Brian Williams (Chairman for this meeting only).

Co-Opted Members (Non-Voting):

Jean Smith and Lindsay Short

The Committee Officer opened the meeting and explained that in the absence of both the Chairman and the Vice-Chairman, nominations were required for the appointment of a Chairman for this meeting only. It was proposed and seconded that Councillor Brian Williams fulfil this role and upon being put to a vote, this was unanimously agreed.

52 Apologies and Substitutions

Apologies for absence were received from Councillor Thomas Biggins, Councillor Rae Evans, Councillor Carolyn Healy and Mr Byron Cooke.

Councillor Chris Schofield was in attendance as a substitute for Councillor Thomas Biggins and it was noted that both the Telford and Wrekin Councillor substitutes had also sent their apologies for the meeting.

53 Disclosable Interests

None were declared.

54 Minutes of the Previous Meeting

RESOLVED:

That the minutes of the meeting held on 02 December 2022 be approved and signed by the Chairman as a correct record.

In terms of questions / matters arising from the minutes, the following points were made:

- In relation to minute 39 (Actuarial Valuation and Funding Strategy Statement (FSS) Update, the Head of Pensions – LGPS Senior Officer confirmed that the awaited guidance from the Government Actuaries Department which would detail the information required to go into Funding Strategy Statements and valuation reports around climate change reporting had now been received and that the updated Funding Strategy Statement would be considered this meeting, with a recommendation for approval.
- In relation to minute 40 (Climate Risk Report), no mention had been made of the Committee's previous decision to achieving net zero by 2050 or sooner and it was commented that this needed to be kept at the forefront of everyone's minds.

55 Public Questions

Six questions had been received from members of the public and the first two public questioners were in attendance to ask their questions. The other public questioners were not in attendance to ask their questions and they were therefore read out on their behalf by the Pensions Investment and Responsible Investment Manager. The responses to each question were read out by the Head of Pensions – LGPS Senior Officer. A full copy of the questions and responses provided are attached to the web page for the meeting and also attached to the signed minutes.

Having received the public questions and answers, the Chairman drew the Committee's attention to page 95 of the agenda document pack titled 'Shropshire County Pension Fund Climate Stewardship Plan' which was Appendix D to the Corporate Governance Monitoring Report. The Pensions Investment and Responsible Investment Manager explained that this was an updated plan following the Climate Risk Report and the Taskforce for Climate Related Financial Disclosures (TCFD) Report that was considered at the Committee's 2nd December 2022 meeting and implemented the recommendations that came out of those two reports. Three companies had been removed from the plan as they were no longer part of the portfolio and four companies had been added to the plan, based on their emissions data i.e. those companies with the highest carbon emissions scores in the revised portfolio.

A question was asked regarding the Scope Section of Appendix D and what being carbon neutral by 2050 actually meant in reality in terms of the Carbon Risk Metrics which go to make up that carbon neutrality. It was agreed that a training session be arranged on Carbon Risk Metrics to address where they come from and how they 'add up'.

56 Corporate Governance Monitoring

The Committee received the report of the Pensions Investment and Responsible Investment Manager which informed them of Corporate Governance and socially responsible investment issues arising in the quarter period 1st October 2022 to 31st December 2022.

A question was asked regarding the Manager Voting LGIM Report (Oct-Dec 22) Appendix A(2) of the report and specifically on deforestation campaign and collaboration as detailed on page 36 of the agenda document pack which said 'As

communicated in our deforestation policy, we will be sanctioning companies for not meeting our minimum expectations of having a deforestation policy or programme from 2023 onwards.

The Pensions Investment and Responsible Investment Manager explained that it was not the Fund that would take action against these companies, rather, it would be LGIM as the actual Manager, and he would seek further clarification from them as to the action that they would take against companies that failed to meet this criteria, along with details of LGIM's deforestation policy. It was commented that deforestation and its effect was an important issue and whether the Fund should be investing in companies that are involved in deforestation was raised.

In considering the Manager Voting LGIM Report (Oct-Dec 22) Appendix A(2) of the report, a question was asked regarding voting at Annual General Meetings with regard to climate change issues. Mr Roger Bartley, Independent Advisor to the Committee, explained that the LGIM reports needed to be viewed over a period of time in order to see that pressure groups were being successful and Managers were being proactive and that consequently, the number of abstentions and votes taken against issues was rising.

In relation to the update on the engagement activities of the Local Authority Pension Fund Forum (LAPFF) for the quarter at Appendix C of the report and specifically, the Company Progress Report as detailed on page 93 of the agenda document pack, the Pensions Investment and Responsible Investment Manager commented that he would go back to LGPS Central for more detail on the actual outcome of the engagements, rather than there just being a brief comment within the report saying that dialogue with a particular company had taken place. However, a comment was made that it was pleasing to see that dialogue and meetings were taking place with companies outside of Annual General Meetings.

A definition of 'financed emissions' in relation to banks, was provided by Aon.

RESOLVED:

1. That the position as set out in the report of the Pensions Investment and Responsible Investment Manager in respect of voting and engagement activity, Manager Voting Reports at Appendix A (A1 & A2), Columbia Threadneedle Investments (formerly BMO Global Asset Management) Responsible Engagement Overlay Activity Report at Appendix B (B1 & B2) and LAPFF engagement Report at Appendix C be accepted.
2. That the changes to the Climate Stewardship Plan as a result of the Climate Risk Report presented in December 2022 and the revised plan at Appendix D (1) be noted and accepted.

57 Pension Fund Treasury Strategy 2023/24

The Committee received the report of the Head of Pensions – LGPS Senior Officer which explained that Shropshire Council as the Administering Authority maintains a small working cash balance for the Pension Fund that is invested separately to the Council's own cash and is managed under the defined Treasury Strategy as set out within the report.

The Head of Pensions – LGPS Senior Officer clarified that the Fund did not invest for any longer than twelve months.

RESOLVED:

1. That authority be delegated to the LGPS Senior Officer to manage the Pension Funds day to day cash balances.
2. That the Pension Fund Treasury Strategy be approved.
3. That the LGPS Senior Officer be authorised to place deposits in accordance with the Pension Fund's Treasury Strategy.
4. That authority be delegated to the LGPS Senior Officer to add or remove institutions from the approved lending list and amend cash and period limits as necessary in line with the Administering Authority's creditworthiness policy.

58 Pensions Administration Monitoring

The Committee received the report of the Pensions Administration Manager which provided them with monitoring information on the performance of and issues affecting the pensions administration team.

Regarding the staff vacancy within the Systems and Support team, the Communications and Governance Team Leader explained that they had initially tried to recruit through an agency as they had wanted to fill the post quickly, however there were no suitable applicants. The vacancy was therefore formally advertised using Shropshire Council's recruitment process and 27 applications had been received. Shortlisting was currently taking place and interviews were expected to happen within the next few weeks. Members were informed that the vacancy was for a Pensions Assistant role and although not just a clerical post as a lot of data was required to be dealt with, it was the lowest graded position within the team.

Regarding apprenticeships, there were no providers nationally that offered a specific LGPS apprenticeship. However, this was being discussed by the Scheme Advisory Board and would hopefully be offered in the future.

A question was asked regarding paragraph 10.3 of the report which explained that the team were planning to deliver presentations to active scheme members in March and April 2023. The Communications and Governance Team Leader clarified that these would be directed towards active contributor employees and would address some of the most frequently asked questions received by their helpdesk. It was commented that it would be useful to have feedback on any views expressed about climate change and future investments that are discussed during these presentations.

It was explained that whilst the frozen refund project was a specific project aimed at tackling legacy cases in relation to historic frozen refunds where members had not claimed the refund at the time of leaving the pension fund, the team regularly dealt with frozen refund cases.

In answering questions concerning the in-person Annual General Meeting, the Head of Pensions – LGPS Senior Officer explained that these would no longer be held in-

person and would instead, be delivered in a different way. The reasoning behind this had been detailed in the Pensions Administration Monitoring Report that was considered by Members at their 2nd December 2022 meeting and the decision had been agreed with the Chairman of the Pensions Committee and the Head of Pensions – LGPS Senior Officer. Two Members of the Committee commented that they had not been aware of this decision and would welcome an in-person Annual General Meeting in order to hear the views of those in attendance. In concluding the discussion, Members requested that the matter be reconsidered by way of an update at the next meeting of the Pensions Committee.

With regards to the Performance Chart (Appendix A of the report), the Communications and Governance Team Leader explained that the last quarter had been difficult due to staff annual leave and the run up to Christmas. It was also commented that pensions were getting increasingly complex to administer and that this was a national issue and not just a Shropshire issue. The issue of staffing was recorded on their risk log and Members commented that they would keep the situation in mind.

RESOLVED:

1. That the position as set out in the report of the Pensions Administration Manager be accepted.
2. That the updated Funding Strategy Statement at Appendix B and Employer Events Policy at Appendix C be approved.
3. That the Head of Pensions – LGPS Senior Officer would provide an update to the next meeting of the Pensions Committee regarding the Annual General Meeting and the timeline the decisions had previously been made and agreed with the Chair/Committee. He thought it was either the September 2022 or December 2022 meeting when the updated Governance Compliance Statement was approved as part of the Pension Administration report.

59 Exclusion of Press and Public

That under paragraph 10.2 of the Council's Access to Information Procedure Rules, the proceedings of the Committee in relation to Agenda Items 9 to 13, be not conducted in public on the grounds that they might involve the likely disclosure of exempt information as defined by the categories specified against them.

60 Exempt Minutes of the Previous Meeting (Exempted by Category 3)

RESOLVED:

That the exempt minutes of the meeting held on 02 December 2022 be approved and signed by the Chairman as a correct record.

61 Stewardship Code Update (Exempted by Category 3)

The Committee received the exempt report of the Pensions Investment and Responsible Investment Manager which provided them with an update on the

position in respect of the Fund's application for signatory status of the Financial Reporting Councils (FRC) UK Stewardship Code 2020.

RESOLVED:

That the recommendations as set out in the exempt report by the Pensions Investment and Responsible Investment Manager be approved.

62 Investment Monitoring - Quarter to 31 December 2022 (Exempted by Category 3)

The Committee received the exempt report of the Head of Pensions – LGPS Senior Officer which provided them with monitoring information on investment performance and managers for the quarter period to 31 December 2022 and reported on the technical meetings held with managers since the quarter end.

RESOLVED:

That the recommendations as set out in the exempt report by the Head of Pensions – LGPS Senior Officer be approved.

63 Governance (Exempted by Category 3)

The Committee received the exempt report of the Pensions Administration Manager which informed them of governance issues affecting the Fund. The report covered regulatory breaches arising in the quarter 01 October 2022 to 31 December 2022 that had been recorded in the breaches log and any stage one or stage two appeals that had been received under the internal dispute resolution procedure (IDRP).

RESOLVED:

That the recommendations as set out in the exempt report by the Pensions Administration Manager be approved.

64 New Employers (Exempted by Category 3)

The Committee received the exempt report of the Pensions Administration Manager which provided them with details regarding one new employer admission to the Fund under Schedule 2 Part 3 Regulation 1(d) (i) of the Local Government Pension Scheme Regulations 2013, New Schedule 1 Part 1 Scheme Employers (academies) and New Schedule 2 Part 2 Scheme Employers (designated bodies).

RESOLVED:

That the recommendations as set out in the exempt report by the Pensions Administration Manager be approved.

Signed (Chairman)
Date:

External Audit Plan

Year ending 31 March 2023

Shropshire County Pension Fund
3 June 2023

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Agenda Item 7

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Key matters



National context

For the general population, rising inflation, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment. The pressures on household income have raised concerns that members could look at their pension contributions as a way of cutting back on their monthly costs. Whilst the statutory framework around employee contributions makes this difficult funds may receive more requests for early access to their pension after age 55 as a means to financially manage their commitments.

In recent years, LGPS funding levels have been rising because of strong returns on assets. Some funds have generated a return in excess of 100% over the last decade. However, returns over the last 12 months have been relatively weak with one actuary estimating them to be around -4 to +2% for a typical LGPS fund. Shropshire Pension Fund experienced a drop of 4.1% in its asset values. However, with the Central Banks' response to increasing inflation being to raise interest rates the knock on effect has been to increase predicted returns on higher risk assets. Higher future expected investment returns lead to a lower value placed today on the fund's liabilities. Therefore whilst the fund may not be holding as many assets its overall funding position has improved at the 2022 triennial valuation to 99% (94% at the March 2019 valuation).

In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.



Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan, has been agreed with the Director of Finance.
- We will continue to provide you and your Audit and Pension Committees with sector updates providing our insight on issues from a range of sources and other sector commentators
- We hold annual financial reporting workshops for our clients to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Shropshire County Pension Fund ('the Pension Fund') for those charged with governance.

Respective responsibilities

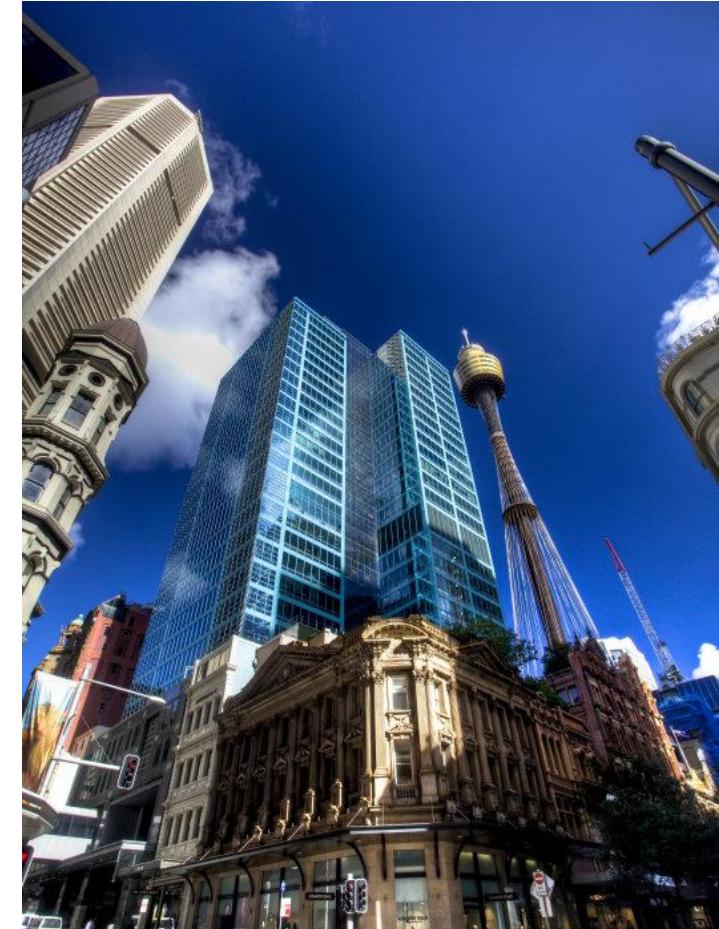
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Shropshire County Pension Fund. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Pension Fund's financial statements that have been prepared by management with the oversight of the Pensions Committee, for and on behalf of those charged with governance (the Audit Committee).

The audit of the financial statements does not relieve management or the Pensions Committee of your responsibilities. It is the responsibility of the Pension Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Pension Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Pension Fund's business and is risk based.



Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- management over-ride of controls
- valuation of level 3 investments

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We determined planning materiality to be £27m (PY £23m) for the Pension Fund, which equates to 1.25% of the Pension Fund's gross assets as at 31/12/2022. We have also determined planning materiality to be £4.205m for Fund Account transactions which equates to 5% of the Pension Fund's total expenditure for the year ended 31/03/22.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. As part of our risk assessment, we have considered the impact of unadjusted prior period errors. We have not identified any additional risks hence we have not reduced materiality further. Clearly trivial has been set at £1.35m (PY £1.15m).

The Fund has recently published its draft financial statements. We will formally revisit our materiality before we begin our substantive work but initial views are that these are unlikely to change.

Audit logistics

Our interim visit took place in March and April and our final visit will take place from July to September. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit will be £39,952 (PY: £33,952) for the Pension Fund, subject to the Pension Fund delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification
ISA240 revenue risk (rebutted)	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA 240 and the nature of the revenue streams of the Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Shropshire County Pension Fund, mean that all forms of fraud are seen as unacceptable <p>We therefore do not consider this to be a significant risk for the Pension Fund.</p>

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' (ISA (UK) 315)

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of level 3 investments	<p>The Pension Fund revalues its investments on a quarterly basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.</p> <p>By their nature level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers and/or custodians to estimate the fair value as at 31 March 2023.</p> <p>We therefore identified valuation of level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> evaluate management's processes for valuing level 3 investments review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met independently request year-end confirmations from investment managers and the custodian and consider the role played by the custodian in asset valuation for a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2023 with reference to known movements in the intervening period test revaluations made during the year to see if they have been input correctly into the Pension Fund's asset register where available review investment manager service auditor report on design effectiveness of internal controls identify the key valuation controls at the fund managers (and where appropriate the custodians) and consider the design effectiveness of the controls through enhanced documentation of our consideration of the relevant controls reports.

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto. Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Pension Fund faces external scrutiny of its stewardship of funds and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management over-ride of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> evaluate the design effectiveness of management controls over journals analyse the journals listing and determine the criteria for selecting high risk unusual journals test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration gain an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Fraud in expenditure recognition (rebutted)	<p>Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered, especially an entity that is required to meet financial targets.</p> <p>Having considered the risk factors relevant to Shropshire County Pension Fund and the relevant expenditure streams, we have determined that no separate significant risk relating to expenditure recognition is necessary, as the same rebuttal factors listed on page 7 relating to revenue recognition apply.</p> <p>We therefore do not consider this to be a significant risk for Shropshire County Pension Fund.</p>	

Other matters

Other work

The Pension Fund is administered by Shropshire County Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We consider our other duties under legislation and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2022/23 financial statements, consider and decide upon any objections received in relation to the 2022/23 financial statements;
 - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

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Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

The 2022 triennial valuations were published in March/April 2023. The data for this underpins IAS19/IAS26 roll forward disclosures within the Fund's and employer accounts. We are required to gain assurance that the information submitted to the actuary is consistent with the underlying records of the Fund. This work happens every three years and will be conducted as part of the 2022/23 audit.

Progress against prior year audit recommendations

We identified the following issues in our 2021/22 audit of the Pension Fund's financial statements, which resulted in three recommendations being reported in our 2021/22 Audit Findings Report. We will provide an update on actions taken in our Audit Findings Report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
TBC Page 16	<p>There were differences identified between the fair value of investments reported in the financial statements and the statements received from investment managers. The bulk of these differences were identified on HarbourVest's private equity portfolio and Global Infrastructure's infrastructure portfolio. The estimates had been based on a roll forward from the 30 September 2021 and 31 December 2021 capital statements. No amendment has been made in the Pension Fund's Statement of Accounts.</p>	Update to be provided in the Audit Findings Report
TBC	<p>Fund Officers regularly review services provided by Investment Managers and other service providers. As part of this monitoring exercise, management are delegated with the task of reviewing investment manager internal control reports. As part of the audit we were not provided with the below service organisation reports:</p> <ul style="list-style-type: none"> Blackrock who engage BNYM as their fund administrators (BNYM report not yet provided) DRC who engage Sanne as their fund administrators (Sanne Group (Luxembourg). The report provided specifically excludes coverage of the fund administrator. 	Update to be provided in the Audit Findings Report

Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
TBC	<p>We identified a number of controls issues in security and access of Shropshire Council's IT systems that is, Altair, Unit 4 ERP and Active Directory:</p> <ul style="list-style-type: none"> - we noted that there was inadequate control over privileged accounts within Active Directory (28 accounts) and Altair (3 accounts). - lack of review of the Access control policy and the Application security policy. - evidence requested but not provided – Leaver's process. - lack of review of the third-party IT assurance reporting for the ERP system. While an independent service organization assurance report SOC 1 is available, Shropshire Council has not assessed the IT controls findings. 	Update to be provided in the Audit Findings Report

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
1	<p>Determination</p> <p>We have determined financial statement materiality based on a proportion of the gross assets as at 31/12/2022 for the Pension Fund. Materiality at the planning stage of our audit is £27m, which equates to 1.25% of the Pension Fund's gross assets as at 31/12/2022. Performance materiality and clearly trivial have been set at 75% and 5% of headline materiality.</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements – assist in establishing the scope of our audit engagement and audit tests – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements
2	<p>Other factors</p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements.</p>	<p>An item may be considered to be material by nature where it may affect instances when greater precision is required.</p> <p>We have determined transactions within the Fund Account as items requiring greater precision and where we will apply a lower materiality level, as these are considered a key area of focus for users of the financial statements which is not directly derived from the investment portfolio. We have set a materiality of £4.205m which is equivalent to 5% of expenditure. We will apply this to the audit of all fund account transactions, except for investment transactions, for which materiality for the financial statements as a whole should be applied. For the Fund Account, performance materiality and clearly trivial have been set at 75% and 5% of headline materiality.</p>

Our approach to materiality

Matter	Description	Planned audit procedures
3	<p>Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality. The Fund has recently published its draft financial statements. We will formally revisit our materiality before we begin our substantive work but initial views are that these are unlikely to change.</p>
	<p>Other communications relating to materiality we will report to the Audit Committee</p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Pension and Audit Committees any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p>We report to the Pension and Audit Committees any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1.35m (PY £1.15m). We will adopt the same percentages on Fund Account transactions where we have determined a lower materiality. If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Pension and Audit Committees to assist in fulfilling their governance responsibilities.</p>

IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on page 16.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

Page 20

IT system	Audit area	Planned level IT audit assessment
Unit 4 Business World	Financial reporting	Roll-forward streamlined ITGC review (also make reference to page 16)
Altair	Pension benefits	Roll-forward streamlined ITGC review (also make reference to page 16)

Audit logistics and team



Grant Patterson - Key Audit Partner

Provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers.

Keith Chaisewa - Audit Manager

Plans and manages the delivery of the audit including regular contact with senior officers.

Shazna Rashid - In Charge Auditor

Key audit contact responsible for the day to day management and delivery of the audit work.

Audited Entity responsibilities

Where audited entities do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards including ISA 315 Revised

In 2017, PSAA awarded a contract of audit for Shropshire County Pension Fund to begin with effect from 2018/19. The PSAA published scale fee for 2022/23 under the contract is £21,539. Since 2017 there have been a number of developments, particularly in relation to the revised Code and ISAs which are relevant for the 2022/23 audit. For details of the changes which impacted on years up to 2021/22 please see our prior year Audit Plans but we have summarised them overleaf.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the Pension Fund's IT Infrastructure and IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.

Additional documentation of our understanding of the Pension Fund's business model, which may result in us needing to perform additional inquiries to understand the Pension Fund's end-to-end processes over more classes of transactions, balances and disclosures.

We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.

- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for a Pension Fund of your size, we estimate an initial increase of £3,000. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that. In response to regulator feedback we have also had to increase the level of work required on changes in circumstances related to benefits payable. We estimate a fee increase of £500 to cover this work.

The 2022 triennial valuations were published in March/April 2023. The data for this underpins IAS19/IAS26 roll forward disclosures within the Fund's and employer accounts. We are required to gain assurance that the information submitted to the actuary is consistent with the underlying records of the Fund. We estimate the additional fee to cover this work will be approximately £5,000.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf and has been agreed with the Head of Pensions.

Audit fees

	Actual Fee 2020/21	Actual (or estimated) Fee 2021/22	Proposed fee 2022/23
Shropshire County Pension Fund Audit – Scale Fees	£18,039	£18,039	£21,539
Brought Forward 2019/20 and 2020/21 Variation	£12,250		
Ongoing Prior Year Variations taken into 2021/22		£10,913	
2021/22 Proposed Variations – additional quality procedures and work on investment management fees		£5,000	
Ongoing Prior Year Variations not contained within amended scale fee			£9,913
2022/23 – ISA 315			£3,000
2022/23 – Additional Change of Circumstances Work			£500
2022/23 – Triennial Data Assurance Work			£5,000
Total audit fees (excluding VAT)	£30,289	£33,952 (TBC)	£39,952

Assumptions

In setting the above fees, we have assumed that the Pension Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in September 2022 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund.

Independence and non-audit services

Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Pension Fund's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

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Service	Fees £	Threats	Safeguards
Audit related			
IAS19 Assurance letters for Admitted Bodies	10,400	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,400 in comparison to the total proposed fee for the audit of £39,952 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
Statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud (deliberate manipulation) involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

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<u>Committee and Date</u>	<u>Item</u>
Pensions Committee	8
23 June 2023	
10.00am	
	Public

CORPORATE GOVERNANCE MONITORING

Responsible Officer Peter Chadderton
e-mail: peter.chadderton@shropshire.gov.uk Tel:(07990) 086399

1. Synopsis

- 1.1 The report is to inform members of Corporate Governance and socially responsible investment issues arising in the quarter, 1st January 2023 to 31st March 2023.

2. Recommendations

- 2.1 Members are asked to accept the position as set out in the report in respect of voting and engagement activity, Manager Voting Reports from LGPS Central at Appendix A (A1 & A2) & B, Columbia Threadneedle Investments Responsible Engagement Overlay Activity Report at Appendix C and LAPFF engagement Report at Appendix D.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 Risk Management is part of the Pension Fund's structured decision-making process by ensuring that investment decisions are taken by those best qualified to take them.
- 3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.
- 3.3 The Fund's Corporate Governance Policy enables it to influence the environmental policies of the companies in which it invests.
- 3.4 There are no direct Equalities or Community consequences.

4. Financial Implications

- 4.1 There are no direct financial implications arising from this report.

5. Climate Change Appraisal

- 5.1 The Fund takes Responsible Investment very seriously; it is a key process the investment managers go through before investing where thorough due diligence is undertaken considering all risks including climate change. The investment managers vote on the Fund's behalf, Columbia Threadneedle engage with companies on the Fund's behalf and the Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and a signatory to the previous UK Stewardship Code and in the process of becoming a signatory to the new Code with an application submitted in May 2023.
- 5.2 Shropshire County Pension Fund has also received and published Climate Risk Reports and TCFD reports since December 2020.

6. Background

- 6.1 The Shropshire County Pension Fund has been actively voting for over fifteen years at the Annual General Meetings and Extraordinary General Meetings of the companies in which it invests. Voting is carried out by individual Fund Managers on all equity portfolios.
- 6.2 The Fund is also addressing its social responsibility through a strategy of responsible engagement with companies. Columbia Threadneedle provides this responsible engagement overlay on the Fund's global equities portfolios.

7. Manager Voting Activity

- 7.1 Details of managers voting activity during the quarter relating to equity portfolios are attached:
Appendix A1 LGPS Central Voting statistics
Appendix A2 LGPS Central Stewardship Report for Quarter including examples of engagement action.
Appendix B LGIM – Voting summary and key examples.
- 7.2 The LGIM report is a generic report across all LGIM's investment activity and not specific to the low carbon index in which the Fund is invested. Examples that relate to the Funds LGIM portfolio as at 31st March 2023 include Novo Nordisk, Air Products and Chemicals Inc and Kansai Electric Power. Glencore is not included in the LGIM portfolio but does sit within the LGPS Central Global Equity portfolio.

8. Responsible Engagement Activity

- 8.1 During the last quarter Columbia Threadneedle have continued to actively engage with companies on the Fund's behalf. An update on the engagement activities for the quarter is attached at Appendix C in the REO Activity report. This report covers companies across all the Fund's equity portfolios.

- 8.2 In addition to the service provided by Columbia Threadneedle the Fund is also a member of the LAPFF (Local Authority Pension Fund Forum). The LAPFF use the combined power of LGPS Members to engage with companies on behalf of the LGPS. An update on the engagement activities of the LAPFF for the quarter is attached at Appendix D.
- 8.3 As with the earlier LGIM report at Appendix B, the LAPFF engagement is not specific to companies in the Fund's portfolio. The LAPFF use Pension Fund share holdings at an aggregate level to determine engagement companies. Examples of some of the companies within the Shropshire portfolio on 31st March 2023 include Rio Tinto, Constellation Brands, Volvo, Amazon and Nestle.

9. Stewardship Code Update

- 9.1 Following the last meeting a final copy of the Funds application to become a signed signatory to the FRC (Financial Reporting Council) Stewardship code, including member amendments was submitted on the 22nd May 2023 prior to the 31st May deadline, after signature by the Head of Pensions and the Chair of the Committee as agreed at the March 2023 meeting.
- 9.2 At the time of writing there has been no response from the FRC and we have no definitive timescale for a response to the application. We will advise both the Committee and the Board once a response has been issued.

10. DLUHC TCFD Consultation

- 10.1 As reported in December 2022, the Council has formally responded to this consultation alongside our pooling company LGPS Central. At the time of writing there has been no response from the DLUHC in response to the consultation which ended on the 24 November 2022. We will advise both the Committee and the Board once a response has been issued.

11. LGPS Central Climate Change Training

- 11.1 Following a request for training at the March Meeting, we were awaiting the results of the elections at Telford and Wrekin so that training could be provided to all members new and existing. Now that this has been resolved we shall make arrangements with LGPS Central to set up a training session.
- 11.2 As an interim measure a glossary of some of the terms commonly referred to in these reports is attached at Appendix E.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Corporate Governance Monitoring report, Pensions Committee 24 June 2022

Corporate Governance Monitoring report, Pensions Committee 16 September 2022

Corporate Governance Monitoring report, Pensions Committee 2 December 2022

Climate Risk Report, Pensions Committee 2 December 2022

Corporate Governance Monitoring report, Pensions Committee 17 March 2023

Cabinet Member

N/A

Local Member

N/A

Appendices

- A. LGPS Central Manager Voting Activity Reports (A1 -A2).
- B. LGIM Manager Voting Activity Report
- C. Columbia Threadneedle Responsible Engagement Overlay Reports.
- D. LAPFF Quarterly Engagement Report
- E. Responsible Investment Glossary

Engagement Report

Q1 2023

EOS at Federated Hermes
LGPS Central - ACS
Engagement by region

We engaged with 354 companies held in the LGPS Central - ACS portfolio on a range of 1330 environmental, social and governance issues and objectives

Global

We engaged with 354 companies



- Environmental 37.1%
- Governance 24.8%
- Social and Ethical 26.7%
- Strategy, Risk and Comm 11.4%

Australia & New Zealand

We engaged with 12 companies



- Environmental 42.4%
- Governance 24.2%
- Social and Ethical 18.2%
- Strategy, Risk and Comm 15.2%

Developed Asia

We engaged with 36 companies



- Environmental 30.7%
- Governance 34.6%
- Social and Ethical 24.6%
- Strategy, Risk and Comm 10.1%

Emerging & Developing Markets

We engaged with 39 companies



- Environmental 34.6%
- Governance 26.8%
- Social and Ethical 19.6%
- Strategy, Risk and Comm 19.0%

Europe

We engaged with 93 companies



- Environmental 37.0%
- Governance 27.2%
- Social and Ethical 25.3%
- Strategy, Risk and Comm 10.5%

North America

We engaged with 148 companies



- Environmental 39.8%
- Governance 19.4%
- Social and Ethical 30.7%
- Strategy, Risk and Comm 10.0%

United Kingdom

We engaged with 26 companies



- Environmental 35.6%
- Governance 25.7%
- Social and Ethical 26.7%
- Strategy, Risk and Comm 11.9%

Engagement by theme

We engaged with 354 companies held in the LGPS Central - ACS portfolio on a range of 1330 environmental, social and governance issues and objectives

Environmental

Environmental topics featured in 37.1% of our engagements



- Climate Change 75.9%
- Forestry and Land Use 8.1%
- Pollution and Waste Management 11.2%
- Supply Chain Management 2.0%
- Water 2.8%

Social and Ethical

Social and Ethical topics featured in 26.7% of our engagements



- Bribery and Corruption 0.8%
- Conduct and Culture 4.5%
- Diversity 18.0%
- Human Capital Management 31.3%
- Human Rights 36.6%
- Labour Rights 7.0%
- Tax 1.7%

Governance

Governance topics featured in 24.8% of our engagements



- Board Diversity, Skills and Experience 26.4%
- Board Independence 12.7%
- Executive Remuneration 41.2%
- Shareholder Protection and Rights 15.5%
- Succession Planning 4.2%

Strategy, Risk and Communication

Strategy, Risk and Communication topics featured in 11.4% of our engagements



- Audit and Accounting 17.1%
- Business Strategy 38.8%
- Cyber Security 2.6%
- Integrated Reporting and Other Disclosure 21.1%
- Risk Management 20.4%

Voting Report

Q1 2023

EOS at Federated Hermes

LGPS Central - ACS

Over the last quarter we made voting recommendations at 547 meetings (6,027 resolutions). At 295 meetings we recommended opposing one or more resolutions. We recommended voting with management by exception at 16 meetings and abstaining at four meetings. We supported management on all resolutions at the remaining 232 meetings.

Global

We made voting recommendations at 547 meetings (6,027 resolutions) over the last quarter.



- Total meetings in favour 42.4%
- Meetings against (or against AND abstain) 53.9%
- Meetings abstained 0.7%
- Meetings with management by exception 2.9%

Australia & New Zealand

We made voting recommendations at five meetings (33 resolutions) over the last quarter.



- Meetings against (or against AND abstain) 100.0%

Developed Asia

We made voting recommendations at 241 meetings (1,930 resolutions) over the last quarter.



- Total meetings in favour 55.2%
- Meetings against (or against AND abstain) 43.6%
- Meetings with management by exception 1.2%

Emerging & Developing Markets

We made voting recommendations at 120 meetings (1,085 resolutions) over the last quarter.



- Total meetings in favour 34.2%
- Meetings against (or against AND abstain) 64.2%
- Meetings abstained 0.8%
- Meetings with management by exception 0.8%

Europe

We made voting recommendations at 99 meetings (1,802 resolutions) over the last quarter.



- Total meetings in favour 23.2%
- Meetings against (or against AND abstain) 67.7%
- Meetings abstained 3.0%
- Meetings with management by exception 6.1%

North America

We made voting recommendations at 39 meetings (493 resolutions) over the last quarter.



- Total meetings in favour 15.4%
- Meetings against (or against AND abstain) 71.8%
- Meetings with management by exception 12.8%

United Kingdom

We made voting recommendations at 43 meetings (684 resolutions) over the last quarter.



- Total meetings in favour 67.4%
- Meetings against (or against AND abstain) 30.2%
- Meetings with management by exception 2.3%

The issues on which we recommended voting against management or abstaining on resolutions are shown below.

Global

We recommended voting against or abstaining on 808 resolutions over the last quarter.



Board Structure 50.9%
Remuneration 25.5%
Shareholder Resolution 6.8%
Capital Structure + Dividends 2.2%
Amend Articles 4.5%
Audit + Accounts 5.1%
Investment/M&A 0.1%
Poison Pill/Anti-Takeover Device 0.2%
Other 4.7%

Australia & New Zealand

We recommended voting against or abstaining on 13 resolutions over the last quarter.



Board Structure 38.5%
Remuneration 61.5%

Developed Asia

We recommended voting against or abstaining on 233 resolutions over the last quarter.



Board Structure 57.9%
Remuneration 18.0%
Shareholder Resolution 7.7%
Amend Articles 5.6%
Audit + Accounts 10.3%
Other 0.4%

Emerging & Developing Markets

We recommended voting against or abstaining on 206 resolutions over the last quarter.



Board Structure 52.9%
Remuneration 18.4%
Shareholder Resolution 1.9%
Capital Structure + Dividends 4.4%
Amend Articles 5.3%
Audit + Accounts 4.9%
Investment/M&A 0.5%
Other 11.7%

Europe

We recommended voting against or abstaining on 225 resolutions over the last quarter.



Board Structure 50.7%
Remuneration 31.6%
Shareholder Resolution 1.3%
Capital Structure + Dividends 3.6%
Amend Articles 4.4%
Audit + Accounts 2.7%
Other 5.8%

North America

We recommended voting against or abstaining on 93 resolutions over the last quarter.



Board Structure 48.4%
Remuneration 32.3%
Shareholder Resolution 18.3%
Audit + Accounts 1.1%

United Kingdom

We recommended voting against or abstaining on 38 resolutions over the last quarter.



Board Structure 7.9%
Remuneration 44.7%
Shareholder Resolution 34.2%
Capital Structure + Dividends 2.6%
Amend Articles 5.3%
Poison Pill/Anti-Takeover Device 5.3%

Notices:

LGPS Central Limited is committed to disclosing its voting record on a vote-by-vote basis, including where practicable the provision of a rationale for votes cast against management.

The data presented here relate to voting decisions for securities held in portfolios within the company's Authorised Contractual Scheme (ACS).

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
20/01/2023	China Travel International Investment Hong Kong Limited	Extraordinary Shareholders	Against	1c,1d 1b 2	Concerns related to approach to board gender diversity Lack of independence on board Pay is misaligned with EOS remuneration principles
16/03/2023	Fosun International Limited	Extraordinary Shareholders	Against	5a,5b 1a,1b,1c,2a,2b,2c	Concerns related to approach to board gender diversity Pay is misaligned with EOS remuneration principles
17/03/2023	Hua Hong Semiconductor Ltd.	Extraordinary Shareholders	All For		
25/01/2023	AEON Financial Service Co., Ltd.	Special	All For		
26/01/2023	Park24 Co., Ltd.	Annual	Against	2,1,2,6 3	Lack of independence on board Lack of independence on board Concerns related to inappropriate membership of committees
27/01/2023	Kobe Bussan Co., Ltd.	Annual	Against	2,1 3	Lack of independence on board Pay is misaligned with EOS remuneration principles
17/02/2023	OSG Corp. (6136)	Annual	All For		
22/02/2023	Kewpie Corp.	Annual	Against	3,2 2,1	Concerns about overall board structure Lack of independence on board
22/02/2023	Money Forward, Inc.	Annual	Against	3,5	Lack of independence on board
14/03/2023	M&A Research Institute Holdings, Inc.	Special	All For		
14/03/2023	Nippon Building Fund, Inc.	Special	All For		
18/03/2023	THK CO., LTD.	Annual	Against	2,1 2,8	Concerns related to approach to board gender diversity Lack of independence on board
22/03/2023	Yamaha Motor Co., Ltd.	Annual	Against	2,6	Lack of independence on board
23/03/2023	Hulic Co., Ltd.	Annual	All For		
23/03/2023	Nabtesco Corp.	Annual	All For		
24/03/2023	ASICS Corp.	Annual	All For		
24/03/2023	GMO Internet Group, Inc.	Annual	Against	2,1	Concerns related to approach to board gender diversity Poison pill/anti-takeover measure not in investors interests Lack of independence on board
24/03/2023	Information Services International-Dentsu Ltd.	Annual	Against	2	Concerns related to shareholder rights
24/03/2023	Japan Tobacco, Inc.	Annual	Against	3,3 5	A vote AGAINST this nominee is warranted because: * The outside statutory auditor nominee's affiliation with the company could compromise independence. Shareholder support would send a message that JT's board needs to seriously consider whether its current approach to Torii Pharmaceutical is still appropriate, and that JT needs to be more transparent about its rationale for maintaining Torii as a listed subsidiary.
24/03/2023	Kao Corp.	Annual	Against	2,8	Lack of independence on board
24/03/2023	Kubota Corp.	Annual	Against	1,1	Concerns related to approach to board gender diversity
24/03/2023	Kyowa Kirin Co., Ltd.	Annual	All For		
24/03/2023	NEXON Co., Ltd.	Annual	Against	1,1 2	Concerns related to approach to board gender diversity Lack of independence on board Pay is misaligned with EOS remuneration principles
24/03/2023	Shiseido Co., Ltd.	Annual	All For		
24/03/2023	Suntory Beverage & Food Ltd.	Annual	All For		
24/03/2023	Trusco Nakayama Corp.	Annual	Against	2,1,3 1,1,1,7	Concerns about overall board structure Lack of independence on board
24/03/2023	Unicharm Corp.	Annual	All For		
25/03/2023	Horiba Ltd.	Annual	All For		
28/03/2023	Asahi Group Holdings Ltd.	Annual	All For		
28/03/2023	Bridgestone Corp.	Annual	Against	2,3,2,5,2,7	Lack of independence on board

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
28/03/2023	Coca-Cola Bottlers Japan Holdings, Inc.	Annual	Against	4.4 4.3 2	A vote AGAINST this director nominee is warranted because: * This outside director candidate who will be an audit committee member lacks independence. A vote AGAINST this director nominee is warranted because: * This outside director candidate who will be an audit committee member lacks independence. A vote AGAINST this proposal is warranted because: * The passage of this proposal will authorize the company to hold virtual only meetings permanently, without further need to consult shareholders, even after the current health crisis is resolved, and the proposed language fails to specify situations under which virtual meetings will be held.
28/03/2023	DMG MORI CO., LTD.	Annual	Against	3.2	Concerns about overall board structure
28/03/2023	INPEX Corp.	Annual	Against	4.3 3.1	Concerns about overall board structure Concerns related to approach to board gender diversity
28/03/2023	Kagome Co., Ltd.	Annual	All For		
28/03/2023	Nippon Paint Holdings Co., Ltd.	Annual	All For		
28/03/2023	Pola Orbis Holdings, Inc.	Annual	Against	2	Concerns related to shareholder rights
28/03/2023	Sumitomo Rubber Industries, Ltd.	Annual	Against	2.1 2.8	Concerns related to approach to board gender diversity Lack of independence on board
28/03/2023	Trend Micro, Inc.	Annual	All For		
29/03/2023	iCanon Marketing Japan, Inc.	Annual	Against	2.1 2.6	Lack of independence on board
29/03/2023	DIC Corp.	Annual	All For		
29/03/2023	Ebara Corp.	Annual	All For		
29/03/2023	Ezaki Glico Co., Ltd.	Annual	Against	1.1, 5, 1.6, 1.8	Lack of independence on board
29/03/2023	HOSHIZAKI Corp.	Annual	Against	1.1	Concerns related to approach to board gender diversity
29/03/2023	Kuraray Co., Ltd.	Annual	Against	2.3	Concerns related to approach to board gender diversity
29/03/2023	MonotaRO Co., Ltd.	Annual	Against	3.3	Lack of independence on board
29/03/2023	OTSUKA CORP.	Annual	Against	2.1, 2.6	Lack of independence on board
29/03/2023	Peptidream, Inc.	Annual	Against	2.1	Lack of independence on board
29/03/2023	Shimano, Inc.	Annual	Against	3.2, 3.5	Lack of independence on board
29/03/2023	SUMCO Corp.	Annual	All For		
29/03/2023	Tokyo Tatemono Co., Ltd.	Annual	Against	2.1 2.11	Concerns related to approach to board gender diversity Lack of independence on board
29/03/2023	Toyo Tire Corp.	Annual	Against	3.7	Lack of independence on board
30/03/2023	AGC, Inc. (Japan)	Annual	Against	2.1	Inadequate management of climate-related risks
30/03/2023	Canon, Inc.	Annual	Against	2.1 2.4	Concerns related to approach to board gender diversity Lack of independence on board
30/03/2023	Chugai Pharmaceutical Co., Ltd.	Annual	All For		
30/03/2023	Dentsu Group, Inc.	Annual	Against	2.3 2.2 2.1 2.8	A vote AGAINST this director nominee is warranted because: * As a director who was on the board when misconduct over the Tokyo 2020 Olympic and Paralympic Games took place, the nominee's reappointment is not appropriate. As a director who was on the board when misconduct over the Tokyo 2020 Olympic and Paralympic Games took place, the nominee's reappointment is not appropriate As a director who was on the board when misconduct over the Tokyo 2020 Olympic and Paralympic Games took place, the nominee's reappointment is not appropriate. The board after this meeting will not be majority independent and this outside director nominee lacks independence.
30/03/2023	GungHo Online Entertainment, Inc.	Annual	Against	1.1, 1.9	Lack of independence on board
30/03/2023	Kirin Holdings Co., Ltd.	Annual	Against	2	The passage of this proposal will authorize the company to hold virtual only meetings permanently, without further need to consult shareholders, even after the current health crisis is resolved, and the proposed language fails to specify situations under which virtual meetings will be held.
30/03/2023	Kobayashi Pharmaceutical Co., Ltd.	Annual	All For		
30/03/2023	KOKUYO CO., LTD.	Annual	All For		
30/03/2023	KOSE Corp.	Annual	All For		
30/03/2023	Lion Corp.	Annual	All For		
30/03/2023	Mabuchi Motor Co., Ltd.	Annual	All For		
30/03/2023	Nakanishi, Inc.	Annual	All For		
30/03/2023	Nippon Electric Glass Co., Ltd.	Annual	Against	3.1, 3.6	Lack of independence on board
30/03/2023	Nippon Express Holdings, Inc.	Annual	Against	1.5	Lack of independence on board
30/03/2023	Otsuka Holdings Co., Ltd.	Annual	Against	1.1, 1.10, 1.11	Lack of independence on board
30/03/2023	Pigeon Corp.	Annual	All For		

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
30/03/2023	Rakuten Group, Inc.	Annual	Against	2,7,2,9	Lack of independence on board
30/03/2023	Renesas Electronics Corp.	Annual	All For		
30/03/2023	Resonac Holdings Corp.	Annual	Against	2,7	Lack of independence on board
30/03/2023	Sapporo Holdings Ltd.	Annual	Against	2,1 2,5,2,8	Concerns about overall performance Concerns related to approach to board gender diversity Lack of independence on board
30/03/2023	Skylark Holdings Co., Ltd.	Annual	All For		
30/03/2023	Sumitomo Forestry Co., Ltd.	Annual	All For		
30/03/2023	Sumitomo Heavy Industries, Ltd.	Annual	Against	2,1 2,8,2,9	Concerns related to approach to board gender diversity Lack of independence on board
30/03/2023	The Yokohama Rubber Co., Ltd.	Annual	Against	3,1,3,7,3,9,3,10,3,11 4,5,5	Lack of independence on board Lack of independence on board Concerns related to inappropriate membership of committees
30/03/2023	Tokai Carbon Co., Ltd.	Annual	All For		
30/03/2023	TOKYO OHKA KOGYO CO., LTD.	Annual	All For		
30/03/2023	Yamazaki Baking Co., Ltd.	Annual	Against	2,1 2,10	Concerns related to approach to board gender diversity Lack of independence on board Inadequate management of climate-related risks Lack of independence on board
17/01/2023	Frasers Logistics & Commercial Trust	Annual	All For		
18/01/2023	SATS Ltd	Extraordinary Shareholders	All For		
16/02/2023	Sembcorp Marine Ltd.	Extraordinary Shareholders	All For		
29/03/2023	Olam Group Limited	Extraordinary Shareholders	All For		
31/03/2023	DBS Group Holdings Ltd.	Annual	Against	5	Concerns related to inappropriate membership of committees
05/01/2023	MERITZ Financial Group, Inc.	Special	All For		
18/01/2023	Samsung Engineering Co., Ltd.	Special	All For		
26/01/2023	Hyundai GLOVIS Co., Ltd.	Special	All For		
10/02/2023	Hyundai Department Store Co., Ltd.	Special	Against	1	Concerns to protect shareholder value
13/02/2023	HANWHA SOLUTIONS CORP.	Special	All For		
27/02/2023	Korea Electric Power Corp.	Special	Against	1,1,1,2,2	Lack of independence on board
28/02/2023	KEPCO Plant Service & Engineering Co., Ltd.	Special	All For		
08/03/2023	MERITZ Financial Group, Inc.	Special	All For		
14/03/2023	ILJIN MATERIALS Co., Ltd.	Special	Against	1	Issue of equity raises concerns about excessive dilution of existing shareholders
15/03/2023	Samsung Electro-Mechanics Co., Ltd.	Annual	All For		
15/03/2023	Samsung Electronics Co., Ltd.	Annual	Against	2	Concerns about overall board structure
15/03/2023	Samsung Electronics Co., Ltd.	Annual	Against	2	Concerns about overall board structure
15/03/2023	Samsung SDI Co., Ltd.	Annual	All For		
15/03/2023	SAMSUNG SDS CO., LTD.	Annual	All For		
16/03/2023	Celli Worldwide, Inc.	Annual	Against	4	Pay is misaligned with EOS remuneration principles
16/03/2023	HOTEL SHILLA Co., Ltd.	Annual	All For		
16/03/2023	S-1 Corp. (Korea)	Annual	All For		
16/03/2023	Samsung Card Co., Ltd.	Annual	All For		
16/03/2023	Samsung Engineering Co., Ltd.	Annual	All For		
16/03/2023	Samsung Life Insurance Co., Ltd.	Annual	All For		
17/03/2023	Amorepacific Corp.	Annual	All For		
17/03/2023	AmorePacific Group, Inc.	Annual	All For		
17/03/2023	BNK Financial Group, Inc.	Annual	All For		
17/03/2023	HYUNDAI MARINE & FIRE INSURANCE Co., Ltd.	Annual	All For		
17/03/2023	Kia Corp.	Annual	All For		
17/03/2023	Korea Zinc Co., Ltd.	Annual	Against	3,4 5	Concerns related to attendance at board or committee meetings Pay is misaligned with EOS remuneration principles
17/03/2023	LG Uplus Corp.	Annual	All For		
17/03/2023	MERITZ Financial Group, Inc.	Annual	All For		
17/03/2023	POSCO Holdings Inc.	Annual	Against	4	Inadequate management of climate-related risks 2- Inadequate management of climate-related risks from exposure to coal
17/03/2023	SAMSUNG BIOLOGICS Co., Ltd.	Annual	Against	2,3	Concerns about overall performance
17/03/2023	Samsung C&T Corp.	Annual	Against	5,2	Concerns about overall performance
17/03/2023	Samsung Fire & Marine Insurance Co., Ltd.	Annual	All For		

