



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

Date: Thursday, 7<sup>th</sup> March 2024

**Committee:**  
**Pensions Committee**

**Date:** Friday, 15 March 2024

**Time:** 9.30 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](mailto: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)  
Helen Macmillan (Employee Representative Shropshire Council)  
Byron Cooke (Employee Representative Telford & Wrekin Council)

**Substitute Members of the Committee:**

Chris Schofield (SC)

Mark Williams (SC)

Andy Burford (T&W)

Paul Watling (T&W)

Vacancy (Pensioner Rep)

Vacancy (SC Employee Rep)

Vacancy (T&W Employee Rep)

Your Committee Officer is:

**Sarah Townsend** Committee Officer

Tel: 01743 257721

Email: [sarah.townsend@shropshire.gov.uk](mailto:sarah.townsend@shropshire.gov.uk)

# AGENDA

## **1 Apologies and Substitutions**

To receive apologies for absence and notification of any substitutions.

## **2 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.

## **3 Minutes of the Previous Meeting (Pages 1 - 6)**

The minutes of the meeting held on 1<sup>st</sup> December 2023 are attached for confirmation, marked 3.

Contact: Sarah Townsend (01743 257721)

## **4 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, 11<sup>th</sup> March 2024.

## **5 Informing the Audit Risk Assessment for Shropshire County Pension Fund 2023/24 (Pages 7 - 36)**

The report of Grant Thornton is attached, marked 5.

Contact: Grant Patterson (01212325296) and Mary Wren (01212325254)

## **6 Audit Plan for Shropshire County Pension Fund 2023/24 (Pages 37 - 56)**

The report of Grant Thornton is attached, marked 6.

Contact: Grant Patterson (01212325296) and Mary Wren (01212325254)

## **7 Pensions Administration Monitoring (Pages 57 - 98)**

The report of the Pensions Administration Manager is attached, marked 7.

Contact: Vicky Jenks (01743 252192)

**8 Pension Fund Treasury Strategy 2024/25 (Pages 99 - 110)**

The report of the Head of Pensions – LGPS Senior Officer is attached, marked 8.

Contact: Justin Bridges (01743 252072)

**9 Corporate Governance Monitoring (Pages 111 - 188)**

The report of the Pensions Investment and Responsible Investment Manager is attached, marked 9.

Contact: Peter Chadderton (07990 086399)

**10 LGPS Central Limited Update (Pages 189 - 222)**

Mr Mark Davies, Ms Cara Forrest and Mr Patrick O'Hara, LGPS Central, will be in attendance to present this item, marked 10.

**11 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 12 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.

**12 Exempt Minutes of the Previous Meeting (Exempted by Category 3) (Pages 223 - 226)**

The exempt minutes of the meeting held on 1<sup>st</sup> December 2023 are attached for confirmation, marked 12.

Contact: Sarah Townsend (01743 257721)

**13 Investment Strategy Implementation Update (Exempted by Category 3) (Pages 227 - 240)**

The exempt report of the Pensions Investment and Responsible Investment Manager is attached, marked 13.

Contact: Peter Chadderton (07990 086399)



**14 Equity Protection and Financial Markets Update (Exempted by Category 3)**  
(Pages 241 - 250)

The exempt presentation of Mr Louis-Paul Hill, Aon, is attached, marked 14.

**15 Investment Monitoring - Quarter to 31 December 2023 (Exempted by Category 3)**  
(Pages 251 - 292)

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 293 - 302)

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

Contact: Vicky Jenks (01743 252192)

**17 New Employers (Exempted by Category 3)** (Pages 303 - 308)

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

Contact: Vicky Jenks (01743 252192)

**18 Mercer Training Session on Employer Investment Strategies**

Immediately after the meeting, there will be a training session for Members of the Pensions Committee on Employer Investment Strategies, presented by Ms Michelle Doman and Mr Mark Wilson, Mercer. The presentation in relation to this will be circulated separately.

**19 Mercer Training Session on the new TPR General Code / Cyber Security Policy**

Immediately after the meeting, there will be a training session for Members of the Pensions Committee on the new TPR General Code / Cyber Security Policy, presented by Mr Jonathan Perera, Mercer. The presentation in relation to this will be circulated separately.

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Pensions Committee

15 March 2024

9.30 a.m.

**MINUTES OF THE PENSIONS COMMITTEE MEETING HELD ON 1 DECEMBER 2023  
10.00 AM - 1.28 PM**

**Responsible Officer:** Sarah Townsend

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

**Present:**

Members of the Committee:

Councillors Thomas Biggins (Chairman), Roger Evans, Simon Harris and Brian Williams

Co-Opted Members (Voting):

Councillor Carolyn Healy

Co-Opted Members (Non-Voting):

Byron Cooke, Helen Macmillan (remotely via MS Teams) and Jean Smith

**33 Apologies and Substitutions**

Apologies for absence were received from Councillor Nathan England.

Members were informed that Ms Lindsay Short had resigned as Member of the Pensions Committee and it was noted that Ms Helen Macmillan had therefore replaced her as a Co-opted (Non-Voting) Member of the Committee, having previously been a substitute.

**34 Disclosable Interests**

None were declared.

**35 Minutes of the Previous Meeting**

**RESOLVED:**

That the minutes of the meeting held on 15 September 2023 be approved and signed by the Chairman as a correct record.

**36 Public Questions**

There were none.

### 37 Pensions Administration Monitoring

The Committee received the report of the Pension Operations Team Leader which provided them with monitoring information on the performance of and issues affecting the Pensions Administration team.

It was noted that the two references to 'employer representative' needed to be amended to read 'employee representative' within paragraph 7.5 of the report.

Members were informed that Mrs Vicky Jenks had been appointed as Pension Administration Manager and she would be commencing in the post on 19<sup>th</sup> December 2023. One of her priorities would be to look at the resources of the team.

With regard to the Governance Compliance Statement (Appendix B) and specifically page 8 (page 28 of the agenda document pack), a Member questioned whether Councillors could sit on the Pensions Board given that the Government had stated that Councillors could no longer be members of the Pension Scheme. In response, the Pension Operations Team Leader commented that she would look into this and update the statement.

In terms of the outstanding tasks that were mentioned in the report, the Pension Operations Team Leader confirmed that they did not have an impact on people's pensions or employers as the outstanding tasks were more system related. It was reiterated that the team's priority was making sure that pensions were paid on time.

It was noted that since the report had been written, the Helpdesk Officer vacancy had been appointed to and in responding to further staffing questions, the Pension Operations Team Leader explained that it was hoped that the current vacancies within the team would be fully staffed within the next two to three months. With regard to the three employees currently on long term sickness within the Communications and Governance Team, it was commented that these cases were not work related. Members were informed that staff were encouraged to come back into the office to work and an away day had recently been held, which had brought all of the team together.

With regard to the draft Business Plan (Appendix E and page 118 of the agenda document pack), it was commented that under the Climate Change section, a reference would be added of the Fund's intention to be Net Zero by 2050.

With regard to the online training that all Members of the Pensions Committee were required to undertake, it was noted that Ms Alison Grange was the Officer to be contacted in relation to any queries.

#### **RESOLVED:**

1. That the position as set out in the report of the Pension Operations Team Leader be accepted.
2. That the Governance Compliance Statement, Administration Strategy Statement and Communications Policy as Appendices B, C and D, all of which have been reviewed, be approved.
3. That the draft Business Plan in Appendix E be noted.

### **38 Columbia Threadneedle Responsible Engagement Update**

Ms Anais Cothureau, Ms Albertine Pegrum Haram and Ms Chantelle Kelly, Columbia Threadneedle Investments, were in attendance to present this item. They spoke about the responsible engagement overlay service and provided an update on climate change engagement on Shropshire County Pension Fund holdings.

A Member commented that they were disappointed with the presentation as they had expected more information to have been included. Detailed information concerning what a milestone actually means, the targets that have been set to reach it and the achievements, particularly in relation to climate change, was missing as was information that would determine how successful and efficient Columbia Threadneedle Investments are in terms of undertaking their engagement.

Mr Philip Hebson, Independent Advisor to the Committee, commented that Shropshire County Pension Fund had become a recognised signatory to the UK Stewardship Code and as part of the renewal process, there was a requirement to define clear results and outcomes from engagement. The need to have these results was also emphasised by the Committee.

The Committee were taken through an engagement case study concerning the company CRH and heard how open and extensive engagement had taken place with them on their journey to achieving Net Zero by 2050. Questions were asked regarding the influence and confidence of the trajectories in terms of the material sector achieving Net Zero by 2050 as well as how Net Zero was measured.

A question was asked regarding the consequences that were in place for companies that did not meet the milestones and in responding, Columbia Threadneedle Investments explained that they had a monitoring engagement framework and that their Net Zero Strategy contained details of the escalation tools that were at hand and how interim escalation strategies around voting at Annual General Meetings and active ownership could be used.

In concluding this item, the Chairman thanked Columbia Threadneedle for their attendance at the meeting.

### **39 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 1<sup>st</sup> July 2023 to 30<sup>th</sup> September 2023.

Further clarification was sought from the Committee regarding the manager voting reports and particularly when objections to management proposals achieved greater than 10% in the UK as there was then an obligation on the board to consider that matter. With regard to the regulations in the US, the Pensions Investment and Responsible Investment Manager commented that he would provide further clarification on this at the next Committee meeting.

Regarding the recent Government consultation on the next steps on investments as part of the Chancellor's Autumn Statement, the Committee were informed of the key

points that had come from the Government's published response. A question was asked relating to the announcement that all assets should be transferred to pools by the 31 March 2025 under a comply and explain framework and how much influence Shropshire County Pension Fund had in persuading LGPS Central to develop funds which would enable the transfer of assets into that fund. It was also commented that it was encouraging that the Government were not proposing mandatory asset allocations.

With regard to the Net Zero Strategy launched by LGPS Central in October 2023 (Appendix E of the report), it was requested that further training be provided on this.

**RESOLVED:**

That the position as set out in the report of the Pensions Investment and Responsible Investment Manager in respect of voting and engagement activity be accepted:

- Manager Voting Reports from LGPS Central at Appendix A (A1 & A2);
- Legal & General Investment Management (LGIM) at Appendix B;
- Columbia Threadneedle Investments Responsible Engagement Overlay Activity Report at Appendix C; and
- LAPFF Engagement Report at Appendix D.

#### 40 **2023 Climate Risk Management Report**

Members received a presentation from Mr Basyar Salleh and Mr Jack Yonge, LGPS Central, the purpose of which was to present the findings of the 2023 Climate Risk Management Report which analyses the Fund's approach towards climate-related risks and opportunities.

Members were informed that there were three key headlines as follows:

- Financed Emissions have decreased by 46% since 2020 and are 68% lower than the benchmark.
- WACI (Weighted Average Carbon Intensity) has decreased by 59% since 2020 and is 57% lower than the benchmark.
- Top 10 emitters (i.e. those companies which contribute most to the Funds climate metrics) are all being engaged.

In terms of reporting disclosures amongst local authority pension funds, it was reported that LGPS Central's eight Partner Funds were all ahead of most other local authority funds.

It was noted that the WACI benchmark figure (page 9 on the presentation and page 279 on the agenda document pack) needed to be amended from 71.3 to read 135.4 and the graphs on pages 10 and 11 of the presentation (page 280 and 281 of the agenda document pack) also needed to be amended. A revised version of the presentation would be emailed to all Committee Members and uploaded onto the Pensions Committee webpage for the meeting.

In concluding this item LGPS Central made the following comments:

- The Fund was managing climate risk well and was in place to meet upcoming DLUHC requirements;
- The Fund's Climate Metrics continue to trend downwards;
- Continue to review, improve and enhance climate disclosures; and

- Consider adopting interim targets to achieve Net Zero by 2050.

#### **41 TCFD (Taskforce for Climate Related Financial Disclosures)**

The Committee received the Shropshire Pension Fund Climate-related Disclosures report, which had been prepared in alignment with the recommendations of the Taskforce for Climate Related Financial Disclosures (TCFD).

Mr Basyar Salleh and Mr Jack Yonge, LGPS Central, were in attendance to present the report and briefly outlined each of the four core elements of recommended climate-related financial disclosures, namely Governance, Strategy, Risk Management and Metrics and Targets as detailed within the report.

In concluding the presentation, LGPS Central explained that the recommendations in the Climate Report aimed to further enhanced Shropshire County Pension Fund's policies and disclosures and that it was important to continue monitoring developments in regulation and industry best practice.

The Chairman commented that it was encouraging to hear that Shropshire County Pension Fund was ahead of other local authority peers particularly, as the Fund was relatively small when compared to others. In responding to this, a Member commented that whilst it was good that the Fund was doing well, it was important not to feel too comfortable, as there was always more that could be done.

#### **42 Exclusion of Press and Public**

##### **RESOLVED:**

That under paragraph 10.2 of the Council's Access to Information Procedure Rules, the proceedings of the Committee in relation to Agenda Items 11 to 16, 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.

#### **43 Exempt Minutes of the Previous Meeting (Exempted by Category 3)**

##### **RESOLVED:**

That the exempt minutes of the meeting held on 15 September 2023 be approved and signed by the Chairman as a correct record.

#### **44 2023 Climate Risk Management Report (Exempted by Category 3)**

Mr Basyar Salleh and Mr Jack Yonge, LGPS Central, were in attendance to present this item.

#### **45 Investment Strategy Implementation Update (Exempted by Category 3)**

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

**RESOLVED:**

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

**46 Equity Protection and Financial Markets Update (Exempted by Category 3)**

The Committee received a presentation from Mr Louis-Paul Hill, Aon, which provided them with an equity protection and financial markets update.

**47 Investment Monitoring - Quarter to 30 September 2023 (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 30 September 2023 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.

**48 Governance (Exempted by Category 3)**

The Committee received the exempt report of the Pension Operations Team Leader which informed them of regulatory breaches arising in the quarter 03 July 2023 to 30 September 2023 that had been recorded in the breaches log. Also reported were 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 Pension Operations Team Leader be approved.

**49 Mercer Training Session on Employer Exit Strategies**

Once the meeting had formally ended, there was a training session for Members of the Pensions Committee on Employer Exit Strategies, presented by Ms Michelle Doman from Mercer.

Signed ..... (Chairman)

Date: .....



# Informing the audit risk assessment for Shropshire County Pension Fund 2023/24

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Agenda Item 5

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 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 your business or any 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.

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## Purpose

The purpose of this report is to contribute towards the effective two-way communication between Shropshire Council Pension Fund's external auditors and Shropshire Council Pension Fund's Pensions Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Pensions Committee under auditing standards.

## Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Pensions Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Pensions Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Pensions Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Pensions Committee and supports the Pensions Committee in fulfilling its responsibilities in relation to the financial reporting process.

## Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Pension Fund's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

This report includes a series of questions on each of these areas and the response we have received from Shropshire Council Pension Fund's management. The Pensions Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

# General Enquiries of Management

| Question                                                                                                                                                                                                                                             | Management response                                                                                |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
| 1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2023/24?                                                                                                                       | No events or issues expected to have a significant impact on financial statements.                 |
| 2. Have you considered the appropriateness of the accounting policies adopted by Shropshire Council Pension Fund?<br>Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they? | Yes<br>No                                                                                          |
| 3. Is there any use of financial instruments, including derivatives? If so, please explain                                                                                                                                                           | Only for efficient portfolio management for risk management purposes equity protection strategies. |
| 4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?                                                                                                                                         | No                                                                                                 |

# General Enquiries of Management

| Question                                                                                                                                                                                                                                 | Management response                                 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|
| 5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?                                                                                                              | No                                                  |
| 6. Are you aware of any guarantee contracts? If so, please provide further details                                                                                                                                                       | N/A                                                 |
| 7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details                                                                        | No                                                  |
| 8. Other than in house solicitors, can you provide details of those solicitors utilised by Shropshire Council Pension Fund during the year. Please indicate where they are working on open litigation or contingencies from prior years? | Eversheds Sutherland LLP 115 Colmore Row Birmingham |

# General Enquiries of Management

| Question                                                                                                                                                                                                                                                     | Management response                                                                                                                                                                                                                                                          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 9. Have any of the Shropshire Council Pension Fund's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details | No                                                                                                                                                                                                                                                                           |
| 10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?                                                                                                                                          | Aon, LGPS Central, Mercer & Phillip Hebson – Fund's advisors, on investment strategy & valuation. Use LGPS Central, Aon & Mercer for advice on Climate risk reports, Climate Strategy, Climate Stewardship plan & TCFD (Task Force on Climate-Related Financial Disclosures) |
| 11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details                                               | The pension fund have not identified any assets with credit loss provisions required.                                                                                                                                                                                        |

# Fraud

## Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Pensions Committee and management. Management, with the oversight of the Pensions Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Pensions Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Shropshire Council Pension Fund's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Pensions Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Pensions Committee oversees the above processes. We are also required to make inquiries of both management and the Pensions Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Shropshire Council Pension Fund's management.



# Fraud risk assessment

| Question                                                                                                                                                                                                                                                                                                                                                           | Management response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1. Has Shropshire Council Pension Fund assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Pension Fund's risk management processes link to financial reporting?</p> | <p>The pension fund completes its own accounts and the two main statements of account are also included with the main accounts of Shropshire Council. Fraud risks are identified by Internal Audit in their audit plan covering the council and the pension fund and all fundamental systems which feed the statement including the pension fund accounts are reviewed annually to ensure that controls in place are satisfactory.</p> <p>The statement of pension fund accounts is also subject to an analytical review each year which considers any significant or material changes to figures, to confirm that the accounts are presented without such misstatements.</p> |
| <p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>                                                                                                                                                                                                                                              | <p>No areas with a high risk of material fraud have been identified. If any risks are identified, recommendations for mitigation are made to managers who then implement as necessary.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Shropshire Council Pension Fund as a whole, or within specific departments since 1 April 2023? If so, please provide details</p>                                                                                                          | <p>No</p> <p>Regular reports issued to the Pension Committee.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |

# Fraud risk assessment

| Question                                                                                                                                                                                                                                                                     | Management response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>                                                                                                                                                       | <p>The risk registers including fraud are reported to Committee periodically,<br/>All staff have to complete Fraud Risk training as part of the mandatory annual training,<br/>Specific Fraud Risk training will be considered when new members are selected from Board or Committee.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <p>5. Have you identified any specific fraud risks? If so, please provide details<br/>Do you have any concerns there are areas that are at risk of fraud?<br/>Are there particular locations within Shropshire Council Pension Fund where fraud is more likely to occur?</p> | <p>No areas with a high risk of material fraud have been identified. If any risks are identified, recommendations for mitigation are made to managers who then implement as necessary.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <p>6. What processes do Shropshire Council Pension Fund have in place to identify and respond to risks of fraud?</p>                                                                                                                                                         | <p>Specific fraud risks are identified in the internal audit planning process noted above; in identifying key controls to be assessed as part of an audit; in targeted fraud prevention work and by raising awareness of the potential for fraud with staff, members and people working and involved with the Council and Pension Fund. This is done through the Counter Fraud, Bribery and Anti-Corruption Strategy, Speaking up about Wrongdoing policy, online Leap into Learning Fraud Prevention training and anti-money laundering training and supporting manual training packages.<br/>In addition, systems and processes are designed by managers and users to minimise the risk of fraud and corruption.<br/>In relation to pensioner payroll, the Fund takes part in the National Fraud Initiative scheme. Any queries identified are investigated and resolved. Fund Managers and their Administrators sends internal control reports and these are reviewed by the pension team and any exceptions reported on. Internal Audit also reviews the internal control reports as part of their annual audit cycle. Quarterly Pension Committee meeting is held to monitor the fund's investment managers and business risk including fraud will be communicated to 'those charged with governance'.</p> |

# Fraud risk assessment

| Question                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Management response                                                                                                                                                                                                                                      |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>7. How do you assess the overall control environment for Shropshire Council Pension Fund, including:</p> <ul style="list-style-type: none"> <li>the existence of internal controls, including segregation of duties; and</li> <li>the process for reviewing the effectiveness the system of internal control?</li> </ul> <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p> | <p>Internal controls, including whether segregation of duties exist, are reviewed by Internal Audit as part of their routine and investigative work; exceptions are reported to managers and inform the Internal Audit opinion.</p> <p>N/A</p> <p>No</p> |
| <p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <p>No</p>                                                                                                                                                                                                                                                |

# Fraud risk assessment

| Question                                                                                                                                                                                                                                                                                                                                                              | Management response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>9. How does Shropshire Council Pension Fund communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p> | <p>The Pension Fund follows Shropshire Council's Whistle Blowing policy and guidelines. The Pension Fund shares the whistleblowing policy with the public and all contractors. The terms and conditions within Pension Fund contracts also include ethical considerations for contractors and suppliers. The vision and values for the Pension Fund identify the need for staff to act with integrity in all the undertakings we make and this is tested and reviewed via team meetings and engagement surveys undertaken across the whole organisation.</p> <p>No</p> |
| <p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>                                                                                                                                                                                     | <p>No posts considered high risk. Clear segregation of duties to minimise risk.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>                                                                                             | <p>No</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

# Fraud risk assessment

| Question                                                                                                                                                                                                                                                                                                                                                | Management response  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| <p>12. What arrangements are in place to report fraud issues and risks to the Pensions Committee?</p> <p>How does the Pensions Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p> | See responses above. |
| <p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>                                                                                                                                                                                                               | No.                  |
| <p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>                                                                                                                                                                                                                                                              | No.                  |

# Law and regulations

## Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Pensions Committee, is responsible for ensuring that Shropshire Council Pension Fund's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Pensions Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

# Impact of laws and regulations

| Question                                                                                                                                                                                                                                                                                                                                                                                                                 | Management response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Shropshire Council Pension Fund have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Pension Fund's regulatory environment that may have a significant impact on the Pension Fund's financial statements?</p> | <p>The Council has a Monitoring Officer and S151 Officer who provide assurance that all relevant laws and regulations have been complied with.</p> <p>Refer to response below.</p>                                                                                                                                                                                                                                                                                                                                                             |
| <p>2. How is the Pensions Committee provided with assurance that all relevant laws and regulations have been complied with?</p>                                                                                                                                                                                                                                                                                          | <p>The Council has a Monitoring Officer and S151 Officer who provide assurance that all relevant laws and regulations have been complied with.</p> <p>The Pensions Fund has adopted the Local Government Pensions Scheme Regulations. The Pension Committee receive regular reports of compliance from officers, who are suitably qualified. Any non compliance would be reported to management via Internal Audit reports and appropriate plans are put in place to remedy such issues. These would cover the pension fund as applicable.</p> |
| <p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2023 with an on-going impact on the 2023/24 financial statements? If so, please provide details</p>                                                                                                                                                                                             | <p>The Section 151 Officer is not aware of any instances of non-compliance with relevant laws and regulations in 2023/24. The Chair of the Pension Fund Committee is not aware of any instances of non-compliance during 2023/24</p>                                                                                                                                                                                                                                                                                                           |

# Impact of laws and regulations

| Question                                                                                                                                                   | Management response                                                                                                                                                                                                                                                                                                                              |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details                        | The Section 151 Officer is not aware of any actual or potential litigation or claims that would affect the financial statements.                                                                                                                                                                                                                 |
| 5. What arrangements does Shropshire Council Pension Fund have in place to identify, evaluate and account for litigation or claims?                        | Risk management, insurance and legal work together to identify and evaluate any potential litigation or claims against the Council. Any potential liabilities are highlighted each year in the Council's Statement of Accounts, which includes consideration of the Pension Fund, which is consolidated into the Council's financial statements. |
| 6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details | No such reports have been received.                                                                                                                                                                                                                                                                                                              |



# Related Parties

## Matters in relation to Related Parties

Shropshire Council Pension Fund are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Shropshire Council Pension Fund;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Pension Fund;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Pension Fund, or of any body that is a related party of the Pension Fund.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Pension Fund's perspective but material from a related party viewpoint then the Pension Fund must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

# Related Parties

| Question                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Management response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1. Have there been any changes in the related parties including those disclosed in Shropshire Council Pension Fund's 2023/24 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> <li>the nature of the relationship between these related parties and Shropshire Council Pension Fund</li> <li>whether Shropshire Council Pension Fund has entered into or plans to enter into any transactions with these related parties</li> <li>the type and purpose of these transactions</li> </ul> | No                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <p>2. What controls does Shropshire Council Pension Fund have in place to identify, account for and disclose related party transactions and relationships?</p>                                                                                                                                                                                                                                                                                                                                                                       | <p>A number of arrangements are in place for identifying the nature of a related party and reported value including:</p> <ul style="list-style-type: none"> <li>Maintenance of a Register of interests for Members, a register for pecuniary interests in contracts for Officers and Senior Managers requiring disclosure of related party transactions.</li> <li>Annual return from senior managers/officers requiring confirmation that read and understood the declaration requirements and stating details of any known related party interests.</li> </ul> |
| <p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>                                                                                                                                                                                                                                                                                                                                                                                                        | <p>Transactions checked by investment officer, and payments approved by Pensions Investment and Responsible Investment Manager, Head of Pensions – LGPS Senior Officer or Section 151 officer</p>                                                                                                                                                                                                                                                                                                                                                               |
| <p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>                                                                                                                                                                                                                                                                                                                                                                                                     | N/A                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |

# Going Concern

## Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

# Going Concern

| Question                                                                                                                                                                                                                                                                                                                                        | Management response                                                                                                                                                                                                                                                  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Shropshire Council Pension Fund will no longer continue?                                                                                                                   | The provision of the LGPS pension scheme is set out under statute any changes to ongoing provision would require consultation and legislation. The Fund is members of multiple engagement groups and forums which would provide advance notice of potential changes. |
| 2. Are management aware of any factors which may mean for Shropshire Council Pension Fund that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?                                                                                                          | None to the pension funds knowledge                                                                                                                                                                                                                                  |
| 3. With regard to the statutory services currently provided by Shropshire Council Pension Fund, does Shropshire Council Pension Fund expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Shropshire Council Pension Fund to cease to exist?       | Shropshire County Pension Fund expects to continue to deliver its services for the foreseeable future and there are no plans for change.                                                                                                                             |
| 4. Are management satisfied that the financial reporting framework permits Shropshire Council Pension Fund to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements? | Management are satisfied that the financial reporting framework allows financial statements to be prepared on a going concern basis.                                                                                                                                 |

# Accounting estimates

## Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Pensions Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Pensions Committee to satisfy itself that the arrangements for accounting estimates are adequate.

# Accounting Estimates - General Enquiries of Management

| Question                                                                                                                                                                                                     | Management response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures? | Accounting estimates for level 2 and 3 are detailed in the notes to the accounts. The Head of Pensions – LGPS Senior Officer and the Pensions Investment and Responsible Investment Manager meet Fund Managers quarterly and discuss issues of estimates and valuation methodology. Managers are contacted annually to confirm classification of investments into levels 1,2 & 3. Independent confirmation of valuations is received from Custodian. There is always a delay on private market valuations (Private equity, infrastructure and private credit) so increased uncertainty due to estimation. |
| 2. How does the Pension Fund's risk management process identify and address risks relating to accounting estimates?                                                                                          | Disclosure notes are included in the notes to the accounts relating to risk on accounting estimates                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?                                                          | Valuation from Fund managers is checked to Custodian valuation and differences are reconciled. Head of Pensions together with the Pensions Investment and Responsible Investment manager meet Fund managers quarterly and discusses issue of estimates and valuation methodology.                                                                                                                                                                                                                                                                                                                         |
| 4. How do management review the outcomes of previous accounting estimates?                                                                                                                                   | Monthly accounting process would identify significant changes in accounting estimates.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| 5. Were any changes made to the estimation processes in 2023/24 and, if so, what was the reason for these?                                                                                                   | No changes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

# Accounting Estimates - General Enquiries of Management

| Question                                                                                                                                                                                                                                                                                                                                                                                            | Management response                                                                                                                                                                                                                                     |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?                                                                                                                                                                                                                                                                             | Experience of Pensions investment team, discussions with Fund managers & Advisors                                                                                                                                                                       |
| 7. How does the Pension Fund determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?                                                                                                                                                                                                              | SCPF review internal control reports for each Fund manager. Where a control weakness has been identified in the report , a response is required from the Fund manager on how this has been resolved. Internal Audit also provide independent assurance. |
| 8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?                                                                                                                                                                                                                      | SCPF gain assurance from Fund managers regarding the operation of internal controls in place including for any third party service providers. Internal Audit also provide independent assurance.                                                        |
| 9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul style="list-style-type: none"><li>- Management's process for making significant accounting estimates</li><li>- The methods and models used</li><li>- The resultant accounting estimates included in the financial statements.</li></ul> | Experience of pensions investment team, checking and reconcile management statements to Northern Trust, reconcile any differences                                                                                                                       |

# Accounting Estimates - General Enquiries of Management

| Question                                                                                                                                                                                                                                                              | Management response  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| 10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they? | No                   |
| 11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?                                                                                                                                     | Yes                  |
| 12. How is the Pensions Committee provided with assurance that the arrangements for accounting estimates are adequate ?                                                                                                                                               | See responses above. |



## Appendix A Accounting Estimates

| Estimate                 | Method / model used to make the estimate                                                                                                                                                                                             | Controls used to identify estimates                                                                                                               | Whether management have used an expert                       | Underlying assumptions:<br>- Assessment of degree of uncertainty<br>- Consideration of alternative estimates              | Has there been a change in accounting method in year? |
|--------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| Level 3 – Private Equity | Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board's Special Valuation Guidance (March 2020) or other appropriate guidelines | Knowledge of the Pensions Investment team, valuations checked by Custodian. Quarterly meeting with managers to discuss valuations and methodology | Fund Advisers. Discussions with Fund manager as appropriate. | Degree of uncertainty inherent with Level 3 investment valuations. Fund managers use appropriate guidelines/best practice | No                                                    |
| Level 3 – Hedge Funds    | Valuations received directly from the third party hedge funds with which the fund of hedge fund manager invests                                                                                                                      | Knowledge of the Pensions Investment team, valuations checked by Custodian. Quarterly meeting with managers to discuss valuations and methodology | Fund Advisers. Discussions with Fund manager as appropriate. | Degree of uncertainty inherent with Level 3 investment valuations. Fund managers use appropriate guidelines/best practice | No                                                    |

## Appendix A Accounting Estimates

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| Estimate                              | Method / model used to make the estimate                                               | Controls used to identify estimates                                                                                                               | Whether management have used an expert                       | Underlying assumptions:<br>- Assessment of degree of uncertainty<br>- Consideration of alternative estimates              | Has there been a change in accounting method in year? |
|---------------------------------------|----------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| Level 3 – Property Debts              | Valued using amortised cost and considering fair value at initial recognition approach | Knowledge of the Pensions Investment team, valuations checked by Custodian. Quarterly meeting with managers to discuss valuations and methodology | Fund Advisers. Discussions with Fund manager as appropriate. | Degree of uncertainty inherent with Level 3 investment valuations. Fund managers use appropriate guidelines/best practice | No                                                    |
| Level 3 – Insurance Linked Securities | Closing single price. Investments are fair valued using earned net assets value method | Knowledge of the Pensions Investment team, valuations checked by Custodian. Quarterly meeting with managers to discuss valuations and methodology | Fund Advisers. Discussions with Fund manager as appropriate. | Degree of uncertainty inherent with Level 3 investment valuations. Fund managers use appropriate guidelines/best practice | No                                                    |

## Appendix A Accounting Estimates

| Estimate                                   | Method / model used to make the estimate                                                                      | Controls used to identify estimates                                                                                                               | Whether management have used an expert                       | Underlying assumptions:<br>- Assessment of degree of uncertainty<br>- Consideration of alternative estimates              | Has there been a change in accounting method in year? |
|--------------------------------------------|---------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| Level 3 – Shares in LPS Central asset pool | Valued using cost approach and considering fair value at initial recognition approach                         | Knowledge of the Pensions Investment team, valuations checked by Custodian. Quarterly meeting with managers to discuss valuations and methodology | Fund Advisers. Discussions with Fund manager as appropriate. | Degree of uncertainty inherent with Level 3 investment valuations. Fund managers use appropriate guidelines/best practice | No                                                    |
| Level 2 – Pooled property funds            | Closing bid price where bid and offer prices are published. Closing single price where single price published | Knowledge of the Pensions Investment team, valuations checked by Custodian. Quarterly meeting with managers to discuss valuations and methodology | Fund Advisers. Discussions with Fund manager as appropriate. | Degree of uncertainty inherent with Level 2 investment valuations. Fund managers use appropriate guidelines/best practice | No                                                    |

## Appendix A Accounting Estimates

| Estimate                                                                           | Method / model used to make the estimate                                                                        | Controls used to identify estimates                                                                                                               | Whether management have used an expert                       | Underlying assumptions:<br>- Assessment of degree of uncertainty<br>- Consideration of alternative estimates              | Has there been a change in accounting method in year? |
|------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| <div> <div>Page 34</div> <div>Level 2 – Pooled equity and investments</div> </div> | Index tracking funds & valuations are based on the market quoted prices of the respective underlying securities | Knowledge of the Pensions Investment team, valuations checked by Custodian. Quarterly meeting with managers to discuss valuations and methodology | Fund Advisers. Discussions with Fund manager as appropriate. | Degree of uncertainty inherent with Level 2 investment valuations. Fund managers use appropriate guidelines/best practice | No                                                    |
| Level 2 – Pooled fixed income fund investments                                     | Average of broker prices                                                                                        | Knowledge of the Pensions Investment team, valuations checked by Custodian. Quarterly meeting with managers to discuss valuations and methodology | Fund Advisers. Discussions with Fund manager as appropriate. | Degree of uncertainty inherent with Level 2 investment valuations. Fund managers use appropriate guidelines/best practice | No                                                    |

## Appendix A Accounting Estimates

| Estimate                 | Method / model used to make the estimate                                                                                                            | Controls used to identify estimates                                                                                                               | Whether management have used an expert                       | Underlying assumptions:<br>- Assessment of degree of uncertainty<br>- Consideration of alternative estimates              | Has there been a change in accounting method in year? |
|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| Level 2 - Infrastructure | Includes publicly listed investments. Closing bid price where bid and offer prices are published. Closing single price where single price published | Knowledge of the Pensions Investment team, valuations checked by Custodian. Quarterly meeting with managers to discuss valuations and methodology | Fund Advisers. Discussions with Fund manager as appropriate. | Degree of uncertainty inherent with Level 2 investment valuations. Fund managers use appropriate guidelines/best practice | No                                                    |

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# Shropshire County Pension Fund Audit Plan

Year ending 31 March 2024

Shropshire County Pension Fund  
March 2024

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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

The national and international economic context continues to present challenges for pension funds. Inflationary pressures at home and abroad and wider geo-political issues mean there is volatility in global markets with a consequential impact on the investments held by pension funds.

Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of local government pension funds and set employer contribution rates for the period 2023/24 – 2025/26. For Shropshire County Pension Fund, the valuation was undertaken by Mercers, and showed that the solvency funding level had risen to 99% (94% at 2019 triennial valuation) and therefore the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable.

In November 2023, the Department for Levelling Up, Housing and Communities (DLUHC) published the outcome of their consultation on local government pension scheme investments. The government will now implement proposals which include revised investment strategy statement guidance that funds should transfer all assets to their pool by 31 March 2025, regulation to require funds to set a plan to invest up to 5% of assets in levelling up the UK and revised investment strategy statement guidance to require funds to consider investments to meet the government's ambition of a 10 % allocation to private equity. The Chancellor has also outlined plans that local government pension funds will be invested in pools of £200bn or more by 2040.

DLUHC have also consulted on proposals to require local government pension scheme administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). Climate risk (TCFD) reporting in the LGPS is expected to commence from 1 April 2024, with first reports due in late 2025. We are also aware that administration teams will be tasked with implementing the McCloud remedy for qualifying members' pensions which came into force from 1 October 2023.

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

## Audit Reporting Delays

Against a backdrop of ongoing audit reporting delays, in October 2023 PSAA found that only five local government accounts had been signed by the September deadline. In June 2023 the Public Accounts Committee (PAC) also produced a report setting out their concerns over these audit reporting delays. We issued our report [About time?](#) In March 2023 which explored the reasons for delayed publication of audited local authority accounts.

Local authorities which administer local government pension funds are required to publish full pension fund accounts in the same document as their local authority accounts. This requirement means that the audited accounts of the host authority and related fund cannot be finalised until both audits have been completed. This co-dependency has compounded delays in the conclusion of pension fund audits and publication of audited accounts and annual reports, including Shropshire County Pension Fund.

In our view, to enable a timely sign off of the financial statements, it is critical that draft local authority accounts are prepared to a high standard and are supported by strong working papers.

# Key matters - continued

## Our Responses

- In 2017, PSAA awarded a contract of audit for Shropshire County Pension Fund to begin with effect from 2018/19. This contract was re-tendered in 2023 and Grant Thornton have been re-appointed as your auditors. 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 in this Audit Plan has been agreed with the Head of Pensions – LGPS Senior Officer. Page 15 of this Audit Plan, sets out the four contractual stage payments for this fee, with payment based on delivery of specified audit milestones.
  - To ensure close working with our local audited bodies and an efficient audit process, our preference as a firm is to work on site with you and your officers. Please confirm in writing if this is acceptable to you, and that your officers will make themselves available to our audit team. This is also in compliance with our delivery commitments in our contract with PSAA.
- We offer a private meeting with the Chief Executive twice a year, and with the Head of Pensions – LGPS Senior Officer quarterly as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to meet informally with the Chairs of the Audit Committee and Pensions Committee, to brief them on the status and progress of the audit work to date.
- We will continue to provide your Pensions Committee and Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit Committee updates.
  - There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. We are required to identify a significant risk with regard to management override of controls.
  - We identified a significant audit risk relating to the valuation of Level 3 investments - refer to page 8.

# 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

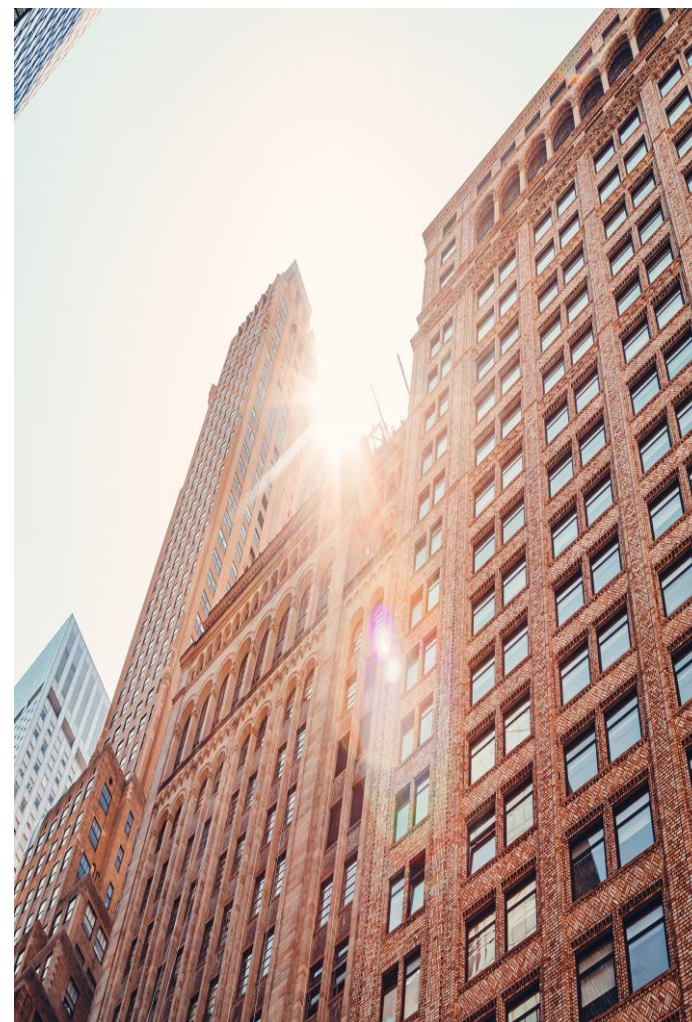
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. The NAO is in the process of updating the Code. Our respective responsibilities are also set out in the agreed 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 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. Shropshire Council is the administering authority for the Pension Fund and we consider that its Audit Committee has final oversight of the preparation of the financial statements as those charged with governance. However, the Pensions Fund Committee considers the draft financial statements and is part of the overall member oversight process and we therefore have determined that our primary communications will be to them.

The audit of the financial statements does not relieve management or the Audit Committee/Pension Committee of their 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 have determined planning materiality to be £27.9 m (PY £27m) for the Pension Fund, which equates to 1.25% of your gross investment assets as at 31 March 2023.

We have determined a lower specific planning materiality for the Fund Account of £11.3m (PY £8.5m), which equates to 10% of prior year gross expenditure on the fund account.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £1.39m (PY £1.35m).

## Audit logistics

Our planning visit took place in January and February and our interim visit will take place in March with our final visit taking place between July and September. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our preference is for all our work to take place on site alongside your officers.

Our proposed fee for the audit will be £83,094 (PY: £50,352) for the Pension Fund, subject to the Pension Fund delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input. Our audit approach is also based on the assumption there is no significant change in the fund's strategic asset allocation from prior year.

The Custodian does not independently value the Pension Fund's Level 1/Level 2 Level Investments, meaning we are not able to triangulate valuations included in the financial statements to investment manager and custodian confirmations for these investments. As a result, we carry out further audit procedures to gain assurance over the valuations of these investments. For Level 1 and Level 2 investments we will:

- independently request year end confirmations from investment managers;
- check the unit price to the market quoted price (if available) at the reporting date, or; test the valuation to direct confirmation of capital balances from investment managers and, where available latest audited financial statements;
- complete sample testing of purchases and sales to prime documentation across the period to support out reconciliation of the opening and closing balances.

See page 8 for further details regarding our approach to auditing the valuation of Level 3 Investments.

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.

# 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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Key aspects of our proposed response to the risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Presumed risk of fraud in revenue recognition ISA (UK) 240<br>Risk of fraud related to expenditure recognition<br>PAF Practice Note | <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>As external auditors in the public sector, we are also required to give regard to Practise Note 10, which interprets the ISA in a public sector context and directs us to consider whether the assumption also applies to expenditure.</p>             | <p>Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue and expenditure recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• There is little incentive to manipulate revenue and expenditure recognition;</li> <li>• Opportunities to manipulate revenue and expenditure recognition are very limited; and</li> <li>• The culture and ethical frameworks of local authorities, including the administering authority, Shropshire Council, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Therefore, at the planning stage we do not consider this to be a significant risk for Shropshire County Pension Fund. We will continue our risk assessment throughout the audit to identify any circumstances indicating a requirement to alter this decision.</p> |
| 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.</p> <p>The Fund faces external scrutiny of its spending and stewardship of assets, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatements</p> | <p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design and implementation of management controls over journals</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>• identify and test unusual journals made during the year and the accounts production stage for appropriateness and corroboration</li> <li>• gain an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                             |

‘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 - continued

| Risk                             | Reason for risk identification                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Key aspects of our proposed response to the risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation of Level 3 investments | <p>By their nature, Level 3 investments 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 nonroutine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgements to reach an appropriate valuation at year end.</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 and a key audit matter.</p> | <p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes for valuing Level 3 investments and perform a walkthrough to confirm that controls are implemented as designed;</li> <li>• review the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments to ensure the requirements of the Code are met;</li> <li>• independently request year end confirmations from investment managers;</li> <li>• for a sample of investments, test the valuation by comparing the valuation per the General Ledger (typically based on investor statement as at the reporting date, or in the case of harder to value assets, the latest capital statement available adjusted for known cash movements in the final quarter of the year) to direct confirmation of capital balances from investment managers and, where available latest audited financial statements;</li> <li>• obtain and review service auditor reports for the investment managers where available; and,</li> <li>• complete sample testing of purchases and sales to prime documentation across the period to support out reconciliation of the opening and closing balances.</li> </ul> |

Management should expect engagement teams to challenge areas that are complex, significant or highly judgmental. This 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, with reference 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.