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
17/03/2023	Samsung Heavy Industries Co., Ltd.	Annual	Against	3	Pay is misaligned with EOS remuneration principles
17/03/2023	Samsung Securities Co., Ltd.	Annual	Against	5	Pay is misaligned with EOS remuneration principles
20/03/2023	POSCO Chemical Co., Ltd.	Annual	All For		
20/03/2023	POSCO INTERNATIONAL Corp.	Annual	Against	6	Pay is misaligned with EOS remuneration principles
21/03/2023	DAEWOO SHIPBUILDING & MARINE ENGINEERING Co., Ltd.	Annual	All For		
21/03/2023	LG Display Co., Ltd.	Annual	All For		
22/03/2023	HANJIN KAL Corp.	Annual	Against	4,2,5	Issue of equity raises concerns about excessive dilution of existing shareholders Pay is misaligned with EOS remuneration principles
22/03/2023	Hyundai Mobis Co., Ltd.	Annual	All For		
22/03/2023	Hyundai Steel Co.	Annual	Against	3,2,4,2	Concerns about human rights 2- Concerns about overall board structure Concerns to protect shareholder value 2- Pay is misaligned with EOS remuneration principles
22/03/2023	Hyundai WIA Corp.	Annual	All For		
22/03/2023	Korean Air Lines Co., Ltd.	Annual	Against	3,3,5	Inadequate management of climate-related risks Pay is misaligned with EOS remuneration principles
22/03/2023	L&F Co., Ltd.	Annual	Against	4	Pay is misaligned with EOS remuneration principles
22/03/2023	Lotte Chilsung Beverage Co., Ltd.	Annual	Against	2,1,5	Concerns about candidate's experience/skills Pay is misaligned with EOS remuneration principles
22/03/2023	LOTTE Fine Chemical Co., Ltd.	Annual	All For		
22/03/2023	NAVER Corp.	Annual	All For		
22/03/2023	OCI Co., Ltd.	Annual	Against	5	Concerns to protect shareholder value
23/03/2023	DI E&C Co., Ltd	Annual	All For		
23/03/2023	GS Retail Co., Ltd.	Annual	All For		
23/03/2023	HANWHA LIFE INSURANCE Co., Ltd.	Annual	Against	3,5	Inappropriate bundling of election of directors on a single vote
23/03/2023	HANWHA SOLUTIONS CORP.	Annual	All For		
23/03/2023	HYUNDAI ENGINEERING & CONSTRUCTION CO., LTD.	Annual	All For		
23/03/2023	Hyundai Motor Co., Ltd	Annual	Against	2,5	Pay is misaligned with EOS remuneration principles
23/03/2023	Industrial Bank of Korea	Annual	Against	2,3	Pay is misaligned with EOS remuneration principles
23/03/2023	LG Innotek Co., Ltd.	Annual	All For		
23/03/2023	Mirae Asset Securities Co., Ltd.	Annual	Against	3,4,1	Concerns about overall performance
23/03/2023	NH Investment & Securities Co., Ltd.	Annual	Against	3,1,3,2	Concerns about overall performance
23/03/2023	ORION Corp. (Korea)	Annual	Against	5	Pay is misaligned with EOS remuneration principles
23/03/2023	Shinhan Financial Group Co., Ltd.	Annual	Against	3,3,3,4,3,5,3,6,3,7,3,8,3,9,4,5,1,5,2	Concerns about overall performance
23/03/2023	Shinsegae Co., Ltd.	Annual	All For		
23/03/2023	Yuhan Corp.	Annual	All For		
24/03/2023	DB Insurance Co., Ltd.	Annual	All For		
24/03/2023	DL Holdings Co., Ltd.	Annual	All For		
24/03/2023	DONG SUH Companies Inc.	Annual	All For		
24/03/2023	GS Engineering & Construction Corp.	Annual	Against	3	Pay is misaligned with EOS remuneration principles
24/03/2023	Hana Financial Group, Inc.	Annual	All For		
24/03/2023	HANSSEM Co., Ltd.	Annual	All For		
24/03/2023	HITEJINRO Co., Ltd.	Annual	Against	2,1	Concerns about overall performance
24/03/2023	HL Mando Co., Ltd.	Annual	All For		
24/03/2023	KB Financial Group, Inc.	Annual	All For		
24/03/2023	Korea Investment Holdings Co., Ltd.	Annual	All For		
24/03/2023	Kumho Petrochemical Co., Ltd.	Annual	All For		
24/03/2023	LG Energy Solution Ltd.	Annual	All For		
24/03/2023	Nongshim Co., Ltd.	Annual	All For		
24/03/2023	Paradise Co., Ltd.	Annual	Against	4	Pay is misaligned with EOS remuneration principles
24/03/2023	Seegene, Inc.	Annual	Against	5,6	Pay is misaligned with EOS remuneration principles
24/03/2023	Woori Financial Group, Inc.	Annual	Against	3,1,5,1	Concerns about overall performance
27/03/2023	CJ Logistics Corp.	Annual	All For		
27/03/2023	Doosan Bobcat, Inc.	Annual	All For		
27/03/2023	Hyundai Doosan Infracore Co., Ltd.	Annual	All For		
27/03/2023	HYUNDAI MIPO DOCKYARD Co., Ltd.	Annual	All For		

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
27/03/2023	Kakao Games Corp.	Annual	All For		
27/03/2023	kakaopay Corp.	Annual	All For		
27/03/2023	LG Electronics, Inc.	Annual	All For		
27/03/2023	SK bioscience Co., Ltd.	Annual	All For		
27/03/2023	Sk ie Technology Co., Ltd.	Annual	Against	3.2 2.1,2.3 5	Concerns related to inappropriate membership of committees Lack of independence on board Pay is misaligned with EOS remuneration principles
28/03/2023	Alteogen, Inc.	Annual	Against	2	Insufficient/poor disclosure
28/03/2023	BGF Retail Co., Ltd.	Annual	All For		
28/03/2023	Celltrion Healthcare Co., Ltd.	Annual	All For		
28/03/2023	Celltrion Pharm Inc.	Annual	All For		
28/03/2023	Celltrion, Inc.	Annual	All For		
28/03/2023	CJ CheilJedang Corp.	Annual	Against	5	Pay is misaligned with EOS remuneration principles
28/03/2023	CJ ENM Co., Ltd.	Annual	Against	3,3,4,1	Concerns about overall performance
28/03/2023	Daewoo Engineering & Construction Co. Ltd.	Annual	All For		
28/03/2023	HANWHA AEROSPACE Co., Ltd.	Annual	All For		
28/03/2023	HD HYUNDAI Co., Ltd.	Annual	All For		
28/03/2023	Hyundai Department Store Co., Ltd.	Annual	All For		
28/03/2023	Hyundai Heavy Industries Co., Ltd.	Annual	All For		
28/03/2023	Kakao Corp.	Annual	Against	3.1	Concerns about overall performance
28/03/2023	KEPCO Plant Service & Engineering Co., Ltd.	Annual	Against	2,3	Pay is misaligned with EOS remuneration principles
28/03/2023	Korea Electric Power Corp.	Annual	All For		
28/03/2023	Korea Shipbuilding & Offshore Engineering Co., Ltd.	Annual	All For		
28/03/2023	KRAFTON, Inc	Annual	All For		
28/03/2023	KT&G Corp.	Annual	Against	7.1,7.2,8.1,8.2,8.3,9.1,9.2 6.1 2.1 6.2,7.4,7.6,7.7,8.5,8.7,8.8,9. 4,9,5,9,6 3.1 2,3,4,5 3,2,3,3,3,4	Concerns about candidate's experience/skills Concerns related to shareholder rights Concerns to protect shareholder value Shareholder proposal promotes appropriate accountability or incentivisation Shareholder proposal promotes appropriate accountability or incentivisation Shareholder proposal promotes enhanced shareholder rights Shareholder proposal promotes enhanced shareholder rights
28/03/2023	LG Chem Ltd.	Annual	All For		
28/03/2023	LG H&H Co., Ltd.	Annual	All For		
28/03/2023	NHN Corp	Annual	Against	4	Pay is misaligned with EOS remuneration principles
28/03/2023	S-Oil Corp.	Annual	Against	3.1 4	Lack of independence on board Pay is misaligned with EOS remuneration principles
28/03/2023	SK Biopharmaceuticals Co., Ltd.	Annual	Against	3	Pay is misaligned with EOS remuneration principles
28/03/2023	SK Chemicals Co. Ltd.	Annual	All For		
28/03/2023	SK Telecom Co., Ltd.	Annual	All For		
28/03/2023	SKC Co., Ltd.	Annual	All For		
29/03/2023	CJ Corp.	Annual	All For		
29/03/2023	COWAY Co., Ltd.	Annual	All For		
29/03/2023	DB HITEK Co., Ltd.	Annual	All For		
29/03/2023	Doosan Enerbility Co., Ltd.	Annual	Against	1	Inadequate management of climate-related risks
29/03/2023	E-Mart, Inc.	Annual	Against	3.2 3,4	Lack of independence on board Concerns related to inappropriate membership of committees
29/03/2023	Ecopro BM Co., Ltd.	Annual	Against	2	Lack of independence on board
29/03/2023	F&F Co., Ltd.	Annual	Against	2,4	Pay is misaligned with EOS remuneration principles
29/03/2023	FILA Holdings Corp.	Annual	All For		
29/03/2023	Green Cross Corp.	Annual	All For		
29/03/2023	GS Holdings Corp.	Annual	Against	5	Pay is misaligned with EOS remuneration principles
29/03/2023	HANKOOK TIRE & TECHNOLOGY Co., Ltd.	Annual	All For		
29/03/2023	Hanmi Pharmaceutical Co., Ltd.	Annual	All For		
29/03/2023	Hanmi Science Co., Ltd.	Annual	Against	4	Pay is misaligned with EOS remuneration principles

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
29/03/2023	Hanon Systems	Annual	Against	2	Inappropriate bundling of election of directors on a single vote
					Concerns about candidate's experience/skills
29/03/2023	Hyundai GLOVIS Co., Ltd.	Annual	Against	4 3.2 3.1	Concerns related to attendance at board or committee meetings
					Concerns related to inappropriate membership of committees
					Concerns related to inappropriate membership of committees
					Lack of independence on board
29/03/2023	KakaoBank Corp.	Annual	All For		
29/03/2023	Kangwon Land, Inc.	Annual	Against	2	Pay is misaligned with EOS remuneration principles
29/03/2023	KCC Corp.	Annual	Against	2,3	Concerns about overall performance
29/03/2023	KOREA AEROSPACE INDUSTRIES Ltd.	Annual	All For		
29/03/2023	Korea Gas Corp.	Annual	All For		
29/03/2023	LG Corp.	Annual	Against	4	Pay is misaligned with EOS remuneration principles
29/03/2023	Lotte Chemical Corp.	Annual	Against	2.1 2.4	Concerns about overall performance
					Lack of independence on board
29/03/2023	Lotte Shopping Co., Ltd.	Annual	All For		
29/03/2023	LS Corp.	Annual	Against	2,3,2,3,3,4,1,4,2	Concerns about overall performance
29/03/2023	NCsoft Corp.	Annual	All For		
29/03/2023	Netmarble Corp.	Annual	All For		
29/03/2023	OTTOGI Corp.	Annual	All For		
29/03/2023	Pan Ocean Co., Ltd.	Annual	Against	4	Pay is misaligned with EOS remuneration principles
29/03/2023	SD Biosensor, Inc.	Annual	All For		
29/03/2023	SK hynix, Inc.	Annual	All For		
29/03/2023	SK Inc.	Annual	Against	4 3.2 3.3 5	Concerns related to inappropriate membership of committees
					Lack of independence on board
					Lack of independence on board
					Concerns related to inappropriate membership of committees
					Pay is misaligned with EOS remuneration principles
29/03/2023	SK Networks Co., Ltd.	Annual	All For		
29/03/2023	SSANGYONGC&E Co., Ltd.	Annual	Against	2.1 4	Concerns about overall performance
					Inadequate management of climate-related risks
					Concerns related to inappropriate membership of committees
					Inappropriate bundling of election of directors on a single vote
30/03/2023	DGB Financial Group Co., Ltd.	Annual	All For		
30/03/2023	HLB Co., Ltd.	Annual	Against	3,2,3,3,3,5 8	Issue of capital raises concerns about excessive dilution of existing shareholders
					Pay is misaligned with EOS remuneration principles
30/03/2023	HYBE Co., Ltd.	Annual	All For		
30/03/2023	PearlAbyss Corp.	Annual	Against	3	Pay is misaligned with EOS remuneration principles
30/03/2023	SK Innovation Co., Ltd.	Annual	Against	4	Pay is misaligned with EOS remuneration principles
30/03/2023	SK Square Co. Ltd.	Annual	All For		
30/03/2023	Solus Advanced Materials Co., Ltd.	Annual	All For		
31/03/2023	HMM Co., Ltd.	Annual	All For		
31/03/2023	ILJIN MATERIALS Co., Ltd.	Annual	All For		
31/03/2023	Lotte Corp.	Annual	Against	2,2,3	Concerns about overall performance
31/03/2023	Shinpoong Pharmaceutical Co., Ltd.	Annual	All For		
31/03/2023	Wemade Co., Ltd.	Annual	Against	4,6	Pay is misaligned with EOS remuneration principles
01/02/2023	Nufarm Limited	Annual	Against	2,6	Pay is misaligned with EOS remuneration principles
16/02/2023	Incitec Pivot Limited	Annual	Against	4	Pay is misaligned with EOS remuneration principles
22/02/2023	Technology One Limited	Annual	Against	2 3 1	Concerns regarding Auditor tenure
					Concerns related to approach to board gender diversity
					Pay is misaligned with EOS remuneration principles
24/02/2023	Aristocrat Leisure Limited	Annual	Against	2,3,6,7	Pay is misaligned with EOS remuneration principles
31/03/2023	AMP Limited	Annual	Against	2b 3,4	Concerns regarding Auditor tenure
					Pay is misaligned with EOS remuneration principles
24/02/2023	Haitong International Securities Group Limited	Special	All For		
27/03/2023	Credicorp Ltd.	Annual	All For		
05/01/2023	Centrais Elétricas Brasileiras SA	Extraordinary Shareholders	All For		
01/02/2023	Telefonica Brasil SA	Extraordinary Shareholders	All For		
01/03/2023	Atacadao SA	Extraordinary Shareholders	Against	1	Pay is misaligned with EOS remuneration principles

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
10/03/2023	Banco Bradesco SA	Annual	Abstain Against	3 5 4	Cumulative/slate voting in favour of individual candidates/slates Insufficient/poor disclosure
10/03/2023	Banco Bradesco SA	Annual	Against		
10/03/2023	Banco Bradesco SA	Annual	Against	1	
10/03/2023	Banco Bradesco SA	Extraordinary Shareholders	Against	3	Insufficient basis to support a decision
30/03/2023	TIM SA (Brazil)	Annual	Abstain Against	7,8,1,8,2,8,3,8,4,8,5,8,6,8,7, 8,8,8,9,8,10 6,12 5 14	Insufficient/poor disclosure Insufficient/poor disclosure Lack of independence on board Inappropriate bundling of election of directors on a single vote Pay is misaligned with EOS remuneration principles
30/03/2023	TIM SA (Brazil)	Extraordinary Shareholders	All For		
04/01/2023	Inter & Co., Inc.	Extraordinary Shareholders	Against	3 2	A vote AGAINST this proposal is warranted because the plan permits repricing and exchange of grants, and cash buyout of awards without prior shareholder approval. A vote AGAINST this proposal is warranted. The specific officers eligible to participate were not disclosed, which may include named executive officers. In addition, the repricing is not value-neutral and the vesting schedule of the options will not be reset. Furthermore, concerns are raised with respect to the timing of the program given that the eligible options were granted less than a year ago and may still become in-the-money during their term
06/01/2023	FIT Hon Teng Limited	Extraordinary Shareholders	All For		
07/02/2023	Cazoo Group Ltd.	Extraordinary Shareholders	All For		
08/02/2023	PDD Holdings, Inc.	Annual	Against	5	Concerns related to approach to board gender diversity Combined CEO/Chairman
04/01/2023	China Jushi Co. Ltd.	Special	All For		
06/01/2023	Midea Group Co., Ltd.	Special	All For		
09/01/2023	Huaxin Cement Co., Ltd.	Extraordinary Shareholders	Against	2,1	Concerns related to board gender diversity 2- Lack of independence on board
16/01/2023	China Jushi Co. Ltd.	Special	All For		
16/01/2023	PICC Property and Casualty Company Limited	Extraordinary Shareholders	Against	1	Lack of independence on board
19/01/2023	NARI Technology Co., Ltd.	Special	All For		
19/01/2023	New China Life Insurance Co., Ltd.	Extraordinary Shareholders	All For		
30/01/2023	China Longyuan Power Group Corp. Ltd.	Extraordinary Shareholders	All For		
30/01/2023	Shanghai International Airport Co., Ltd.	Special	Against	1,1	Concerns related to approach to board gender diversity
02/02/2023	LONGi Green Energy Technology Co., Ltd.	Special	Against	2	Concerns related to shareholder rights
06/02/2023	China Jushi Co. Ltd.	Special	All For		
07/02/2023	YTO Express Group Co., Ltd.	Special	All For		
10/02/2023	CGN Power Co., Ltd.	Extraordinary Shareholders	All For		
15/02/2023	Wuxi Lead Intelligent Equipment Co., Ltd.	Special	Against	3	Concerns to protect shareholder value
17/02/2023	Huaxin Cement Co., Ltd.	Extraordinary Shareholders	All For		
01/03/2023	Bank of Communications Co., Ltd.	Extraordinary Shareholders	Against	1,2	Lack of independence on board
03/03/2023	Focus Media Information Technology Co., Ltd.	Special	All For		
17/03/2023	Venustech Group Inc.	Special	Against	1,2	Concerns to protect shareholder value
20/03/2023	China Construction Bank Corporation	Extraordinary Shareholders	Against	1,2	Lack of independence on board
29/03/2023	Interconexion Electrica SA ESP	Annual	Against	12	Insufficient/poor disclosure Inappropriate bundling of election of directors on a single vote
05/01/2023	Alkem Laboratories Ltd.	Special	Against	1	Pay is misaligned with EOS remuneration principles Concerns related to inappropriate membership of committees
05/01/2023	DLF Limited	Special	Against	3	Overboarded/Too many other time commitments
11/01/2023	Indraprastha Gas Limited	Special	Against		Concerns related to approach to board gender diversity
16/01/2023	Axis Bank Limited	Special	Against	4,5,6,7	Pay is misaligned with EOS remuneration principles
21/01/2023	Aurobindo Pharma Ltd.	Special	All For		
21/01/2023	Biocon Limited	Special	Against	5,6	Concerns to protect shareholder value
27/01/2023	Sun Pharmaceutical Industries Limited	Special	Against	1	Overboarded/Too many other time commitments
31/01/2023	Tata Steel Limited	Special	All For		
12/02/2023	Coal India Ltd.	Special	Against	1	Lack of independence on board
12/02/2023	Tata Consultancy Services Limited	Special	All For		
14/02/2023	Larsen & Toubro Ltd.	Special	All For		
18/02/2023	NHPC Limited	Special	Against	1	Concerns related to approach to board gender diversity
21/02/2023	Shriram Finance Limited	Special	Against	1	Concerns related to approach to board gender diversity

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
14/03/2023	Ambuja Cements Limited	Special	Against	1,2	Concerns to protect shareholder value
15/03/2023	ITC Limited	Special	Against	2	Lack of independence on board
18/03/2023	Bharat Petroleum Corporation Limited	Special	Against	1	Concerns related to inappropriate membership of committees
21/03/2023	Aurobindo Pharma Ltd.	Special	All For		
21/03/2023	Grasim Industries Ltd.	Special	Against	1,2	Lack of independence on board
21/03/2023	Hindalco Industries Limited	Special	Against	1	Inadequate management of climate-related risks
25/03/2023	HDFC Bank Limited	Special	All For		
30/03/2023	SBI Life Insurance Co. Ltd.	Special	All For		
31/03/2023	Infosys Limited	Special	All For		
31/03/2023	Infosys Limited	Special	All For		
31/03/2023	MRF Limited	Special	Against	1	Pay is misaligned with EOS remuneration principles
					Lack of independence on board
					Concerns related to inappropriate membership of committees
13/03/2023	PT Bank Rakyat Indonesia (Persero) Tbk	Annual	Against	7,8	Insufficient basis to support a decision
14/03/2023	PT Bank Mandiri (Persero) Tbk	Annual	Against	7,8	Insufficient/poor disclosure
15/03/2023	PT Bank Negara Indonesia (Persero) Tbk	Annual	Against	5,7,9	Insufficient/poor disclosure
16/03/2023	PT Bank Central Asia Tbk	Annual	All For		
28/02/2023	Israel Discount Bank Ltd.	Special	Against	B1,B2	Administrative declaration
			No Action Taken	A	
23/02/2023	Kuala Lumpur Kepong Bhd.	Annual	All For		
24/02/2023	CelcomDigi Bhd.	Extraordinary Shareholders	All For		
30/01/2023	FIBRA Prologis	Special	All For		
21/03/2023	FIBRA Prologis	Annual	All For		
23/03/2023	CEMEX SAB de CV	Annual	Against	6,G,8,C	Overboarded/Too many other time commitments
23/03/2023	CEMEX SAB de CV	Annual	Against	6,g,8,c	Overboarded/Too many other time commitments
27/03/2023	Coca-Cola Femsa SAB de CV	Annual	Against	5	Lack of independence on board
30/03/2023	Arca Continental SAB de CV	Annual	Against	6	Insufficient/poor disclosure
				5	Inappropriate bundling of election of directors on a single vote
					Insufficient/poor disclosure
30/03/2023	Orbia Advance Corp. SAB de CV	Annual	Against	4,2e	Overboarded/Too many other time commitments
				5	Pay is misaligned with EOS remuneration principles
				6,2	Performance-related pay/awards for non-executives
					Insufficient/poor disclosure
30/03/2023	Wal-Mart de Mexico SAB de CV	Annual	All For		
31/03/2023	Fomento Economico Mexicano SAB de CV	Annual	Against	4,g	Overboarded/Too many other time commitments
31/03/2023	Fomento Economico Mexicano SAB de CV	Extraordinary Shareholders	All For		
31/03/2023	Compania de Minas Buenaventura SAA	Annual	All For		
17/01/2023	Bank of the Philippine Islands	Special	Against	3	Insufficient/poor disclosure
12/01/2023	Santander Bank Polska SA	Special	Against	5	Pay is misaligned with EOS remuneration principles
22/03/2023	Polski Koncern Naftowy ORLEN SA	Special	Against	6,7,7	Concerns related to shareholder rights
07/03/2023	Yanbu National Petrochemical Co.	Annual	Abstain	7,1,7,2,7,3,7,4,7,5,7,6,7,7,8,7,9,7,10,7,11,7,12,7,13,7,14,7,15,7,16,7,17,7,18,7,19,7,20,7,21,7,22,7,23	Insufficient/poor disclosure
21/03/2023	Al Rajhi Bank	Annual	Against	10	Concerns to protect shareholder value
28/03/2023	Arab National Bank	Annual	Abstain	9,1,9,2,9,3,9,4,9,5,9,6,9,7,9,8,9,9,9,10,9,11,9,12,9,13,9,1	Insufficient/poor disclosure
			Against	4,9,15,9,16,9,17,9,18,9,19,9,20,9,21	Pay is misaligned with EOS remuneration principles
				13	
08/02/2023	Sappi Ltd.	Annual	All For		
14/02/2023	Spar Group Ltd.	Annual	Abstain	2,1	Concerns to protect shareholder value
			Against	3,1,3,2	Pay is misaligned with EOS remuneration principles
				5	
21/02/2023	Tiger Brands Ltd.	Annual	Against	7	Pay is misaligned with EOS remuneration principles
20/01/2023	Airports of Thailand Public Co. Ltd.	Annual	Against	8	Insufficient/poor disclosure
27/01/2023	Thai Beverage Public Co., Ltd.	Annual	Against	10	Insufficient/poor disclosure
				5,1,2	Overboarded/Too many other time commitments
				5,1,1	Overboarded/Too many other time commitments
					Concerns related to inappropriate membership of committees

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
27/03/2023	Advanced Info Service Public Co., Ltd.	Annual	Against	5.1 8	Concerns related to approach to board gender diversity Insufficient/poor disclosure
29/03/2023	The Siam Cement Public Co. Ltd.	Annual	Against	4.3	Overboarded/Too many other time commitments
02/03/2023	Turk Traktor ve Ziraat Makineleri AS	Annual	Against	9,11 7	Insufficient/poor disclosure Lack of independence on board
08/03/2023	Turkiye Petrol Rafinerileri AS	Annual	Against	10,12 8	Insufficient/poor disclosure Lack of independence on board
09/03/2023	Ford Otomotiv Sanayi AS	Annual	Against	10,12 5,8	Insufficient/poor disclosure Lack of independence on board
14/03/2023	Tofas Turk Otomobil Fabrikasi AS	Annual	Against	10,12 5,8	Insufficient/poor disclosure Lack of independence on board
16/03/2023	Arcelik AS	Annual	Against	10,12	Insufficient/poor disclosure
16/03/2023	Yapi ve Kredi Bankasi AS	Annual	Against	7,12 5	Insufficient/poor disclosure Lack of independence on board
21/03/2023	Is Real Estate Investment Trust	Annual	Against	6,7,8	Concerns related to inappropriate membership of committees
22/03/2023	Koc Holding A.S.	Annual	Against	10,12	Insufficient/poor disclosure
28/03/2023	Akbank TAS	Annual	Against	9,10,13	Insufficient/poor disclosure
28/03/2023	Enka Insaat ve Sanayi AS	Annual	Against	7	Insufficient/poor disclosure
29/03/2023	Cimsa Cemento Sanayi ve Ticaret AS	Annual	Against	8,11	Insufficient/poor disclosure
29/03/2023	Turkiye Sise ve Cam Fabrikalari AS	Annual	Against	6,7	Insufficient/poor disclosure
30/03/2023	Dogan Sirketler Grubu Holding AS	Annual	Against	7,8,11,14	Insufficient/poor disclosure
30/03/2023	Haci Omer Sabanci Holding AS	Annual	Against	7,11	Insufficient/poor disclosure
30/03/2023	Hektas Ticaret TAS	Annual	Against	14 9,11,13	Concerns to protect shareholder value Insufficient/poor disclosure
30/03/2023	OYAK Cemento Fabrikalari AS	Annual	Against	9,11,13	Insufficient/poor disclosure
30/03/2023	Pegasus Hava Tasimaciligi AS	Annual	Against	7 6	Concerns related to inappropriate membership of committees Issue of equity raises concerns about excessive dilution of existing shareholders
30/03/2023	Turkiye Is Bankasi AS	Annual	Against	5 9 6	Issue of equity raises concerns about excessive dilution of existing shareholders Lack of independence on board
31/03/2023	Emlak Konut Gayrimenkul Yatirim Ortakligi AS	Annual	Against	11,12,15 17	Insufficient/poor disclosure Share repurchase limit exceeded
31/03/2023	Eregli Demir ve Celik Fabrikalari TAS	Annual	Against	8 9,11,13	Inadequate management of climate-related risks Insufficient/poor disclosure
31/03/2023	Iskenderun Demir ve Celik AS	Annual	Against	9,11,13	Insufficient/poor disclosure
31/03/2023	TAV Havalimanlari Holding AS	Annual	All For		
22/02/2023	Emirates NBD Bank (P.J.S.C)	Annual	Against	11	Concerns related to shareholder rights
06/03/2023	Abu Dhabi Islamic Bank	Annual	All For		
15/03/2023	Abu Dhabi National Oil Co. for Distribution PJSC	Annual	All For		
15/03/2023	Dubai Islamic Bank PJSC	Annual	Against	9	Insufficient/poor disclosure
16/03/2023	Aldar Properties PJSC	Annual	Against	7	Insufficient/poor disclosure
20/03/2023	Abu Dhabi Commercial Bank	Annual	All For		
22/03/2023	Multiply Group PJSC	Annual	All For		
28/03/2023	Americana Restaurants International Plc	Annual	Against	6,7	Insufficient/poor disclosure
02/02/2023	Warehouses De Pauw SA	Extraordinary Shareholders	All For		
01/03/2023	Ringkjobing Landbobank A/S	Annual	Abstain	7	Concerns regarding Auditor tenure
02/03/2023	Novozymes A/S	Annual	Abstain	8a,9	Concerns related to inappropriate membership of committees Concerns related to Non-audit fees
07/03/2023	Orsted A/S	Annual	Against	3	Pay is misaligned with EOS remuneration principles
08/03/2023	Demant A/S	Annual	Abstain	6,a,6,b	Concerns related to inappropriate membership of committees
13/03/2023	Carlsberg A/S	Annual	Against	5,D	Concerns about human rights
15/03/2023	GN Store Nord A/S	Annual	Against	5	Pay is misaligned with EOS remuneration principles
16/03/2023	Danske Bank A/S	Annual	Abstain Against	4,7,b,10 5,b	Concerns related to inappropriate membership of committees Pay is misaligned with EOS remuneration principles
16/03/2023	DSV A/S	Annual	Abstain Against	6,1,6,2 5	Concerns related to inappropriate membership of committees Pay is misaligned with EOS remuneration principles
16/03/2023	Pandora AS	Annual	All For		
21/03/2023	H. Lundbeck A/S	Annual	Against	8,2	Pay is misaligned with EOS remuneration principles

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
23/03/2023	Novo Nordisk A/S	Annual	All For		
23/03/2023	SimCorp A/S	Annual	Abstain	5.B 5.C 14	Concerns related to approach to board gender diversity Lack of independent representation at board committees Pay is misaligned with EOS remuneration principles
28/03/2023	A.P. Moller-Maersk A/S	Annual	Against	10.6 7	SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks Issue of equity raises concerns about excessive dilution of existing shareholders
28/02/2023	Kone Oyj	Annual	Against	17 13.f 13.a,13.d 10	Concerns about reducing shareholder rights Concerns related to inappropriate membership of committees Lack of independent representation at board committees Pay is misaligned with EOS remuneration principles
09/03/2023	Wartsila Oyj App	Annual	Against	13	Lack of independent representation at board committees
16/03/2023	Kojamo Oyj	Annual	All For		
16/03/2023	Stora Enso Oyj	Annual	Against	13	Concerns related to inappropriate membership of committees
22/03/2023	Orion Oyj	Annual	Against	16	Concerns related to shareholder rights
22/03/2023	Valmet Corp.	Annual	Against	17 13 10	Issue of equity raises concerns about excessive dilution of existing shareholders Overboarded/Too many other time commitments Pay is misaligned with EOS remuneration principles
23/03/2023	Nordea Bank Abp	Annual	Against	16	Concerns related to shareholder rights
27/03/2023	Sartorius Stedim Biotech SA	Annual/Special	Against	6,7,8,9,10 11	Pay is misaligned with EOS remuneration principles Poison pill/anti-takeover measure not in investors interests
03/02/2023	thyssenkrupp AG	Annual	Against	6	Pay is misaligned with EOS remuneration principles
07/02/2023	Siemens Energy AG	Annual	Against	6	Pay is misaligned with EOS remuneration principles
09/02/2023	Siemens AG	Annual	Against	6	Pay is misaligned with EOS remuneration principles
14/02/2023	TUI AG	Annual	Against	7.1	Lack of independent representation at board committees
15/02/2023	Siemens Healthineers AG	Annual	Against	9 7,2,7.4,7.5,7.6,7.8 7.1 6	Concerns about reducing shareholder rights Lack of independence on board Lack of independence on board Concerns related to inappropriate membership of committees Lack of independent representation at board committees Concerns related to succession planning Pay is misaligned with EOS remuneration principles
16/02/2023	Infineon Technologies AG	Annual	Against	9.2 5,7,10,11	Concerns about reducing shareholder rights Pay is misaligned with EOS remuneration principles
24/02/2023	METRO AG	Annual	Against	6.1 5.1 5.3,5.4,5.5 7.8	Concerns about reducing shareholder rights Concerns related to inappropriate membership of committees Lack of independent representation at board committees Pay is misaligned with EOS remuneration principles
22/03/2023	Carl Zeiss Meditec AG	Annual	Against	6.1 8.3,8.6 8.4 8.1 9,10	Concerns about reducing shareholder rights Concerns related to inappropriate membership of committees Lack of independent representation at board committees Lack of independent representation at board committees Concerns related to inappropriate membership of committees Pay is misaligned with EOS remuneration principles
08/03/2023	Jumbo SA	Extraordinary Shareholders	All For		
22/03/2023	Motor Oil (Hellas) Corinth Refineries SA	Extraordinary Shareholders	Against	1,2,3	Insufficient/poor disclosure
18/01/2023	Linde Plc	Court	All For		
18/01/2023	Linde Plc	Extraordinary Shareholders	All For		
27/01/2023	iShares VII plc : iShares MSCI UK Small Cap UCITS ETF	Annual	All For		
01/02/2023	Accenture Plc	Annual	All For		
24/02/2023	Horizon Therapeutics Public Limited Company	Court	All For		
24/02/2023	Horizon Therapeutics Public Limited Company	Extraordinary Shareholders	All For		
08/03/2023	Johnson Controls International Plc	Annual	Against	5	Pay is misaligned with EOS remuneration principles.
23/03/2023	SUSE SA	Annual	All For		
17/01/2023	Aegon NV	Extraordinary Shareholders	All For		
17/01/2023	ASR Nederland NV	Extraordinary Shareholders	Against	4d	Concerns related to inappropriate membership of committees
23/01/2023	Koninklijke DSM NV	Extraordinary Shareholders	All For		
02/02/2023	Pepco Group NV	Annual	Against	5.c 7 2.b,6	Concerns about overall board structure Concerns related to inappropriate service contract(s) Issue of capital raises concerns about excessive dilution of existing shareholders Pay is misaligned with EOS remuneration principles
16/02/2023	OCI NV	Extraordinary Shareholders	All For		

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
27/02/2023	Argenx SE	Extraordinary Shareholders	All For		
09/03/2023	Aalberts NV	Extraordinary Shareholders	All For		
26/01/2023	Telenor ASA	Extraordinary Shareholders	All For		
23/03/2023	Gjensidige Forsikring ASA	Annual	Against	10.a	Lack of independence on board Lack of independent representation at board committees
10/03/2023	Mapfre SA	Annual	Against	13.14 15,16	Issue of equity raises concerns about excessive dilution of existing shareholders Pay is misaligned with EOS remuneration principles
16/03/2023	Banco Bilbao Vizcaya Argentaria SA	Annual	Against	14.7	Pay is misaligned with EOS remuneration principles
23/03/2023	Bankinter SA	Annual	Against	10	Pay is misaligned with EOS remuneration principles
28/03/2023	Naturgy Energy Group SA	Annual	Against	7.1 7.3 7.4 6	Combined CEO/Chair Concerns related to approach to board gender diversity Concerns related to inappropriate membership of committees Lack of independence on board Pay is misaligned with EOS remuneration principles
16/01/2023	Swedish Match AB	Extraordinary Shareholders	Not Voted	1,2,3,4,5,6,7,8,9,10,11	
17/02/2023	Beijer Ref AB	Extraordinary Shareholders	All For		
22/03/2023	Axfood AB	Annual	Against	15.1,15.3,15.6,15.7,15.8	Lack of independence on board
22/03/2023	Svenska Handelsbanken AB	Annual	Against	18.1,18.5,18.7,18.8,19	Overboarded/Too many other time commitments
23/03/2023	Castellum AB	Annual	Against	14.c 17	Overboarded/Too many other time commitments Concerns related to inappropriate membership of committees Pay is misaligned with EOS remuneration principles
23/03/2023	SKF AB	Annual	Against	14.4 14.1,15 17	Concerns related to inappropriate membership of committees Overboarded/Too many other time commitments Pay is misaligned with EOS remuneration principles
28/03/2023	Holmen AB	Annual	Against	14	Concerns related to inappropriate membership of committees Overboarded/Too many other time commitments
07/03/2023	Novartis AG	Annual	Against	7.3,12	Pay is misaligned with EOS remuneration principles
14/03/2023	Roche Holding AG	Annual	Against	7.2 6.1 2,3,2,6,3,6,12,6,13,6,15,12	Concerns about reducing shareholder rights Concerns related to inappropriate membership of committees Pay is misaligned with EOS remuneration principles
15/03/2023	TE Connectivity Ltd.	Annual	Against	11,3a 8,10,11	Concerns about remuneration committee performance Pay is misaligned with EOS remuneration principles
16/03/2023	DKSH Holding AG	Annual	Against	6.3,1,6,3,3 9 6,1,3,6,2 5,2	Concerns related to inappropriate membership of committees Insufficient/poor disclosure Overboarded/Too many other time commitments Pay is misaligned with EOS remuneration principles
21/03/2023	Swiss Prime Site AG	Annual	Against	9 2	Insufficient/poor disclosure Pay is misaligned with EOS remuneration principles
23/03/2023	ABB Ltd.	Annual	Against	3 2,12	Concerns about overall performance Pay is misaligned with EOS remuneration principles
23/03/2023	Givaudan SA	Annual	Against	6,1,5 8 6,1,6,6,2	Concerns related to approach to board gender diversity Insufficient/poor disclosure Overboarded/Too many other time commitments
27/03/2023	BELIMO Holding AG	Annual	Against	7	Insufficient/poor disclosure
28/03/2023	Neste Corp.	Annual	Against	18	Concerns about reducing shareholder rights
28/03/2023	Randstad NV	Annual	Against	2b	Pay is misaligned with EOS remuneration principles
28/03/2023	Schindler Holding AG	Annual	Against	5,2.a,5,2.c,5,2.d,5,2.g,5,2.i 5,1 5,2.h,5,2.j 5,2.f,5,4.2 4,1,4,2	Concerns related to inappropriate membership of committees Lack of independence on board Concerns related to succession planning Concerns related to approach to board gender diversity Concerns related to inappropriate membership of committees Insufficient/poor disclosure Lack of independence on board Overboarded/Too many other time commitments Pay is misaligned with EOS remuneration principles
28/03/2023	SGS SA	Annual	Against	7 6,2 4,1,4 1,2	Insufficient/poor disclosure Issue of equity raises concerns about excessive dilution of existing shareholders Overboarded/Too many other time commitments Pay is misaligned with EOS remuneration principles
28/03/2023	Sika AG	Annual	Against	5,1,8	Pay is misaligned with EOS remuneration principles
28/03/2023	Swisscom AG	Annual	Against	4,6 10	Concerns related to inappropriate membership of committees Insufficient/poor disclosure
29/03/2023	Andritz AG	Annual	Against	10,1,10,2 7	Insufficient/poor disclosure Pay is misaligned with EOS remuneration principles
29/03/2023	Electrolux AB	Annual	Against	13.b 16.c	Concerns related to inappropriate membership of committees Pay is misaligned with EOS remuneration principles

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
29/03/2023	Enagas SA	Annual	All For		
29/03/2023	Essity AB	Annual	Against	11.b 12 14	Concerns related to inappropriate membership of committees Overboarded/Too many other time commitments Pay is misaligned with EOS remuneration principles
29/03/2023	Genmab A/S	Annual	Abstain Against	5.b,6 7.a,7.b,7.c	Concerns regarding Auditor tenure Pay is misaligned with EOS remuneration principles
29/03/2023	Indutrade AB	Annual	Against	15 14.1h 14.1c,14.1e,14.1f	Concerns regarding Auditor tenure Lack of independence on board Concerns related to inappropriate membership of committees
29/03/2023	ROCKWOOL A/S	Annual	Abstain Against	7.5 4	Concerns related to inappropriate membership of committees Pay is misaligned with EOS remuneration principles
29/03/2023	Sartorius AG	Annual	Against	6,7	Pay is misaligned with EOS remuneration principles
29/03/2023	Skanska AB	Annual	Against	14b,14e	Overboarded/Too many other time commitments
29/03/2023	Spotify Technology SA	Annual/Special	Against	4a 4b,4c E1 6	Combined CEO/Chair Concerns related to inappropriate membership of committees Issue of equity raises concerns about excessive dilution of existing shareholders Performance-related pay/awards for non-executives
29/03/2023	Telefonaktiebolaget LM Ericsson	Annual	Against	8.3.a,8.3.b,8.3.c,8.3.d,8.3.e, 8.3.f,8.3.h,8.3.i,8.3.j,8.3.k,8.3. l,8.3.m,8.3.n,8.3.o,8.3.p,8.3 16,3,17,3	Concerns about overall performance Concerns to protect shareholder value
30/03/2023	Avanza Bank Holding AB	Annual	Against	14.3,14.8	Concerns related to inappropriate membership of committees
30/03/2023	Banco Santander SA	Annual	Against	6.A,6.F	Pay is misaligned with EOS remuneration principles
30/03/2023	CaixaBank SA	Annual	Against	7,12	Pay is misaligned with EOS remuneration principles
30/03/2023	Chr. Hansen Holding A/S	Extraordinary Shareholders	All For		
30/03/2023	Kesko Oyj	Annual	Against	11	Pay is misaligned with EOS remuneration principles
30/03/2023	Novozymes A/S	Extraordinary Shareholders	All For		
30/03/2023	Public Power Corp. SA	Extraordinary Shareholders	All For		
30/03/2023	Raiffeisen Bank International AG	Annual	Against	7	Concerns related to approach to board gender diversity
30/03/2023	Svenska Cellulosa AB SCA	Annual	Against	12.9 12.2 13	Concerns related to inappropriate membership of committees Concerns related to inappropriate membership of committees Overboarded/Too many other time commitments
30/03/2023	Swedbank AB	Annual	Against	13.c	Overboarded/Too many other time commitments
30/03/2023	Telefonica SA	Annual	Against	9	Pay is misaligned with EOS remuneration principles
30/03/2023	Tryg A/S	Annual	All For		
31/03/2023	Public Power Corp. SA	Extraordinary Shareholders	All For		
31/03/2023	UniCredit SpA	Annual/Special	Against	7.A	Pay is misaligned with EOS remuneration principles
12/01/2023	Micron Technology, Inc.	Annual	All For		
13/01/2023	Zscaler, Inc.	Annual	Against	1.3 1.2 1.1 3	Concerns about overall board structure Concerns about overall board structure Concerns to protect shareholder value Concerns about remuneration committee performance Pay is misaligned with EOS remuneration principles
18/01/2023	D.R. Horton, Inc.	Annual	Against	1b 2	Concerns about remuneration committee performance Pay is misaligned with EOS remuneration principles
19/01/2023	Costco Wholesale Corporation	Annual	All For		
19/01/2023	Intuit Inc.	Annual	All For		
24/01/2023	Becton, Dickinson and Company	Annual	Against	1.4 3 6	Concerns about remuneration committee performance Pay is misaligned with EOS remuneration principles SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes enhanced shareholder rights
24/01/2023	Jacobs Solutions, Inc.	Annual	Against	1k 1e 2	Concerns about remuneration committee performance Concerns related to approach to board gender diversity Pay is misaligned with EOS remuneration principles
24/01/2023	Metro Inc.	Annual	Against	5 1,2,6	SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks Shareholder proposal promotes better management of SEE opportunities and risks

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
24/01/2023	Visa Inc.	Annual	Abstain Against	5 1h 2	Supportive of proposal's resolved clause, but significant concerns of filer intent so propose abstain Concerns about remuneration committee performance Pay is misaligned with EOS remuneration principles
26/01/2023	Air Products and Chemicals, Inc.	Annual	Against	1c,1f,2	Pay is misaligned with EOS remuneration principles
26/01/2023	Walgreens Boots Alliance, Inc.	Annual	Against	4 5	SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks Shareholder proposal promotes appropriate accountability or incentivisation
27/01/2023	WestRock Company	Annual	All For		
31/01/2023	Hormel Foods Corporation	Annual	Against	1c,3,5	Shareholder proposal promotes better management of SEE opportunities and risks
31/01/2023	Yamana Gold Inc.	Special	All For		
01/02/2023	CGI Inc.	Annual	Against	1.14 4.5 1.7,6	Pay is misaligned with EOS remuneration principles SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks Shareholder proposal promotes better management of SEE opportunities and risks
03/02/2023	Aramark	Annual	Against	1a 3 4	Concerns about remuneration committee performance Pay is misaligned with EOS remuneration principles Performance-related pay/awards for non-executives
07/02/2023	Emerson Electric Co.	Annual	Against	1a 1b 3	Concerns about overall board structure Concerns related to approach to board gender diversity Pay is misaligned with EOS remuneration principles
07/02/2023	Franklin Resources, Inc.	Annual	Against	4 1j 1k 3	Annual vote provides for greater shareholder oversight Concerns about remuneration committee performance Inadequate management of climate-related risks Concerns related to approach to board gender diversity Pay is misaligned with EOS remuneration principles
07/02/2023	Rockwell Automation, Inc.	Annual	Against	1A1 1B	Concerns about overall board structure Pay is misaligned with EOS remuneration principles
08/02/2023	Atmos Energy Corporation	Annual	Against	1i	Concerns related to board ethnic and/or racial diversity
09/02/2023	Tyson Foods, Inc.	Annual	Against	4 1j 1b 3 6	Annual vote provides for greater shareholder oversight Concerns about remuneration committee performance Concerns to protect shareholder value Pay is misaligned with EOS remuneration principles Shareholder proposal promotes better management of SEE opportunities and risks
16/02/2023	PTC Inc.	Annual	Against	1.1 4	Concerns about remuneration committee performance Pay is misaligned with EOS remuneration principles
22/02/2023	Deere & Company	Annual	Against	1i,4 5	Concerns regarding Auditor tenure SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes appropriate accountability or incentivisation
23/02/2023	Raymond James Financial, Inc.	Annual	Against	1g 2	Concerns about remuneration committee performance Pay is misaligned with EOS remuneration principles
01/03/2023	Fair Isaac Corporation	Annual	Against	1g 2	Concerns about remuneration committee performance Pay is misaligned with EOS remuneration principles
08/03/2023	Analog Devices, Inc.	Annual	Against	1e 2	Concerns about remuneration committee performance Pay is misaligned with EOS remuneration principles: low minimum shareholding, pledging concerns and high variable pay
08/03/2023	QUALCOMM Incorporated	Annual	Against	1i 4	Concerns about remuneration committee performance Pay is misaligned with EOS remuneration principles
09/03/2023	AmerisourceBergen Corporation	Annual	All For		
09/03/2023	Applied Materials, Inc.	Annual	Against	1f 2 5	Concerns about remuneration committee performance Pay is misaligned with EOS remuneration principles SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes enhanced shareholder rights
09/03/2023	F5, Inc.	Annual	Against	1b 1c 2,5	Concerns about remuneration committee performance Concerns related to approach to board gender diversity Pay is misaligned with EOS remuneration principles
09/03/2023	Hologic, Inc.	Annual	Against	1d 2	Concerns about remuneration committee performance Pay is misaligned with EOS remuneration principles: high quantum of pay misaligned with performance, low stock ownership requirements, options capable of vesting in the short term
09/03/2023	TransDigm Group Incorporated	Annual	Against	1.4 1.7 3	Concerns about remuneration committee performance Concerns related to below-board gender diversity Concerns related to board ethnic and/or racial diversity Concerns related to board gender diversity Pay is misaligned with EOS remuneration principles

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Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
10/03/2023	Apple Inc.	Annual	Against	1e 3 8 9	Concerns about remuneration committee performance Pay is misaligned with EOS remuneration principles Shareholder proposal promotes better management of SEE opportunities and risks Shareholder proposal promotes enhanced shareholder rights
14/03/2023	AMC Entertainment Holdings, Inc.	Special	All For		
15/03/2023	Agilent Technologies, Inc.	Annual	Against	1.3 1.1,1.2,1.4 2	Concerns about overall board structure Concerns about remuneration committee performance Concerns related to approach to board gender diversity Pay is misaligned with EOS remuneration principles
15/03/2023	The Cooper Companies, Inc.	Annual	Against	1.1 4	Concerns about remuneration committee performance Pay is misaligned with EOS remuneration principles
16/03/2023	Keysight Technologies, Inc.	Annual	Against	1.2,1.3,1.4 3	Concerns about overall board structure Concerns related to approach to board gender diversity Pay is misaligned with EOS remuneration principles
17/03/2023	HEICO Corporation	Annual	Against	1.4 2	Concerns about overall board structure 2- Concerns about reducing shareholder rights 3- Concerns related to below-board gender diversity 4- Concerns to protect shareholder value Pay is misaligned with EOS remuneration principles
23/03/2023	Starbucks Corporation	Annual	Against	5 8	SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks SH: For shareholder resolution, no management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks
11/01/2023	ASOS Plc	Annual	Against	2,3	Pay is misaligned with EOS remuneration principles
11/01/2023	Synthomer Plc	Special	All For		
12/01/2023	JPMorgan Japanese Investment Trust PLC	Annual	All For		
17/01/2023	Finsbury Growth & Income Trust PLC	Annual	All For		
18/01/2023	Diploma Plc	Annual	All For		
18/01/2023	WH Smith Plc	Annual	All For		
26/01/2023	Auction Technology Group Plc	Annual	All For		
26/01/2023	Britvic Plc	Annual	All For		
27/01/2023	Amdocs Limited	Annual	Against	1,5	Concerns related to board ethnic and/or racial diversity 2- Concerns related to board gender diversity
27/01/2023	Avon Protection Plc	Annual	All For		
01/02/2023	Capricorn Energy Plc	Special	Against	1,2,3,4,5,6,7,8,9,10,11,12,13	
01/02/2023	Imperial Brands Plc	Annual	Against	7	Concerns related to approach to below-board gender diversity.
01/02/2023	Schroder AsiaPacific Fund PLC	Annual	All For		
02/02/2023	JPMorgan Indian Investment Trust PLC	Annual	All For		
02/02/2023	The Sage Group plc	Annual	All For		
06/02/2023	BH Macro Limited	Special	All For		
06/02/2023	Smithson Investment Trust Plc	Special	All For		
08/02/2023	AJ Bell Plc	Annual	All For		
08/02/2023	Future Plc	Annual	Against	4	Pay is misaligned with EOS remuneration principles
08/02/2023	Grainger Plc	Annual	Against	3	Pay is misaligned with EOS remuneration principles
08/02/2023	Mitchells & Butlers Plc	Annual	Against	7 2	Lack of independence on board Concerns related to inappropriate membership of committees Pay is misaligned with EOS remuneration principles
09/02/2023	Compass Group Plc	Annual	All For		
09/02/2023	easyJet Plc	Annual	All For		
09/02/2023	Tritax Eurobox Plc	Annual	All For		
10/02/2023	Victrex Plc	Annual	Against	3	Pay is misaligned with EOS remuneration principles
15/02/2023	GCP Infrastructure Investments Limited	Annual	All For		
16/02/2023	SSP Group Plc	Annual	All For		
21/02/2023	Virgin Money UK Plc	Annual	Against	2,3	Pay is misaligned with EOS remuneration principles
22/02/2023	Capricorn Energy Plc	Special	Against	1,2,4,10 3 5,6,7,8,9	Concerns to protect shareholder value Issue of equity raises concerns about excessive dilution of existing shareholders Pay is misaligned with EOS remuneration principles
23/02/2023	Integrafin Holdings Plc	Annual	All For		
23/02/2023	The Bankers Investment Trust PLC	Annual	All For		
27/02/2023	Diversified Energy Co. Plc	Special	All For		
01/03/2023	Paragon Banking Group Plc	Annual	All For		
02/03/2023	Aberforth Smaller Companies Trust PLC	Annual	All For		

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
07/03/2023	Edinburgh Worldwide Investment Trust PLC	Annual	All For		
15/03/2023	Chemring Group Plc	Annual	Against	2	Pay is misaligned with EOS remuneration principles
15/03/2023	Safestore Holdings Plc	Annual	Against	2	Pay is misaligned with EOS remuneration principles
22/03/2023	abrdn Private Equity Opportunities Trust plc	Annual	All For		
23/03/2023	Blackrock Throgmorton Trust PLC	Annual	All For		
23/03/2023	Crest Nicholson Holdings Plc	Annual	Against	12	Pay is misaligned with EOS remuneration principles
30/03/2023	Law Debenture Corporation PLC	Annual	Against	2	Pay is misaligned with EOS remuneration principles
30/03/2023	Melrose Industries Plc	Special	All For		
30/03/2023	PANTHEON INFRASTRUCTURE PLC	Annual	All For		

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Stewardship Update

FOURTH QUARTER · 2022-23 (JANUARY - MARCH 2023)



Responsible Investment & Engagement:

LGPS Central's approach



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

OBJECTIVE #1

Support investment objectives

OBJECTIVE #2

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

These are met through three pillars:



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

ADDITIONAL DISCLOSURES

Responsible Investment & Engagement Framework



Annual Stewardship Report



Voting Principles



Voting Disclosure



Voting Statistics



Signatory of:



Principles for Responsible Investment



01 A summary of engagement and voting activities and key stewardship developments

Key Stewardship developments

- The Principles for Responsible Investment (PRI) has called on investment management signatories to improve their stewardship policies with broader coverage across AUM, asset classes, and ESG issues. The PRI also relaunched a more streamlined version of its reporting framework which focuses on human rights and aligns with TCFD and other bodies.
- The institutional Investor Group on Climate Change (IIGCC) has assembled a group of 93 investors set to focus engagement on companies that are important for the transition but are not currently targeted by CA100+. The list is largely comprised of European companies across a range of sectors, such as: Ryanair, Vattenfall, Ferrari and Tesco. Many members of the IIGCC make up the investor list, including Fidelity International, Northern Trust Asset Management and, several LGPS pools.
- In February 2023 ClientEarth, the environmental law charity, filed a derivative claim against Shell's board of Directors on an alleged breach of the statutory duties to: (i) promote the success of the company; and (ii) exercise reasonable care, skill, and diligence (sections 172 and 174 of the Companies Act 2006) in relation to climate risk. More specifically, ClientEarth was seeking Shell's board to adopt a strategy to manage climate risk in line with its duties under the Companies Act. The case was to challenge corporate directors over their failure to prepare for the energy transition and was supported by institutional investors holding over 12 million shares in the company. The UK High Court dismissed the case concluding that ClientEarth had not demonstrated the directors had breached their duty in managing climate risk. ClientEarth failed to reflect that the directors had "to take into account a range of competing considerations" when developing Shell's

Energy Transition Strategy and the court was "ill-equipped to interfere" with a "classic management decision"¹. A Senior Lawyer at ClientEarth outlined that they "respectfully disagree with the terms of the Court's decision, and in light of the importance of the issues raised by this case will ask the Court to reconsider."² Despite the outcome we expect the Board to engage with shareholders on climate as it is recognised as being a significant matter and that the Board has a clear understanding of the views of the shareholders.

Below is a high-level summary of key engagements and AGM votes that have taken place during Q4 of the financial year 2022-23. These and other engagements and voting examples will be covered in more detail later in this update.

ENVIRONMENTAL

LGPS Central sent a letter to **Shell** raising concerns over their Energy Transition Strategy, specifically the Strategy's misalignment with the Paris Agreement, a lack of meaningful targets to achieve its Strategy, and whether Shell's capital expenditure plans are aligned to a 1.5-degree trajectory. A subsequent meeting between the Head of Investor Relations at Shell and LGPS Central was scheduled where detailed discussions were held over the Energy Transition Strategy. LGPS Central welcomed Shell's progress to decrease oil production, however, the reluctance to set absolute short and medium-term scope 3 emissions targets is concerning. In early 2023 **ClientEarth** filed a derivative claim against Shell's Board of Directors over the mismanagement of climate risk with

¹ Court takes 'hard line' against ClientEarth strategy in Shell case (pinsentmasons.com)

² ClientEarth challenges Court's permission decision on groundbreaking claim against Shell's Board | ClientEarth



regards to the Energy Transition Strategy. LGPS Central provided a copy of a recent engagement letter to ClientEarth to be used as evidence in the case. The UK High Court dismissed the case as ClientEarth hadn't demonstrated the directors had breached their duty in managing climate risks. In response, ClientEarth have been granted a hearing where the NGO will request the Court to reconsider the decision to dismiss the claim.

LGPS Central signed a joint statement from the **Dutch Association of Investors for Sustainable Development**. The investor group called for intensive users of plastic packaging such as fast moving consumer goods and grocery retailers to act more rapidly to address the plastics crisis. The statement warns that the whole plastics lifecycle poses a serious and growing threat to the environment, climate, biodiversity, human rights, and public health. The investor group is now considering collective engagements with these companies. Our external stewardship provider, EOS at Federated Hermes, has engaged with retailers and grocers on setting plastic reduction targets since late 2018, followed by more detailed discussions on packaging strategy. In January 2023 EOS requested an engagement meeting with Danone SA where, amongst other environmental issues, discussions were held around the Company's recent litigation against Danone on plastic pollution. The Company outlined that it will publish information on its plastic reduction goals and work on plastic alternatives in its next results. In February 2023, EOS participated in a collaborative engagement with General Mills Inc. The Company outlined that Plastics is a priority and evidenced this by being signatories of the UK and French plastic pact and committed to 100% recyclable packaging by 2025.

LGPS Central are co-leading a CA100+ engagement with **Glencore**. LGPS Central co-signed a letter outlining our "red flags" and the assurances we needed regarding the Company's climate transition efforts in advance of the 2023 AGM. In March 2023, a 1:1 meeting between LGPS Central and the Head of Sustainable Development was scheduled. We expressed a desire for Glencore to disclose short and medium-term decarbonisation targets and to set a specific 2030 target. The Company's senior management expressed the efficacy of climate dialogue with CA100+. We are continuing to build bilateral dialogue with the Company to

encourage the company to present a strong revised climate transition plan in 2024 that addresses our concerns.

SOCIAL

To ensure that **Thermo Fisher** are effectively managing their human rights risks, one of our external fund managers engaged with the company regarding their current due diligence system and commercial controls around the sale of genetic sequencers in China. The engagement led to Thermo Fisher employing an enhanced due diligence system, requiring information about the end customer and use of the products. If Thermo Fisher's requirements are violated, then distribution will be terminated. Following the engagement, the manager was comfortable with the Company's progress on addressing human rights risk.

One of LGPS Central's external fund managers engaged with a **Chinese communications company** over human rights. The company specifically violated principle 2 of the UN Global Compact for being complicit in human rights abuses. Engagement conducted by the external fund manager resulted in the company publishing a privacy policy user service agreement and a law enforcement data request handling procedures on its media platforms. The company also made a commitment to increasing disclosure on freedom of expression and human rights issues in its upcoming ESG report.

GOVERNANCE

We are involved in an ongoing engagement regarding **Barrick Gold's** approach to transparent tax reporting. The company published their inaugural tax report in April 2022. The report was a positive step in the right direction towards tax transparency. However, areas of improvement were identified to further improve transparency. LGPS Central liaised with peer investors to provide feedback on the report and set expectations on Barrick Gold's 2023 tax transparency report. The report prompted another round of investor feedback and collaboration. Members of the International Council on Mining and Metals, including Barrick Gold, will be required to undertake country-by-country reporting by 2025. This will likely be a focus area for future engagements.

Voting highlights



metro

METRO INC

We supported a shareholder proposal that corresponded to our stewardship theme of **climate change**. The proposal requested that the company adopt Paris-aligned science-based greenhouse gas emissions reduction targets by 2050. The proposal called for setting near-and long-term targets which is underpinned by an enterprise-wide climate transition plan detailing steps the company will take to achieve net-zero emissions by 2050. The proposal ultimately failed to pass, but received a significant 28.7% support from investors, sending a strong message to management regarding shareholders expectations. See further detail on page 13.

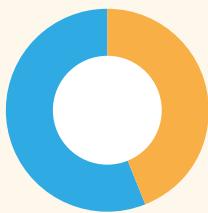
MAERSK

A.P. MOLLER-MAERSK

With respect to our **Human Rights** stewardship theme, LGPS Central supported a shareholder proposal requesting the company discloses its efforts to progress human rights and labour rights in accordance with the UN Guiding Principles on Business and Human Rights. The proposal called on the board to communicate human rights-related financial risks and how it seeks to address these. Although the proposal did not pass, we hope that this signals shareholder expectations with respect to human rights. See further detail on page 13.

GLOBAL VOTING

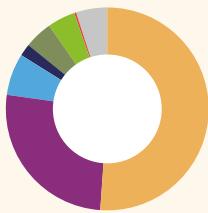
We voted at **530** meetings (**5,990** resolutions) during the quarter under review.



- Meetings voted with management **44%**
- Meetings with one or more votes against management **56%**

GLOBAL VOTING

We voted against or abstained on **777** resolutions over the last quarter.



- Board structure **51.4%**
- Remuneration **26.3%**
- Shareholder resolution **6.7%**
- Capital structure and dividends **1.9%**
- Amend articles **4.4%**
- Audit and accounts **4.5%**
- Poison pill/Anti-takeover device **0.3%**
- Other **4.6%**

EOS-LED ENGAGEMENT ACTIVITIES DURING THE QUARTER



02 Engagement case studies



Below, we give more detailed examples of ongoing or new engagements which relate to the four Stewardship Themes that have been identified in collaboration with our Partner Funds.

Our Stewardship Themes are:

- Climate change
- Plastic
- Fair tax payment and tax transparency
- Human rights risks

This quarter our engagement set³ comprised 729 companies. There was engagement activity on 1,844 engagement issues and objectives.⁴ Against 491 specific objectives, there was achievement of some or all on 159 occasions. Most engagements were conducted through letter issuance or remote company meetings, where we, our partners or our stewardship provider in a majority of cases met or wrote to the Chair, a Board member or a member of senior management.

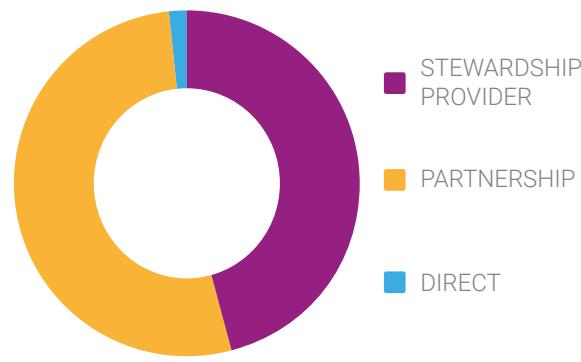
³ This includes engagements undertaken directly, in collaboration, and via our contracted Stewardship Provider.

⁴ There can be more than one engagement issue per company, for example board diversity and climate change.

CLIMATE CHANGE ENGAGEMENTS

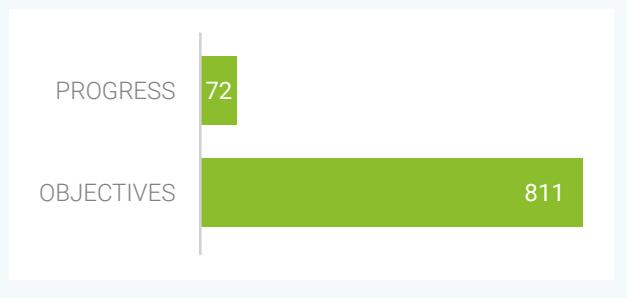
This quarter, our climate change engagement set comprised 559 companies with 812 engagement issues and objectives.⁵ There was progress on 72 specific engagement objectives.

ENGAGEMENT VOLUME BY TYPE



- 985 engagements during the quarter.
- Signed letters to five banks, urging them to stop directly financing new oil and gas fields by end of 2023.

ENGAGEMENT VOLUME BY OUTCOME



GLENCORE

Theme: Climate Change

Objective: We expect companies to set clear, reasonable, and measurable climate action targets aligned with the Paris Agreement. We also compare those targets with the company's industry peers, as well as Paris-aligned sector pathways, and engage with the company in case of any major deviations.

Engagement: Since 2019 LGPS Central have co-led on a CA100+ engagement with Glencore. LGPS Central, along with eight other investors, signed a letter outlining our "red lines" and what assurance are needed regarding Glencore's climate transition efforts in advance of voting at the 2023 AGM.

Following this a 1-1 meeting between LGPS Central and the Head of Sustainable Development at Glencore was scheduled in March 2023. Glencore's senior management expressed doubts about the efficacy of climate dialogues as part of the CA100+ engagement which we found concerning. LGPS Central expressed a desire to compare Glencore's short and medium-term decarbonisation targets to the IEA's 1.5-degree coal trajectory and to set a specific 2030 target to gain assurances over Glencore's alignment with the Paris agreement. The Company are assessing whether to provide the disclosure and is revising its climate strategy which will be presented to the AGM in 2024.

Outcome: We appreciate Glencore's lasting engagement and dialogue with CA100+ over their approach to climate change. We are continuing to build bilateral dialogue with the Company and they are receptive to future engagements with LGPS Central which is encouraging. We will continue to engage with Glencore to encourage them to present a strong revised climate transition plan in 2024 that addresses our concerns.

SHELL PLC

Theme: Climate Change

Objective: We expect companies to set clear, reasonable, and measurable climate action targets aligned with the Paris Agreement. We also compare those targets with the

⁵ There can be more than one climate-related engagement issue and/or objective per company.

company's industry peers, as well as Paris-aligned sector pathways, and engage with the company in case of any major deviations.

Engagement: In November 2022 LGPS Central sent a letter to the Chair of the Board at Shell, outlining why we voted against the company's Energy Transition Strategy in the 2022 AGM. The letter outlined the strategy's misalignment with the Paris Agreement; a lack of targets that would facilitate the achievement of the Strategy; and questioned whether Shell's capital expenditure plans are genuinely aligned with a 1.5°C temperature rise scenario. Following receipt of this letter, a 1-1 meeting was scheduled between LGPSC and the head of Investor Relations at Shell.

This meeting allowed a detailed discussion on Shell's climate strategy, highlighting the risks and opportunities the company has focussed on ahead of the energy transition. We were happy to hear that Shell recognises the key role it must play in addressing climate risk on a global level and were encouraged by the company's progress in decreasing its oil production. However, Shell expressed a reluctance to set absolute short- and medium-term Scope 3 targets for its upstream emissions. Shell also stressed the fact that it believes it is currently a leader in the global transition, and that now the responsibility must shift towards governments and consumers to continue progress towards net zero.

Outcome: We very much appreciate Shell's desire to have a meaningful and open dialogue with its shareholders, and it is clear that Shell is a sector leader in the climate transition. However, significant doubts remain regarding the feasibility and robustness of Shell's Transition Strategy, evidenced by a lack of meaningful targets which detail how Shell will achieve its long-term goals. We are therefore considering further engagement or escalation in early 2023. In February 2023, the environmental charity ClientEarth filed a derivative claim against the Board of Directors at Shell, stating that the Board is mismanaging climate risk, evidenced by an insufficient Energy Transition Strategy and a fundamental misalignment with the goals of the Paris Agreement.

Following a thorough assessment of the potential risks and benefits associated with supporting the claim, LGPS Central provided a copy of a recent engagement with Shell to ClientEarth for use as evidence in court outlining our concerns. This escalation was made in recognition of the significant overlap between the points raised in the ClientEarth claim and our own engagement objectives for dialogue with Shell. The claim was dismissed by the court, although this is a decision that ClientEarth is seeking to challenge.

LOWE'S COMPANIES INC.

Theme: Deforestation risk

Objective: As a subset of our climate change engagement theme, we are focussing on deforestation-related risk, as it is a major cause of global warming. We are a part of a recently established investor collaboration, Finance Sector Deforestation Action Group, that focuses specifically on commodity-driven deforestation. We aim to engage with portfolio companies who have exposure to commodities such as wood, palm oil, soy, beef, pulp, and paper to better map and mitigate deforestation in their supply chain.

Engagement: Lowe's Companies Inc. is the second-largest hardware retailer in the U.S. and a FORTUNE® 50 home improvement company. Lowe's published its first wood policy in 2000 and last year set a net zero goal across its value chain by 2050 in accordance with guidelines from the Science Based Targets initiative (SBTi). By 2025, 100% of the company's wood products will be purchased from a responsible source, either certified or from a controlled source. We met with the company to hear their views on certified wood, traceability across its supply chain, industry collaboration, and human rights considerations. The company stated that Forest Stewardship Council (FSC) and other certification carries an administrative burden and increases costs, leading to a reduced demand. For traceability in its supply chain, Lowe's has a vendor code of conduct and carries out periodic supplier audits. The company has partnered with World Wide Fund for Nature (WWF) and joined Forests Forward, a program managed by WWF that engages companies around the world to help develop strategies to reduce their forest footprint. For human rights considerations, the company is actively engaging with suppliers and indigenous people, investigating the practice of Free and Prior Informed Consent (FPIC).

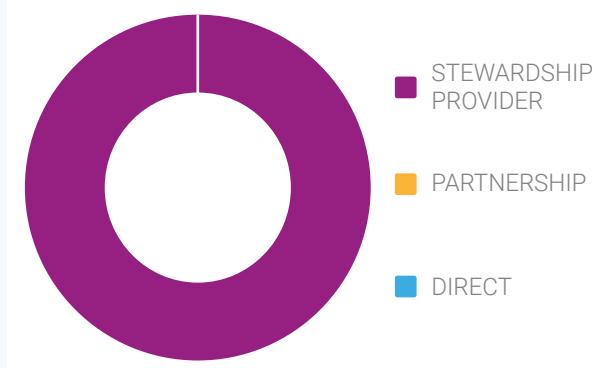
Outcome: Lowe's Companies is receptive to this dialogue and keen to hear investor views on their targets and the challenges they face. We welcome Lowe's commitment to transparency on their forestry footprint and wood sourcing practices through a stand-alone Forestry Report (published December 2022). It is also encouraging to know that the company is actively working with their suppliers as well as on the demand side to promote certified wood. A few smaller suppliers show reluctance to disclose their wood sourcing as they think it would hamper their competitiveness, but the company is engaging with them to resolve this issue. Lowe's will be putting a grievance mechanism on its website, which strengthens the company's commitment towards human rights.

PLASTIC ENGAGEMENTS

This quarter our plastic-related engagement set comprised 26 companies with 28 engagement issues and objectives. Although no progress has been recorded with individual company engagements, LGPS Central has continued to participate in broader industry action asking for swifter action on plastic use (see example below). A further update will be provided in the next quarter regarding progress on these company-specific engagement objectives.

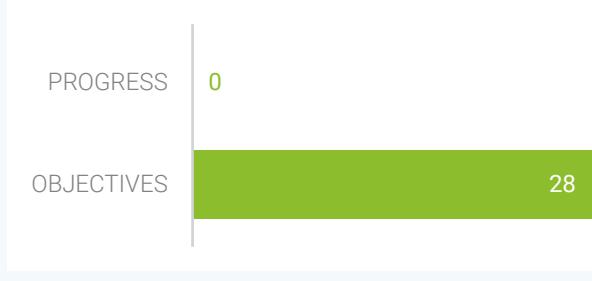


ENGAGEMENT VOLUME BY TYPE



- 28 engagements during the quarter
- Investor statement calling corporates to drastically ramp up action on plastics.

ENGAGEMENT VOLUME BY OUTCOME



EOS at Federated Hermes has engaged with retailers and grocers on setting plastic reduction targets since late 2018, followed by more detailed discussions on packaging strategy. In the seventh article in their Insights series entitled *Lifting the lid on packaging and food waste*, EOS examines the problem with plastic food packaging and highlights some positive engagement outcomes.

INVESTOR STATEMENT ON PLASTIC REDUCTION

Theme: Plastics

Objective: We seek to engage with companies that are directly or indirectly involved in plastic pollution or with companies that could contribute to the path of a circular economy. Apart from companies, we also engage with various working groups, and our stewardship provider, EOS at Federated Hermes participated in a Principles for Responsible Investment (PRI) working group on plastics with the Ellen MacArthur Foundation (EMF). We also seek to collaborate with other investors to target corporates involved with plastic usage across the value chain.

Engagement: LGPS Central is among the 185 investors with US\$10 trillion in combined assets, coordinated by the Dutch Association of Investors for Sustainable Development (VBDO), which are joining forces to call for more action to address the plastics crisis.

In a joint statement, the investors warn that the whole plastics lifecycle poses a serious and growing threat to the environment, climate, biodiversity, human rights and public health:

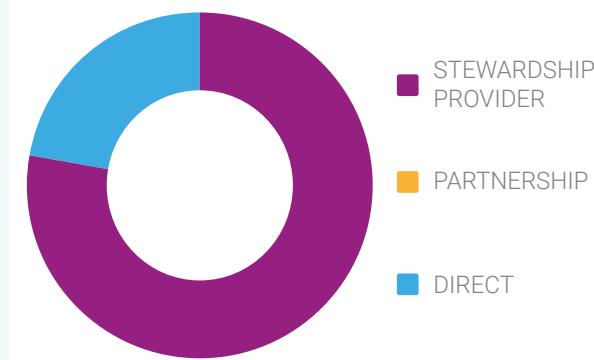
- The estimated costs to society from plastic pollution – including environmental clean-up, ecosystem degradation, shorter life expectancy and medical treatment – exceed US\$ 100 billion per year.
- There are between 75 and 199 million tonnes of plastic in the oceans.
- Over 3,000 potentially harmful chemicals have been identified in food packaging.
- Cradle-to-grave greenhouse gas emissions from single-use plastics in 2021 were equivalent to the total annual emissions of the United Kingdom.

Outcome: The statement called for intensive users of plastic packaging such as Fast Moving Consumer Goods and grocery retailers to act more swiftly to address the crisis. With the release of the statement, the investor group shall look into entering collective engagements with these companies.

FAIR TAX PAYMENT AND TAX TRANSPARENCY ENGAGEMENTS

This quarter, our tax transparency engagement set comprised 8 companies with 9 engagement issues and objectives. There was progress on three specific engagement objectives.

ENGAGEMENT VOLUME BY TYPE



- 9 engagements during the quarter
- Constructive collaborative engagement with Barrick Gold on their inaugural tax report following
- Increased focus on the Global Reporting Initiative Tax Standard (GRI 207) in ongoing tax-transparency related engagements

ENGAGEMENT VOLUME BY OUTCOME



BARRICK GOLD

Theme: Responsible Tax Engagement

Objective: We recognise the importance of companies being accountable for and transparent about their tax practices. We expect portfolio companies to have a tax policy that outlines the company's approach to taxation and how it aligns with the overall business strategy. We also expect companies to have a robust tax governance and management framework in place, to pay taxes where economic value is created and to provide country-by-country reporting. Through our engagement with companies on tax, we aim to support investor expectations – e.g., as expressed by the GRI tax standard and the UK Fair Tax Mark – in dialogue with companies.

Engagement: In April 2022, Barrick Gold published their inaugural tax report. While the report represented a positive step forwards for the company in terms of tax transparency, there were some areas which we felt could be further improved. In particular, these included the potential for country-by-country tax reporting, as well as further details regarding subsidiaries which are registered in low tax jurisdictions.

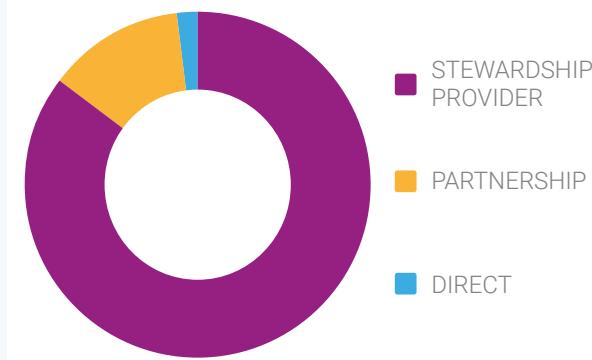
During the quarter, LGPSC liaised with peer investors within the engagement group to discuss the company's response to the feedback, as well as setting expectations on the upcoming tax transparency report that would be published together with the company's annual report.

Outcome: This is an ongoing engagement, with investors providing annual feedback to the company. In 2023 Barrick Gold released their new tax report, prompting a new round of investor feedback and collaboration. As Barrick Gold is a member of the International Council on Mining and Metals (ICMM), it will have to follow the ICMM's commitment to include country-by-country reporting 2025. This will likely be a key focus for the engagement going forward.

HUMAN RIGHTS

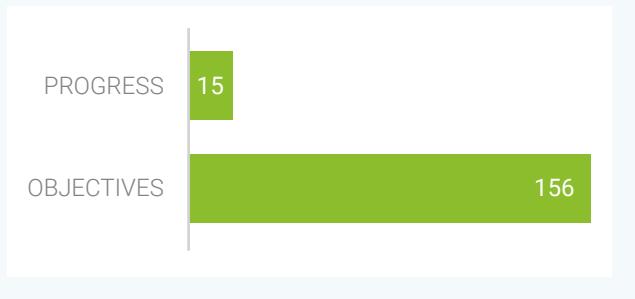
This quarter our human rights related engagements comprised 120 companies with 157 engagements issues and objectives. There was progress on 15 specific engagement objectives.

ENGAGEMENT VOLUME BY TYPE



- 157 engagements during the quarter
- LGPS Central is a Collaborating Investor in UN PRI Advance focus group for BHP

ENGAGEMENT VOLUME BY OUTCOME



THERMO FISHER

Objective: Ensure Thermo Fisher has implemented adequate controls around the sale and use of products and establish that human right risks are being sufficiently managed.

Sector: Medical Equipment

ESG Topics Addressed: Human rights

Issue / Reason for Engagement: Human rights engagement regarding genetic sequencing

Scope and Process / Action Taken: One of our external managers participated in an ESG engagement with Thermo Fisher regarding their current human rights due diligence and commercial controls around sale of genetic sequencers in China.

Outcome: The company confirmed they have stopped selling genetic sequencers in Xinjiang, but also to all police bureaus across the country. Regarding enhanced

human rights due diligence, Thermo Fisher now require due diligence into end customers and use of their products, with distribution being terminated if customers violate Thermo Fisher's requirements. The company has incorporated similar policies into other regions where similar risks could arise. Following this engagement, the manager was comfortable that Thermo Fisher had sufficiently addressed its concerns.

CHINESE COMMUNICATIONS COMPANY

Theme: Digital rights and freedom of expression

Objective: Ensure the company is not undermining civil liberty and freedom of expression by going beyond the requirements of Chinese law regarding censorship.

Issue / Reason for Engagement: The company was downgraded to fail for the UNGC Principle 2 on grounds of complicity of human right abuses. As Chinese companies must abide by Chinese laws which require platform providers to censor content and messages. One of our external fund managers decided to engage with the company over concerns relating to digital rights and freedom of expressions.

Engagement: In the first engagement, the company shared that they are considering becoming a UNGC signatory and sought our external manager's input on next steps. The manager suggested they publish a transparency report, a policy on government requests, and establish a human rights due diligence process. In the second call, the company informed our manager that they have published a privacy policy user service agreement and law enforcement data request handling procedures on its media platforms. The manager steered their focus back towards freedom of expressions and human rights. The company shared that they are working on increasing disclosure in the upcoming ESG Report.

Outcome: In the next meeting, the manager will review the new ESG report and share their opinions. Meanwhile, they have taken the lead investor role in a collaborative engagement with the company, and will soon establish goals and milestones for that engagement.

03 Voting



POLICY

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

COMMENTARY

Between January – March 2023, we:

- Voted at 530 meetings (5,990 resolutions) globally
- Opposed one or more resolutions at 299 meetings
- Supported 56.1% of shareholder proposals (55 out of 98 resolutions)

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

EXAMPLES OF VOTING DECISIONS



Company: A.P. Moller-Maersk

Theme: Human Rights

Rationale: We supported a shareholder proposal requesting the company to disclose its efforts in respect of human rights and labour rights in accordance with the UN Guiding Principles on Business and Human Rights. The proposal also requested the board to communicate which, if any, human rights related financial risks the company has identified, and how it seeks to address these.

According to the proponent, Maersk ranked top 5 of the assessed companies and had made substantial progress in this area in recent years. Maersk was, therefore, well-placed to demonstrate best practice and lead the way in human rights due diligence disclosure. Maersk was a signatory to the UN Global Compact and had committed to respecting human rights, in line with the UNGPs. By strengthening its ability to document its human rights due diligence and risk management processes even further, the Company would stand to benefit.

We note that the Company has made extensive disclosures on the issues of human and labour rights. Where the company falls short is a discussion on specific financial risks related to human rights. It is clear that the board considers human rights as a material risk. It is therefore reasonable to ask the company to disclose the financial risks that relates to it.

Result: Although the proposal had not passed, it is hoped that the company will continue to improve its disclosures related to human rights and labour rights risks. The voting results had not been disclosed by the Company.



Company: Metro Inc

Theme: Climate Change

Rationale: We supported a shareholder proposal at the Canadian food retailer's AGM. The proposal read:

"Shareholders request that METRO Inc. adopt near- and long-term science-based greenhouse gas emissions reduction targets, inclusive of Scope 3 emissions from its full value chain, which are aligned with the Paris Agreement's 1.5°C goal requiring net-zero emissions by 2050 or sooner and to effectuate appropriate emissions reductions prior to 2030. The targets should:

- Be publicly disclosed at least 180 days prior to the next annual shareholders meeting;*
- Follow the guidance of advisory groups such as the Science-Based Targets Initiative;*
- Be supported by an enterprise-wide climate action plan outlining*

the steps the Company will take to achieve net-zero emissions."

We expect disclosure of climate-related risks and actions to mitigate these in line with latest best practice guidelines, such as those of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD) and the ClimateAction 100+ Net Zero Benchmark Framework. Furthermore, we expect companies to present a climate transition plan with an explicit net-zero by 2050 target to shareholders for advisory voting at three-year intervals, as a minimum. Net-zero strategies should be expressed in absolute emissions, not emissions intensity only, and cover the full lifecycle of emissions, as well as establish 1.5°C-aligned short and medium-term targets, critically 2030 targets, that demonstrate how net-zero by 2050 can be achieved. Progress against the plan should be reported annually to the annual general meeting.

Result: The proposal failed to pass but received a significant 28.7% support from shareholders. This should send a strong message to the management regarding shareholders' expectations.



Company: Apple Inc.

Theme: Gender Pay Gap

Rationale: We supported a shareholder proposal that requests the company to report its median pay gap across race and gender, including information on several associated policy, reputational, competitive, and operational risks, and risks related to recruiting and retaining diverse talent. The proponent states that statistically adjusted numbers can be misleading if they are not complemented with median pay gap numbers. The proponent also argues that Apple is not keeping up with peers on gender pay gap disclosures and lists Microsoft, Visa, Bank of New York Mellon, Best Buy, Chipotle, Disney, Home Depot, Lowe's, and Target as having committed to "expanding their pay gap disclosures to include median pay."

As the company discloses for its UK workforce, investors would benefit from a report concerning the median pay gap data for its U.S. or its global workforce as a means of allowing them to better gauge how well the company is advancing opportunities for women globally and racial and ethnic minorities in the U.S. and mitigating risks relating to increasing public scrutiny on gender and racial/ethnic pay equity issues.

A similar proposal was voted at the 2022 AGM and LGPCS had voted in favour of the proposal and overall, it received 33.8% shareholder support. Maintaining our stance in support for diversity, equity and inclusion, we recommend voting in favour of this proposal.

Result: The proposals received 33.8% shareholder support. This is the second year running that over 30% of shareholders supported similar proposals.



Company: Walgreens Boots Alliance, Inc.

Theme: Board independence/structure

Rationale: Largest shareholder Stefano Pessina is the Executive Chair. It is our belief that having an independent director as the chair and separating the roles of chair and CEO is a preferable approach. The board's primary responsibility is to supervise management and establish accountability, and having a non-independent director as the chair or a single individual holding both positions can result in conflicts of interest.

We supported a shareholder proposal that recommends the company to adopt a policy that the chair of the board to be an independent director. The proposal recommends a policy that prioritizes the selection of an independent chairman whenever feasible. The board would still have the authority to choose a non-independent chair for a limited time period if deemed necessary. Therefore, the proposal is not seen as excessively prescriptive.

Result: The proposal did not receive sufficient shareholder support to be approved, but the level of support – 33.8% of shareholders supported the resolution – sends a strong message to the management regarding shareholders' expectations.



Company: ASOS plc

Theme: Executive Remuneration

Rationale: We expect executives to be paid a fair remuneration that is aligned with long-term success of companies. It is our belief that levels of executive remuneration that are, or are perceived to be, excessive and unfair can be demotivating to staff and reputationally damaging to the company. Remuneration should amount to no more than is necessary and sufficient to attract, retain and motivate the individuals and groups of individuals most suited to managing the company. Remuneration should not increase significantly without a clear, compelling and exceptional justification.

We voted against the remuneration policy and report during the company's previous annual general meeting. The newly appointed CEO at ASOS is receiving a salary that is quite generous when compared to his peers, and it is 13% higher than his predecessor's. The board took a practical approach and believed that the challenging trading situation made it difficult to recruit suitable candidates, which required a higher level of fixed pay. In addition, the company's website displayed a revised bonus structure that differed from what was shown in the annual report, implying that the bonus structure was changed retrospectively. With regards to the policy vote, the board proposed to increase the long-term incentive plan's exceptional limit to 500% of the base salary, which was higher than the previous policy's limit of 300%.

Result: 1.1% of shareholders voted against the remuneration policy and 2.8% of shareholders voted against the remuneration report. Executive remuneration remains a topic that LGPSC continues to engage on with the assistance of EOS at Federated Hermes.

LGPS CENTRAL LIMITED'S

Partner Organisations

LGPSC actively contributes to the following investor groups





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All information is prepared as of **23/05/2023**.

This document is intended for **PROFESSIONAL CLIENTS** only.

LGPS Central Limited is authorised and regulated by the Financial Conduct Authority.

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Q1 2023
**ESG
impact
report**

Global engagement to
deliver positive change



Our mission

We aim to use our influence to ensure:



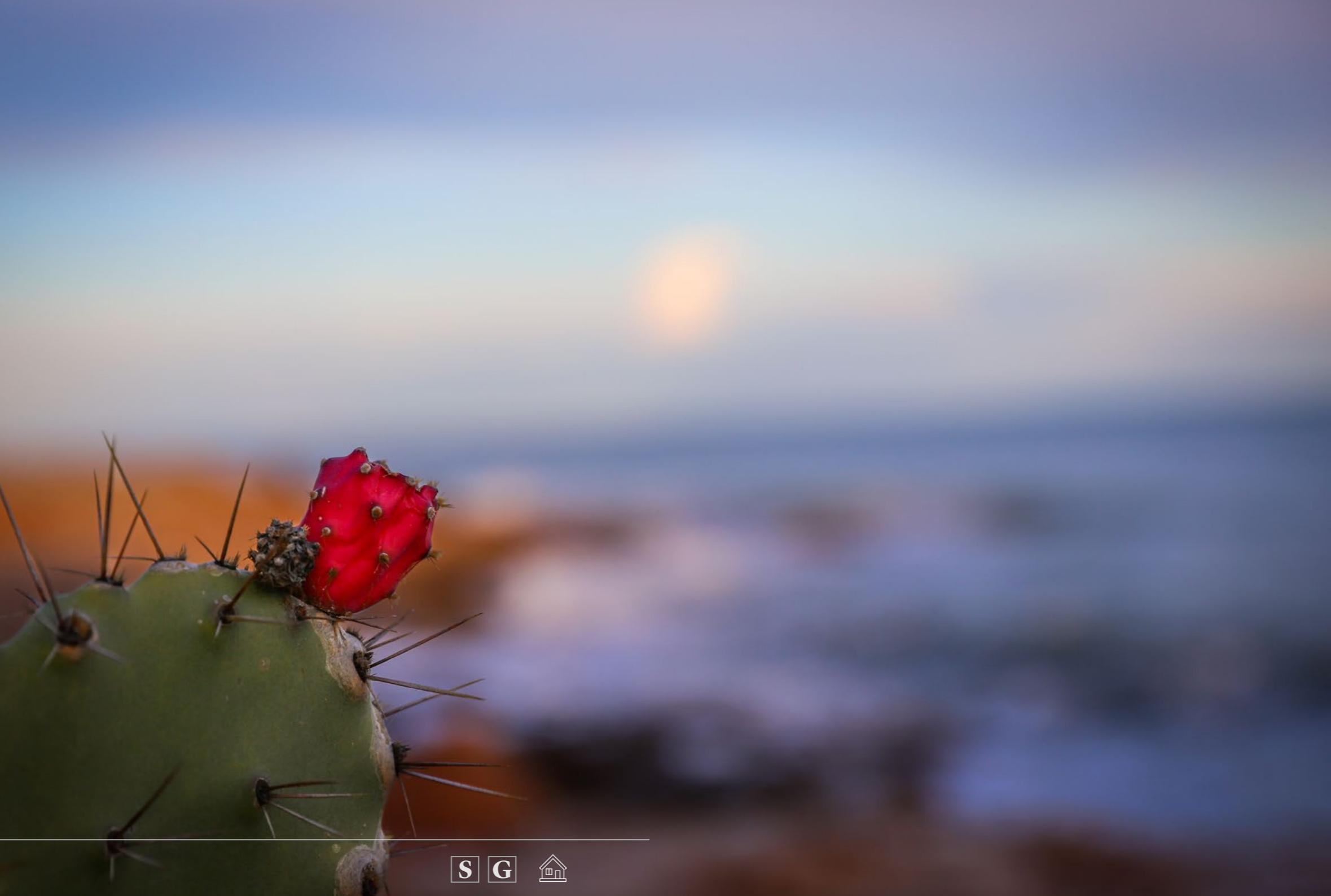
1. Companies integrate environmental, social and governance (ESG) factors into their culture and everyday thinking

Page 70



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

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



Our focus

Holding boards to account

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

Creating sustainable value

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

Promoting market resilience

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



Action and impact

In this report, we highlight some of our key activity in the Investment Stewardship team, including our latest Climate Impact Pledge updates, our collaboration with ShareAction on European chemical companies, and a selection of our significant votes.



Environmental | Social | Governance

ESG: Environment

Decarbonising European chemical companies: collaboration with ShareAction

As part of a collaboration of approximately 35 investors organised by Share Action, representing over US\$7 trillion,¹ we have been engaging with a number of leading global chemical companies to encourage them to implement credible decarbonisation strategies. The engagements have included 13 of the largest European chemical companies, including Koninklijke DSM, Air Liquide and BASF. The collaboration has requested that the companies formulate strategies to electrify chemical production processes, increase their use of renewable energy sources, phase in non-petrochemical feedstocks, and set Scope 3 targets aligned with a 1.5°C pathway. Progress has been made, with some companies (for example, *BASF and LyondellBasell)² confirming plans to reach net zero by 2050. Nevertheless, there is still much progress to be made, and the collaboration will continue this year focusing on clear plans to make the transition happen. Letters have been sent out to targeted companies and engagements started to take place at the end of the first quarter.

At LGIM, we include the chemical sector within our Climate Impact Pledge as we believe that decarbonisation of the sector is a crucial part of the global journey to net zero, as the sector has links to and dependencies between many other industries and supply chains.

1. Source: Share Action, 04 April 2023

2. Chemical companies urged to present 'credible' decarbonisation plans - Sustainable Views

*For illustrative purposes only. This is not a recommendation to buy or sell any security.



*Glencore: escalating our engagement

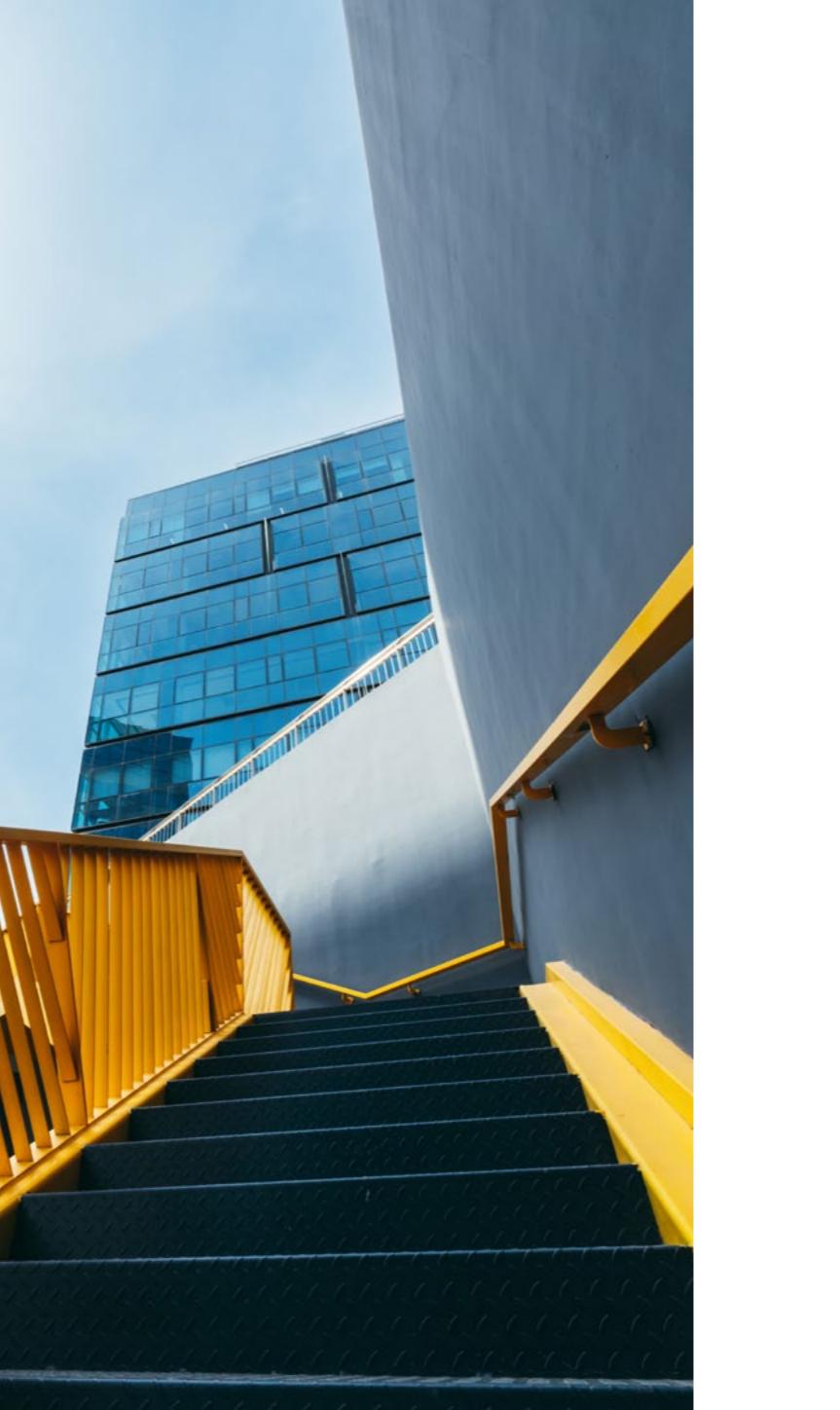
In 2022, we pledged to increase pressure on companies that fail to put suitably ambitious and credible transition plans to a shareholder vote, by filing shareholder resolutions. In light of our ongoing concerns at Glencore, we are putting our commitment into effect by filing a shareholder resolution at Glencore's 2023 AGM, requesting that the company disclose how its thermal coal production is aligned with the Paris Agreement objective of limiting the increase in global temperature to 1.5°C. As one of the world's largest diversified mining companies, with strong exposure to metals needed to decarbonise the global economy, we believe Glencore has a key role to play in the energy transition. We have been engaging with the company for a number of years under our Climate Impact Pledge, and this escalation reflects our unabated concerns about the company's trajectory to net zero. Filing a resolution puts pressure on companies and encourages them to discuss and resolve issues with us. Where we have filed or collaborated on specific proposals in this way in the past, we have found that they have been an effective means of escalation – both at the individual company level and for market-wide change more broadly.

*For illustrative purposes only. This is not a recommendation to buy or sell any security.

Climate Impact Pledge update

Having announced the expansion of our Climate Impact Pledge engagement programme in October 2022 to cover 5000+ companies, with 100+ in-depth engagements, we can report at the end of the first quarter of 2023 that we have sent a total of 250 letters to companies identified as not meeting our minimum standards, ahead of the main AGM season.