# Other matters

## Other work

The Pension Fund is administered by Shropshire 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 2023/24 financial statements, consider and decide upon any objections received in relation to the 2023/24 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 pension fund accounts.

## 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.

# Progress against prior year audit recommendations

We identified the following issue in our 2021//22 audit of the Pension Fund's financial statements, which was reported as 'in progress' within the 2022/23 Audit Findings Report. The recommendation has been summarised below for completeness, which we will follow up as part of our 2023/24 final accounts procedures.

| 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"> <li>- we noted that there was inadequate control over privileged accounts within Active Directory (28 accounts in 2021/22 and 21 in 2022/23) and Altair (3 accounts). Users with administrative privileges at application level have the ability to bypass system-enforced internal control mechanisms and may compromise the integrity of financial data.</li> <li>- lack of review of the Access control policy and the Application security policy. Further to the above, the absence of a comprehensive IT security policy will have an adverse impact on the organization to ensure that the data and network are protected from potential and emerging security threats.</li> <li>- evidence requested but not provided – Leaver's process. There is a risk that key aspects of the design and development process including functional design and testing may not be appropriate.</li> <li>- 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. As businesses continue towards digital transformation and a simplified IT architecture, dynamic service delivery models are becoming the norm. There is a risk that organizations have less visibility over the effectiveness of the outsourced IT control environment and whether there are sufficient controls in operation.</li> </ul> | <p>In November 2023 management noted that:</p> <ul style="list-style-type: none"> <li>• Due to the extreme volume of login information captured by the various DC controllers a review of failed logins is not practical. Other controls are in place such as Conditional access rules, Geo Access rules, Device access controls, multi factor authentication that limit/prevent unauthorized access.</li> <li>• Generic accounts are only ever created after permission by the ISIG function</li> <li>• Global Security events are monitored by both ICT and our external SOC service.</li> </ul> |

## Assessment

- ✓ Action completed
- X Not yet addressed



# 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><b>Determination</b></p> <p>We have determined financial statement materiality by applying a reasonable measurement percentage to an appropriate benchmark. Materiality at the planning stage of our audit is £27.9m which equates to 1.25% of your gross investment assets as at 31 March 2023.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> <li>– establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements;</li> <li>– assist in establishing the scope of our audit engagement and audit tests;</li> <li>– determine sample sizes, and</li> <li>– assist in evaluating the effect of known and likely misstatements in the financial statements.</li> </ul>                                                                                                                      |
| 2      | <p><b>Other factors</b></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 a lower specific planning materiality for the Fund Account of £11.3m (PY £8.5m), which equates to 10% of prior year gross expenditure on the fund account. The lower specific materiality for the fund account will be applied to the audit of all fund account transactions, except for investment transactions, for which materiality for the financial statements as a whole will be applied.</p>                                                                              |
| 3      | <p><b>Reassessment of materiality</b></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.</p>                                                                                                                                                                                                                                                                                                                                                                                                            |
| 4      | <p><b>Other communications relating to materiality we will report to the Audit Committee</b></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 Pensions 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 Pensions Committee and Audit Committee 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 £1.39m (PY £1.35m).</p> <p>If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Pensions and Audit Committees to assist them in fulfilling their governance responsibilities.</p> |

# 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.

|                                          | Amount (£) | Qualitative factors considered                                                                                                                                                                                                |
|------------------------------------------|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Materiality for the financial statements | £27.9m     | Materiality is calculated as approximately 1.25% of gross assets per the prior year draft accounts. We deem this to be a level above which errors or omissions would alter the economic decisions of users of the accounts.   |
| Materiality for the fund account         | £11.3m     | Materiality is calculated as approximately 10% of gross expenditure in the prior year draft accounts. We deem this to be a level above which errors or omissions would alter the economic decisions of users of the accounts. |



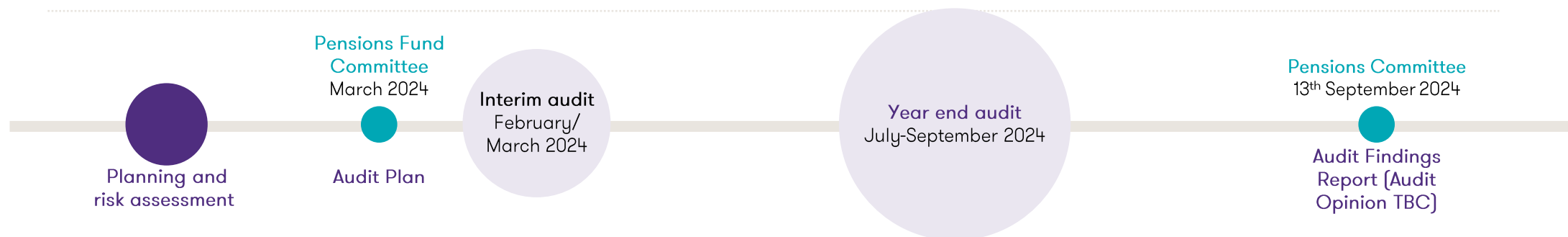
# IT audit strategy

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.

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:

| IT system | Audit area          | Planned level IT audit assessment                                                                                                                              |
|-----------|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Unit 4    | Financial reporting | <ul style="list-style-type: none"><li>Detailed ITGC assessment completed by internal expert. We plan to test the design and implementation of ITGCs.</li></ul> |
| Altair    | Member data         | <ul style="list-style-type: none"><li>Detailed ITGC assessment completed by internal expert. We plan to test the design and implementation of ITGCs.</li></ul> |

# Audit logistics and team



## Nikiwe Gumbanjera Sibanda, Audit in charge

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

## Audited Entity responsibilities

Where audited bodies 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 audited bodies. 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 and the Annual Report
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we will share with you
- ensure that the agreed data reports are cleansed, are made 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 (as per our responses to key matters set out on slide 4)
- respond promptly and adequately to audit queries.

## Mary Wren, Audit Manager

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

## Grant Patterson, Key Audit Partner

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

# Audit fees and updated Auditing Standards

In 2017, PSAA awarded a contract of audit for Shropshire County Pension Fund to begin with effect from 2018/19. This contract was re-tendered in 2023 and Grant Thornton have been re-appointed as your auditors. As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. The scale fee set out in the PSAA contract for the 2023/24 audit is £75,564.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here <https://www.psaa.co.uk/appointing-auditors-and-fees/fee-variations-overview/>. We are currently proposing one variation of £7,530 (excluding VAT) in respect of audit procedures required under ISA 315 - Identifying and Assessing the Risks of Material Misstatement as these requirements were subsequent to the PSAA contract tender.

## Assumptions

In setting these 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
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

## Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

# Audit fees

|                                                                                                              | Proposed fee 2023/24 |
|--------------------------------------------------------------------------------------------------------------|----------------------|
| Shropshire County Pension Fund Audit - PSAA scale fee                                                        | £75,564              |
| ISA 315                                                                                                      | £7,530               |
| <b>Total audit fees (excluding VAT)</b>                                                                      | <b>£83,094</b>       |
| Non-audit fees: Shropshire Towns and Rural Housing Ltd (STAR Housing) (IAS 19 Assurance Letter if Requested) | £1,100               |
| <b>Total fees (excluding VAT)</b>                                                                            | <b>£84,194 (TBC)</b> |

## Previous year

The National Audit Office (NAO) confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies audited under the NAO's Code of Audit Practice should be considered work undertaken under its Code of Audit Practice for 2022/23 onwards. Provision of IAS 19 assurances to auditors of any other type of entity i.e. STAR Housing, remains non-Code work.

In 2022/23 the scale fee set by PSAA was £21,539. The actual fee charged for the audit was £50,352 which included £10,400 in relation to IAS 19 letters for employer body auditors (£9,300 for employer bodies audited under the NAO's Code of Audit Practice and £1,100 for STAR Housing).

## Relevant professional standards

In preparing our fees, 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 we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

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.

## 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.

| Service                                                                               | Fees £           | Threats                                         | Safeguards                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|---------------------------------------------------------------------------------------|------------------|-------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Audit related                                                                         |                  |                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| IAS19 Assurance letters for Admitted Bodies outside of the NAO Code of Audit Practice | 1,100 per letter | 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 £1,100 in comparison to the total proposed fee for the audit of £83,094 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

Page 54

| 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                                                                                                                                                                                                                     | •          | •              |
| A 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        | 7             |
| 15 March 2024             | <u>Public</u> |
| 9.30am                    |               |

## **PENSIONS ADMINISTRATION MONITORING REPORT**

**Responsible Officer:** Vicky Jenks  
Email: Vicky.jenks@shropshire.gov.uk  
Tel: (01743) 252192

### **1. Synopsis**

- 1.1. The report provides members with monitoring information on the activities and performance of pensions administration team.

### **2. Executive Summary**

- 2.1. Updates are given on; workloads and resourcing, progress on McCloud implementation, the Pensions Dashboard Programme (PDP), Pension Increase for April 2024, Engage, preparation for Year End and communication updates.
- 2.2. The Business Plan for 2024-26 has now been finalised incorporating the minor changes requested at the last meeting and is provided at Appendix A for approval by the committee.

### **3. Recommendations**

- 3.1. Members are asked to accept the position as set out in the report.
- 3.2. To approve, with or without comment, the Business Plan 2024-2026 at Appendix A.

## **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 January 2024 is attached at Appendix B. The chart shows a large spike in outstanding tasks and processes towards the end of December 2023. The team were taking leave during December and the office was closed for the Christmas break and this is reflected here. Processes being completed rose quite highly and outstanding work started to fall during January 2024 as the team returned. Some of the tasks and processes will not yet be due for processing as we are waiting for information from employers or members. The chart shows both 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.
- 7.2. A review is underway by the pensions management team of the workloads across the team and the resources required to address any backlogs. The team are looking at processes and changes to the way work can be done to improve efficiency. This will include looking at work the team will need to complete in connection with McCloud and Pensions Dashboard. From a resource point of view the team have had a significant turnover of staff over the past year. This has led to areas of work backlogging whilst we try to recruit and train new staff. We are currently fully staffed for both the Communications and Governance and Systems and Support teams, and new team members are receiving training to support them in their new roles. However, the fund has recently lost a Senior Pensions Officer on the Operations team.
- 7.3. **McCloud** – With the implementation of the age discrimination remedy (McCloud) from 1<sup>st</sup> October 2023, the team have had to review processes for work going forward, additional checks on member records are now required to ensure the underpin is being applied correctly to members benefits who are in scope. Software developments are assisting with this work, but not all functionality is currently available, and this is leading to additional time being spent on cases. There are still

some areas where guidance is outstanding, and we are monitoring the number of cases that are affected by this. The priority for the team is to ensure all members in scope who are leaving the scheme have the underpin applied correctly to their benefits. The rectification of those that have left in the remedy period (1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2022) will be another area of work for the team to pick up. The team are currently adding the underpin indicator and running checks to see the underpin has been applied to any past cases. These will then need to be investigated and benefits rectified if necessary. There are a large number of members in scope for this exercise, however we only expect to see a small number of cases where benefits will be improved.

- 7.4. **Pensions Dashboards** - The team are currently putting together a project plan for the implementation of Pension Dashboards. There are two main areas of work that the Pensions Team will have to undertake to deliver this project and then manage the additional work that will be created once the dashboards go live. The first step is to procure an Integrated Service Provider (ISP) this will allow the dashboards to speak to our pension database. Initial work has begun, looking at providers and liaising with our procurement and legal colleagues to ensure we follow the correct procedures for the purchase of this. The 2<sup>nd</sup> is the ongoing work to manage data quality, when a member uses the dashboard, they can find a match to any scheme they are a member of. If the information held for members is not quite right, it will lead to a partial match and then the team will have to investigate if that person holds a benefit in the scheme. The team will be looking to update the data quality workplan to improve areas of data that are highlighted. For example, we have more than 600 records where a current address is not held, so we will be looking to run a tracing exercise for these individuals.
- 7.5. **Pensions Increase** - From 8<sup>th</sup> April 2024, pensions increase of 6.7% will be applied to pensions in payment. Work is currently underway to implement this increase and notify pensioners.
- 7.6. **Year End processing** - Communication is going to employers shortly reminding them of their data requirements and reconciliations needed for the year end 31 March 2024. Revised deficit schedules will also be issued for the uprated lump sum amounts due from some employers in 2024/2025.
- 7.7. **Audit** -The team have recently been reviewed by internal Audit and await the outcome of the review.
- 7.8. Planning has begun for the external audit with most of the work due to commence from the end of June. However planning meetings are already underway.

## 8. Communications

- 8.1. The following chart shows statistics on the work undertaken by the helpdesk team not covered with the workflow team statistics in **Appendix B**.

|                                                                                               | November 2023 | December 2023 | January 2024 |
|-----------------------------------------------------------------------------------------------|---------------|---------------|--------------|
| Telephone calls received to helpdesk team                                                     | 535           | 397           | 794          |
| % of calls answered                                                                           | 90%           | 92%           | 93%          |
| Emails received to <a href="mailto:pensions@shropshire.gov.uk">pensions@shropshire.gov.uk</a> | 944           | 613           | 966          |
| % of emails responded to within 10 working days                                               | 100%          | 100%          | 100%         |
| My Pension Online activation keys issued                                                      | 90            | 47            | 89           |
| Member updates made through My Pension Online                                                 | 424           | 230           | 432          |
| Opt out requests directly dealt with by helpdesk                                              | 30            | 26            | 23           |
| Incoming post received and indexed to the pensions administration system                      | 3053          | 2322          | 3694         |
| 1-2-1 video appointments held with scheme members                                             | 20            | 21            | 23           |
| Users visiting the website                                                                    | 2824          | 2120          | 2947         |

- 8.2. The number of calls being picked up by the helpdesk is returning to normal levels as the helpdesk is fully staffed. The new helpdesk officer is undergoing training so we expect these figures to improve further once her training is completed.
- 8.3. The fund monitors member take-up of its online area member self-service (MSS), known by members as 'My Pension Online'. The annual benefit statements for both active and deferred members are now available to view on 'My Pension Online' unless a member has requested a paper copy. As at January 224 a total of 51% active members and 43% of deferred members were registered to view their records on 'My Pension Online'.

## 9. 'Engage'

- 9.1. My Pensions Online is to be replaced by 'Engage' the platform is being updated to help members have a better experience, for logging on and viewing their pension details. The team are currently planning when to move across to the new platform as there will be an implementation process and testing required before we can make it accessible to members. There are areas of functionality within the online portal that the team have not had opportunity to explore and put into place. Following implementation of Engage we will be creating a work plan to prioritise the development of this functionality.

## 10. Employer performance

- 10.1. In line with the Shropshire County Pension Fund administration strategy, employers must pay their contributions and lump sum deficit payment 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 made payments by the deadline over this quarter. This table also includes information about employers who make monthly deficit lump sum payments.
- 10.2. Information about employers who did not meet these deadlines is covered in the governance report.
- 10.3. The performance of employers is measured mainly by checks on whether information or payments have been received on time. These are recorded on the breaches log when information is received late. The above table only shows 2 elements of information, whereas the log will show all types of information that have not been received.
- 10.4. More information regarding breaches is provided in the Governance report.

|                                                    | November 2023 | December 2023 | January 2024 |
|----------------------------------------------------|---------------|---------------|--------------|
| i-Connect data submissions received on time        | 96.53%        | 97.22%        | 99.31%       |
| Monthly contribution payments received on time     | 97.92%        | 93.75%        | 98.61%       |
| Monthly deficit lump sum payments received on time | 92.86%        | 100%          | 100%         |

## 11. SCPF Business Plan 2024-2026

- 11.1 The draft business plan 2024-2026 was presented to the last Pension Committee in December and is now included as a final version for approval by Members incorporating the minor changes requested.

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

Pensions Committee Meeting December 2023 Pensions Administration Report

**Cabinet Member (Portfolio Holder)**

N/A

**Local Member**

N/A

**Appendices**

Appendix A – Business Plan 2024-2026

Appendix B – Performance Chart





**Shropshire  
County  
Pension Fund**

# **Business Plan**

## **2024-2026**



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## Version History

| Version Number | Revision Date | Author(s)                                                                                                                           | Change                                                                                                            |
|----------------|---------------|-------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|
| <b>V0.1</b>    | 24/05/2023    | Justin Bridges, Debbie Sharp, Peter Chadderton, Cheryl Morrell, Helen Tomkins, Alison Grange, Ben Driscoll, Ed Roberts, Jake Glover | Document creation and initial content added.                                                                      |
| <b>V0.2</b>    | 18/10/2023    | Justin Bridges, Debbie Sharp, Peter Chadderton, Cheryl Morrell, Helen Tomkins, Alison Grange, Ben Driscoll, Ed Roberts, Jake Glover | Content amended / further additions. Photos added.                                                                |
| <b>V0.3</b>    | 07/11/2023    | Justin Bridges, Peter Chadderton, Cheryl Morrell, Helen Tomkins, Alison Grange, Ben Driscoll, Ed Roberts, Jake Glover               | Added Revision History section. Further photos added. Action Plan updated. Wording added to Workforce Planning.   |
| <b>V0.4</b>    | 20/11/2023    | Jake Glover                                                                                                                         | Accepted all changes and resolved all comments - finalised to be shared with Pensions Committee in December 2023. |
| <b>V0.5</b>    | 11/12/2023    | Peter Chadderton<br>Vicky Jenks                                                                                                     | Business Plan updated. Workforce planning updated.                                                                |
| <b>V0.6</b>    | 25/01/2024    | Justin Bridges, Peter Chadderton, Vicky Jenks, Cheryl Morrell, Helen Tomkins, Alison Grange, Ben Driscoll, Ed Roberts, Jake Glover  | Accepted all changes and resolved all comments - finalised to be shared with Pensions Committee in March 2024.    |
|                |               |                                                                                                                                     |                                                                                                                   |



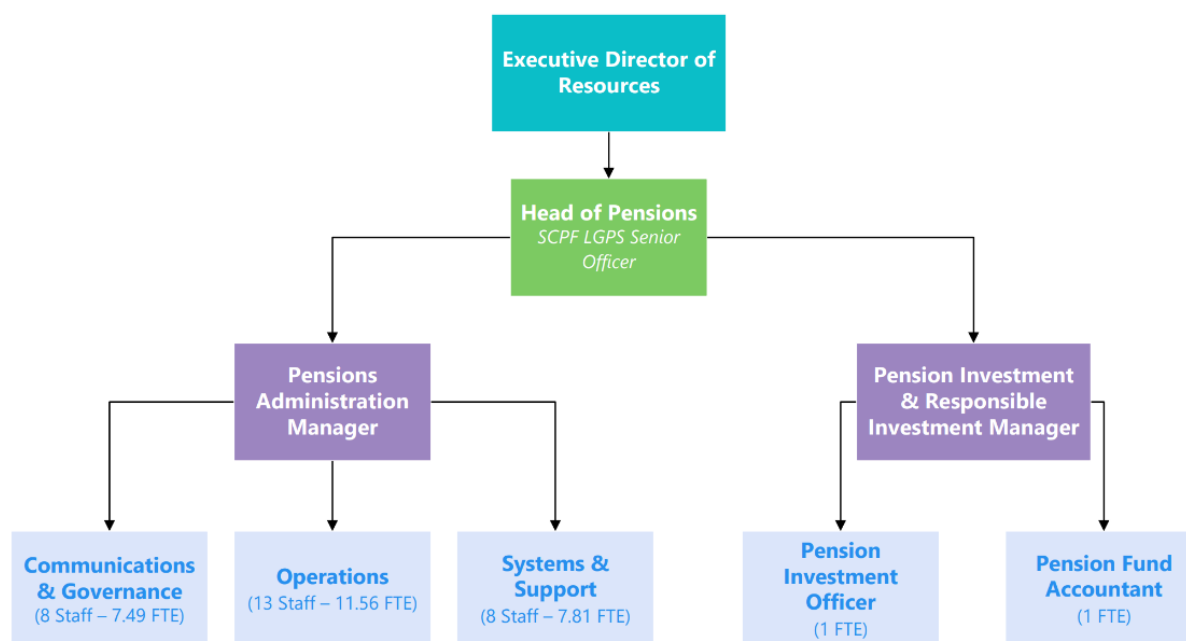
## Background

This is the Business Plan for the Shropshire County Pension Fund, which is part of the Local Government Pension Scheme (LGPS) and has more than 49,500 members, including 14,316 in receipt of a pension. It makes investments so that it can pay pensions to these members when they reach retirement age. At its last financial year end - 31<sup>st</sup> March 2023, these investments were valued at £2.244 billion.

Shropshire Council is the administering authority for the Shropshire County Pension Fund. It has delegated responsibility for this to the Pensions Committee who are charged with the governance and management of the Pension Fund. The Committee meets quarterly or more often if required and has 9 members, made up of six councillors, two scheme member representatives and a pensioner employer representative. A Pension Board consisting of 3 employer representatives and 3 member representatives has also been set up to assist with oversight and governance of the Pension Fund. These membership arrangements have been designed to allow all key stakeholders to have the opportunity to be represented.

The Executive Director of Resources (section 151 Officer) is responsible for the preparation of the Shropshire County Pension Fund's statement of accounts in accordance with proper practices as set out in the CIPFA code of practice on local accounting in the United Kingdom.

Responsibility for administration of the Shropshire County Pension Fund has been delegated by the Executive Director of Resources to the Head of Pensions - LGPS Senior Officer. Shropshire County Pension Fund carry out the day-to-day administration of the fund. There are 30 full time equivalent (FTE) staff involved in the administration and governance of the fund.



The management and administration of the fund are both carried out in conjunction with several key suppliers, in particular the fund's Actuary - Mercers, its bank - NatWest, custodian of the fund's investment – Northern Trust and the administration software supplier – Heywood. More details of the fund's suppliers, including its arrangements for investment management, are contained in its Annual Report published on the website <http://www.shropshirecountypensionfund.co.uk/>

Shropshire County Pension Fund is a member of LGPS Central Limited with eight other funds in the Midlands region. LGPS Central Ltd is jointly owned on an equal share basis by the eight pension funds and is a Collective Portfolio Management Investment Firm (CPMI) regulated by the Financial Conduct Authority (FCA). The participating pension funds are Cheshire, Derbyshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, West Midlands and Worcestershire. West Midlands Integrated Transport Authority (ITA) Pension fund will also be an investor, but not a shareholder, with its shareholder rights represented by West Midlands.

LGPS Central Ltd has been established to manage investment assets on behalf of its eight Local Government Pension Scheme (LGPS) funds across the Midlands region. It is a multi-asset manager, investing up to potentially £55.3 billion of assets (£26.4 billion invested as of March 2023), on behalf of 900,000 LGPS members and 2,500 employers. As at the 31<sup>st</sup> March 2023 the Fund had approx. £700 million of assets and commitments with LGPS Central. The transition of assets to LGPS Central will continue as appropriate opportunities arrive.

The Pensions Committee takes responsible investment and environmental, social and governance issues very seriously. The Pension Fund is a signatory of the Stewardship Code 2020, Principles of Responsible Investment (PRI) and has adopted the principles of the Taskforce for Climate-Related Financial Disclosure (TCFD). The Fund has agreed its own climate strategy and publishes climate risk reports annually.





## Introduction

The Local Government Pension Scheme (LGPS) is a national scheme administered on a local basis by Shropshire Council providing current and future benefits for over 49,500 scheme members.

The fund is governed by the Superannuation Act 1972 and the Public Services Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the LGPS Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016
- the Public Services Pensions (Information about Benefits) Directions 2014 [with effect from 01/04/15]

As of 31<sup>st</sup> March 2023, there were 227 employer organisations in the fund, including the Council, with 88 scheme employers, 42 scheduled / designated employers and 97 admitted employers.

Membership numbers as of 31<sup>st</sup> March 2023 were:

|                         |               |
|-------------------------|---------------|
| Active members          | 16,825        |
| Pensioner members       | 12,682        |
| Deferred members        | 18,448        |
| Widows / Dependents     | 1,634         |
| <b>Total membership</b> | <b>49,589</b> |

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay. Employer contributions are set based on triennial actuarial valuations. The last valuation was 31<sup>st</sup> March 2022, and employer contribution rates were set ranging from 0% to 27.6% of pensionable pay. Some employers also pay annualised cash sums in respect of the recovery of their pension deficit.

The value of the Fund on 31<sup>st</sup> March 2023 was £2.244 billion. The Funds strategic asset allocation was agreed in June 2023 following the completion of the Actuarial Valuation and can be found in the Investment Strategy Statement (ISS) on the fund's website. The actual allocation at any point in time reflects the decisions and views of the fund's investment managers and the movement of financial markets. The next valuation will be undertaken on 31 March 2025.

**Governance:** To put stakeholders at the centre of everything we do, act with integrity and be accountable for decisions made. This will be achieved through a robust and well-based governance framework which considers risk management, compliance and appropriate resourcing.

**Investments and funding:** The fund's primary long-term investment objective is to achieve and maintain a funding level at, or close to, 100% of the fund's estimated liabilities; and within this, to endeavour to maintain stable employer contribution rates. Employing authorities are pro-actively consulted on the funding strategy statement on which the valuation and employer contribution rates are based.

**Climate Change and Responsible Investment:** The Fund takes responsible investment very seriously as has a Climate Change Strategy in place committing to net zero by 2050 in line with the Paris accord on climate change adopted in 2015.



Shropshire County Pension Fund is a signatory to the UK stewardship code and has published Climate Risk Reports and TCFD reports annually since December 2020.

**Administration and communication:** To continue delivering a high-quality administration service to all stakeholders. This will be done by working closely with our partners and the continual review of processes and procedures to ensure that the fund receives all income due, and payments are made to the right people at the right time. There is clear communication with all stakeholders and robust accounting and reports.

The Business Plan is an important document which sets out the aims and objectives of the Fund over the coming years and the outcomes the Committee and Board want to achieve for its stakeholders. The Business Plan is one of several documents that govern how the Pension Fund is managed. These are:

- Administration strategy statement
- Climate Change strategy
- Communication Policy
- Employer Events Policy
- Funding Strategy Statement
- Governance Compliance Statement
- Investment Strategy Statement
- Reporting Breaches Policy
- Training Policy

These policies are published on the fund's website <http://www.shropshirecountypensionfund.co.uk> and reviewed at least once a year by the Pension Committee and Board.

The key actions and areas of focus in the business plan are grouped into the areas of governance, funding and investments, and administration; the objectives for these are summarised as follows:



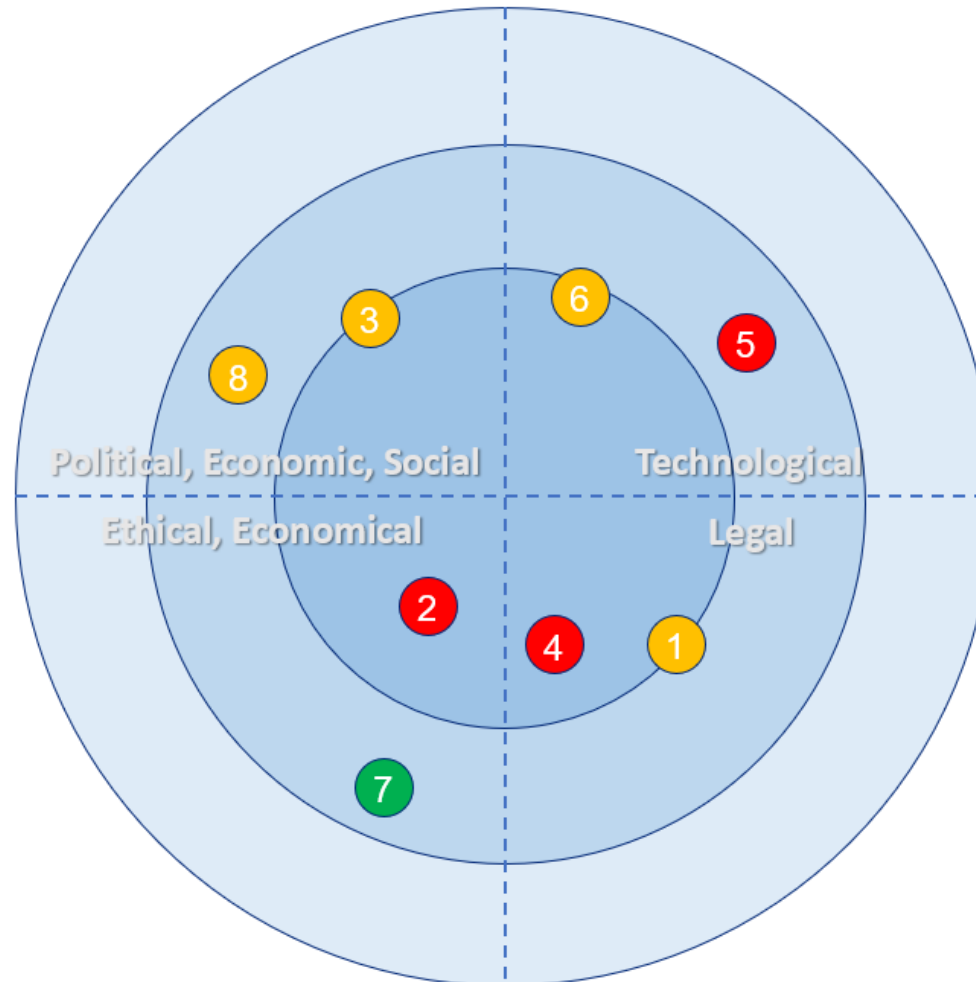




## Horizon Scanning

Within the LGPS, certain elements are known under current legislation and can be included on the business plan and processes developed. However, there are also changes that occur to new legislation or reviews of best practice. The fund is aware of the following potential changes, and these will be kept under constant review. Any unknowns will be added at the appropriate time.

| Event             |                                |
|-------------------|--------------------------------|
| 1                 | TPR expectations on Cyber Risk |
| 2                 | Climate Reporting compliance   |
| 3                 | Good Governance regulations    |
| 4                 | McCloud Judgement              |
| 5                 | Pensions Dashboards            |
| 6                 | Bots and AI                    |
| 7                 | Member Demographic changes     |
| 8                 | Asset Transfer to LGPS Central |
| Impact Assessment |                                |
| Low               | Medium                         |
| High              |                                |
| Time Horizon      |                                |
| 5+ years          |                                |
| Within 5 years    |                                |
| Already here      |                                |





## Delivering the Business Plan

### Monitoring and Reporting

To identify whether we are meeting our agreed business plan we will:

- continue to monitor progress of the key priorities and the agreed budgets on an ongoing basis within the Pension Fund Management Team.
- provide updates on progress against these key priorities on a quarterly basis to the Pension Fund Committee, which will be shared with the Pension Board.
- As part of these quarterly updates, we will:
  - i. highlight any areas where we are exceeding or failing to achieve our targets and the reasons why and identify any changes to the planned priorities because of this.
  - ii. highlight any significant additional spend or underspend in relation to the agreed budget as it becomes apparent.

### Business as Usual

The business plan highlights the key priorities for the next three years. This focuses on area of change and one-off project work which are in addition to day-to-day “business as usual” duties.

Managing the fund on a day-to-day basis involves a wide range of processes and procedures, examples of which are outlined below and all of which support achievement of the Funds objectives. The management of the Fund is significant, complex, and highly regulated requiring expert knowledge of officers and external advisors.

The following key elements are examples of day-to-day duties.

### Governance

- Setting the agendas, reporting and presenting to the Pensions Board and Committee.
- Implementing and monitoring the achievement of other governance areas such as training policy, conflict of interest policy, risk register and compliance against The Pensions Regulator’s Code of Practice. Please note a new Code of Practice comes into force on 27<sup>th</sup> March 2024, this code replaces Code of Practice 14, which covered

Public Sector Pension Schemes. The new code has introduced some new areas of guidance which will need to be addressed, however the majority of the recommendations which are relevant to the Local Government Pension Scheme should already be in place.

- Ensuring we adhere to legal requirements for procurement, health & safety and data protection.
- Replying to Freedom of Information requests.
- Assisting internal and external auditors with their role.
- Preparing and publishing the fund's Annual Report and Statement of Accounts.
- Preparation of statutory and non-statutory returns as required.
- Running an annual meeting for employers.
- Ensuring any breaches are recorded and reported to Board/committee.
- Having a cyber security policy.

### Investments

- Production of year end annual accounts and annual report
- Quarterly monitoring and reporting of the investment position and governance re investor engagement for both Pensions Board and Committee.
- Quarterly reconciliation of private market investments to investment manager capital account statements.
- Monitoring and review of investment costs in line with Cost transparency initiative.
- Completion of statutory returns.
- Monitoring of fund's cashflow position including the raising and payment of invoices across several areas.
- Bank Reconciliation.
- Preparation of monthly management accounts with reconciliation between manager and custodian records.
- Working with LGPS Central and other funds within the pool through investment and responsible investment working groups
- Preparation of data in respect of IAS 19 accounting disclosures for employers.
- Monitoring of strategic asset allocation.

### Administration

- Maintaining accurate and up-to-date scheme member records.
- Calculating and notifying entitlement to pension and death benefits.
- Providing estimates of retirement benefits, including any additional costs to employers.
- Calculating and paying monthly pensions to all pensioners and beneficiaries.
- Producing Annual Benefit Statements for all active and deferred scheme members and payslips and P60s for pensioner members and making these documents available on 'My Pension Online'.
- Providing ongoing information to scheme members and their beneficiaries as they join, leave, or change their status in the fund.
- Answering ad-hoc enquiries received by phone, email, letter, or 'My Pension Online' message.
- Maintaining the fund's website and member portal 'My Pension Online'.
- Provide new employers with information about their fund responsibilities.
- Providing on-going training and technical updates to employers.
- Maintaining records of all Officer, Committee and Board training completed as well as future needs.
- Administering the fund's Internal Dispute Resolution Procedure.
- Providing information to the fund's Actuary as required.



- Managing any employers who wish to join or leave the fund.
- Completing statutory reporting requirements and other provisions of information to stakeholders, including reporting against KPIs.
- Maintaining and updating the pensions software system.
- Regular updates to employers and members regarding LGPS legislation changes and how it impacts on them including newsletters and emails.
- Maintaining the Pensions Administration software system to effectively deliver all the above.



| Project Name                                     | Context                                                                                                      | Actions                                                                                                                                                                                                                                                             | Progress |
|--------------------------------------------------|--------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| <b>ADMINISTRATION</b>                            |                                                                                                              |                                                                                                                                                                                                                                                                     |          |
| <b>Year-end 2023/2024</b>                        | All records to be checked from postings.<br>All employer forms to be reconciled to total of monthly postings | Data cleansing to be undertaken following last i-Connect submission for March 2024.<br><br>Reconciliation forms and communication to employers to be issued February 2024. Forms reconciled to accounts.<br><br>Project to completed by 30 <sup>th</sup> June 2024. |          |
| <b>Annual Benefit Statements</b>                 | All Annual Benefit Statements issued by 31 August                                                            | Project plan to be put in place by 31 <sup>st</sup> March 2024.<br><br>Statement preparation to commence following completion of year end processes.                                                                                                                |          |
| <b>Preparation of Pension Fund Annual Report</b> | To produce annual report by statutory deadline of 1 <sup>st</sup> December 2024.                             | Project plan to be put in place by March 2024.<br><br>Review new guidance when available. This will be compulsory from 2025.<br><br>Draft version available to be signed off by September 2024 pension committee.                                                   |          |

| Project Name                              | Context                                                                                                                               | Actions                                                                                                                                                                                                                                                                                                                                                | Progress                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>TPR One Code of Practice outcome</b>   | To demonstrate compliance with any recommendations/regulation changes put in place                                                    | Review guidance when available.                                                                                                                                                                                                                                                                                                                        | The new code has been issued in January 2024 and comes into force from 27 March 2024. The team will be reviewing the code over the coming months so that a gap analysis can be completed. Many of the recommendations for the LGPS have been lifted from Code 14,                                                                                                                                                                                                   |
| <b>SAB Good Governance Review Outcome</b> | To demonstrate compliance with any recommendations/regulation changes put in place                                                    | Review guidance when available.                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>McCloud Remedy</b>                     | To implement the 1 <sup>st</sup> October 2023 McCloud legislation and to ensure any guaranteed amounts are paid to protected members. | <p>Ensure the system is configured to allow all calculations to perform the underpin calculation.</p> <p>All relevant documentation to be amended.</p> <p>Disclosure requirements to be met by 31<sup>st</sup> December 2023 due to the change in legislation.</p> <p>Rectification cases of past cases during the remedy period to be undertaken.</p> | <p>Went live 8<sup>th</sup> November 2023. For members in scope an indicator has been added so that the underpin check can be performed when benefits are calculated.</p> <p>Priority documentation updated for go live. Website updated.</p> <p>Pensioners notified by InTouch newsletter October 2023. Active and Deferred members were notified in December 2023.</p> <p>For past cases the underpin indicator and underpin check has been run, the team are</p> |

| Project Name                                   | Context                                                                                                                                                                       | Actions                                                                                                                                                                           | Progress                                                                                                                                                                                                                                                                                                                                                       |
|------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                |                                                                                                                                                                               |                                                                                                                                                                                   | <p>working through these to identify any members who may require an adjustment to pension.</p> <p>The Home Office have issued guidance on the priority order for cases that should be worked through.</p>                                                                                                                                                      |
| <b>Employer Spreadsheet</b>                    | Creation of a central spreadsheet of employers to track starters, leavers, and actuarial data.                                                                                | Spreadsheet created by Mercer for use by the team.                                                                                                                                | <p>In use from November 2023. The team are creating a central repository so that employers can be tracked more easily.</p> <p>The spreadsheet from Mercer lists employers, but needs to be reviewed so that details regarding contract end dates, bonds and convenience can be added, processes to be delivered in order to make sure reviews are in place</p> |
| <b>Review of Bonds (Employer guarantor)</b>    | For certain types of admitted bodies a Bond is required to provide an assurance that contributions can be collected in the event of an employer having financial difficulties | As part of the valuation process Bond values are reviewed. The administration team need to liaise with employers to ensure bonds are put in place and reviewed before they expire | Information regarding Employers with bonds is being captured on the central Employer list. Contact is being made with those employers where the Bond requires review                                                                                                                                                                                           |
| <b>Heywood Contract Performance Monitoring</b> | Working with GMPF and Audit to produce a contract performance monitoring document for the hosted service.                                                                     | Document to be finalised and presented to Heywood's                                                                                                                               | Document has been created and shared with Heywood, review meetings to be scheduled on a quarterly basis                                                                                                                                                                                                                                                        |



| Project Name                                    | Context                                                                   | Actions                                                                                                                                              | Progress                                                                                                                                                                                                                                                                                                                                                                           |
|-------------------------------------------------|---------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>External Audit of Pension Fund</b>           | Annual requirement                                                        | Providing information required within the agreed timescales.                                                                                         | Meeting held with external Auditor to plan Audit work to be completed in 2024, this will include system audit                                                                                                                                                                                                                                                                      |
| <b>Production of Pension Savings Statements</b> | Comply with HMRC regulations                                              | Identify the members who have breached the annual allowance.<br><br>Provide a pension saving statement by the 5 <sup>th</sup> October 2024 deadline. | Work to commence completion of Year end processes                                                                                                                                                                                                                                                                                                                                  |
| <b>Pensions Increase 2024</b>                   | To ensure pensioners and deferred are uprated with annual increase amount | Bulk process to update the system with the confirmed CPI increase on 8 <sup>th</sup> April 2024.                                                     | Systems and Operations team planning has commenced                                                                                                                                                                                                                                                                                                                                 |
| <b>Pensions Dashboard Implementation</b>        | Implement in line with national guidelines by October 2026.               | To procure an ISP provider in 2024.                                                                                                                  | Project plan for Dashboard being created.<br>ISP provision can be purchased via LGPS framework.<br>Initial discussion with software provider held regarding implementation of ISP.<br>Data readiness report to be run in order to identify areas of data that require improvement.<br>Tracing exercise will be required for scheme members who are currently listed as 'gone away' |
| <b>Bulk Revaluation</b>                         | Annual CARE uprating to be applied to active records                      | Bulk process to be run after year end postings are complete in May/June 2024                                                                         |                                                                                                                                                                                                                                                                                                                                                                                    |

| Project Name                                                                                   | Context                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Actions                                                                                                                                                                                                                                                                                       | Progress                                                                                                          |
|------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|
| <b>P60 to Pensioners</b>                                                                       | To produce a P60 for pensioner members by 31 <sup>st</sup> May                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Following year end 2023/24 payroll processes run P60 production in end March/April 2024.                                                                                                                                                                                                      |                                                                                                                   |
| <b>Implementation of Transformative] Member Experience (TME) to replace my pensions online</b> | The my pensions online portal is being phased out by Heywood and replaced with TME, the platform should provide clearer information to scheme members regarding their pension and provide tools to help plan for retirement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <p>The administration team will need to work with Heywood and internal IT teams in implement this change.</p> <p>Communications to scheme members to inform them of new look online portal with be required.</p>                                                                              | This work is being planned for September -December 2024                                                           |
| <b>INVESTMENTS</b>                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                               |                                                                                                                   |
| <b>UK Stewardship Code</b>                                                                     | <p>Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.</p> <p>The UK Stewardship Code 2020 comprises a set of 12 'apply and explain' Principles for asset owners. As part of the Fund's desire to demonstrate its good governance and stewardship of its assets, the Fund submitted its first report in October 2022. The Fund was successful in its submission and is now a signatory to the UK Stewardship Code. The Fund has received feedback from the FRC on its submission and the Fund will develop its submission following this feedback.</p> | <p>ESG monitoring is in place as part of business as usual.</p> <p>Resources have been allocated to review positions with Investment Managers at end of 2022 to address any points from the 2022 application.</p> <p>Lead Officer: Pensions Investment and Responsible Investment Manager</p> | An updated draft application will be presented to the Pensions Committee in March 2024 for submission in May 2024 |

| Project Name                       | Context                                                                                                                                                                                                                                                                                                                             | Actions                                                                                                                                                                                                                                                                                                                                                                              | Progress                                                                                                                                       |
|------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
|                                    | <p>The Fund will submit a report annually to the Financial Reporting Council (“FRC”) to maintain its status as signatory to the Code.</p> <p>As part of the work on the Stewardship Code the Fund will review its approach to stewardship and engagement to ensure that it continues to meet the requirements of the Committee.</p> |                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                |
| <b>Triannual Valuation Results</b> | <p>Work with Actuary to prepare and consider the Actuarial valuation results. The next valuation date is the 31<sup>st</sup> March 2025 alongside the Fund’s Funding Strategy Statement.</p>                                                                                                                                        | <p>Regular update meetings are held with the Actuary. Communications will be issued to scheme employers in 2024/25 in respect of the valuation process. The Funding Strategy Statement has been updated as part of the 2022 valuation and will be reviewed and issued for consultation following the 2025 valuation.</p> <p>Lead Officer: Head of Pensions – LGPS Senior Officer</p> | <p>All action has been taken in respect of the March 2022 valuation and an indicative timeline of work is in place for the 2025 valuation.</p> |
| <b>Covenant Review</b>             | <p>Work with Actuary to review Employer covenants on an annual basis to monitor risk to fund.</p>                                                                                                                                                                                                                                   | <p>Meetings have been held with Actuary to discuss employers subject to review and the terms and reference of the reviews.</p> <p>Lead Officer: Pensions Investment and Responsible Investment Manager</p>                                                                                                                                                                           | <p>The covenant review for 2023/24 is currently in progress</p>                                                                                |
| <b>Climate Change Risk</b>         | <p>The Fund issues an annual climate risk report and TCFD report as part of its commitment to net zero. In addition, the Fund supports these reports by</p>                                                                                                                                                                         | <p>Climate Risk reports and TCFD reports have been commissioned with LGPS Central.</p>                                                                                                                                                                                                                                                                                               | <p>The 2023 Climate Risk &amp; TCFD Reports will be presented to Pensions Committee in December 2023</p>                                       |

| Project Name                         | Context                                                                                                                                                                                                                                                                                                                                                                                                                                            | Actions                                                                                                                                                                                                                                                                                                                                                                                                         | Progress                                                                                                                             |
|--------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|
|                                      | undertaking Climate scenario analysis on a bi-annual basis to ensure that developments in this field are fed into ongoing analysis.                                                                                                                                                                                                                                                                                                                | Alternative Investment managers ESG policies and progress on Climate Risk monitoring are reviewed periodically with a view to establishing full portfolio monitoring.<br><br>Lead Officer: Pensions Investment and Responsible Investment Manager                                                                                                                                                               |                                                                                                                                      |
| <b>Biodiversity Risk</b>             | The Government is currently consulting on TNFD (Taskforce for Nature related Financial Disclosures). The Fund is monitoring the position and discussing potential data sources with investment managers and other Funds with a view to be able to report in a similar context to TCFD on climate.                                                                                                                                                  | Discuss the format of TNFD reports with LGPS Central to establish what can be accurately reported. Consider integration of Biodiversity risk into climate change strategy as whilst different risks there is an underlying fundamental link. Liaise with Investment Managers with a view to establishing full portfolio monitoring.<br><br>Lead Officer: Pensions Investment and Responsible Investment Manager | Continue to raise TNFD monitoring with Investment Managers pending full release of guidelines expected in 2024.                      |
| <b>Investment Strategy Statement</b> | The Fund sets a triannual investment strategy which was last reviewed in June 2023 and the Fund is currently working on transition plans to meet the new strategic asset allocation. The investment strategy review took place concurrently with the review of the Funding Strategy Statement in 2022/23. The outstanding actions now are implementing the agreed changes to the investment strategy. The implementation of the revised investment | Reports on the Investment transition to meet the new ISS were presented to Pensions Committee in September 2023.<br><br>The transition will take approx. 18 to 24 months to fully implement given some of the illiquid asset classes involved.                                                                                                                                                                  | The Investment strategy was agreed in June 2023<br><br>Transition to Investment Grade Corporate Bonds was completed in October 2023. |

| Project Name   | Context                                                                                                                                                                                                                                                                                                        | Actions                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Progress                                                                                                                                                  |
|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
|                | strategy will occur over a period to manage transition risks.                                                                                                                                                                                                                                                  | A full timetable is in place and Pensions Committee will be updated on a quarterly basis of major changes.<br><br>Lead Officer: Head of Pensions – LGPS Senior Officer                                                                                                                                                                                                                                                                                          |                                                                                                                                                           |
| <b>Pooling</b> | <p>The Fund works directly with LGPS Central to ensure that appropriate products are available to meet future investment requirements and allow transition from legacy managers as investments mature.</p> <p>The Fund will review and respond to DLUHC consultations on the future development of pooling</p> | <p>The Fund Continues to work with LGPS Central to ensure that appropriate investment vehicles are available to allow the transfer of the Funds uncommitted assets.</p> <p>The transition of illiquid assets will continue to be reviewed based on maturity profiles and investment opportunities available.</p> <p>The Fund has responded to the DLUHC consultation on moving pooling forward.</p> <p>Lead Officer: Head of Pensions – LGPS Senior Officer</p> | <p>The Fund Continues to transition assets as opportunities arise.</p> <p>The outcome of the DLUHC consultation on moving pooling forward is awaited.</p> |



## Budget

The pension fund categorises its expenditure for the management of the Pensions Fund according to CIPFA's definitions:

- **Investment management** – the cost of managing the Fund's assets, which includes fees paid to the Funds Investment managers and custodian.
- **Administration** – All activities the Administering Authority must perform to administer entitlements and provide members with scheme and benefit entitlement information.
- **Oversight & Governance** – the costs of accounting for and monitoring the Pension Fund, including any professional advice and support the Fund requires.

| Operational Expenses              | 2022/23<br>Actual<br>£m | 2023/24<br>Budget<br>£m | 2024/25<br>Budget<br>£m | 2025/26<br>Budget<br>£m |
|-----------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| <b>Investment Management</b>      |                         |                         |                         |                         |
| Management & Performance Fees     | 8.618                   | 9.450                   | 9.600                   | 9.750                   |
| Transaction Costs                 | 4.305                   | 3.800                   | 3.900                   | 4.000                   |
| Other Fees                        | 2.899                   | 2.990                   | 3.082                   | 3.174                   |
| <b>Total</b>                      | <b>15.822</b>           | <b>16.240</b>           | <b>16.582</b>           | <b>16.924</b>           |
| <b>Administration</b>             |                         |                         |                         |                         |
| Staff Costs                       | 1.074                   | 1.128                   | 1.162                   | 1.196                   |
| IT                                | 0.278                   | 0.600                   | 0.450                   | 0.450                   |
| Premises                          | 0.019                   | 0.020                   | 0.020                   | 0.020                   |
| Supplies and Services             | 0.086                   | 0.138                   | 0.147                   | 0.156                   |
| <b>Total</b>                      | <b>1.457</b>            | <b>1.886</b>            | <b>1.779</b>            | <b>1.822</b>            |
| <b>Oversight &amp; Governance</b> | <b>1.530</b>            | <b>1.554</b>            | <b>1.609</b>            | <b>1.669</b>            |
| <b>Total Management Expenses</b>  | <b>18.809</b>           | <b>19.680</b>           | <b>19.970</b>           | <b>20.415</b>           |

The Budget is reviewed annually and has been prepared to reflect the cost of delivering the Pension Fund's statutory responsibilities for the administration of the scheme and



management of investments. The resources within the budget are sufficient to meet the Fund's regulatory requirements at the time of writing. The new developments and initiatives in the Fund's Business Plan are included in the forward budget.