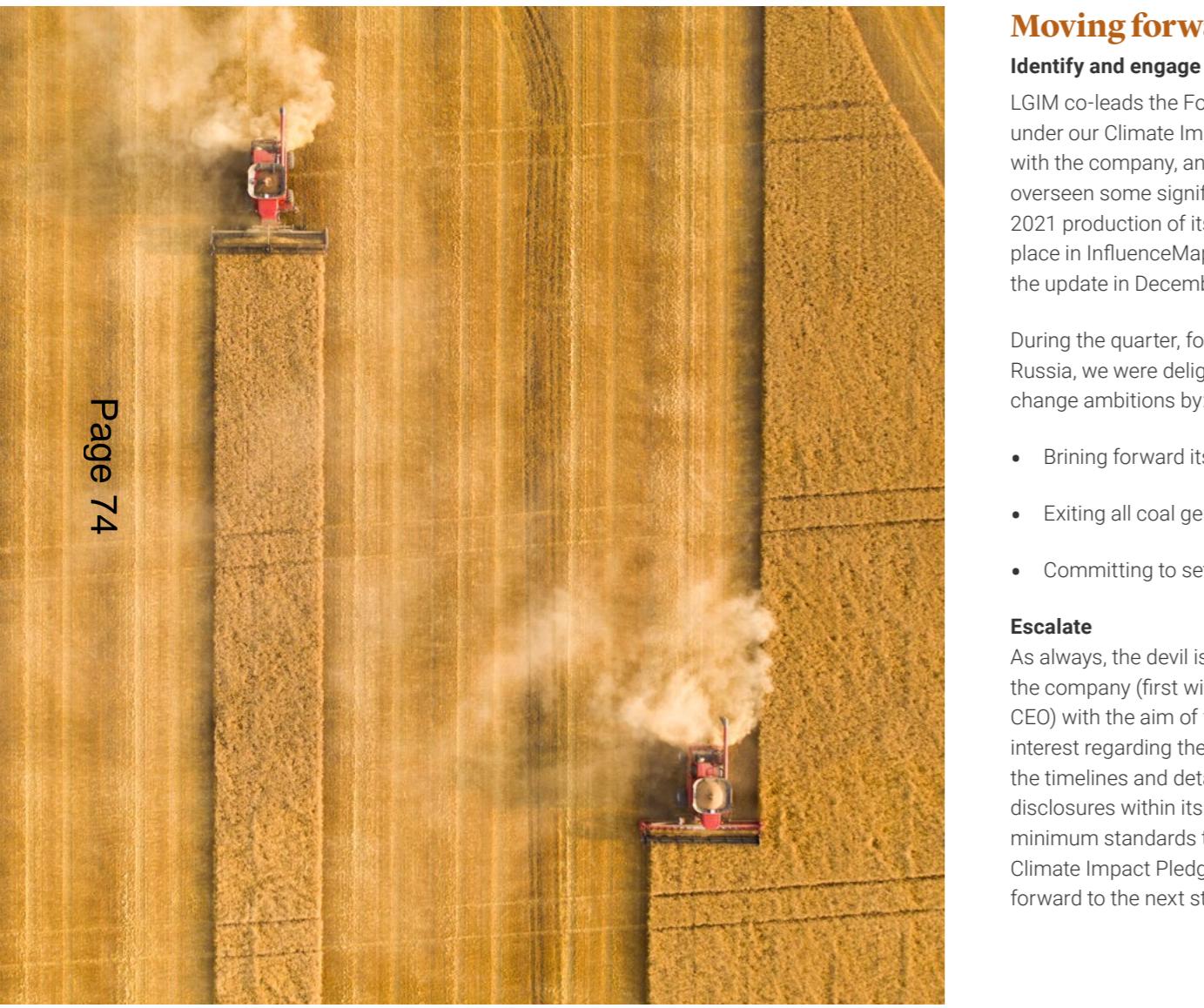
The letters outline our key expectations, the potential vote sanction, and our approach and assessment of companies via [our dedicated website](#) highlighting areas which may need addressing using a 'traffic light' system. We also request that companies address areas flagged as 'red', especially those considered as 'minimum standards', and engage with data providers to ensure correct information is captured on their platforms. With regards to disclosures, we encourage companies to disclose through CDP and have TCFD-aligned reporting, as well as setting science-based targets aligned to 1.5°C pathways. We will be reporting on our Climate Impact Pledge results in June 2023.



Significant votes

Company name	Capricorn Energy Plc*
ISIN	GB00BN0SMB92
Market cap	£733 million *Source: London Stock Exchange , 31 March 2023
Sector	Oil and gas
Issue identified	As detailed in our Q4 2022 Quarterly Impact Report , our concerns included governance, process, conflicts, future strategy, executive compensation, environmental risks and valuation. LGIM's view had consistently been that the proposed combination with NewMed had weak strategic rationale and would not add to meaningful synergies; rather, it would create significant new risks for Capricorn shareholders.
Summary of the resolution	<ul style="list-style-type: none"> EGM (management), 1 February 2023, 9am: Resolution 1 – Approve NewMed Acquisition Shareholder requisitioned EGM, 1 February 2023, 2pm: Resolution 1-7 – To remove the following current directors of Capricorn from office: Simon Thompson, James Smith, Nicoletta Giadrossi, Peter Kallos, Keith Lough, Luis Araujo and Alison Wood.
How LGIM voted	<p>EGM (management), 1 February 2023, 9am: AGAINST Resolution 1, (against management recommendation)</p> <p>Shareholder-requisitioned EGM, 1 February 2023, 2pm: FOR Resolutions 1-7, (against management recommendation)</p>
Rationale for the vote decision	LGIM has undertaken numerous engagements with the Capricorn board over the past nine months to express our widespread concerns with the transaction the board has proposed, including the NewMed transaction. Further detail can be found in our Q4 2022 Quarterly Impact Report . In particular, we noted the timing of the proposed meetings as a matter of grave concern. The decision to hold the company's meeting before the shareholder-requisitioned meeting appeared to be a direct attempt to undermine due process. It was LGIM's view that meaningful board change was needed to restore investor confidence. The process to date has raised serious questions about the ongoing suitability and fitness of the entire board – and the chair and senior independent director in particular – to serve as directors of a listed company.
Outcome	The company announced the resignation of the seven directors who were proposed to be removed, and in the shareholder EGM held on 1 February 2023 all six directors proposed by the proponent were elected by an overwhelming majority of 99.2% of the votes cast. The newly constituted board intended to conduct a comprehensive strategic review of Capricorn's business and potential directions for the future, with a priority given to the NewMed transaction. Following the strategic review, and given shareholders' views, the board and NewMed have agreed to terminate the business combination.
Why is this vote 'significant'?	The overall engagement demonstrates how LGIM's Investment Stewardship, Investment and Climate Solutions team work together in pushing for a better financial and environmental outcome for stakeholders, and the outcome of the vote demonstrates the power of combined shareholder action.

*For illustrative purposes only. This is not a recommendation to buy or sell any security.



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Moving forward with Fortum*

Identify and engage

LGIM co-leads the Fortum engagement as part of CA100+. We also engage with them under our Climate Impact Pledge. We have a productive and collaborative relationship with the company, and throughout our tenure as a co-lead within CA100+ we have overseen some significant commitments from the company, including its December 2021 production of its first lobbying report, which helped the company to gain joint-first place in InfluenceMap's assessment of lobbying activities of CA100+ companies, and the update in December 2022, which can be found [here](#).

During the quarter, following the company's exit from Uniper and ongoing exit from Russia, we were delighted to see that the company has further increased its climate change ambitions by:

- Bringing forward its carbon neutrality target (across Scopes 1, 2 and 3), to 2030
- Exiting all coal generation by the end of 2027
- Committing to set a 1.5°C aligned Science-Based Target

Escalate

As always, the devil is in the detail, so we are currently arranging further meetings with the company (first with the investor relations and sustainability teams, and then with the CEO) with the aim of fully understanding how the company will exit coal (with particular interest regarding the company's Polish assets). We would also like to know more about the timelines and details of the company's exit from Russia, and to include additional disclosures within its lobbying report. Additionally, we will continue to emphasise the minimum standards that we expect of companies in the sector, as set out by LGIM's Climate Impact Pledge Sector Guide, and as reflected by the CA100+ indicators. We look forward to the next steps in our long-standing relationship with Fortum.

Global Research & Engagement Groups focus: Water pollution in the UK

Background

UK water companies have attracted plenty of press attention and criticism in recent months.³ There has been an increased focus on their environmental performance, which the UK Environment Agency described in its report covering 2021 as "the worst we have seen for years".⁴ Lobbying groups such as Surfers Against Sewage⁵ have also had an impact with high-profile campaigns tracking and highlighting pollution incidents.

It is noting that some water companies are more indebted than the sector regulator Ofwat assumes when it sets prices, despite a heavy future investment need.⁶

What LGIM did

During the quarter, LGIM arranged an engagement call with Macquarie Asset Management, Southern Water's majority shareholder, to share its views on the topic. This builds on LGIM's engagement over recent months, including with management at other companies in the sector such as Thames Water and with the regulator, Ofwat. In the first quarter of 2023, LGIM also signed up to the Ceres investor-led 'Valuing Water Finance Initiative', aimed at engaging water users and polluters to address water risks and protect this precious and essential natural resource.⁷

Outcome

LGIM continues to limit its exposure to the bonds of weaker companies in the sector, pending evidence on progress on operational and financial issues. Press reports indicate that Thames Water has hired advisors to explore financing options.⁸ As one of the largest lenders in the sterling corporate bond market,⁹ LGIM directly engages when companies are marketing bonds, and also amplifies its voice through its leading role at meetings with other sector stakeholders such as regulators and industry bodies as part of our broader aim not just to improve ESG factors at individual companies, but across the global markets in which our clients are invested. Further updates on our policy engagement on the topic of water can be found in the policy section of this report.



3. [Watchdog to block shareholder payouts if water companies in England and Wales miss targets | Water | The Guardian](#)

4. [Water and sewerage companies in England: environmental performance report 2021 - GOV.UK \(www.gov.uk\)](#)

5. [Surfers Against Sewage - UK charity campaigning for the ocean \(sas.org.uk\)](#)

6. [LGIM Blog: How active credit investors can help flush out UK sewage pollution](#)

7. Ceres launches new investor-led effort to move corporate water users and polluters to value and act on water as a financial risk | Ceres

8. Thames Water braced for crunch talks over £14bn debt-pile | Business News | Sky News

9. Source: LGIM data as at 22 March 2023

Environmental | Social | Governance

ESG: Social

Driving diversity: expanding our campaigns

Ethnic diversity: broadening the scope

In our last quarterly report, we talked about our plans to widen our ethnicity engagement campaign to tackle the lagging UK and US mid-cap companies of the FTSE 250 and the Russell 1000 indices. In January, we wrote to 95 companies across these indices which currently don't have any ethnicity at board level, setting out our expectation that they should have at least one person of ethnic background on their board by the end of 2024. The sanctions remain consistent with the larger companies, and we will vote against companies within these indices that don't meet these red lines from 2025. We have seen significant progress with this approach in the larger indices,¹⁰ and we are hopeful that this approach will result in similar progress for these smaller companies.

Gender diversity: beyond board level

Many studies show that higher levels of diversity throughout an organisation is linked to higher performance in terms of both profitability and long-term value creation.¹¹ Furthermore, the strategic rationale for diverse executive teams is straightforward; there is greater potential to attract top talent, broaden the customer base and limit 'groupthink'. Historically we have focused on gender diversity at the board level, but we decided to expand this focus as we believe diversity at the executive and strategic decision-making level is imperative.

Since 2022, our policy has stated that we will vote against FTSE 100 and S&P 500 companies that have all-male executive teams. In 2022, we voted against 70 companies within these indices on these grounds.

As we approach the 2023 AGM season, we currently expect to vote against 79 companies for having all-male executive teams. When comparing the 2023 list of votes against to the 2022 list, there are 49 companies that overlap. Of those 49 laggards, 45 are within the S&P 500, with only four in the FTSE 100. Of the 30 new laggards in 2023, 16 are listed on the S&P 500 and 14 are listed on the FTSE 100 – of these, we will illustrate Hewlett Packard Enterprises* in our 'Significant votes' examples, below.

This illustrates that much more change is needed to improve gender diversity levels of these all-important decision-making teams. We will continue to explore how we can make a greater impact on this issue going forward, including through our collaborative work with the 30% Club in different parts of the world, but our voting stance will continue into 2023 and beyond.

Emerging markets diversity: our new research!

We have recently published our research and findings from expanding our emerging markets diversity campaign work to Brazil, India, China and South Africa. Read more about our in-depth findings here: [Globalising our diversity engagement](#) [LGIM Institutional](#)

10. [LGIM Blog - Ethnic diversity on boards: results and reflections](#)

11. For example: [Delivering through diversity](#)

Unwanted celebrity: Novo Nordisk* and Eli Lilly*

Identify and engage

Wegovy, Ozempic and Mounjaro. This time last year, these names could have been mistaken for far-flung planets in the latest Star Wars spin-off series. But they've hit the headlines recently for all the wrong reasons: the first two are brand names for Novo Nordisk's anti-obesity and diabetes drugs, respectively, the third is the brand name for Eli Lilly's diabetic drug for which the pharma company is awaiting FDA approval for to also be used as a weight loss drug. But how did legitimate, ground-breaking diabetes and obesity drugs become embroiled in a social media storm, and what can pharmaceutical companies do about it?

Deriving from effective, ground-breaking drugs originally developed by Eli Lilly and Novo Nordisk to treat Type II diabetes, it was noticed that semaglutide and tirzepatide also caused significant weight loss in the patients who took it. The pharmaceutical companies then decided to develop specific weight-loss drugs, designed to reduce obesity. These new anti-obesity drugs are in different stages of approvals: Wegovy has already hit the market, and Mounjaro is waiting at the starting line.

However, a disturbing trend has gathered pace, with celebrities such as Elon Musk¹² and David Aaronovitch¹³ having obtained these drugs (which are designed for obese and seriously overweight people) and advertised their benefits as weight-loss drugs on social media and in the press, with the result that they are being publicised as 'lifestyle' drugs, rather than as the serious medication that it really is (and designed to be). Headlines such as The Evening Standard's 'Could celebrity diet drugs give you the body you've always wanted?'¹⁴ show the infiltration of these social media statements and videos into the mainstream press.

Novo Nordisk and Eli Lilly have both followed all procedures and requirements for their own production and marketing of their drugs. The issue identified here has been brought about by casual yet pervasive misinformation on social media, and what pharma companies could or should do to attempt to counter that misinformation. With both a

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social aspect and a clear financial risk of litigation, this was an issue the Investment Stewardship and Investment team, working jointly through our Global Research & Engagement Group on Healthcare, we felt we should raise with these two investee companies.

We spoke directly to Novo Nordisk and to Eli Lilly about this issue. The companies both emphasised the fact that they had done everything 'by the book'. As our engagements progressed, however, and we explained not only the broader issues for society, but also the impact for potentially damaging lawsuits, our conversations began to gain ground.

In an age where in the realm of social media, the value of 'influence' over expertise clearly cannot be overestimated, this has implications across society, especially among the young and the vulnerable. We believe that pharmaceutical companies should aim to demonstrate that they are taking actions to counter misinformation and to attempt to mitigate misuse of their drugs.

We asked Novo Nordisk and Eli Lilly to take more steps to try and educate people about the purpose of these drugs, and to encourage monitoring their use. We asked them to:

- Ensure information about the purpose of the drug and its risks are included as extensively as possible on labelling
- Speak to eating disorder charities to enhance awareness and understanding of these drugs and how they are or may be misused
- In the US, ensure that advertising for these drugs includes appropriate information about their purpose and risks
- Set a clear programme for sales and collecting monitoring data on prescriptions
- Publish clear information about the purpose of these weight loss drugs on their websites

Escalate

New pharmaceuticals can herald ground-breaking treatments and have far-reaching social benefits. The misuse of these drugs and the role played by social media is a relatively new phenomenon that we want to help pharmaceutical companies navigate, so that they can continue to undertake their ground-breaking research and development. We believe that there are actions that pharmaceutical companies can, and should, take beyond established requirements to mitigate against these new risks, and we believe that it's increasingly urgent that drug manufacturers and distributors take extra steps to avoid damaging health consequences for (un)intended numbers of (often younger and more vulnerable) people, and to mitigate against the potential for negative financial implications for their firms and their investors. We will continue to engage with both pharmaceutical companies on this topic and to monitor the actions they take, and also to be aware of this issue more broadly within the pharmaceutical sector.

12. Elon Musk on Twitter: "@EvasTeslaSPlaid And Wegovy" / Twitter

13. tried Ozempic, the 'miracle' weight-loss jab. This is what happened (thetimes.co.uk)

14. Could celebrity diet drugs give you the body you've always wanted? Evening Standard

Significant votes

Company name	Air Products and Chemicals, Inc*
ISIN	US0091581068
Market cap	US\$63.35 billion (Source: APD Air Products & Chemicals Inc. Stock Price & News - WSJ , 06 April 2023)
Sector	Chemicals
Issue identified	A lack of gender diversity on the executive committee. LGIM has expanded its gender diversity policy in the UK and US to include the executive committee, as well as the company board.
Summary of the resolution	1f – Elect Director Edward L Monser
How LGIM voted	Against the resolution, i.e. against management recommendation.
Rationale for the vote decision	Diversity: A vote against was applied as the company has an all-male executive committee. From 2022, we have applied voting sanctions to the FTSE 100 companies and S&P 500 companies that do not have at least one woman on their executive committee, with the expectation that there should be a minimum of 33% over time.
Outcome	90% of shareholders voted for the resolution. LGIM will continue to engage with companies on gender diversity, and to implement our global and regional voting policies on this issue.
Why is this vote 'significant'?	This vote is significant as it relates to the escalation of our activities on one of our core stewardship themes, gender diversity.

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Full steam ahead: paid sick leave in the US

Identify

Human capital issues have been a point of focus for LGIM for quite some time. We understand human capital issues represent risk to a company's operations, whether it be through heightened attrition or decreased productivity. In 2022, we held a series of engagements and signed investor letters directed at companies that lacked paid sick leave and could benefit from providing it. In the latter half of that year, we zeroed in on the railway industry given the unique situation that the industry was facing.

Throughout 2022, hundreds of thousands of railway workers were in the midst of negotiating contract terms with the largest railway companies in the US to improve working conditions. The salient point of contention was that around the lack of paid sick leave. However, those negotiations fell flat. This was relevant to us as investors because the contention nearly led to a [nationwide strike](#) [that would have crippled the nation's supply chain](#) and posed a material systemic risk. While Congress and the Executive Branch has the authority to mediate the negotiation and did ultimately avoid a strike, the reliance on government intervention over a basic benefit to stave off market calamity did not seem like a sensible risk-return dynamic worth maintaining.

Engage and Escalate

Since the [government-mediated deal excluded sick leave](#), LGIM took charge by writing a letter to the four largest railway carriers in the US – Norfolk Southern*, Union Pacific*, BNSF* and CSX*. We aggregated approximately 14 to 18 other investors per letter, with around US\$1 trillion in additional assets under management, to come on board as signatories. In the letter we specified the importance of paid sick leave in the face of post-pandemic labour dynamics as well the types of disclosures investors would find helpful, such as the types of benefits available, the usage of such benefits, employee eligibility criteria and others. We had correspondence with CSX and Norfolk Southern via email and have maintained an ongoing dialogue.

Eventually, one by one, the companies we contacted initiated negotiations with their workforces. Those negotiations led to deals being struck by three out of the four railways – [CSX](#), [Union Pacific](#), and [Norfolk Southern](#) – leading to thousands of railway workers obtaining paid sick leave as a benefit. We intend to continue engaging with the holdout railway carrier, BNSF, to understand how worker conditions can be improved so that future strikes and service disruptions are less likely.

For illustrative purposes only. This is not a recommendation to buy or sell any security.

Environmental | Social | Governance

ESG: Governance

Kansai Electric Power*: governance and climate

Identify and engage

Kansai Electric Power is one of the largest electric utilities companies in Japan. We identified several governance areas for improvement and the company appears to lag some of our minimum expectations on board composition. We believe that through its improvement, it could have a positive influence more broadly upon its sector in Japan.

Following a bribery scandal in 2020 involving former directors, the company underwent significant changes to improve governance. These changes have been positive but we still observe some areas where we think improvements could be made, relative to our minimum expectations.

Specifically, these include:

- Director independence and the presence of executive compensation committees which we think should be fully independent (e.g. the Remuneration Committee)
- Cross-shareholdings
- Limits to tenure of senior advisors to the board ('Komon')

We are pleased to note that the company meets our expectations for gender diversity in Japan of 15% female representation on the board, which we also expect to increase over time.

Regarding climate change and our expectations under the Climate Impact Pledge, we noted its lack of interim emissions targets and lack of time-bound commitment to exit coal-fired power generation as an area for discussion.

In our meeting with Kansai Electric Power, we were able to discuss these areas in detail to better understand its approaches to governance and climate, and to talk in-depth about related areas such as responsibility for executing the net zero transition plan.

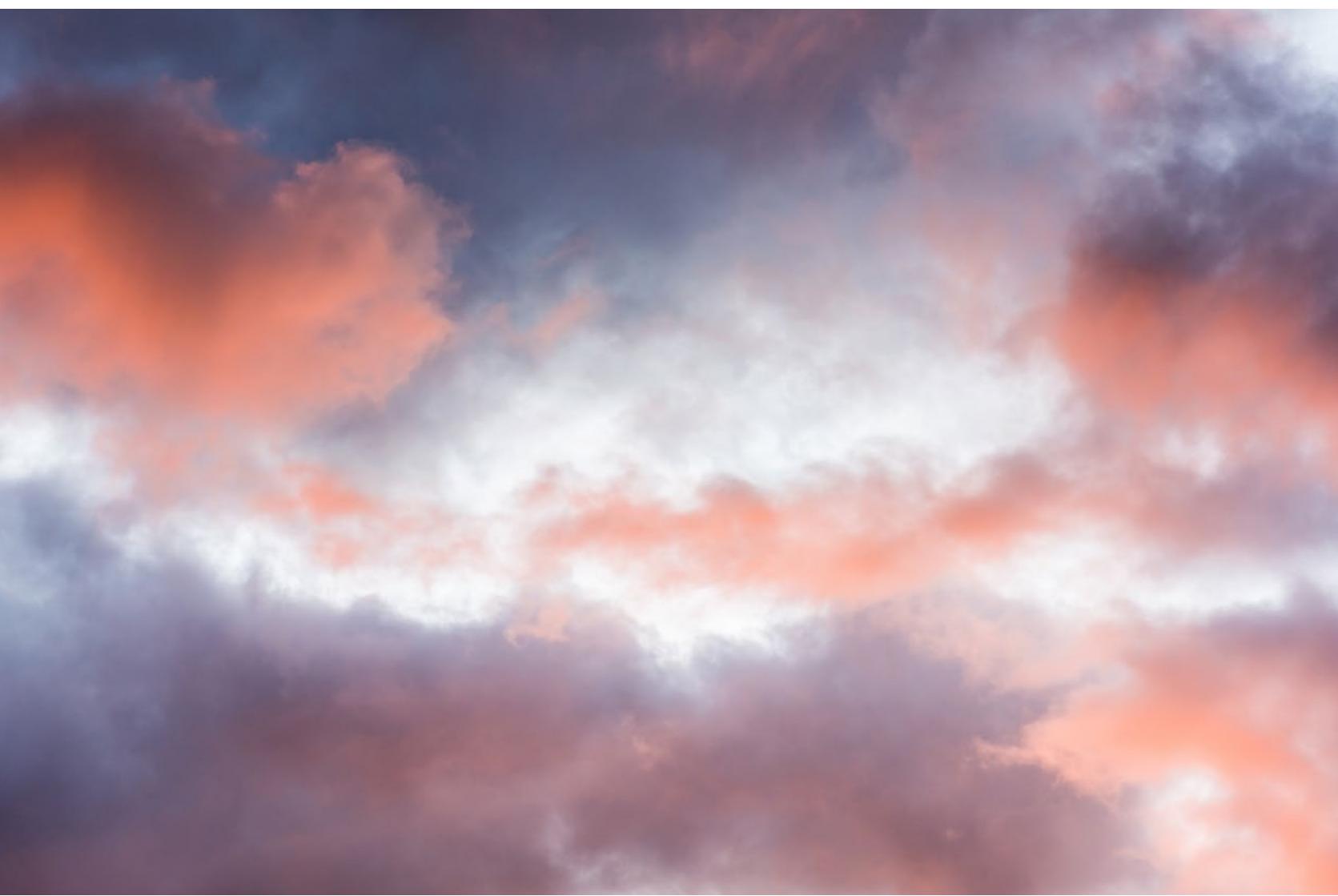
For illustrative purposes only. This is not a recommendation to buy or sell any security.

Escalate

In its 2022 AGM, in the governance sphere, we had supported shareholder resolutions relating to remuneration transparency and diversity. We had also voted against the re-election of a director who also sat on both remuneration and nomination committees, the former of which we would expect to contain only independent directors.

In terms of climate change, we have explained our expectations under the Climate Impact Pledge regarding verification of interim targets, and in its 2022 AGM we had supported shareholder proposals relating to disclosure of a Paris-aligned net zero transition plan and to linking remuneration to ESG factors. While the company does disclose its CO2 emissions in its reporting, we would still note the lack of published and independently verified interim emissions targets as an area which falls behind our minimum expectations for the electric utilities sector.

Our meeting with the company was productive and we look forward to working with management more closely on both governance and climate change, and gaining a deeper understanding of the reasons behind its decisions and actions.

**Significant votes**

Company name	Fujitec Co., Ltd*
ISIN	JP3818800009
Market cap	¥254 billion (Source)
Sector	Industrials: Machinery
Issue identified	Following successive governance failures at Fujitec and concerns about undue levels of family influence, significant shareholder activism proposed a proxy contest to replace six directors.
Summary of the resolution	A proxy contest proposing the replacement of six incumbent directors. EGM date: 24 February 2023
How LGIM voted	LGIM voted against management recommendations (i.e. supported the shareholder-proposed board). LGIM also intended to vote against the re-election of Mr Uchiyama at its AGM in 2022, but this was withdrawn.
Rationale for the vote decision	Our rationale for supporting the activist proposal stemmed from our concerns about the firm's flawed governance processes and its conduct at the last AGM, which resulted in an irreparable loss of faith in the leadership and in the inability of outside directors' ability to overcome the family's strong influence on the board.
Outcome	Investors voted to replace three incumbent directors with four new independent directors.
Why is this vote 'significant'?	Successful shareholder activism of this kind is rare in Japan, and director independence and board composition are important areas of governance for LGIM, making this a significant vote.

For illustrative purposes only. Reference to a particular security is not a recommendation and does not mean that the security is currently held or will be held within an LGIM portfolio. The above information does not constitute a recommendation to buy or sell any security.



Public policy update

As a long-term investor, we share a responsibility to ensure that global markets operate efficiently to protect the integrity of the market and address systemic risks, foster sustainable and resilient economic growth, and aim to protect the value of our clients' assets. Part of how LGIM acts on these responsibilities is by engaging in global policy dialogue, providing practical advice to policymakers and regulators on the key systemic issues.



Climate: FCA response on UK Sustainable Disclosure Requirements ('SDR')

The creation of a coherent, consistent and meaningful reporting regime for corporations on climate change remains firmly on our list of priorities, along with our policy work with the ISSB.

Recently, along with our parent company Legal & General, we responded to the FCA's consultation on the proposed SDR regulations regarding labelling, naming and marketing for the financial sector. We have long been supporters of the FCA's goal of developing an ambitious, appropriate and robust regime, we believe that we must also use our voice as an asset manager to identify those areas of the proposals which we believe to be incompatible with how the sustainable investment market currently operates, and with our clients' objectives. We are particularly keen to promote international alignment of regulations. Through our continued collaboration with the [Aldersgate Group](#), we also maintain our pressure on the UK government for the updated Green Finance Strategy to include mandatory climate transition plans for large UK companies.

Climate: US focus

The big [policy news](#) in the US over the quarter pertains to the Department of Labor's (DOL) rule determining whether ESG factors can be considered in retirement account investment decisions. This issue has been meeting significant resistance as it makes its way through the legal processes. At LGIM, we expect legal headwinds for many ESG-related regulations that were introduced in the recent past. We will continue to monitor these developments and what they mean for our stewardship activities in the US.

Continuing our action on methane emissions, we submitted a [supportive comment](#) to the US Environmental Protection Agency (EPA) on its proposed rules seeking to reduce methane via improved disclosures and measurements. This is a follow-on to a [prior comment](#) we submitted last year on this same rule.

Climate: Water

In February, in an initiative co-ordinated by the Carbon Disclosure Project ('CDP'), we co-signed an [open letter](#) to governments on the water crisis, ahead of the UN 2023 Water Conference. This letter, signed by investors with over US\$3 trillion in assets under management, highlights the severity of the global water crisis, the hurdles presented by a lack of global commitments, investment and standardised disclosures, and sets out recommendations for action, including implementation of domestic policies to incentivise investment in water solutions, and alignment with target 6 of the new [Global Biodiversity Framework](#). The UN Water Conference at the end of March was the first such conference since 1977 and, we hope, an opportunity for much-needed international action and coordination on these vital issues, and for making progress towards the goal of living in harmony with nature by 2050. By increasing public pressure on governments strategically and in collaboration with our peers, we aim to drive the development of a regulatory backdrop which enables and encourages water security around the world.



Health: Obesity

Obesity is thought to cost the UK economy nearly £30 billion a year in lost productivity and is regularly cited as a 'health ticking time bomb'.¹⁵ Under our 'health' theme and our work on nutrition, obesity remains a core area of focus for us on account of its potential financial impact upon a number of sectors in which our clients are invested, and on economies more broadly.

Government regulation is crucial in terms of providing the necessary impetus and backdrop to improving nutrition. We continue our collaborative work with the [Food Foundation](#) in the UK to put pressure on ministers regarding food reporting standards; the Food Foundation's mission is 'a sustainable food system which delivers health and wellbeing for all'.¹⁶ We believe that mandatory food reporting by companies and retailers regarding, for example, sales of fruit and vegetables and percentage of revenues derived from 'healthy products', would provide not only valuable data about some of the drivers of obesity, but also help to develop appropriately targeted regulation to tackle these challenges.

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In the US, LGIMA responded to the FDA's consultation on food labelling and the definition of the term 'healthy'. We are supportive of the move by the FDA to improve its definition for 'healthy' and we strongly encourage alignment with classifications from, for example, Health Star Rating (HSR), NutriScore and the World Health Organization models, in order to promote global consistency and transparency. Regular readers of our Quarterly Impact Reports will notice the parallels between this policy-driven work and our collaborations with the [Access to Nutrition Initiative](#) and the [ShareAction Healthy Markets initiative](#), which have been focused on the corporate engagement side.

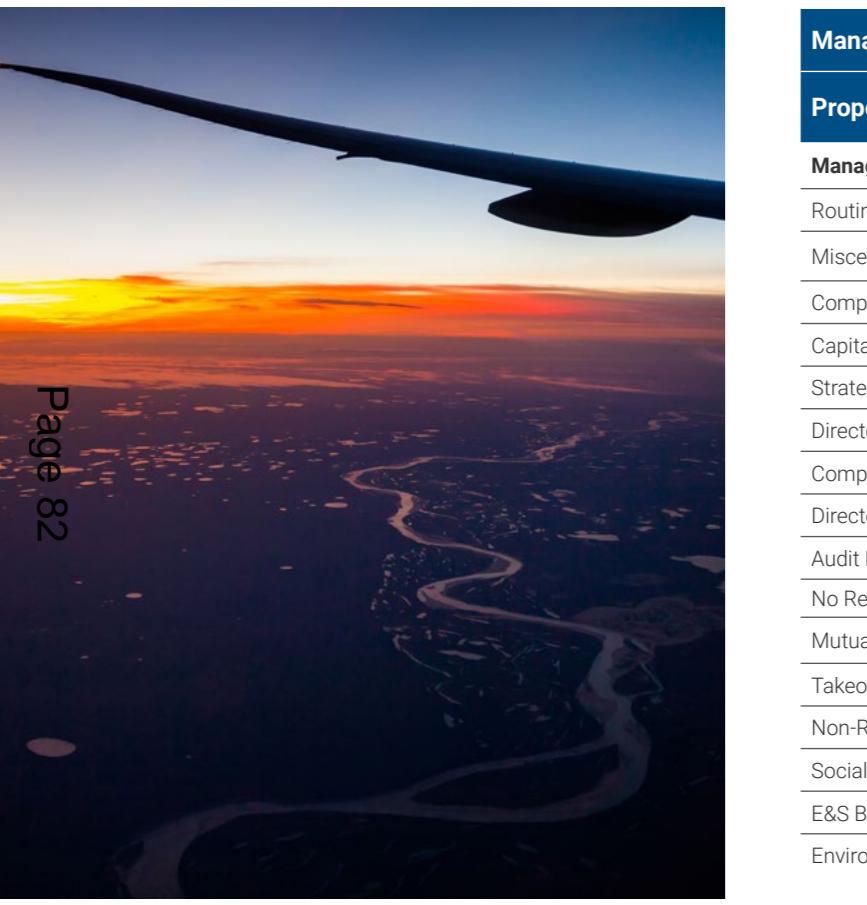
15. [Higher obesity levels linked to lower productivity in England, research shows | Health | The Guardian](#)

16. [Home \(foodfoundation.org.uk\)](#)



Regional updates

Global - Q1 2023 voting summary



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Management proposed resolutions:

Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Management (total)	14563	4252	210	77%	22%	1%
Routine Business	2035	626	1	76%	24%	0%
Miscellaneous	107	28	1	79%	21%	1%
Company Articles	791	161	0	83%	17%	0%
Capitalization	1669	129	0	93%	7%	0%
Strategic Transactions	631	205	0	75%	25%	0%
Director Related	1786	281	1	86%	14%	0%
Compensation	1294	1027	0	56%	44%	0%
Director Election	5024	1374	194	76%	21%	3%
Audit Related	656	125	13	83%	16%	2%
No Research	8	182	0	4%	96%	0%
Mutual Funds	10	0	0	100%	0%	0%
Takeover Related	96	16	0	86%	14%	0%
Non-Routine Business	382	59	0	87%	13%	0%
Social	55	38	0	59%	41%	0%
E&S Blended	19	0	0	100%	0%	0%
Environmental	0	1	0	0%	100%	0%

Global - Q1 2023 voting summary

Shareholder proposed resolutions:

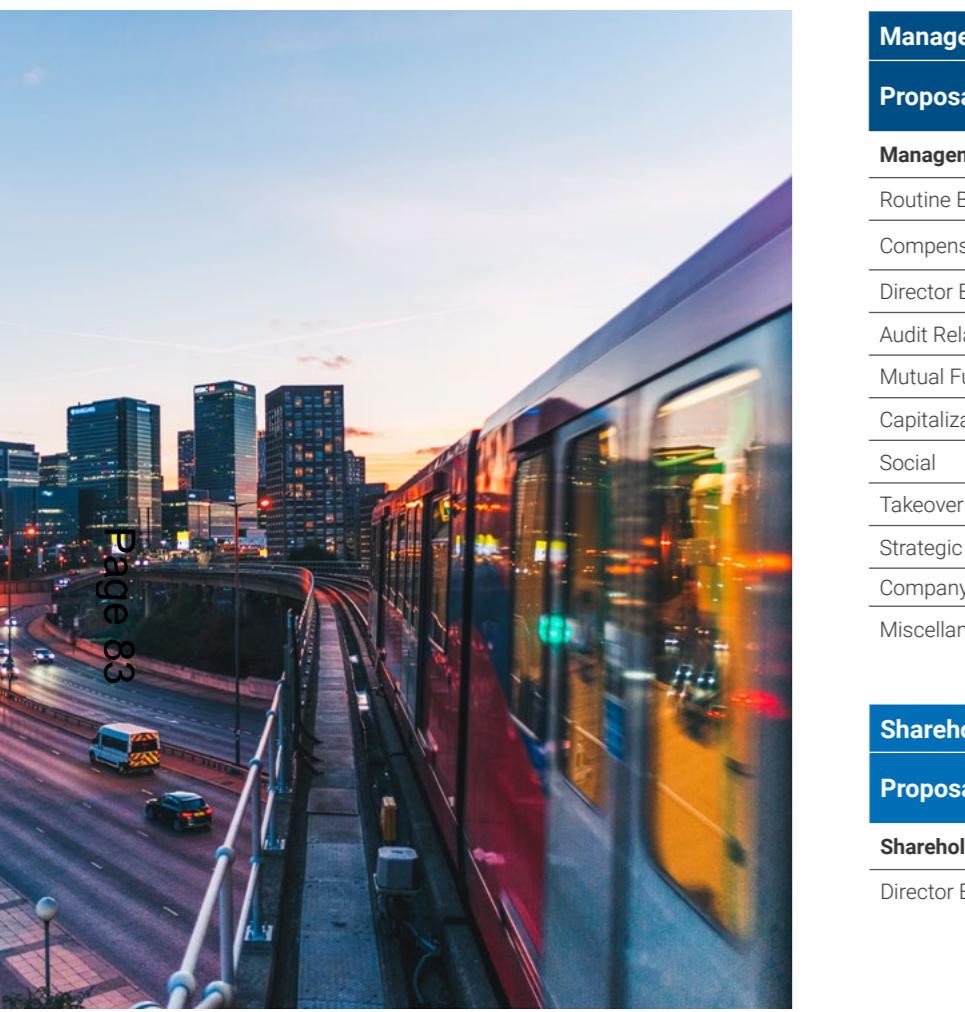
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Shareholder (total)	348	157	10	68%	30%	2%
Social	9	5	0	64%	36%	0%
Miscellaneous	52	22	0	70%	30%	0%
Director Election	177	83	10	66%	31%	4%
Compensation	8	4	0	67%	33%	0%
Director Related	13	10	0	57%	43%	0%
Audit Related	62	3	0	95%	5%	0%
E&S Blended	2	2	0	50%	50%	0%
Corporate Governance	2	0	0	100%	0%	0%
Non-Routine Business	9	8	0	53%	47%	0%
Environmental	1	6	0	14%	86%	0%
Company Articles	7	11	0	39%	61%	0%
Routine Business	6	3	0	67%	33%	0%

How LGIM Voted

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	14911	76%
Against	4409	77%
Abstain	220	86%

Number of companies where LGIM voted:

Number of companies where LGIM voted:	Value
In Total	2107
For in all resolutions	551
Against or Abstain in at least one resolution	1556



UK - Q1 2023 voting summary

Management proposed resolutions:

Proposal category	Total for	Total against	Total abstentions	For	Against %	Abstain %
Management (total)	1213	66	0	95%	5%	0%
Routine Business	138	2	0	99%	1%	0%
Compensation	129	22	0	85%	15%	0%
Director Election	436	23	0	95%	5%	0%
Audit Related	144	2	0	99%	1%	0%
Mutual Funds	10	0	0	100%	0%	0%
Capitalization	267	10	0	96%	4%	0%
Social	20	0	0	100%	0%	0%
Takeover Related	51	0	0	100%	0%	0%
Strategic Transactions	13	5	0	72%	28%	0%
Company Articles	3	0	0	100%	0%	0%
Miscellaneous	2	2	0	50%	50%	0%

Shareholder proposed resolutions:

Proposal category	Total for	Total against	Total abstentions	For	Against %	Abstain %
Shareholder (total)	13	3	0	81%	19%	0%
Director Election	13	3	0	81%	19%	0%

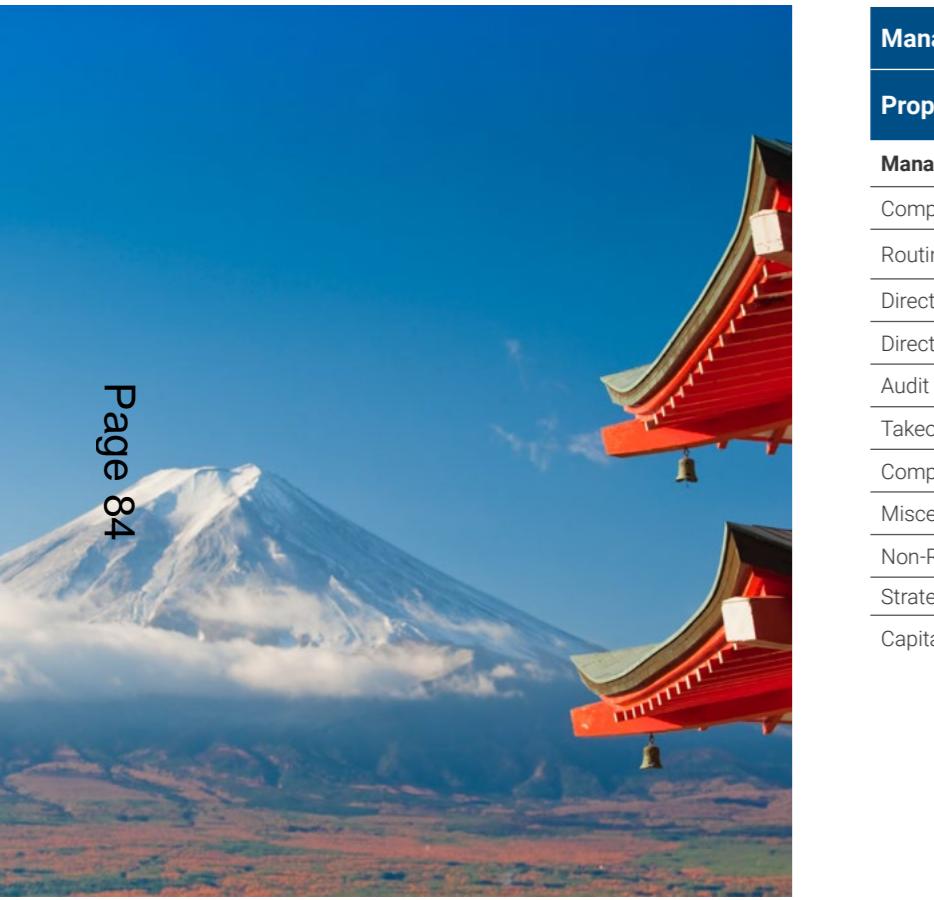
EU - Q1 2023 voting summary

Management proposed resolutions:

Proposal category	Total for	Total against	Total abstentions	For	Against %	Abstain %
Management (total)	2552	691	66	77%	21%	2%
Audit Related	174	13	9	89%	7%	5%
Capitalization	242	38	0	86%	14%	0%
Company Articles	147	26	0	85%	15%	0%
Compensation	268	237	0	53%	47%	0%
Director Election	479	211	55	64%	28%	7%
Director Related	616	76	1	89%	11%	0%
Miscellaneous	13	4	0	76%	24%	0%
Non-Routine Business	12	2	0	86%	14%	0%
Routine Business	572	76	1	88%	12%	0%
Social	9	0	0	100%	0%	0%
Strategic Transactions	11	2	0	85%	15%	0%
Takeover Related	0	6	0	0%	100%	0%
No Research	7	0	0	100%	0%	0%
E&S Blended	2	0	0	100%	0%	0%

Management proposed resolutions:

Proposal category	Total for	Total against	Total abstentions	For	Against %	Abstain %
Shareholder (total)	20	54	0	27%	73%	0%
Audit Related	2	1	0	67%	33%	0%
Compensation	0	1	0	0%	100%	0%
Director Election	6	25	0	19%	81%	0%
Director Related	7	9	0	44%	56%	0%
Environmental	0	5	0	0%	100%	0%
Miscellaneous	1	13	0	7%	93%	0%
Social	4	0	0	100%	0%	0%



Japan - Q1 2023 voting summary

Management proposed resolutions:

Proposal category	Total for	Total against	Total abstentions	For	Against %	Abstain %
Management (total)	1838	296	0	86%	14%	0%
Company Articles	60	17	0	78%	22%	0%
Routine Business	131	1	0	99%	1%	0%
Director Election	1380	214	0	87%	13%	0%
Director Related	188	47	0	80%	20%	0%
Audit Related	6	0	0	100%	0%	0%
Takeover Related	0	7	0	0%	100%	0%
Compensation	60	8	0	88%	12%	0%
Miscellaneous	1	1	0	50%	50%	0%
Non-Routine Business	2	0	0	100%	0%	0%
Strategic Transactions	5	1	0	83%	17%	0%
Capitalization	5	0	0	100%	0%	0%

Japan - Q1 2023 voting summary

Shareholder proposed resolutions:

Proposal category	Total for	Total against	Total abstentions	For	Against %	Abstain %
Shareholder (total)	31	4	0	89%	11%	0%
Director Election	12	0	0	100%	0%	0%
Compensation	6	0	0	100%	0%	0%
Routine Business	6	3	0	67%	33%	0%
Non-Routine Business	6	1	0	86%	14%	0%
Corporate Governance	1	0	0	100%	0%	0%

Number of companies where LGIM voted:	Value
In Total	217
For in all resolutions	57
Against or Abstain in at least one resolution	160

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	1869	85%
Against	300	86%
Abstain	0	0%



USA - Q1 2023 voting summary

Management proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For	Against %	Abstain %
Management (total)	1089	645	1	63%	37%	0%
Routine Business	12	0	0	100%	0%	0%
Miscellaneous	3	0	1	75%	0%	25%
Company Articles	13	0	0	100%	0%	0%
Director Election	725	372	0	66%	34%	0%
Compensation	109	194	0	36%	64%	0%
Audit Related	96	70	0	58%	42%	0%
Capitalization	41	3	0	93%	7%	0%
Strategic Transactions	34	1	0	97%	3%	0%
Takeover Related	38	3	0	93%	7%	0%
Director Related	17	2	0	89%	11%	0%
Non-Routine Business	1	0	0	100%	0%	0%

USA - Q1 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For	Against %	Abstain %
Shareholder (total)	11	11	0	50%	50%	0%
Compensation	2	3	0	40%	60%	0%
E&S Blended	2	2	0	50%	50%	0%
Social	2	4	0	33%	67%	0%
Miscellaneous	0	1	0	0%	100%	0%
Director Related	3	0	0	100%	0%	0%
Corporate Governance	1	0	0	100%	0%	0%
Non-Routine Business	1	0	0	100%	0%	0%
Environmental	0	1	0	0%	100%	0%

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	1100	62%
Against	656	61%
Abstain	1	100%

Number of	Value
Resolutions	1757
AGMs	1628
EGMs	126

Number of companies where LGIM voted:	Value
In Total	211
For in all resolutions	25
Against or Abstain in at least one resolution	186

Global engagement summary



In Q1 2023, the Investment Stewardship team held

535
engagements

491
companies

(vs. 294 engagements with 242 companies last quarter)

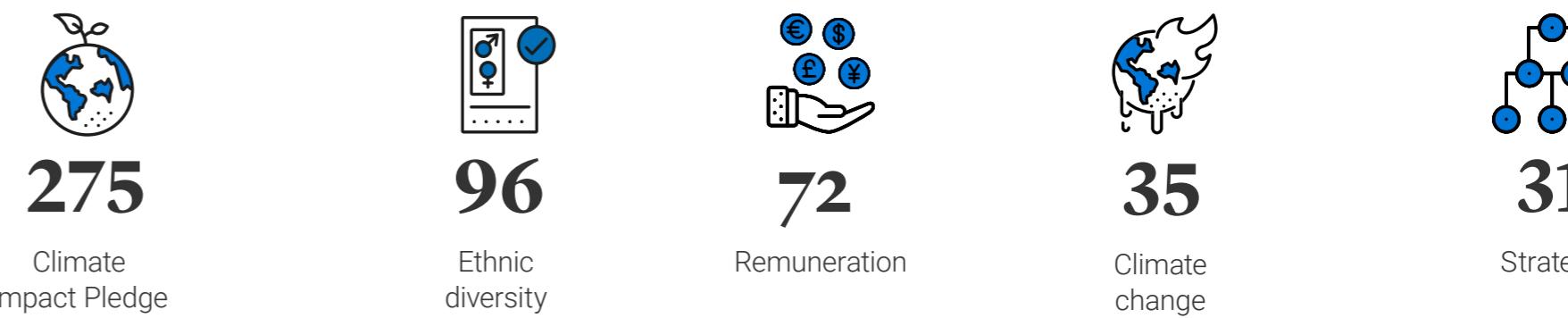
Breaking down the engagement numbers - Q1 2023

At the time of publishing, the engagement data on this page excludes communications in relation to our deforestation and dual-class shares campaigns.

Breakdown of engagement by themes



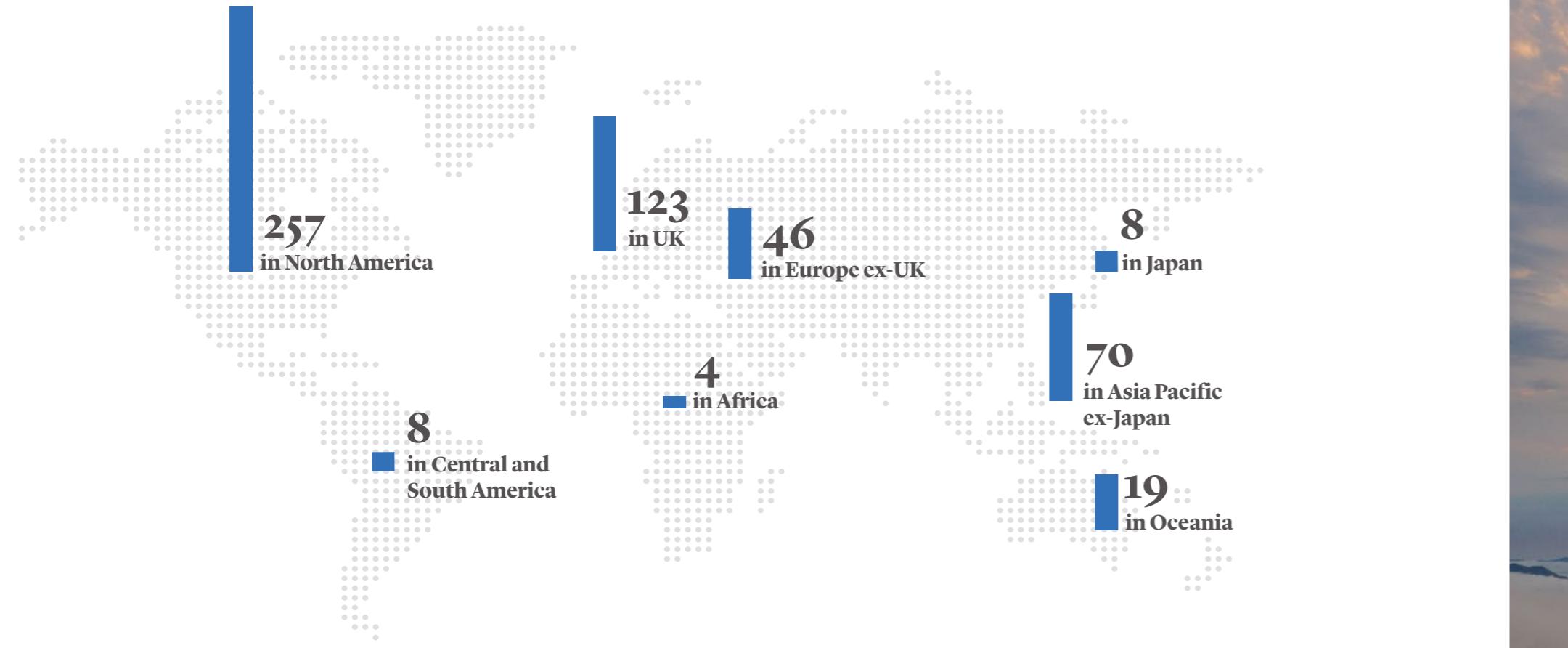
Top five engagement topics*



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

Regional breakdown of engagements

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Contact us

For further information about LGIM, please visit lgim.com or contact your usual LGIM representative



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Key Risks

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reo[®] engagement report

Shropshire County Council
- 1st Quarter 2023

Enabling stewardship
for over 20 years



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“Responsible investment is an ethos that sits central to our investment capabilities and processes. Its position together with the emphasis we place on innovation in this area allows us to offer a wide range of dedicated ESG solutions to meet a host of client needs.”

Richard Watts, Global Chief Investment Officer

Introduction

The purpose of our **reo[®]** service is to engage with companies held in portfolios with a view to promoting the adoption of better environmental, social and governance (ESG) practices. Our depth of expertise, industry knowledge and significant scale gives us the opportunity to talk directly with key company decision makers and bring about positive change. The **reo[®]** approach focuses on enhancing long-term investment performance by making companies more commercially successful through safer, cleaner, and more accountable operations that are better positioned to deal with ESG risks and opportunities.

This report sets out detailed information about how we have engaged with companies on your behalf over the past quarter. In addition, the report details outcomes from engagement recorded as milestones and case studies. Furthermore, to provide a required level of transparency for clients, we include an engagement progress tracker section which provides detail on the engagement objective, the status of that engagement and whether the company is responsive to our engagement efforts on that particular issue.

196
engagements

156
companies engaged

33
milestones

25
countries covered

Engagement in Review

A year on, and the impact of the Russian invasion of Ukraine continued to be a focus in our engagement activities. The war had led to many European countries continuing the use of coal power plants - we engaged with multiple utility companies to ensure that these short term strategic shifts did not derail long term decarbonization targets. We also engaged with semiconductors companies on their approach to customer due diligence due to the finding of western semiconductors in Russian missiles.

In the US banking sector, risk oversight and board effectiveness were the focus of our corporate governance engagement activities, while our engagement with retailers focused on social issues; covering the importance of nutrition in achieving better health outcomes while also being a key growth opportunity, as well as the need for improved due diligence around labour risk in agricultural supply chains. Finally, along with other Climate Action 100+ leads, much of our engagement activity in Q1 has focused on preparing for AGMs and conducting deep-dive analysis on the shareholder resolutions which have been filed along key themes such as lobbying, emissions and scenario analyses.

Ensuring long term decarbonisation ambitions remain on track at European Utilities

Due to the European energy crisis driven by the Russian invasion of Ukraine, many European countries delayed shutting down or temporarily reopened coal power plants. Over the last 12 months we have engaged with six utility companies at the heart of this temporary coal bump for a total of eighteen engagement interactions. The six companies were **Fortum**, **Enel**, **RWE**, **Orsted**, **Vattenfall** and **CEZ**. Our primary focus for this engagement was to ensure that the short term need to keep these coal plants running did not have meaningful knock-on impacts on delivery against decarbonization targets and capex allocation to renewables. We also had secondary concerns that sourcing coal from outside the EU could damage the transition of third-party countries away from coal – in particular, we raised this issue with **Orsted** who were importing coal from South Africa, which runs counter to European initiatives to encourage a just transition away from coal in this country.

Through our engagement we remain confident that the climate ambitions of European utilities remain alive and well. In tandem with the German government, **RWE** brought forward its coal phase out timeline to 2030 from 2038 in Q4 2022 and increased its capex allocation to renewables. **ENEL** confirmed that its 2027 coal phase out date will still remain valid, and it plans to replace its Italian coal plants with renewable

installations by 2025. We are now seeing wider industry data that reaffirms this view of the feared coal rebound not being realized. Across the EU, 26 coal plants were brought back on emergency standby in 2022, these only operated 18% of the time since coming back on line, and coal-fired power generation was only up by 7% in 2022 compared with 2021. The smaller-than-feared coal rebound in 2022 reaffirms that Europe is committed to transitioning to renewables and phasing out coal.

CA100+ - Gearing up for AGM season

We are co-leads on seven Climate Action 100+ engagements and support a further 41, out of a total of 166. Many engagements in the first quarter of the year have focused on preparing for AGMs and voting and understanding the range of resolutions which have been filed at companies. Key themes of resolutions this year include lobbying, methane emissions, scenario analysis and GHG targets.

In the automotive sector we have had calls with **General Motors (GM)** and **Volkswagen** on lobbying. GM are set to benefit from the US Inflation Reduction Act and have taken a public position in support of it, which we commended. We also pushed them to set an EV sales target aligned with a 1.5C scenario and to give clarity on how their emissions will change as they increase production of both SUVs and EVs. Our meetings with Volkswagen focused on providing feedback and guidance on their lobbying disclosure, including a letter to the Chairman.

In the mining sector, we continued engagement with **BHP**, **Anglo American**, **Rio Tinto** and **Vedanta Resources**. With Anglo American and Rio Tinto, the conversations focused on climate accounting, which continues to be a challenge in the sector despite some improvements.

We have had engagements with US-based oil and gas companies including **ConocoPhillips**, **ExxonMobil**, **Valero** and **Occidental Petroleum**, covering both their updated reporting, which demonstrates a continued opposition to setting scope 3 targets offset by far greater coverage of their lower carbon investment plans. However, these remain a minority of capex, and many companies face a series of resolutions on disclosure, resilience and emissions targets that we have also discussed with them to ensure ongoing progress against long term aims, despite current high prices and the energy crisis facing much of the world.

We also met the new **Shell** CEO and discussed their ongoing commitment to their transition strategy; we expect a significant update on capex in particular this summer. Our engagement with **Bayer** also continues to progress, with the company now scoring very well on the CA100+ net Zero Benchmark and making efforts to demonstrate capex resilience and building on their scope 3 approach.

Many CA100+ engagements ramp up around proxy season as companies state their positions and investors seek clarity in order to determine how to vote. We will continue to be heavily involved and coordinate both collaborative and bilateral engagement approaches to ensure we leverage our involvement to the greatest effect.

Modern slavery risk hiding in UK agricultural supply chains

In 2022 several migrant workers in the agriculture sector were found to be in severe debt on arriving in the UK under the Seasonal Workers Scheme. During the recruitment process in source countries including Indonesia and Nepal, the individuals had had to pay illicit fees to secure the - by comparison - high-paying jobs. As a result, two of the Scheme operators lost their licence to recruit workers and questions were raised about whether effective due diligence was in place to ensure the absence of illicit fees.

The sector's lack of manpower due to reduced access for EU workers and the war in Ukraine led to reduced production and increased food waste. The Scheme's failings to ensure responsible recruitment further contributes to risks faced by companies in the food value chain. We have engaged with companies like **Tesco**, **M&S**, and **Compass** about risk

assessments and strategy to address the risk of modern slavery in their supply chains.

Tesco explained that risks of illicit recruitment fees in the UK agriculture supply chain is a focus area within its broader modern slavery work and has stepped up due diligence to identify risks, as well as advocating for improvements to the Scheme. **Compass Group** dedicated a session in its annual conference to engage suppliers on awareness and sound out where risks are most concentrated and how the company can provide support.

In March, the Financial Times reported that supermarkets had formed a task force to fund independent audits of farms to identify cases of worker exploitation. We welcome the active intervention in the upstream supply chain as concerted efforts are needed to address systemic issues in the provision of labour from overseas. The British Retail Consortium has also convened a working group on no-fee recruitment while the Stronger Together initiative is providing trainings to growers on modern slavery indicators. We will continue to actively monitor these stakeholders and initiatives and encourage robust risk mitigation of modern slavery in food production.

Western semiconductors – engaging on customer due diligence

Following Russia's invasion of Ukraine, western semiconductors were reported as being found in Russian missiles. Many countries, including the United States, suspended high-tech exports to Russia after the invasion. However, shipments containing western semiconductors still found their way to Russia. The challenge the industry faces is that semiconductors are dual-use components, which means that the items can be used for both civilian and military applications. Some companies conducted investigations following the reports and found that some of the chips found in Russian missiles were manufactured more than 30 years ago, as well as being manufactured for use in everyday white goods products or cars. Moreover, semiconductors use third-party distributors to sell their products, and therefore it can be difficult to monitor semiconductor components that have been repurposed after the primary sale.

We attended a recent investor briefing on managing the risks of Western semiconductors in the Russian invasion of Ukraine. As a result of the report, we engaged with several semiconductor companies including **Texas Instruments** and **NXP Semiconductors** to better understand their approach to customer due diligence. While most semiconductor companies reiterated their compliance with export controls and trade sanctions, others discussed further the strengthening of their

distribution channel management, now recording customer names and product lines sold on a daily basis.

There are some positive developments in traceability, however we believe that with the complexities of semiconductor supply chains, greater collaborative industry effort is required from all companies to tackle the risks related to product misuse. For example, it was encouraging to learn of desktop research tools which supported the Royal United Services Institute's research report (RUSI) in screening billions of trade records for Russian imports of semiconductors. These records were then cross-checked against entities acting as conduits for components entering Russia's military industry. We will continue to engage with technology companies on how they can mitigate against the potential harm associated with their products and services, particularly in conflict zones.

Addressing corporate governance concerns at US banks

Corporate governance remains a core focus of our portfolio company engagements, particularly in the banking industry and overall financial institutions sector. Topics of primary importance to our analyses in this sector include risk oversight and board effectiveness. Board effectiveness includes subthemes where we assess the company's board evaluations, composition, succession planning, and engagement with and responsiveness to investors, among others.

In the United States, we conducted engagements along these themes with **BlackRock** and **JPMorgan** during Q1 of 2023.

BlackRock, the world's largest asset manager, is currently a target for activism by both pro- and anti-ESG factions we see warring in the US. In our engagement we discussed a letter the board had received from Bluebell Capital Partners—a seemingly pro-ESG activist—in late 2022 asking for, among other things, the board to conduct a review of BlackRock's stance on ESG, to replace the current Lead Independent Director, and to split the Chair and CEO roles and appoint a new CEO. We discussed this in the context of their focus on building an effective board via tying composition and skillsets to strategic priorities including recent preparations surrounding the newly established Universal Proxy Card ("UPC") Securities and Exchange Commission rule. Viewed in concert with (in particular) pro-ESG activist campaigns, we believe the UPC rule may have a catalyzing effect that influences boards to negotiate with such actors prior to a formal proxy contest. We will continue to track BlackRock's response and Bluebell's subsequent actions.

JPMorgan, the largest US bank, suffered a failed say-on-pay proposal last proxy season due primarily to a sizable one-off retention award to their CEO. In such instances, our

engagement focuses on whether the compensation committee members have adequately engaged with and responded to investor concerns. Although no one from the board joined our call, the Corporate Secretary and Head of ESG for Investor Relations underscored that the board committed to never paying out such a retention award again to the CEO. We will continue to monitor these events.

Investing in Nutrition – A growth opportunity with better health outcomes

The obesity epidemic in the developed world is nothing short of a public health disaster, with obesity a key risk factor for multiple health conditions impacting quality of life and life expectancy. Consumer choices have a considerable impact on health, but the corporate sector also has a role to play in the availability and nutritional value of the products on offer and how they are marketed.

We consider nutritious and affordable food to be a key opportunity for food and beverage companies and retailers to positively impact consumers' health while driving growth. We are seeing action toward increased regulation of unhealthy products, such as clearer labelling of nutritional value, the restriction of promotion of unhealthy foods to children, and the establishment of sugar taxes. As members of the ShareAction Healthy Markets initiative and the Access to Nutrition Initiative (ATNI), we engage food companies on their strategies for alignment of product portfolios with these trends and believe investment value can be found in companies driving growth through facilitating the shift to more health-conscious diets and healthier lifestyles.

During Q1, we conducted collaborative engagements with **Unilever**, **Mondelez**, **Nestle**, **Kraft Heinz**, and **PepsiCo**. Unilever discloses the healthiness of its sales in its top 16 markets against six government-endorsed Nutrient Profiling Models (NPMs) which we consider an industry-leading example of transparency that should be seen as a target for their peers. Disclosing product portfolios against NPMs is a key engagement ask as this allows investors to keep track of investee companies' efforts to increase the nutritional profiles of product portfolios. Overall, we are having constructive conversations with the Food & Beverage industry, however, we still consider effective nutrition strategies to be lacking. We expect more scrutiny in terms of legislation and consumer demand and therefore we will continue to engage with the Food & Beverage sector to set ambitious targets on healthy and affordable products in order to future-proof their business.

Stewardship Codes

Stewardship codes can help investors define and discharge their ownership and governance responsibilities. Recent years have seen the emergence and growth of stewardship codes globally. While codes occasionally take the form of binding regulation, more often they involve voluntary standards. Below is an overview of countries which have adopted stewardship codes or an equivalent.



Public policy submissions this quarter

Global	UK	UK	Taiwan
Month: January	Month: March	Month: March	Month: March
Issue: Labour standards	Issue: Climate Change	Issue: Modern slavery	Issue: Governance
Initiative: Workforce Disclosure Initiative aims to provide investors with better corporate disclosure on the management of operations and supply chain workforce	Initiative: UK Sustainable Investment and Finance association (UKSIF) convenes multiple members of the UK's sustainable finance community to address key issues and opportunities within the sector	Initiative: Find it, Fix it, Prevent it is an investor collaboration working to address forced labour in global supply chains and seeking meaningful, effective action by companies in response to the Modern Slavery Act	Initiative: Asian Corporate Governance Association (ACGA) works towards the implementation of effective corporate governance practices throughout Asia
Our position: We provide input into WDI's company survey development process, including highlighting methods to encourage increased corporate participation in the reporting process as well as how the survey could be made more useful in company analysis and engagement for investors	Our position: We fed in to the UKSIF's work on the UK's hydrogen policy, providing our view on the barriers to hydrogen development, highlighting the importance of responsible sourcing and the need for clear policy frames and incentives in order to support industry transition	Our position: We provided updates on engagement developments as well as provided input into discussions around future coalition projects, aligning with our longstanding engagement addressing modern slavery risks and increasing disclosure	Our position: Taiwan Depository & Clearing Corporation (TDCC) is the only virtual AGM platform provider in the Taiwanese market but it is not effectively equipped to meet the needs of foreign investors. ACGA's Taiwan Research Director has been engaging with TDCC on this topic with our input and support

Priority Companies and Your Fund

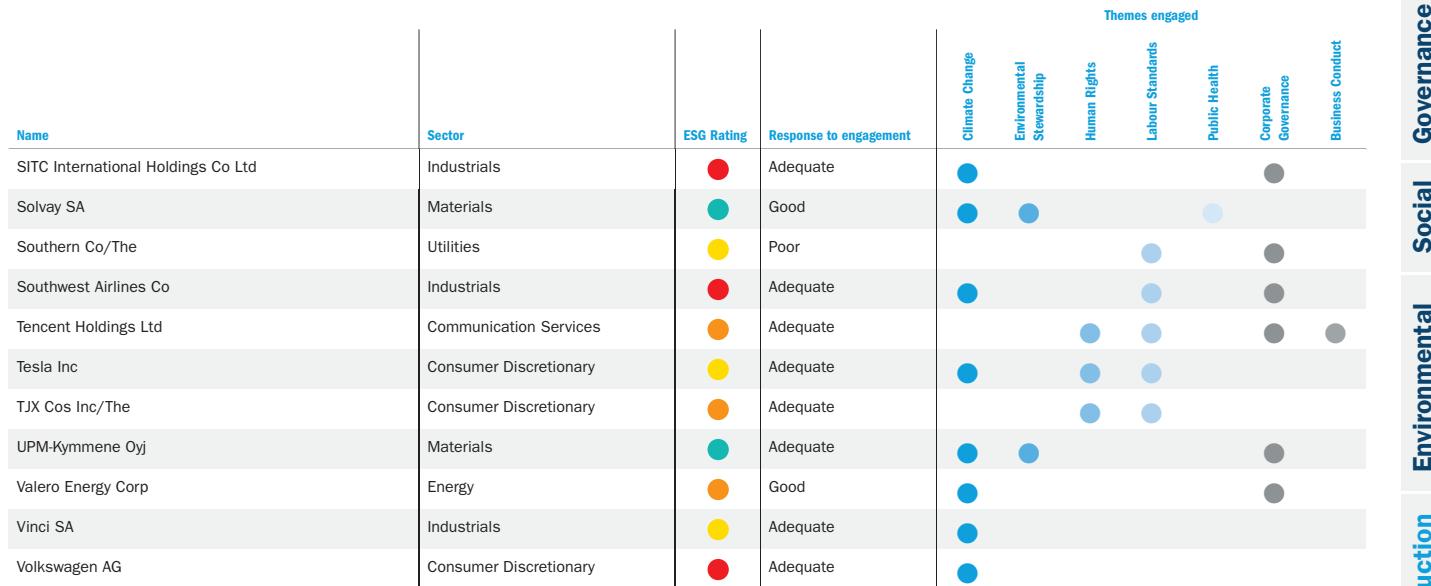
The table below highlights the companies on our annual priority engagement list with which we have engaged on your behalf in the past quarter and which you currently hold within your portfolio. Priority companies are selected through a detailed analysis of client holdings, proprietary ESG risk scores, engagement history and the Responsible Investment team's judgement and expertise. Each priority company has defined engagement objectives set at the beginning of each year. Engagement activity levels for priority companies are more intensive than for companies where we engage more reactively. For full details of our engagements with companies please refer to the online **reo**® client portal.

Name	Sector	ESG Rating	Response to engagement	Themes engaged					
				Climate Change	Environmental Stewardship	Human Rights	Labour Standards	Public Health	Corporate Governance
Amazon.com Inc	Consumer Discretionary	Orange	Good			●	●		●
Bank Central Asia Tbk PT	Financials	Teal	Poor		●				
Bank Mandiri Persero Tbk PT	Financials	Red	Adequate						●
BHP Group Ltd	Materials	Yellow	Good	●			●		●
Carnival PLC	Consumer Discretionary	Red	Adequate	●	●		●		
Cloudflare Inc	Information Technology	Orange				●	●		
CRH PLC	Materials	Teal	Good	●	●		●		●
Eli Lilly & Co	Health Care	Teal	Good					●	●
HDFC Bank Ltd	Financials	Teal	Good	●					●
Home Depot Inc/The	Consumer Discretionary	Teal	Adequate	●	●	●	●	●	
International Paper Co	Materials	Teal			●	●			●
JPMorgan Chase & Co	Financials	Yellow	Poor						●
Keyence Corp	Information Technology	Yellow	Adequate			●			
Lonza Group AG	Health Care	Teal	Adequate	●					
Lowe's Cos Inc	Consumer Discretionary	Teal	Adequate	●	●	●	●		
Makita Corp	Industrials	Orange	Good	●				●	
Martin Marietta Materials Inc	Materials	Teal	Good	●					
Moderna Inc	Health Care	Orange	Good		●		●	●	●
Netflix Inc	Communication Services	Red				●			
Raytheon Technologies Corp	Industrials	Yellow	Adequate	●					
Shell PLC	Energy	Teal	Good	●					●

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile:  Second quartile:  Third quartile:  Bottom quartile: 



ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: Second quartile: Third quartile: Bottom quartile:

Engagements and Your Fund: Red rated

Governance

Social

Environmental

Introduction

The table below highlights the companies with which we have engaged on your behalf in the past quarter and which you currently hold within your portfolio. The table is split by ESG risk rating. For full details of our engagements with companies please refer to the online **reo**® client portal.

Name	Country	Sector	Priority Company	Themes engaged					
				Climate Change	Environmental Stewardship	Human Rights	Labour Standards	Public Health	Corporate Governance
Bank Mandiri Persero Tbk PT	Indonesia	Financials	✓						●
Carnival PLC	United States	Consumer Discretionary	✓	●	●		●		
Hyundai Motor Co	South Korea	Consumer Discretionary		●	●				
Netflix Inc	United States	Communication Services	✓				●		●
SITC International Holdings Co Ltd	Hong Kong	Industrials	✓	●					●
Southwest Airlines Co	United States	Industrials	✓	●			●		●
Tokyo Electric Power Co Holdings Inc	Japan	Utilities		●	●			●	
Volkswagen AG	Germany	Consumer Discretionary	✓	●					

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

Engagements and Your Fund: Orange rated

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Name	Country	Sector	Priority Company	Themes engaged					
				Climate Change	Environmental Stewardship	Human Rights	Labour Standards	Public Health	Corporate Governance
Amazon.com Inc	United States	Consumer Discretionary	✓			●	●		●
American Airlines Group Inc	United States	Industrials		●					●
Apple Inc	United States	Information Technology					●		●
Cloudflare Inc	United States	Information Technology	✓			●	●		
Ford Motor Co	United States	Consumer Discretionary		●		●			
General Motors Co	United States	Consumer Discretionary		●					
Makita Corp	Japan	Industrials	✓	●			●		
Moderna Inc	United States	Health Care	✓		●		●	●	●
Mohawk Industries Inc	United States	Consumer Discretionary			●	●			
Power Assets Holdings Ltd	Hong Kong	Utilities		●					●
Ross Stores Inc	United States	Consumer Discretionary				●			
Skanska AB	Sweden	Industrials		●					
Tencent Holdings Ltd	China	Communication Services	✓			●	●		●
Thermo Fisher Scientific Inc	United States	Health Care						●	
TJX Cos Inc/The	United States	Consumer Discretionary	✓			●	●		
Union Pacific Corp	United States	Industrials		●					●
Valero Energy Corp	United States	Energy	✓	●					●
Walmart Inc	United States	Consumer Staples		●	●				●

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile:  Second quartile:  Third quartile:  Bottom quartile: 

Engagements and Your Fund: Yellow rated

Governance

Social

Environmental

Introduction

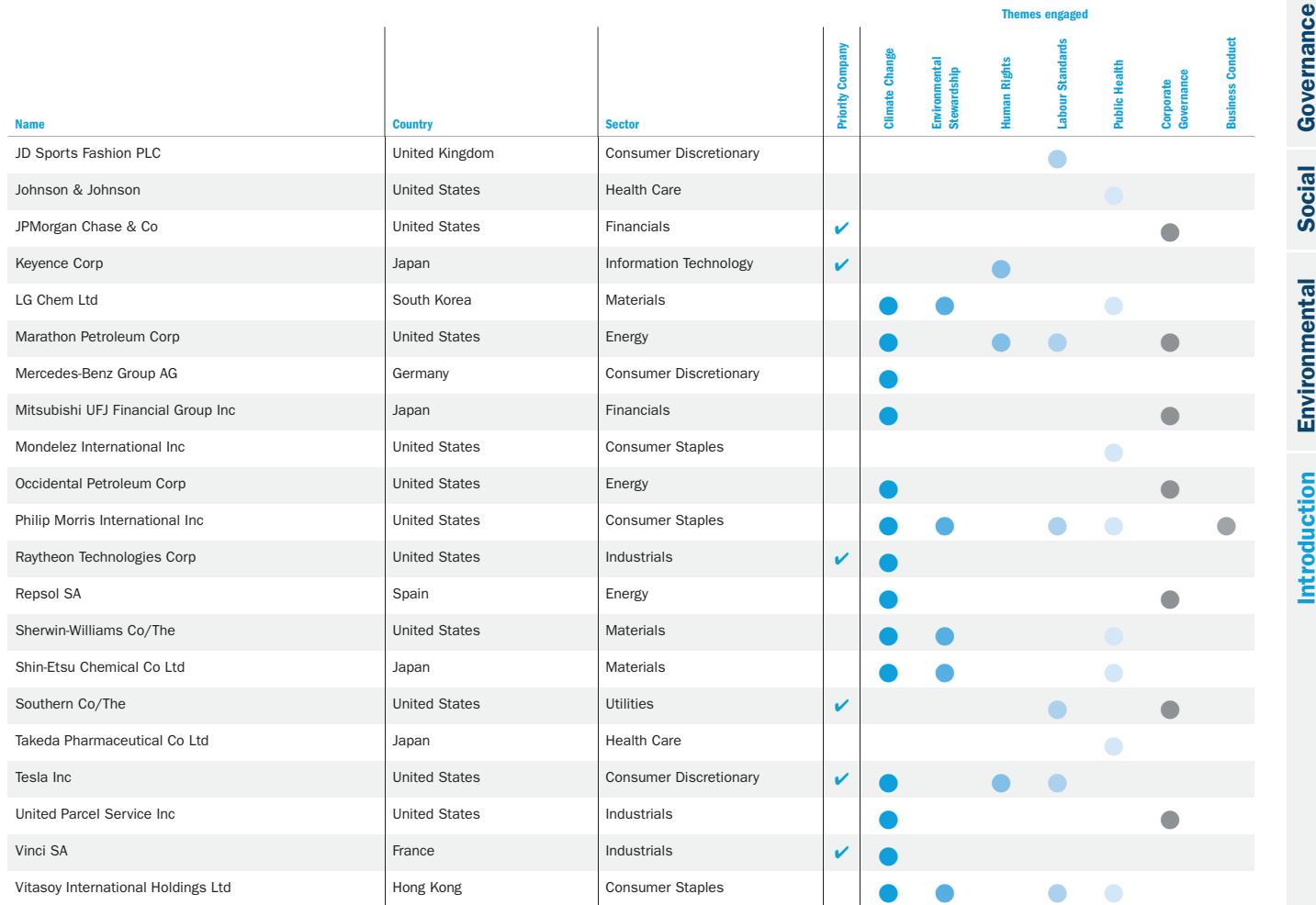
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Name	Country	Sector	Priority Company	Themes engaged					
				Climate Change	Environmental Stewardship	Human Rights	Labour Standards	Public Health	Corporate Governance
AbbVie Inc	United States	Health Care						●	
Air Liquide SA	France	Materials		●	●			●	
Air Products and Chemicals Inc	United States	Materials		●	●			●	
Albemarle Corp	United States	Materials		●	●	●			●
Alphabet Inc	United States	Communication Services							●
Amcor PLC	United Kingdom	Materials		●	●				●
Bank Rakyat Indonesia Persero Tbk PT	Indonesia	Financials		●	●				●
Barrick Gold Corp	Canada	Materials		●	●	●	●	●	●
BASF SE	Germany	Materials		●	●			●	
Bayer AG	Germany	Health Care						●	
BHP Group Ltd	Australia	Materials	✓	●		●			●
BlackRock Inc	United States	Financials							●
BP PLC	United Kingdom	Energy		●					●
Broadcom Inc	United States	Information Technology							●
Chevron Corp	United States	Energy		●					●
Chugai Pharmaceutical Co Ltd	Japan	Health Care						●	
Comcast Corp	United States	Communication Services		●		●			
Corning Inc	United States	Information Technology				●			
DuPont de Nemours Inc	United States	Materials		●	●			●	
Entergy Corp	United States	Utilities			●				●
Equity Residential	United States	Real Estate		●					
Ferrovial SA	Spain	Industrials		●					
Halliburton Co	United States	Energy				●			●
HelloFresh SE	Germany	Consumer Staples			●		●		
IQVIA Holdings Inc	United States	Health Care						●	

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile:  Second quartile:  Third quartile:  Bottom quartile: 

**ESG Risk Rating:**

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: Second quartile: Third quartile: Bottom quartile:

Engagements and Your Fund: Green rated

Governance

Social

Environmental

Introduction

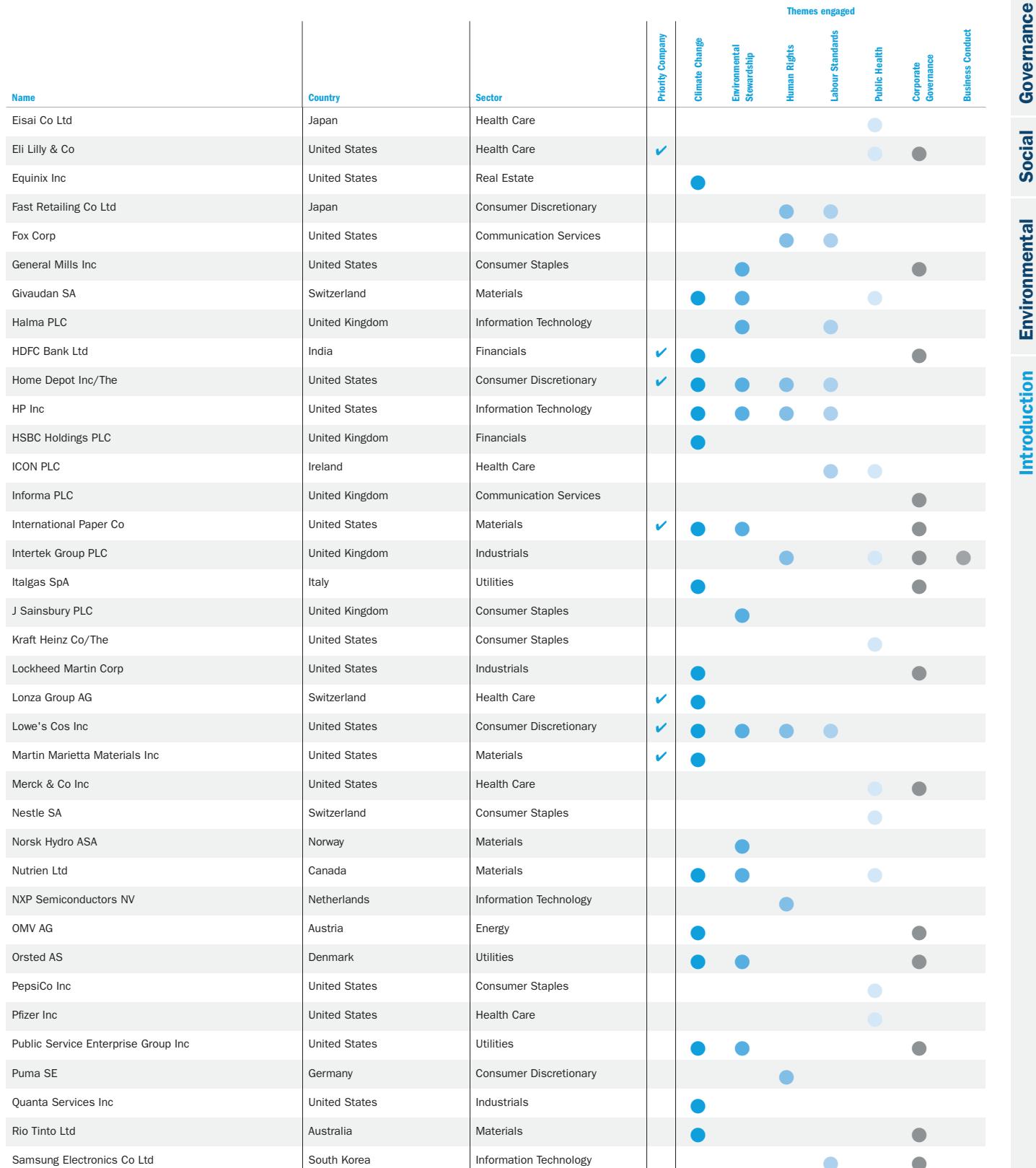
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				Climate Change	Environmental Stewardship	Human Rights	Labour Standards	Public Health	Corporate Governance
ACS Actividades de Construcción y Servicios SA	Spain	Industrials		●					
Antofagasta PLC	Chile	Materials			●	●	●	●	●
AP Moller - Maersk A/S	Denmark	Industrials		●	●				●
ASM International NV	Netherlands	Information Technology							●
Astellas Pharma Inc	Japan	Health Care						●	
AstraZeneca PLC	United Kingdom	Health Care					●		
Bank Central Asia Tbk PT	Indonesia	Financials	✓		●				●
Barratt Developments PLC	United Kingdom	Consumer Discretionary		●		●	●		●
BlueScope Steel Ltd	Australia	Materials		●					
BNP Paribas SA	France	Financials							●
Bouygues SA	France	Industrials		●					
Bristol-Myers Squibb Co	United States	Health Care						●	
Carlsberg AS	Denmark	Consumer Staples		●		●	●		
Chipotle Mexican Grill Inc	United States	Consumer Discretionary			●				
Compass Group PLC	United Kingdom	Consumer Discretionary					●		
ConocoPhillips	United States	Energy		●		●			
CRH PLC	Ireland	Materials	✓	●	●		●		●
CSL Ltd	Australia	Health Care						●	
Daiwa House Industry Co Ltd	Japan	Real Estate				●			
DCC PLC	Ireland	Industrials		●		●			●
Digital Realty Trust Inc	United States	Real Estate		●					
Dow Inc	United States	Materials		●	●			●	
E.ON SE	Germany	Utilities		●					●
Ecolab Inc	United States	Materials		●	●			●	
Edenred	France	Financials							●

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile:  Second quartile:  Third quartile:  Bottom quartile: 

**ESG Risk Rating:**

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

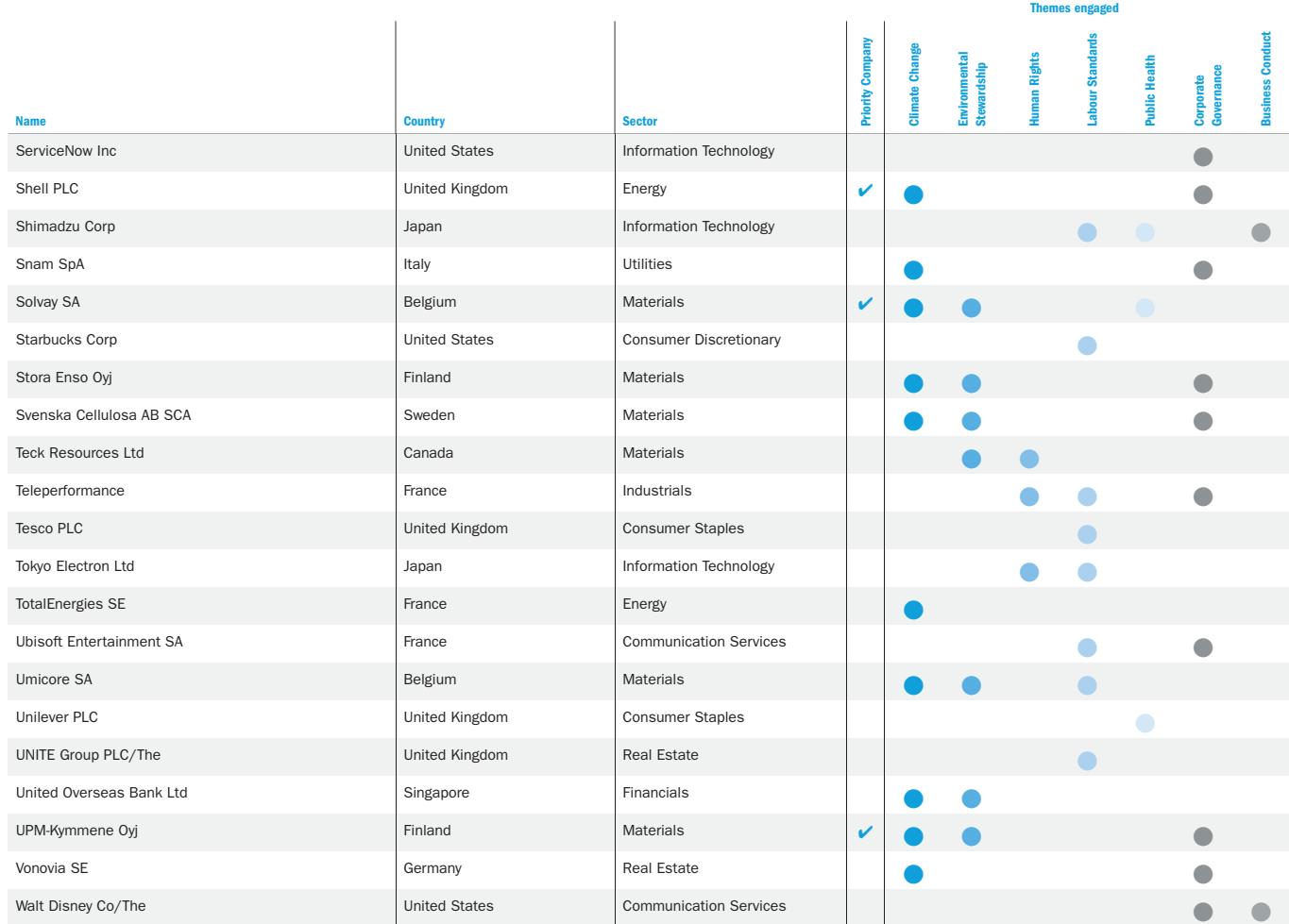
Top quartile: Second quartile: Third quartile: Bottom quartile:

Governance

Social

Environmental

Introduction



ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: Second quartile: Third quartile: Bottom quartile:

Engagements and Your Fund: Unrated

The table below highlights the companies with which we have engaged on your behalf in the past quarter and which you currently hold within your portfolio. The table is split by ESG risk rating. For full details of our engagements with companies please refer to the online **reo**® client portal.

Name	Country	Sector	Priority Company	Themes engaged				
				Climate Change	Environmental Stewardship	Human Rights	Labour Standards	Public Health
Stevanato Group SpA	Italy	Health Care						●

ESG Risk Rating:

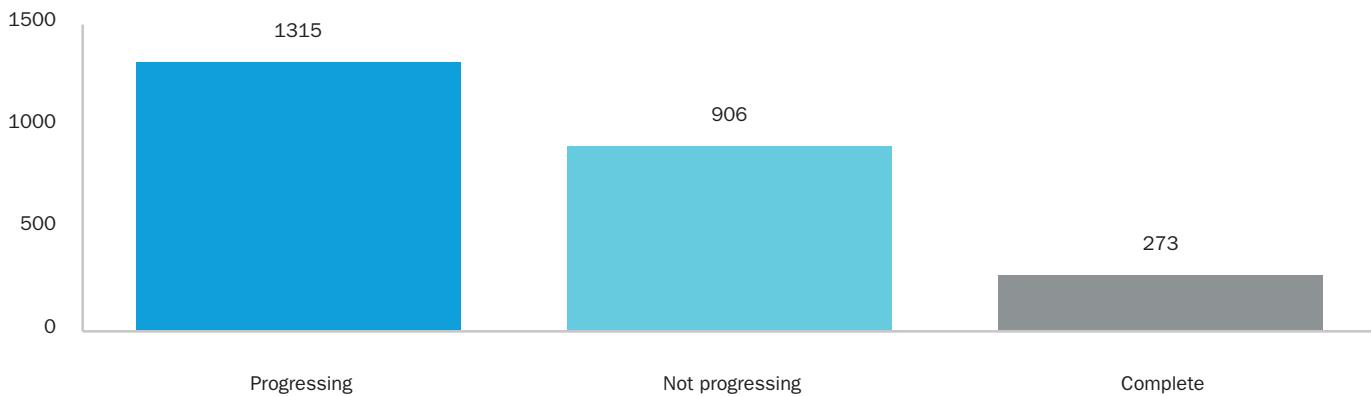
Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile:  Second quartile:  Third quartile:  Bottom quartile: 

Engagement Objective Progress Tracker

This section of the report provides an overview on the status of all engagement objectives. The table reports on the status for each live engagement objective per priority company in your portfolio and provides an assessment of whether the engagement objective is progressing in a reasonable manner. For full details of our engagements with companies please refer to the online **reo**® partner portal.

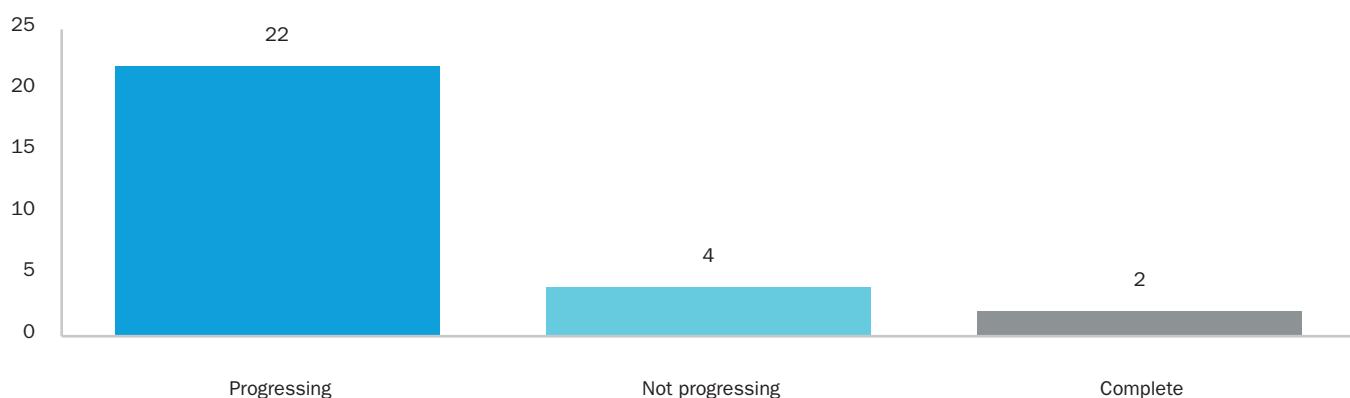
All Engagement Objectives and their progress



Source: Columbia Threadneedle Investments

The above chart outlines the status for all engagement objectives*

Quarterly Engagement Objectives and their progress



Source: Columbia Threadneedle Investments

The above chart outlines the status for all engagement objectives on companies in your portfolio this quarter.