## Risk Register

Risk management is the process of identifying risks, evaluating their likelihood and potential impact and determining the most effective methods of controlling or responding to them. Shropshire Council has a formal risk management strategy and risk registers for Pension Fund Investment, Investment Pooling and Pension Administration are included within this overall Strategy. Please see below a summary of the Pension Fund's key risks which were identified for 2022/23.

| Risks                                                                                                                                                             | Controls in Place                                                                                                                                                                                                                                                    |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Climate change and responsible investment (RI) – Funds are facing increasing pressure on divestment and to take action to address climate risks in the portfolio. | Climate risk assessment carried out. Robust RI policies, engagement and collaboration. Public TCFD report. Climate Strategy/Climate Stewardship plan in place. Signatory to the UK Stewardship Code. Work finalised to become signatory to the new Stewardship Code. |
| Regulatory risk – climate and responsible investment (RI)                                                                                                         | RI integrated into the investment process. Monitoring of developments, responding to consultations when issued. Appointment of new Pension Investment and Responsible Investment manager post.                                                                       |
| Cyber-attack resulting in loss of data leading to fines by the ICO and reputational damage.                                                                       | Cyber security currently undertaken by Shropshire Council ICT. Separate Cyber Security policy being developed for SCPF.                                                                                                                                              |
| Loss or inappropriate disclosure of personal data leading to fines and reputational loss.                                                                         | ICT security used such as data encryption, secure mail and document management software with strict security profiles. Secure                                                                                                                                        |

| Risks                                                                                                                                                                                                       | Controls in Place                                                                                                                                                                                                                                                                                                                         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                             | working environment. Protecting information training undertaken by all staff annually.                                                                                                                                                                                                                                                    |
| The insolvency of an employer places additional liabilities on the fund and ultimately the remaining employers.                                                                                             | Admission agreements, employer covenant check across fund employers, some bonds in place. Shorter deficit recovery periods for some employers. Funding Strategy Statement approved by Pension Committee.                                                                                                                                  |
| Failure of pension fund investment managers to meet expected returns resulting in increased costs to the Council and other employers.                                                                       | Rigorous selection process established. Rigorous and continual Investment Manager monitoring arrangements. Diversification of managers. External expert advice. Reporting and monitoring arrangements. Investment Strategy Statement and Funding Strategy Statement published. Clear and relevant mandates. Audit of investment managers. |
| Liquidity risk in government bond markets due to higher interest rates and tighter monetary policy. Potential for quantitative tightening by Bank of England to further reduce liquidity from Bond markets. | Monitoring of investment performance relative to estimated growth in liabilities on an annual basis. Some investment in bonds (and similar investments) helps to mitigate this risk. Investment Strategy reviewed regularly with Aon and full review with committee.                                                                      |
| Vulnerable to loss of or over-reliance of key staff due to long-term sickness or staff turnover resulting in reduction of service to scheme employers.                                                      | Procedure notes updated. Team restructured and additional resource added in 2022 to allow for succession planning. Training undertaken annually. Training policy and training log put in place.                                                                                                                                           |
| Savings from pooling are not realised as fully or as quickly as planned for due to market factors or inaccurate assumptions in LGPS Central's business plan.                                                | Research is being undertaken to ensure predictive savings are realistic. Plan for reviewing progress against the business plan has been agreed with the Board. Prudent assumptions have been used when estimating fee reductions and transition timescales. Financial model is continually updated.                                       |
| Investments in LGPS Central not delivering the required investment return which could result in the need for increased employer contributions.                                                              | Investment performance regularly reported and monitored by the Pension Committee and action taken to report any concerns via the Joint Committee and Shareholders Forum.                                                                                                                                                                  |
| Insufficient range of asset classes or investment styles being available through the investment pool.                                                                                                       | Investment workstream set up to create sub-funds to implement participating funds investment strategies. Participating fund data gathered and analysed in detail at Officer Practitioner Advisory Forum meetings. Product Development Plan agreed by the Partner Funds/LGPS Central.                                                      |
| Inappropriate investment strategy                                                                                                                                                                           | Funding strategy statement published following consultation with scheme                                                                                                                                                                                                                                                                   |



| Risks                                                                                                                                                                                                                                             | Controls in Place                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                   | employers outlining how the fund plans to meet its liabilities. External expert advice. Trained and experienced staff. Three yearly actuarial valuation. Investment strategy statement. Regular review of investment strategy with Aon.                                                                                                                                                                                                                                                                                                               |
| Failure to meet good governance                                                                                                                                                                                                                   | Compliance against Myners Principles considered on an annual basis as part of the review and updating of the Investment Strategy Statement. The fund has produced a Governance Compliance Statement. Audit of governance arrangements.                                                                                                                                                                                                                                                                                                                |
| Economic recession impacting on investment returns.                                                                                                                                                                                               | Diversified investment strategy to spread risk across several different asset classes.                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Pay and price inflation significantly higher than anticipated and pensioners in receipt of pensions for longer resulting in an increase in the Fund's liabilities, deterioration in funding position and increase in employer contribution rates. | Actuarial valuation process focuses on real returns on assets. Monitoring of investment performance in relation to the estimated growth in liabilities. Some investment in index-linked bonds (and other inflation linked investments) helps to mitigate this risk. Triennial strategic asset allocation review considers appropriateness of assets. Mortality assumptions are set with some allowance for future increases in life expectancy as part of the valuation process which the fund actuary monitors. Equity protection strategy in place. |
| Incorrect information/benefits provided to members of the scheme.                                                                                                                                                                                 | Benefits calculations are checked. All supporting calculations are provided to the member. Team training, Employer training.                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Late payment of contributions by fund employers leading to the fund having to report to the Pension Regulator and possibly be fined.                                                                                                              | Employer training/guidance on website. Employer newsletter. Contributions check and balance. Adhere to internal governance compliance statement. Adhere to Pension Regulator code of practice. Breaches log monitoring. Engage with employers to ensure contributions received on time.                                                                                                                                                                                                                                                               |
| Failure of employers to provide accurate data leading to incorrect benefit statement/payments or Fund valuations.                                                                                                                                 | Employer training. Administration Strategy Statement. Team training. Introduction of i-Connect has resulted in improvement of data. Employers trained on TPR Code. Breaches log records any issues which are reported to Pension Committee/Pension Board.                                                                                                                                                                                                                                                                                             |
| Policies or strategies of the administering authority adversely impacting on the work of the pension team for the Shropshire County Pension Fund.                                                                                                 | Segregation of duties, delegated decision making to Pension Committee and LGPS Senior Officer. Quarterly report to Pension Committee on administration. Embedding of                                                                                                                                                                                                                                                                                                                                                                                  |

| Risks                                                                                                                                                                | Controls in Place                                                                                                                                                                                                                                |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                      | Pension Board and Pension Regulator Code and Scheme Advisory Board.                                                                                                                                                                              |
| Failure to identify and report breaches of law, in accordance with the requirements of the Pensions Regulator leading to reputational damage and potential fines.    | Breaches policy in place together with a breaches log which is reported to the Pension Committee, Pension Board and LGPS Senior Officer. Training undertaken by key staff.                                                                       |
| Non-compliance with the law around LGPS Benefit Administration leading to fines by the Pensions Regulator.                                                           | The use of a good LGPS administration software solution together with experienced trained staff mitigates the risks to the council.                                                                                                              |
| Failure of support systems: ERP, CIVICA Icon which will result in incorrect data collection, payment of benefits and incorrect accounting.                           | Key systems reviews, contractual arrangements, systems administration and IT support.                                                                                                                                                            |
| Regulatory change occurs which impacts either LGPS Central or partner funds. Government changing stance on pooling such that the model no longer meets requirements. | Regulatory intelligence and working collaboratively with partner funds and pool project. Lobbying through Government working groups. Responding to consultations on legislative change. Collaborating with partner pools to share best practice. |
| Key persons for either LGPS Central or partner funds either choose to leave or unable to fulfil their responsibilities.                                              | Succession planning taking place with LGPSC and partner funds. Exit/handover plans. Different notice periods for key roles. Use of temporary resources. Governance structures – collective decision-making process.                              |



## Governance

### Governance Compliance Statement

This statement has been prepared by Shropshire Council (the administering authority) to set out the governance arrangements for the Shropshire County Pension Fund, in accordance with The Local Government Pension Scheme Regulations 2013 (Regulation 55).

### Pension Administration Strategy Report

Pension fund administering authorities have discretion as to whether to prepare a pensions administration strategy statement. Shropshire Council, as administering authority do produce a report under Regulation 59 of The Local Government Pension Scheme Regulations 2013.

This report sets out the administration processes for the fund and outlines the policies and performance standards towards providing a cost-effective, inclusive and high-quality administration service.



## Funding and Investments

### Funding Strategy Statement

Administering authorities have been required to prepare, publish and maintain a funding strategy statement (FSS) under Regulation 58 of The Local Government Pension Scheme 2013 (as amended).

This document provides the basis for the actuarial valuation which occurs every three years. The funding strategy statement formed the basis of the 2022 actuarial valuation. It sets out in a transparent way the fund's prudent approach to meeting pension liabilities and maintaining

stable employer contribution rates. It outlines the financial assumptions used in the actuarial valuation and identifies the risks and countermeasures employed by the fund.

The FSS sets out the Funds approach to the following key areas:

- Actuarial Method and Assumptions: These define the approach used for assessing the funding position of the fund and individual employers.
- Deficit Recovery and Surplus Offset Plans: These set out the key principles in considering deficit recovery and surplus offset plans as part of the valuation.
- Ill Health Insurance Arrangements: This sets out the captive insurance arrangement which pools the risk associated with ill health retirement costs for employers whose financial position could be materially affected by the ill health retirement of one of their members.
- Employer Events Framework: This provides details of key areas of employer participation in the fund, such as joining the fund or exiting the fund etc.

The FSS is developed alongside the Investment Strategy Statement (ISS) detailed below) on an integrated basis considering the overall financial and demographic risks inherent in the fund to meet the objective for all employers over different periods.

The purpose of this Funding Strategy Statement is therefore:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward by taking a prudent longer-term view of funding those liabilities.
- to establish contributions at a level to "secure the solvency" of the pension fund and the "long term cost efficiency".
- to have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

### Investment Strategy Statement

Pension fund administering authorities are also required to prepare, maintain and publish an investment strategy statement (ISS) under regulation 7 of the LGPS (Management and Investment of Funds) Regulations 2016.

This document sets out the investment objectives of the fund and how investments are allocated between equities, bonds and alternatives. Target investment performance is defined for each of the investment managers. The fund's approach to social, environmental and ethical issues is also explained as is the fund's compliance with Myners Principles.

Members of the Pension Committee recognise that they have a fiduciary duty to safeguard, above all else, the financial interests of the fund's beneficiaries. Beneficiaries, in this context, are considered to be the fund members (pensioners, employees and employers), other stakeholders being local council taxpayers.

The fund's intention is to invest its assets through the LGPS Central Pool as and when suitable pool investment solutions become available.

The fund's primary long term investment objective is to achieve and maintain a funding level at, or close to, 100% of the fund's estimated liabilities; and within this, to endeavour to maintain low and stable employers' contribution rates. Given the constraints on local authority spending, volatility in the employer's contribution rate is undesirable.

The committee formulates the investment strategy with a view to:

- the advisability of investing money in a wide variety of investments.
- the suitability of particular investments and types of investment.
- ensuring that asset allocation strategies are sufficiently diversified.



The committee will consider a full range of investment opportunities including:

- quoted and unquoted equity.
- government and non-government bonds.
- Property, private equity and infrastructure.
- absolute return investments such as hedge funds, absolute return bond funds, insurance linked securities and other liquid alternative investments.
- derivatives, including equity options.

The following investment beliefs are taken into account when agreeing an asset allocation policy:

- A long-term approach to investment will deliver better returns.
- The long-term nature of the fund's liabilities is well suited to a long-term approach to investment.
- Asset allocation policy is the most important driver of long-term return.
- Risk premiums exist for certain types of assets and taking advantage of these can help to improve investment returns.
- Markets can be inefficient, and sometimes 'mispriced' for long periods of time, and there is a place for both active and passive investment management.
- Diversification across investments with low correlation improves the risk/return profile, but over-diversification is both costly and adds little value.
- The fund should be flexible enough in its asset allocation policy to take advantage of opportunities that arise as a result of market inefficiencies, and flexible enough to protect against identifiable short-term risks when this is both practical and cost-effective.
- Responsible investment can enhance long term investment performance and the fund expects responsible investment integration to be a key part of the selection criteria for appointing new managers.
- Investment management fees are important and should be minimised wherever possible, but it is ultimately the net return to investors (i.e. the return after all fees and costs) that is the most important factor.

### Climate Change

Climate change has been identified as a significant investment risk by the Committee and as a result the Fund has a Climate Strategy that is due for review in 2024 confirming the funds commitment to net zero by 2050.

Below are some of the steps the Fund has taken to address climate change issues:

- Established carbon benchmarks to allow the funds carbon footprint to be reviewed on an annual basis and track progress against the stated commitments.
- Transition all passive equity into a low carbon transition fund.
- Transitioned former UK active equity mandate into global sustainable equity portfolio's with LGPS Central.
- Commitment to new equity investments being in sustainable funds.
- Working with LGPS Central to ensure better carbon data for wider portfolio.
- Working with private market managers to collect both responsible investment and climate data on portfolios.

The Task Force on Climate-Related Financial Disclosures ("TCFD") have released climate-related financial disclosure recommendations to help organisations provide better information to support informed capital allocation. The Fund has issued three TCFD reports to date and each report has been supported by a climate risk report and a climate Stewardship plan setting out the actions required in the following 12 months.

The DLUHC consultation on climate risk was launched in Q3 2022, which the Fund responded to. Whilst the Fund note that TCFD reporting at this stage was not compulsory and that report was likely to evolve over time to ensure that the reporting meets the necessary LGPS requirements, the Fund Believes that early adoption is the best way to show transparency over actions taken.

The Taskforce on Nature-related Financial Disclosures (“TNFD”) aims to replicate the success of the TCFD. It seeks to understand the interactions between business and natural capital, with the aim of agreeing a framework to monitor nature impacts, and to encourage businesses and investors to minimise negative impacts and maximise positive impacts on nature. TNFD will seek to create a toolkit for business leaders and the financial community to allocate capital away from nature-negative and towards nature-positive outcomes. Nature based solutions are one of the few investment opportunities that are net negative in terms of carbon emissions and natural capital opportunities will form a vital and increasingly important part of investment portfolios as investors seek to realise their net zero ambitions. The Fund will be considering how to integrate TNFD into its investment strategy as more information becomes available.



## Training Policy and Plan

Shropshire Council recognises the importance of its role as Administering Authority of the Shropshire County Pension Fund. In relation to training, the Administering Authority's objectives are to ensure that:

- Those persons charged with the financial management and decision-making regarding the LGPS Fund are fully equipped with the knowledge and skills required to discharge the duties and responsibilities allocated to them.
- Those persons responsible for the day-to-day administration and running of the fund are appropriately equipped with the knowledge and skills required to discharge their duties and responsibilities in relation to the fund.
- Those persons responsible for providing governance and assurance of the fund have sufficient expertise to be able to evaluate and challenge the advice they receive, to ensure their decisions are robust and soundly based, and to manage any potential conflicts of interest.

- All to whom this policy applies are expected to continually demonstrate their own personal commitment to training and to ensuring that these objectives are met.

To assist in achieving these objectives and the creation of this policy, the fund adopts the following seven principles and the guidance included in the Chartered Institute of Public Finance (CIPFA) Code of Practice 2021:

- This LGPS administering authority adopts the key principles of the Code of Practice on LGPS Knowledge and Skills.
- This LGPS administering authority recognises that effective management, governance, decision making and other aspects of the delivery of the LGPS can only be achieved where those involved have the requisite knowledge and skills to discharge the duties and responsibilities allocated to them.
- This administering authority has in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of LGPS knowledge and skills for those responsible for the management, delivery, governance, and decision making of the LGPS.
- These policies and practices will be guided by reference to a comprehensive framework of knowledge and skills requirements such as those set down in the CIPFA LGPS Knowledge and Skills Framework.
- This administering authority will ensure that it has adequate resources in place to ensure all staff, members, or other persons responsible for the management, decision making, governance and other aspects of the delivery of the LGPS acquire and retain the necessary LGPS knowledge and skills.
- This administering authority will report annually on how its knowledge and skills policy has been put into practice throughout the financial year in the fund's annual report.
- This administering authority has delegated the responsibility for the implementation of the requirements of the CIPFA Code of Practice to the appropriate officer, who will act in accordance with the administering authority's knowledge and skills policy statement, and, where they are a CIPFA member, with CIPFA Standards of Professional Practice (where relevant).

### Training Policy

The fund has adopted a training policy which sets out how the fund intends to meet its training responsibilities. The current training policy can be found on the fund's website.

This policy has been prepared following the key areas of relevant legislation and guidance include the following:

- The Chartered Institute of Public Finance and Accountancy (CIPFA) Knowledge and Skills framework for LGPS Committee members and LGPS Officers, Pension Board Members and the Code of Practice
- MiFID II
- Pensions Act 2004
- Public Service Pensions Act 2013
- Statutory Government guidance
- Guidance from England and Wales Scheme Advisory Board (SAB)
- The Pensions Regulator's (TPR) Code of Practice

Training will be delivered through a variety of methods including:

- in-house training sessions provided by officers and/or external providers.
- virtually using webinars, online conferences and e-learning platforms
- shared training with other LGPS Funds or framework arrangements

- training at meetings (e.g. committee or pension board) provided by officers and/or external advisers.
- external training events, such as those organised by the Local Government Association (LGA), CIPFA, or Pensions and Lifetime Saving Association (PLSA)
- attendance at seminars and conferences offered by industry-wide bodies, such as those organised by the LGA, LGC Pension Investment Seminars, CIPFA, Local Authority Pension Fund Forum or PLSA
- circulation of reading material, including fund committee reports and minutes from attendance at seminars and conferences.
- attendance at meetings and events with the fund's investment managers and advisors
- links to on-line training such as that provided by The Pensions Regulator.
- the fund's website [www.shropshirecountypensionfund.co.uk](http://www.shropshirecountypensionfund.co.uk) and national LGPS websites where scheme information is available.
- fund policies and documents such as the Annual Report, Governance Compliance Statement, Administration Strategy, Funding Strategy Statement and Investment Strategy Statement.
- Telephone conference briefings
- Qualifications, particularly those relevant to senior officers

The fund has also invested in the Hymans e-learning platform which allows all officers, committee and Board members to access the latest updates with modules covering:

- Introduction to the LGPS
- Governance & Regulators
- Administration & Management
- Funding & Actuarial Matters
- Investments
- Current Issues including McCloud, Goodwin, cost-sharing, cyber security, GAD Section 13,
- Pensions Dashboard and cost cap.

### Pensions Committee

The Pensions Committee meets quarterly or more often if required and at each meeting there is a training session usually delivered by the fund investment advisors, Aon, LGPS Central, investment fund managers, Mercer, Columbia Threadneedle Investments or officers.

Topics are wide ranging and have included the following:

- Actuarial Valuation
- Market Outlook
- Equity Protection
- Responsible Engagement Overlay Service (REO)
- LGPS Central Limited Update
- Investment Strategy & Equity Protection update
- Targeted Return Fund
- Audit findings for SCPF
- Climate risk report

In addition, three investment strategy training workshops were run by Aon, Mercer & LGPS Central in 2022/23 in preparation for agreeing the investment strategy statement at a future committee meeting.



## Pensions Board

Each Pension Board member received training throughout 2022/23. The training was either provided by the Local Government Association (LGA), Aon, TPR, CIPFA or was provided by officers in-house. Each Pension Board member and senior officers have completed the Pensions Regulator's eLearning programme and a skills assessment to identify areas where further training may be required in the future. Pension Board members also attended the investment strategy training workshops and Pension Committee meetings where key themes this year were the actuarial valuation results, cyber security, McCloud, Pensions Dashboards and the TPR Single Code of Practice.

The following information is also available on the fund's website e.g. 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. In addition, all Pension Committee and Pension Board meetings are now live streamed and recorded and available.

Both Board and Committee members have completed an online questionnaire to assess their knowledge and skills against the CIPFA framework and responses are being used to determine future training needs.

## Workforce Planning

Workforce planning is essential in order for all the above work to be delivered. There have been many challenges to recruiting and retaining team members, with the ever-changing environment in which we work, which incorporates complex pension legislation and evolving technological developments, this can make it extremely difficult to meet demand.

The loss of experienced team members can have a real impact on the ability to deliver an effective and efficient service.

A review of the team structure will be undertaken at the beginning of 2024 and a workforce plan will be created. This is to ensure we have the right resources and have a succession plan to remove any issues of resilience when key members leave the team.

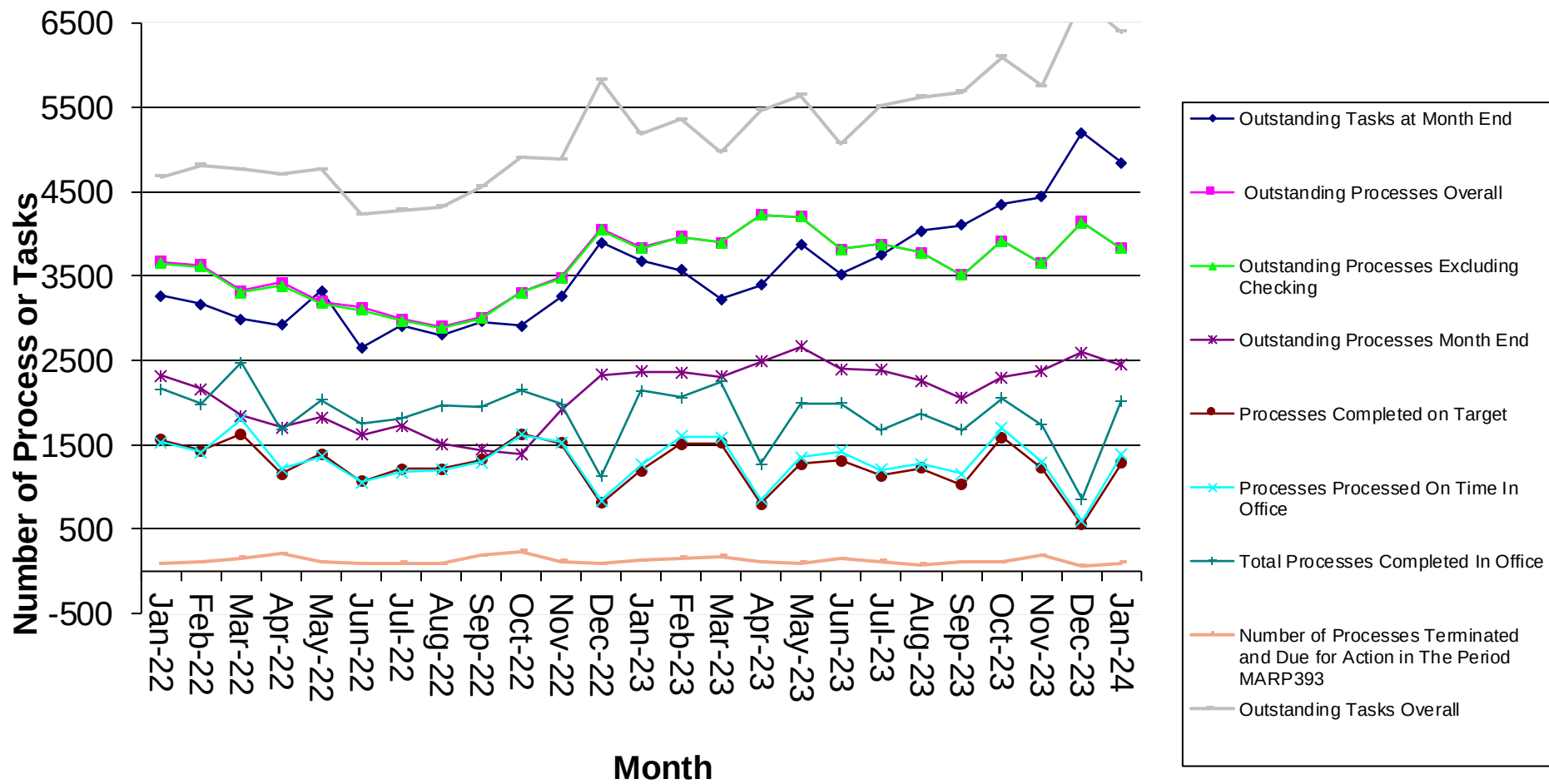
A focus on career pathways, with team members having a clear training plan and an opportunity to study for a qualification should be included in the plan.

Best use of automated processes to help tackle areas of high volume is required, so that the team can focus on higher value work and providing an excellent service to all stakeholders.





# Process and Task Statistics



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| <u>Committee and Date</u> |
|---------------------------|
| Pensions Committee        |
| 15 March 2024             |
| 9.30am                    |

| <u>Item</u> |
|-------------|
| <b>8</b>    |
| Public      |

## PENSION FUND TREASURY STRATEGY 2024/25

**Responsible Officer** Justin Bridges

e-mail: [Justin.bridges@shropshire.gov.uk](mailto:Justin.bridges@shropshire.gov.uk) Tel: (01743) 252072

### 1. Synopsis

- 1.1 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 set out in this report.

### 2 Executive Summary

- 2.1 This report proposes the Pension Fund Treasury Strategy for 2024/25 for the small cash balances that the Administering Authority maintains to manage the daily transactions of the Fund. These transactions include the payment of pensions and transfers out together with the receipt of contributions from employers and transfers into the Fund. From the 1 April 2010 these balances have been invested separately in accordance with the Pension Fund Treasury Strategy.

### 3 Recommendations

- 2.1 Members are asked to delegate authority to the LGPS Senior Officer to manage the Pension Funds day to day cash balances.
- 2.2 Members are asked to approve, with any comments, the Pension Fund Treasury Strategy.
- 2.3 Members are asked to authorise the LGPS Senior Officer to place deposits in accordance with the Pension Fund's Treasury Strategy.
- 2.4 Members are also asked to delegate authority 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.

### **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 Compliance with the CIPFA Code of Practice on Treasury Management, adhering to the Council's Treasury Policy Statement and Treasury Management Practices together with the rigorous internal controls will enable the Fund to manage the risk associated with Treasury Management activities and the potential for financial loss
- 3.4 There are no direct environmental, equalities or climate change consequences arising from this report.

### **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, CTI engage with companies on the Fund's behalf and the Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and is a signatory to the UK Stewardship Code. The Pension Committee have also agreed a net zero target by 2050 or before as part of its climate strategy.

### **6. Background**

- 6.1 The Fund has assets of £2.4 billion which are managed by the Funds Global Custodian, Northern Trust. Shropshire Council as the Administering Authority maintains a small working cash balance (currently around £4 million). This Treasury Strategy relates solely to the Pension Fund cash managed by Shropshire Council as the Administering Authority.
- 6.2 The Administering Authority aims to keep the Pension Fund cash held for day-to-day transactions to a minimum level. Fund cash is currently managed separately and invested on the money markets in accordance with Shropshire Council's Treasury Strategy. A separate Pension Fund account is credited with investment income.

- 6.3 Investment regulations issued by the DCLG (now DLUHC) in December 2009 no longer permit pension fund cash to be pooled with the cash balances of Shropshire Council from 1st April 2010. In view of these changes a separate Pension Fund Treasury Strategy must be approved each year.

## **7. Investment Policy**

- 7.1 The Fund's investment policy is based on the Treasury Strategy adopted by Shropshire Council. The investment policy will have regard to the Department for Levelling Up, Housing and Communities (DLUHC) Guidance on Local Government Investments, and the CIPFA Treasury Management Code of Practice.
- 7.2 The investment priorities for the management of Pension Fund cash balances are the security of capital and the liquidity of its investments. The Fund will also aim to achieve the optimum return on its cash investments commensurate with proper levels of security and liquidity.
- 7.3 The DLUHC guidance requires Shropshire Council to categorise their investments as either "specified" or "non specified" investments. Shropshire Council as Administering Authority for the Pension Fund will adopt these same categorisations for the investment of Pension Fund cash. Specified investments are deemed as "safer" investments and must meet the following conditions:-
- be denominated in Sterling
  - have less than 12 months duration
  - not constitute the acquisition of share or loan capital
  - be invested in the government or a local authority or a body or investment scheme with a "high" credit quality.
- 7.4 The Fund is required to specify its creditworthiness policy and how frequently credit ratings should be monitored. It must also specify the minimum level of such investments.
- 7.5 The Fund is required to look at non specified investments in more detail. It must set out:
- Procedures for determining which categories of non-specified investments should be used
  - The categories deemed to be prudent
  - The maximum amount deemed to be held in each category
  - The maximum period for committing funds
- 7.6 As all of the Funds' investments will be placed in sterling for periods up to 12 months with highly credit rated institutions all investments



will be classified as specified investments. It is recommended that the maximum limit of £4 million is set for institutions which are part nationalised and £2 million for institutions which meet the minimum credit ratings but are not supported by the Government. Any changes to the minimum credit ratings or maximum limits must be approved by the LGPS Senior Officer.

- 7.7 The Fund may use for the prudent management of its cash balances any of the specified investments detailed on Appendix A.
- 7.8 In order not to rely solely on institutions credit ratings there have also been a number of other developments since the credit crunch crisis which require separate consideration and approval. Part Nationalised Banks in the UK effectively take on the creditworthiness of the Government itself i.e. deposits made with them are effectively being made to the Government. This is because the Government owns significant stakes in the banks and this ownership is set to continue. Link Asset Services are still supportive of the Fund using these institutions with a maximum 12 month duration. For this reason National Westminster Bank which are part of the RBS group are included on the approved counterparty list.

## **8. Creditworthiness Policy**

- 8.1 It is proposed that the Fund will adopt the same methodology as Shropshire Council when determining the minimum credit ratings to be used. The Creditworthiness policy has been adopted from Shropshire Council's Treasury Strategy who use information provided by their treasury advisor, Link Asset Services. This service has been progressively enhanced following the problems with Icelandic Banks in 2008. Link use a sophisticated modelling approach with credit ratings from all three rating agencies Fitch, Moody's and Standard and Poor's. In accordance with the revised Treasury Management Code of Practice they do not rely solely on the current credit ratings of counterparties but also use the following as overlays:-
- Credit watches and credit outlooks from credit rating agencies
  - Credit Default Swap (CDS) spreads to give an early warning of likely changes in credit ratings
  - Sovereign ratings to select counterparties from only the most creditworthy countries
- 8.2 This modelling approach combines credit ratings, credit watches, credit outlooks and CDS spreads in a weighted scoring system for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are also used to determine the duration of investments and are therefore referred to as durational bands. The Fund is satisfied

that this service gives a much improved level of security for its investments. It is also a service which would not be able to replicate using in-house resources.

8.3 The selection of counterparties with a high level of creditworthiness will be achieved by a selection of institutions down to a minimum durational band with Link's weekly list of worldwide potential counterparties. The Fund will therefore use counterparties within the following durational colour bands:-

- Yellow – 5yrs e.g. AAA rated Government debt, UK Gilts, Collateralised Deposits
- Dark Pink – 5 years for Enhanced Money Market Funds with a credit score of 1.25 (Not currently used)
- Light Pink - 5 years for Enhanced Money Market Funds with a credit score of 1.5 (Not currently used)
- Purple - 2yrs (Council & Pension Fund currently has maximum of 1 year)
- Blue - 1 year (only applies to nationalised or part nationalised UK Banks)
- Orange - 1 year
- Red - 6 months
- Green – 100 days
- No colour – not to be used

8.4 Although the maximum period limit is currently 5 years the Fund will take a more prudent approach and not invest for any longer than 12 months.

8.5 All credit ratings are monitored continuously and formally updated as and when changes are required by the Administering Authority. The Administering Authority is alerted to changes to ratings of all three agencies through its use of the Link's creditworthiness service. The Fund will use the same policy when constructing its approved lending list. If a counterparty's or investment scheme's rating is downgraded with the result that it no longer meets the Funds minimum criteria, the further use of that counterparty will be withdrawn immediately.

8.6 Sole reliance will not be placed on the use of this external service. Officers also use market data and information and regularly monitor the financial press.

## 9. Country Limits

9.1 It is recommended that the Fund will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch Ratings (or equivalent from other agencies). It is recommended that UK institutions continue to be used unless

the sovereign credit rating falls below A. Lending is currently restricted to the UK which currently has a sovereign credit rating of AA and Sweden which has the highest possible sovereign rating of AAA. The LGPS Senior Officer has delegated authority to revert back to placing investments in countries with a minimum sovereign credit rating of AA- in line with Link's revised creditworthiness policy if required.

## **10. Investment Strategy**

- 10.1 At the December meeting the Monetary Policy Committee (MPC) left interest rates at 5.25% for the third time in a row. It is felt that the bank rate could potentially remain on hold at 5.25% until June 2024 before falling to 3.75% by March 2025. This view is based on the latest forecasts obtained by the Authority's treasury advisor, Link Asset Services.
- 10.2 It is anticipated that balances available for investment will be between £1 - 8 million which will be invested short term in accordance with the approved lending list. Separate lending and period limits have been approved for investment of Pension Fund cash.
- 10.3 Short term cash flow requirements limit the scope for longer term investments. For cash flow generated balances we will seek to utilise the instant access account with Svenska Handelsbanken and short dated deposits (overnight - 3 months) in order to benefit from the compounding of interest.
- 10.4 All investments will be made in accordance with the Funds treasury strategy and in accordance with the DLUHC investment regulations.

## **11. Short Term Borrowing**

- 11.1 The current banking and investment arrangements mean the Fund has not needed to borrow on the money markets to fund day to day transactions. The investment regulations give the Administering Authority an explicit power to borrow for up to 90 days, for the purpose of the pension fund. This will enable borrowing for cash flow purposes such as to ensure that scheme benefits can be made on time. Any borrowing needs to have an identifiable income from which repayment of the borrowed amount and related interest can be funded.

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

Pension Fund Treasury Strategy 2023/24, Pensions Committee 17 March 2023

**Cabinet Member**

N/A

**Local Member**

N/A

**Appendices**

A. Specified Investment Schedule

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**Appendix A****SPECIFIED INVESTMENTS*****All investments listed below must be sterling-denominated.***

| <b>Investment</b>                                                                                                                                                                                  | <b>Share/<br/>Loan<br/>Capital?</b> | <b>Repayable/<br/>Redeemable<br/>within 12<br/>months?</b> | <b>Security /<br/>Minimum<br/>Credit Rating</b> | <b>Capital<br/>Expenditure?</b> | <b>Circumstance of<br/>use</b> | <b>Maximum<br/>period</b> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|------------------------------------------------------------|-------------------------------------------------|---------------------------------|--------------------------------|---------------------------|
| <b>Term deposits</b> with the UK government (e.g. DMO Account) or with English local authorities (i.e. local authorities as defined under Section 23 of the 2003 Act) with maturities up to 1 year | No                                  | Yes                                                        | High security although LAs not credit rated.    | NO                              | In-house                       | 1 year                    |
| <b>Term deposits</b> with credit-rated deposit takers (banks and building societies), including callable deposits, with maturities up to 1 year                                                    | No                                  | Yes                                                        | Yes – Minimum colour band Green                 | NO                              | In-house                       | 1 year                    |
| <b>Certificates of Deposit</b> issued by credit-rated deposit takers (banks and building societies) up to 1 year.<br><br><i>Custodial arrangement</i>                                              | No                                  | Yes                                                        | Yes – Minimum colour band Green                 | NO                              | In house buy and hold          | 1 year                    |

|                                                                                                                                                                                                            |    |     |                                    |    |                                                                         |        |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|-----|------------------------------------|----|-------------------------------------------------------------------------|--------|
| <i>required prior to purchase</i>                                                                                                                                                                          |    |     |                                    |    |                                                                         |        |
| <b>Banks nationalised by high credit rated (sovereign rating) countries</b>                                                                                                                                | No | Yes | Minimum Sovereign Rating AA-       | No | In house                                                                | 1 year |
| <b>UK Part Nationalised banks</b>                                                                                                                                                                          | No | Yes | Yes – Minimum colour band green    | No | In house                                                                | 1 Year |
| <b>Government guarantee on all deposits by high credit rated (sovereign rating) countries</b>                                                                                                              | No | Yes | Yes – Minimum Sovereign Rating AA- | No | In house                                                                | 1 year |
| <b>Bonds issued by multilateral development banks</b> (Euro Sterling Bonds as defined in SI 2004 No 534) or issued by a financial institution guaranteed by UK government with maturities under 12 months. | No | Yes | AAA                                | NO | In-House on a buy and hold basis after consultation/advice from Capita& | 1 year |
| <i>Custodial arrangement required prior to purchase</i>                                                                                                                                                    | No | Yes | AAA                                | NO |                                                                         | 1 year |



|                                                                                                                                              |    |     |                                                                                                             |    |                                  |                                                                                                                                                                   |
|----------------------------------------------------------------------------------------------------------------------------------------------|----|-----|-------------------------------------------------------------------------------------------------------------|----|----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Gilt Funds and Bond Funds<br>(including Ultra-Short Dated Bond Funds)                                                                        |    |     |                                                                                                             |    | In House                         |                                                                                                                                                                   |
| <b>Gilts</b> : up to 1 year<br><br><i>Custodial arrangement required prior to purchase</i>                                                   | No | Yes | Govt-backed UK Sovereign Rating                                                                             | NO | In House on a buy and hold basis | 1 year                                                                                                                                                            |
| <b>Money Market Funds (CNAV) &amp; Government Liquidity Funds (including CCLA Fund) &amp; Enhanced Money Market Funds (LVNAV &amp; VNAV)</b> | No | Yes | Yes<br>AAA rated & UK sovereign rating.<br>Enhanced MMFs<br>minimum colour Dark Pink/Light Pink & AAA rated | NO | In-house                         | the period of investment may not be determined at the outset but would be subject to cash flow and liquidity requirements.<br><br>Deposits are repayable at call. |
| <b>Treasury bills</b><br><i>[Government debt security]</i>                                                                                   | No | Yes | Govt-backed UK Sovereign                                                                                    | NO | In House                         | 1 year                                                                                                                                                            |

|                                                                                                                        |  |  |        |  |  |  |
|------------------------------------------------------------------------------------------------------------------------|--|--|--------|--|--|--|
| <i>with a maturity less than one year and issued through a competitive bidding process at a discount to par value]</i> |  |  | Rating |  |  |  |
| <i>Custodial arrangement required prior to purchase</i>                                                                |  |  |        |  |  |  |

**Monitoring of credit ratings:**

All credit ratings will be monitored continuously. If a counterparty or investment scheme is downgraded with the result that it no longer meets the Pension Fund’s minimum credit criteria, the use of that counterparty / investment scheme will be withdrawn.