* Engagement Objectives active since inception Jan-20

Name	Engagement Objective Name	Status	
Amazon.com Inc	Implement human rights policy	○ ○ ○ ● ○	✓
	Human capital management	○ ○ ○ ● ○ ○	✓
	Monitor facial recognition technology to detect algorithmic bias	○ ○ ○ ● ○ ○	✓
	Conduct client due diligence for purchase of facial recognition technology	○ ○ ○ ● ○ ○	✓
	Workforce Disclosure Initiative participation	○ ○ ○ ● ○ ○	✓
	Increase access to board of directors for engagement	○ ○ ● ○ ○ ○	✗
	Strengthen human rights policies and due diligence efforts	○ ○ ○ ● ○ ○	✓
	Enhanced social disclosure	○ ○ ○ ● ○ ○	✓
	Demonstrate effective grievance mechanisms are in place and access to remedies	○ ○ ○ ● ○ ○	✓
	Disclose accuracy of facial recognition technology	○ ○ ○ ● ○ ○	✓
Bank Central Asia Tbk PT	Carbon emissions management	○ ○ ○ ○ ○ ●	✓
	Enhanced senior management and workforce diversity	○ ○ ○ ○ ○ ●	✓
	Public commitment to ethical AI	○ ○ ○ ● ○ ○	✓
	Set green financing targets	○ ○ ○ ● ○ ○	✗
	Improve climate change governance	○ ○ ○ ● ○ ○	✗
	Develop position on fossil fuel financing	○ ○ ○ ● ○ ○	✓
Bank Mandiri Persero Tbk PT	Implement NDPE policy for palm oil financing	○ ○ ○ ○ ○ ●	✓
	Implement TCFD recommendations	○ ○ ○ ○ ○ ●	✓
	Develop sector-specific E&S lending guidelines/policies	○ ○ ○ ○ ○ ●	✓
	Develop metrics to measure impacts from financial inclusion initiatives	○ ○ ○ ● ○ ○	✗
	Improve employee engagement practices	○ ○ ○ ● ○ ○	✗
	Explore linkages of financing activities to SDG 14	○ ○ ○ ● ○ ○	✗
	Develop and implement climate change risk management and reporting strategy	○ ○ ○ ○ ● ○	✓

Key

- Engagement suspended
- Set/Not yet engaged
- Expectation/concern raised with issuer
- Issuer committed to consider expectation/concern
- Evidence of issuer change - Milestone
- ✓ Progressing
- ✗ Not progressing

	Align ESG reporting to international standards	○ ○ ● ○ ○	✗
	Develop and publish NDPE-aligned palm oil financing policy	○ ○ ● ○ ○	✗
	Disclose gender pay gap figures	○ ○ ● ○ ○	✗
	Increase proportion of women in senior leadership positions	○ ○ ● ○ ○	✗
BHP Group Ltd	To publish medium and long term greenhouse gas reduction targets	○ ○ ○ ○ ●	✓
	Improve disclosures around engagement with indigenous populations.	○ ○ ● ○ ○	✓
	To publish scope 3 engagement plan	○ ○ ○ ○ ●	✓
	Develop a robust governance framework on climate lobbying practices	○ ○ ○ ○ ●	✓
	Strengthen biodiversity targets and reporting	○ ○ ○ ○ ●	✓
	Disclose how net zero is included in capital allocation decisions	○ ○ ○ ○ ●	✓
	Provide detail on offsets approach	○ ○ ○ ○ ●	✓
Carnival PLC	Implement a decarbonisation pathway	○ ○ ● ○ ○	✓
	Become living wage employer	● ○ ○ ○ ○	✗
	Improve independence of key committees	○ ○ ● ○ ○	✓
	Establish stronger workforce engagement programme	○ ○ ● ○ ○	✓
	Develop a biodiversity strategy and implementation plan	○ ○ ● ○ ○	✓
Citigroup Inc	Enhance climate risk management	○ ○ ● ○ ○	✓
	Workforce Disclosure Initiative participation	● ○ ○ ○ ○	✗
Credit Suisse Group AG	Understand changes to changes in risk-monitoring and due diligence	● ○ ○ ○ ○	✗
	TCFD reporting	○ ○ ○ ○ ●	✓
	Workforce Disclosure Initiative participation	● ○ ○ ○ ○	✗
	Enhanced climate risk management	○ ○ ○ ○ ●	✓
	Obtain commitment for reporting on corporate culture	● ○ ○ ○ ○	✗
	Improve virtual AGM conduct	● ○ ○ ○ ○	✗
	Pension contributions	● ○ ○ ○ ○	✗

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	Become living wage employer	○	○	●	○ ○
	Disclose biodiversity strategy and targets	○	○	○	● ○
	Capex aligned with 1.5C	○	○	●	○ ○
	Physical risk disclosure	○	○	●	○ ○
	Biomass procurement policy	○	○	●	○ ○
Eli Lilly & Co	Publish environmental metrics annually	○	○	●	○ ○
	Enhance reporting on ESG issues using disclosure standards and frameworks	○	○	○	○ ○ ○ ○ ●
	Analyse and publish the breakdown of men and women in clinical trials	○	○	●	○ ○ ○ ○
	Improve disclosure on the supplier audit process	○	○	●	○ ○ ○ ○
	Disclose metrics to monitor and evaluate access to medicine efforts	○	○	○	○ ○ ○ ○ ●
	Improve performance in the Access to Medicine Index	○	○	●	○ ○ ○ ○
	Publish up-to-date information about ethics and compliance training	○	○	●	○ ○ ○ ○
	Improve disclosure on strategies to manage supply chain risk and disruption	○	○	●	○ ○ ○ ○
	Improve disclosure on strategies to tackle antimicrobial resistance (AMR)	○	○	●	○ ○ ○ ○
	Disclose a species-by-species breakdown of the animals used in tests	○	○	●	○ ○ ○ ○
Fresenius SE & Co KGaA	Workforce Disclosure Initiative participation	○	○	○	○ ○ ○ ●
	Integrate AMR into environmental risk management strategy	○	○	●	○ ○ ○ ○
	Enhance human rights supply chain due diligence efforts	○	○	○	○ ○ ○ ○ ●
	Enhance disclosure on measures to mitigate product safety and quality risks	○	○	●	○ ○ ○ ○
	Increase transparency about environmental initiatives in manufacturing	○	○	●	○ ○ ○ ○
	Use a scorecard system to assess key suppliers' sustainability performance	○	○	●	○ ○ ○ ○
	Set quantitative access-related targets	○	○	●	○ ○ ○ ○

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	Disclose examples of human rights issues uncovered by audits	○ ○ ● ○ ○	✓
	Participation in the Workforce Disclosure Initiative's 2022 survey	○ ○ ○ ○ ●	✓
Hannover Rueck SE	Enhanced corporate diversity	○ ○ ● ○ ○	✓
	Climate risk strategy implementation	○ ○ ● ○ ○	✗
HDFC Bank Ltd	Improve digital expertise at board level	○ ○ ● ○ ○	✓
	Strengthen approach to climate change management	○ ○ ○ ○ ●	✓
Home Depot Inc/The	Increase representation of women in the workforce	○ ○ ● ○ ○	✓
	Improve board gender diversity	○ ○ ○ ○ ●	✓
	Develop robust human rights risk management framework	○ ○ ● ○ ○	✓
JPMorgan Chase & Co	Respond to the WDI	○ ○ ● ○ ○	✓
	Improve alignment of executive compensation	○ ○ ● ○ ○	✓
Kansai Electric Power Co Inc/The	Improve robustness of audit process	○ ○ ● ○ ○	✓
	Introduce carbon reduction targets	○ ○ ○ ○ ●	✓
	Workforce Disclosure Initiative participation	● ○ ○ ○ ○	✗
	Introduce carbon reduction targets	○ ○ ○ ○ ●	✓
	Obtain external verification of targets (SBTI)	● ○ ○ ○ ○	✗
Keyence Corp	Set a schedule for retirement of all existing coal-fired power	● ○ ○ ○ ○	✗
	Set interim emissions reductions targets which are net zero aligned	● ○ ○ ○ ○	✗
	Publish comprehensive ESG report	○ ● ○ ○ ○	✗
	Enhanced human rights program	○ ● ○ ○ ○	✗
	Implement confidential grievance mechanism	○ ● ○ ○ ○	✗
	Improve Code of Conduct labour related content and implementation	○ ● ○ ○ ○	✗
	Improve board diversity	● ○ ○ ○ ○	✗
	Improve board independence	● ○ ○ ○ ○	✗
	Increase the level of dividend payout	● ○ ○ ○ ○	✗

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			Governance	Social	Environmental	Introduction
Lonza Group AG	Establish a climate governance framework	○ ○ ● ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	☒
	Undertake physical climate risk and opportunity assessment	○ ○ ● ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	☒
	Engagement on climate change strategy and implementation	○ ○ ● ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	☒
	Develop and implement a strategy for building climate resilience	○ ○ ● ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	☒
	Identify and report against physical climate risk metrics	○ ○ ● ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	☒
Lowe's Cos Inc	Disclose Human Rights Due Diligence Framework	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	☒
	Human Rights Risk Assessment	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	☒
	Improve health and safety performance	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	☒
	Publish gender/racial pay gap information	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	✓
Marriott International Inc/ MD	Set science-based targets aligned with Net-Zero Standard	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	✓
	Develop effective tracking of labour conditions and human rights	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	✓
	Assess and mitigate biodiversity impacts	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	✓
Martin Marietta Materials Inc	Develop nature management approach	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	☒
	Set emissions targets covering all operations	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	✓
	Disclose to the CDP	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	✓
	Report in line with TCFD	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	✓
Moderna Inc	Take additional steps to increase access to the Spikevax vaccine for COVID-19	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	✓
	Disclose information about product safety and quality risk management	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	✓
	Disclose employee turnover rate	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	✓
	Expand commitment to vaccines and therapeutics access	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	✓
	Increase transparency on COVID-19 vaccine pricing	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	✓
Procter & Gamble Co/The	Strenghtening human rights due diligence	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	✓
	Develop biodiversity strategy	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	✓
	Develop a strategy to address plastic pollution	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	☒

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- Evidence of issuer change - Milestone
- ✓ Progressing
- ☒ Not progressing

Raytheon Technologies Corp	Disclose in line with the TCFD	○ ○ ● ○ ○	✓
	Set net-zero target	○ ○ ● ○ ○	✓
Shell PLC	Develop strategy for net zero emissions by 2050	○ ○ ○ ○ ●	✓
	Become living wage employer	○ ○ ● ○ ○	✗
	Improve TCFD disclosures	○ ○ ● ○ ○	✓
	Strengthen community relations approaches and disclosures	○ ○ ● ○ ○	✓
	Improve disclosures on offsetting and CCS strategy	○ ○ ● ○ ○	✓
	Improve biodiversity disclosure and set targets	○ ○ ● ○ ○	✓
	Nigeria: improve bribery and corruption prevention	● ○ ○ ○ ○	✗
	A revised decarbonisation strategy given the court order and the new IEA net zero	○ ○ ○ ○ ●	✓
	Clarify and strengthen the climate elements in remuneration	● ○ ○ ○ ○	✗
	Improve GHG targets to align with 1.5C	○ ○ ● ○ ○	✓
SITC International Holdings Co Ltd	Appoint additional independent non-executive directors	○ ○ ○ ○ ●	✓
	Join industry organisations addressing climate change issues	○ ○ ○ ● ○	✓
	Incorporation of emissions reduction targets in executive compensation	○ ○ ○ ○ ●	✓
	Enhance carbon emissions reduction targets	○ ○ ● ○ ○	✓
	Build capacity at board level on climate change	○ ○ ○ ○ ●	✓
	Improve disclosures around health and safety	○ ○ ● ○ ○	✓
	Disclose in line with TCFD	○ ○ ● ○ ○	✓
	Disclose detailed decarbonisation strategy	○ ○ ● ○ ○	✓
	Improve climate-related disclosures	○ ○ ○ ○ ●	✓
	Fully independent audit committee	○ ○ ○ ○ ●	✓
	Establish a climate governance framework	○ ○ ● ○ ○	✓
	Phase out hazardous chemicals	○ ○ ● ○ ○	✓
Solvay SA	Develop stronger waste management programme	○ ○ ● ○ ○	✓

Key

- Engagement suspended ○ Set/Not yet engaged ● Expectation/concern raised with issuer
- Issuer committed to consider expectation/concern ● Evidence of issuer change - Milestone
- ✓ Progressing ✗ Not progressing

	Develop and implement a strategy for building climate resilience	○	○	●	○	○
	Identify and report against physical climate risk metrics	○	○	●	○	○
	Undertake physical climate risk and opportunity assessment	○	○	●	○	○
	Phase out fossil fuels	○	○	●	○	○
	Develop stronger emissions reduction programme	○	○	●	○	○
Southwest Airlines Co	Disclose in line with TCFD	○	○	●	○	○
	Link Board remuneration with sustainability metrics	○	○	○	●	○
	Disclose detailed decarbonisation strategy	○	○	●	○	○
	Improve Board diversity and independence	○	○	●	○	○
	Set operational CO ₂ -emission reduction targets	○	○	○	○	●
	Establish SAF procurement criteria	○	○	○	●	○
Tencent Holdings Ltd	Improve climate-related disclosures	○	○	○	○	●
	Set diversity & inclusion targets	○	○	●	○	○
	Grievance mechanism reporting	○	○	●	○	○
	Improve board composition	○	○	●	○	○
	Improve oversight process of subsidiaries	○	○	●	○	○
	Improve employee engagement reporting	○	○	●	○	○
	Put external audit contract to tender every 10 years; disclosure auditor tenure	○	○	●	○	○
Tesla Inc	Workforce Disclosure Initiative participation	●	○	○	○	○
	Enhanced human rights due diligence	○	○	●	○	○
	Commitment to social dialogue, and freedom of association	○	○	●	○	○
	Improve Board diversity and independence	○	○	●	○	○
	Improve climate disclosures	○	○	●	○	○
	Improve diversity, equity and inclusion disclosures	○	○	●	○	○
	Conduct an independent review of labour management	○	○	●	○	○
TJX Cos Inc/The	Improve efforts to enable supply chain living wages	○	○	●	○	○

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	Supply chain labour standards	○ ○ ○ ● ○	✓
	Chemical management	○ ○ ● ○ ○	✓
	Waste management and circularity	○ ○ ● ○ ○	✓
Valero Energy Corp	Disclose emissions using industry standard methodologies and improve scenario analysis	○ ○ ● ○ ○	✗
	Improve independence of key committee	○ ○ ○ ● ○ ○	✓
	Improve alignment of executive compensation	○ ○ ○ ● ○ ○	✓
	Introduce long-term net zero target	○ ○ ○ ● ○ ○	✓
	Set scope 3 target	○ ○ ○ ● ○ ○	✗
	Set targets that do not rely on displaced emissions	○ ○ ○ ● ○ ○	✗
Vinci SA	Align capex with Paris Agreement	○ ○ ○ ● ○ ○	✓
	Publish method for reviewing, monitoring and mitigating modern slavery in supply	○ ○ ○ ● ○ ○	✓
Volkswagen AG	Introduce a zero-recruitment fee policy	○ ○ ● ○ ○	✓
	Workforce Disclosure Initiative participation	○ ○ ○ ○ ●	✓
	Have climate targets third-party verified	○ ○ ○ ● ○ ○	✓
	Disclose detailed decarbonisation strategy and capital expenditure plans	○ ○ ● ○ ○	✓
	Publish climate lobbying report	○ ○ ● ○ ○	✓
	Publish climate scenario analysis	○ ○ ● ○ ○	✓

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- ✗ Not progressing

Engagement case studies

Southwest Airlines Co

Confidential (Held)

Country: United States

Sector: Industrials

Priority Company: ✓

ESG Risk Rating: 

Response to engagement: Adequate

Theme: Climate Change

Issue: Flying ahead but room still remains for improvement



13.2

Background

Southwest Airlines is an airline operating out of Dallas, Texas. It is a significant carbon emitter, with Scope 1 emissions of some 16 million tonnes of CO₂ in 2021. In 2021 Southwest set its target to reduce emissions intensity by 20% by 2030. We had repeatedly engaged with Southwest to set an emissions reduction target and viewed this as a positive step forward at the time. However, Southwest is now one of the few major US airlines not to have set a well-below two degree aligned target. Southwest's decarbonisation strategy in the short term is heavily reliant on bringing newer, more fuel-efficient aircraft into its fleet, and increasing the percentage of sustainable aviation fuel (SAF) that it uses. However, much SAF on the market today is derived from biofuels, the production of which can have negative impacts on food availability and biodiversity. In addition, SAF supply needs to grow quickly and substantially to meet future industry demands, but Southwest has moved slowly and without a clear strategy to lock in SAF supply. Finally, contrails produced by aircraft can contribute up to two thirds of an airline's impact on global warming. Several airlines are actively managing these contrails by adjusting flight paths, but Southwest is yet to take active steps to reduce its impact.

Action

As a result of our analysis of Southwest Airline's performance, we have engaged the company intensively on these issues since 2022, with six engagement since the start of 2022, including our latest call with their ESG team in February 2023. We had three core asks: 1. For Southwest to increase the ambition of its medium-term decarbonisation target to align with at least a well-below two-degree future. 2. For Southwest to publish its SAF procurement policy to provide investors with clarity on how ESG risks are being screened for at the point of purchase, and to provide greater clarity on its SAF procurement strategy. 3. We asked Southwest to implement measures to manage the warming impact of contrail formation.

Verdict

In our latest meeting Southwest said they expect to announce their enhanced climate targets in their May disclosures. They also became one of the first airlines to publish the five criteria of their SAF policy which dictates the types of SAF they will and will not use. Southwest also became a founding member of the Contrail Impact Task Force, and are working to design and implement flight trials to validate model predictions, understand costs and tradeoffs, and verify the inclusion of contrail management in airline operation. Southwest has made good progress against our asks, but room remains for improvement on providing additional detail on its decarbonisation strategy and implementing contrail management technologies.

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile:  Second quartile:  Third quartile:  Bottom quartile: 

Response to engagement:

Our assessment of how constructively the company is responding to our engagement. The ratings are Good/Adequate/Poor.

(Not held) (Held)

This mark indicates whether the company is held in client's portfolio

BlueScope Steel Ltd

Confidential (Held)

Country: Australia	Sector: Materials	Priority Company: X
ESG Risk Rating: 	Response to engagement: Good	Theme: Climate Change; Environmental Stewardship
Issue: Realising net-zero in Australian steelmaking		
 15.5	 13.2	

Background

BlueScope Steel (BlueScope) is an Australian-based steel production company, operating in Australia and the US, as well as offering a range of coated and painted flat steel products, using steel it both purchases and produces. The Port Kembla Steelworks (in Australia) is the largest of the company's global operations, producing over 40% of its total raw steel output each year. BlueScope has committed to net-zero across scope 1 and 2 targets and has appointed an Executive Climate Change Office. Their net zero strategy hinges on the procurement of green hydrogen and the scaling of Direct Reduced Iron – Electric Arc Furnaces with hydrogen technology. However, the company has been experiencing recent challenges, as Shell withdrew from an MoU to build out a green hydrogen production plant in Australia with BlueScope. The company's plan to reline its blast furnace in Port Kembla (which runs on coal) has also been challenged recently, both by incoming carbon regulation as well as public sentiment.

Action

We have engaged BlueScope twice in the last 6 months on this issue. In general, they are open, receptive, and well-versed in climate and sustainability issues. They are also involved in several climate groups, such as the Science Based Target initiative for Steel as well as the Responsible Steel initiative, which indicates they are actively contributing to sustainability efforts in the industry. However, we have pinpointed consistent areas for improvement: we have been engaging with the team to set a scope 3 target - as the company is also procuring steel and aluminium, it has a significant scope 3 footprint (vs other steel-peers). The company also lacks any targets or strategy on biodiversity and nature, which has led to several communications – both written and verbal – on the importance of embedding biodiversity and nature targets into its climate strategy. On the Port Kembla upgrade, we have highlighted the long-term asset stranding risk, challenging the assumption that relining its Blast Oxygen Furnace (and locking into coal-based steel making) is the most cost efficient option, particularly in the face of increasing regulation on carbon in Australia. The company states that they have stress-tested this, and are in conversation with the Australian government about its review of the Australian Carbon Credit Unions (ACCUs) which are central to the government's carbon pricing mechanisms. We will continue to follow these developments closely.

Verdict

BlueScope is open to engagement, and the team is well informed. However, we believe the company should be more ambitious in its emissions reduction target and biodiversity plan, particularly where they lag peers (including nature impacts and scope 3 targets), as well as clearer long term cost analysis of the continuation of coal-based steelmaking in light of significant regulatory risk. We will continue to engage with BlueScope on these topics through 2023.

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile:  Second quartile:  Third quartile:  Bottom quartile: 

Response to engagement:

Our assessment of how constructively the company is responding to our engagement. The ratings are Good/Adequate/Poor.

(Not held) (Held)

This mark indicates whether the company is held in client's portfolio

Umicore SA

Public (Held)

Country: Belgium	Sector: Materials	Priority Company: X			
ESG Risk Rating:  6.4	Response to engagement: Adequate	Theme: Climate Change; Environmental Stewardship; Labour Standards			
Issue: Improving environmental impacts and health & safety					
 6 CLEAN WATER AND SANITATION	13.2	 8 DECENT WORK AND ECONOMIC GROWTH	8.8	 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	12.5

Background

Umicore is a leading auto catalysts manufacturer for emissions controls in the light and heavy-duty vehicle industry, aiming to position itself as a producer of battery materials for electric vehicles, stationary storage and portable electronics. It also has significant refining and metal recycling capabilities and is especially proficient in Platinum Group Metals (PGM) refining. Under Umicore's 2030 RISE project (its new strategic plan designed to accelerate value creative growth launched in 2022), the company expects to further build on its leadership position within clean mobility materials and recycling. This growth will come with increased stress of key environmental and social concerns associated with these activities – notably around water usage, waste management and employee health and safety. Indeed, recycling can be a dirty business, as highlighted by past problems around lead pollution at Umicore's Hoboken site – specialised in recycling batteries through extraction of precious metals such as silver, gold and platinum.

Action

We had a call with Umicore's ESG Director to discuss how the company is dealing with its material ESG issues against a backdrop of planned expansive growth. On the environmental side, the company has had their 2030 emissions reduction targets approved by SBTi, including an intensity-based scope 3 target. Whilst we pushed for an absolute target to be set, Umicore felt that this is not currently viable under the current growth strategy. Umicore launched a dedicated water stewardship programme last year. We used this call as an opportunity to better understand the work carried out to date, and what to expect for the year ahead. The company has identified its first two sites where it sees potential water issues (both in Belgium) – and are hopeful of setting some quantitative targets – e.g. relating to water use/re-use/levels drawn/intensity – later this year. Umicore admitted that waste management continues to be an issue. The largest portion of waste is at its Hoboken site, focused on recycling activities, where half of the input mix is secondary materials. Any hazardous waste that cannot be recycled is disposed of in line with regulatory requirements. Positively, the company confirmed that it is looking into ways to best report on these recycling activities and ultimately hopes to set recycling targets in the future.

Verdict

Umicore is well aware of its environmental and social impacts, and is refreshingly honest in its assessment of where it currently stands. Whilst there is undoubtedly still work to be done to mitigate and minimise these impacts, we are extremely encouraged with the steps the company is taking to address them. We look forward to developments around its water stewardship programme later this year and expect to see site level targets for its "at-risk" sites. We also expect to see the company continue to develop its safety practices and protocol in a bid to see a fall in Lost Time Accidents in the next reporting cycle after a rise in 2022.

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile:  Second quartile:  Third quartile:  Bottom quartile: 

Response to engagement:

Our assessment of how constructively the company is responding to our engagement. The ratings are Good/Adequate/Poor.

(Not held) (Held)

This mark indicates whether the company is held in client's portfolio

Teck Resources Ltd

Confidential (Held)

Country: Canada	Sector: Materials	Priority Company: X
ESG Risk Rating: 	Response to engagement: Good	Theme: Climate Change; Environmental Stewardship
Issue: Improving climate change and nature approach		
 7	7.3	 15.5

Background

Teck Resources are a Canadian mining company with exposure to metallurgical coal, copper, zinc, precious metals and oil sands through operations across the Americas. The company is exposed to biodiversity, climate and water risks primarily, and community relationships can often be strained due to the impacts of sites on local communities. Teck have committed to net zero by 2050 across scope 1, 2 and 3 emissions, with interim targets and a fairly robust strategy in our view. They have also set a high level goal to have a “net positive impact on biodiversity”. Some of Teck’s assets, such as in the Elk Valley in Canada, have come under fire for their impact on local water sources and subsequently on local communities.

Action

We have engaged Teck sixteen times since 2018. On climate change we feel the company is making good progress, but pressed for more clarity over how they will reduce scope 1 and 3 emissions in the short term, and to fully incorporate climate change and resilience in their capex framework. Teck had a strong C-suite presence at December 2022’s COP15 and are seeking to take a leading position on nature issues, and work with indigenous peoples in these plans, which is a positive approach. However, we highlighted our concern that they are focusing on offsets and conservation at the expense of addressing operational impacts which lead to community, biodiversity, permitting and publicity issues. We shared our best practice report, which they acknowledged was a good framework and ties in with work they are currently undertaking on nature reporting through the International Council on Mining and Metals. Teck have a good approach to community relations and indigenous rights, partly driven by the Canadian government’s strong protection of these issues. We pushed for progress on water pollution in particular, although the company believes their latest plans should resolve key issues in the coming years.

Verdict

Teck’s management appear to be well versed in environmental and social issues, and they are implementing the high-level frameworks required to show the direction they are taking. The next step will be to improve disclosure and clarity on specific actions and spending. Strengthening the company’s focus on mitigating direct impacts is also key, as these frequently have the most material financial, regulatory and reputational impacts, as well as being the greatest impacts the company can control.

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile:  Second quartile:  Third quartile:  Bottom quartile: 

Response to engagement:

Our assessment of how constructively the company is responding to our engagement. The ratings are Good/Adequate/Poor.

(Not held) (Held)

This mark indicates whether the company is held in client's portfolio

Engagement projects

This section reports on priority engagement projects where we have made progress in the past quarter. For full details of our engagements with companies in these projects please refer to the online **reo[®]** client portal.

Project: Physical risk management

Category: Environmental

Project Objective

Intensifying climate change is causing changes to the scale and impact of extreme weather events, such as drought, wildfires and flood. Companies with supply chains or operations in areas of high vulnerability are subject to heightened risk of business interruption or damage to assets, and even threat to life. We will engage with a focused set of companies in the chemicals and electronic manufacturing sectors in order to understand how their current risk systems compare with investors' expectations, as set out in the IIGCC Physical Climate Risks and Opportunities statement, and to encourage them to address any gaps.

Progress Summary

We continue to engage a focused set of companies to understand how their current risk systems compare with investors' expectations on physical risk. We reached out to 11 companies and engaged 6 of them in Q1. We will reach out to the remaining 24 companies in Q2. We engaged construction and infrastructure companies Barratt Developments, Skanska and Ferrovial, food retailers Casino and Ebro, as well as gas utility SNAM. The degree to which these companies are assessing and monitoring physical risks varies by both business model and the maturity of climate reporting. Of the 6 companies, 4 of them report in line with the expectations of the Taskforce for Climate related Financial Disclosure (TCFD), and all of these have some degree of scenario analysis. Only two companies (Ebro and Casino) lacked TCFD reporting. On board level oversight, 4 of the companies have clear evidence of overview, with physical risks included in the risk register. In the construction sector the degree to which physical risks is considered varies with the business model. For example, Skanska derive 80% of its revenue from construction project, and notes that a significant risk is the loss of work-hours due to increasing heat (or extremes) during construction. Ferrovial has larger risk exposure to actual infrastructure, as it operates toll-roads and airports as well as construction, however, the company were not able to provide satisfactory evidence that physical risks were considered at group level. The food sector is exposed to physical risk due to impacts on the supply of agricultural products. Casino recognises the potential impact on prices and availability of raw materials based on two considered climate change scenarios. Ebro Foods relies on its flexible sourcing model to manage impacts on raw material quality and availability and considers physical risks as part of overall market risk; however, its reporting and oversight of these risks lagged peers. In utilities, we encouraged SNAM to disclose more detail on its exposure to physical risks by conducting a physical risk scenario analysis, especially for higher value sites such as cross-border assets, storage plants, regasification plants and LNG terminals.

Project: Zero Deforestation

Category: Environmental

Project Objective

Deforestation is a major driver of the twin crises of biodiversity loss and climate change. The destruction and fragmentation of forests is the biggest driver of extinctions across the world, and the deforestation and forest degradation contribute up to 15% of the carbon dioxide emissions caused by human activity. This is primarily linked to the production of commodities including palm oil, soy, cattle products, timber, cocoa, coffee and rubber. We have developed a bespoke tool to appraise the quality of deforestation management of issuers involved in soft commodity value chains. We combine datasets from sources including Forest 500, CDP Forests, ZSL SPOTT, Forests & Finance and MSCI to identify holdings with material exposure to deforestation impact and risk with poor quality management. Through our analysis we have discovered that the most common criteria which issuers fail against are on targets and traceability. We ask issuers to commit to no conversion of natural ecosystems and or zero deforestation, and to trace at least 90% of the total production/consumption volume of all high-risk commodities down to the relevant production site or processing facility level. We will also engage issuers on policy and procedures, certification, due diligence, indigenous and smallholder support and risk assessments.

Progress Summary

Through the deforestation project we are engaging a set of companies that we have identified as being material drivers of deforestation impacts with sub-standard deforestation management systems. We aim for these companies to commit to no conversion of natural ecosystems and/or zero deforestation, and to strengthen traceability to be able to trace at least 90% of the total production/consumption volume of all high-risk commodities down to the relevant production site or processing facility level. In Q1 2023 we had conducted 17 engagements with 14 companies within those targeted as priorities under this project:

- Adient released a deforestation policy following the advice of our engagements, and has set up a quarterly advisory working group with several NGOs. We are still encouraging Adient to make an explicit no-deforestation commitment and commit to improving traceability and due diligence for directed suppliers.
- We spoke with Walmart's ESG leads, and the company expects to provide more concrete updates in 2023 on progress towards the zero-deforestation commitments and the strategy to deliver on the top-line biodiversity commitments. We outlined our expectations for a step forward in its deforestation strategy and metrics.
- We were encouraged by International Paper's commitments and technology-based risk monitoring. We encouraged the company to bring forward the target date for sourcing 100% of fibre from sustainably managed forests from 2030 to 2025, and to set clear biodiversity impact targets for managed forests.
- We had a positive call with multiple members of Banco do Brasil's IR, Sustainability, and Agribusiness financing team. We encouraged them to make more public disclosures on their deforestation risk management, and to strengthen their due diligence process for processors as well as producers. In Q2 we will focus on expanding the coverage of the project across other high-risk companies which we have identified, and on conducting follow up engagements with laggards.

Milestones and Your Fund

The table below highlights the companies with which we have recorded milestones on your behalf in the past quarter and which you currently hold within your portfolio. Milestones are engagement outcomes which we have identified and is rated on the extent to which it protects or enhances investor value. For full details of our engagements which led to one star milestones please refer to the online **reo**® client portal.

Name	Country	Sector	Priority Company	ESG Rating	Themes engaged					
					Climate Change	Environmental Stewardship	Human Rights	Labour Standards	Public Health	Corporate Governance
★★★										
Danske Bank A/S	Denmark	Financials		●	●					
★★										
ASM International NV	Netherlands	Information Technology		●	●	●				
Bank Central Asia Tbk PT	Indonesia	Financials	✓	●	●	●	●			
Mizuho Financial Group Inc	Japan	Financials		●	●	●				
Mohawk Industries Inc	United States	Consumer Discretionary		●	●	●				
Southwest Airlines Co	United States	Industrials	✓	●	●	●				
Unicharm Corp	Japan	Consumer Staples		●	●					
★										
Bank Mandiri Persero Tbk PT	Indonesia	Financials	✓	●	●	●				
International Flavors & Fragrances Inc	United States	Materials		●	●	●				
Mercedes-Benz Group AG	Germany	Consumer Discretionary		●	●	●				
Tecan Group AG	Switzerland	Health Care		●	●	●				
Trelleborg AB	Sweden	Industrials		●	●					

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

Milestones in detail

Danske Bank A/S

Country: Denmark	Sector: Financials	Priority Company: X
ESG Risk Rating: 	Milestone Theme: Climate Change	Milestone Rating: 
 13.2		

Milestone Detail:

Danske Bank have updated their position statement on fossil fuels and have included wording to highlight that they will not offer refinancing or new long-term financing to oil & gas exploration and production (E&P) companies that do not set a credible transition plan in line with the Paris Agreement. As part of this, they have decided not to offer long-term financing or refinancing to E&P oil and gas companies that intend to expand supply of oil and gas beyond what was approved for development by 31st of December 2021. This puts them in a minority of banks who have extended their oil and gas lending criteria beyond project financing, to include corporate financing. We have engaged with the company on their climate risk management, and their treatment of oil and gas.

ASM International NV

Country: Netherlands	Sector: Information Technology	Priority Company: X
ESG Risk Rating: 	Milestone Theme: Climate Change	Milestone Rating: 
 13.2		

Milestone Detail:

The company committed to set a science-based emissions reduction target in line with a 1.5C pathway. We had previously engaged with the company to encourage the adoption of science-based targets.

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile:  Second quartile:  Third quartile:  Bottom quartile: 

Bank Central Asia Tbk PT

Country: Indonesia	Sector: Financials	Priority Company: ✓
ESG Risk Rating: 	Milestone Theme: Environmental Stewardship	Milestone Rating: 
 15.2		

Milestone Detail:

Bank Central Asia have disclosed and implemented a palm oil sector lending policy. The policy largely requires debtors in the sector to ensure legal compliance, however it does also explicitly highlight that they encourage debtors to adopt the principle of No-Deforestation, No-Peat, No-Exploitation (NDPE). We have engaged with the company initially in August 2021, with a subsequent meeting in October where we asked about their lending criteria to the palm oil sector and specifically asked if they would consider an NDPE requirement in the policy. We discussed this again in January 2023 where they clarified that NDPE was encouraged, but not required.

Bank Central Asia Tbk PT

Country: Indonesia	Sector: Financials	Priority Company: ✓
ESG Risk Rating: 	Milestone Theme: Environmental Stewardship	Milestone Rating: 
 12.6		

Milestone Detail:

In Bank Central Asia's latest sustainability report, they announced that they have introduced E&S risk credit policies for additional sectors, beyond palm oil. These policies are for coal mining, toll road, timber & forestry, cement and steel sectors. Like the palm oil policy, these policies essentially highlight that debtors must be aligned with the legal requirements, with a number of additional criteria that the bank say they encourage. While the details on the key criteria and implementation are minimal, this still represent a positive development. We initially engaged and had a meeting with the company in September 2021 where discussed the E&S risk management and they highlighted a lack of due diligence and policies in place beyond the plantation sector. We followed up to encourage them to expand these policies to other sectors, particularly mentioning the energy, cement and construction sectors. Most recently engaged with the company January 2023 where the company referenced these policies and we asked about their implementation.

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile:  Second quartile:  Third quartile:  Bottom quartile: 

Bank Central Asia Tbk PT

Country: Indonesia	Sector: Financials	Priority Company: ✓
ESG Risk Rating: 	Milestone Theme: Climate Change	Milestone Rating: 
12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	12.6	

Milestone Detail:

In their latest sustainability report BCA have provided some enhanced disclosures on their climate risk management and alignment to the TCFD recommendations. This includes the development of a high-level climate change roadmap which includes a commitment to calculate GHG emissions from investment activities between 2023 and 2025. They also provide high-level disclosures of the outcomes of the recent climate scenario analysis. We have previously engaged with the company a number of times on climate risk management as well as requesting disclosure aligned to the TCFD recommendations.

Mizuho Financial Group Inc

Country: Japan	Sector: Financials	Priority Company: ✗
ESG Risk Rating: 	Milestone Theme: Climate Change	Milestone Rating: 
13 CLIMATE ACTION 	13.2	

Milestone Detail:

Mizuho published interim financed emissions targets for upstream oil and gas, and thermal coal mining and a transition finance framework to verify the credibility of client transition plans. Although the setting of interim targets has been slower compared to Japanese peer banks, this is nonetheless a positive step. We have engaged with the company 3 times in the past two years, most recently having a meeting with them in January 2022 which was focused on their climate risk management, in particular the setting of financed emission targets and how they assess and support their clients' low carbon transition. We also supported a shareholder resolution requesting enhanced climate disclosure at their June 2020 AGM.

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile:  Second quartile:  Third quartile:  Bottom quartile: 

Mohawk Industries Inc

Country: United States	Sector: Consumer Discretionary	Priority Company: X
ESG Risk Rating: 	Milestone Theme: Climate Change	Milestone Rating: 
 13.2		

Milestone Detail:

Disclosed a commitment to reduce Scope 1 and 2 emissions, disclose Scope 3 emissions and develop science-based targets (SBTs) by 2024. We have engaged the Company on its supply chain environmental impact and efforts to reduce supply chain emissions.

Southwest Airlines Co

Country: United States	Sector: Industrials	Priority Company: ✓
ESG Risk Rating: 	Milestone Theme: Climate Change	Milestone Rating: 
 13.2		

Milestone Detail:

Southwest Airlines published its Sustainable Aviation Fuel (SAF) procurement policy, one of the first airlines to put out detail on the ESG criteria which they screen for at the point of the SAF purchase. We engaged with Southwest on publishing its SAF procurement policy four times in 2022, and are encouraged that they have now done so. While there is still room for improvement, that we will continue to engage the company on, this is a good step forward.

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile:  Second quartile:  Third quartile:  Bottom quartile: 

Unicharm Corp

Country: Japan	Sector: Consumer Staples	Priority Company: X
ESG Risk Rating: 	Milestone Theme: Climate Change	Milestone Rating: 
13 CLIMATE ACTION 	13.2	

Milestone Detail:

The company announced that it had obtained emissions data for approximately 80% by value of the materials procured mainly in Japan. We have engaged the company on its lack of scope 3 emissions as a weakness for developing a robust climate change strategy, so this is a welcome step forward. The company has also made progress in calculating emissions per product, which could provide its customers with relevant scope 3 data.

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile:  Second quartile:  Third quartile:  Bottom quartile: 

Engagement case studies

Intertek Group PLC

Public (Held)

Country: United Kingdom

Sector: Industrials

Priority Company: X

ESG Risk Rating: ●

Response to engagement: Adequate

Theme: Human Rights; Labour Standards; Business Conduct

Issue: Audits are not Enough



Background

We engaged Intertek as part of a project concerning how social audit and assurance providers ensure audit quality. The aim is to understand how providers educate clients on what an audit should encompass, including efforts to encourage holistic due diligence frameworks and their approach to human rights and labour standards audits particularly in high-risk regions. We also sought to understand their view on increased government and stakeholder scrutiny of human rights risk mitigation and any expectations gaps that may occur. Intertek has faced allegations of unfair labour practices in Korea where a subsidiary allegedly shut down its local office prior to planned strike action as well as allegations of negligence relating to an audit carried out on a Tesco supplier in Thailand. These incidents have raised concerns over its approach to human rights due diligence (HRDD) and the effectiveness of its audit programs in identifying egregious labour standards.

Action

The courts did not uphold the allegations in Korea, however we reached out to Intertek on its approach to freedom of association and collective bargaining. They stated their policy is to fully respect employees' rights to form or join trade unions and take part in collective bargaining where this is accepted by local law. They also noted their efforts to engage with trade unions and employees, highlighting their policy not to retaliate or discriminate against employees wishing to organise. Regarding the Tesco audit, they were unable to comment in detail given ongoing legal proceedings but confirmed the findings were shared with Tesco. We asked Intertek about its own HRDD program and for better disclosure of its own standards of responsible business conduct. Finally, we highlighted the changing regulatory landscape and the likely higher level of scrutiny they will face as their clients need to evidence due diligence processes. Therefore, we encouraged better processes around client onboarding and offboarding.

Verdict

Our engagement highlights that while companies point to audits as evidence of HRDD, audits do not mitigate supply chain risks. Despite detailed audit procedures, Intertek faces an increased risk of loss of brand value should an audit face public scrutiny and be deemed inadequate. Key questions remain over how negative practices beyond the scope of the audit are identified and how this is communicated to clients. Given international convergence toward supply chain due diligence legislation, social audit data is likely to be scrutinised in more detail. Companies such as Intertek may need to move away from the provision of audits against base level standards and give preference to clients that conduct remediation to protect themselves and promote better audit quality.

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ○ Third quartile: □ Bottom quartile: ■

Response to engagement:

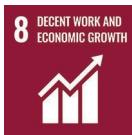
Our assessment of how constructively the company is responding to our engagement. The ratings are Good/Adequate/Poor.

(Not held) (Held)

This mark indicates whether the company is held in client's portfolio

Umicore SA

Public (Held)

Country: Belgium	Sector: Materials	Priority Company: X	
ESG Risk Rating:  6.4	Response to engagement: Adequate	Theme: Climate Change; Environmental Stewardship; Labour Standards	
Issue: Improving environmental impacts and health & safety			
 6 CLEAN WATER AND SANITATION	13.2	 8 DECENT WORK AND ECONOMIC GROWTH	 12.5

Background

Umicore is a leading auto catalysts manufacturer for emissions controls in the light and heavy-duty vehicle industry, aiming to position itself as a producer of battery materials for electric vehicles, stationary storage and portable electronics. It also has significant refining and metal recycling capabilities and is especially proficient in Platinum Group Metals (PGM) refining. Under Umicore's 2030 RISE project (its new strategic plan designed to accelerate value creative growth launched in 2022), the company expects to further build on its leadership position within clean mobility materials and recycling. This growth will come with increased stress of key environmental and social concerns associated with these activities – notably around water usage, waste management and employee health and safety. Indeed, recycling can be a dirty business, as highlighted by past problems around lead pollution at Umicore's Hoboken site – specialised in recycling batteries through extraction of precious metals such as silver, gold and platinum.

Action

We had a call with Umicore's ESG Director to discuss how the company is dealing with its material ESG issues against a backdrop of planned expansive growth. On the environmental side, the company has had their 2030 emissions reduction targets approved by SBTi, including an intensity-based scope 3 target. Whilst we pushed for an absolute target to be set, Umicore felt that this is not currently viable under the current growth strategy. Umicore launched a dedicated water stewardship programme last year. We used this call as an opportunity to better understand the work carried out to date, and what to expect for the year ahead. The company has identified its first two sites where it sees potential water issues (both in Belgium) – and are hopeful of setting some quantitative targets – e.g. relating to water use/re-use/levels drawn/intensity – later this year. Umicore admitted that waste management continues to be an issue. The largest portion of waste is at its Hoboken site, focused on recycling activities, where half of the input mix is secondary materials. Any hazardous waste that cannot be recycled is disposed of in line with regulatory requirements. Positively, the company confirmed that it is looking into ways to best report on these recycling activities and ultimately hopes to set recycling targets in the future.

Verdict

Umicore is well aware of its environmental and social impacts, and is refreshingly honest in its assessment of where it currently stands. Whilst there is undoubtedly still work to be done to mitigate and minimise these impacts, we are extremely encouraged with the steps the company is taking to address them. We look forward to developments around its water stewardship programme later this year and expect to see site level targets for its "at-risk" sites. We also expect to see the company continue to develop its safety practices and protocol in a bid to see a fall in Lost Time Accidents in the next reporting cycle after a rise in 2022.

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile:  Second quartile:  Third quartile:  Bottom quartile: 

Response to engagement:

Our assessment of how constructively the company is responding to our engagement. The ratings are Good/Adequate/Poor.

(Not held) (Held)

This mark indicates whether the company is held in client's portfolio

CoreCivic Inc

Public (Not held)

Country: United States	Sector: Industrials	Priority Company: X
ESG Risk Rating: 	Response to engagement: Adequate	Theme: Human Rights; Labour Standards
Issue: Human Rights Due Diligence, Forced Labour		
	16.b	
		12.6

Background

CoreCivic is one of the largest private prison and detention centre operators in the United States. They have faced a host of allegations over many years, relating to the poor treatment of detainees in its facilities resulting in accusations of breaching the principles of the UN Global Compact. Our record of the allegations against the Company extends back to 2014 when a report on a four-year investigation stated several detainees had died while in custody after management refused or failed to provide adequate medical care. In 2018, the U.S. Commission on Civil Rights asked Congress for an investigation into forced labour concerns in relation to the company's Voluntary Work Program where detainees may work up to 8 hours per day and paid as little as \$1. As recently as 2022, CoreCivic has continued to face scrutiny in the press and the threat of legal action against executives about the program. They have also faced scrutiny relating to officer safety and allegations of discriminatory practices. In 2021, the Company was subject to a shareholder proposal to conduct a racial equity audit, to which they quickly agreed and commissioned an independent report.

Action

We have engaged CoreCivic on its approach to human rights risk management since 2015, both independently and as part of collaborative investor groups, including asking for better disclosure of the framework and metrics used to assess the effectiveness of its human rights risk mitigation efforts. In reporting on specific grievances raised by inmates, we noted the high proportion of reports against correctional officers. The Company defended its facility culture and highlighted its efforts to continue to strengthen its commitment to human rights. Given the high proportion of employee grievances raised about disciplinary actions, we questioned whether oversight mechanisms were effective or even contributed to employee discontent and untoward actions against detainees. The Company admits that facility staff may not always act appropriately, despite oversight and safeguards in place. We also discussed inmate and officer safety - whilst the Company discloses employee work related injuries, we encouraged the disclosure of the same for detainees. With regard to the voluntary work program, the Company maintains that it is a government initiative with all payment terms set by the government - despite wording to the contrary in the government's standard policy.

Verdict

Whilst there is a long way to go to gain comfort on the Company's human rights risk mitigation practices, their efforts to provide ESG reporting, conduct human rights risk assessments and engage with stakeholders is viewed favourably. That said, continued allegations relating to poor detainee conditions, detainee fatalities and other human rights abuses persist, calling into question the effectiveness of the Company's approach. The continued negative press has impacted the Company's social licence to operate, making it a target for stakeholder backlash. Additionally, there has been a negative impact on their ability to access investment capital in recent years as a number of investment banks have publicly committed to ending their financing relationships with the private prison industry.

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile:  Second quartile:  Third quartile:  Bottom quartile: 

Response to engagement:

Our assessment of how constructively the company is responding to our engagement. The ratings are Good/Adequate/Poor.

(Not held) (Held)

This mark indicates whether the company is held in client's portfolio

Moderna Inc

Public (Held)

Country: United States	Sector: Health Care	Priority Company: ✓
ESG Risk Rating: 	Response to engagement: Good	Theme: Human Rights; Corporate Governance
Issue: Access to Medicine, Corporate Governance		
 3.8		

Background

When Moderna was valued at \$7.9bn at its IPO in 2018, it represented a significant leap of faith in a company yet to turn a profit or bring a product to market. Then the pandemic transformed Moderna into a household name, with their mRNA technology platform able to seize the covid vaccine opportunity. Now worth nearly \$60bn, the company has had to mature exceptionally fast. Going into the pandemic, Moderna had limited formalisation of its approach to material ESG issues, but have now developed an ambitious strategy and committed to transparency in implementation. Focus areas include a comprehensive global health strategy, a human capital management approach that embeds a strong culture in a fast growth business, and a commitment to net zero emissions using SBTi by 2030. Equitable access to the covid vaccine particularly in relation to low and middle income countries (LMICs) has been a priority issue for investors. Moderna has put progressive access measures in place including reprioritising supply away from 'first come first served' contracts, committing not to enforce patents in 92 LMICs, opening up the mRNA technology platform, and investing in a new manufacturing base in Kenya.

Action

During the pandemic, we engaged Moderna collaboratively on their vaccine access strategy, encouraging a constructive relationship with GAVI (a public-private global health partnership) over participation in the COVAX initiative (focused on global access to covid vaccines), which saw Moderna deliver 650m doses. Moderna was reluctant to engage in detail at the time but over the last year, resource has been built and the ESG strategy has been formally presented, with the first report published and a shareholder event in 2022. We also engaged individually at the time of the 2022 AGM - going forward we will focus on the implementation of their ESG strategy and monitor progress on addressing gaps. We are particularly aware of challenges ahead relating to establishing the Kenyan manufacturing base, such as supply chain resilience, bribery and corruption risk, and environmental stewardship. We will also continue engaging on corporate governance, encouraging the further tightening of IPO-era provisions such as declassifying the board and limiting supermajority vote requirements in order to be more shareholder friendly.

Verdict

While Moderna showed limited willingness to engage openly with investors during the earlier stages of the pandemic, the past year has seen considerable progress. Moderna has formalised and presented a comprehensive strategy on material ESG topics, and shown a willingness for transparency on gaps and implementation. On access to medicine, we are confident that their programme now shows genuinely innovative leadership on the issue. Moderna continues to grow fast and is keeping many different plates spinning, and while there is thoughtful effort being made to put appropriate systems, goals, and oversight structures in place to support this, there will almost inevitably be some balls dropped. We will continue to engage to encourage and monitor progress.

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

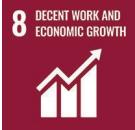
Top quartile:  Second quartile:  Third quartile:  Bottom quartile: 

Response to engagement: Our assessment of how constructively the company is responding to our engagement. The ratings are Good/Adequate/Poor.

(Not held) (Held) This mark indicates whether the company is held in client's portfolio

Starbucks Corp

Confidential (Held)

Country: United States	Sector: Consumer Discretionary	Priority Company: X
ESG Risk Rating: 	Response to engagement: Adequate	Theme: Labour Standards
Issue: Starbucks defiant in face of investor action on freedom of association		
 8 DECENT WORK AND ECONOMIC GROWTH	8.8	

Background

One of the most recognisable brands in the world, Starbucks has more than 32,000 stores in 80 countries. The current CEO Laxman Narasimhan is new in the role, having joined the company in October while former Chairman and CEO Howard Schultz led the company through the transition from the former CEO Kevin Johnson. In April 2022 we wrote about the allegations of obstruction and retaliation against union activities. Since then, the company has been put on the MSCI Watchlist for allegations of anti-union practices, been ordered by US judges to reinstate workers allegedly fired for supporting a union campaign in Tennessee, and to cease anti-trade union activities nationwide. In March, Howard Schultz appeared before a US Senate committee to answer questions about its labour practices. While the company has often pointed to the benefits and development prospects it claims as industry-leading, investor focus has been on non-interference with union activities as a key aspect of the fundamental right for workers to organise in accordance with the law. Starbucks maintains that it respects this right and does not engage in obstruction, and points to its voluntary commitment to ILO Core standards which includes freedom of association. A resolution passed at the 2023 AGM asking the company to commission an independent review of its policies and practices relating to freedom of association and collective bargaining.

Action

Building on last year's dialogue and the subsequent vote against the Chair, we spoke with the new CEO, reiterating our concerns over company reputation and risk to talent attraction and retention. We noted that the company stated last September its commitment to engage in good faith with unions but highlighted the lack of concrete actions taken to ensure that the company's commitments are upheld throughout the store network. We also asked for explicit commitment to non-interference in freedom of association activities. The CEO acknowledged our concerns and offered a call the next day with the Chief Communications Officer and the human resources team. In our view, the call was constructive in tone but lacking in additional detail. The company denies any union-busting activities and explained its strong preference for an internal review of its policies and processes. We presented our view that the current actions and statements are insufficient to allay concerns and that an independent review would help demonstrate transparency and restore stakeholder trust.

Verdict

While we appreciate the time and attention given to us by the company, the discussions provided little in the way of new information and we maintain that there is a lack of an explicit policy of non-interference and disclosure of concrete actions to ensure implementation. We believe we have exhausted our options of engagement and therefore chose to support the shareholder resolution. Going forward, we will encourage the incoming CEO to take a firm approach to protect the company's reputation and attractiveness in the labour market and we will engage on its cooperation with the independent assessment. Nonetheless, we remain frustrated at the pace of change at Starbucks and despite multiple engagements and voting action, we lack confidence in near-term improvement.

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile:  Second quartile:  Third quartile:  Bottom quartile: 

Response to engagement:

Our assessment of how constructively the company is responding to our engagement. The ratings are Good/Adequate/Poor.

(Not held) (Held)

This mark indicates whether the company is held in client's portfolio

Engagement projects

This section reports on priority engagement projects where we have made progress in the past quarter. For full details of our engagements with companies in these projects please refer to the online **reo**® client portal.

Project: Asia's all-male boards

Category: Social

Project Objective

This project intends to cover the largest issuers in Asia which still have an all-male board. There is clear evidence that an inclusive and diverse issuer, especially at the highest leadership level, often outperforms other less diverse peers. The global average female representation on the board is 19.7%, and the figure in Asia only reaches 11.7% (as of 2022). All-male boards are still commonly seen in Asia. South Korea has the lowest gender diversity on the board at 4.2%, followed by Japan's 8.2% and Taiwan's 12.2%. Regulators in Asian countries such as Malaysia, India and Hong Kong have already applied pressure to eliminate the male-only boardrooms. However, there is still lots of room for improvement which we want to investigate, and ensure appropriate action is taken.

Progress Summary

The "Improving Board Gender Diversity in Asia" project aims to engage some of the largest companies in Asia that currently have all-male boards. At the end of 2022, we informed all target companies that we will increase our gender diversity expectations in developing markets to 13.5% (having previous expectations of at least 1 female on the board), or we will vote against directors we deem responsible for failing our gender expectations. Q1 has seen the first wave of South Korean AGM season. Korean non-financial issuers with total assets exceeding two trillion Korean Won need to comply with "no single gender" board requirements set out by the Financial Investment Services and Capital Markets Act (Article 165-20). We saw progress being made by companies in the project in this regard. Ecopro BM Co., Ltd. appointed its first female non-independent director to the board, resulting in a gender diversity ratio of 9%. Doosan Enerbility Co., Ltd. also appointed its first female independent director to the board, taking its gender diversity ratio to 14%. However, there are many companies that still have an all-male board, such as L&F Co., Ltd which we will engage in Q2, with a key ask being a plan to improve its gender diversity. HMM Co., Ltd will also be engaged after failing to improve gender diversity at the 2023 AGM, despite being subjected to the "no single gender" board regulatory requirements. Finally, Canon, Inc. held its AGM in Q1 and while there is no regulatory gender requirement at the board level for Japanese companies, it was disappointing to see that the company failed to improve gender diversity on the board at the 2023 AGM. We will engage with this company in Q2, requesting the development of a plan to improve its gender diversity.