Any intra-month credit rating downgrade which the Pension Fund has identified that affects the Pension Fund pre-set criteria will also be similarly dealt with.



| <u>Committee and Date</u> | <u>Item</u> |
|---------------------------|-------------|
| Pensions Committee        | <b>9</b>    |
| 15 March 2024             | Public      |
| 9.30am                    |             |

## CORPORATE GOVERNANCE MONITORING

**Responsible  
Officer**

Peter Chadderton

e-mail: [peter.chadderton@shropshire.gov.uk](mailto: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, 1<sup>st</sup> October 2023 to 31<sup>st</sup> December 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,
  - Legal & General Investment Management (LGIM) at Appendix B,
  - Columbia Threadneedle Investments Responsible Engagement Overlay Activity Report at Appendix C and
  - LAPFF Engagement Report at Appendix D.
- 2.2 Members are asked to note and accept with or without comment the changes to the Climate Stewardship Plan as a result of the Climate Risk Report presented in December 2023. The revised plan is attached as Appendix E.

## 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 and has a Climate Change Strategy in place committing to net zero by 2050 in line with the Paris accord on climate change adopted in 2015.

5.2 Responsible investment is a key process the investment managers go through before investing and something the fund considers as part of investment opportunities. Thorough due diligence is undertaken considering all risks including climate change. The investment managers vote where applicable on the Fund's behalf, Columbia Threadneedle Investments engage with companies on the Fund's behalf and the Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which undertakes engagements on behalf of all LGPS members.

5.3 Shropshire County Pension Fund is a signatory to the UK stewardship code.

5.4 Shropshire County Pension Fund has also received and published Climate Risk Reports and TCFD reports since December 2020. The latest report from December 2023 reports is publicly available on our website.

#### **6. Background**

6.1 The Shropshire County Pension Fund has been actively voting for over sixteen 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 Investments 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 A LGPS Central Voting statistics  
Appendix B LGIM – Voting summary and key examples.

- 7.2 Both the LGPS Central and Legal and General Investment Management (LGIM) reports are generic report across all their investment activity and not specific to the funds in which the Fund is invested. As with previous years LGPS Central do not provide a quarterly report for this quarter as they concentrate on the Climate Risk reports for clients and their year-end report. Examples that relate to the Fund's portfolio as at 31<sup>st</sup> December 2023 in the LGIM Report include Volkswagen and Rolls Royce and Mediobanca.

## **8. Responsible Engagement Activity**

- 8.1 During the last quarter Columbia Threadneedle Investments 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 portfolio's.
- 8.2 In addition to the public overview Columbia Threadneedle Investments also produce a confidential report on an ongoing engagements which can be shared with Committee members on request.
- 8.3 In addition to the service provided by Columbia Threadneedle Investments, 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.
- 8.4 As with the earlier reports at Appendix A & 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 31<sup>st</sup> December 2023 include under climate engagements National Grid, BP and Persimmon Homes. LAPFF engaged with Nestle on the wider implications of regenerative agriculture and climate and specific company engagements such as Glencore, Ford, Mercedes, and The Home Depot.

## **9. LGPS Central Stewardship Themes**

- 9.1 LGPS Central have confirmed following consultation that their engagement themes for 2024 to 2027 are:
- Climate Change
  - Natural Capital
  - Human Rights Risk
  - Sensitive and Topical Issues

9.2 The only change from the December report is that the final category that was previously titled Controversial Activities has been renamed to Sensitive and Topical Issues. It is still expected that engagement in this area will cover the same areas such as tax transparency but that the revised title allowed greater flexibility without the negative connotations. As reported in December the Fund is supportive of these changes and the inclusion of Natural Capital will assist in preparing the Fund for potential requirements brought in by TNFD (Taskforce on Nature-related Financial Disclosures).

9.3 As reported in December in addition to revising the stewardship themes LGPS Central have devised revised measures of engagement that will assist transparency in the success and impacts of engagement.

The engagement response will be measured across 4 levels:

- Level 0 No progress has been made as a result of engagement.
- Level 1 Minimum expectations have been met.
- Level 2 Moderate progress.
- Level 3 Successful outcome.

9.5 LGPS Central are continuing to work on the definitions for success across the four themes but as an example the following would apply to climate change:

Level 0 No progress or a failure by the company to engage.

Level 1 Companies disclosing data to facilitate carbon performance assessment.

Level 2 Progress observed in Climate Action100+ Benchmark Framework,

Companies improving on TPI (Transition Pathway Initiative) quality ladder,

Companies partly aligning with LGPS Central Net Zero Strategy.

Level 3 Complete and demonstratable alignment to LGPS Central Net Zero Strategy.

9.6 LGPS Central have confirmed the revised strategy will be brought in for the period from 2024 to 2027 and we should start to see enhanced reporting from the middle of 2024 (September Committee Papers).

10.1 In December 2023 we advised that the fund had voted for the following projects to be added to the 2024 engagement themes for Columbia Threadneedle Investments (CTI).

- Sustainable Supply and Demand of Critical Minerals
- Responsible Water Stewardship
- Sustainable Food Systems
- Geopolitical Risks and Mining Supply Chains

10.2 CTI have now completed their consultation and announced the rolling program of 10 projects for 2024 across their five engagement themes. The table below shows the current projects:

| Theme                     | Project                                            |
|---------------------------|----------------------------------------------------|
| Climate Change            | Coal phase out                                     |
|                           | Deforestation                                      |
| Environmental Stewardship | Emissions and plastic waste                        |
|                           | Sustainable supply and demand of critical minerals |
|                           | Responsible Water Stewardship                      |
| Human Rights              | Responsible governance of Artificial Intelligence  |
| Public Health             | Diversity in clinical trials                       |
|                           | Sustainable Food Systems                           |
| Governance                | Improving board gender diversity in Asia           |
|                           | Independent Board Evaluation                       |

10.3 The updated project list above includes three of the four projects the Fund voted for the exception being Geopolitical Risks and Mining Supply Chains which failed to make the final cut and was replaced with Independent Board Evaluation. The Fund recognises the need to maintain a balanced engagement across all Environmental, Social and Governance (ESG) areas and is supportive of the revised project areas.

## 11. DLUHC TCFD Consultation

11.1 As reported in December 2022, the Fund 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. The latest update on the Government website is that DLUHC are still analysing feedback received. It is expected that the policy will come into place in 2024 and the Fund in consultation with LGPS Central continues to produce reports based on the expected outcomes. The Scheme Advisory Board (SAB) have raised the consultation with the minister for Local Government earlier this year.

## **12. DLUHC Local Government Pension Scheme: Next Steps on Investments**

- 12.1 The government published its response to the consultation on the next steps on investments as part of the Chancellor's Autumn statement and a summary of the key outcomes was reported to the December Committee.
- 12.2 The Fund still awaits detailed guidance in respect of some of the points raised in the consultation though it is believed that the LGPS Central model meets the Governments criteria in that the pool are responsible both for manager selection within funds and the strategy adopted by those managers to achieving both the required investment returns and the appropriate ESG (Environmental, Social and Governance) outcomes.
- 12.3 Upon receipt of the revised guidance the Fund will work with LGPS Central and the other seven LGPS funds in the Central pool to work through the proposals within the response in more detail.
- 12.4 The consultation response will require updates to the Funds Annual Report for 2023/24 and SAB are looking to issue final updated guidance by the end of this month in this respect.

## **13. Climate Stewardship Plan Update**

- 13.1 The climate risk report presented to the Committee in December 2023 contained recommendations to update the Climate Stewardship plan to reflect the changes in the Funds equity portfolios.
  - Five companies have been removed from the plan as changes in equity holdings mean they are no longer one of the top ten emitters across the Funds equity holdings at the time of the climate risk report. The five companies removed were:
    - Ryanair
    - RWE AG
    - CF Industries
    - BP
    - Glencore

- Five companies were added to the plan as they form part of the top ten emitters at the time of the climate risk report. The Five companies added were:

Taiwan Semiconductor Manufacturing Co. Ltd

Conocophillips

Linde PLC

Micron Technology Inc

L'Air Liquide

13.2 The ten companies selected will be prioritised by LGPS Central for engagement and monitoring.

13.3 The updated Climate Stewardship Plan is included as Appendix E.

#### **14. Net Zero Strategy**

14.1 In October 2023 LGPS central launched a Net Zero Strategy the policy is consistent with the Funds stated aim of achieving net zero by 2050 and achievement of the goals of the Paris Agreement on climate change.

14.2 The Funds own Climate Strategy is due for review in December 2024. Given the outcomes of the DHLUC consultation, the next steps on investments in emphasising the requirement for Investments to be through LGPS Central as the Funds pooling company, it makes sense that the two documents should be aligned. LGPS Central's strategy in achieving net zero will be a key driver in ensuring the Fund achieves net zero.

14.3 A training session with LGPS Central to run through the main drivers in their net zero policy and the expected timelines will be arranged to facilitate discussion prior to redrafting the existing strategy. This training session will be arranged prior to the June Committee meeting if a suitable date can be agreed so that appropriate time can be devoted to this matter.

#### **15. Stewardship Code**

15.1 The Fund successfully applied to become a signatory of the FRC stewardship code at 31<sup>st</sup> May 2023. This was the application deadline for all new submissions. As the Fund is now a signatory to the code the Fund can choose to apply for renewal again at the 31<sup>st</sup> May or at 30<sup>th</sup> October.

15.2 The Fund has decided that it makes more sense to apply in October as this will decrease the additional workload at financial year end and allow us to report on our financial year rather than the calendar year which the original submission was based on.

- 15.3 Agreement from the FRC has been received and the Fund will submit a transitional 15-month report covering the period from 1<sup>st</sup> January 2023 to 31<sup>st</sup> March 2024 to facilitate this change in reporting dates.
- 15.4 The Fund will provide members with a draft copy of the updated report for the September Committee in preparation for the October submission.

**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 17 March 2023

Corporate Governance Monitoring report, Pensions Committee 24 June 2023

Corporate Governance Monitoring report, Pensions Committee 15 September 2023

DLUHC Consultation Update, Pensions Committee 15 September 2023

Corporate Governance Monitoring report, Pensions Committee 1 December 2023

TCFD Report, Pensions Committee 1 December 2023

Climate Risk Report, Pensions Committee 1 December 2023

**Cabinet Member**

N/A

**Local Member**

N/A

**Appendices**

A. LGPS Central Manager Voting Activity Reports

B. LGIM Manager Voting Activity Report

C. Columbia Threadneedle Responsible Engagement Overlay Reports

D. LAPFF Quarterly Engagement Report

E. Climate Stewardship Plan

## LGPS Central - ACS

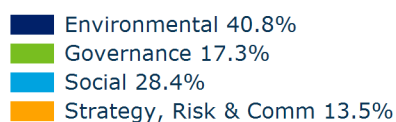
## EOS at Federated Hermes

### Engagement by region

We engaged with 345 companies held in the LGPS Central - ACS portfolio on a range of 1165 environmental, social and governance issues and objectives

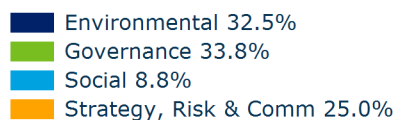
#### Global

We engaged with 345 companies



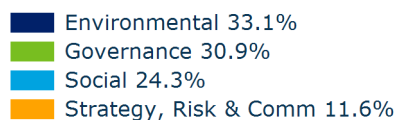
#### Australia & New Zealand

We engaged with 31 companies



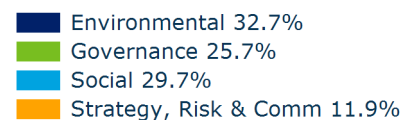
#### Developed Asia

We engaged with 52 companies



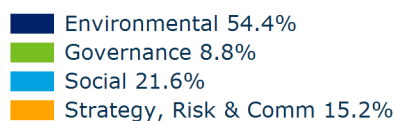
#### Emerging & Developing Markets

We engaged with 39 companies



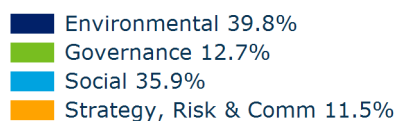
#### Europe

We engaged with 74 companies



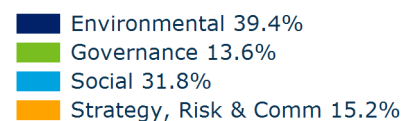
#### North America

We engaged with 131 companies



#### United Kingdom

We engaged with 18 companies



Engagement by Meta theme

We engaged with 345 companies held in the LGPS Central - ACS portfolio on a range of 1165 environmental, social and governance issues and objectives

Environmental

Environmental topics featured in 40.8% of our engagements



- Circular Economy & Zero Pollution 14.3%
- Climate Change 63.6%
- Natural Resource Stewardship 22.1%

Social

Social topics featured in 28.4% of our engagements



- Human & Labour Rights 43.5%
- Human Capital 42.9%
- Wider Societal Impacts 13.6%

Governance

Governance topics featured in 17.3% of our engagements



- Board Effectiveness 49.0%
- Executive Remuneration 36.1%
- Investor Protection & Rights 14.9%

Strategy, Risk & Communication

Strategy, Risk & Communication topics featured in 13.5% of our engagements



- Corporate Reporting 31.8%
- Purpose, Strategy & Policies 47.8%
- Risk Management 20.4%

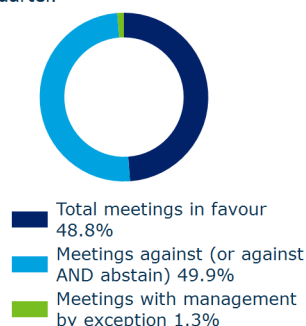
## LGPS Central - ACS

## EOS at Federated Hermes

Over the last quarter we made voting recommendations at 391 meetings (3,071 resolutions). At 195 meetings we recommended opposing one or more resolutions. We recommended voting with management by exception at five meetings and abstaining at zero meetings. We supported management on all resolutions at the remaining 191 meetings.

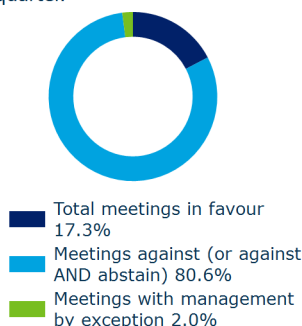
### Global

We made voting recommendations at 391 meetings (3,071 resolutions) over the last quarter.



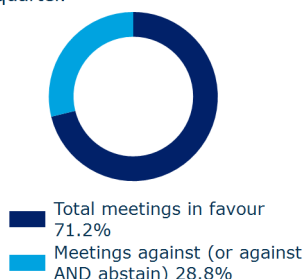
### Australia & New Zealand

We made voting recommendations at 98 meetings (544 resolutions) over the last quarter.



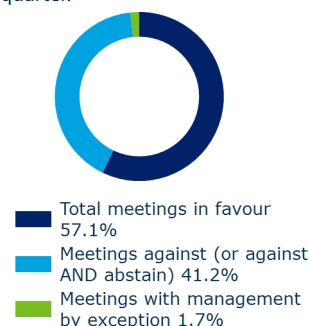
### Developed Asia

We made voting recommendations at 52 meetings (293 resolutions) over the last quarter.



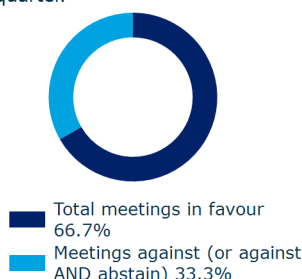
### Emerging & Developing Markets

We made voting recommendations at 119 meetings (796 resolutions) over the last quarter.



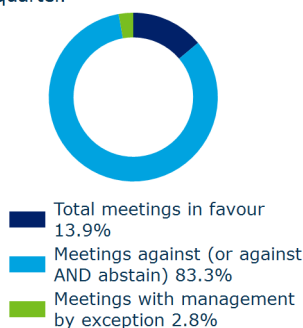
### Europe

We made voting recommendations at 27 meetings (221 resolutions) over the last quarter.



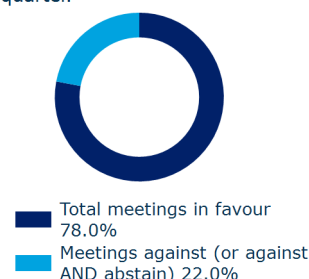
### North America

We made voting recommendations at 36 meetings (475 resolutions) over the last quarter.



### United Kingdom

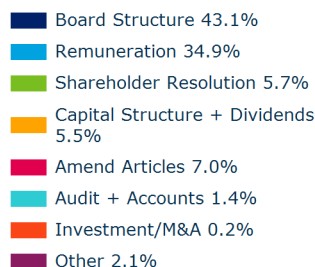
We made voting recommendations at 59 meetings (742 resolutions) over the last quarter.



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

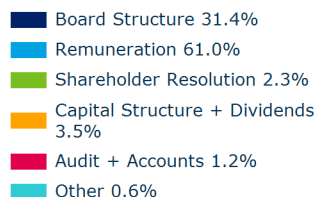
## Global

We recommended voting against or abstaining on 487 resolutions over the last quarter.



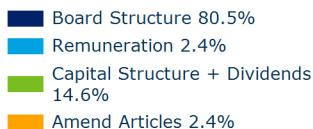
## Australia & New Zealand

We recommended voting against or abstaining on 172 resolutions over the last quarter.



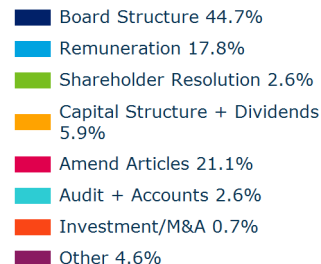
## Developed Asia

We recommended voting against or abstaining on 41 resolutions over the last quarter.



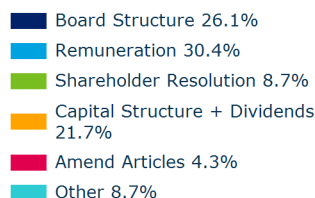
## Emerging & Developing Markets

We recommended voting against or abstaining on 152 resolutions over the last quarter.



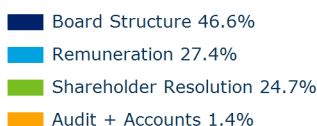
## Europe

We recommended voting against or abstaining on 23 resolutions over the last quarter.



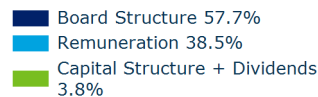
## North America

We recommended voting against or abstaining on 73 resolutions over the last quarter.



## United Kingdom

We recommended voting against or abstaining on 26 resolutions over the last quarter.





**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 Date | Company Name                                            | Meeting Type               | Voting Action   | Agenda Item Numbers                      | Voting Explanation                                                                                                                                                                                                                                                                                                                                     |
|--------------|---------------------------------------------------------|----------------------------|-----------------|------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 09/10/2023   | China Travel International Investment Hong Kong Limited | Extraordinary Shareholders | All For         |                                          |                                                                                                                                                                                                                                                                                                                                                        |
| 10/10/2023   | Guotai Junan International Holdings Limited             | Extraordinary Shareholders | All For         |                                          |                                                                                                                                                                                                                                                                                                                                                        |
| 11/10/2023   | Cathay Pacific Airways Limited                          | Extraordinary Shareholders | All For         |                                          |                                                                                                                                                                                                                                                                                                                                                        |
| 25/10/2023   | Sino Land Company Limited                               | Annual                     | Against         | 3.1<br>3.4<br>5.2,5.3<br>3.2,3.3,3.5     | Concerns related to inappropriate membership of committees Concerns related to approach to board gender diversity Combined CEO/Chair<br>Concerns related to inappropriate membership of committees Lack of independence on board<br>Issue of equity raises concerns about excessive dilution of existing shareholders<br>Lack of independence on board |
| 02/11/2023   | New World Development Company Limited                   | Extraordinary Shareholders | All For         |                                          |                                                                                                                                                                                                                                                                                                                                                        |
| 02/11/2023   | Sun Hung Kai Properties Limited                         | Annual                     | Against         | 3.1d<br>3.1c<br>6<br>7<br>3.1a,3.1b,3.1f | Concerns related to succession planning<br>Concerns related to succession planning Concerns related to approach to board gender diversity<br>Insufficient/poor disclosure<br>Issue of equity raises concerns about excessive dilution of existing shareholders<br>Lack of independence on board                                                        |
| 21/11/2023   | New World Development Company Limited                   | Annual                     | Against         | 3a<br>6<br>3c,3e,3f<br>7                 | Concerns related to inappropriate membership of committees<br>Issue of equity raises concerns about excessive dilution of existing shareholders<br>Lack of independence on board<br>Pay is misaligned with EOS remuneration principles                                                                                                                 |
| 29/11/2023   | CSPC Pharmaceutical Group Ltd.                          | Extraordinary Shareholders | All For         |                                          |                                                                                                                                                                                                                                                                                                                                                        |
| 20/12/2023   | Guotai Junan International Holdings Limited             | Extraordinary Shareholders | All For         |                                          |                                                                                                                                                                                                                                                                                                                                                        |
| 22/12/2023   | Far East Horizon Limited                                | Extraordinary Shareholders | All For         |                                          |                                                                                                                                                                                                                                                                                                                                                        |
| 23/10/2023   | Japan Logistics Fund, Inc.                              | Special                    | All For         |                                          |                                                                                                                                                                                                                                                                                                                                                        |
| 25/10/2023   | AEON REIT Investment Corp.                              | Special                    | Against         | 4.1                                      | Concerns related to succession planning                                                                                                                                                                                                                                                                                                                |
| 26/10/2023   | Advance Residence Investment Corp.                      | Special                    | All For         |                                          |                                                                                                                                                                                                                                                                                                                                                        |
| 27/10/2023   | Mitsui Fudosan Logistics Park, Inc.                     | Special                    | All For         |                                          |                                                                                                                                                                                                                                                                                                                                                        |
| 14/11/2023   | ITOCHU Techno-Solutions Corp.                           | Special                    | Against         | 2<br>1                                   | The change is requested in connection with the reverse stock split proposed in Item 1, which does not merit support.<br>The purchase price represents a low premium to the share price before the tender offer announcement, which does not appear advantageous to its minority shareholders.                                                          |
| 20/11/2023   | Mani, Inc.                                              | Annual                     | All For         |                                          |                                                                                                                                                                                                                                                                                                                                                        |
| 22/11/2023   | Bic Camera, Inc.                                        | Annual                     | Against         | 2.1,2.8,2.9                              | Lack of independence on board                                                                                                                                                                                                                                                                                                                          |
| 22/11/2023   | Japan Hotel REIT Investment Corp.                       | Special                    | Against         | 3.1                                      | Concerns related to succession planning                                                                                                                                                                                                                                                                                                                |
| 22/11/2023   | LaSalle LOGIPORT REIT                                   | Special                    | All For         |                                          |                                                                                                                                                                                                                                                                                                                                                        |
| 22/11/2023   | TOSHIBA Corp.                                           | Special                    | No Action Taken | 1.2                                      |                                                                                                                                                                                                                                                                                                                                                        |
| 23/11/2023   | Ryohin Keikaku Co., Ltd.                                | Annual                     | Against         | 3.5,3.7                                  | Lack of independence on board                                                                                                                                                                                                                                                                                                                          |
| 24/11/2023   | SHIFT, Inc.                                             | Annual                     | Against         | 2.1                                      | Concerns about overall performance                                                                                                                                                                                                                                                                                                                     |
| 28/11/2023   | Daiwa House REIT Investment Corp.                       | Special                    | All For         |                                          |                                                                                                                                                                                                                                                                                                                                                        |
| 29/11/2023   | ORIX JREIT, Inc.                                        | Special                    | All For         |                                          |                                                                                                                                                                                                                                                                                                                                                        |
| 30/11/2023   | FAST RETAILING CO., LTD.                                | Annual                     | Against         | 1.2,1.3<br>1.1                           | Concern about independence due to tenure<br>Concern about overall gender diversity at the board                                                                                                                                                                                                                                                        |
| 30/11/2023   | Japan Metropolitan Fund Investment Corp.                | Special                    | All For         |                                          |                                                                                                                                                                                                                                                                                                                                                        |
| 08/12/2023   | CyberAgent, Inc.                                        | Annual                     | Against         | 3.2<br>2.4                               | Concerns related to succession planning<br>Lack of independence on board                                                                                                                                                                                                                                                                               |
| 08/12/2023   | Noevir Holdings Co., Ltd.                               | Annual                     | All For         |                                          |                                                                                                                                                                                                                                                                                                                                                        |
| 17/12/2023   | GMO Payment Gateway, Inc.                               | Annual                     | Against         | 2.2,3.3                                  | Lack of independence on board                                                                                                                                                                                                                                                                                                                          |



| Meeting Date | Company Name                                | Meeting Type               | Voting Action | Agenda Item Numbers | Voting Explanation                                                                                           |
|--------------|---------------------------------------------|----------------------------|---------------|---------------------|--------------------------------------------------------------------------------------------------------------|
| 20/12/2023   | Open House Group Co., Ltd.                  | Annual                     | All For       |                     |                                                                                                              |
| 21/12/2023   | FOOD & LIFE COMPANIES LTD.                  | Annual                     | All For       |                     |                                                                                                              |
| 21/12/2023   | Invincible Investment Corp.                 | Special                    | All For       |                     |                                                                                                              |
| 22/12/2023   | Amvis Holdings, Inc.                        | Annual                     | All For       |                     |                                                                                                              |
| 22/12/2023   | Hamamatsu Photonics KK                      | Annual                     | Against       | 2.1,2.7             | Lack of independence on board                                                                                |
| 26/12/2023   | Daiwa Securities Living Investment Corp.    | Special                    | All For       |                     |                                                                                                              |
| 05/10/2023   | Singapore Exchange Limited                  | Annual                     | All For       |                     |                                                                                                              |
| 18/10/2023   | Keppel Limited                              | Extraordinary Shareholders | All For       |                     |                                                                                                              |
| 24/10/2023   | CapitaLand Ascott Trust                     | Extraordinary Shareholders | All For       |                     |                                                                                                              |
| 20/11/2023   | Flex Ltd.                                   | Extraordinary Shareholders | All For       |                     |                                                                                                              |
| 23/10/2023   | Celltrion Healthcare Co., Ltd.              | Special                    | All For       |                     |                                                                                                              |
| 23/10/2023   | Celltrion, Inc.                             | Special                    | All For       |                     |                                                                                                              |
| 25/10/2023   | L&F Co., Ltd.                               | Special                    | All For       |                     |                                                                                                              |
| 10/11/2023   | MERITZ Financial Group, Inc.                | Special                    | All For       |                     |                                                                                                              |
| 17/11/2023   | KB Financial Group, Inc.                    | Special                    | All For       |                     |                                                                                                              |
| 30/11/2023   | KEPCO Plant Service & Engineering Co., Ltd. | Special                    | All For       |                     |                                                                                                              |
| 05/12/2023   | Kangwon Land, Inc.                          | Special                    | Against       | 1                   | Concerns related to inappropriate membership of committees                                                   |
| 06/12/2023   | Mirae Asset Securities Co., Ltd.            | Special                    | All For       |                     |                                                                                                              |
| 11/12/2023   | Korea Electric Power Corp.                  | Special                    | Against       | 1                   | Lack of independence on board                                                                                |
| 21/12/2023   | HLB Co., Ltd.                               | Special                    | All For       |                     |                                                                                                              |
| 22/12/2023   | KEPCO Plant Service & Engineering Co., Ltd. | Special                    | All For       |                     |                                                                                                              |
| 26/12/2023   | Ecopro BM Co., Ltd.                         | Special                    | All For       |                     |                                                                                                              |
| 27/12/2023   | Hyundai Mobis Co., Ltd.                     | Special                    | All For       |                     |                                                                                                              |
| 28/12/2023   | Hyundai Steel Co.                           | Special                    | All For       |                     |                                                                                                              |
| 11/10/2023   | Commonwealth Bank of Australia              | Annual                     | All For       |                     |                                                                                                              |
| 11/10/2023   | CSL Limited                                 | Annual                     | Against       | 4,5                 | Pay is misaligned with EOS remuneration principles                                                           |
| 11/10/2023   | Insurance Australia Group Ltd.              | Annual                     | Against       | 2<br>4,5            | Concerns related to approach to board gender diversity<br>Pay is misaligned with EOS remuneration principles |
| 12/10/2023   | Aurizon Holdings Limited                    | Annual                     | All For       |                     |                                                                                                              |
| 12/10/2023   | Brambles Limited                            | Annual                     | Against       | 6                   | Concerns regarding Auditor tenure                                                                            |
| 13/10/2023   | Newcrest Mining Ltd.                        | Court                      | All For       |                     |                                                                                                              |
| 16/10/2023   | Stockland                                   | Annual                     | Against       | 5,6                 | Pay is misaligned with EOS remuneration principles                                                           |
| 16/10/2023   | Treasury Wine Estates Limited               | Annual                     | Against       | 2d,2f,3,4           | Pay is misaligned with EOS remuneration principles                                                           |
| 17/10/2023   | Cochlear Limited                            | Annual                     | Against       | 3,2<br>2,1,4,1      | Concerns regarding Auditor tenure<br>Pay is misaligned with EOS remuneration principles                      |
| 17/10/2023   | IDP Education Limited                       | Annual                     | Against       | 2a,3                | Pay is misaligned with EOS remuneration principles                                                           |
| 17/10/2023   | Telstra Group Limited                       | Annual                     | Against       | 3a,4a,4b,5          | Pay is misaligned with EOS remuneration principles                                                           |
| 18/10/2023   | Origin Energy Limited                       | Annual                     | All For       |                     |                                                                                                              |
| 18/10/2023   | Yancoal Australia Ltd.                      | Extraordinary Shareholders | All For       |                     |                                                                                                              |
| 19/10/2023   | ASX Limited                                 | Annual                     | Against       | 3                   | Pay is misaligned with EOS remuneration principles                                                           |
| 19/10/2023   | Orora Ltd.                                  | Annual                     | Against       | 4                   | Pay is misaligned with EOS remuneration principles                                                           |
| 19/10/2023   | Perpetual Limited                           | Annual                     | Against       | 1,5a,5b             | Pay is misaligned with EOS remuneration principles                                                           |
| 19/10/2023   | The Lottery Corporation Limited             | Annual                     | Against       | 3,4                 | Pay is misaligned with EOS remuneration principles                                                           |
| 19/10/2023   | Transurban Group Ltd.                       | Annual                     | Against       | 2b                  | Concerns regarding Auditor tenure                                                                            |
| 20/10/2023   | Cleanaway Waste Management Limited          | Annual                     | Against       | 2                   | Pay is misaligned with EOS remuneration principles                                                           |
| 20/10/2023   | Worley Limited                              | Annual                     | Against       | 3,4                 | Pay is misaligned with EOS remuneration principles                                                           |
| 23/10/2023   | Region Group                                | Annual                     | Against       | 1,5                 | Pay is misaligned with EOS remuneration principles                                                           |
| 24/10/2023   | Ansell Limited                              | Annual                     | All For       |                     |                                                                                                              |
| 24/10/2023   | Bendigo and Adelaide Bank Limited           | Annual                     | Against       | 3                   | Pay is misaligned with EOS remuneration principles                                                           |
| 25/10/2023   | Dexus                                       | Annual                     | Against       | 1                   | Pay is misaligned with EOS remuneration principles                                                           |
| 25/10/2023   | Tabcorp Holdings Limited                    | Annual                     | Against       | 2a<br>3,4           | Concerns regarding Auditor tenure<br>Pay is misaligned with EOS remuneration principles                      |
| 26/10/2023   | APA Group                                   | Annual                     | Against       | 1,3                 | Pay is misaligned with EOS remuneration principles                                                           |

| Meeting Date | Company Name                         | Meeting Type | Voting Action | Agenda Item Numbers | Voting Explanation                                                                                                                                                                                         |
|--------------|--------------------------------------|--------------|---------------|---------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 26/10/2023   | Boral Limited                        | Annual       | Against       | 2.2<br>2.1<br>3     | Concerns related to approach to board gender diversity<br>Inadequate management of climate-related risks Overboarded/Too many other time commitments<br>Pay is misaligned with EOS remuneration principles |
| 26/10/2023   | Challenger Limited                   | Annual       | Against       | 6<br>3.4<br>2b      | Concerns to protect shareholder value<br>Pay is misaligned with EOS remuneration principles<br>Concerns regarding Auditor tenure                                                                           |
| 26/10/2023   | JB Hi-Fi Limited                     | Annual       | Against       |                     |                                                                                                                                                                                                            |
| 26/10/2023   | Reece Limited                        | Annual       | All For       |                     |                                                                                                                                                                                                            |
| 26/10/2023   | South32 Ltd.                         | Annual       | Against       | 2b<br>4.5           | Concerns about remuneration committee performance<br>Pay is misaligned with EOS remuneration principles                                                                                                    |
| 26/10/2023   | Wesfarmers Limited                   | Annual       | Against       | 2b, 3, 4            | Pay is misaligned with EOS remuneration principles                                                                                                                                                         |
| 26/10/2023   | Whitehaven Coal Limited              | Annual       | Against       | 9<br>1,2,3          | SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks<br>Pay is misaligned with EOS remuneration principles   |
| 26/10/2023   | Woolworths Group Limited             | Annual       | Against       | 2a                  | Concerns regarding Auditor tenure                                                                                                                                                                          |
| 27/10/2023   | CAR Group Limited                    | Annual       | Against       | 3a                  | Concerns regarding Auditor tenure 2- Lack of independence on board 3- Overboarded/Too many other time commitments                                                                                          |
| 27/10/2023   | Steadfast Group Ltd. (Australia)     | Annual       | All For       |                     |                                                                                                                                                                                                            |
| 31/10/2023   | Deterra Royalties Ltd.               | Annual       | Against       | 1,3                 | Pay is misaligned with EOS remuneration principles                                                                                                                                                         |
| 31/10/2023   | Endeavour Group Ltd. (Australia)     | Annual       | All For       |                     |                                                                                                                                                                                                            |
| 01/11/2023   | BHP Group Limited                    | Annual       | Against       | 10, 11              | Pay is misaligned with EOS remuneration principles                                                                                                                                                         |
| 01/11/2023   | Domino's Pizza Enterprises Limited   | Annual       | Against       | 2                   | Concerns related to inappropriate membership of committeesLack of independence on boardConcerns regarding Auditor tenure                                                                                   |
| 01/11/2023   | Sims Limited                         | Annual       | All For       |                     |                                                                                                                                                                                                            |
| 01/11/2023   | Vicinity Centres                     | Annual       | Against       | 2                   | Pay is misaligned with EOS remuneration principles                                                                                                                                                         |
| 03/11/2023   | Coles Group Limited                  | Annual       | Against       | 2,3                 | Pay is misaligned with EOS remuneration principles                                                                                                                                                         |
| 03/11/2023   | Qantas Airways Limited               | Annual       | Against       | 2d, 3, 4            | Pay is misaligned with EOS remuneration principles                                                                                                                                                         |
| 08/11/2023   | Alkerm Limited                       | Annual       | Against       | 2                   | Concerns related to approach to board gender diversity                                                                                                                                                     |
| 08/11/2023   | Domain Holdings Australia Ltd.       | Annual       | Against       | 2                   | Concerns related to approach to board gender diversityConcerns regarding Auditor tenure                                                                                                                    |
| 08/11/2023   | Magellan Financial Group Limited     | Annual       | Against       | 3a<br>2             | Concerns regarding Auditor tenureConcerns about remuneration committee performance<br>Pay is misaligned with EOS remuneration principles                                                                   |
| 09/11/2023   | The Star Entertainment Group Limited | Annual       | Against       | 9,10<br>6,7,8       | Concerns to protect shareholder value<br>Pay is misaligned with EOS remuneration principles                                                                                                                |
| 14/11/2023   | Beach Energy Limited                 | Annual       | Against       | 3<br>1,5,6          | Overboarded/Too many other time commitments<br>Pay is misaligned with EOS remuneration principles                                                                                                          |
| 14/11/2023   | Goodman Group                        | Annual       | Against       | 1,3                 | Concerns regarding Auditor tenure                                                                                                                                                                          |
| 15/11/2023   | Computershare Limited                | Annual       | Against       | 4                   | Pay is misaligned with EOS remuneration principles                                                                                                                                                         |
| 15/11/2023   | Flight CentreTravel Group Limited    | Annual       | Against       | 3                   | Concerns to protect shareholder value                                                                                                                                                                      |
| 15/11/2023   | Platinum Asset Management Ltd.       | Annual       | Against       | 1<br>2,3,4,5,6      | Concerns about remuneration committee performance<br>Pay is misaligned with EOS remuneration principles                                                                                                    |
| 15/11/2023   | Seek Limited                         | Annual       | Against       | 2,3b,5,6            | Pay is misaligned with EOS remuneration principles                                                                                                                                                         |
| 16/11/2023   | Altium Limited                       | Annual       | All For       |                     |                                                                                                                                                                                                            |
| 16/11/2023   | Charter Hall Group                   | Annual       | All For       |                     |                                                                                                                                                                                                            |
| 16/11/2023   | IGO Ltd.                             | Annual       | Against       | 1,3,4,5,7           | Pay is misaligned with EOS remuneration principles                                                                                                                                                         |
| 16/11/2023   | Mineral Resources Limited            | Annual       | All For       |                     |                                                                                                                                                                                                            |
| 16/11/2023   | Mirvac Group                         | Annual       | Against       | 2,2,3               | Pay is misaligned with EOS remuneration principles                                                                                                                                                         |
| 16/11/2023   | Northern Star Resources Ltd.         | Annual       | Against       | 1,3                 | Pay is misaligned with EOS remuneration principles                                                                                                                                                         |
| 16/11/2023   | REA Group Ltd                        | Annual       | Against       | 2,3                 | Pay is misaligned with EOS remuneration principles                                                                                                                                                         |
| 16/11/2023   | Seven Group Holdings Limited         | Annual       | Against       | 3<br>2<br>4         | Concerns related to Non-audit fees<br>Concerns related to Non-audit feesLack of independence on board<br>Pay is misaligned with EOS remuneration principles                                                |
| 16/11/2023   | Sonic Healthcare Limited             | Annual       | Against       | 2<br>5,6,8,9        | Concerns regarding Auditor tenure<br>Pay is misaligned with EOS remuneration principles                                                                                                                    |
| 17/11/2023   | Lendlease Group                      | Annual       | Against       | 3                   | Pay is misaligned with EOS remuneration principles                                                                                                                                                         |
| 20/11/2023   | Pro Medicus Limited                  | Annual       | Against       | 3.1<br>3.2          | Concerns related to approach to board gender diversityConcerns regarding Auditor tenure<br>Concerns regarding Auditor tenure                                                                               |
| 21/11/2023   | AGL Energy Limited                   | Annual       | Against       | 2                   | Pay is misaligned with EOS remuneration principles                                                                                                                                                         |
| 21/11/2023   | Bluescope Steel Limited              | Annual       | Against       | 2b                  | Concerns regarding Auditor tenure                                                                                                                                                                          |

| Meeting Date | Company Name                                     | Meeting Type | Voting Action | Agenda Item Numbers   | Voting Explanation                                                                                                                                                                                                                                                                                    |
|--------------|--------------------------------------------------|--------------|---------------|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 21/11/2023   | Fortescue Ltd.                                   | Annual       | Against       | 3<br>1<br>2           | Concerns related to inappropriate membership of committees<br>Pay is misaligned with EOS remuneration principles<br>Independent ChairmanInadequate management of climate-related risks                                                                                                                |
| 22/11/2023   | Downer EDI Limited                               | Annual       | Against       | 3                     | Pay is misaligned with EOS remuneration principles                                                                                                                                                                                                                                                    |
| 22/11/2023   | Medibank Private Ltd.                            | Annual       | Against       | 3,4                   | Pay is misaligned with EOS remuneration principles                                                                                                                                                                                                                                                    |
| 23/11/2023   | Evolution Mining Limited                         | Annual       | Against       | 3                     | Concerns related to approach to board gender diversity                                                                                                                                                                                                                                                |
| 23/11/2023   | Insignia Financial Ltd.                          | Annual       | Against       | 3                     | Pay is misaligned with EOS remuneration principles                                                                                                                                                                                                                                                    |
| 23/11/2023   | New Hope Corporation Limited                     | Annual       | Against       | 8<br>1,2,6            | Inadequate management of climate-related risks 2- Inadequate management of climate-related risks from exposure to coal<br>Pay is misaligned with EOS remuneration principles                                                                                                                          |
| 23/11/2023   | Pilbara Minerals Ltd.                            | Annual       | Against       | 1,6                   | Pay is misaligned with EOS remuneration principles                                                                                                                                                                                                                                                    |
| 23/11/2023   | Qube Holdings Ltd.                               | Annual       | Against       | 1                     | Concerns related to approach to board gender diversity                                                                                                                                                                                                                                                |
| 24/11/2023   | NextDC Ltd.                                      | Annual       | Against       | 1,6                   | Pay is misaligned with EOS remuneration principles                                                                                                                                                                                                                                                    |
| 24/11/2023   | WiseTech Global Limited                          | Annual       | Against       | 3                     | Concerns related to inappropriate membership of committeesConcerns regarding Auditor tenure                                                                                                                                                                                                           |
| 28/11/2023   | Ramsay Health Care Limited                       | Annual       | Against       | 3,2                   | Concerns regarding Auditor tenure                                                                                                                                                                                                                                                                     |
| 29/11/2023   | Harvey Norman Holdings Ltd.                      | Annual       | Against       | 4<br>5<br>2<br>3      | Concerns about overall board structure<br>Concerns regarding Auditor tenure<br>Pay is misaligned with EOS remuneration principles<br>Independent ChairmanConcerns related to approach to board gender diversity                                                                                       |
| 29/11/2023   | Lynas Rare Earths Ltd                            | Annual       | Against       | 3                     | Concerns regarding Auditor tenure                                                                                                                                                                                                                                                                     |
| 30/11/2023   | Liontown Resources Limited                       | Annual       | Against       | 3,4<br>1,5            | Concerns to protect shareholder value<br>Pay is misaligned with EOS remuneration principles                                                                                                                                                                                                           |
| 04/12/2023   | Origin Energy Limited                            | Court        | All For       |                       |                                                                                                                                                                                                                                                                                                       |
| 05/12/2023   | Bank of Queensland Limited                       | Annual       | Against       | 2<br>3,4,5            | Concerns to protect shareholder value<br>Pay is misaligned with EOS remuneration principles                                                                                                                                                                                                           |
| 08/12/2023   | Washington H. Soul Pattinson and Company Limited | Annual       | Against       | 2b<br>3               | Inadequate management of climate-related risks from exposure to coal Inadequate management of climate-related risks<br>Pay is misaligned with EOS remuneration principles                                                                                                                             |
| 13/12/2023   | Orica Ltd.                                       | Annual       | Against       | 3,5                   | Pay is misaligned with EOS remuneration principles                                                                                                                                                                                                                                                    |
| 14/12/2023   | Westpac Banking Corp.                            | Annual       | Against       | 2<br>6b               | Pay is misaligned with EOS remuneration principles<br>SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks                                                                                              |
| 15/12/2023   | National Australia Bank Limited                  | Annual       | Against       | 2<br>5b               | Pay is misaligned with EOS remuneration principles<br>SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks                                                                                              |
| 19/12/2023   | Alkerm Limited                                   | Court        | All For       |                       |                                                                                                                                                                                                                                                                                                       |
| 20/12/2023   | Incitec Pivot Limited                            | Annual       | Against       | 4                     | Pay is misaligned with EOS remuneration principles                                                                                                                                                                                                                                                    |
| 21/12/2023   | ANZ Group Holdings Limited                       | Annual       | All For       |                       |                                                                                                                                                                                                                                                                                                       |
| 12/10/2023   | Meridian Energy Limited                          | Annual       | All For       |                       |                                                                                                                                                                                                                                                                                                       |
| 17/10/2023   | Auckland International Airport Limited           | Annual       | Against       | 1,2                   | Concerns regarding Auditor tenure                                                                                                                                                                                                                                                                     |
| 24/10/2023   | EBOS Group Limited                               | Annual       | Against       | 3<br>2                | Concerns regarding Auditor tenure<br>Pay is misaligned with EOS remuneration principles                                                                                                                                                                                                               |
| 27/10/2023   | Fletcher Building Limited                        | Annual       | Against       | 1                     | Inadequate management of climate-related risks                                                                                                                                                                                                                                                        |
| 27/10/2023   | SkyCity Entertainment Group Limited              | Annual       | Against       | 5<br>3                | Concerns regarding Auditor tenure<br>Concerns related to attendance at board or committee meetings                                                                                                                                                                                                    |
| 03/11/2023   | Spark New Zealand Ltd.                           | Annual       | All For       |                       |                                                                                                                                                                                                                                                                                                       |
| 15/11/2023   | Contact Energy Ltd                               | Annual       | All For       |                       |                                                                                                                                                                                                                                                                                                       |
| 16/11/2023   | The a2 Milk Company Limited                      | Annual       | Against       | 1<br>3                | Concerns regarding Auditor tenure<br>Pay is misaligned with EOS remuneration principles                                                                                                                                                                                                               |
| 20/10/2023   | Yue Yuen Industrial (Holdings) Limited           | Special      | All For       |                       |                                                                                                                                                                                                                                                                                                       |
| 27/10/2023   | AutoStore Holdings Ltd.                          | Special      | Against       | 4<br>5                | Concerns related to approach to board gender diversity<br>Performance-related pay/awards for non-executives Pay is misaligned with EOS remuneration principles                                                                                                                                        |
| 10/11/2023   | NWS Holdings Limited                             | Annual       | Against       | 3c<br>3b<br>5,7<br>3e | Concerns related to inappropriate membership of committees<br>Concerns related to inappropriate membership of committees Concerns related to approach to board gender diversity<br>Issue of equity raises concerns about excessive dilution of existing shareholders<br>Lack of independence on board |
| 16/11/2023   | KunLun Energy Company Limited                    | Special      | All For       |                       |                                                                                                                                                                                                                                                                                                       |
| 05/12/2023   | Yue Yuen Industrial (Holdings) Limited           | Special      | All For       |                       |                                                                                                                                                                                                                                                                                                       |
| 15/12/2023   | Haitong International Securities Group Limited   | Court        | All For       |                       |                                                                                                                                                                                                                                                                                                       |

| Meeting Date | Company Name                                       | Meeting Type               | Voting Action | Agenda Item Numbers                            | Voting Explanation                                                                                                                                                                                                                                                                                                                       |
|--------------|----------------------------------------------------|----------------------------|---------------|------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 15/12/2023   | Haitong International Securities Group Limited     | Special                    | All For       |                                                |                                                                                                                                                                                                                                                                                                                                          |
| 31/10/2023   | Suzano SA                                          | Extraordinary Shareholders | All For       |                                                |                                                                                                                                                                                                                                                                                                                                          |
| 30/11/2023   | Petroleo Brasileiro SA                             | Extraordinary Shareholders | Against       | 1                                              | Concerns about reducing shareholder rights 2- Concerns related to minority shareholder interest 3- Concerns related to potential conflict of interests 4- Concerns to protect shareholder value                                                                                                                                          |
| 08/12/2023   | PRIO SA                                            | Extraordinary Shareholders | Not Voted     | a                                              |                                                                                                                                                                                                                                                                                                                                          |
| 08/12/2023   | PRIO SA                                            | Extraordinary Shareholders | All For       |                                                |                                                                                                                                                                                                                                                                                                                                          |
| 09/10/2023   | JS Global Lifestyle Co. Ltd.                       | Extraordinary Shareholders | All For       |                                                |                                                                                                                                                                                                                                                                                                                                          |
| 31/10/2023   | Minth Group Limited                                | Extraordinary Shareholders | All For       |                                                |                                                                                                                                                                                                                                                                                                                                          |
| 28/11/2023   | New Oriental Education & Technology Group Inc.     | Annual                     | All For       |                                                |                                                                                                                                                                                                                                                                                                                                          |
| 13/12/2023   | Haidilao International Holding Ltd.                | Extraordinary Shareholders | All For       |                                                |                                                                                                                                                                                                                                                                                                                                          |
| 13/12/2023   | Super Hi International Holding Ltd.                | Extraordinary Shareholders | All For       |                                                |                                                                                                                                                                                                                                                                                                                                          |
| 18/12/2023   | Haitian International Holdings Limited             | Extraordinary Shareholders | All For       |                                                |                                                                                                                                                                                                                                                                                                                                          |
| 21/12/2023   | C&D International Investment Group Limited         | Extraordinary Shareholders | Against       | 1                                              | CHECK whichever applies: Pay is misaligned with EOS remuneration principles Performance-related pay/awards for non-executives Concerns to protect shareholder value -- admin as plan participant (only reason)                                                                                                                           |
| 28/12/2023   | Tongcheng Travel Holdings Ltd.                     | Extraordinary Shareholders | All For       |                                                |                                                                                                                                                                                                                                                                                                                                          |
| 09/10/2023   | CGN Power Co., Ltd.                                | Extraordinary Shareholders | Against       | 1.5                                            | Concerns related to inappropriate membership of committees                                                                                                                                                                                                                                                                               |
| 11/10/2023   | Midea Group Co. Ltd.                               | Special                    | All For       |                                                |                                                                                                                                                                                                                                                                                                                                          |
| 12/10/2023   | Haitong Securities Co., Ltd.                       | Extraordinary Shareholders | Against       | 3.06,3.07<br>3.04<br>1<br>2<br>3.03<br>4.02    | Concerns related to inappropriate membership of committees<br>Concerns related to inappropriate membership of committees Concerns related to approach to board gender diversity<br>Concerns to protect shareholder value<br>Insufficient/poor disclosure<br>Lack of independence on board<br>Overboarded/Too many other time commitments |
| 13/10/2023   | Shandong Weigao Group Medical Polymer Co. Ltd.     | Extraordinary Shareholders | All For       |                                                |                                                                                                                                                                                                                                                                                                                                          |
| 13/10/2023   | Shandong Weigao Group Medical Polymer Co. Ltd.     | Extraordinary Shareholders | All For       |                                                |                                                                                                                                                                                                                                                                                                                                          |
| 13/10/2023   | Shandong Weigao Group Medical Polymer Co. Ltd.     | Extraordinary Shareholders | All For       |                                                |                                                                                                                                                                                                                                                                                                                                          |
| 16/10/2023   | Wuxi Lead Intelligent Equipment Co., Ltd.          | Special                    | Against       | 1,2,3                                          | Pay is misaligned with EOS remuneration principles                                                                                                                                                                                                                                                                                       |
| 20/10/2023   | Agricultural Bank of China Limited                 | Extraordinary Shareholders | Against       | 3                                              | Lack of independence on board                                                                                                                                                                                                                                                                                                            |
| 09/11/2023   | PetroChina Company Limited                         | Extraordinary Shareholders | Against       | 3                                              | Inadequate management of climate-related risks                                                                                                                                                                                                                                                                                           |
| 13/11/2023   | Shenzhen Mindray Bio-Medical Electronics Co., Ltd. | Special                    | All For       |                                                |                                                                                                                                                                                                                                                                                                                                          |
| 13/11/2023   | Weichai Power Co., Ltd.                            | Extraordinary Shareholders | Against       | 1,2,3                                          | CHECK whichever applies: Pay is misaligned with EOS remuneration principles Performance-related pay/awards for non-executives Concerns to protect shareholder value -- admin as plan participant (only reason)                                                                                                                           |
| 14/11/2023   | Shenzhen Transsion Holding Co., Ltd.               | Special                    | Against       | 2                                              | Insufficient/poor disclosure                                                                                                                                                                                                                                                                                                             |
| 16/11/2023   | COSCO SHIPPING Holdings Co., Ltd.                  | Extraordinary Shareholders | Against       | 4.1<br>3.3<br>3.1<br>3.2,3.4,3.5               | Concerns related to approach to board gender diversity<br>Concerns related to inappropriate membership of committees<br>Inadequate management of climate-related risks<br>Lack of independence on board                                                                                                                                  |
| 17/11/2023   | Shanghai Pudong Development Bank Co., Ltd.         | Special                    | Against       | 1                                              | Concerns related to approach to board gender diversity                                                                                                                                                                                                                                                                                   |
| 23/11/2023   | CRRC Corporation Limited                           | Extraordinary Shareholders | All For       |                                                |                                                                                                                                                                                                                                                                                                                                          |
| 24/11/2023   | Huatai Securities Co., Ltd.                        | Extraordinary Shareholders | Against       | 3                                              | Concerns related to approach to board gender diversity                                                                                                                                                                                                                                                                                   |
| 24/11/2023   | Huatai Securities Co., Ltd.                        | Special                    | All For       |                                                |                                                                                                                                                                                                                                                                                                                                          |
| 27/11/2023   | China Pacific Insurance (Group) Co., Ltd.          | Extraordinary Shareholders | Against       | 1                                              | Concerns to protect shareholder value                                                                                                                                                                                                                                                                                                    |
| 30/11/2023   | Industrial and Commercial Bank of China Limited    | Extraordinary Shareholders | All For       |                                                |                                                                                                                                                                                                                                                                                                                                          |
| 04/12/2023   | Yantai Jereh Oilfield Services Group Co. Ltd.      | Special                    | All For       |                                                |                                                                                                                                                                                                                                                                                                                                          |
| 06/12/2023   | Kweichow Moutai Co., Ltd.                          | Special                    | All For       |                                                |                                                                                                                                                                                                                                                                                                                                          |
| 08/12/2023   | Shanghai Putailai New Energy Technology Co., Ltd.  | Special                    | Against       | 2<br>4,5,1,5,2,5,3,5,4,5,5,5,6,5,7,<br>5,8,5,9 | Concerns related to shareholder rights<br>Insufficient/poor disclosure                                                                                                                                                                                                                                                                   |
| 08/12/2023   | ZhongAn Online P&C Insurance Co., Ltd.             | Extraordinary Shareholders | All For       |                                                |                                                                                                                                                                                                                                                                                                                                          |
| 15/12/2023   | China Life Insurance Company Limited               | Extraordinary Shareholders | Against       | 1,2                                            | Lack of independence on board. EOS manual override. See analyst note.                                                                                                                                                                                                                                                                    |
| 15/12/2023   | Sinotrans Limited                                  | Extraordinary Shareholders | All For       |                                                |                                                                                                                                                                                                                                                                                                                                          |
| 19/12/2023   | Bank of China Limited                              | Extraordinary Shareholders | All For       |                                                |                                                                                                                                                                                                                                                                                                                                          |
| 19/12/2023   | China Construction Bank Corporation                | Extraordinary Shareholders | Against       | 4                                              | Insufficient/poor disclosure                                                                                                                                                                                                                                                                                                             |

| Meeting Date | Company Name                                    | Meeting Type               | Voting Action      | Agenda Item Numbers | Voting Explanation                                                                                                                                                                                                                                |
|--------------|-------------------------------------------------|----------------------------|--------------------|---------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 20/12/2023   | Sinopharm Group Co., Ltd.                       | Extraordinary Shareholders | Against            | 3                   | A vote AGAINST this proposal is warranted because the proposed related-party transactions include a financial service agreement with the group finance company, which may expose the company to unnecessary risks.                                |
| 21/12/2023   | Bank of Beijing Co., Ltd.                       | Special                    | Against            | 1,2<br>3,4,5        | Concerns related to approach to board gender diversity<br>Insufficient/poor disclosure                                                                                                                                                            |
| 21/12/2023   | Shenzhen Transsion Holding Co., Ltd.            | Special                    | Against            | 5,6,7,8,9,10        | Insufficient/poor disclosure                                                                                                                                                                                                                      |
| 22/12/2023   | China Tower Corporation Limited                 | Extraordinary Shareholders | All For            |                     |                                                                                                                                                                                                                                                   |
| 27/12/2023   | China Everbright Bank Company Limited           | Extraordinary Shareholders | All For            |                     |                                                                                                                                                                                                                                                   |
| 28/12/2023   | China CITIC Bank Corporation Limited            | Extraordinary Shareholders | All For            |                     |                                                                                                                                                                                                                                                   |
| 29/12/2023   | Shenzhen YUTO Packaging Technology Co., Ltd.    | Special                    | Against            | 2                   | Insufficient/poor disclosure                                                                                                                                                                                                                      |
| 29/12/2023   | Weichai Power Co., Ltd.                         | Extraordinary Shareholders | All For            |                     |                                                                                                                                                                                                                                                   |
| 05/10/2023   | Shriram Finance Limited                         | Special                    | Against            | 1                   | Concerns related to approach to board gender diversity                                                                                                                                                                                            |
| 07/10/2023   | Alkem Laboratories Ltd.                         | Special                    | Against            | 1                   | Pay is misaligned with EOS remuneration principles                                                                                                                                                                                                |
| 20/10/2023   | TVS Motor Company Limited                       | Special                    | Against            | 2                   | Pay is misaligned with EOS remuneration principles                                                                                                                                                                                                |
| 26/10/2023   | Axis Bank Limited                               | Special                    | All For            |                     |                                                                                                                                                                                                                                                   |
| 26/10/2023   | Reliance Industries Ltd.                        | Special                    | Against            | 2<br>3              | Concerns about overall board independence Concerns related to approach to board gender diversity<br>Concerns about overall board independence Concerns related to approach to board gender diversity Concerns about candidate's experience/skills |
| 30/10/2023   | Kotak Mahindra Bank Limited                     | Special                    | All For            |                     |                                                                                                                                                                                                                                                   |
| 05/11/2023   | Eicher Motors Limited                           | Special                    | Against            | 3                   | Concerns related to inappropriate membership of committees Concerns related to approach to board gender diversity                                                                                                                                 |
| 10/11/2023   | ICICI Lombard General Insurance Company Limited | Special                    | All For            |                     |                                                                                                                                                                                                                                                   |
| 15/11/2023   | Dr. Reddy's Laboratories Ltd.                   | Special                    | All For            |                     |                                                                                                                                                                                                                                                   |
| 15/11/2023   | Tata Consultancy Services Limited               | Special                    | All For            |                     |                                                                                                                                                                                                                                                   |
| 16/11/2023   | Maruti Suzuki India Limited                     | Special                    | All For            |                     |                                                                                                                                                                                                                                                   |
| 25/11/2023   | United Spirits Limited                          | Special                    | All For            |                     |                                                                                                                                                                                                                                                   |
| 26/11/2023   | Torrent Pharmaceuticals Ltd.                    | Special                    | Against            | 1                   | Pay is misaligned with EOS remuneration principles                                                                                                                                                                                                |
| 28/11/2023   | Biocon Limited                                  | Special                    | All For            |                     |                                                                                                                                                                                                                                                   |
| 29/11/2023   | SBI Life Insurance Company Limited              | Special                    | All For            |                     |                                                                                                                                                                                                                                                   |
| 29/11/2023   | Wipro Limited                                   | Special                    | All For            |                     |                                                                                                                                                                                                                                                   |
| 30/11/2023   | LTIMindtree Ltd.                                | Special                    | All For            |                     |                                                                                                                                                                                                                                                   |
| 01/12/2023   | Axis Bank Limited                               | Special                    | All For            |                     |                                                                                                                                                                                                                                                   |
| 07/12/2023   | Bajaj Finserv Limited                           | Special                    | All For            |                     |                                                                                                                                                                                                                                                   |
| 08/12/2023   | Nestle India Ltd.                               | Special                    | All For            |                     |                                                                                                                                                                                                                                                   |
| 12/12/2023   | Tata Motors Limited                             | Special                    | All For            |                     |                                                                                                                                                                                                                                                   |
| 17/12/2023   | Dabur India Limited                             | Special                    | All For            |                     |                                                                                                                                                                                                                                                   |
| 20/12/2023   | MRF Limited                                     | Special                    | Against            | 1,2                 | Pay is misaligned with EOS remuneration principles                                                                                                                                                                                                |
| 22/12/2023   | Asian Paints Limited                            | Special                    | All For            |                     |                                                                                                                                                                                                                                                   |
| 22/12/2023   | Kotak Mahindra Bank Limited                     | Special                    | All For            |                     |                                                                                                                                                                                                                                                   |
| 26/12/2023   | Aurobindo Pharma Limited                        | Special                    | All For            |                     |                                                                                                                                                                                                                                                   |
| 29/12/2023   | Siemens Limited                                 | Special                    | All For            |                     |                                                                                                                                                                                                                                                   |
| 19/12/2023   | PT Unilever Indonesia Tbk                       | Extraordinary Shareholders | All For            |                     |                                                                                                                                                                                                                                                   |
| 08/11/2023   | Bank Hapoalim BM                                | Annual                     | Abstain<br>Against | 4,7<br>A,B1,B2      | Concerns about candidate's experience/skills<br>Administrative declaration                                                                                                                                                                        |
| 20/12/2023   | Mizrahi Tefahot Bank Ltd.                       | Annual                     | Against            | A,B1,B2             | Administrative declaration                                                                                                                                                                                                                        |
| 30/10/2023   | Hong Leong Bank Berhad                          | Annual                     | All For            |                     |                                                                                                                                                                                                                                                   |
| 16/11/2023   | Sime Darby Berhad                               | Annual                     | Against            | 3,4,5,7             | Concerns related to approach to board gender diversity                                                                                                                                                                                            |
| 16/11/2023   | Sime Darby Berhad                               | Extraordinary Shareholders | All For            |                     |                                                                                                                                                                                                                                                   |
| 07/12/2023   | Gamuda Berhad                                   | Annual                     | Against            | 6<br>5              | Concerns related to Non-audit fees<br>Concerns related to Non-audit fees                                                                                                                                                                          |
| 05/10/2023   | Grupo Financiero Banorte SAB de CV              | Ordinary Shareholders      | All For            |                     |                                                                                                                                                                                                                                                   |
| 09/10/2023   | Fibra Uno Administracion SA de CV               | Ordinary Shareholders      | All For            |                     |                                                                                                                                                                                                                                                   |
| 25/10/2023   | Banco del Bajío SA                              | Ordinary Shareholders      | All For            |                     |                                                                                                                                                                                                                                                   |
| 10/11/2023   | Orbia Advance Corp. SAB de CV                   | Special                    | All For            |                     |                                                                                                                                                                                                                                                   |
| 17/11/2023   | Promotora y Operadora de Infraestructura SA     | Ordinary Shareholders      | All For            |                     |                                                                                                                                                                                                                                                   |
| 04/12/2023   | Grupo Financiero Inbursa SAB de CV              | Extraordinary Shareholders | Against            | 1,2                 | Insufficient/poor disclosure                                                                                                                                                                                                                      |

| Meeting Date | Company Name                                              | Meeting Type               | Voting Action      | Agenda Item Numbers                                                              | Voting Explanation                                                                                                                                                                                             |
|--------------|-----------------------------------------------------------|----------------------------|--------------------|----------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 11/12/2023   | Terrafina                                                 | Special                    | All For            |                                                                                  |                                                                                                                                                                                                                |
| 17/11/2023   | LPP SA                                                    | Special                    | Against            | 5                                                                                | Insufficient/poor disclosure                                                                                                                                                                                   |
| 12/10/2023   | Saudi Airlines Catering Co.                               | Extraordinary Shareholders | Against            | 1,5,11,13                                                                        | Concerns related to shareholder rights                                                                                                                                                                         |
| 23/10/2023   | Nahdi Medical Co.                                         | Extraordinary Shareholders | Against            | 11                                                                               | Concerns related to shareholder rights                                                                                                                                                                         |
| 08/11/2023   | Al Rajhi Bank                                             | Ordinary Shareholders      | Abstain<br>Against | 1.1,1.2,1.3,1.4,1.5,1.6,1.7,1.8,1.9,1.10,1.11,1.12,1.13,1.14,1.15,1.16,1.17,1.18 | Insufficient/poor disclosure<br>Concerns related to inappropriate membership of committees                                                                                                                     |
| 30/11/2023   | Elm Co. (Saudi Arabia)                                    | Extraordinary Shareholders | Against            | 1,4,8,11                                                                         | Concerns related to shareholder rights                                                                                                                                                                         |
| 21/12/2023   | The Saudi Investment Bank                                 | Extraordinary Shareholders | Against            | 29,37,38,39,40                                                                   | Concerns related to shareholder rights                                                                                                                                                                         |
| 08/11/2023   | AVI Ltd.                                                  | Annual                     | Against            | 11,12,13,14,15,16,17,18,34                                                       | Pay is misaligned with EOS remuneration principles                                                                                                                                                             |
| 13/11/2023   | Shoprite Holdings Ltd.                                    | Annual                     | Against            | 4.1                                                                              | Concerns about candidate's experience/skills 2- Overboarded/Too many other time commitments                                                                                                                    |
| 16/11/2023   | Discovery Ltd.                                            | Annual                     | Against            | 1<br>4.1,4.2,4.3                                                                 | Concerns to protect shareholder value 2- Pay is misaligned with EOS remuneration principles<br>Multiple voting rights                                                                                          |
| 22/11/2023   | Bid Corp. Ltd.                                            | Annual                     | All For            |                                                                                  |                                                                                                                                                                                                                |
| 22/11/2023   | Woolworths Holdings Ltd.                                  | Annual                     | All For            |                                                                                  |                                                                                                                                                                                                                |
| 23/11/2023   | OUTsurance Group Ltd.                                     | Annual                     | Against            | 1.1<br>5<br>2                                                                    | Concerns about overall board structure<br>Concerns to protect shareholder value<br>Pay is misaligned with EOS remuneration principles                                                                          |
| 28/11/2023   | Growthpoint Properties Ltd.                               | Annual                     | Against            | 1.1.1<br>2.2.2.3<br>1.4.2                                                        | Concerns related to approach to board gender diversity<br>Concerns to protect shareholder value<br>Pay is misaligned with EOS remuneration principles                                                          |
| 28/11/2023   | The Bidvest Group Ltd.                                    | Annual                     | All For            |                                                                                  |                                                                                                                                                                                                                |
| 30/11/2023   | FirstRand Ltd.                                            | Annual                     | All For            |                                                                                  |                                                                                                                                                                                                                |
| 04/12/2023   | Rengro Ltd.                                               | Annual                     | Against            | 10,11,12<br>3,6                                                                  | Concerns related to inappropriate membership of committees<br>Lack of independence on board                                                                                                                    |
| 07/12/2023   | Aspen Pharmacare Holdings Ltd.                            | Annual                     | All For            |                                                                                  |                                                                                                                                                                                                                |
| 23/10/2023   | Kardemir Karabuk Demir Celik Sanayi ve Ticaret AS         | Special                    | Against            | 2,4                                                                              | Insufficient/poor disclosure                                                                                                                                                                                   |
| 26/10/2023   | Ford Otomotiv Sanayi AS                                   | Special                    | Against            | 2                                                                                | Lack of independence on board                                                                                                                                                                                  |
| 20/11/2023   | Dogus Otomotiv Servis ve Ticaret AS                       | Special                    | All For            |                                                                                  |                                                                                                                                                                                                                |
| 20/12/2023   | Odas Elektrik Uretim Sanayi Ticaret AS                    | Annual                     | Against            | 9,12                                                                             | Insufficient/poor disclosure                                                                                                                                                                                   |
| 21/12/2023   | Tekfen Holding AS                                         | Special                    | All For            |                                                                                  |                                                                                                                                                                                                                |
| 25/12/2023   | Haci Omer Sabanci Holding AS                              | Special                    | All For            |                                                                                  |                                                                                                                                                                                                                |
| 25/12/2023   | OYAK Cimento Fabrikalari AS                               | Special                    | All For            |                                                                                  |                                                                                                                                                                                                                |
| 21/11/2023   | Raiffeisen Bank International AG                          | Extraordinary Shareholders | Against            | 2                                                                                | Lack of independence on board                                                                                                                                                                                  |
| 20/10/2023   | Ackermans & van Haaren NV                                 | Extraordinary Shareholders | Against            | 3<br>2                                                                           | Poison pill/anti-takeover measure not in investors interests<br>Poison pill/anti-takeover measure not in investors interests Issue of equity raises concerns about excessive dilution of existing shareholders |
| 08/12/2023   | Solvay SA                                                 | Extraordinary Shareholders | Against            | 18<br>8,10,12                                                                    | Inappropriate use of one-time awards 2- Pay is misaligned with EOS remuneration principles<br>Poison pill/anti-takeover measure not in investors interests                                                     |
| 21/11/2023   | TCS Group Holding Plc                                     | Annual                     | No Action Taken    | 1,2,3,4,5,6,7,8,9                                                                |                                                                                                                                                                                                                |
| 07/12/2023   | Coloplast A/S                                             | Annual                     | Abstain<br>Against | 7.1<br>4,6,3                                                                     | Concerns related to inappropriate membership of committees<br>Pay is misaligned with EOS remuneration principles                                                                                               |
| 10/11/2023   | Pernod Ricard SA                                          | Annual/Special             | Against            | 9,10                                                                             | Pay is misaligned with EOS remuneration principles                                                                                                                                                             |
| 15/12/2023   | Sodexo SA                                                 | Annual/Special             | All For            |                                                                                  |                                                                                                                                                                                                                |
| 11/10/2023   | Motor Oil (Hellas) Corinth Refineries SA                  | Extraordinary Shareholders | All For            |                                                                                  |                                                                                                                                                                                                                |
| 18/10/2023   | Jumbo SA                                                  | Extraordinary Shareholders | All For            |                                                                                  |                                                                                                                                                                                                                |
| 30/11/2023   | Hellenic Telecommunications Organization SA               | Extraordinary Shareholders | All For            |                                                                                  |                                                                                                                                                                                                                |
| 14/12/2023   | Public Power Corp. SA                                     | Extraordinary Shareholders | All For            |                                                                                  |                                                                                                                                                                                                                |
| 28/12/2023   | HELLENIQ ENERGY Holdings SA                               | Extraordinary Shareholders | All For            |                                                                                  |                                                                                                                                                                                                                |
| 19/10/2023   | Medtronic Plc                                             | Annual                     | All For            |                                                                                  |                                                                                                                                                                                                                |
| 23/10/2023   | Seagate Technology Holdings Plc                           | Annual                     | All For            |                                                                                  |                                                                                                                                                                                                                |
| 15/12/2023   | iShares VII plc - iShares MSCI UK Small Cap UCITS ETF     | Annual                     | All For            |                                                                                  |                                                                                                                                                                                                                |
| 18/12/2023   | Northern Trust Global - The Sterling Fund                 | Annual                     | All For            |                                                                                  |                                                                                                                                                                                                                |
| 18/12/2023   | Northern Trust Global - The US Dollar Fund                | Annual                     | All For            |                                                                                  |                                                                                                                                                                                                                |
| 18/12/2023   | Northern Trust Global Funds PLC - The Euro Liquidity Fund | Annual                     | All For            |                                                                                  |                                                                                                                                                                                                                |

| Meeting Date | Company Name                                | Meeting Type               | Voting Action | Agenda Item Numbers                                | Voting Explanation                                                                                                                                                                                                                                                                                                                                                                                     |
|--------------|---------------------------------------------|----------------------------|---------------|----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 27/10/2023   | UniCredit SpA                               | Extraordinary Shareholders | All For       |                                                    |                                                                                                                                                                                                                                                                                                                                                                                                        |
| 28/10/2023   | Mediobanca Banca di Credito Finanziario SpA | Annual/Special             | Against       | 3a,2                                               |                                                                                                                                                                                                                                                                                                                                                                                                        |
| 29/11/2023   | A2A SpA                                     | Ordinary Shareholders      | Against       | 1                                                  |                                                                                                                                                                                                                                                                                                                                                                                                        |
| 05/10/2023   | InPost SA                                   | Extraordinary Shareholders | All For       |                                                    |                                                                                                                                                                                                                                                                                                                                                                                                        |
| 27/11/2023   | IMCD NV                                     | Extraordinary Shareholders | All For       |                                                    |                                                                                                                                                                                                                                                                                                                                                                                                        |
| 23/10/2023   | SalMar ASA                                  | Extraordinary Shareholders | All For       |                                                    |                                                                                                                                                                                                                                                                                                                                                                                                        |
| 09/11/2023   | Evolution AB                                | Extraordinary Shareholders | All For       |                                                    |                                                                                                                                                                                                                                                                                                                                                                                                        |
| 05/10/2023   | Bunge Global SA                             | Extraordinary Shareholders | All For       |                                                    |                                                                                                                                                                                                                                                                                                                                                                                                        |
| 03/11/2023   | Avolta AG                                   | Extraordinary Shareholders | Against       | 2                                                  | Insufficient/poor disclosure                                                                                                                                                                                                                                                                                                                                                                           |
| 06/12/2023   | Barry Callebaut AG                          | Annual                     | Against       | 4.1,1,4,3<br>4.1,2<br>6.4<br>7<br>4.1,6<br>1,2,5,3 | Concerns related to approach to board gender diversity<br>Concerns related to inappropriate membership of committees<br>Concerns related to shareholder rights<br>Insufficient/poor disclosure<br>Overboarded/Too many other time commitments<br>Pay is misaligned with EOS remuneration principles                                                                                                    |
| 06/10/2023   | Apollo Global Management, Inc.              | Annual                     | Against       | 1,10                                               | Concerns related to approach to board diversity                                                                                                                                                                                                                                                                                                                                                        |
| 10/10/2023   | The Procter & Gamble Company                | Annual                     | Against       | 1n,2<br>7                                          | Concerns regarding Auditor tenure<br>SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes enhanced shareholder rights                                                                                                                                                                                                                                     |
| 11/10/2023   | Newmont Corporation                         | Special                    | All For       |                                                    |                                                                                                                                                                                                                                                                                                                                                                                                        |
| 12/10/2023   | Paychex, Inc.                               | Annual                     | Against       | 1g                                                 | Concerns related to succession planning<br>Concerns related to approach to board gender diversity<br>Concerns related to approach to board diversity                                                                                                                                                                                                                                                   |
| 24/10/2023   | Cintas Corporation                          | Annual                     | Against       | 1h<br>5,6                                          | Concerns related to board gender diversity<br>SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks                                                                                                                                                                                                       |
| 25/10/2023   | Parker-Hannifin Corporation                 | Annual                     | Against       | 1h<br>2                                            | Concerns about remuneration committee performance<br>High variable pay ratio<br>Excessive CEO pay<br>Options/PSUs vest in less than 36 months<br>Excessive severance                                                                                                                                                                                                                                   |
| 26/10/2023   | Bio-Techne Corporation                      | Annual                     | Against       | 2b<br>2a<br>3                                      | Concerns about remuneration committee performance<br>Concerns related to approach to board gender diversity<br>Concerns related to approach to board diversity<br>Low shareholding requirement                                                                                                                                                                                                         |
| 01/11/2023   | KLA Corporation                             | Annual                     | Against       | 1,6<br>3                                           | Concerns about remuneration committee performance<br>Low shareholding requirement<br>High variable pay ratio<br>Excessive CEO pay                                                                                                                                                                                                                                                                      |
| 02/11/2023   | Coty Inc.                                   | Annual                     | Against       | 1a<br>1f<br>2<br>4                                 | Concerns about remuneration committee performance<br>Concerns related to attendance at board or committee meetings<br>High CEO to average NEO pay<br>High variable pay ratio<br>Excessive CEO pay<br>Total pay targets a range above peer median<br>SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks |
| 07/11/2023   | Lam Research Corporation                    | Annual                     | Against       | 2<br>1c                                            | High CEO to average NEO pay<br>High variable pay ratio<br>Options/PSUs vest in less than 36 months<br>Concerns about remuneration committee performance                                                                                                                                                                                                                                                |
| 08/11/2023   | Automatic Data Processing, Inc.             | Annual                     | All For       |                                                    |                                                                                                                                                                                                                                                                                                                                                                                                        |
| 09/11/2023   | Broadridge Financial Solutions, Inc.        | Annual                     | Against       | 1h<br>2                                            | Concerns about remuneration committee performance<br>High variable pay ratio<br>Excessive CEO pay<br>Options/PSUs vest in less than 36 months                                                                                                                                                                                                                                                          |
| 10/11/2023   | Texas Pacific Land Corp.                    | Annual                     | Against       | 4<br>5,6                                           | Shareholder proposal promotes appropriate accountability or incentivisation<br>Shareholder proposal promotes appropriate accountability or incentivisation                                                                                                                                                                                                                                             |
| 14/11/2023   | Jack Henry & Associates, Inc.               | Annual                     | All For       |                                                    |                                                                                                                                                                                                                                                                                                                                                                                                        |
| 15/11/2023   | Akumin Inc.                                 | Written Consent            | Not Voted     | 1,2                                                |                                                                                                                                                                                                                                                                                                                                                                                                        |
| 15/11/2023   | Cardinal Health, Inc.                       | Annual                     | Against       | 5                                                  | Shareholder proposal promotes appropriate accountability or incentivisation                                                                                                                                                                                                                                                                                                                            |
| 15/11/2023   | News Corp                                   | Annual                     | Against       | 1c<br>1d<br>3                                      | Concerns about remuneration committee performance<br>Concerns related to shareholder value<br>Concerns with non-executive director compensation 2- Insufficient disclosure 3- Low shareholding requirement                                                                                                                                                                                             |
| 15/11/2023   | Oracle Corporation                          | Annual                     | Against       | 4,6,7                                              | Shareholder proposal promotes better management of SEE opportunities and risks                                                                                                                                                                                                                                                                                                                         |
| 15/11/2023   | The Clorox Company                          | Annual                     | All For       |                                                    |                                                                                                                                                                                                                                                                                                                                                                                                        |
| 15/11/2023   | Western Digital Corporation                 | Annual                     | Against       | 1h                                                 | Concerns related to approach to board diversity                                                                                                                                                                                                                                                                                                                                                        |
| 16/11/2023   | ResMed Inc.                                 | Annual                     | Against       | 1h<br>3                                            | Concerns about remuneration committee performance<br>High variable pay ratio<br>Options/PSUs vest in less than 36 months                                                                                                                                                                                                                                                                               |
| 17/11/2023   | Fox Corporation                             | Annual                     | Against       | 1g                                                 | Concerns related to approach to board gender diversity<br>Concerns related to shareholder value<br>Combined CEO/Chairman                                                                                                                                                                                                                                                                               |



| Meeting Date | Company Name                                      | Meeting Type | Voting Action | Agenda Item Numbers                   | Voting Explanation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|--------------|---------------------------------------------------|--------------|---------------|---------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 17/11/2023   | Sysco Corporation                                 | Annual       | Against       | 1i<br>2<br>5                          | Concerns about remuneration committee performance<br>High CEO to average NEO payHigh variable pay ratioOptions/PSUs vest in less than 36 months<br>Shareholder proposal promotes better management of SEE opportunities and risks                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 17/11/2023   | The Estee Lauder Companies, Inc.                  | Annual       | Against       | 1a,3                                  | Excessive CEO payNo hedging policyOptions/PSUs vest in less than 36 months                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 29/11/2023   | Campbell Soup Company                             | Annual       | Against       | 6                                     | SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| 29/11/2023   | Splunk Inc.                                       | Special      | All For       |                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 30/11/2023   | Paylocity Holding Corporation                     | Annual       | Against       | 1.5<br>1.4<br>3                       | Concerns about remuneration committee performance<br>Concerns related to approach to board gender diversity<br>Low shareholding requirement High variable pay ratio Excessive CEO pay                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 06/12/2023   | Atlassian Corporation                             | Annual       | Against       | 1i                                    | Concerns related to shareholder valueConcerns related to shareholder rights                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 06/12/2023   | Cisco Systems, Inc.                               | Annual       | Against       | 1e<br>3<br>6                          | Concerns about remuneration committee performance<br>Excessive executive chair compensation 2- High variable pay ratio 3- Inappropriate use of one-time awards<br>SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes transparency                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 06/12/2023   | Vail Resorts, Inc.                                | Annual       | Against       | 1d<br>3                               | Concerns about remuneration committee performance<br>Low shareholding requirement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 07/12/2023   | Bill Holdings, Inc.                               | Annual       | Against       | 1.4<br>1.2<br>3                       | Concerns about remuneration committee performance<br>Concerns to protect shareholder valueConcerns about overall board structure<br>High variable pay ratioOptions/PSUs vest in less than 36 monthsExcessive CEO pay                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 07/12/2023   | Microsoft Corporation                             | Annual       | Against       | 1.09<br>2<br>11<br>13<br>8<br>10<br>9 | See item 2.<br>Support is not warranted due to the lack of disclosure of pay benchmarks as well as egregious executive payouts (including potential LTIP payout having a staggering potential of 2000xbase salary award for the CEO).<br>Support is warranted as such disclosure would assist shareholders understanding the company's exposure to such activities. We also believe this type of disclosure is considered best practice.<br>Support is warranted as such disclosure would assist shareholders understanding the company's exposure to such risks.<br>Support is warranted as such disclosure would assist shareholders understanding the company's involvement in such activities.<br>Support is warranted as such disclosure would assist shareholders understanding the company's management approach to tax matters. We also believe this type of disclosure is best practices.<br>Support is warranted because we believe this would provide stakeholders disclosure on the climate risk associated with retirement plan options. |
| 08/12/2023   | Copart, Inc.                                      | Annual       | Against       | 1.8<br>1.5<br>2                       | Concerns related to succession planningConcerns related to approach to board gender diversityConcerns related to approach to board diversity<br>EOS manual override, concerns around compensation structure<br>EOS manual override, due to a lack of responsiveness to shareholders following the low vote in support of last year's say on pay proposal, especially on the attainment of personal goals                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 12/12/2023   | Palo Alto Networks, Inc.                          | Annual       | Against       | 1d<br>1b<br>3<br>4                    | Concerns about overall board structure<br>Concerns about remuneration committee performance<br>Excessive perquisitesHigh variable pay ratioExcessive CEO payHigh CEO to average NEO pay<br>Pay is misaligned with EOS remuneration principles                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 14/12/2023   | FactSet Research Systems Inc.                     | Annual       | Against       | 1a                                    | Concerns about overall board structure                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| 15/12/2023   | Viatis Inc.                                       | Annual       | Against       | 1B                                    | Concerns related to approach to board gender diversity                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| 20/12/2023   | AutoZone, Inc.                                    | Annual       | Against       | 1.8<br>3                              | Concerns about remuneration committee performance<br>High variable pay ratioOptions/PSUs vest in less than 36 monthsExcessive CEO payHigh CEO to average NEO pay                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 26/10/2023   | Hipgnosis Songs Fund Limited                      | Annual       | All For       |                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 26/10/2023   | Hipgnosis Songs Fund Limited                      | Special      | All For       |                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 28/11/2023   | Bluefield Solar Income Fund Ltd                   | Annual       | Against       | 13                                    | Issue of equity raises concerns about excessive dilution of existing shareholdersConcerns to protect shareholder value                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| 30/11/2023   | Ruffer Investment Company Limited                 | Annual       | All For       |                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 04/12/2023   | Schroder Oriental Income Fund Limited             | Annual       | All For       |                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 06/12/2023   | VinaCapital Vietnam Opportunity Fund Limited (UK) | Annual       | All For       |                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 07/12/2023   | Fidelity Emerging Markets Limited                 | Annual       | Against       | 9                                     | Overboarded/Too many other time commitments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 08/11/2023   | Amcor Plc                                         | Annual       | All For       |                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 28/11/2023   | Ferguson Plc                                      | Annual       | Against       | 1h                                    | Concerns related to below-board gender diversityConcerns related to approach to board diversity                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 05/10/2023   | Henderson Smaller Companies Investment Trust PLC  | Annual       | All For       |                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 09/10/2023   | JD Sports Fashion Plc                             | Special      | All For       |                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |



| Meeting Date | Company Name                                   | Meeting Type | Voting Action      | Agenda Item Numbers  | Voting Explanation                                                                                                                                                                                                                                 |
|--------------|------------------------------------------------|--------------|--------------------|----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 18/10/2023   | Ashmore Group Plc                              | Annual       | Against            | 10                   | Pay is misaligned with EOS remuneration principles                                                                                                                                                                                                 |
| 18/10/2023   | Barratt Developments Plc                       | Annual       | All For            |                      |                                                                                                                                                                                                                                                    |
| 19/10/2023   | Bridgepoint Group Plc                          | Special      | All For            |                      |                                                                                                                                                                                                                                                    |
| 19/10/2023   | Direct Line Insurance Group Plc                | Special      | All For            |                      |                                                                                                                                                                                                                                                    |
| 19/10/2023   | Pantheon International PLC                     | Annual       | All For            |                      |                                                                                                                                                                                                                                                    |
| 19/10/2023   | Rank Group Plc                                 | Annual       | All For            |                      |                                                                                                                                                                                                                                                    |
| 31/10/2023   | The City of London Investment Trust PLC        | Annual       | All For            |                      |                                                                                                                                                                                                                                                    |
| 02/11/2023   | JPMORGAN GLOBAL GROWTH & INCOME PLC            | Annual       | All For            |                      |                                                                                                                                                                                                                                                    |
| 07/11/2023   | Murray Income Trust PLC                        | Annual       | All For            |                      |                                                                                                                                                                                                                                                    |
| 08/11/2023   | JPMorgan Emerging Markets Investment Trust PLC | Annual       | All For            |                      |                                                                                                                                                                                                                                                    |
| 10/11/2023   | Redrow Plc                                     | Annual       | Against            | 11                   | Pay is misaligned with EOS remuneration principles                                                                                                                                                                                                 |
| 14/11/2023   | Essentra Plc                                   | Special      | All For            |                      |                                                                                                                                                                                                                                                    |
| 15/11/2023   | European Opportunities Trust plc               | Annual       | All For            |                      |                                                                                                                                                                                                                                                    |
| 15/11/2023   | Hays plc                                       | Annual       | All For            |                      |                                                                                                                                                                                                                                                    |
| 15/11/2023   | Reach Plc                                      | Special      | All For            |                      |                                                                                                                                                                                                                                                    |
| 16/11/2023   | Close Brothers Group Plc                       | Annual       | All For            |                      |                                                                                                                                                                                                                                                    |
| 16/11/2023   | Dunelm Group Plc                               | Annual       | All For            |                      |                                                                                                                                                                                                                                                    |
| 16/11/2023   | JD Wetherspoon Plc                             | Annual       | Abstain<br>Against | 9<br>4<br>7,8<br>2,3 | Concerns related to approach to board gender diversity<br>Lack of independence on board<br>Lack of independent representation at board committees<br>Pay is misaligned with EOS remuneration principles                                            |
| 16/11/2023   | Smiths Group Plc                               | Annual       | All For            |                      |                                                                                                                                                                                                                                                    |
| 20/11/2023   | Bellevue Healthcare Trust plc                  | Special      | All For            |                      |                                                                                                                                                                                                                                                    |
| 21/11/2023   | Currys Plc                                     | Special      | All For            |                      |                                                                                                                                                                                                                                                    |
| 21/11/2023   | Trainline Plc                                  | Special      | All For            |                      |                                                                                                                                                                                                                                                    |
| 22/11/2023   | Genus Plc                                      | Annual       | All For            |                      |                                                                                                                                                                                                                                                    |
| 23/11/2023   | Pacific Horizon Investment Trust PLC           | Annual       | All For            |                      |                                                                                                                                                                                                                                                    |
| 23/11/2023   | PZ Cussons Plc                                 | Annual       | Against            | 12<br>3              | Lack of independent representation at board committees<br>Pay is misaligned with EOS remuneration principles                                                                                                                                       |
| 27/11/2023   | The European Smaller Companies Trust PLC       | Annual       | All For            |                      |                                                                                                                                                                                                                                                    |
| 27/11/2023   | The Restaurant Group Plc                       | Court        | All For            |                      |                                                                                                                                                                                                                                                    |
| 27/11/2023   | The Restaurant Group Plc                       | Special      | All For            |                      |                                                                                                                                                                                                                                                    |
| 29/11/2023   | Renishaw Plc                                   | Annual       | Against            | 5<br>6<br>9,11<br>2  | Concerns related to below-board gender diversity<br>Concerns to protect shareholder value<br>Concerns to protect shareholder value<br>Lack of independent representation at board committees<br>Pay is misaligned with EOS remuneration principles |
| 29/11/2023   | Target Healthcare REIT Plc                     | Annual       | All For            |                      |                                                                                                                                                                                                                                                    |
| 04/12/2023   | Diversified Energy Co. Plc                     | Special      | All For            |                      |                                                                                                                                                                                                                                                    |
| 05/12/2023   | Capital Gearing Trust PLC                      | Special      | All For            |                      |                                                                                                                                                                                                                                                    |
| 07/12/2023   | Darktrace Plc                                  | Annual       | Against            | 9<br>15              | Overboarded/Too many other time commitments<br>Pay is misaligned with EOS remuneration principles                                                                                                                                                  |
| 07/12/2023   | Supermarket Income REIT Plc                    | Annual       | All For            |                      |                                                                                                                                                                                                                                                    |
| 08/12/2023   | Associated British Foods Plc                   | Annual       | All For            |                      |                                                                                                                                                                                                                                                    |
| 08/12/2023   | Hargreaves Lansdown Plc                        | Annual       | Against            | 4                    | Pay is misaligned with EOS remuneration principles                                                                                                                                                                                                 |
| 12/12/2023   | Baillie Gifford Japan Trust PLC                | Annual       | All For            |                      |                                                                                                                                                                                                                                                    |
| 12/12/2023   | BlackRock Greater Europe Investment Trust PLC  | Annual       | All For            |                      |                                                                                                                                                                                                                                                    |
| 13/12/2023   | Dechra Pharmaceuticals Plc                     | Annual       | Abstain<br>Against | 7<br>3               | Proposal withdrawn/not put to a vote<br>Low shareholding requirement                                                                                                                                                                               |
| 13/12/2023   | Softcat Plc                                    | Annual       | Against            | 5                    | Concerns about overall board structure                                                                                                                                                                                                             |
| 13/12/2023   | Volusion Group Plc                             | Annual       | All For            |                      |                                                                                                                                                                                                                                                    |
| 14/12/2023   | Fidelity Special Values PLC                    | Annual       | All For            |                      |                                                                                                                                                                                                                                                    |
| 15/12/2023   | Bellway Plc                                    | Annual       | Against            | 4<br>13              | Concerns related to approach to below-board gender diversity<br>Pay is misaligned with EOS remuneration principles                                                                                                                                 |
| 18/12/2023   | Ascential Plc                                  | Special      | All For            |                      |                                                                                                                                                                                                                                                    |
| 18/12/2023   | LondonMetric Property Plc                      | Special      | All For            |                      |                                                                                                                                                                                                                                                    |
| 19/12/2023   | easyJet Plc                                    | Special      | All For            |                      |                                                                                                                                                                                                                                                    |



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Q4 2023

# Quarterly engagement 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



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. 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. We engage directly and collaboratively with companies to highlight key challenges and opportunities, and support strategies that can deliver long-term success..