Project: Mandatory human rights due diligence**Category:** Social

Project Objective

Building on public investor commitments that we have supported over the last few years, asking governments to mandate corporate environmental and human rights due diligence we will now focus on engaging corporates on implementing human rights due diligence across their supply chain. We will reach out to 20 developed markets and 10 emerging markets companies that have scored "0" in the 'Embedding respect and human rights due diligence' theme of the Corporate Human Rights Benchmark ("CHRB") 2021. The background for mandatory human rights due diligence is to create a level playing field among companies, ensure the protection of human rights across the supply chain, and enhance business continuity and general supply chain management practices. This is intended to be a 2 year project, with CHRB results as measurements for engagement impact.

Progress Summary

Institutional investors continue to face scrutiny over their efforts to mitigate the potential negative impacts of their investments. The swathe of national supply chain due diligence legislation we have seen in recent years is an example of this. We see this as an opportunity to encourage improved disclosure and better practice at our investee companies as the lack of sufficient disclosure has been a longstanding hurdle to our ability to appropriately understand the environmental, social and governance risks tied to our investments. To move towards filling these data gaps, we use information from ESG data providers and company rankings on social benchmarks. Now in its second year, our Mandatory Human Rights Due Diligence project began in Q1 2022, where our initial focus was on 26 companies from both developed and emerging markets, covering the extractives, automotive, technology, food retail, agriculture and apparel sectors. A key driver of our engagement with these companies was their zero score on the human rights due diligence indicator of the Corporate Human Rights Benchmark (CHRB). In Q2 2022, we removed Russian companies from the project as a result of the war in Ukraine and moved the project forward with 23 companies this year. As noted in our 2022 full year update, on the back of refreshed CHRB benchmarks for the automotive, ICT, food and agricultural sectors we will continue our engagement programs with, Infineon Technologies, Costco, Tyson Foods, Shoprite, Suzuki and Yili Group all who continue to score 0 on the human rights due diligence indicator. We noted improvements under the CHRB's scoring methodology for Carlsberg, Starbucks, BRF, Yum! Brands and Falabella. Highlights from our engagement program so far this year include robust dialogue with the heads of sustainability and human rights at Carlsberg. Despite their limited progress under the CHRB assessment, the Company is taking steps to operationalise its human rights policy commitments and conduct regular reviews to understand risk. At Starbucks, we spoke with several Company representative, including the CEO, on their approach to unionisation and the highly public shareholder proposal advocating for an independent review. We are pleased to be part of the cohort of institutional investors supporting the proposal, which passed by 52% at the 2023 AGM. As per the ILO Core Conventions, freedom of association and a right to organise is a fundamental freedom that corporates have a responsibility to protect, per the UN Guiding Principles on Business and Human Rights. A commitment to neutrality in employee relations has been a part of our engagement program with Starbucks and we have discussed their approach to employee relations with them since 2006. We look forward to the publication of the updated CHRB assessments for the apparel and extractives sectors later this year and have already had preliminary communication with Anta Sports, Foot Locker and TJX regarding their involvement in the benchmark.

Milestones and Your Fund

The table below highlights the companies with which we have recorded milestones on your behalf in the past quarter and which you currently hold within your portfolio. Milestones are engagement outcomes which we have identified and is rated on the extent to which it protects or enhances investor value. For full details of our engagements which led to one star milestones please refer to the online **reo**® client portal.

Name	Country	Sector	Priority Company	ESG Rating	Themes engaged				
					Climate Change	Environmental Stewardship	Human Rights	Labour Standards	Public Health
★★★									
Broadcom Inc	United States	Information Technology		🟡			●		
Hewlett Packard Enterprise Co	United States	Information Technology		🟢			●		
★★									
ASM International NV	Netherlands	Information Technology		🟢			●		
International Flavors & Fragrances Inc	United States	Materials		🟢			●		
J Sainsbury PLC	United Kingdom	Consumer Staples		🟢			●		
Lowe's Cos Inc	United States	Consumer Discretionary	✓	🟢			●		
Walmart Inc	United States	Consumer Staples		🟠			●		
★									
AstraZeneca PLC	United Kingdom	Health Care		🟢			●		
Carlsberg AS	Denmark	Consumer Staples		🟢			●		
Fast Retailing Co Ltd	Japan	Consumer Discretionary		🟢			●		
Fresenius SE & Co KGaA	Germany	Health Care	✓	🟡			●		
International Flavors & Fragrances Inc	United States	Materials		🟢			●		
Panasonic Holdings Corp	Japan	Consumer Discretionary		🟢			●		
Safaricom PLC	Kenya	Communication Services		🟡			●		
Tesco PLC	United Kingdom	Consumer Staples		🟢			●		

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

Milestones in detail

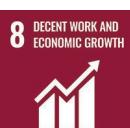
Broadcom Inc

Country: United States	Sector: Information Technology	Priority Company: X
ESG Risk Rating: 	Milestone Theme: Human Rights	Milestone Rating: 
 16 PEACE, JUSTICE AND STRONG INSTITUTIONS 	16.b	

Milestone Detail:

Conducted a human rights impact assessment to identify the most salient human rights concerns impacting its supply chain. We previously recommended the company to conduct a human rights assessment and publish its salient risks instead of solely relying on supplier self assessment questionnaires.

Hewlett Packard Enterprise Co

Country: United States	Sector: Information Technology	Priority Company: X
ESG Risk Rating: 	Milestone Theme: Human Rights	Milestone Rating: 
 8 DECENT WORK AND ECONOMIC GROWTH 	8.7	

Milestone Detail:

Strengthened and formalised human rights due diligence for sales in high-risk areas. The company also partnered with BSR (Business for Social Responsibility) and published best practices for human rights due diligence in technology sales channels. We had previously spoken to the company about improving its approach to customer due diligence regarding technology sales in high-risk areas.

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile:  Second quartile:  Third quartile:  Bottom quartile: 

ASM International NV

Country: Netherlands	Sector: Information Technology	Priority Company: X
ESG Risk Rating: 	Milestone Theme: Labour Standards	Milestone Rating: 
5 GENDER EQUALITY 	5.5	

Milestone Detail:

ASM International has improved its workplace diversity from 15% to 17% in 2022; the company appears on track to reach its target of 20% by 2025. It has established concrete goals to reach this target, has increased its female hiring rate from 14% to 19% in a year, and has almost doubled the promotion of female employees simultaneously. We previously engaged the company to formalise programmes to reach its diversity and inclusion targets.

International Flavors & Fragrances Inc

Country: United States	Sector: Materials	Priority Company: X
ESG Risk Rating: 	Milestone Theme: Labour Standards	Milestone Rating: 
5 GENDER EQUALITY 	5.5	10 REDUCED INEQUALITIES 

Milestone Detail:

The company announced new diversity targets. By 2030, 40% people of colour in management positions in the United States, and with equitable representation globally, and women holding 50% of management roles across the business.

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile:  Second quartile:  Third quartile:  Bottom quartile: 

J Sainsbury PLC

Country: United Kingdom	Sector: Consumer Staples	Priority Company: X
ESG Risk Rating: 	Milestone Theme: Labour Standards	Milestone Rating: 
8 DECENT WORK AND ECONOMIC GROWTH 	8.5	

Milestone Detail:

The company raised hourly wages to at least £11 for around 127,000 of the lowest-paid workers.

Lowe's Cos Inc

Country: United States	Sector: Consumer Discretionary	Priority Company: ✓
ESG Risk Rating: 	Milestone Theme: Labour Standards	Milestone Rating: 
8 DECENT WORK AND ECONOMIC GROWTH 	8.5	

Milestone Detail:

Lowe's published median and statistically adjusted racial and gender pay gap data, in response to a majority vote by investors at the company's annual meeting in May 2022. We engaged the Company around the time of the vote and supported the shareholder proposal. We see this as best practice disclosure and applaud the Company's commitment to update the disclosure annually.

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile:  Second quartile:  Third quartile:  Bottom quartile: 

Walmart Inc

Country: United States

Sector: Consumer Staples

Priority Company: X

ESG Risk Rating: 

Milestone Theme: Labour Standards

Milestone Rating: 

8 DECENT WORK AND ECONOMIC GROWTH

8.5



Milestone Detail:

The company announced that it will be raising wages for associates, expected to bring its average US hourly wages to over \$17.50.

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile:  Second quartile:  Third quartile:  Bottom quartile: 

Engagement case studies

Walt Disney Co/The

Public (Held)

Country: United States	Sector: Communication Services	Priority Company: X
ESG Risk Rating: ●	Response to engagement: Good	Theme: Corporate Governance
Issue: Disney's Wildest Ride		

Background

The Walt Disney Company is an international household name; from its global parks to its film titles and streaming services, a vast number of people use their services. But with that reputation comes increased scrutiny from, well, everyone. As the backlash against ESG continues apace in the US, Disney has been hit from all sides. After the 2022 AGM, Disney employees staged walkouts to protest the slow response of former CEO Bob Chapek to Florida's 'Don't Say Gay' bill. Later that year, Ron DeSantis, the governor of Florida, restructured the Reedy Creek Improvement District in an attempt to strip Disney of its control of the area after its belated opposition to the bill. And catching up to current events, newly reinstated CEO Bob Iger has called Governor DeSantis' attempts to control the company 'anti-business' and 'anti-Florida.' To add to the turmoil, in the past six months, Disney has experienced both executive and board-level turnover, with Bob Chapek stepping down as CEO and Bob Iger returning to fill the position. Former Chair of the Board Susan Arnold has also stepped down, with Mark Parker taking up her role. Against this backdrop, we have been engaging with Disney to better understand their approach to succession planning and political expenditures.

Verdict

Disney has shown a consistent willingness to engage and has actively solicited shareholder feedback from us. They have taken our suggestions on board and actioned demonstrable improvements in their lobbying disclosure. Additionally, their succession planning also provided us with comfort that Disney is focused on key elements for management of their long-term business and strategy.

Action

We met with Disney nearly every quarter over the past year to discuss a variety of ESG topics, but one that kept re-surfacing was around political expenditure transparency. Given the company is one of Florida's biggest "heavy hitters", we wanted to better understand how Disney oversees and discloses political expenditures and discuss areas for improvement, especially in light of the current environment in the US. The company highlighted recent improvements, including providing more information on trade association payments, disclosure on the primary purpose of each trade membership, and that they have prohibited trade associations from using dues to make contributions to political candidates. Disney also stressed their board-level oversight of the lobbying process. Ahead of the 2023 AGM, succession planning was another core area of focus for us. Given the recent high-profile turnover at the company, we spoke with them to better understand Disney's succession planning for both executives and the board. They provided additional information around their process, and we were reassured by the CEO succession planning experience of newly appointed Chair Mark Parker and by his level of engagement with the executive team.

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

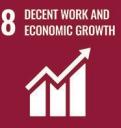
Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

Response to engagement: Our assessment of how constructively the company is responding to our engagement. The ratings are Good/Adequate/Poor.

(Not held) (Held) This mark indicates whether the company is held in client's portfolio

Intertek Group PLC

Public (Held)

Country: United Kingdom	Sector: Industrials	Priority Company: X
ESG Risk Rating: 	Response to engagement: Adequate	Theme: Human Rights; Labour Standards; Business Conduct
Issue: Audits are not Enough		
 8 DECENT WORK AND ECONOMIC GROWTH 8.8	8.7	 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 12.6

Background

We engaged Intertek as part of a project concerning how social audit and assurance providers ensure audit quality. The aim is to understand how providers educate clients on what an audit should encompass, including efforts to encourage holistic due diligence frameworks and their approach to human rights and labour standards audits particularly in high-risk regions. We also sought to understand their view on increased government and stakeholder scrutiny of human rights risk mitigation and any expectations gaps that may occur. Intertek has faced allegations of unfair labour practices in Korea where a subsidiary allegedly shut down its local office prior to planned strike action as well as allegations of negligence relating to an audit carried out on a Tesco supplier in Thailand. These incidents have raised concerns over its approach to human rights due diligence (HRDD) and the effectiveness of its audit programs in identifying egregious labour standards.

Action

The courts did not uphold the allegations in Korea, however we reached out to Intertek on its approach to freedom of association and collective bargaining. They stated their policy is to fully respect employees' rights to form or join trade unions and take part in collective bargaining where this is accepted by local law. They also noted their efforts to engage with trade unions and employees, highlighting their policy not to retaliate or discriminate against employees wishing to organise. Regarding the Tesco audit, they were unable to comment in detail given ongoing legal proceedings but confirmed the findings were shared with Tesco. We asked Intertek about its own HRDD program and for better disclosure of its own standards of responsible business conduct. Finally, we highlighted the changing regulatory landscape and the likely higher level of scrutiny they will face as their clients need to evidence due diligence processes. Therefore, we encouraged better processes around client onboarding and offboarding.

Verdict

Our engagement highlights that while companies point to audits as evidence of HRDD, audits do not mitigate supply chain risks. Despite detailed audit procedures, Intertek faces an increased risk of loss of brand value should an audit face public scrutiny and be deemed inadequate. Key questions remain over how negative practices beyond the scope of the audit are identified and how this is communicated to clients. Given international convergence toward supply chain due diligence legislation, social audit data is likely to be scrutinised in more detail. Companies such as Intertek may need to move away from the provision of audits against base level standards and give preference to clients that conduct remediation to protect themselves and promote better audit quality.

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Response to engagement:

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Moderna Inc

Public (Held)

Country: United States	Sector: Health Care	Priority Company: ✓
ESG Risk Rating: 	Response to engagement: Good	Theme: Human Rights; Corporate Governance
Issue: Access to Medicine, Corporate Governance		
 3.8		

Background

When Moderna was valued at \$7.9bn at its IPO in 2018, it represented a significant leap of faith in a company yet to turn a profit or bring a product to market. Then the pandemic transformed Moderna into a household name, with their mRNA technology platform able to seize the covid vaccine opportunity. Now worth nearly \$60bn, the company has had to mature exceptionally fast. Going into the pandemic, Moderna had limited formalisation of its approach to material ESG issues, but have now developed an ambitious strategy and committed to transparency in implementation. Focus areas include a comprehensive global health strategy, a human capital management approach that embeds a strong culture in a fast growth business, and a commitment to net zero emissions using SBTi by 2030. Equitable access to the covid vaccine particularly in relation to low and middle income countries (LMICs) has been a priority issue for investors. Moderna has put progressive access measures in place including reprioritising supply away from 'first come first served' contracts, committing not to enforce patents in 92 LMICs, opening up the mRNA technology platform, and investing in a new manufacturing base in Kenya.

Action

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Verdict

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Response to engagement:

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Milestones and Your Fund

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Name	Country	Sector	Priority Company	ESG Rating	Themes engaged				
					Climate Change	Environmental Stewardship	Human Rights	Labour Standards	Public Health
★★★ SITC International Holdings Co Ltd	Hong Kong	Industrials	✓	●				●	
★★ ASM International NV	Netherlands	Information Technology		●				●	
★ Orsted AS Panasonic Holdings Corp	Denmark Japan	Utilities Consumer Discretionary		● ●				● ●	

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ○ Third quartile: □ Bottom quartile: ■

Milestones in detail

SITC International Holdings Co Ltd

Country: Hong Kong	Sector: Industrials	Priority Company: ✓
ESG Risk Rating: ●	Milestone Theme: Corporate Governance	Milestone Rating: ★★☆

Milestone Detail:

The board announced that Ms Yang Xin (the daughter of the founder) has resigned as a member of the audit committee of the company and has been appointed as a member of the risk management committee on 16 December 2022. The audit committee is now fully independent.

ASM International NV

Country: Netherlands	Sector: Information Technology	Priority Company: ✗
ESG Risk Rating: ●	Milestone Theme: Corporate Governance	Milestone Rating: ★★☆
 12.6		

Milestone Detail:

The company improved oversight and accountability of ESG practices and performance by incorporating sustainability metrics in the executive remuneration plan. 25% of short-term incentive is tied to non-financial metrics, specifically, leadership development and targets submitted to the Science-based Target initiative. We have been engaging with the company to encourage linking ESG metrics to executive compensation.

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ○ Third quartile: □ Bottom quartile: ■

Appendix: Viewpoints Q1 2023

January

Net Zero: best practice and engagement approach

Quick view: As signatories of the Net Zero Asset Managers initiative, we are adopting a Stewardship-led approach to delivering our net zero commitment. Read more about our decarbonisation strategy, including our eight component Net Zero Model.

<https://bit.ly/3KMqZgb>



February

Banking on biodiversity

Quick view: Banks need to improve when it comes to understanding and managing their biodiversity impacts. Read about our recommended best practices and ongoing engagement with the sector.

<https://bit.ly/418JwbU>



March

Evaluating ESG Progress at South Korean companies

Quick view: Progress has been slow in recent years, so we travelled to Seoul to see how companies are dealing with ESG issues and assess where there is room for improvement.

<https://bit.ly/3H44hxL>



The challenges of realising zero-carbon cement

Quick view: Cement production accounts for about 7% of global carbon emissions. We explore the challenges the industry is facing on the road to net zero. Read about our engagement efforts with this critically important sector in our ESG Viewpoint.

<https://bit.ly/3nZ8xle>



Appendix: Viewpoints Q1 2023

March



Putting the brakes on fast fashion

Quick view: Cheap and on trend clothing but at what cost? We assess the implications of Fast Fashion and ask whether a more sustainable approach to clothing manufacture is set to gain traction.

<https://bit.ly/3KQBG12>

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Quarterly
Engagement
Report
January-March
2023

Say on Climate, Brazil, Volvo, Constellation Brands, Water Stewardship

Local
Authority
Pension
Fund
Forum

COMPANY ENGAGEMENTS



Say on Climate

Objective: Despite the financial risks that climate change poses to investors, shareholders do not have a specific vote at AGMs on a company's approach to transitioning to net zero. This is an issue that LAPFF has raised with companies including through a joint letter ahead of the 2022 AGM season. Since then, HM Treasury has established the UK Transition Plan Taskforce, which is developing a 'gold standard' for climate transition plans. A central principle of transition plans is that they should be integral to a company's overall strategy. Yet despite such developments shareholders are generally not given a 'Say on Climate' vote at AGMs to approve their climate plans.

To address this gap, LAPFF, alongside Sarasin & Partners, CCLA, and the Ethos Foundation, wrote to the FTSE All-Share (excluding investment trusts) requesting

that boards provide shareholders with the opportunity to support their greenhouse gas emission reduction strategy by putting an appropriate resolution on the AGM agenda.

Achieved: The letter highlighted the importance of the issue with companies across the FTSE All-Share. Some companies responded by stating that they were planning to have an annual Say on Climate vote while others noted that there would be a vote every three years to approve their triennial climate plan. However, most companies said that they did not intend to hold Say on Climate votes, with many outlining their climate plans and noting their engagement with shareholders.

Alongside raising the issue with the companies, the letter received coverage in the press which widened awareness of the

role a Say on Climate could play in supporting companies' transition to net zero.

In Progress: Although some companies have committed to Say on Climate votes they are in a minority. LAPFF will continue to engage with companies so that shareholders can express their views specifically about climate strategies – something which will become more important with the introduction of transition plans and as the financial risks of climate change become even clearer.

Rio Tinto

Objective: LAPFF joined Rio Tinto's full year results call ahead of the company's April AGM to understand better how Rio Tinto is integrating environmental, social, and governance considerations into its operations, and issued a voting alert ahead of the April AGM. LAPFF then attended a meeting with Rio Tinto Chair, Dominic Barton.

Achieved: LAPFF was pleased to hear that Rio Tinto has had yet another fatality-free year. It was also good to see that the company has concluded a number of agreements with Indigenous groups and continues to focus on partnerships, co-design, and co-management with affected communities. It would have been useful to have more discussion on community relationships in relation to the company's Oyu Tolgoi, Jadar, and Simandou projects, as well as some of the remaining engineering challenges at Oyu Tolgoi.

On the climate side, Rio Tinto's commitment to making climate a strategic objective is welcome. It appears that more work on Scope 3 emissions is needed. Recognising the importance of Rio Tinto's minerals for a green transition, LAPFF is also keen to hear more from the company on its plans for a just transition. LAPFF probed these issues in more detail in the meeting with Mr. Barton.

In Progress: LAPFF will continue to engage both the company and its affected stakeholders, including workers and community members, to assess progress in both the human rights and climate areas because LAPFF deems this range of engagement and issues financially material.

COMPANY ENGAGEMENTS



McDonald's

Objective: LAPFF has been pushing for McDonald's to publicly disclose the findings of a water risk assessment and physical risk scenario analysis undertaken by the company in 2020. In order for investors to fully understand the water-related risks facing the company, the disclosure should provide information relating to how the findings inform timebound and quantifiable mitigation efforts for key commodities and regions.

Achieved: LAPFF met with McDonald's as part of a coalition of investors to discuss the company's approach to managing environmental risks across its agricultural supply chain. The 2020 water risk assessment used the WRI Aqueduct Water Risk tool to identify high risk areas, but the company has, to date, failed to release the results. LAPFF requested that the company disclose the findings to facilitate a better understanding of the material risks.

McDonald's was also questioned about

updating its emissions reduction targets, following the release of the Science-Based Target initiative's (SBTi) FLAG guidance. The company has committed to reducing greenhouse gas emissions (GHG) by 36 percent by 2030 from a 2015 base. This is an absolute target that covers Scopes 1, 2 and 3 emissions, the latter including upstream emissions from operational waste and downstream emissions from delivery-related waste and franchisee operations.

To achieve SBTi verification, the new FLAG guidance requires a commitment to eliminate deforestation from agricultural supply chains by 2025, which would require an acceleration of existing commitments.

In Progress: McDonald's has been identified by the Valuing Water Finance Initiative as a company with significant exposure to water-related risks and therefore included the company in the 2023 VWFI benchmark. This benchmark will be used by LAPFF to measure company performance and the extent to which disclosure on the issue improves.

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Constellation Brands

Objective: LAPFF wanted Constellation Brands to set timebound, contextual targets, goals or policies to address the impacts on water availability in water scarce areas across the sections of the value chain, for which water is most material.

Achieved: LAPFF Executive member John Anzani met with the US-listed beverage manufacturer to discuss its approach to water stewardship. This engagement followed on from an introductory meeting held in 2022 in which the company had committed to undertaking a water risk assessment covering its entire value chain. Constellation Brands subsequently conducted an initial assessment, and as a result highlighted a number of facilities operating in regions of high water stress. LAPFF encouraged the company to set targets that would prevent it from negatively impacting water availability in water-scarce areas across its value chain.

In Progress: As part of the Valuing Water Finance Initiative LAPFF is a co-lead investor for Constellation Brands. The company has been included in the 2023 VWFI benchmark, owing to the impact it has on freshwater resources. This benchmark will be used by LAPFF to measure company performance, with the expectation that a meaningful target is set to help mitigate impact on regions of high water stress.

Volvo

Objective: The acceleration in moving to electric vehicles is being seen globally, as auto manufacturers seek to meet net zero targets and reduce the carbon footprint in the life cycle of their vehicles. In this vein, LAPFF sought to meet some heavy goods vehicle (HGV) manufacturers to discuss their role in this transition.

Achieved: LAPFF met with Volvo to discuss its approach to climate change and a net zero transition. The company provided a promising dialogue, giving an in-depth overview of its approach.

In Progress: As legislation tightens in Europe with the Corporate Sustainability Due Diligence Directive, companies will

COMPANY ENGAGEMENTS

have to do further due diligence on their supply chains and will need to ensure greater oversight of their supply chains. LAPFF continues to impress upon vehicle manufacturers the benefits of transparent reporting and enhanced due diligence, whilst seeking to better understand how companies are managing a just transition.

Pay Letters

Objective: How companies distribute capital and reward both their executive directors and wider workforce is important information for investors. In January, the Financial Times published an article looking at real term pay cuts in the FTSE100 but cited a few companies that had paid wage increases to their lowest pay staff above soaring inflation.

Achieved: LAPFF wrote to BT, Vodafone, and Kingfisher, as companies that provided salary increases for their lowest paid members of staff above that of inflation. LAPFF seeks to better understand the considerations around these increases as well as to discuss executive remuneration in the context of the cost-of-living crisis.

In Progress: Kingfisher has responded to LAPFF's request for engagement and a meeting is being organised for the second quarter of 2023.

Occupied Palestinian Territories

Objective: LAPFF members remain concerned about the investment risks associated with companies operating in the Occupied Palestinian Territories (OPT). LAPFF maintains a position that companies considered to have business activities in this area should commission independent human rights risk impact assessments, given that operating in a conflict zone carries heightened human rights, and consequently, business risks.

Achieved: LAPFF wrote to four companies on its target engagement list which it deems to have not engaged in a meaningful manner (or not engaged at all): Mizrahi Tefahot Bank, Isarel Discount Bank, and Bank Hapoalim. LAPFF wrote to all four regarding voting considerations at their respective 2023 AGMs. The Forum is now in dialogue with Bank Leumi.



In Progress: LAPFF will monitor these engagements and consider voting alerts for LAPFF members accordingly.

Chipotle

Objective: LAPFF has engaged with Chipotle Mexican Grill (Chipotle) on its approach to water stewardship since 2019. The initial engagement objective was met during 2022, with the company undertaking an ingredient level water risk assessment to identify areas of water stress within the supply chain. The risk assessment found that a significant percentage of the company's suppliers operate in areas of high water stress. Given the degree of exposure Chipotle has to water risk, LAPFF now considers it imperative the company utilise the results of this risk assessment to set time-bound and context-based targets for water use, focusing on regions it has identified as water stressed from its operations.

Achieved: During March, LAPFF met with Chipotle to discuss the outcome of its water risk assessment undertaken in 2022. This was a direct response to the resolution co-filed by the Greater Manchester Pension Fund, a LAPFF member fund, in 2020. The company had made some notable progress, including the completion of a water stress evaluation for the current state of its supply chain, forecasting the impact of water stress to 2040, and developing a mitigation roadmap to establish water stewardship throughout its operations.

In Progress: LAPFF is the lead investor for Chipotle as part of the Valuing Water

Finance Initiative. During 2023, Chipotle will be benchmarked against peers on its approach to water stewardship. LAPFF will leverage the findings of the benchmark in order to work with the company to develop relevant water use targets and to utilise the results of this risk assessment to set time-bound and context-based targets for water use, focusing on regions it has identified as water stressed from its operations.

Nestlé

Objective: As one of the largest food and beverage companies in the world, Nestlé has a crucial role to play in many parts of its operations, on issues such as the climate crisis, plastics, nutrition, human rights, and a fair and just transition.

Achieved: Chair Paul Bulcke hosted a roundtable with investors in March. He provided a high-level overview of the company's financial and ESG strategies before taking questions from investors. LAPFF asked about the company's approach to reducing Scope 3 emissions, which as demonstrated in its reporting has a large focus on regenerative farming. The company also talked about a fair and just transition in its net zero roadmap, as well as plastics, ShareAction's Healthy Markets campaign (which LAPFF also supports), and executive compensation.

In Progress: LAPFF will continue to monitor Nestlé's progress in these areas and will continue to support ShareAction's Healthy Markets engagement as it progresses.

COLLABORATIVE ENGAGEMENTS

COLLABORATIVE ENGAGEMENTS

SHARE: Amazon

Objective: Amazon has faced criticism in the press for not upholding adequate standards and practices on freedom of association. LAPFF has also heard from Amazon workers on various investor calls about their concerns relating to Amazon's practices on freedom of association. Consequently, LAPFF signed a joint investor letter initiated by Canadian shareholder organisation, SHARE, requesting that Amazon take steps to meet the requests on freedom of association set out in SHARE's shareholder resolution to Amazon's 2022 AGM.

Achieved: LAPFF last year recommended a vote in favour of the SHARE resolution. The company provided what was in LAPFF's view a less than satisfactory response. Notably, in LAPFF's view, the company has completely misconstrued the definition of freedom of association to meet its own interests rather than the standards set out in international labour law. For example, Amazon has cited its compliance with US labour law, which has notoriously poor standards on freedom of association. Over the course of its existence the ILO Committee on Freedom of Association has heard 44 cases against the US and/or individual US states for their laws and practices on this topic.

In Progress: LAPFF's attempts to meaningfully engage with Amazon have failed. In the past, LAPFF has participated in The Big Tent group of investors that have sought meaningful engagement with the company, and LAPFF will seek to continue to engage through this group to obtain progress in this area.

PRI Advance

Objective: LAPFF is pleased to have been selected to join the Principle for Responsible Investment (PRI) Advance working groups for Anglo American and Vale. The initiative is aimed at improving human rights standards in the mining and renewable energy industries.

LAPFF recognises the leverage that collaborative engagements can bring to its own engagements, which are

themselves collaborative. Given LAPFF's extensive work over the last few years on mining and human rights, LAPFF's aim is to help create investor leverage to improve human rights performance at Anglo American and Vale. In LAPFF's experience, improved human rights performance create the conditions for sustainable long-term shareholder returns.

Achieved: LAPFF has now participated in the initial meetings for both the Anglo American and Vale groups. These meetings were structured to identify short, medium, and long-term objectives for the engagements with each company.

It was interesting to hear the different ideas and objectives within each of the groups. It is clear that each working group will structure itself quite differently and will be tailored to a given company's characteristics and challenges. However, members of both groups seemed equally enthusiastic and keen to make progress, so LAPFF is optimistic that this initiative will help to improve human rights practices within the mining industry.

In Progress: LAPFF will continue to work with other investor members in each working group to solidify company objectives, engage with the companies selected for the programme, and liaise with stakeholders affected by the companies' operations.

A General Motors EV1 electric car

CA100+: General Motors

Objective: LAPFF is a member of the CA100+ transport group which is engaging with the largest emitters from the automotive sector. Road transportation is a major contributor to global emissions, the industry faces tightening regulation on emissions standards and some countries have set dates after which the sales of new petrol vehicles will be banned. As such, investors are seeking to ensure that car companies are managing these risks by setting targets and taking action to shift production to electric vehicles.

Achieved: LAPFF participated in a CA100+ collaborative meeting with General Motors. The meeting covered the impact of the Inflation Reduction Act in the US, GM's targets and how GM is planning on reaching its ambitions. The company plans to have capacity in excess of one million EV units in both North America and China by 2025.

In Progress: LAPFF will continue to engage carmakers on their targets, plans, investment, and delivery of targets as well as their approach to public policy engagement.

Asia Research and Engagement (ARE): MUFG and UOB

Objective: LAPFF continues to support company engagements in Asia's financial markets, focusing on carbon and coal



COLLABORATIVE ENGAGEMENTS

risks at financial institutions, as well as coal-exposed power companies.

Achieved: LAPFF joined collaborative calls with both Mitsubishi UFJ Financial Group (MUFG) and United Overseas Bank (UOB). ARE's continued dialogue with Asia's financial institutions provides in-depth conversations about company climate approach and provide valuable insight into how the companies are approaching carbon reduction measures.

In Progress: LAPFF will continue to engage through the ARE, with regular meetings being held each quarter.

Initiative for Responsible Mining Assurance (IRMA)

Objective: During engagements with electric vehicle manufacturers on their approach to responsible mineral sourcing and supply chain due diligence, IRMA has come up in conversation with many of these companies. LAPFF sought a meeting with IRMA to discuss their certification standard for industrial scale mine sites.

Achieved: LAPFF met with Aimee Boulanger, IRMA's Executive Director, and Rebecca Burton, IRMA's Director of Corporate Engagement, to discuss IRMA's standard in greater depth. LAPFF was subsequently invited to, and attended, a finance sector deep dive, held in-person at Anglo Americans office.

In Progress: Both of these meetings with IRMA provided insight into the value of greater due diligence at mine sites and how this can be achieved, in particular through effective multi-stakeholder engagement. It has provided talking points and considerations for engagements with a range of industries going forward, including the mining sector and auto-manufacturers which are being engaged by LAPFF.

Valuing Water Finance Initiative (VWFI)

LAPFF Executive member John Anzani facilitated the first VWFI Task Force meeting of the year. LAPFF is a founding member of the initiative and currently co-chairs the initiative. The meeting was attended by institutional investors from

around the world to discuss updates and progress of the initiative to date. With both company engagement and benchmarking work streams making good progress, LAPFF is well positioned to be at the forefront of driving positive change in this area in 2023.

Investor Initiative for Responsible Care: EU Commissioner

Objective: LAPFF is a member of the Investor Initiative for Responsible Care a coalition of 138 responsible and long-term investors in the care sector with \$4.4 trillion in assets under management. The coalition has been established to address specific investment risks within the sector including around staffing, safety, wages, freedom of association and quality of care. These risks were very apparent in events over the past year at Orpea, the listed French care provider. The group is seeking to engage companies both regarding disclosure but also improving their practices.

Achieved: LAPFF has written to two Real Estate Investment Trusts (REITs) seeking clarification around data and metrics as part of a group initiative to request such information from other care providers and REITs. Alongside engagement with companies, the group has also been engaging public policymakers, including a meeting with the EU Commissioner responsible for care this quarter. The meeting came off the back of a new EU care strategy, and discussions focused on how implementation of the strategy could support the aims of responsible investors in the sector to improve care quality and employment standards to help deliver sustainable returns.

In Progress: LAPFF will continue to participate in the initiative and engage care providers, REITs operating in the sector and where relevant with policymakers.

Follow This

Objective: As an activist investor, Follow This has been filing shareholder resolutions at the oil and gas majors' AGMs since 2016. Having recommended votes in favour of two Follow This resolutions in 2022, at both the Shell and BP AGMs,

LAPFF sought a meeting with Follow This representatives to discuss the organisation's ongoing work.

Achieved: LAPFF met with Mark Van Baal, founder of Follow This, to discuss the organisation's plans for development, both in the immediate future and looking further forward.

In Progress: Follow This has published its resolutions for 2023 and will be considered for voting alerts throughout the year.

Market Forces

Objective: LAPFF has met with Market Forces a number of times over the past couple of years. It is an environmental advocacy project which primarily focuses on financial institutions, although it has published guidance for other sectors.

Achieved: After recommending votes in favour of Market Forces' resolutions at Barclays and Rio Tinto AGMs in 2021, LAPFF met with representatives from the organisation to discuss plans for development in 2023.

In Progress: LAPFF will monitor Market Forces' resolutions and work as the year progresses.

Taskforce on Social Factors

LAPFF is a member of the Taskforce on Social Factors that has been established by the DWP. The taskforce chaired by Luba Nikulina from IFM has been established to look at how investors can best address and manage social factors, including by identifying reliable data and metrics.

The main objectives of the Taskforce are to:

- Identify reliable data sources and other resources, which could be used by pension schemes to identify, assess, and manage financially material social risks and opportunities.
- Monitor and report on developments relating to the International Sustainability Standards Board (ISSB) and other international standards.
- Develop thinking around how trustees can identify, assess, and manage the financial risks posed by modern slavery and supply chain issues.

The taskforce was established by DWP

COLLABORATIVE ENGAGEMENTS



Construction workers in Doha, Qatar

following a consultation on the issue. LAPFF responded to the consultation highlighting the importance of social factors in our work and outlining some of the engagements that the Forum has undertaken on social issues for over three decades. The taskforce is comprised of people from the industry and, alongside the DWP, includes observers from the Financial Conduct Authority, Financial Reporting Council, HM Treasury and the Pensions Regulator.

30% Investor Club

Objective: LAPFF continues to support the 30% Club Investor Group, a coalition of investors pushing for women to represent at least 30% of boardroom and senior management positions at FTSE-listed companies. The group has extended its remit globally and has been engaging in different markets, encouraging companies to join regional charters and looking at other aspects of diversity in company practices.

Achieved: LAPFF joined two collaborative engagements this quarter, with Otsuka Corporation and Marubeni Corporation. Both are domiciled in Japan, and neither are currently members of the Japanese 30% Club charter. Whilst they have some way to go in their approaches to gender diversity at board and executive level, both companies provided promising outlooks regarding their approach to supporting women throughout their organisations.

In Progress: The Group is continuing to extend its outreach to companies outside of the UK and is looking at regional considerations for other markets. LAPFF is part of the Group's Global Workstream subgroup and will be contributing to engagements throughout the year.

Rathbones Votes Against Slavery

Objective: Rathbones undertakes an annual analysis of compliance by FSTE350 companies with section 54 of the Modern Slavery Act. LAPFF views compliance of

this piece of legislation as an indicator of how seriously a company takes modern slavery in its operations. The engagement seeks compliance from those that currently do not meet this standard.

Achieved: LAPFF co-signed letters to 29 companies sent by Rathbones. At the time of publication, this engagement has brought about compliance from 14 of the companies approached, with a number in the process of making changes.

In Progress: LAPFF will monitor compliance levels as the engagement progresses and will join collaborative calls during the year to further explore company approaches to modern slavery.

New York City Comptroller: Migrant Child Labour

Objective: An investigative report published by the New York Times in February 2023 provided evidence that a collection of US companies may be profiting from the use of American suppliers that illegally employ underage migrant

POLICY ENGAGEMENTS

children. Ensuring that companies have controls and processes in place to manage such risks and hold suppliers accountable is an investment imperative for LAPFF.

Achieved: LAPFF co-signed a letter to this group of companies seeking a response and further detail on the allegations around the use of child labour.

In Progress: LAPFF will monitor the response and will support engagements as appropriate.

CONSULTATION RESPONSES

Transition Plan Taskforce

Objective: In 2022, HM Treasury launched the Transition Plan Taskforce (TPT) with the objective of developing the gold standard for climate transition plans. The UK government and the Financial Conduct Authority are involved with the Taskforce with the intention that they will draw on the recommendations to strengthen disclosure requirements.

Done in the right way, transition plan disclosures could enable investors to better understand a company's approach to decarbonising their business model. They are also designed to help companies and investors with regard to developing plans that are integral to company's overall strategy. Given their potential importance, LAPFF responded to a TPT consultation regarding its draft disclosure framework.

Achieved: In LAPFF's previous TPT response, the Forum recommended that just transition implications should be included in the TPT's guidance. It was welcome that just transition issues were included in the draft disclosure framework. LAPFF welcomed this development but considered there to be further scope to integrate these just transition factors across the framework.

LAPFF's response stated that if it was to be a gold standard and in line with UK government policy then transition plans would need to be consistent with a 1.5°C scenario. To ensure consistency and comparability between transition plans, the response also called for a focus on absolute rather than relative emission reductions and greater clarity on definitions of Scope 3 emissions and what is

meant and included within the 'value chains' concept.

In Progress: LAPFF will where possible continue to engage with the TPT, including around the issue of further integrating the just transition into its recommendations.

LAPFF WEBINARS

All-Party Parliamentary Group

The LAPFF-supported All-Party Parliamentary Group for Local Authority Pension Funds held a meeting on affordable housing and the LGPS. The meeting came off the back of government calls for the LGPS to increase local investment and the chancellor has stated that the government will consult on requiring LGPS funds to consider illiquid asset investment opportunities. There have also been other calls for the LGPS funds to scale up place-based investment and invest more in social and affordable housing.

To discuss the issues, the speakers at the meeting, chaired by Clive Betts MP, were Cllr John Gray (Vice-Chair, Local Authority Pension Fund Forum); Paddy Dowdall (Assistant Executive Director at Greater Manchester Pension Fund); Helen Collins (Head of Affordable Housing, Savills); and John Butler (Finance Policy Lead, National Housing Federation).

The discussion covered housing investments that LGPS funds were already making as well as some of the barriers to doing more. The meeting highlighted challenges of scaling up investment in affordable or social housing without additional government funding as well as issues around scale and the lack of investible projects.

MEDIA COVERAGE

Water Risk

ESG Investor: [Investors Seek to Turn the Tide on Water Risk](#)

Say on Climate

IPE: [Investors call for voting on 'Say on Climate'](#)

Pensions Age: [LAPFF calls for shareholder vote on greenhouse emissions](#)

ESG Investor: [Investors demand 'Say on Climate' at FTSE Listed Firms](#)

Net Zero Investor: [Investors demand vote on climate transition plans at FTSE firms](#)

Investment Week: [Shell directors sued over 'flawed' climate plan](#)

Lexology: [Investors step up pressure on boards to keep pace with climate targets in upcoming AGM season](#)

The MJ: [Public sector pension funds call for 'Say on Climate' vote](#)

The Actuary: [Public-sector pension funds seek carbon vote](#)

ESG Investor: [New Ideas, Better Teamwork in Pursuit of Paris Goals](#)

Local Gov: [Public sector pension funds call for 'Say on Climate' vote](#)

LAPFF Executive

Local Government Chronicle: [Rodney Barton receives LGC Investment lifetime achievement award](#)

Social Factors

Pensions Age: [Taskforce on Social Factors launched with DWP support](#)

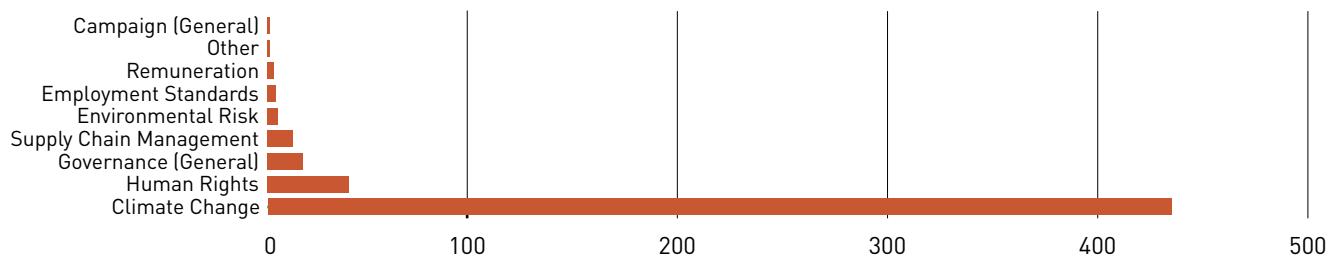
Professional Pensions: [DWP launches social factors taskforce for industry](#)

ESG Clarity: [UK pensions social taskforce launches to address data gap](#)

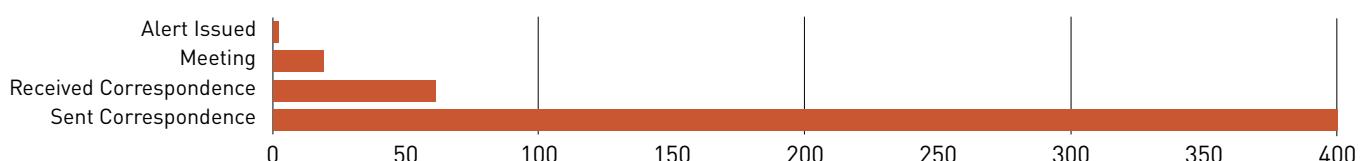
Pensions and Investments: [UK task force sets out to help asset owners with social considerations](#)

ENGAGEMENT DATA

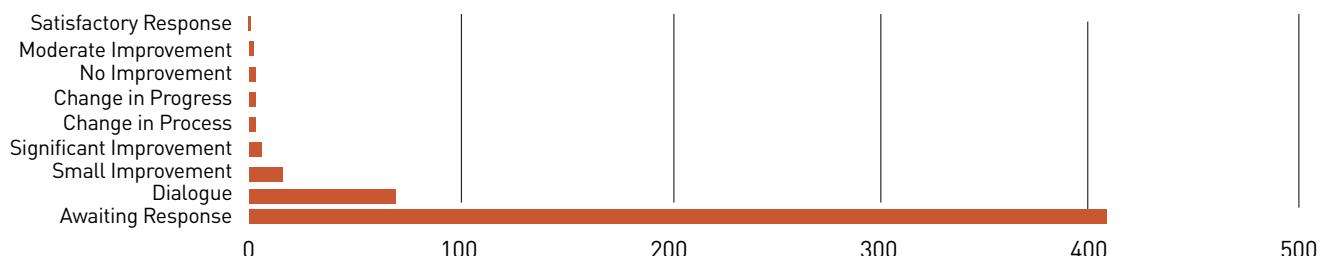
ENGAGEMENT TOPICS



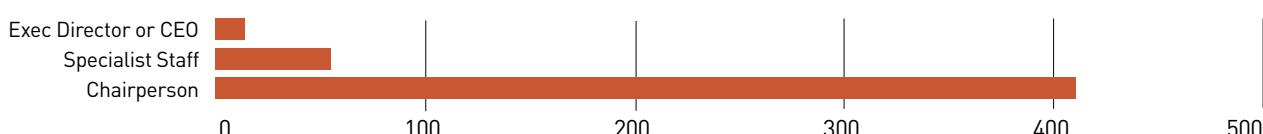
ACTIVITY



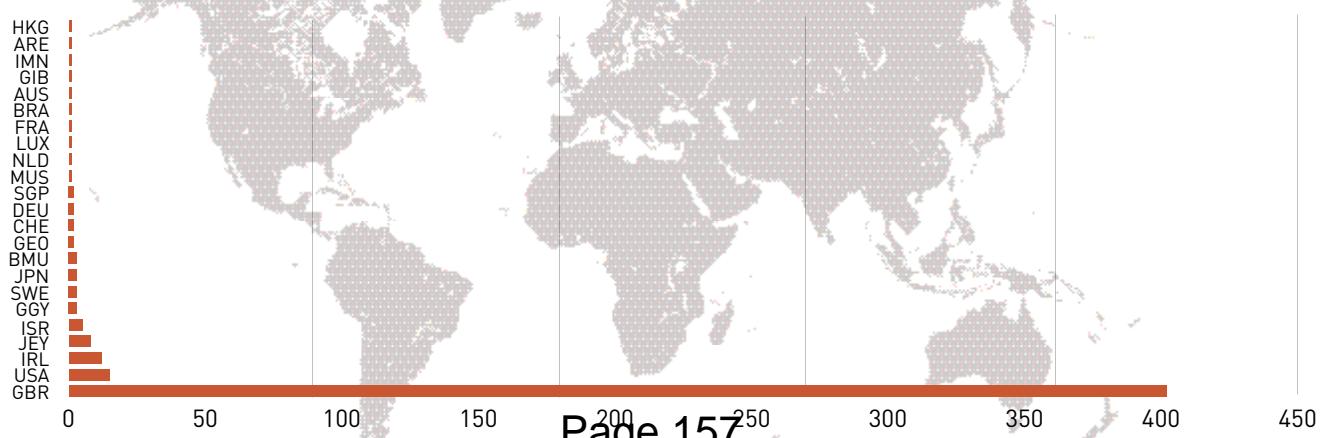
MEETING ENGAGEMENT OUTCOMES



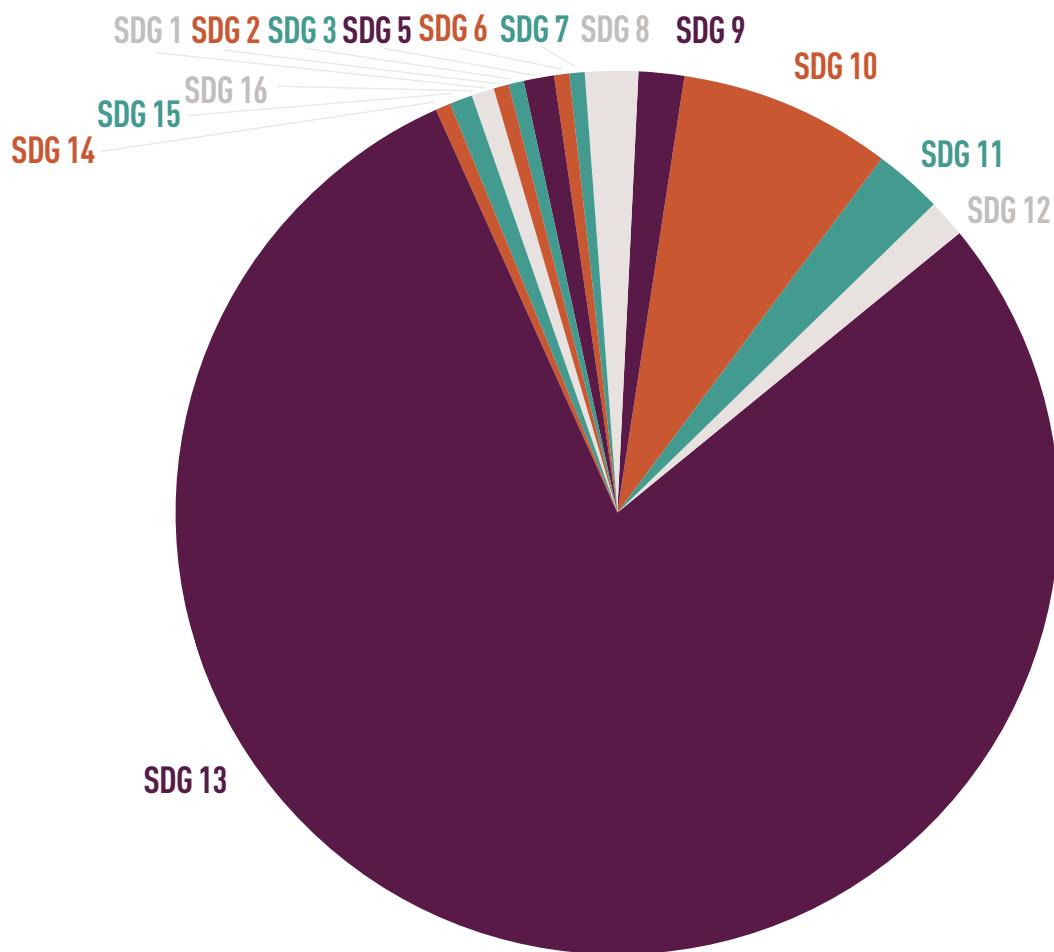
POSITION ENGAGED



COMPANY DOMICILES



ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS

SDG 1: No Poverty	1
SDG 2: Zero Hunger	3
SDG 3: Good Health and Well-Being	3
SDG 4: Quality Education	0
SDG 5: Gender Equality	5
SDG 6: Clean Water and Sanitation	4
SDG 7: Affordable and Clean Energy	3
SDG 8: Decent Work and Economic Growth	10
SDG 9: Industry, Innovation, and Infrastructure	9
SDG 10: Reduced Inequalities	38
SDG 11: Sustainable Cities and Communities	10
SDG 12: Responsible Production and Consumption	7
SDG 13: Climate Action	426
SDG 14: Life Below Water	3
SDG 15: Life on Land	4
SDG 16: Peace, Justice, and Strong Institutions	4
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

COMPANY PROGRESS REPORT

397 companies were engaged over the quarter. This number includes 368 letters sent to the FTSE All Share on presenting a climate transition plan to shareholders for approval at their AGMs. Letters were not sent to investment trusts. Excluding this engagement, LAPFF engaged with 54 companies.