## Promoting market resilience

As a long-term investor for our clients, it is essential that markets are able to generate sustainable value. We use our influence and scale to ensure that issues impacting 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.





## Action and impact

This quarter, we focus on nature, discuss our continued collaboration with companies in Asia, and highlight key policy updates regarding both diversity and human rights.



## Environmental | Society | Governance



# ESG: Environment: Climate and Nature



## Climate

### Collaborations in Asia ex-Japan

Climate is one of our core global stewardship themes, and a particular focus for [our engagement with companies in the Asia ex-Japan region](#). Some 70% of energy in the Asia ex-Japan region is currently generated by fossil fuels,<sup>1</sup> and Asian countries are repeatedly identified as the most vulnerable to climate risks,<sup>2</sup> with 70% of the global population susceptible to sea level rises located there.

We have signed up to the [China Climate Engagement Initiative](#) ('CCEI'), which focuses on the China market and aims to facilitate the transition to a net-zero economy by bringing together large institutional investors into targeted, sophisticated dialogue with industries critical to climate change. Currently, the CCEI also focuses on four aspects: governance, goals and strategic priorities, transition pathway and disclosure in seeking to realise its aims. Specifically, CCEI has three working pillars, including company engagement, developing guidance to promote stewardship and engagements with companies in China, and research and capacity building.

Through the CCEI, LGIM is co-leading – together with a large Chinese asset manager – collaborative engagement with a global mining company headquartered in China. Being part of this engagement enables us not only to contribute our own experiences and expectations, but also to learn from our peers and from the company itself in exploring

how to transition a high-emitting industry to net zero. We believe understanding of local contexts when engaging with companies in Asia ex-Japan is pivotal to helping our investee companies appreciate the potential benefits of change, and consequently being motivated to do so; our collaborations with like-minded peers and stakeholders will be an important pillar of our Asia-ex Japan engagement approach, which we have set out in our recent [blog posts](#).

### Measuring and minimising methane emissions

Since 2021, LGIM has worked in partnership with the Environmental Defense Fund ('EDF'), a US-based NGO which works with businesses to find market-based solutions to climate issues.<sup>3</sup> LGIM's work with EDF<sup>4</sup> has been focused on transferred emissions and methane emissions, which have more than 80 times the warming power of carbon dioxide over a 20-year period,<sup>5</sup> making reduction crucial to achieving climate-change goals. We believe that reducing methane emissions can be a powerful and cost-effective way for oil and gas companies to make progress towards climate goals and manage regulatory and reputational scrutiny.<sup>6</sup> We also believe in the importance of collaborative work on this front, working through EDF with like-minded peers to exert pressure on oil and gas companies to be more transparent about the actions they are taking to measure and reduce methane emissions.

1. [https://www.spglobal.com/\\_assets/documents/ratings/research/101574780.pdf](https://www.spglobal.com/_assets/documents/ratings/research/101574780.pdf)  
2. <https://www.ipcc.ch/report/ar6/wg2/chapter/chapter-10/>  
3. [About EDF+Business - EDF+Business](#)  
4. [What Investors Can Do to Aid Climate Efforts, Amid COP26 Summit - Barron's \(barrons.com\)](#)  
5. [Methane: A crucial opportunity in the climate fight - Environmental Defense Fund \(edf.org\)](#)  
6. For more information about our partnership with EDF: [LGIM America and EDF: A new kind of climate partnership - EDF+Business](#)



As a direct result of the strong momentum gained over the past three years on methane emissions standards, the Environmental Protection Agency (EPA) published its new and strengthened rule aimed at minimising methane emissions from oil and natural gas sources.<sup>7</sup> LGIM has been a strong advocate<sup>8</sup> for setting robust standards aimed to tackle methane emissions more meaningfully, as can be demonstrated by a number of comment letters sent to the EPA during the comment period.

We have also witnessed the announcement by Exxon Mobil\* that they are joining the Oil and Gas Methane Partnership ('OGMP') 2.0 – the flagship oil and gas reporting and mitigation programme on methane, of which many global oil and gas companies, including BP\* and Shell\*, are already members. We have been working closely and collaboratively with the EDF to raise awareness of the issue (through letters, meetings, public statements) and applying pressure on oil and gas companies to join the OGMP initiative since 2021 – Exxon being one such company, through our direct engagements with them under our Climate Impact Pledge. Exxon had previously demonstrated reluctance to sign up to the OGMP, with this reluctance being one of the reasons LGIM voted in favour of a shareholder resolution tabled at its 2023 AGM, requesting that the

company produce a report on methane emission disclosure reliability, which received 36.4% support from shareholders. Public and shareholder pressure, regulatory changes and Exxon's recent acquisition of OGMP member Pioneer Natural Resources<sup>9\*</sup> appear to have swayed the company towards greater transparency and actions in this field.

Financial institutions are also researching the role of measuring and mitigating methane emissions as part of tackling climate change. Engagement with banks on climate change is a crucial part of our Climate Impact Pledge,<sup>10</sup> given the role of banks in financing the climate transition. LGIM has recently been quoted by JP Morgan in their research paper, *The Methane Emissions Opportunity*,<sup>11</sup> which references our minimum expectations. Regarding methane, one of our 'red lines' under the Climate Impact Pledge for the oil and gas sector is for companies to have time-bound methane reduction/zero flaring targets. We aim to be as transparent as possible about our aims, expectations, and rankings of companies as part of our goal to drive market-level improvements in sustainability across our stewardship themes of Climate, Nature, People, Health, Governance and Digitisation.

\* For illustrative purposes only. Reference to a particular security is on an historical basis 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.

7. [EPA Finalizes Rule to Eliminate Methane Leaks from Oil and Gas Sector | Sabin Center for Climate Change Law \(columbia.edu\)](#)  
8. [Leading oil and gas companies and investors have rallied around EPA's new methane rules. Their ongoing support will be crucial for implementation. - EDF+Business](#)  
9. [ExxonMobil seeks more M&A opportunities after \\$60bn Pioneer deal](#)  
10. [Climate Impact Pledge | Climate change | LGIM Institutional](#)  
11. [The Methane Emissions Opportunity \(jpmorgan.com\)](#)

TPT launch

The Transition Plan Taskforce (‘TPT’) was launched in the UK by HM Treasury, with the aim to develop a ‘gold standard’ framework for private sector climate transition plans. Despite numerous net-zero commitments in recent years, we still lack the information needed to assess credible progress towards these at scale. Filling this gap, the TPT’s disclosure framework and supporting materials will enable consistent and comparable reporting of transition plans and drive tangible progress towards net-zero commitments. For LGIM, this is critical to delivering on our own commitment, supporting clients transitioning their portfolios to net zero, and making more informed decisions about how we allocate capital.

The framework, published in November 2023, was developed in consultation with a wide group of stakeholders including business, regulators, investors, and academia. LGIM has strongly supported its development with our CEO Michelle Scrimgeour sitting on the

Steering Committee, and further LGIM representation on the Delivery Group and the Asset Manager and Asset Owner sector working groups.<sup>12</sup> Michael Marks, Head of Responsible Investment Integration and Investment Stewardship, also presented at the launch event hosted by the London Stock Exchange.

The TPT framework and supporting materials have been a commendable step forward in driving consistent and comparable reporting of company transition plans, both in the UK and internationally, through integration with the International Sustainability Standards Board’s (ISSB’s) global baseline. We will continue our work with the TPT and will be advocating for widespread market adoption of the framework, as well as the supporting policy and regulatory environment, as we continue to develop our longstanding engagement on climate change.



12. [People - Transition Taskforce](#)



Nature

Plugging the ‘value gap’

Nature is fundamental to the long-term health of our economic and social system. It encompasses vital aspects of all our lives, from the food we eat to the air we breathe. It is estimated that half of global gross domestic product (GDP) is highly or moderately dependent on nature and its services.<sup>13</sup> Our natural world is, however, in crisis. Ecosystems are being degraded at a faster rate than ever before, with the loss of vital ecosystem services<sup>14</sup> (upon which society and business depend) estimated to reduce annual GDP of US\$2.7 trillion by 2030.<sup>15</sup> The negative trends ultimately undermine progress against many of the Sustainable Development Goals.<sup>16</sup>

Nature-related risks could have significant macroeconomic implications and be a source of risk to financial institutions and financial stability. Therefore, LGIM’s Investment Stewardship team has prioritised nature as one of its strategic themes. LGIM is supportive of the Kunming-Montreal Global Biodiversity Agreement’s mission of taking urgent action to halt and reverse nature loss by 2030, and the vision of living in harmony with nature by 2050.

In addition to setting out our approach to tackling nature degradation and restoration in our forthcoming Nature Framework, to be published in early 2024, we have been seeking opportunities to share our views and publicise our current thinking on both the risks and opportunities presented by this crucial topic. Over the quarter, we were pleased to author an article on [plugging the value gap for nature](#), which is the keystone of attracting investment and creating a market to protect and restore nature. Transitioning our economies where nature is valued and conserved is a complex undertaking, requiring



public and private sector commitment, collaboration and investment. We need to shift our approach to nature so that we balance and align growth within planetary boundaries. There are abundant opportunities to transform how society and capital markets can work together to protect ecosystems and restore nature by 2050.

13. <https://www.pwc.com/gx/en/issues/esg/nature-and-biodiversity/managing-nature-risks-from-understanding-to-action.html>  
14. Ecosystems produce flows of benefits to people and the economy, known as ecosystem services. For example, the pollination of crops or the provision of freshwater from a river. They are the contributions of ecosystems to the benefits that are used in economic and other human activity. economic and other human activity.  
15. <https://www.worldbank.org/en/news/press-release/2021/07/01/protecting-nature-could-avert-global-economic-losses-of-usd2-7-trillion-per-year>  
16. <https://www.ipbes.net/global-assessment>



Significant votes

| Company name                    | Charter Hall Group*                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|---------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ISIN                            | AU000000CHC0                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Market cap                      | AU\$5.84 billion <sup>17</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Sector                          | Diversified REITs                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Issue identified                | Climate change: we expect companies under our Climate Impact Pledge to meet our minimum expectations, assessed by our Climate Impact Pledge score.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Summary of the resolution       | Resolution 2b: Elect David Ross as Director<br>AGM date: 16 November 2023                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| How LGIM voted                  | FOR the resolution (i.e., in line with management recommendation)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Rationale for the vote decision | We had contacted Charter Hall Group as part of our Climate Impact Pledge engagement campaign. The company is within the quantitative stream of the campaign and is assessed using c.70 metrics under our Climate Impact Pledge Score. As the company had been identified as lagging our minimum expectations and therefore subject to a vote against at their AGM, we wrote to the company to notify them. The company responded to us, providing further information, and we also had a call with them, establishing that they do meet our minimum requirements and therefore should not be subject to a vote sanction under the Climate Impact Pledge. |
| Outcome                         | 91.91% votes were in favour of this resolution.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Why is this vote ‘significant’? | This vote is significant because it pertains to one of our core global stewardship themes, climate, and also demonstrates the importance of direct engagement to supplement quantitative assessments.                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

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17. <https://www.google.com/finance/quote/CHC:ASX?sa=X&ved=2ahUKEwj9yaCk-J2DAxUDT0EAHUIMAVgQ3ecFegQIKRAY> as at 20/12/23



Case studies

Climate: Nucor Corp\* – decarbonisation

Identify and engage

Under our Climate Impact Pledge, we select c.100 ‘dial-mover’ companies for in-depth engagement, using our qualitative framework set out in our sector-specific guides.<sup>18</sup> ‘Dial-mover’ companies are chosen on their size and potential to galvanise action in their sectors, reflecting our aim of driving market-level improvements.

We were pleased to see that Nucor, one of our ‘dial-mover’ companies, has announced a net-zero emissions commitment with interim targets and a [published decarbonisation plan](#). Nucor is the largest steel producer in the US and among the top 20 in the world; steel is pivotal to the energy transition, being central to the auto industry and renewable energy infrastructure.<sup>19</sup>

Escalate

This is a significant step: while we recognise that corporate decisions are the product of a range of factors, our engagements under the Climate Impact Pledge are based upon our sector-specific guides and ‘red lines’, which include a commitment to net-zero operational emissions.<sup>20</sup> We had voted against the Chair of the company in its 2023 AGM for failing to meet this ‘red line’ at the time, so the announcement of the company’s commitment, interim targets and plan are very welcome.

This not the first time that we have seen a commitment from the company after voting against its Chair: in 2021, we voted against the Chair for a lack of emissions reduction targets and the subsequent year, the company set them, meaning they received no sanctions from us in 2022.

Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.

18. <https://www.lgim.com/uk/en/responsible-investing/climate-impact-pledge/#sector-guides>.

19. [Nucor: Steel Titan Rising \(forbes.com\)](#)

20. [CIP Sector Guide – Mining \(lgim.com\)](#)



As always, the devil is in the detail, and we look forward to continuing our engagement with Nucor as part of our Climate Impact Pledge in 2024. Our next Climate Impact Pledge update will be published in June 2024, at which time we will report on voting and divestment sanctions, and any reinstatement decisions.





People: diversity, health, human capital management, human rights and modern slavery

Diversity

Gender and ethnic diversity: Campaign updates

We sent engagement letters to 16 large-cap UK and US companies that, according to our data, have no women on their executive leadership team.<sup>21</sup> **Our expectation is for these companies to have at least one woman in their executive leadership team, increasing to 40% over time.** We know the data of this level of individuals can be challenging, as there are varying definitions of “executive leadership team”. However, we are asking companies to be clear and consistent when reporting on the make-up of this team. So far, we have had responses from seven of the companies, a 44% response rate, which is encouraging. We have also had two follow-up calls with companies to discuss the issue in more detail.

We have also started to send our engagement letters to the mid-cap companies in the UK (FTSE 250 index) and the US (Russell 1000 index) that do not meet our expectation to have at least one person from an ethnic minority background on their board. We set out this expectation in 2021 and have been engaging since then,<sup>22</sup> to encourage companies to meet this ambition or face voting sanctions from 2025. We anticipate that we shall engage with 75 companies in total across these indices.

21. Executive leadership team for the purposes of this document refers to the level of individuals who are key decision makers, and report directly to the chief executive officer. These teams are often referred to as the Executive Committee, Senior Leadership, the C-Suite, Named Executive Officers  
22. Please see p.69 of our [Active ownership report](#)



Joining the 30% Club Investor Group Germany chapter at launch

The latest regional Investor Group chapter has launched in Germany. LGIM will be an active member of this collaborative engagement group which will engage with DAX40 and MDAX companies on their plans to reach 30% women on their management boards by 2030. You can find out more detail about the chapter [here](#).

Dialogue with the Japan Association of Corporate Directors (JACD)

We were invited to a dialogue with approximately 90 members of the JACD, a group of CEOs and corporate directors committed to enhancing corporate governance in Japan. We used the occasion to present our history of engaging on diversity issues both globally and in Japan. We also shared our responses to common pushbacks, with the aim of sparking a discussion about what could work to promote diversity on boards and across different levels of the organisation.

Diversity remains a priority for us in Japan; we have had voting policies in place on this issue in Japan since 2020. We continue to tighten our policies, but with market-specific features in mind, to ensure a company’s nomination and selection process is well thought out.



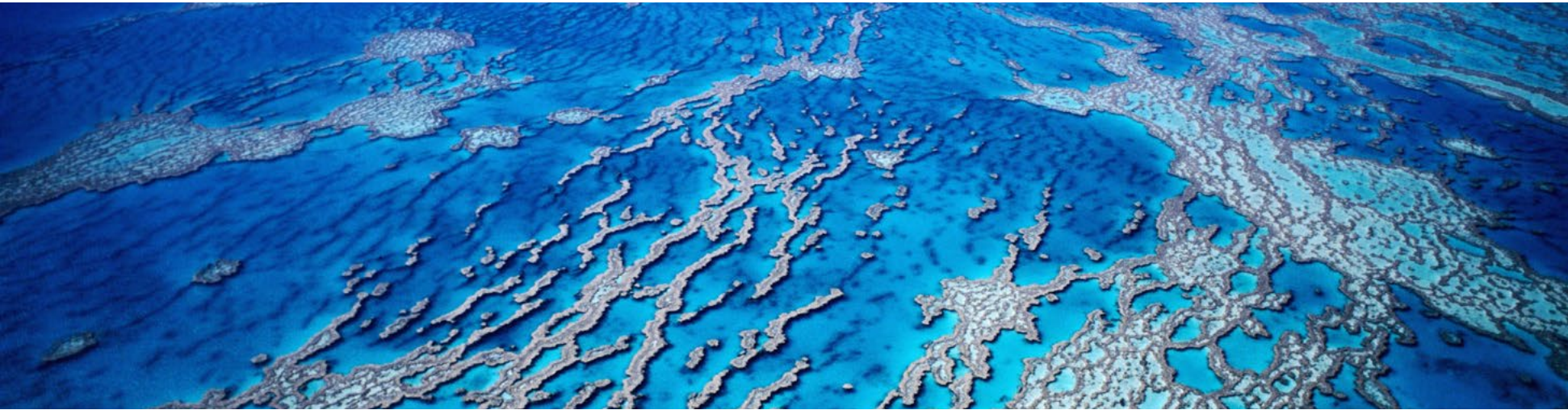
LGIM’s diversity policy

LGIM has been engaging on the topic of diversity with our investee companies since 2011, and actively voting on the issue since 2015. Our expectations continue to evolve over time as we respond to the changing landscape and progress of companies.

We have recently updated our diversity expectations and published [our policy](#) which sets out that we commit to push the companies in which we invest globally to:

- Have at least 40% of women at board and executive leadership team level
- Have at least one person of ethnic minority background on the board
- Clearly disclose diversity and inclusion policies and representation data
- Disclose their gender and ethnicity pay gap information along with actions to close any stated gap

We hope that setting out our approach and expectations clearly will help companies to understand where we seek progress and any sanctions taken due to lack of progress.



Human rights and modern slavery

Our human rights policy

Human rights has been a key focus area for LGIM for several years. We have incorporated screening of companies’ performance on human rights, labour, the environment and corruption as covered under UN Global Compact (UNGC)’s in specific LGIM funds since 2018; our proprietary Future World Protection List captures companies that are perennial violators of the UNGC. Furthermore, our Global Research and Engagement Groups (GREGs) have integrated various human rights-relevant topics when evaluating companies held in portfolios, and we have also established a framework for approaching human rights in the context of sovereigns in our investments. We will continue to review and refine our human rights due diligence approach in evaluating related risks and identifying opportunities in our portfolios. LGIM votes against the re-election of the chair or other directors of any company that is on our Future World Protection UNGC violator list for three consecutive years.

We recently have published our [human rights policy](#), which emphasises our commitments on human rights as a global investor and outlines our specific expectations of investee companies regarding human rights:

- **Policy commitment:** Demonstrate the company’s commitment to human rights through adopting and disclosing a human rights policy covering its operation and value chains, adhering to applicable voluntary or mandatory human rights frameworks
- **Board oversight:** Provide details of the board oversight of the company’s human rights commitments and actions, and whether responsibility lies with the full board or a specific committee
- **Risk identification:** Identify the salient primary and secondary human rights topics that are relevant and material to the organisation’s operations and value chains, such as a human rights due diligence
- **Remedy access:** Provide access, such as grievance mechanisms, to taking mitigating actions should human rights impacts be identified. We expect companies to demonstrate the effectiveness of the remedy mechanism in practice
- **Risk prevention and mitigation mechanism:** Implement a process to prevent, mitigate and track potential human rights risks and impacts, and disclose actions taken accordingly
- **Performance disclosure:** Regularly disclose the company’s human rights credentials and the effectiveness of their programmes

We recognise that these are not considered to be ‘minimum expectations’, as managing human rights requires continuous effort. Should companies meet all the expectations outlined above, this does not necessarily indicate that a company is ‘good’ with regards to human rights. Recognising this, our engagement with companies on human rights is not based solely on whether they have met these expectations. In 2023, we further expanded our collaborative engagement efforts on human rights. We set out the collaborative organisations and commitments related to human rights to which LGIM has signed up below to date:

\* For illustrative purposes only. Reference to a particular security is on an historical basis 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.

| Organisations                                        | Key human rights issues                                  |
|------------------------------------------------------|----------------------------------------------------------|
| PRI Advance                                          | Human rights and social                                  |
| Interfaith Centre on Corporate Responsibility (ICCR) | Advancing worker justice, Equitable global supply chains |
| Investor alliance for Human Rights                   | Human rights                                             |
| Platform for living wage financials                  | Living wage                                              |

Health

Antimicrobial resistance: Can investors and civil society work together?

In October 2023, LGIM was invited, together with the Access to Medicine Foundation, to speak on a panel discussing global health challenges and whether investors and civil society can work together. The event was organised by the Geneva Graduate Institute and the Global Health Centre.

The member of the LGIM Stewardship team participating in the panel explained the work the team undertakes when it comes to health and the two of our ‘Health’ sub-themes, nutrition and antimicrobial resistance (‘AMR’). To provide the audience with a practical example, the shareholder proposal filed by LGIM at McDonald’s Corp\* was outlined, illustrating the various tools that investors have at their disposal to encourage change, and how our actions can dovetail with those of other stakeholders. We believe it is important to consider the different types of influence that different company stakeholders can have, and why it is especially important that we work together on significant areas of global risk, such as AMR and nutrition.



## AMR: Case studies

### FAIRR’s Restaurant Antibiotics Engagement collaboration

#### Identify and engage

We have joined FAIRR’s Restaurant Antibiotics Engagement stream, a collaborative initiative representing over US\$15 trillion in assets,<sup>23</sup> that aims to improve communications and disclosure between fast food restaurants and investors, focussing on the topic of antimicrobial resistance and how these companies are mitigating these risks in their supply chains. This campaign focuses on the 12 largest US fast food brands: Bloomin’ Brands Inc\*, Brinker International\*, Darden Restaurants\*, Domino’s Pizza Inc\*, McDonald’s Corporation\*, Papa John’s International\*, Restaurant Brands International\*, Starbucks\*, Texas Roadhouse\*, The Cheesecake Factory\*, The Wendy’s Company\*, and Yum! Brands\*.

The campaign is focused on the following three milestones, asking companies to:

- (i) Demonstrate sufficient rigour and scope of existing antibiotic policies
- (ii) Develop antibiotic policies to cover all key proteins
- (iii) Provide evidence of implementation through target setting and auditing

Having signed letters to the 12 companies identified by the campaign, over the quarter, we undertook our first engagement call with Restaurant Brands International\*, a conglomerate owner of a number of fast food companies, including Burger King and Popeye’s Louisiana Kitchen.

23. [Restaurant Antibiotics Engagement | FAIRR](#)  
24. Please see p.78 of our [Active ownership report](#)

#### Escalate

The interesting discovery from this call was that the company wanted to follow up with FAIRR to get more information. FAIRR held a follow-up meeting with the company and more in-depth AMR stewardship areas were discussed. We will continue our participation in this collaboration, which we view as an important workstream for gathering investors and the weight of assets they manage to raise the issue of AMR with companies well-placed to tackle it, through the scale and reach of their supply chains.

Disclosure is a fundamental element of our engagement requests so that risks can be appropriately identified and priced by the market. As long-term investors, we aim to achieve sustainable returns for our clients.

### Nutrition: Access to Nutrition Initiative: 10th Anniversary

Nutrition is a key sub-theme within our global stewardship health theme: it affects many sectors in which our clients are invested, from the food industry to pharmaceuticals and healthcare. We are members of the Access to Nutrition Initiative (ATNI) which, via its Global Index, assesses how the world’s food and beverages manufacturers contribute to address malnutrition in all its forms. The Index ranks these companies with regards to governance and management; the production and distribution of healthy, affordable, accessible products; and how they influence consumer choices and behaviour. We engage with a number of companies under the auspices of ATNI, including Grupo Bimbo\* and BRF Global\*.<sup>24</sup> In October, LGIM was asked to participate in ATNI’s 10-year anniversary event: Transforming Markets for Nutrition. The stewardship team member spoke on a panel together with Dr Shiriki Kumanyika, University of Pennsylvania, Mauricio Adade, Royal DSM, Dr Germana Leyna, Ministry of Health of Tanzania, and Afshan Khan, UN Assistant Secretary-General and Coordinator of the Scaling Up Nutrition Movement.

### Significant votes

| Company name                    | Qube Holdings Limited*                                                                                                                                                                                                |
|---------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ISIN                            | AU000000QUB5                                                                                                                                                                                                          |
| Market cap                      | AU\$5.62 billion <sup>25</sup>                                                                                                                                                                                        |
| Sector                          | Industrial transportation: Transportation infrastructure                                                                                                                                                              |
| Issue identified                | Gender diversity: female representation at board level.<br>We believe a diverse mix of skills, experience and perspectives is essential for a company and its board to function and perform optimally.                |
| Summary of the resolution       | Resolution 1: Elect Jacqueline McArthur as Director<br>AGM date: 23 November 2023                                                                                                                                     |
| How LGIM voted                  | LGIM voted against Resolution 1 (i.e. against management recommendation)                                                                                                                                              |
| Rationale for the vote decision | We voted against the Chair of the Nomination committee for lack of board diversity. We expect companies in Australia to have at least a third women on the board, and Qube Holdings only has one woman on the board.. |
| Outcome                         | 89.8% votes were in favour of the resolution.<br>We expect companies to increase female participation both on the board and in leadership positions over time.                                                        |

**Why is this vote ‘significant’?** This vote was significant because it relates directly to one of our core stewardship themes and to our expectations of companies regarding diversity, as set out in our diversity policy [LGIM's diversity approach and expectations – policy document – categorisation](#)

\* For illustrative purposes only. Reference to a particular security is on a historic basis 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.

25. [Qube Holdings Ltd. QUB:ASX summary – FT.com](#) as at 19/12/23





**GREGs focus: Case studies**  
**Volkswagen\*: human rights**

**Identify**

Volkswagen is one of the largest automotive manufacturers in the world, with production facilities across multiple regions. Volkswagen has a particularly large presence in China, where it has been present since the 1980s. China comprised just under 40% of the company's global vehicle deliveries in 2022. Volkswagen opened a plant in Urumqi, Xinjiang in 2013 via one of its joint ventures (JV'). Over recent years, multinational corporations have faced allegations of using forced labour in their operations in this region. In late 2022, MSCI responded to allegations of forced labour by assigning a red controversy flag to Volkswagen.

As part of our engagement, we are looking to:

1. Understand the nature of Volkswagen's presence in Xinjiang and how it enforces its governance practices via the JV
2. Work with the company as they identify a solution to obtain the removal of the red flag from the external agency
3. Determine long-term solutions to prevent future governance controversies relating to human rights- or labour-related practices

**Engage**

We have maintained a regular and continuous dialogue with the company for many years regarding strategic direction and other governance questions, e.g. following the 'Diesel-gate' scandal in 2015. Since MSCI assigned a red flag controversy in late 2022,

we increased our dialogue with the company further, and have engaged on the question of human rights and the company's presence in Urumqi with senior management including the CFO and head of treasury, as well as investor relations. Communication has taken place via multiple communication channels, including in person, conference calls and written correspondence.

**Escalate**

Our engagement with Volkswagen has been well received and we are happy that the company has taken the issue very seriously and acted to attempt to resolve the situation in a proactive and pragmatic manner.

Following multiple discussions with investors, Volkswagen resolved to obtain an independent audit of its JV plant in Xinjiang, which was conducted in December 2023. This audit has been conducted by a high profile and well-respected body and appears to address the main concerns around operations at the plant. The completion of the audit resulted in MSCI subsequently removing its red controversy flag. As a result of the removal of the red flag, it is now possible for a greater proportion of LGIM funds to participate in new bond issuances.

We will continue to engage with Volkswagen on the subject of human rights and other governance topics, including the long-term future of the plant in Xinjiang and retain an open dialogue with the company and its management. The Stewardship team will continue also to exercise voting rights at the company, in line with our published policies and expectations, to escalate where appropriate.

Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.



**GREGs focus: Case studies**  
**Rolls Royce\*: labour relations and climate change**

**Identify**

Rolls Royce is one of the principal engine suppliers to the global aviation industry and a strategically important company to the UK government as both a large employer and partner for decarbonising both the UK and global economy.

Rolls Royce has faced major financial challenges over recent years, and particularly following the Covid-19 pandemic. Rolls Royce hired a new CEO at the start of 2023, who entered the role with the mandate of imposing major structural changes to the business.

As part of our engagement we are looking to:

1. Understand how Rolls Royce will manage its relations with key labour stakeholders while undertaking any strategic decisions
2. Communicate to the company the importance of positioning for long-term climate trends while also addressing short-term challenges

**Engage**

Our relationship with the new Rolls Royce CEO predates his most recent role and this enabled us to engage with the company early on in his tenure. During this meeting we communicated our views on the importance of positioning the company for the climate transition, while also focusing on nearer-term challenges and objectives, such as returning the company to an investment-grade credit rating.

Following this initial meeting, we also engaged in person with the chair of the board of Rolls Royce to understand institutional barriers to imposing necessary structural changes. We have also had two subsequent meetings with the CEO of the company, before and after its strategy day in November 2023.

Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.





# ESG: Governance

## Remuneration: UK and North America policy updates

Over the quarter, we published our annual updates to our UK and North America executive pay principles, setting out our minimum expectations of companies and how we will be voting on these issues in 2024.

In summary, the key updates we have made are:

- In North America, a vote against the ‘say on pay resolution’ would be applied where:
  - Companies provide a private jet as part of a benefits package to their CEO
  - At S&P 500 companies, where the CEO to median employee pay ratio exceeds 300 and yet the company’s total shareholder return (‘TSR’) versus the S&P 500 Index indicates that they have underperformed over the previous three years
- In the UK, we combined and simplified all our pay-related expectations in a single document. While we made few significant changes in our 2024 principles, we acknowledge the discussions around UK pay competitiveness and believe that our pay principles allow the necessary flexibility to facilitate effective discussion with remuneration committees in implementing appropriate and suitable pay structures:
  - We highlight that LGIM does not apply a strict policy threshold or maximum pay expectation in terms of absolute quantum
  - We have included a separate section on our expectations around hybrid schemes, which we may support in certain circumstances where justification is provided

Both our [UK](#) and [North America](#) pay policies can be found on our website.



Transparency: our annual NED Event

In November we were delighted to host our 8th Annual NED Event, which took place online. We provided insight into our engagement approach, the principles and specific thresholds which drive proxy voting decision making, and the most pressing themes on our stewardship agenda. Topics covered in our presentations included our expectations on executive pay, human rights, and our approach to considering shareholder resolutions.

Transparency about our expectations and our views is fundamental to our aim of improving environmental, social and governance standards across the global markets in which we invest on behalf of our clients. Through events such as these, we aim to reach a broad audience and to clarify what we expect of companies, and what they can do to meet our minimum expectations.

DIGITISATION: our expectations of companies

We believe artificial intelligence (AI) should drive long-term innovation, productivity and value creation. To secure these gains, we believe investors must engage with companies and policymakers on baseline expectations for governance, risk management and transparency. Digitisation is one of our six core stewardship themes and our focus is on the governance aspects of AI, particularly how companies manage risks and opportunities, and improve transparency.

We are tiering our approach between companies that make AI systems and those that use the technology. The former group will have more AI-related liabilities, so will receive more of our scrutiny. Our expectations can be summarised as follows:

- Governance:**
- Name a board member or committee accountable for AI risk oversight and strategy
  - Provide board education of business-specific AI risks at least annually. Consider utilising external expert groups to keep up to date

Risk management

- Conduct product safety risk assessments across the business cycle, including on human rights:
  - This should include upstream and downstream considerations; for example, over data and clients
  - Companies exposed to high-risk AI systems should consider third-party assessments to supplement internal assessments
- Ensure AI systems are explainable, meaning the board and relevant business functions can describe inputs, processes and outputs:
  - Establishing baseline understanding is critical for ongoing risk assessment and broader trust building
- Identify high-risk AI systems or inputs and describe current or future mitigation efforts
- Build trust by soliciting input on high-risk AI systems from third-party groups and civil society
- Provide reasonable paths to give feedback or seek remediation if AI systems cause harm

Transparency

- Disclose governance policies and risk processes on a regular basis

- Make it clear to customers or civil society when AI systems are used in services

Initially, it will be difficult for us to assess if companies are meeting them, as disclosure is limited, and data providers are still working through the relevant metrics. These expectations will evolve over time. For more information about LGIM’s views on AI, please see our recent [CIO Outlook](#).

Significant votes

| Company name                    | Microsoft Corporation*                                                                                                                                                                                                                                                                                                                                                                                                       |
|---------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ISIN                            | US5949181045                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Market cap                      | US\$2.8 trillion <sup>26</sup>                                                                                                                                                                                                                                                                                                                                                                                               |
| Sector                          | Technology                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Issue identified                | The issue identified is company transparency regarding risks related to AI-generated misinformation and disinformation, an important topic in the realm of social media, and one which comes under the broad scope of our ‘digitisation’ stewardship theme. As one of the largest tech companies in the world, Microsoft’s approach to these issues has the potential to set the benchmark across the industry more broadly. |
| Summary of the resolution       | Resolution 13: Report on Risks Related to AI Generated Misinformation and Disinformation<br>AGM date: 7 December 2023                                                                                                                                                                                                                                                                                                        |
| How LGIM voted                  | LGIM voted against this resolution (i.e. in line with management recommendation)                                                                                                                                                                                                                                                                                                                                             |
| Rationale for the vote decision | Having engaged with the company directly to discuss its approach to the risks described in this resolution, we consider at the present time that the company is a leader in the disclosures, governance processes and mitigation steps it is taking on risks posed by its operations from generative AI. We therefore took the decision not to vote in favour of this shareholder resolution.                                |
| Outcome                         | 21.2% of votes were in favour of the proposal.<br><br>We will continue to engage with Microsoft on this issue as it evolves and as shareholder expectations evolve, too. AI will continue to be an important issue and Microsoft’s position as a leader in its industry brings with it the responsibility to take appropriate actions regarding governance, risk and transparency on this issue.                             |
| Why is this vote ‘significant’? | This vote is significant because it relates to one of our core stewardship themes, digitisation, and because it demonstrates the value of company engagement in determining how our votes should be applied on complex, new topics.                                                                                                                                                                                          |

\* For illustrative purposes only. Reference to a particular security is on an historical basis 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.

26. [Microsoft \(MSFT\) - Market capitalization \(companiesmarketcap.com\)](#) as at 21/12/2023





**Case studies**  
**Mediobanca\*: recalling shares on a material vote**

**LGIM’s policy on share lending**

Where there are no legal or practical impediments, we aim to vote with every share we hold. There is currently no stock lending undertaken by LGIM in the UK market, so all shares are available for voting. For other markets, our stock-lending policies differ, with limits on the number of shares lent per fund and per stock. Nonetheless we always retain a number of shares in each voteable stock to be able to note our approval, or dissent, through a vote via the shareholder meeting. Moreover, we retain the right of immediate recall of our shares, should we deem this necessary or expedient. In practice, we do not typically recall lent stock for voting on routine company meetings. However, where there is an upcoming material vote – for example, a potential takeover situation at unfavourable terms – we will recall stock out on loan in order to apply the full voting power towards a positive outcome in the best interest of our clients.

**Identify: A material vote at Mediobanca**

Mediobanca is a European investment banking boutique, specialising in financial advice, wealth management and consumer credit, offering its services through a number of subsidiaries.

At its AGM, which took place on 28 October 2023, there was a tightly contested proxy fight for director appointments to the board. At Italian AGMs, investors must vote for one ‘slate’ of directors as presented by management and/or dissident shareholders. This means that votes must be for one whole ‘slate’ of director appointments, choosing one out of the competing slates, rather than for individual directors. This is a feature particular to the Italian corporate governance system and tends to be supported by posting an alternative slate put forward by *Assogestioni* – the Italian asset manager association – to provide representation of independent investors.

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At Mediobanca, there were three slates up for shareholder approval: the incumbent board as proposed by management, the Assogestioni slate, and a third slate by a significant dissident shareholder, *Delfin*. Dependent on who would win the majority of votes, they would be able to post a significant number of board directors to the key strategic roles on the board. An assessment of the number of voting rights held by each proponent and their likely supporters suggested that the outcome would be a close call, making every vote count.

The LGIM Stewardship team, upon internal review of the three alternatives, taking into account external sources and our Investment team’s views of the strategic direction and performance of the incumbent board, believed that if the Delfin slate were to be voted in, this would have a negative impact in terms of strategy (and value) to Mediobanca minority shareholders. We therefore wanted to ensure that LGIM would be able to vote in support of the management-proposed slate with all the shares we had voting power over.

**Engage**

Following information-gathering engagement calls with both Mediobanca and Assogestioni, we arranged for any Mediobanca shares under our control to be recalled from loan in time for the AGM voting deadline. This process involved opinions and input from various teams within LGIM, confirming settlement dates and voting cut-offs, in what funds the shares were held and through which custodians, and evaluating the potential earnings lost while the shares were not out on loan. We then confirm whether we were happy to recall the shares, taking these factors into account and balancing them against the potential cost of the alternative slate being voted in, and the anticipated negative impact this might have.

We recalled all loaned LGIM shares that LGIM had voting power over in time for the AGM and voted in favour of the management slate with the full voting power attached to shares under our discretion.

**Outcome**

It was a very close contest but the result was that 52.6% (of which just under 1% is estimated to have been LGIM’s) voted in favour of the list submitted by the board of directors, who needed 50%+1 for their slate to pass. We believe that with such tight margins on an important vote, recalling our shares here was the right action to take.



# 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 ISSB commitment

The International Sustainability Standards Board (‘ISSB’), as part of the IFRS Foundation, is developing standards to create a comprehensive global baseline of sustainability disclosures, focused on the needs of investors and the financial markets.

LGIM has long been a supporter of the ISSB as we believe that consistent, comprehensive sustainability disclosures are crucial to the functioning of global capital markets. We are public about our support and over the quarter, signed the ISSB COP28 commitment to advancing a global baseline, joining over 10,000 member companies and investors, and around 400 institutions across 64 jurisdictions.<sup>27</sup> LGIM also inputted into the ISSB consultation that will help shape the workplan for the next two years, including highlighting that focus is required on nature and human capital.

27. IFRS - ISSB at COP28: close to 400 organisations from 64 jurisdictions, including associations gathering over 10,000 member companies and investors, join multilateral and market authorities to commit to advance the ISSB climate global baseline

We are also in favour of the proposed guidance which, in particular, emphasises the role of engagement on stewardship that global asset managers should take with investee companies to enable effective climate change mitigation and adaptation measures in the global transition to a net-zero economy and the expected physical effects of climate change. More information about the consultation paper can be found [here](#).



## Japan climate and energy policy

We are ramping up our climate policy engagement in Japan, where preparations for the next round of policy deliberations that determine the nation’s mid-term climate and energy policies are underway. We continue to advocate for Paris-aligned policies that we believe provide the right backdrop to enable Japanese businesses, once world leaders in low-carbon technologies, to remain competitive.

Our engagement has included our Head of Japan Investment Stewardship’s meeting with members of Japan’s parliament in Tokyo, where we advocated for a greater share of renewables in the power mix and more robust carbon pricing. We also took the opportunity to speak at a PRI in Person side [event](#) on accelerating the transition through climate policy engagement and disclosures. Joining InfluenceMap and representatives from the Japan Financial Services Agency (FSA), OECD, UK TPT, and Japan Climate Leaders’ Partnership (JCLP), we shared our expectations of corporations on climate policy engagement. We have also published a blog focusing on climate policy engagement in Japan [LGIM Blog: Climate policy engagement: spotlight on Japan](#).

Through our collaborations with stakeholders and engagements with policymakers, we aim to advocate for a robust climate policy backdrop that supports the delivery of a transition to a net-zero economy. We will continue our involvements with these collaborations, bringing our weight of assets that helps to strengthen our combined voice.







**Nature**  
**Global roadmap for sustainable agriculture**

Agriculture is closely linked to a number of LGIM’s strategic global themes and plays a particularly important role within nature. Nature can both positively and negatively impact the agricultural system. For example, the collapse of ecosystem services such as wild pollinators could reduce the productivity of agricultural productivity. Agricultural practices can also contribute negatively to the degradation of nature, for example through pesticide, fertiliser and chemical use and pollution; habitat loss and degradation; degradation of soil health; and extraction of freshwater. If managed well, agriculture can also have a positive impact on nature, for instance protecting ecosystems, mitigating flood risks, filtering water, and carbon sequestration.

As a member of the [FAIRR initiative](#), a collaborative investor network focusing on ESG risks and opportunities caused by intensive animal production, LGIM co-led the movement to call on global leaders to develop a comprehensive science-based roadmap for sustainable agriculture and land use to limit global warming to 1.5°C, while ensuring the protection and restoration of nature and our ecosystems. The initiative recommended that the United Nations Food and Agriculture Organisation (FAO) lead and coordinate the multilateral system to urgently develop the roadmap. At COP27, the UN FAO announced its commitment to publish a roadmap for agricultural and food systems by COP28 in November 2023.<sup>11</sup> It is anticipated that the UN FAO’s roadmap will set out clear targets and deliverables to protect the planet while developing sustainable food systems.

At COP28, we were pleased to see the publication by the UN FAO of phase one of the Global Roadmap for Sustainable Agriculture, setting out its vision, proposed actions and milestones across the areas of livestock, healthy diets, fisheries and aquaculture, soil and water, forest and wetlands, food loss and waste, crops, and clean energy. The plan can be read in full, here: [FAO COP 28 – Roadmap](#).

Our collaborations with initiative such as FAIRR will continue to be an important focus of our work within our ‘nature’ theme, and the success demonstrated by this collaborative initiative so far, shown by the steps taken by the UN FAO, demonstrates the global impact that co-ordinated collaborative engagement can have on tackling systemic market risks.



**People**  
**Diversity: consultations and responses**

There have been a number of recent consultations on social topics and diversity:

- The US SEC has yet to issue a final ruling and continues to seek comment related to disclosures about diversity of board members and nominees. In November 2023, LGIM America sent a letter to the SEC, aligned with recommendations from the 30% coalition, reiterating our stance and outlining our expectations of global companies as referenced in our [diversity policy](#).
- The Taskforce for Social Factors, a UK organisation which aims to support pension scheme trustees and the wider pensions industry in the consideration of social risks and opportunities, released a guide for consultation<sup>28</sup> with the UK pensions industry, which includes more than 30 recommendations about how social factors can be better incorporated into investment decisions.
- The Financial Reporting Council, alongside the Prudential Regulation Authority (PRA), are consulting on proposals to introduce a new regulatory framework on diversity and inclusion in the financial sector.<sup>29</sup>

The Stewardship team fed into the broader LGIM response on both of these latter consultations; responding to consultations is one method of our policy engagement, through which we engage with policymakers at an early stage, to help them identify and address emerging risks, so they can take transformative steps to tackle systemic market issues and accelerate progress against complex global sustainability challenges. Our policy dialogue aims to produce real tangible change by designing, implementing, and monitoring an effective and coherent policy, including a regulatory and legislative system that governs society, the environment and the economy.

28. [Guide \(taskforceonsocialfactors.co.uk\)](#)

29. [CP23/20: Diversity and inclusion in the financial sector – working together to drive change](#) | FCA

30. [Welcome to ICGN](#)

31. [Q3 ESG Impact Report \(lgim.com\)](#)



**Diversity in Japan: working with the International Corporate Governance Network**

The International Corporate Governance Network (‘ICGN’) brings together investors of nearly US\$80 trillion to advocate for the highest standards of corporate governance and stewardship around the world.<sup>30</sup>

Through our membership of the ICGN, we joined a number of meetings over the quarter with regulators in Japan, to express our views on a range of policy measures. This included meeting with the Ministry of Economy, Trade and Industry (‘METI’), and the Cabinet Office, to discuss corporate governance and diversity issues.

Topics that we discussed with METI included its plans to enhance the corporate governance of companies, and whether, following the introduction of a special law allowing virtual-only shareholder meetings, they will implement measures to ensure that such meeting are fair to minority shareholders. In our meeting with the Cabinet Office, one topic on which we sought clarification was around the government and stock exchange gender diversity targets set for female representation, and the scope of the application of these targets.

Regular readers will have seen our recent updates on our campaign work in Japan, including in our [Q3 2023 report](#), where we reported on other engagements with regulators and summarised a number of key themes from the Japan AGM season.<sup>31</sup> Our collaborative policy work is a crucial counterpart to our company engagement and voting, as it enables us to contribute to the creation of a policy backdrop designed to support positive developments in social, governance and environmental areas of systemic risk and opportunity.



**Diversity: Singapore Exchange Regulation**

LGIM joined a discussion of the Advisory Body for the Singapore Exchange Regulation and the Council for Board Diversity study on diversity disclosures of SGX listed companies. Our role was to provide inputs on the quality of disclosures expected from SGX listed issuers. We gave our insights and views at the meeting, to help shape development on the topic of board diversity in Singapore. Following this meeting, the Advisory Body issued a report on the state of board diversity disclosures of SGX listed issuers, which can be found [here](#).





# Regional updates

## Global - Q4 2023 voting summary

| Management proposed resolutions: |           |               |                   |       |           |           |
|----------------------------------|-----------|---------------|-------------------|-------|-----------|-----------|
| Proposal category                | Total for | Total against | Total abstentions | For % | Against % | Abstain % |
| Management (Total)               | 9041      | 3224          | 209               | 72%   | 26%       | 2%        |
| Director Election                | 3071      | 972           | 207               | 72%   | 23%       | 5%        |
| Director Related                 | 624       | 451           | 0                 | 58%   | 42%       | 0%        |
| Routine Business                 | 735       | 143           | 0                 | 84%   | 16%       | 0%        |
| Compensation                     | 980       | 863           | 0                 | 53%   | 47%       | 0%        |
| Miscellaneous                    | 95        | 29            | 0                 | 77%   | 23%       | 0%        |
| Company Articles                 | 543       | 237           | 0                 | 70%   | 30%       | 0%        |
| Non-Routine Business             | 420       | 58            | 0                 | 88%   | 12%       | 0%        |
| Capitalization                   | 1052      | 154           | 0                 | 87%   | 13%       | 0%        |
| Audit Related                    | 629       | 82            | 2                 | 88%   | 11%       | 0%        |
| Strategic Transactions           | 693       | 105           | 0                 | 87%   | 13%       | 0%        |
| Social                           | 24        | 4             | 0                 | 86%   | 14%       | 0%        |
| No Research                      | 16        | 109           | 0                 | 9%    | 64%       | 0%        |
| Takeover Related                 | 139       | 13            | 0                 | 91%   | 9%        | 0%        |
| Mutual Funds                     | 18        | 1             | 0                 | 95%   | 5%        | 0%        |
| Environmental                    | 0         | 3             | 0                 | 0%    | 100%      | 0%        |
| E&S Blended                      | 2         | 0             | 0                 | 100%  | 0%        | 0%        |

## Global - Q4 2023 voting summary

| Shareholder proposed resolutions: |           |               |                   |       |           |           |
|-----------------------------------|-----------|---------------|-------------------|-------|-----------|-----------|
| Proposal category                 | Total for | Total against | Total abstentions | For % | Against % | Abstain % |
| Shareholder (total)               | 340       | 99            | 0                 | 77%   | 23%       | 0%        |
| Director Election                 | 184       | 49            | 0                 | 79%   | 21%       | 0%        |
| Audit Related                     | 69        | 1             | 0                 | 99%   | 1%        | 0%        |
| Director Related                  | 6         | 11            | 0                 | 35%   | 65%       | 0%        |
| Miscellaneous                     | 50        | 14            | 0                 | 78%   | 22%       | 0%        |
| Company Articles                  | 7         | 4             | 0                 | 64%   | 36%       | 0%        |
| Social                            | 8         | 4             | 0                 | 67%   | 33%       | 0%        |
| E&S Blended                       | 0         | 4             | 0                 | 0%    | 100%      | 0%        |
| Environmental                     | 6         | 2             | 0                 | 75%   | 25%       | 0%        |
| Capitalization                    | 2         | 0             | 0                 | 100%  | 0%        | 0%        |
| Non-Routine Business              | 3         | 3             | 0                 | 50%   | 50%       | 0%        |
| Compensation                      | 3         | 7             | 0                 | 30%   | 70%       | 0%        |
| Corporate Governance              | 2         | 0             | 0                 | 100%  | 0%        | 0%        |

| How LGIM Voted | Number of Votes | % Alignment with Management Recommendations |
|----------------|-----------------|---------------------------------------------|
| For            | 9381            | 76%                                         |
| Against        | 3323            | 78%                                         |
| Abstain        | 209             | 72%                                         |

Voting data shown is "For" and "Against" the resolution. Please note that for shareholder resolutions, a vote "For" the resolution is a vote against management. We aim to keep abstentions to a minimum. Where there are no legal or practical impediments, we vote on our clients' investments across all developed and emerging markets globally, where possible. Source: LGIM, as at 31.12.2023.

| Number of       | Values |
|-----------------|--------|
| Resolutions     | 12960  |
| AGM Resolutions | 6980   |
| EGM Resolutions | 5973   |
| AGMs            | 741    |
| EGMs            | 1417   |
| Meetings        | 2162   |

| Number of companies where LGIM voted:         | Values |
|-----------------------------------------------|--------|
| In Total                                      | 1807   |
| For in all resolutions                        | 676    |
| Against or Abstain in at least one resolution | 1131   |





 UK - Q4 2023 voting summary

| Management proposed resolutions: |           |               |                   |       |           |           |
|----------------------------------|-----------|---------------|-------------------|-------|-----------|-----------|
| Proposal category                | Total for | Total against | Total abstentions | For % | Against % | Abstain % |
| Management (Total)               | 1361      | 88            | 0                 | 92%   | 6%        | 0%        |
| Routine Business                 | 161       | 5             | 0                 | 97%   | 3%        | 0%        |
| Compensation                     | 133       | 21            | 0                 | 86%   | 14%       | 0%        |
| Director Election                | 497       | 31            | 0                 | 94%   | 6%        | 0%        |
| Audit Related                    | 165       | 0             | 0                 | 100%  | 0%        | 0%        |
| Capitalization                   | 284       | 26            | 0                 | 92%   | 8%        | 0%        |
| Takeover Related                 | 59        | 0             | 0                 | 100%  | 0%        | 0%        |
| Company Articles                 | 5         | 0             | 0                 | 100%  | 0%        | 0%        |
| Mutual Funds                     | 14        | 1             | 0                 | 93%   | 7%        | 0%        |
| Strategic Transactions           | 21        | 3             | 0                 | 88%   | 12%       | 0%        |
| Social                           | 14        | 0             | 0                 | 100%  | 0%        | 0%        |
| Non-Routine Business             | 4         | 1             | 0                 | 80%   | 20%       | 0%        |
| No Research                      | 1         | 0             | 0                 | 4%    | 0%        | 0%        |
| Director Related                 | 2         | 0             | 0                 | 100%  | 0%        | 0%        |
| Miscellaneous                    | 1         | 0             | 0                 | 100%  | 0%        | 0%        |

 UK - Q4 2023 voting summary

| How LGIM Voted | Number of Votes | % Alignment with Management Recommendations |
|----------------|-----------------|---------------------------------------------|
| For            | 1361            | 94%                                         |
| Against        | 88              | 92%                                         |
| Abstain        | 0               | 0%                                          |

| Number of       | Values | Number of companies where LGIM voted:         | Values |
|-----------------|--------|-----------------------------------------------|--------|
| Resolutions     | 1473   | In Total                                      | 117    |
| AGM Resolutions | 1405   | For in all resolutions                        | 70     |
| EGM Resolutions | 67     | Against or Abstain in at least one resolution | 47     |
| AGMs            | 89     |                                               |        |
| EGMs            | 38     |                                               |        |
| Meetings        | 128    |                                               |        |

Voting data shown is "For" and "Against" the resolution. Please note that for shareholder resolutions, a vote "For" the resolution is a vote against management. We aim to keep abstentions to a minimum. Where there are no legal or practical impediments, we vote on our clients' investments across all developed and emerging markets globally, where possible. Source: LGIM, as at 31.12.2023.



Europe ex UK - Q4 2023 voting summary

| Management proposed resolutions: |           |               |                   |       |           |           |
|----------------------------------|-----------|---------------|-------------------|-------|-----------|-----------|
| Proposal category                | Total for | Total against | Total abstentions | For % | Against % | Abstain % |
| Management (total)               | 757       | 147           | 5                 | 83%   | 16%       | 1%        |
| Miscellaneous                    | 27        | 2             | 0                 | 93%   | 7%        | 0%        |
| Strategic Transactions           | 36        | 1             | 0                 | 97%   | 3%        | 0%        |
| Routine Business                 | 200       | 11            | 0                 | 95%   | 5%        | 0%        |
| Director Related                 | 65        | 10            | 0                 | 87%   | 13%       | 0%        |
| Director Election                | 139       | 39            | 4                 | 76%   | 21%       | 2%        |
| Capitalization                   | 83        | 20            | 0                 | 81%   | 19%       | 0%        |
| Compensation                     | 58        | 50            | 0                 | 54%   | 46%       | 0%        |
| Audit Related                    | 91        | 3             | 1                 | 96%   | 3%        | 1%        |
| Company Articles                 | 36        | 4             | 0                 | 90%   | 10%       | 0%        |
| Social                           | 1         | 1             | 0                 | 50%   | 50%       | 0%        |
| Non-Routine Business             | 10        | 0             | 0                 | 100%  | 0%        | 0%        |
| Takeover Related                 | 3         | 6             | 0                 | 33%   | 67%       | 0%        |
| Mutual Funds                     | 1         | 0             | 0                 | 100%  | 0%        | 0%        |

Europe ex UK - Q4 2023 voting summary

| Shareholder proposed resolutions: |           |               |                   |       |           |           |
|-----------------------------------|-----------|---------------|-------------------|-------|-----------|-----------|
| Proposal category                 | Total for | Total against | Total abstentions | For % | Against % | Abstain % |
| Shareholder (total)               | 17        | 22            | 0                 | 44%   | 56%       | 0%        |
| Company Articles                  | 1         | 3             | 0                 | 25%   | 75%       | 0%        |
| Miscellaneous                     | 11        | 11            | 0                 | 50%   | 50%       | 0%        |
| Director Election                 | 1         | 3             | 0                 | 25%   | 75%       | 0%        |
| Audit Related                     | 2         | 1             | 0                 | 67%   | 33%       | 0%        |
| Non-Routine Business              | 1         | 1             | 0                 | 50%   | 50%       | 0%        |
| Director Related                  | 1         | 1             | 0                 | 50%   | 50%       | 0%        |
| Compensation                      | 0         | 2             | 0                 | 0%    | 100%      | 0%        |

| How LGIM Voted | Number of Votes | % Alignment with Management Recommendations |
|----------------|-----------------|---------------------------------------------|
| For            | 774             | 85%                                         |
| Against        | 169             | 82%                                         |
| Abstain        | 5               | 100%                                        |

| Number of       | Values |
|-----------------|--------|
| Resolutions     | 948    |
| AGM Resolutions | 575    |
| EGM Resolutions | 367    |
| AGMs            | 71     |
| EGMs            | 80     |
| Meetings        | 154    |

| Number of companies where LGIM voted:         | Values |
|-----------------------------------------------|--------|
| In Total                                      | 139    |
| For in all resolutions                        | 79     |
| Against or Abstain in at least one resolution | 60     |

Voting data shown is "For" and "Against" the resolution. Please note that for shareholder resolutions, a vote "For" the resolution is a vote against management. We aim to keep abstentions to a minimum. Where there are no legal or practical impediments, we vote on our clients' investments across all developed and emerging markets globally, where possible. Source: LGIM, as at 31.12.2023.





 North America - Q4 2023 voting summary

| Management proposed resolutions: |           |               |                   |       |           |           |
|----------------------------------|-----------|---------------|-------------------|-------|-----------|-----------|
| Proposal category                | Total for | Total against | Total abstentions | For % | Against % | Abstain % |
| Management (total)               | 1141      | 677           | 1                 | 63%   | 37%       | 0%        |
| Director Election                | 740       | 391           | 0                 | 65%   | 35%       | 0%        |
| Audit Related                    | 130       | 48            | 1                 | 72%   | 27%       | 1%        |
| Routine Business                 | 12        | 4             | 0                 | 75%   | 25%       | 0%        |
| Compensation                     | 112       | 218           | 0                 | 34%   | 66%       | 0%        |
| Director Related                 | 17        | 0             | 0                 | 100%  | 0%        | 0%        |
| Miscellaneous                    | 3         | 0             | 0                 | 100%  | 0%        | 0%        |
| Takeover Related                 | 42        | 7             | 0                 | 86%   | 14%       | 0%        |
| Strategic Transactions           | 37        | 1             | 0                 | 95%   | 3%        | 0%        |
| Capitalization                   | 35        | 7             | 0                 | 83%   | 17%       | 0%        |
| Company Articles                 | 6         | 1             | 0                 | 86%   | 14%       | 0%        |
| Mutual Funds                     | 3         | 0             | 0                 | 100%  | 0%        | 0%        |
| Non-Routine Business             | 1         | 0             | 0                 | 100%  | 0%        | 0%        |
| No Research                      | 3         | 0             | 0                 | 100%  | 0%        | 0%        |

 North America - Q4 2023 voting summary

| Shareholder proposed resolutions: |           |               |                   |       |           |           |
|-----------------------------------|-----------|---------------|-------------------|-------|-----------|-----------|
| Proposal category                 | Total for | Total against | Total abstentions | For % | Against % | Abstain % |
| Shareholder (total)               | 18        | 14            | 0                 | 56%   | 44%       | 0%        |
| Social                            | 8         | 4             | 0                 | 67%   | 33%       | 0%        |
| E&S Blended                       | 0         | 4             | 0                 | 0%    | 100%      | 0%        |
| Environmental                     | 2         | 2             | 0                 | 50%   | 50%       | 0%        |
| Company Articles                  | 1         | 0             | 0                 | 100%  | 0%        | 0%        |
| Corporate Governance              | 2         | 0             | 0                 | 100%  | 0%        | 0%        |
| Director Related                  | 2         | 0             | 0                 | 100%  | 0%        | 0%        |
| Compensation                      | 2         | 2             | 0                 | 50%   | 50%       | 0%        |
| Miscellaneous                     | 0         | 1             | 0                 | 0%    | 100%      | 0%        |
| Non-Routine Business              | 1         | 1             | 0                 | 50%   | 50%       | 0%        |

| How LGIM Voted | Number of Votes | % Alignment with Management Recommendations |
|----------------|-----------------|---------------------------------------------|
| For            | 1159            | 60%                                         |
| Against        | 691             | 62%                                         |
| Abstain        | 1               | 100%                                        |

| Number of       | Values |
|-----------------|--------|
| Resolutions     | 1854   |
| AGM Resolutions | 1708   |
| EGM Resolutions | 146    |
| AGMs            | 183    |
| EGMs            | 58     |
| Meetings        | 241    |

| Number of companies where LGIM voted:         | Values |
|-----------------------------------------------|--------|
| In Total                                      | 239    |
| For in all resolutions                        | 28     |
| Against or Abstain in at least one resolution | 211    |

Voting data shown is "For" and "Against" the resolution. Please note that for shareholder resolutions, a vote "For" the resolution is a vote against management. We aim to keep abstentions to a minimum. Where there are no legal or practical impediments, we vote on our clients' investments across all developed and emerging markets globally, where possible. Source: LGIM, as at 31.12.2023.



Japan - Q4 2023 voting summary

| Management proposed resolutions: |           |               |                   |       |           |           |
|----------------------------------|-----------|---------------|-------------------|-------|-----------|-----------|
| Proposal category                | Total for | Total against | Total abstentions | For % | Against % | Abstain % |
| Management (total)               | 455       | 92            | 0                 | 83%   | 17%       | 0%        |
| Director Election                | 323       | 69            | 0                 | 82%   | 18%       | 0%        |
| Director Related                 | 52        | 8             | 0                 | 87%   | 13%       | 0%        |
| Routine Business                 | 30        | 0             | 0                 | 100%  | 0%        | 0%        |
| Compensation                     | 19        | 7             | 0                 | 73%   | 27%       | 0%        |
| Company Articles                 | 25        | 5             | 0                 | 83%   | 17%       | 0%        |
| Capitalization                   | 1         | 0             | 0                 | 100%  | 0%        | 0%        |
| Strategic Transactions           | 2         | 3             | 0                 | 40%   | 60%       | 0%        |
| Audit Related                    | 3         | 0             | 0                 | 100%  | 0%        | 0%        |

Japan - Q4 2023 voting summary

| Shareholder proposed resolutions: |           |               |                   |       |           |           |
|-----------------------------------|-----------|---------------|-------------------|-------|-----------|-----------|
| Proposal category                 | Total for | Total against | Total abstentions | For % | Against % | Abstain % |
| Shareholder (total)               | 0         | 8             | 0                 | 0%    | 100%      | 0%        |
| Director Election                 | 0         | 7             | 0                 | 0%    | 100%      | 0%        |
| Non-Routine Business              | 0         | 1             | 0                 | 0%    | 100%      | 0%        |

| How LGIM Voted | Number of Votes | % Alignment with Management Recommendations |
|----------------|-----------------|---------------------------------------------|
| For            | 455             | 84%                                         |
| Against        | 100             | 82%                                         |
| Abstain        | 0               | 0%                                          |

| Number of       | Values |
|-----------------|--------|
| Resolutions     | 555    |
| AGM Resolutions | 445    |
| EGM Resolutions | 110    |
| AGMs            | 47     |
| EGMs            | 20     |
| Meetings        | 67     |

| Number of companies where LGIM voted:         | Values |
|-----------------------------------------------|--------|
| In Total                                      | 67     |
| For in all resolutions                        | 12     |
| Against or Abstain in at least one resolution | 55     |

Voting data shown is "For" and "Against" the resolution. Please note that for shareholder resolutions, a vote "For" the resolution is a vote against management. We aim to keep abstentions to a minimum. Where there are no legal or practical impediments, we vote on our clients' investments across all developed and emerging markets globally, where possible. Source: LGIM, as at 31.12.2023.



Asia Pacific ex Japan - Q4 2023 voting summary

| Management proposed resolutions: |           |               |                   |       |           |           |
|----------------------------------|-----------|---------------|-------------------|-------|-----------|-----------|
| Proposal category                | Total for | Total against | Total abstentions | For % | Against % | Abstain % |
| Management (total)               | 3186      | 1483          | 2                 | 68%   | 32%       | 0%        |
| Director Election                | 971       | 313           | 2                 | 76%   | 24%       | 0%        |
| Compensation                     | 411       | 422           | 0                 | 49%   | 51%       | 0%        |
| Director Related                 | 239       | 350           | 0                 | 41%   | 59%       | 0%        |
| Routine Business                 | 154       | 79            | 0                 | 66%   | 34%       | 0%        |
| Company Articles                 | 260       | 144           | 0                 | 64%   | 36%       | 0%        |
| Audit Related                    | 170       | 6             | 0                 | 97%   | 3%        | 0%        |
| Strategic Transactions           | 383       | 80            | 0                 | 83%   | 17%       | 0%        |
| Non-Routine Business             | 116       | 35            | 0                 | 77%   | 23%       | 0%        |
| Capitalization                   | 421       | 36            | 0                 | 92%   | 8%        | 0%        |
| Miscellaneous                    | 25        | 14            | 0                 | 64%   | 36%       | 0%        |
| Social                           | 1         | 2             | 0                 | 33%   | 67%       | 0%        |
| Takeover Related                 | 35        | 0             | 0                 | 100%  | 0%        | 0%        |
| Environmental                    | 0         | 2             | 0                 | 0%    | 100%      | 0%        |

Asia Pacific ex Japan - Q4 2023 voting summary

| Shareholder proposed resolutions: |           |               |                   |       |           |           |
|-----------------------------------|-----------|---------------|-------------------|-------|-----------|-----------|
| Proposal category                 | Total for | Total against | Total abstentions | For % | Against % | Abstain % |
| Shareholder (total)               | 216       | 47            | 0                 | 82%   | 18%       | 0%        |
| Director Election                 | 130       | 35            | 0                 | 79%   | 21%       | 0%        |
| Audit Related                     | 47        | 0             | 0                 | 100%  | 0%        | 0%        |
| Director Related                  | 3         | 6             | 0                 | 33%   | 67%       | 0%        |
| Miscellaneous                     | 26        | 2             | 0                 | 93%   | 7%        | 0%        |
| Company Articles                  | 5         | 1             | 0                 | 83%   | 17%       | 0%        |
| Environmental                     | 4         | 0             | 0                 | 100%  | 0%        | 0%        |
| Compensation                      | 1         | 3             | 0                 | 25%   | 75%       | 0%        |

| How LGIM Voted | Number of Votes | % Alignment with Management Recommendations |
|----------------|-----------------|---------------------------------------------|
| For            | 3402            | 70%                                         |
| Against        | 1530            | 71%                                         |
| Abstain        | 2               | 50%                                         |

| Number of       | Values |
|-----------------|--------|
| Resolutions     | 4943   |
| AGM Resolutions | 1552   |
| EGM Resolutions | 3391   |
| AGMs            | 253    |
| EGMs            | 854    |
| Meetings        | 1107   |

| Number of companies where LGIM voted:         | Values |
|-----------------------------------------------|--------|
| In Total                                      | 915    |
| For in all resolutions                        | 352    |
| Against or Abstain in at least one resolution | 563    |

Voting data shown is "For" and "Against" the resolution. Please note that for shareholder resolutions, a vote "For" the resolution is a vote against management. We aim to keep abstentions to a minimum. Where there are no legal or practical impediments, we vote on our clients' investments across all developed and emerging markets globally, where possible. Source: LGIM, as at 31.12.2023.





Rest of World - Q4 2023 voting summary

| Management proposed resolutions: |           |               |                   |       |           |           |
|----------------------------------|-----------|---------------|-------------------|-------|-----------|-----------|
| Proposal category                | Total for | Total against | Total abstentions | For % | Against % | Abstain % |
| Management (total)               | 2141      | 737           | 201               | 69%   | 24%       | 7%        |
| Non-Routine Business             | 289       | 22            | 0                 | 93%   | 7%        | 0%        |
| Director Election                | 401       | 129           | 201               | 55%   | 18%       | 27%       |
| Director Related                 | 249       | 83            | 0                 | 75%   | 25%       | 0%        |
| Compensation                     | 247       | 145           | 0                 | 63%   | 37%       | 0%        |
| Routine Business                 | 178       | 44            | 0                 | 80%   | 20%       | 0%        |
| Capitalization                   | 228       | 65            | 0                 | 78%   | 22%       | 0%        |
| Company Articles                 | 211       | 83            | 0                 | 72%   | 28%       | 0%        |
| Audit Related                    | 70        | 25            | 0                 | 74%   | 26%       | 0%        |
| No Research                      | 5         | 109           | 0                 | 4%    | 87%       | 0%        |
| Miscellaneous                    | 39        | 13            | 0                 | 75%   | 25%       | 0%        |
| Strategic Transactions           | 214       | 17            | 0                 | 93%   | 7%        | 0%        |
| Social                           | 8         | 1             | 0                 | 89%   | 11%       | 0%        |
| Environmental                    | 0         | 1             | 0                 | 0%    | 100%      | 0%        |
| E&S Blended                      | 2         | 0             | 0                 | 100%  | 0%        | 0%        |

Rest of World - Q4 2023 voting summary

| Shareholder proposed resolutions: |           |               |                   |       |           |           |
|-----------------------------------|-----------|---------------|-------------------|-------|-----------|-----------|
| Proposal category                 | Total for | Total against | Total abstentions | For % | Against % | Abstain % |
| Shareholder                       | 89        | 8             | 0                 | 92%   | 8%        | 0%        |
| Miscellaneous                     | 13        | 0             | 0                 | 100%  | 0%        | 0%        |
| Director Election                 | 53        | 4             | 0                 | 93%   | 7%        | 0%        |
| Audit Related                     | 20        | 0             | 0                 | 100%  | 0%        | 0%        |
| Capitalization                    | 2         | 0             | 0                 | 100%  | 0%        | 0%        |
| Director Related                  | 0         | 4             | 0                 | 0%    | 100%      | 0%        |
| Non-Routine Business              | 1         | 0             | 0                 | 100%  | 0%        | 0%        |

| How LGIM Voted | Number of Votes | % Alignment with Management Recommendations |
|----------------|-----------------|---------------------------------------------|
| For            | 2230            | 82%                                         |
| Against        | 745             | 84%                                         |
| Abstain        | 201             | 83%                                         |

| Number of       | Values |
|-----------------|--------|
| Resolutions     | 3187   |
| AGM Resolutions | 1295   |
| EGM Resolutions | 1892   |
| AGMs            | 98     |
| EGMs            | 367    |
| Meetings        | 465    |

| Number of companies where LGIM voted:         | Values |
|-----------------------------------------------|--------|
| In Total                                      | 330    |
| For in all resolutions                        | 135    |
| Against or Abstain in at least one resolution | 195    |

Voting data shown is "For" and "Against" the resolution. Please note that for shareholder resolutions, a vote "For" the resolution is a vote against management. We aim to keep abstentions to a minimum. Where there are no legal or practical impediments, we vote on our clients' investments across all developed and emerging markets globally, where possible. Source: LGIM, as at 31.12.2023.

# Global engagement summary

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In Q4 2023, the Investment Stewardship team held



**481**

engagements

with



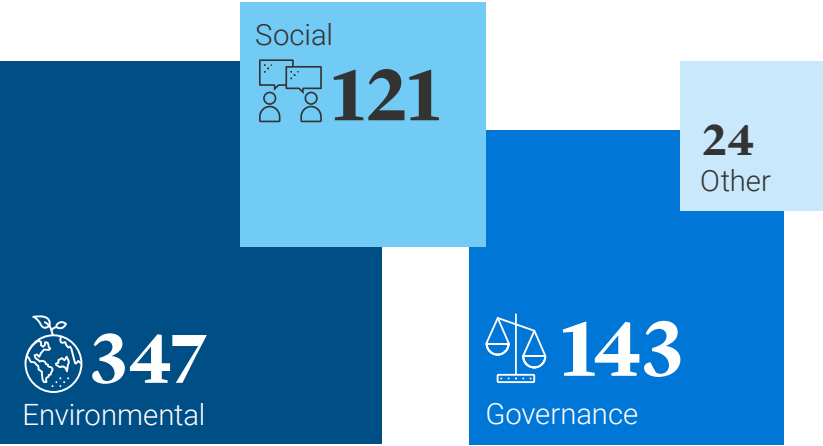
**421**

companies

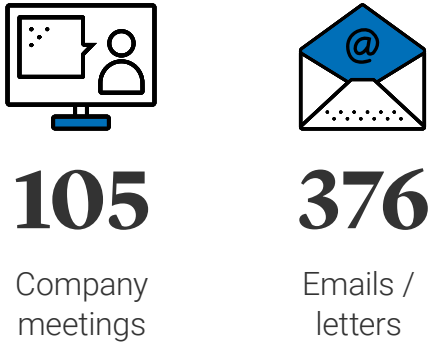
(vs. 1,303 engagements with 1,285 companies last quarter)

## Breaking down the engagement numbers - Q4 2023

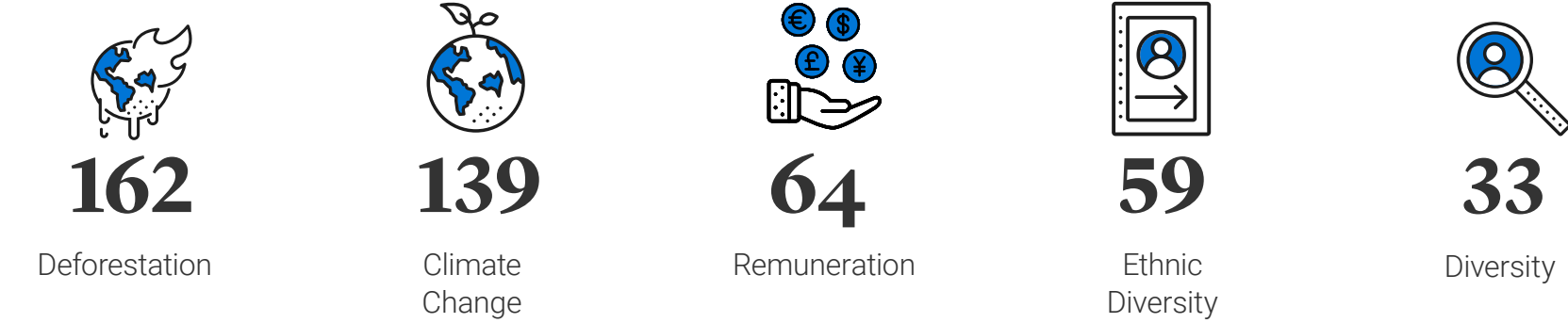
Breakdown of engagement by themes



Engagement type



Top five engagement topics\*

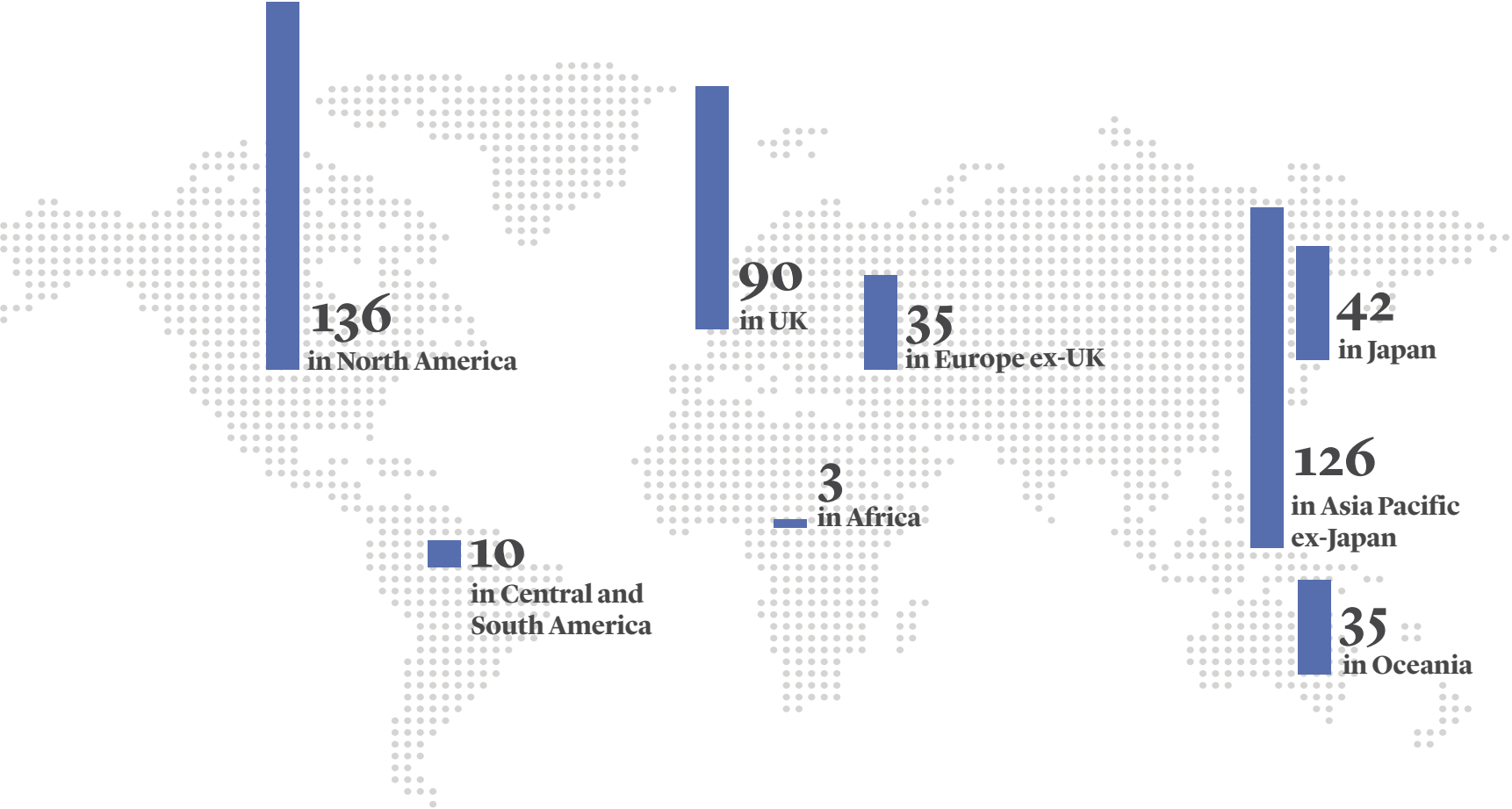


\*Note: an engagement can cover more than a single topic



Regional breakdown of engagements

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## Contact us

For further information about LGIM, please visit [lgim.com](https://lgim.com) or contact your usual LGIM representative



\*For illustrative purposes only. Reference to a particular security is on a historic basis 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.

### Key Risks

The value of an investment and any income taken from it is not guaranteed and can go down as well as up, you may not get back the amount you originally invested.

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# Shropshire County Council

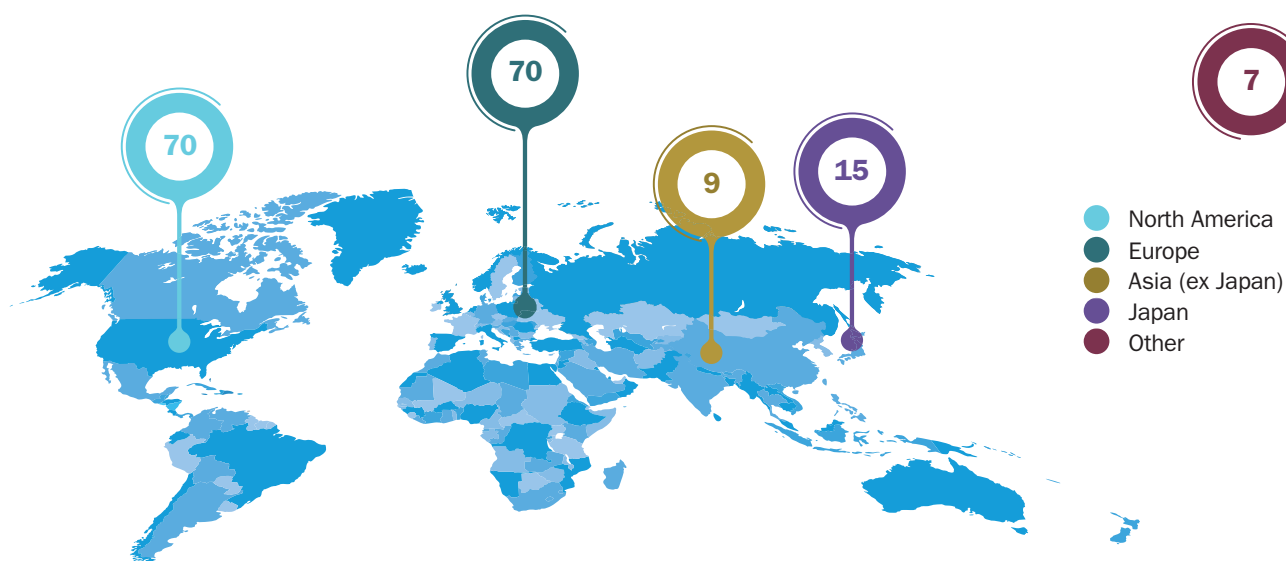
## Q4 2023

The purpose of the **reo**<sup>®</sup> (responsible engagement overlay) service is to engage with companies held in portfolios with a view to promoting the adoption of better environmental, social and governance (ESG) practices. The **reo**<sup>®</sup> 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.

### Engagement this quarter

| Engagement | Companies Engaged | Milestones achieved | Countries covered |
|------------|-------------------|---------------------|-------------------|
| 202        | 171               | 67                  | 25                |

### Companies engaged by region



### Engagement by theme \*



### Milestones achieved by theme



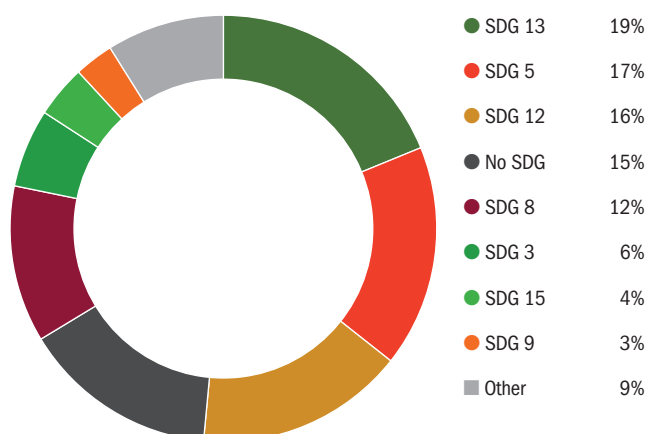
\* Companies may have been engaged on more than one issue.