Company/Index	Activity	Topic	Outcome
ADIDAS AG	Sent Correspondence	Human Rights	Awaiting Response
AIA GROUP LTD	Meeting	Climate Change	Awaiting Response
AIRTEL AFRICA PLC	Received Correspondence	Governance (General)	Dialogue
AMAZON.COM INC.	Sent Correspondence	Human Rights	Awaiting Response
ASSOCIATED BRITISH FOODS PLC	Sent Correspondence	Human Rights	Awaiting Response
BANK HAPOALIM B M	Sent Correspondence	Human Rights	Awaiting Response
BANK LEUMI LE-ISRAEL BM	Sent Correspondence	Human Rights	In Dialogue
BARCLAYS PLC	Sent Correspondence	Climate Change	Awaiting Response
BERKSHIRE HATHAWAY INC.	Sent Correspondence	Human Rights	Awaiting Response
BIFFA PLC	Received Correspondence	Governance (General)	Significant Improvement
BRITVIC PLC	Meeting	Campaign (General)	Dialogue
BT GROUP PLC	Sent Correspondence	Remuneration	Awaiting Response
CENTAMIN PLC	Received Correspondence	Governance (General)	Change in Progress
CHIPOTLE MEXICAN GRILL INC	Meeting	Environmental Risk	Small Improvement
CLS HOLDINGS PLC	Sent Correspondence	Governance (General)	Awaiting Response
CONSTELLATION BRANDS INC.	Meeting	Environmental Risk	No Improvement
DIRECT LINE INSURANCE GROUP PLC	Received Correspondence	Governance (General)	Dialogue
DRAX GROUP PLC	Received Correspondence	Environmental Risk	Small Improvement
FORD MOTOR COMPANY	Sent Correspondence	Human Rights	Awaiting Response
FRASERS GROUP PLC	Sent Correspondence	Governance (General)	Awaiting Response
GENERAL MILLS INC	Sent Correspondence	Human Rights	Awaiting Response
GENERAL MOTORS COMPANY	Meeting	Climate Change	Change in Process
GENUIT GROUP PLC	Received Correspondence	Governance (General)	Significant Improvement
GRAFTON GROUP PLC	Received Correspondence	Governance (General)	Significant Improvement
HENNES & MAURITZ AB [H&M]	Sent Correspondence	Human Rights	Awaiting Response
HILL & SMITH PLC	Received Correspondence	Governance (General)	Dialogue
ICADE	Meeting	Employment Standards	Dialogue
ISRAEL DISCOUNT BANK LTD	Sent Correspondence	Human Rights	Awaiting Response
JBS SA	Sent Correspondence	Human Rights	Awaiting Response
JD SPORTS FASHION PLC	Received Correspondence	Governance (General)	Significant Improvement
JTC PLC	Received Correspondence	Governance (General)	Change in Progress
KINGFISHER PLC	Sent Correspondence	Remuneration	Awaiting Response
MARUBENI CORP	Meeting	Diversity Equity and Inclusion	Small Improvement
MCDONALD'S CORPORATION	Meeting	Supply Chain Management	No Improvement
MITSUBISHI UFJ FINANCIAL GRP	Meeting	Climate Change	Dialogue
MIZRAHI TEFAHOT BANK LTD	Sent Correspondence	Human Rights	Awaiting Response
NCC GROUP PLC	Received Correspondence	Governance (General)	Significant Improvement
NESTLE SA	Meeting	Climate Change	Small Improvement
NEXT PLC	Sent Correspondence	Human Rights	Awaiting Response
OTSUKA CORPORATION	Meeting	Diversity Equity and Inclusion	Small Improvement
PEPSICO INC.	Sent Correspondence	Human Rights	Awaiting Response
RIO TINTO PLC	Alert Issued	Climate Change	Dialogue
RPS GROUP PLC	Received Correspondence	Governance (General)	Dialogue
SHELL PLC	Sent Correspondence	Climate Change	Awaiting Response
STANDARD CHARTERED PLC	Sent Correspondence	Climate Change	Awaiting Response
STARBUCKS CORPORATION	Alert Issued	Social Risk	Dialogue
THE KRAFT HEINZ COMPANY	Meeting	Other	No Improvement
TP ICAP GROUP PLC	Received Correspondence	Governance (General)	Significant Improvement
UNILEVER PLC	Sent Correspondence	Human Rights	Awaiting Response
UNITED OVERSEAS BANK LTD	Meeting	Climate Change	Moderate Improvement
VIDENDUM PLC	Received Correspondence	Governance (General)	Change in Progress
VODAFONE GROUP PLC	Sent Correspondence	Remuneration	Awaiting Response
VOLVO AB	Meeting	Environmental Risk	Dialogue
WALMART INC.	Sent Correspondence	Human Rights	Awaiting Response

LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Avon Pension Fund	Enfield Pension Fund	Leicestershire Pension Fund	Suffolk Pension Fund
Barking and Dagenham Pension Fund	Environment Agency Pension Fund	Lewisham Pension Fund	Surrey Pension Fund
Barnet Pension Fund	Essex Pension Fund	Lincolnshire Pension Fund	Sutton Pension Fund
Bedfordshire Pension Fund	Falkirk Pension Fund	London Pension Fund Authority	Swansea Pension Fund
Berkshire Pension Fund	Gloucestershire Pension Fund	Lothian Pension Fund	Teesside Pension Fund
Bexley (London Borough of)	Greater Gwent Pension Fund	Merseyside Pension Fund	Tower Hamlets Pension Fund
Brent (London Borough of)	Greater Manchester Pension Fund	Merton Pension Fund	Tyne and Wear Pension Fund
Cambridgeshire Pension Fund	Greenwich Pension Fund	Newham Pension Fund	Waltham Forest Pension Fund
Camden Pension Fund	Gwynedd Pension Fund	Norfolk Pension Fund	Wandsworth Borough Council Pension Fund
Cardiff & Glamorgan Pension Fund	Hackney Pension Fund	North East Scotland Pension Fund	Warwickshire Pension Fund
Cheshire Pension Fund	Hammersmith and Fulham Pension Fund	North Yorkshire Pension Fund	West Midlands Pension Fund
City of London Corporation Pension Fund	Haringey Pension Fund	Northamptonshire Pension Fund	West Yorkshire Pension Fund
Clwyd Pension Fund (Flintshire CC)	Harrow Pension Fund	Nottinghamshire Pension Fund	Westminster Pension Fund
Cornwall Pension Fund	Havering Pension Fund	Oxfordshire Pension Fund	Wiltshire Pension Fund
Croydon Pension Fund	Hertfordshire Pension Fund	Powys Pension Fund	Worcestershire Pension Fund
Cumbria Pension Fund	Hillingdon Pension Fund	Redbridge Pension Fund	
Derbyshire Pension Fund	Hounslow Pension Fund	Rhondda Cynon Taf Pension Fund	
Devon Pension Fund	Isle of Wight Pension Fund	Scottish Borders Council Pension Fund	
Dorset Pension Fund	Islington Pension Fund	Shropshire Pension Fund	
Durham Pension Fund	Kensington and Chelsea (Royal Borough of)	Somerset Pension Fund	
Dyfed Pension Fund	Kent Pension Fund	South Yorkshire Pension Authority	
Ealing Pension Fund	Kingston upon Thames Pension Fund	Southwark Pension Fund	
East Riding Pension Fund	Lambeth Pension Fund	Staffordshire Pension Fund	
East Sussex Pension Fund	Lancashire County Pension Fund	Strathclyde Pension Fund	

Pool Company Members

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

Responsible Investment – Common terms

Carbon Risk Management: How well a company is managing ESG risk and opportunities in respect of climate change.

Clean Technology/ Weight in Clean Technology: the weight of a portfolio invested in companies whose products and services include clean technology. Products and services eligible for inclusion include Alternative Energy, Energy Efficiency, Green Building, Pollution Prevention, Sustainable Water.

Coal Reserves/ Portfolio exposure to thermal coal reserves: the weight of a portfolio invested in companies that own thermal coal reserves.

Divestment/exclusion/negative screening: The exclusion, usually on moral grounds, of particular types of investment.

Engagement: dialogue with a company concerning particular aspects of its strategy, governance, policies, practices, and so on. Engagement includes escalation activity where concerns are not addressed within a reasonable time frame.

ESG Factors: determinants of an investments likely risk or return that relate to issues associated with the environment, society or corporate governance.

Financed emissions: The Greenhouse gas emissions linked to the investment and lending activities of Financial institutions such as banks, insurers and investment managers.

Fossil Fuel Reserves/ Portfolio exposure to fossil fuel reserves: the weight of a portfolio invested in companies that own fossil fuel reserves.

Physical risk/ climate physical risk: the financial risks and opportunities associated with the anticipated increase in frequency and severity of extreme weather events and other phenomena, including storms, flooding, sea level rise and changing seasonal extremities.

Portfolio Carbon Footprint/ Carbon Footprint: A proxy for a portfolio's exposure to potential climate-related risks (especially the cost of carbon), often compared to a performance benchmark. It is calculated by working out the carbon intensity (Scope 1+2 Emissions / \$M sales) for each portfolio company and calculating the weighted average by portfolio weight.

Responsible Investment: the integration of financially material environmental, social and corporate governance (ESG) factors into investment processes both before and after the investment decision.

Scope 1 Greenhouse Gas Emissions: Direct emissions from owner or sources controlled by the owner, including: on-campus combustion of fossil fuels; and mobile combustion of fossil fuels by institution-controlled vehicles.

Scope 2 Greenhouse Gas Emissions: Indirect emissions from the generation of purchased energy

Scope 3 Greenhouse Gas Emissions: Indirect emissions that are not controlled by the institution but occur as a result of that institutions activities. Examples include commuting, waste disposal and embodied emissions from extraction.

SDG: Sustainable Development Goals established by the UN Department for Economic and Social Affairs. There are 17 goals in total and each goal has a number of sub targets that support the overall goal. A list of the 17 high level goals is shown at the end of this glossary.

Stewardship: the promotion of the long-term success of companies in such a way that the ultimate providers of capital also prosper, using techniques including engagement and voting.

TCFD: Taskforce on Climate Related Financial Disclosures, A body established by the Financial Stability Board, providing a best practice framework for climate related disclosures.

Transition risk/ climate transition risk: the financial risks and opportunities associated with the anticipated transition to a lower carbon economy. This can include technological progress, shifts in subsidies and taxes, and changes to consumer preferences or market sentiment.

Voting: the act of casting the votes bestowed upon an investor, usually in virtue of the investor's ownership of ordinary shares in publicly listed companies.

UN Sustainable Development Goals

- 1 - End poverty in all its forms everywhere
- 2 – End hunger, achieve food security and improved nutrition and promote sustainable agriculture.
- 3 – Ensure healthy lives and promote well being for all at all ages.
- 4 – Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.
- 5 – Achieve gender equality and empower all women and girls.
- 6 – Ensure availability and sustainable management of water and sanitation for all.
- 7 – Ensure access to affordable, reliable, sustainable, and modern energy for all.
- 8 – Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all.
- 9 – Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.
- 10 – Reduce inequality within and among countries.
- 11 – Make cities and human settlements inclusive, safe, resilient, and sustainable.
- 12 – Ensure sustainable consumption and production patterns.
- 13 – Take urgent action to combat climate change and its impacts.
- 14 – Conserve and sustainably use the oceans, seas, and marine resources for sustainable development.
- 15 – Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

16 – Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable, and inclusive institutions at all levels.

17- Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development.

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<u>Committee and Date</u>	<u>Item</u>
Pensions Committee	9
23 June 2023	
10.00am	
	<u>Public</u>

PENSIONS ADMINISTRATION MONITORING REPORT

Responsible Officer: Debbie Sharp
Email: Debbie.sharp@shropshire.gov.uk
Tel: (01743) 252192

1. Synopsis

- 1.1. The report provides members with monitoring information on the performance of and issues affecting the pensions administration team.

2. Executive summary

- 2.1. Detail is provided on team workloads and performance. Project updates such as new pension administration system and the implementation of a newer version of the payroll module are also covered together with information on the 2023/2024 communication plans with retired, active, and deferred members.
- 2.2. Updates have been provided on key national issues of the McCloud remedy, annual and lifetime allowance changes, State Pension Age review, Gender Pensions Gap Report, SCAPE discount rate, Pensions Dashboard and The Pension Regulator's Code of Practice.

3. Recommendations

- 3.1. Members are asked to accept the position as set out in the report.

REPORT

4. Risk Assessment and Opportunities Appraisal

4.1. Risk Management

Performance is considered and monitored to ensure regulatory timescales and key performance indicators are adhered to. Administration risks are identified and managed and are reported to committee on an annual basis.

4.2. Human Rights Act Appraisal

The recommendations contained in this report are compatible with the Human Rights Act 1998.

4.3. Environmental Appraisal

There is no direct environmental, equalities or climate change consequence of this report.

5. Financial Implications

5.1. Managing team performance and working with other administering authorities ensures costs to scheme employers for scheme administration are reduced. Complying with the national requirement to provide data to the Pension Dashboards will increase costs for the fund. These are presently unquantifiable. Compliance with the proposed Pensions Regulator's (TPR) one code will also increase fund costs.

6. Climate change appraisal

6.1. Energy and fuel consumption: No effect
Renewable energy generation: No effect
Carbon offsetting or mitigation: No effect
Climate Change adaptation: No effect

7. Performance and Team Update

7.1. The team's output and performance level to April 2023 is attached at **Appendix A**. The chart shows either single standalone tasks or tasks that are part of a case. Cases are a complete process that hold steps (tasks) for a procedure to be completed. The chart shows that tasks outstanding peaked towards the end of the quarter as did outstanding cases, with the completed number falling. During the last quarter the team have also been working on several large projects. This has included the move to external hosting of the pensions administration system. On top of normal duties, team members have undertaken a huge amount of testing on the external hosting environment as well as managing with a significant amount of "downtime" leading up to switching off the on premise hosting and go live of the external hosting environment.

7.2. The i-Connect system, that collects the data uploaded by employers monthly, automatically creates workflow cases following each submission. These are mainly in respect of starters and leavers to the scheme. These tasks must be sorted to identify those that are true new starters and leavers, from those that have transferred a post with their employer. This means that tasks can be outstanding for a two-month period before they can be checked and completed manually. The chart produced has outstanding tasks that cannot be completed, but due to the nature of these tasks, they cannot follow the usual "out of office" rules where they would be excluded from the statistics. The leaver process is also set to leave the i-Connect task open until a leavers form has been received from the employer.

7.3. At the last committee it was reported that a vacancy had arisen on the Systems and Support team following a retirement on 31 December 2022. This vacancy has now been successfully filled and the new team member has been in post for three weeks. Training has been ongoing for

the completion of the i-Connect tasks and the backlog is hoping to be completed during the next quarter.

- 7.4. All employers completed their month 12 i-Connect data submission. Data cleansing is now being undertaken by the team. This checks that all active records have complete CARE and final salary pay on records. Sense checks to the previous year's data are then undertaken. Queries and discrepancies are sent to employers. Data accuracy is vital ahead of annual allowance tax checks and annual benefit statement production during the summer.
- 7.5. Employers are required to submit two forms at year end – one a reconciliation of the contributions deducted and provided in their monthly submission to the payments made and the other a compliance statement to give the fund assurance that they are adhering to the scheme rules. At the time of writing this report, 82% of forms had been received. These have to be checked against the payments received by the fund, as well as a check that employer contributions look correct against the total pay for the year loaded at month 12. Queries from these checks are also raised with employers.
- 7.6. Following the 2022 valuation, employers were required to apply new contribution rates from April 2023. Unfortunately, checks identified 40 employers (26%) did not apply the new rate. This was due to either miscommunication at the employer's organisation or a misunderstanding of the statement sent. In most cases, this has resulted in the employer overpaying employer contributions which will need correcting. Feedback has been given to the fund actuary and steps will be put in place to minimise this at the next triennial valuation.
- 7.7. A staff vacancy has recently arisen within the Communications & Governance team for a permanent senior position and has been advertised externally.

8. Chartered Institute of Public Finance and Accountancy (CIPFA) Benchmarking Club

- 8.1. The Pensions Administration Team takes part in the CIPFA Benchmarking Club which compares the cost of administering LGPS pension funds nationally. Shropshire took part in the 2022 exercise and have recently been given access to the findings via a portal. Officers experienced issues extracting all the usual data from the CIPFA portal but have now been successful and can report the following highlights:
- 8.2. The fund has continued to remain under the average net cost per member for pension administration. In 2021/2022, the fund had a net cost of £19.29 per member against the average cost per member for all authorities taking part in the survey of £21.41. For the specific area of benefit processing, the fund is under the average cost per member at £6.23 compared to the average of the group of £12.58 which demonstrates that investment in technology has ensured that processing costs remain low. For member engagement, the fund's costs are £2.59,

which was above the average of the group of £1.79 and shows the commitment that the fund has made in this area, and the importance of the member self-service platform to allow scheme members to view their pensions accounts and perform benefit quotations. Three graphs from the exercise have been included at **Appendix B**.

9. Help Desk Statistics

9.1. The following chart shows statistics on the work undertaken by the helpdesk team not covered by the workflow system and reported with the wider team statistics in Appendix A.

9.2. Due to two Bank Holidays in April 2023 as well as periods of staff sickness, the number of telephone calls answered reduced. The team instead encouraged members to contact them via email and 100% of these were responded to within three working days. Members were also encouraged to use the self-serve facility on 'My Pension Online' which saw a substantial number of member updates in March and April 2023 when compared with February 2023. The team was also impacted by system downtime in early May 2023 as part of the move to an externally hosted environment which meant the team were unable to answer individual queries as they could not access the required member data.

	February 2023	March 2023	April 2023
Telephone calls received to helpdesk team	780	721	686
% of calls answered	93%	87%	82%
Emails received to pensions@shropshire.gov.uk	1,115	1,286	879
% of emails responded to within 3 working days	100%	100%	100%
My Pension Online activation keys issued	109	91	81
Member updates made through My Pension Online	398	658	594
Opt out requests directly dealt with by helpdesk	44	46	51
Incoming post received and indexed to the pensions administration system	4,360	5,662	2,690
1-2-1 video appointments held with scheme members	51	28	36
Users visiting the website	2,748	3,496	3,205

10. Communications and Governance

10.1. The fund monitors member take-up of its online member self-service (MSS), known by members as 'My Pension Online'. The annual benefit statements for both active and deferred members are available to view

online unless a member has requested a paper copy. As at 31 March 2023, a total of 49% active members and 42% of deferred members and 47% of pensioner members were registered to view their records on 'My Pension Online'.

10.2. Newsletters, being drafted currently, will be sent with the annual benefits statements to deferred and active members by the statutory deadline of 31 August 2023. This is a collaboration and has been running for eight years. It is organised by Shropshire officers and coordinates collaboration between 12 funds. The collaboration enables the funds taking part to save money on design costs and resource time in drafting the articles. Both newsletters are reviewed by the Plain English Campaign and have been awarded the Crystal Mark each year. Topics covered this year will include:

- Changes to the annual allowance and lifetime allowance
- Pension scams
- Help with the cost-of-living crisis
- McCloud remedy
- Changes to the state pension age
- Changes to the CARE revaluation date

10.3. As reported at the December 2022 meeting, amendments were agreed by the committee chair and Head of Pensions – LGPS Senior Officer, to the Governance Compliance Statement to state how the standard items/topics which have historically been presented at an in-person annual meeting will now be delivered in a different way. This is mainly due to the meetings over the last few years not being able to go ahead as result of the COVID-19 pandemic but also because all this information is now readily available on the fund's website through; annual report & accounts, investment performance, actuarial valuation reports, administration updates, climate strategy & stewardship plan, climate risk reports, TCFD reports, responsible investment information, LGPS pooling updates/information, general policies and newsletters with regular scheme updates. Committee and board meetings are also live streamed and recorded so available for the membership to view each quarter. Following committee approval of the updated Governance Compliance Statement in December 2022 no members have contacted the Fund requesting an in-person annual meeting again as the information is now available and delivered in a different format. The Chair continues to support the revised approach agreed previously at Committee.

10.4. In March and April 2023, the Communications and Governance Team hosted four webinars; 'Get to know your pension'. Active scheme members were invited to join one of the hour-long webinars to find out more about the Local Government Pension Scheme and the benefits of being a member. The webinars had two aims: to increase the take-up of 'My Pension Online' and to educate scheme members on the pension scheme benefits, particularly during the current cost-of-living crisis. The webinar covered the most frequently asked questions officers receive through the pension's helpdesk:

- How much does my employer pay?
- When can I retire?
- How does my pension build up?
- What will I get when I retire?

An increase in registration numbers for 'My Pensions Online' in March and April was experienced following the webinars. In total, 373 members attended the webinars and 110 provided feedback. 99% of respondents felt they knew more about their pension after attending. When asked if members would attend further webinars about pensions, 93% responded 'yes'; with 31% preferring a mixture of both in-person and virtual presentations going forward but, the majority preferring virtual delivery. 53% of respondents were aged between 36-55. A question was asked in the feedback form about topics for future webinars, the key responses were: more in depth explanations of additional voluntary contributions (AVCs), transferring pensions, flexible retirement, scenario-based examples and 1:1s.

- 10.5. All Pension Committee and Pension Board meetings are now live streamed and recorded and available on the council's website for scheme members and the public to view. The Pension Committee has a Pensioner Representative and a Scheme Member representative on it for any scheme member queries. The Pension Board consists of three scheme member and three employer representatives which can be contacted by members, all details are provided in the annual report on the pension fund's website. The Pension Investment & Administration Team are also available for 1-2-1 meetings with scheme members and employers and can be contacted directly via email or over the phone.
- 10.6. An employer update is sent monthly via an email bulletin to all registered contacts at participating employers within the fund. The topics covered in the last quarter were:

February 2023:

- Employee contribution bands 2023/2024
- Employer role training
- i-Connect webinar recap
- Presentation slides and employer guides

March 2023:

- Year-end details
- Employer 1to1s offered
- Updated policies – climate stewardship plan, employer events policy, funding strategy statement, reporting breaches policy and training policy
- 2022 actuarial valuation report on website
- New member form and brief scheme guide updates

April 2023:

- Pension administration system unavailable next week
- Outsourcing a contract? Let us know
- Employer 1to1s offered
- Year end reminder
- SCAPE rate
- Backdated pay award FAQs
- HR and payroll guides
- Employer role training
- InTouch magazine

10.7. 1to1 sessions delivered in person at workplaces have been offered to all employers. One employer has expressed an interest in holding these and this is currently being arranged. A presentation to all members and then 1to1 sessions for members to discuss their individual circumstances is being arranged.

10.8. The 2023 employers meeting is due to take place on 14 November 2023. This meeting will be advertised to all employers by a Govdelivery update in June 2023 and a post on the fund's website.

11. Employer performance

11.1. In line with the Shropshire County Pension Fund's administration strategy, employers must pay their contributions by the 19th of the month. Accompanying data must also be submitted via i-Connect by this date. The below table shows the percentage of employers who have met the deadline over this quarter. This table also includes information about employers who make monthly deficit payments. Information about employers who did not meet these deadlines is covered in the governance report.

	Feb 2023	March 2023	April 2023
i-Connect data	95.50%	95.50%	96%
Monthly contributions	97%	99%	96%
Monthly deficit	93%	92%	100%

12. Spring Budget – Annual and Lifetime Allowance Changes

12.1. The Spring Budget delivered on 15 March 2023 announced a number of major changes to the taxation of pension benefits. These changes came into effect from 6 April 2023. A summary of the key changes is set out below:

- Increasing the annual growth allowance from £40,000 to £60,000
- Increasing the adjusted income level for the tapered annual allowance (from £240,000 to £260,000) and the minimum tapered annual allowance (from £4,000 to £10,000).
- Abolishing lifetime allowance charges for benefit crystallisation events occurring on or after 6 April 2023.

- Changing the taxation of any lifetime allowance excess lump sum to be at marginal rate not 55%, with similar changes to serious ill-health / death benefit lump sum payments.
- Allowing members to accrue new benefits/join new schemes/transfer without losing enhanced/fixed protection (where applied for prior to the budget).

12.2. Alongside the above changes it was confirmed that the maximum tax-free lump sum available to members would remain the same. Given that the Lifetime allowance itself will not be abolished until 2024/2025 (through a further Finance Bill), the fund still need to undertake checks in the 2023/2024 tax year albeit charges will be different/not applicable and do not need to be reported. Whilst positive changes for members (albeit a relatively small proportion of the overall LGPS membership given the benefit profile), the changes have meant a number of amendments to team processes and communications.

13. Guides updated

13.1. The LGA has updated the following guides and the fund has put the updated versions on its website.

- Councillors full guide version
- Annual allowance factsheet for members
- AVC member guide version
- April 2014 update for councillors in England
- Payroll guide
- HR guide

The new versions have also been amended to reflect the annual updates for 2023/2024.

13.2. Most of the changes in the above guides were due to the budget announcements about pension tax allowance changes. The team has also updated all references to lifetime and annual tax allowances on the website, letters to members as well as scheme guides, to reflect the changes announced by the Chancellor and has also added a Hymans factsheet on the changes to the website.

14. McCloud remedy

14.1. On 30 May 2023, [DLUHC published a consultation and draft regulations](#) concerning the McCloud remedy. The consultation closes on 30 June 2023. The consultation seeks views on proposals to address discrimination found by the courts in the McCloud case. This follows the Government's response published in April 2023. DLUHC is consulting on new approaches in certain areas that reflect responses to the 2020 consultation and more closely align the LGPS to policies adopted by other public service pension schemes. DLUHC is seeking views on the following proposals:

- No aggregation requirement: underpin protection will extend to a new pension account that started before 1 April 2022, even if the earlier period of membership is not aggregated, as long as there has not been a disqualifying break. – Fund response – Agree.
- Previous membership of another public service pension scheme on or before 31 March 2012: a member will qualify for underpin protection because of earlier membership of another public service pension scheme, even if the pension rights from the other scheme have not been transferred to the LGPS, as long as there has not been a disqualifying break. – Fund response – It is not clear how this can be applied easily.
- Flexible retirement: a member with underpin protection who takes flexible retirement before 1 April 2022 will also have underpin protection on any benefits built up after flexible retirement and before the end of the underpin period. The consultation also considers how the underpin will operate when a member takes partial flexible retirement. Fund response – Agree this is fair treatment of members.

14.2. The consultation covers topics that were not included in the 2020 consultation. These include:

- policies for individuals with excess teacher service
- when a member may be paid compensation if they have suffered a loss relating to the discrimination found in the McCloud case or the McCloud remedy
- the interest terms that will apply when payments are made late due to the McCloud discrimination.

14.3. You can access the consultation documents on the [Scheme consultations](#) page of www.lgpsregs.org

14.4. DLUHC flags that the administrative requirements of the McCloud remedy will be significant and that funds should be putting in place resourcing plans to ensure administrators are equipped to tackle the additional work. It will finalise the regulations after considering the responses to the further consultation. These will come into force on 1 October 2023, with backdated effect to 1 April 2014.

15. State Pension Age review

15.1. On 30 March 2023, DWP published its 2023 review of the State Pension age. The review confirms that the rise to age 67 between 2026 and 2028 is still appropriate, however, the Government does not intend to change existing legislation that increases the State Pension age to age 68 (over the period 2037 to 2039). Instead, the Government plans to have a further review within two years of the next Parliament where the timing of a rise to age 68 will be considered further. This report must be published no later than 29 March 2029.

15.2. The House of Commons Library has produced an updated briefing paper about the State Pension age, how the State Pension age is reviewed and the accompanying timetable. The paper can be found at <https://commonslibrary.parliament.uk/research-briefings/sn06546>

16. The Pensions Regulator New General Code

16.1. The Pensions Regulator's New General Code (formerly referred to as the Single Code of Practice) is still expected to be published in its final form in the next few months. It will come into force following a 40-day period of laying in Parliament and will then become the new Code for Public Service Pension Schemes to comply with.

16.2. The code will consolidate and re-write a number of existing codes, formalise the requirement for an effective system of governance, and (for pension schemes with 100 or more members) introduce the new own risk assessment. New actuarial, internal audit and risk functions will also be required, and cyber risk, stewardship and climate change will be included in a code of practice for the first time.

16.3. The move from one dedicated code for public service pension schemes to a general code for all schemes will require fresh thinking in how to interpret requirements and from that how best to assess and demonstrate compliance with this new code.

16.4. The Pensions Regulator has also issued its corporate plan for 2023/2024 setting out its priorities for the year ahead. The plan outlines TPR's key priorities for the year. These include:

- working with the Financial Conduct Authority and DWP to develop a value for money framework 8
- launching the new defined benefit funding code
- laying foundations for a significant increase in addressing quality outcomes in defined contribution schemes
- increasing its attention on tackling scammers
- supporting schemes to prepare for dashboards
- This can be read at [Corporate Plan 2023 to 2024 | The Pensions Regulator](#)

17. Pensions Dashboard

17.1. The Pensions Dashboards Programme (PDP) commissioned Ipsos to undertake research to help develop consent and authorisation wording for dashboards. A research group covering a range of ages, income levels and pension types was asked to provide feedback on draft versions of consent and authorisation wording that would appear on dashboards. The wording explained what the Money and Pensions Service would and would not do with users' data and asked for consent for these uses. The feedback was positive and will be used to further shape the wording.

17.2. In May 2023, PDP published their [Progress update report on dashboards](#). There are articles on:

- the Department for Work & Pensions (DWP's) written ministerial statement on pensions dashboards connection times confirming that there will be an update before parliamentary recess in July
- programme reset following the written ministerial statement – reset got underway on 20 March and more information will be available before parliamentary recess in July
- consent comprehension research - a research into users' understanding of how their data will be used during the dashboards journey
- preparing for dashboards – connection, data, matching, awareness and understanding legal and regulatory obligations
- updates from DWP, the Financial Conduct Authority and the Pensions Regulator
- useful resources
- subscribing to PDP's newsletter

17.3. Further information can be found on the Pensions Dashboard Programme website at
<https://www.pensionsdashboardsprogramme.org.uk>

18. Scheme Advisory Board

18.1. The Scheme Advisory Board (SAB) website has recently been updated. The content remains the same, though the look of the site has changed. The SAB encourages users to visit the site. You can use the links below to find out about the work of the SAB and its committees:

- [SAB meeting and agenda papers](#)
- [committee meetings and agenda papers](#)
- [news items](#)

18.2. The SAB secretariat would like to highlight two key news stories this month: Statement on FOI requests on climate advice and data On 30 March 2023, the Board published a [statement on Freedom of Information \(FOI\) requests on climate advice and data](#). The board is aware of the increasing prevalence of information requests about responsible investment policies. These may come from interested scheme members or activist groups and can be "round robin" requests that are made to all administering authorities with a view to collating information across the scheme and making comparisons between authorities' responses. The statement provides advice on dealing with these requests.

18.3. The SAB received legal advice suggesting it should instruct an expert in Islamic finance to provide evidence on a range of issues around sharia compliance in the LGPS. The SAB has commissioned expert advice from Amanah Associates and their report will be due later in the summer.

19. Gender pensions gap report

19.1. On 29 March 2023, the SAB published a report on the gender pensions gap in the LGPS from the Government Actuary's Department. The report provides an initial overview of the gender pensions gap in the LGPS, based on data from the 2020 scheme valuation. It shows the difference (in men's favour) is 34.7 per cent in the CARE scheme and 46.4 per cent in the final salary scheme. The SAB notes that these findings need to be interpreted with caution. The SAB will do further work to understand the data and investigate causes, as well as considering possible next steps.

20. SCAPE discount rate and impact to actuarial factors

20.1. On 30 March 2023, the Chief Secretary to the Treasury issued a written ministerial statement that announced that the Superannuation Contributions Adjusted for Past Experience (SCAPE) discount rate had been reduced to a real rate of 1.7% per annum above CPI, from the previous real rate of 2.4% per annum. Although this change does not impact contribution rates for the LGPS, set as part of a triennial actuarial valuation exercise, in the same way it impacts employer contribution rates in the other, unfunded, public sector schemes, there will be an impact on the LGPS given the SCAPE rate is used by GAD to set actuarial factors, which will impact early retirements / transfer values etc. Member calculations are currently suspended whilst factors are reviewed by GAD, which will of course have administrative implications for the fund. The fund's actuary will be undertaking a review of early retirement strain cost factors once GAD have updated the early retirement reduction factors.

20.2. On 25 May 2023, the LGA met with DLUHC to discuss the publication of the revised factors and was told they were imminent. The factors will be published on the actuarial guidance page of www.lgpsregs.org together with a revised transitional table. The first set of factors have now been received. Further sets are awaited.

20.3. At the same time a response to the June 2021 consultation on the methodology for deriving the SCAPE discount rate was also published. This confirmed that the rate will continue to be based on long term gross domestic product (GDP) growth figures with an aim to review the rate every four not five years going forwards in line with the scheme valuation cycle.

21. CARE Revaluation Date

21.1. On 9 March 2023, DLUHC published its response to the consultation issued in February 2023 setting out proposals to change the annual revaluation date for the LGPS from 1 April to 6 April. The response confirmed that the change would take place and on the same day the LGPS (Amendment) Regulations 2023 were laid (coming into effect on 31 March 2023). Whilst the changes made will have reduced the number of members impacted by the 2022/2023 annual allowance charge (and thereby reduced the burden on funds to prepare statements/respond to queries etc.), in the short-term the timing of the change has had an impact on funds and software suppliers with central guidance provided to

funds to assist with managing the change until such time systems would be updated.

22. Guarantee for academy trusts outsourcings arrangements

22.1. On 17 May 2023, the [Department for Education \(DfE\) published their policy](#) for guaranteeing the outsourcing arrangements of academy trusts in England. Education and Skills Funding Agency (ESFA) approval is no longer required by academy trusts seeking pass-through arrangements with their administering authorities for outsourcing contracts for employees covered by the DfE Guarantee policy. The DfE Guarantee covers employees eligible for the LGPS who:

- are working for the academy trust, who are transferred to a contractor or on future re-tenders as part of an outsourcing contract
- were working for the local authority in a maintained school, then transferred to a contractor under TUPE, prior to the school becoming an academy, and where the outsourcing contract has passed to the academy trust following conversion to an academy
- are working for the local authority, which is providing services to the academy trust under a contract, and the trust decides to outsource this contract to a third-party provider. Therefore, the employees transfer from the local authority to the new contractor.

22.2. Key points:

1. Provided the circumstances of an outsourcing contract match one or more of the scenarios outlined in the policy document the academy trust does not need to seek ESFA approval for pass-through arrangements.
2. If the circumstances of an outsourcing contract are not covered in the policy document, the academy trust must seek ESFA approval using the Education and Skills Funding Agency enquiry form.
3. All contracting arrangements currently in place that meet the criteria outlined in the policy document are eligible for pass-through under the DfE Guarantee.
4. Where academy trusts have already entered arrangements that do not meet the criteria outlined in the policy document, they may discuss alternative options with the relevant administering authority.
5. Under a pass-through arrangement, if the contractor external to the academy trust ceases to trade, then the LGPS liabilities will remain with the trust. The trust may then choose to seek a new provider or bring services in-house.
6. The policy means the administering authority should no longer require a bond for pension liabilities. However, if they insist, that would be for the external contractor to provide, as an academy trust cannot provide a bond for LGPS pension liabilities.

23. Frozen refund project

23.1. The team are contacting scheme members with historic frozen refunds. These members are not entitled to a benefit in the fund and did not claim

the refund at the time of leaving the pension fund. Between January 2023 to April 2023, 441 pre-2008 leavers (with a current address) were contacted. To date 102 have responded and a refund has been made to the member. 21 letters have been returned as they do not live at the address held by the fund and will be added to the other cases which we do not hold a current address and we will undertake an address tracing exercise for them. Reminder letters will be sent over the next few months and will include a strong message so that members do not think it is a scam designed to get their bank account details as the fund has received some concerns from members about this.

- 23.2. The next tranche of frozen refunds contacted will be 528 post-2014 frozen refunds over five years old. Interest stops accruing after the five-year mark has been reached.

24. EA2P – Enhanced Admin to Payroll implementation

- 24.1. The fund has started implementation of an enhancement to the payroll function. This new functionality automatically creates the payroll records and passes over the amounts payable from the administration side of the system to the payroll side, to reduce manual input and therefore reduce the risk of wrong amounts being paid. The new functionality requires data cleansing to be undertaken and the three-month implementation project will include two months of intense testing. Training was provided to the team by Heywood on Friday 12 May 2023 and it is hoped the new functionality will go live in August 2023.

25. External Hosting project

- 25.1. The move to Heywood Cloud went live on Wednesday 3 May 2023, a day earlier than planned due to Heywood completing their work ahead of schedule. All User Acceptance Testing was carried out and completed on time with no major issues raised. Shropshire Council IT, Audit and Information Governance were engaged during the whole implementation and provided support and advice where required. The main bulk of the project and implementation is now complete. The next phase is for the fund to be handed over to the Heywood Service Desk at the end of May 2023 and to have a post project review meeting which will include an element of lessons learnt.

26. Recent Legislation

- 26.1. On 2 May 2023, the Pensions Dashboards (Prohibition of Indemnification) Act 2023 received Royal Assent. The act will prohibit trustees and managers of occupational and personal pension schemes from being reimbursed out of scheme assets for any penalties imposed on them under the dashboard regulations. The act applies to the United Kingdom and comes into force on a date determined by the Department for Work and Pensions.
- 26.2. The Local Government Pension Scheme (Amendment) (No.2) Regulations 2023 [S I 2023/522]. These come into force on the 1 June

2023. The changes better align the SAB's cost management process with HM Treasury's (HMT's) reformed cost control process. They give the SAB greater flexibility in the making of recommendations to the Secretary of State where there is a breach. DLUHC's response helpfully re-iterates the SAB process operates before HMT's cost control mechanism. However, it leaves open for further discussion the link with the new "economic check" in HMT's process

27. Consultation on second set of rectification regulations

- 27.1. On 22 May 2023, HMRC launched a consultation on The Public Service Pension Schemes (Rectification of Unlawful Discrimination) (Tax) (No.2) Regulations 2023. The draft regulations supplement The Public Service Pension Schemes (Rectification of Unlawful Discrimination) (Tax) Regulations 2023 ('first set of regulations'), which came into force on 6 April 2023. The first set of regulations modifies various tax legislation, so the correct tax treatment is applied when public service schemes implement the McCloud remedy. The draft regulations propose further modifications.
- 27.2. The consultation closes on 19 June 2023.
- 27.3. It is not felt that a fund response is required.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Pensions Committee Meeting 2 December 2022 Pensions Administration Report

Cabinet Member (Portfolio Holder)

N/A

Local Member

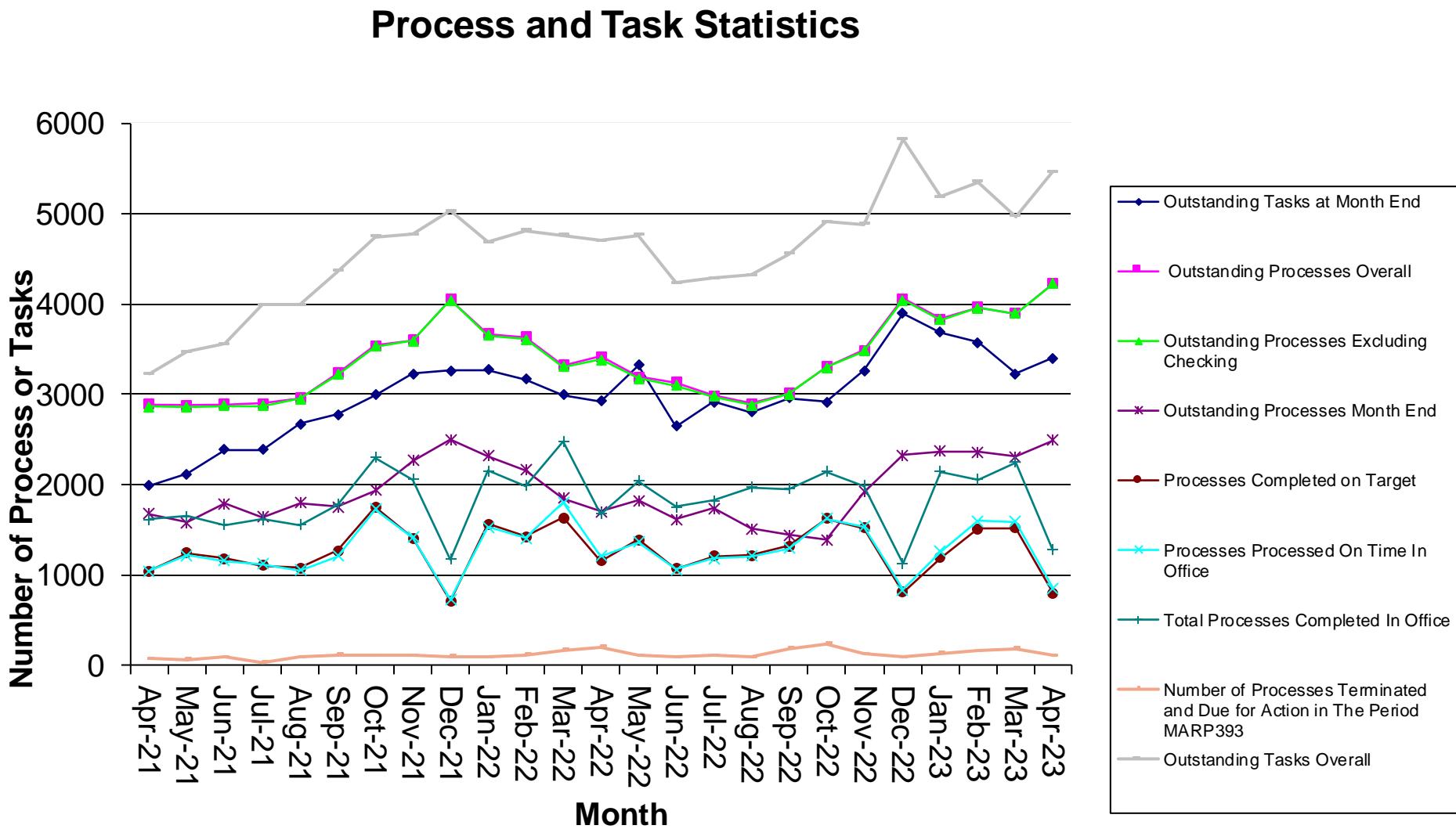
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Appendices

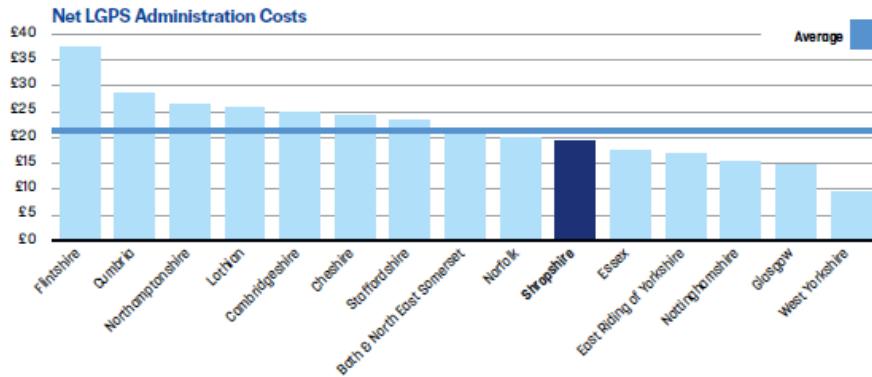
Appendix A – Performance chart

Appendix B – Benchmarking graphs

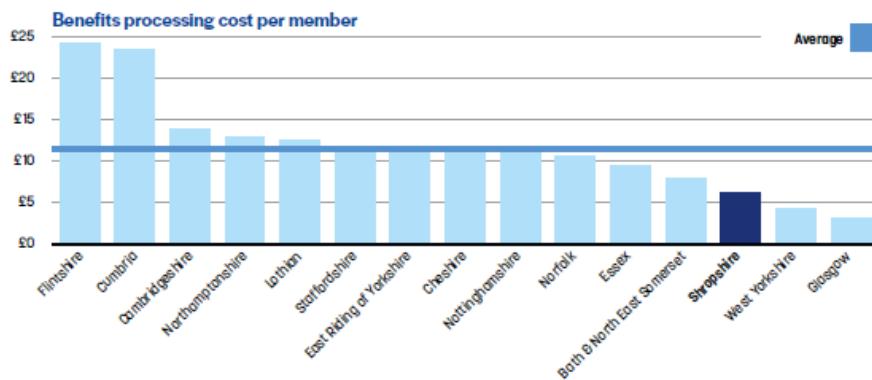
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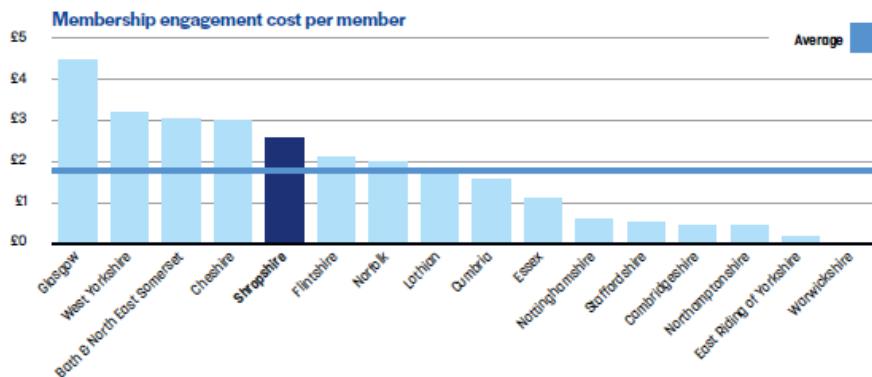
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Graph 1. Illustrates the net cost per member of providing a service to active, retired and deferred members. In 2021/22, the fund had a net cost of £19.29 per member. The average cost per member for all authorities taking part in the survey was £21.41.



Graph 2. In 2021/22, the benefit processing cost was £6.23 per member, which was below the average of the group of £11.58.



Graph 3. In 2021/22, the membership engagement cost per member was £2.59, which was above the average of the group of £1.79.

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Agenda Item 11

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of the Local Government Act 1972.

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Agenda Item 12

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Agenda Item 13

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Agenda Item 14

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Agenda Item 15

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Agenda Item 16

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Agenda Item 17

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