## Engagements and Sustainable Development Goals (SDGs)

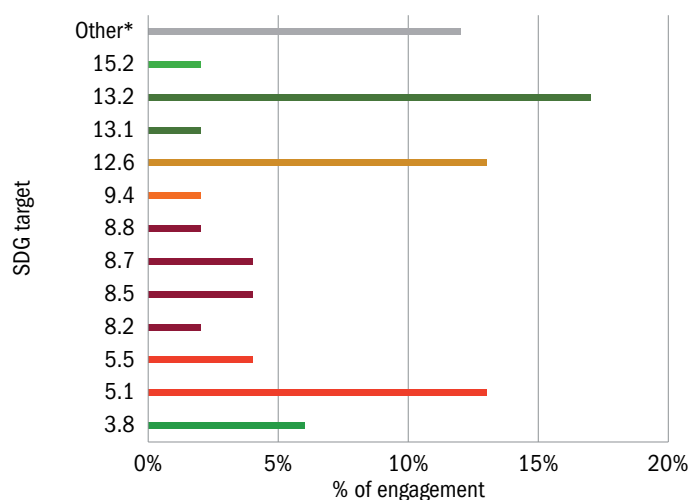
The 17 Sustainable Development Goals (SDGs) were developed by the UN and cross-industry stakeholders with a view to providing a roadmap towards a more sustainable world.

We use the detailed underlying SDG targets to frame company engagement objectives, where relevant, as well as to articulate the positive societal and environmental impacts of engagement. Engagements are systematically captured at a target level, to enable greater accuracy and achieve higher impact.

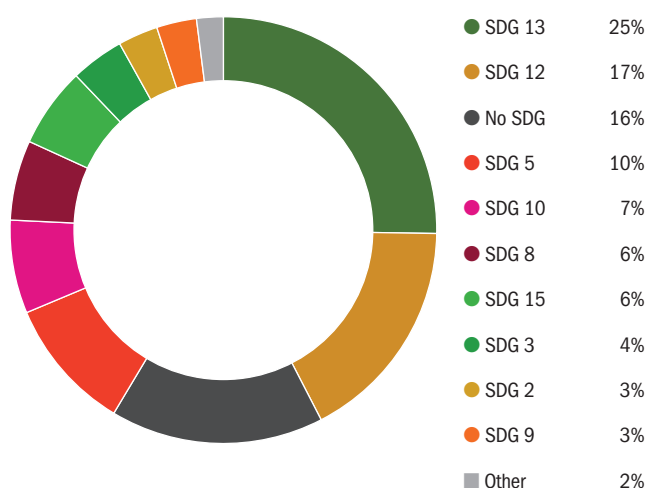
### Engagement: SDG level



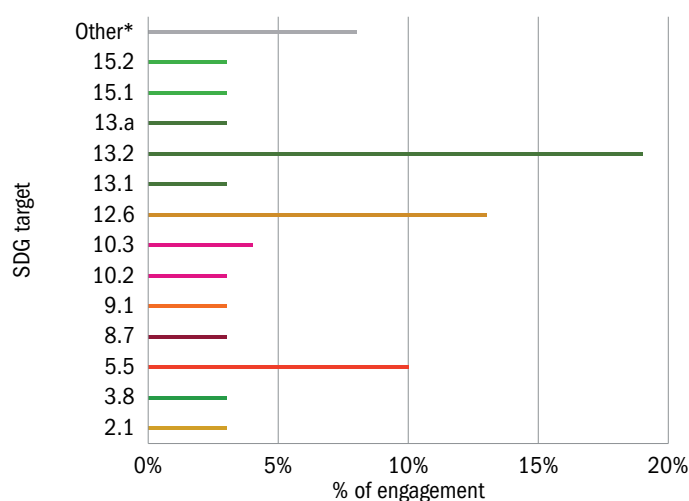
### Engagement: SDG target level



### Milestone: SDG level



### Milestone: SDG target level



\*Other represents SDG targets less than 2% of the relevant SDG Goal.

Engagement case studies

|                                                                       |                                            |                              |
|-----------------------------------------------------------------------|--------------------------------------------|------------------------------|
| Company: GSK PLC                                                      | Country: United Kingdom                    | Sector: Health Care          |
| Priority Company: -                                                   | ESG Risk Rating: <div></div>               | Response to engagement: Good |
| Theme: Public Health                                                  | Issue: Diversity in clinical trials at GSK |                              |
| SDG: <div><div>3</div><div>GOOD HEALTH AND WELL-BEING</div></div> 3.8 |                                            |                              |

Background

GSK is a global bio-pharmaceutical company which manufactures innovative medicines and vaccines. Upcoming US regulatory requirements due to take effect in 2024 will push the industry to include diversity planning in their trial protocol or justify why this is not necessary. In our view, being under-prepared for this might result in novel drugs and therapies not being approved by the FDA, which poses a very material risk to drug manufacturers and Contract Research Organizations (CROs). As part of our diversity in clinical trials engagement project, we organized a call with GSK's Senior Vice President of Global Clinical Operations to learn more about the company's work on diversity in clinical trials and preparations for stricter regulation.

Action

We discussed the upcoming regulatory requirements on diversity in clinical trials and how GSK prepares for compliance. The company has a dedicated team that works on diversity in clinical trials, which ultimately falls under the Chief Scientific Officer. While work on trial diversity costs time and effort, GSK considers this a continuous learning curve for the company. They stressed that this is the right thing to do for patients and communities and that financially, the cost of getting it wrong will be more substantial. They also consider it a crucial part of their ambition to reach 2.5 billion patients by the end of 2030. The company shared a number of insightful case studies, for instance on how it works together with patient advocacy groups to assess and better understand patient needs as well as increasing the availability of Decentralized Clinical Trials (DCT). Finally, GSK shared more insight into how they collaborate with CROs, that they expect these to adhere to GSK's third-party vendor rules and that GSK is not interested in working with CROs who do not work on improving diversity in clinical trials.

Verdict

The key take-away from this conversation was that diversity in clinical trials is increasingly embedded in the company-wide strategy. GSK feels confident about their preparedness for regulatory requirements, having made efforts to increase diversity in clinical trials for over 15 years. This is evidenced by successful progress on their target to have 100% of 2023 phase III trials contain a proactive strategy to enroll appropriately diverse trial participants, consistent with the disease epidemiology. We consider GSK a leader in this space and will monitor further developments.

Engagement case studies

|                                              |                                                   |                                |
|----------------------------------------------|---------------------------------------------------|--------------------------------|
| Company: Adobe Inc                           | Country: United States                            | Sector: Information Technology |
| Priority Company: -                          | ESG Risk Rating: <div></div>                      | Response to engagement: Good   |
| Theme: Human Rights                          | Issue: Adobe's leading approach to Responsible AI |                                |
| SDG: <div><div>10</div><div>10.3</div></div> |                                                   |                                |

Background

Adobe is one of the largest software companies in the world, offering a suite of products and services used by creative professionals, businesses, and customers to create, manage, measure, optimise content and experiences. Artificial Intelligence (AI) is embedded in many of its offerings and has the power to drive greater innovation and monetization opportunities. With this in mind, their approach to Responsible AI was high on our engagement agenda.

Action

We held a dialogue with Adobe's Investor Relations and General Counsel to learn more about the company's approach to Responsible AI. We asked about the company's governance approach as well as requesting further details on its impact assessment. We also discussed areas of biggest potential risks and how the company approaches mitigating them. Several years ago, Adobe formed an AI ethics governance committee which is responsible for conducting an AI ethics review every time an AI feature is proposed. It involves identifying potential harm and bias and multiple tests to minimize and eliminate these risks where possible. In order to measure the success of its efforts to mitigate AI bias or harm, the company tracks the percentage of outputs that are categorised as harmful. Adobe provided context about its Firefly tool (its generative machine learning model used in the field of design) which is trained solely on its licensed assets in order to reduce copyright related risks. It also mentioned that a wide variety of teams are involved in the oversight of testing to ensure diversity of perspectives are taken into account. Beyond social issues, the risks on the environmental side in relation to AI are believed to be more nascent. Nonetheless, the topic is addressed at the Board level when considering the potential impact on its net zero commitment.

Verdict

Overall, it is clear the company has been ahead of the curve on Responsible AI which presents a revenue opportunity, competitive advantage, and the opportunity for proactive risk mitigation. We were encouraged by the constructive dialogue, using the opportunity to better understand Adobe's leading approach. We will take some of these findings and outcomes into our internal Responsible AI assessment framework as Responsible AI remains a key topic for 2024. Engagements such as these are key for us to continuously evolve our understanding of how companies are thinking about Responsible AI and to learn and share good practices as we encourage industry-wide improvement.

## Engagement case studies

**Company:** DSM-Firmenich AG

**Country:** Switzerland

**Sector:** Materials

**Priority Company:** -

**ESG Risk Rating:** 

**Response to engagement:**

**Theme:** Climate Change, Corporate Governance

**Issue:** Discussing steps towards ESG integration post-merger

**SDG:**  13.2

### Background

DSM-Firmenich is a Dutch multi-national company formed through the merger of Koninklijke DSM and Firmenich SA completed in May 2023. It is focused on the creation and development of nutrition, health and beauty products. Before the merger, Koninklijke DSM had two co-CEOs (Geraldine Matchett and Dimitri de Vreeze). Post merger, the CEO of Firmenich retired, with both DSM co-CEOs set to lead the new company. However, Ms. Matchett has also subsequently left the company, leaving Mr. de Vreeze as the sole CEO. Given the changes in corporate structure as a result of the merger, we focused our engagement on discussing the governance as well as environmental programs at the newly created company.

### Action

We engaged with the company to learn more about the board composition, the merger, and how they are integrating their environmental, social, and governance (ESG) program. They noted that when it came to merging the company, it was a challenge to decide management and board members, as both had qualified people. We recommended the company disclose the board integration process, including providing information on how they arrived at the current board composition which they view as being the most suitable for the oversight of the new company. The company is also in the process of integrating their climate targets to set new group goals, having hired a Chief Sustainability Officer in June to help with the integration. They have yet to set combined emission reduction targets and are currently following individual legacy company targets. However, they emphasized that while the creation of combined targets is a complex process which will take some time, they intend to have the reconciliation process completed by their March 2024 report. Given that the merger was completed in May, we view a publication timeline of less than 12 months as evidence of their focus on swiftly setting the foundation for their climate – and broader ESG – program.

### Verdict

Overall, the company emphasized they are looking to capitalize on synergies, both in their business model and in their climate change management. In our view, their proactive efforts to quickly set group goals demonstrate the company's commitment to developing a successful ESG program. Both entities appeared to have ambitious 2030 emission reduction goals and we expect to see a similar entity goal. We will continue monitoring the integration process and look forward to reviewing their next reporting disclosure in Q1 2024 to get more information on their board composition as well as updates on their emissions management integration.

### 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:

GREEN

Second quartile:

YELLOW

Third quartile:

ORANGE

Bottom quartile:

RED



## Engagement case studies

**Company:** ArcelorMittal SA

**Country:** Luxembourg

**Sector:** Materials

**Priority Company:** -

**ESG Risk Rating:** 

**Response to engagement:** Good

**Theme:** Human Rights, Labour Standards

**Issue:** Engaging on worker safety after the deadly fire in Kazakhstan

**SDG:**  8.8

### Background

ArcelorMittal is the second largest steel-producer globally, with manufacturing facilities in 16 countries and customers in 155. 46 of ArcelorMittal's (MT) employees were killed in a fire at its Kostenko coal mine in Kazakhstan which was triggered by a methane-gas explosion on October 28th, 2023. The explosion is the most severe industrial accident in Kazakhstan's independent history and triggered the nationalization of all MT's assets in the country, consisting of 8 coal mines, 4 iron ore mines and 1 steel plant.

### Action

MT reached out to us following the accident to explain the remediation actions taken, and to outline what went wrong along with the lessons learnt. We have previously spoken to the company about its chequered safety record in Kazakhstan, as there have been consistent indications that the company is not handling occupational safety effectively for example with 14 fatalities in 2022 and 4 fatalities before October 2023. MT quickly outlined the remediation steps taken after the accident, including providing immediate support for families, such as a payment equivalent to a 10-year salary, payment for children's education up to the age of 23 and repayment of all personal loans of the families impacted. Regarding what went wrong, MT highlighted the 'complex' geology of the region as well as the 'risk-taking culture' as exacerbating risks. We challenged the company on this, as these are in no ways risks that we believe should have been outside of MT's due diligence and safety reviews – as it stands, we view these two explanations as inadequate at justifying what went wrong, particularly considering the scale of the accident and the endemic safety issues in the region. We requested evidence of how MT will ensure that its 33,000 employees- who are now being transferred to a nationalized company - will not be exposed to even worse work conditions. The company state they want to ensure a good legacy for MT in the region, however this will be a challenge, with the Prime Minister of Kazakhstan stating on the day of the disaster that MT is the “worst” investor in Kazakhstan's independent history.

### Verdict

We are disappointed by the explanations provided by MT on what went wrong, particularly considering the safety record in the region which should have provided ample warning of the need for significant improvement on safety monitoring and procedures. MT state more information will be provided after the ongoing third-party audit of the whole company's safety practices is published, due in mid-2024. We will re-engage the company on safety after its publication.

### 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:

GREEN

Second quartile:

YELLOW

Third quartile:

ORANGE

Bottom quartile:

RED

## Appendix



| SDG   | Target | Target Summary                                                                |
|-------|--------|-------------------------------------------------------------------------------|
| SDG1  | 1.1    | Eradicate poverty and ensure a living wage for all                            |
| SDG2  | 2.1    | End hunger and ensure access to safe and nutritious food                      |
| SDG2  | 2.2    | End all forms of malnutrition, particularly for children and women            |
| SDG3  | 3.7    | Ensure global access to sexual and reproductive health-care                   |
| SDG3  | 3.8    | Access to medicines and health-care                                           |
| SDG3  | 3.9    | Reduce deaths and illnesses from pollution and contamination                  |
| SDG5  | 5.1    | End all forms of discrimination against women and girls                       |
| SDG5  | 5.5    | Ensure full equality of opportunity for women, including at leadership levels |
| SDG6  | 6.1    | Achieve universal access to safe & affordable drinking water                  |
| SDG6  | 6.3    | Improve water quality by reducing pollution                                   |
| SDG6  | 6.4    | Increase water-use efficiency to address water scarcity                       |
| SDG6  | 6.6    | Protect and restore water-related ecosystems                                  |
| SDG7  | 7.2    | Substantially increase the global share of renewable energy                   |
| SDG7  | 7.3    | Double the global rate of improvement in energy efficiency                    |
| SDG8  | 8.2    | Achieve greater productivity through innovation.                              |
| SDG8  | 8.3    | Promote development-oriented policies                                         |
| SDG8  | 8.4    | Improve resource efficiency and prevent environmental degradation             |
| SDG8  | 8.5    | Achieve full and productive employment for all                                |
| SDG8  | 8.7    | Eradicate forced labour, modern slavery & human trafficking                   |
| SDG8  | 8.8    | Protect and promote safe working environments for all workers                 |
| SDG9  | 9.1    | Develop resilient and sustainable infrastructure                              |
| SDG9  | 9.4    | Upgrade and retrofit industries to increase sustainability                    |
| SDG9  | 9.c    | Ensure universal and affordable access to ICT                                 |
| SDG10 | 10.1   | Achieve a higher rate of income growth for the bottom 40%                     |
| SDG10 | 10.2   | Empower and promote inclusivity for all                                       |
| SDG10 | 10.3   | Ensure equal opportunity and legislation for all                              |
| SDG10 | 10.4   | Adopt policies to progressively achieve greater equality                      |

## Appendix (continued)



| SDG   | Target | Target Summary                                                               |
|-------|--------|------------------------------------------------------------------------------|
| SDG10 | 10.7   | Facilitate safe migration through managed policies                           |
| SDG11 | 11.2   | Provide access to safe and affordable transport systems                      |
| SDG12 | 12.2   | Sustainably manage and make efficient use of natural resources               |
| SDG12 | 12.4   | Manage chemical usage and waste throughout their life cycle                  |
| SDG12 | 12.5   | Reduce waste through prevention, reduction, recycling and reuse              |
| SDG12 | 12.6   | Encourage companies to adopt sustainable practices and enhance ESG reporting |
| SDG12 | 12.7   | Promote sustainable procurement practices                                    |
| SDG13 | 13.1   | Strengthen adaptive capacity to climate-related events                       |
| SDG13 | 13.2   | Integrate climate change plans into policies and strategies                  |
| SDG13 | 13.a   | Address climate change mitigation for developing countries                   |
| SDG14 | 14.1   | Prevent and reduce marine pollution of all kinds                             |
| SDG14 | 14.4   | Regulate harvesting and end overfishing to restore fish stocks               |
| SDG15 | 15.1   | Ensure sustainable usage of terrestrial freshwater ecosystems                |
| SDG15 | 15.2   | Promote the implementation of sustainable management of forests              |
| SDG15 | 15.5   | Take urgent action to reduce degradation of natural habitats                 |
| SDG16 | 16.5   | Reduce corruption and bribery in all their forms                             |
| SDG16 | 16.6   | Develop effective, accountable and transparent institutions                  |
| SDG16 | 16.b   | Promote non-discrimination laws for sustainable development                  |



## Quarterly Engagement Report

October-December  
2023

Local  
Authority  
Pension  
Fund  
Forum

# Say on Climate, National Grid, BP, UN Forum on Business and Human Rights, Rio Tinto



The second day kicked off with a discussion panel on the significance of proxy voting choices for investors in passive funds and the breakthrough introduction of passthrough voting. This allows asset owners to adopt their own

The afternoon had a strong climate-related focus, opening with a discussion on how clean and equitable EV supply chains can be ensured, an emerging area of importance in the endeavor to decarbonise. This was accompanied by a session on how nature-related risks and the biodiversity crisis are managed and tackled. Another session outlined the role of alternatives in the race to achieving net zero by 2050. Also in the afternoon,

The final morning of the conference opened with a session with economic commentator, Will Hutton, on the great pay divide between executives and employees, followed by a discussion on the Living Wage with a representative from the Living Wage Foundation. This was followed by a presentation from LGA adviser, Barry Quirk, on levelling up. The conference closed with an inspirational story by Dave Fishwick about his journey to creating the Bank of Dave to help local businesses and communities in the wake of the 2008 financial crisis.



# COMPANY ENGAGEMENTS

## CLIMATE ENGAGEMENTS

LAPFF engages on climate change through both policy and company engagement channels. This dual approach is necessary to ensure that companies have an enabling environment to promote their climate change mitigation and adaptation work.

### Say on Climate

**Objective:** Despite the significant investment risks of climate change, investors are not provided with a specific vote by investee companies on how they are seeking to decarbonise their business models. Against the backdrop of growing climate risks, rising expectations from investors for companies to outline their climate strategy, continued ratcheting up of climate regulations and emerging recommendations from the Transition Plan Taskforce, LAPFF has been engaging companies for the past few years on putting their transition plans to a shareholder vote. Last quarter, LAPFF coordinated an investor letter to 35 FTSE companies in high emitting sectors requesting such a vote. The letter was signed by 18 other investors with around £1.8tn AUM.

**Achieved:** LAPFF has received substantive responses to the letter, with some companies outlining their approach to climate and stating that they are considering such a vote for their AGM next year. Some companies outlined previous votes and their intention to continue to hold similar votes in the future. However, others stated either that they did not plan to hold such a vote and engaged shareholders through other means or that while having a vote in the past, they did not have immediate plans to do so again.

**In progress:** Despite additional companies having transition plan votes, they are not standard practice and often absent at AGMs where climate risks are most acute. LAPFF will continue to work with other investors engaging companies on having transition plan votes to enable investors to have a specific say on the climate strategies of investee companies.

LAPFF's main company engagements on climate this quarter were with National Grid and BP.

### National Grid

**Objective:** LAPFF, along with two other investors of CA100+ Working Group, Church of England and Northern Trust, has been seeking to improve National Grid's disclosure and accountability on direct and indirect lobbying. The CA100+ benchmark on National Grid places it below its peer companies under indicator 7 on lobbying. In June 2023, National Grid pledged to publish its trade association memberships and updated climate policy ahead of the next AGM. LAPFF therefore is seeking to ensure the company's disclosure is timely and of a high standard.

LAPFF has also been seeking to ensure the company is more transparent about its plans to support the energy transition and reducing grid connection. The objective was to encourage disclosure and to offer the opportunity to provide feedback on the company's approach in both respects. LAPFF also sought a separate climate meeting with the company and to write a lobbying letter to National Grid seeking disclosure of industry associations and an updated climate policy.

**Achieved:** In November, LAPFF together with the Church of England wrote to the company, stating expectations for its upcoming lobbying report.

At the end of November, LAPFF met the Chief Sustainability Officer of National Grid. In this meeting LAPFF asked for an update on the backlog of grid connections and an update on the transition plan. The recent change in regulations has enabled the backlog to start to be cleared. This has been a main concern as the average time between requesting a connection and being offered one has increased from 18 months in 2019-20 to 5 years in 2023, as reported by the company. The easing of regulations will allow the company to terminate projects not progressing and push projects which are ready to the front of the queue.

Given that the expected power to be generated from these held-up contracts is as much as 400 Gigawatts with connection dates of 2030 or later, this

change will help towards decarbonising the power systems by 2030. However, there is still a challenge in speeding up building necessary infrastructure to physically enable the grid connections. LAPFF will monitor the effect of lifting these regulations and how quickly the company clears the backlog and is also looking for clarity in its infrastructure development plans.

The meeting also discussed the new transition plan to be published next year. LAPFF welcomed the fact that this is likely to be updated next year and will be put to a shareholder vote. LAPFF also encouraged the company to ensure the report is not only about reducing emissions but how the company can facilitate new infrastructure to be built, and its wider role in the energy transition. The company also recognised a challenge in reaching long-term targets of net zero by 2040 in absence of a pathway for gas distribution in the US.

**In Progress:** The release of the lobbying disclosure report next year in good time before the AGM is expected and will enable the Forum to assess the progress made in the company on this area. So far National Grid appears to be responding well.

LAPFF also expects the new transition report to be released and to address the points have raised here. A key outstanding issue is gas distribution in the US, where the company asserts the ongoing importance of gas networks to the business due to its existing infrastructure and cost efficiency and envisage both hybrid solutions and clean gas. To address this LAPFF will seek to understand the US energy market in more detail. On engagement specifics, LAPFF is organising a wider CA100+ meeting in January and will arrange some direct follow up meetings through 2024.

### BP

**Objective:** With the surprise departure of Chief Executive Bernard Looney, LAPFF requested a meeting with the Chair, Helge Lund, to help ascertain whether that departure affected BPs climate commitments.

**Achieved:** LAPFF attended a meeting with Lund in November, where we were told that the departure of the CEO had

## COMPANY ENGAGEMENTS

not changed BPs climate commitments.

**In Progress:** Since that meeting COP28 has strengthened the emphasis for solutions to the transition away from fossil fuels, which emerged as a last-minute compromise instead of the original goal to “phase out fossil fuels.” Prior commitments were in the form of far more malleable goals of “net zero by 2050” and complicating matters with Scope 1, Scope 2 and Scope 3 emissions. LAPFF’s policy for several years has been that fossil fuel components of businesses need to be put into managed decline.

With a closer match between COP and LAPFF policy, the emphasis on phase out will be the focus of BP and other oil and gas companies. Scope 3 emissions, originating from the products sold by fossil fuel companies, have been obfuscated by a focus on the comparatively minor Scope 1 and Scope 2 emissions, missing the obvious point that less Scope 3 extraction naturally leads to less Scope 1 and Scope 2.

Housebuilding also has a large impact on climate change. As part of an ongoing engagement with the sector, LAPFF met with **Persimmon** this quarter.

### Persimmon

**Objective:** Minimising the investment risks associated with climate change involves decarbonising housing stock. Housebuilders therefore play an important role in reducing emissions as well as facing regulatory risks if they fail to prepare for higher energy efficiency and emissions standards. As part of LAPFF’s engagements with UK housebuilders, LAPFF seeks to ensure that adequate transition plans are in place. With the vast majority of emissions not coming from their own activities, the engagements focus on plans for decarbonising supply chains and decarbonising homes in use.

**Achieved:** LAPFF met with representatives from the FTSE100 housebuilder Persimmon. In the meeting LAPFF had an open discussion about target setting which covered issues around embodied carbon. The meeting covered transition planning and plans. The discussion touched on so-called hard to abate sectors within the supply chain, such as cement and offsetting,



Persimmon housing estate Suffolk, UK trial schemes for net zero homes, and engagement with smaller suppliers on the transition.

**In progress:** LAPFF will be following the development of housebuilders’ transition plans and delivering on the targets that they have set.

## CLIMATE & INSURANCE

LAPFF has also re-started its 2020 engagement with insurance companies on their climate strategies and practices. After meeting with Munich Re last quarter to discuss the company’s progress on assessing its impact on climate change and integrating climate considerations into corporate strategy and operations, LAPFF met with AIA, AXA, Legal & General, Lloyds Banking Group, and Ping An to discuss the same issues. Given the interest of LAPFF members in natural resources – and specifically biodiversity – LAPFF also asked these insurers how they are addressing natural resources within their climate strategies.

While there has been some progress in insurers’ understanding of the need to assess their impacts on climate change in order to understand their climate-related business risks (otherwise known as double materiality), in LAPFF’s view there has not been enough progress on this front. In particular, insurers are focusing almost exclusively on their investment businesses in relation to climate mitigation. This approach makes sense at face value, but LAPFF would like

to see greater consideration given to the role the insurance products can play in mitigating climate change through setting societal expectations of risk.

All companies engaged are at the beginning of understanding the relationship between climate and natural resources and how to bring natural resources into business decision-making. Therefore, LAPFF will aim to engage with the remaining large insurance holdings before moving on its largest bank holdings under this engagement.

Because there is an increasing recognition of the impact that climate change has on natural resources, LAPFF has engaged a range of companies on their impacts on nature.

### TJX Companies – Deforestation

**Objective:** As a retailer specialising in brand-name clothing, home goods, and outdoor products, TJX Companies is exposed to various commodities that potentially link to deforestation in its supply chain. However, it currently lacks a public deforestation policy and does not address this issue in its vendor code of conduct.

**Achieved:** LAPFF initiated a dialogue with TJX Companies and met with representatives for the first time to discuss the development of such a policy. The conversation began with an overview of the company’s sustainability priorities,

## COMPANY ENGAGEMENTS

focusing on climate and energy, before shifting to the topic of deforestation.

**In Progress:** This marks the commencement of ongoing discussions with TJX, a company substantially held by LAPFF. The Forum aims to continue engaging with TJX to advocate for the benefits of imposing deforestation requirements on its vendors.

### Nestlé – Regenerative Agriculture and Climate Change

**Objective:** In the context of the agri-food sector's shift towards more sustainable practices, LAPFF sought a meeting with Nestlé to assess and understand the integration of regenerative agriculture into its strategy. This includes understanding the company's specific goals, initiatives, and progress in implementing regenerative practices, as well as its contributions to climate change mitigation and biodiversity conservation.

**Achieved:** During LAPFF's meeting with Nestlé, the Forum gained insights into the strategies and initiatives involved in implementing regenerative agriculture. Discussions looked at how this would be incorporated into their broader climate strategy and covered biodiversity more widely. While the long-term efficacy of these actions is yet to be measured, the conversations indicated a strong commitment from Nestlé, although further evaluation will be required in the future to gauge the impacts of strategies.

**In Progress:** LAPFF will continue to engage with Nestlé, focusing on monitoring the implementation of their regenerative agriculture practices. LAPFF will also look more widely across the agri-food sector as others are incorporating this into their business strategies as new methods and technologies become available.

### Chipotle – Water Stewardship

**Objective:** LAPFF has been engaged with Chipotle on its approach to water stewardship since 2019. The initial engagement objective was met during 2022, with the company undertaking an



Chipotle Mexican Grill at Pineapple Commons, Stuart, Florida

ingredient level water risk assessment to identify areas of water stress within the supply chain. The risk assessment found that a significant proportion of the company's suppliers operate in areas of water stress. LAPFF now considers it imperative that the company utilise the results of this risk assessment to set measurable and time-bound targets in order to reduce negative impacts on freshwater.

**Achieved:** In October 2023, CERES published a corporate benchmark assessing the water stewardship practices of 72 companies against the six Corporate Expectations for Valuing Water, including Chipotle. Chipotle underperformed relative to the quick service restaurant (QSR) peer group. LAPFF Executive member John Anzani met with the company in December to discuss progress in adopting a more ambitious approach to its water stewardship practices.

**In Progress:** LAPFF is the lead investor for Chipotle as part of the Valuing Water Finance Initiative (VWFI) and will continue to engage with Chipotle on this basis during 2024. It is LAPFF's expectation that Chipotle leverages the work it has undertaken in mapping exposure to water stress in order to set ambitious targets, particularly given that during Q4 2023 the science-based targets network has released guidance for companies to set the relevant freshwater targets.

## HUMAN RIGHTS ENGAGEMENTS

Similar to the climate space, human rights policy and practice must align for companies to be able to implement their human rights responsibilities. Legislation requiring mandatory human rights and environmental due diligence, including the imminent Corporate Sustainability Due Diligence Directive (also known as the 'CS triple D'), makes the need for this alignment pressing. LAPFF has taken a number of measures this quarter to work toward this alignment.

LAPFF's view is that investors are still struggling to understand the link between human rights and financial materiality. LAPFF sees this link more and more clearly, particularly through its work with mining companies. LAPFF regularly undertakes various avenues of engagement on human rights, and will continue to seek in its engagements with both companies and investors to clarify this link. The goal is that human rights become an investor imperative to the extent that climate change is, not least because of the need for a just transition.

### UN Forum and Working Group on Business and Human Rights

On the policy front, LAPFF was again



## COMPANY ENGAGEMENTS

invited to present its work at the UN Forum on Business and Human Rights in Geneva on 27 November. LAPFF's video about its visit to Brazil to see communities affected by tailings dams was selected for screening out of, reportedly, a huge number of potential options. The video was well-received, with attendees stating that they would share it with colleagues, clients, and law students to drive home the on-the-ground impact that mining companies can have on people in host communities.

LAPFF also submitted a response to a UN Working Group on Business and Human Rights consultation on investors, ESG, and human rights. The goal of this consultation is exactly to push alignment between law and practice on human rights. One of the main points LAPFF made is that corporate and commercial legal frameworks must align with international human rights law principles, for example of joint ventures, to facilitate good corporate practice.

### COMPANY ENGAGEMENTS MEETINGS

In terms of company engagements, **Glencore** and **Grupo Mexico** were companies of focus this quarter. LAPFF generally has at least an annual meeting with the Glencore Chair. This meeting was its second with Chair Kalidas Madhavpeddi. Although LAPFF had requested a meeting with CEO Gary Nagle to discuss both climate and human rights performance at Glencore, Mr. Madhavpeddi was accommodating and helpful. LAPFF asked about the company's engagement with affected communities, but Mr. Madhavpeddi did not share much on this front.

LAPFF subsequently held a seminar for investors with communities from Colombia and Peru who are affected by Glencore's Cerrejon and Antapaccay projects, respectively. It has also been in touch with IndustriALL representatives who worked with investors last year to bring a climate-related resolution to Glencore's AGM. LAPFF's view from speaking to these stakeholders is that in the coming year, Glencore is likely to be the target of a concerted union and community campaign because of its human rights and environmental practices. Therefore, LAPFF has reached out to the company for a follow up

meeting to discuss these stakeholder concerns and to push the company to build and disclose stronger stakeholder engagement mechanisms and climate practices.

### TECHNOLOGY COMPANIES AND HUMAN RIGHTS

**Objective:** Governance of new technology is well recognised as an investment risk. However, such risks have come to the fore again with significant advances in AI technologies. Alongside the significant potential benefits of AI, it has the potential to adversely impact people's employment and creates human rights risks, not least around discrimination. These risks are often greatest at companies developing and selling AI services and products. As with other human rights risks, LAPFF expects technology companies to have due diligence policies in place to prevent negative impacts.

**Achieved:** LAPFF executive member Heather Johnson met with the German tech company SAP. The company faces specific risks related to AI, including products which support HR functions. The meeting covered how the company was managing the risks of adverse human rights impacts, including discrimination. The discussion covered identification of risks and the company set out the framework and processes it has in place for preventing negative impacts. The

Sonora, Mexico: 40,000 cubic meters of copper sulfate were spilled into a dam, property of Grupo Mexico

meeting also covered how the company had responded to the German Supply Chain Due Diligence Act.

**In progress:** AI is an emerging technology with risks likely to become greater and more complicated. LAPFF will continue to engage technology companies in how these risks are being managed to ensure appropriate frameworks and safeguards are in place.

### RESPONSIBLE MINERALS – ELECTRIC VEHICLE MANUFACTURERS (FORD, RENAULT AND MERCEDES)

**Objective:** As highlighted, there is an increasing trend in international regulations to impose the responsibility for human rights due diligence on companies. These regulations highlight the electric vehicle industry's obligation to ensure ethical and sustainable practices, particularly in supply chains. This development is part of a broader global movement towards enhanced corporate accountability and transparency. Over recent years, LAPFF has consistently engaged with various electric vehicle manufacturers on this matter, advocating for improved due diligence and transparency as these regulations have evolved.

**Achieved:** LAPFF has maintained ongoing dialogues with Ford, Renault, and Mercedes, meeting with Ford and Renault for the second time, and with Mercedes for the third time on this



## COMPANY ENGAGEMENTS

issue. All three companies have shown notable progress in their human rights management processes and efforts to comply with regulations, especially in the depth of their public reporting. Despite some areas still requiring improvement, it would appear they are more actively engaging with suppliers and pursuing ethical sourcing to meet international human rights standards.

**In Progress:** LAPFF will continue to monitor and seek engagement with those companies exposed to the various human rights risks associated with electric vehicles, which become ever more evident as production is scaled up.

### COLLABORATIVE ENGAGEMENTS PRI ADVANCE

LAPFF continued its engagement with **Vale** and **Anglo American** through the PRI Advance human rights initiative, including through bringing investors in other PRI Advance groups into stakeholder engagement meetings on Glencore, BHP, and **Rio Tinto**. These initiatives are moving quite slowly, in part in LAPFF's view, because investors are generally less aware of and less attuned to human rights considerations than they are corporate governance and environmental issues. Therefore, they are still considering how best to engage companies on human rights, which tend to deal with 'soft' issues such as illegal discrimination and freedom of association rather than 'hard' issues like clear financial costs.

### LONDON MINING NETWORK AND COMMUNITIES AFFECTED BY MINING

LAPFF continues to find great value in engaging with community groups affected by mining company operations. The meeting with communities affected by Glencore operations in Colombia and Peru was the first in-person meeting of this kind that LAPFF had held since the Covid pandemic. Most community meetings are online because affected community members tend to be in developing countries, and everyone has limited travel budgets (not least for climate reasons). However, LAPFF



workers stock the shelves at a Home Depot store

coordinated with London Mining Network to hold an in-person seminar which six investors attended. The Colombian and Peruvian community members shared the severe environmental impacts Cerrejon was having on its rivers and soil, which is leading to significant health concerns in both countries. A LAPFF representative also met with communities with continued concern about BHP's practices in Brazil.

LAPFF held online meetings with communities from Brazil and Mexico. LAPFF continues to engage with the community members with whom it visited in Brazil, particularly in relation to the reparations at Samarco-affected communities. Although over 100 houses have reportedly been built in one of the resettlements – Bento Rodrigues – these community members continue to be concerned that the quality of the houses is poor, and they report that they don't know who to contact at Vale or BHP to complain. Part of the problem is that the Renova Foundation CEO with whom LAPFF met in Brazil has been sacked but not replaced successfully. His immediate successor lasted two months, according to the community members. LAPFF is waiting to hear whether a permanent, successful CEO has now been appointed or whether the search continues.

In relation to Mexico, LAPFF was assured earlier in the year that **Grupo Mexico** had met its reparations obligations in relation to its 2014 tailings

pond leak in Sonora, Mexico. However, LAPFF was alerted by a community representative and a news article about a Mexican government lawsuit to reinstate the reparation fund due to inadequate reparations payments. LAPFF has tried three times this quarter to obtain a meeting with the company but has been met with silence. Meanwhile, LAPFF met with the community representative at the UN Forum on Business and Human Rights at the end of November to receive a further update on the case. It appears that LAPFF will now need to investigate options to escalate its engagement with Grupo Mexico, but it will need to do so in consideration of safety concerns for the affected communities.

**In Progress:** LAPFF's view is that investors are still struggling to understand the link between human rights and financial materiality. LAPFF sees this link more and more clearly, particularly through its work with mining companies. Therefore, LAPFF will continue to seek in its engagements with both companies and investors to clarify this link so that human rights become an investor imperative to the extent that climate change is, not least because of the need for a just transition.

### INVESTOR ALLIANCE FOR HUMAN RIGHTS

LAPFF continued to work closely with the



## COLLABORATIVE ENGAGEMENTS

Investor Alliance for Human Rights, both in relation to the Uyghur Group and in relation to conflict-affected and high-risk areas (CAHRA).

### Investor Alliance for Human Rights – The Home Depot Inc

**Objective:** As a part of the Investor Alliance for Human Rights' Uyghur Working Group, LAPFF led on an engagement with The Home Depot, which was implicated in allegations of Uyghur forced labour in its luxury vinyl tile (LVT) flooring supply chains, with PVC derived from Xinjiang. LAPFF sought to understand how Home Depot responded to these allegations, and how the company has undertaken work to eliminate forced labour risks and comply with human rights standards.

**Achieved:** LAPFF, alongside other investors, met with Home Depot for a second time following reports in August that shipments of LVT from Asia were being blocked by US Customs, including those destined for Home Depot. During the call, LAPFF sought answers on what the company was doing to ensure that its company supply chain was free of forced labour, potential implications of bifurcation of supply chains, and what new methods Home Depot was implementing to have sufficient audit procedures in place.

**In Progress:** LAPFF will continue to monitor the company's approach to global human rights due diligence and seek further engagement in due course for updates on the issue, with a focus on the company's implementation of enhanced audit procedures.

### CAHRA PILOT PROJECT

LAPFF was invited to join IAHR's CAHRA pilot project. The project has been initiated in part because of the escalation of conflicts globally, including in Ukraine, Nagorno Karabakh, and Israel and Gaza, which reignited this quarter. LAPFF had already been attending a number of IAHR webinars on this topic to understand better how to engage companies on CAHRA issues, so the opportunity to participate in this pilot is welcome, especially given LAPFF's engagements with companies operating in Russia,

Myanmar, and the Occupied Palestinian Territories.

### VOTING ALERTS

LAPFF also issued a voting alert for BHP expressing concern that the company's rhetoric and practices on climate are not aligned and expressing concerns about the corporate culture in respect of human rights. BHP is currently the subject of potentially costly litigation in Brazil, the UK, and Australia in relation to its failings related to the Samarco tailings dam collapse alone. LAPFF continues to have serious concerns that the company is not taking appropriate accountability and responsibility for its human rights and environmental practices, and that this omission could lead to large financial losses for both the company and investors.

## JUST TRANSITION ENGAGEMENTS

**LAPFF's aim is to move away from siloed ESG engagements in recognition of the overlap between these three areas in pursuing a just transition. There are currently two dedicated work streams covering a just transition specifically, although the climate and human rights work by definition addresses just transition to a degree.**

### RIO TINTO SHAREHOLDER RESOLUTION

Within the quarter LAPFF explored the option of filing a just transition shareholder resolution at Rio Tinto's 2024 AGM requesting the company undertake independent water impact assessments at its mine sites. The proposed resolution sought to ensure that the company adequately assesses its impacts on water resources so that it can properly identify operational, reputational, legal, and consequently financial risks to the business and investors.

In the end, LAPFF did not file the resolution. LAPFF is currently in dialogue with Rio Tinto, and Rio Tinto has issued a water impact assessment in relation to its QMM operation in Madagascar. Although the company is not fully meeting the

resolution's request, LAPFF is encouraged that the company is willing to discuss how to move forward on the request and continues to be hopeful that the company will meet it. LAPFF is pursuing further dialogue with the company on this issue and will take a view after the 2024 AGM whether the resolution filing process needs to be resumed.

### EQUINOR

As part of its involvement with World Benchmarking Alliance just transition initiative, LAPFF participated in a collaborative call with Norwegian energy company, Equinor. Equinor has a policy commitment to a just transition and the engagement provided a useful opportunity to discuss how the policy was being implemented. The meeting covered the company's approach to assessing and mitigating negative social impacts of the energy transition, governance of just transition issues, just transition planning and metrics and targets.

**In Progress:** As part of LAPFF's involvement in the WBA initiative, it will continue oil and gas companies on just transition plans. LAPFF will continue to engage mining companies on undertaking independent water impact assessments.

## BOARD DIVERSITY ENGAGEMENTS

**Objective:** It is well-documented at this point, both in academic literature and in the corporate governance world, that board diversity improves corporate performance. Diversity covers a range of areas, including gender, cultural, and economic (for example workers on boards). Consequently, LAPFF engages companies on board diversity and composition as a matter of course to work toward improved financial returns across member portfolios.

**Achieved:** LAPFF is a long-standing member of the 30% Club Investor Group, which began with a focus on gender diversity and has now expanded its work to include racial diversity on boards. Over time, this group has also expanded from focusing on UK companies to engaging

## COLLABORATIVE ENGAGEMENTS

companies in other countries. The latest round of engagements has been with a range of Asian companies, including KKR & Co and Shinhan Financial Group.

LAPFF also questioned Glencore on its board composition this quarter. The company has a small board compared to its peers in the mining sector, and LAPFF wondered if its small size allowed for enough diversity of views. Although three of the eight board members are female, LAPFF is also looking, for example, for board members with backgrounds in climate change and human rights who are sufficiently independent to challenge the board on its climate, human rights, and internal controls systems, especially given the corruption challenges the company is continuing to face.

**In Progress:** Board diversity is a continuing workstream for LAPFF, as it pushes companies to move from merely appointing certain numbers of diverse board members to truly considering and integrating their views into company strategy and practice. This objective relies on cultural change which takes a long time to achieve so is something at which LAPFF chips away each quarter on different fronts. LAPFF has also secured a meeting with KKR & Co for Q1 or 2024 to discuss diversity targets.

## GOVERNANCE ENGAGEMENT

### Barclays

**Objective:** In October, former Barclays executive Jes Staley was banned by the FCA from holding senior positions in financial services and charged with a £1.8m fine for allegedly misleading the watchdog about his past relationship with convicted sex offender Jeffrey Epstein. In turn, LAPFF felt it imperative to engage with Barclays to discuss learnings from this tumultuous episode and sought to see actions the bank had taken to strengthen corporate governance at both board and management level.

**Achieved:** LAPFF met with the Chair of Barclays, Nigel Higgins, at the end of October. The Chair openly discussed the event and actions the bank had taken, including freezing deferred bonuses

to Stanley at the time of investigation. The company stated it has strengthened their board recruitment practices and remained vigilant. However, LAPFF will be monitoring the governance going forward. More widely, LAPFF requested an update of Barclays's climate policy and have arranged to have a specific meeting on this topic separately.

**In Progress:** Following the recent board changes earlier this year at Barclays, including the appointment of new executives, LAPFF will continue to watch the corporate governance nominations and succession plans of the company board. LAPFF maintains a cordial dialogue with the chair and aims to continue engaging on this topic.

## PUBLIC HEALTH ENGAGEMENT

### FAIRR Initiative's Restaurant Antibiotics Engagement – Restaurant Brands International (RBI)

**Objective:** FAIRR's Restaurant Antibiotics engagement focuses on reducing the use of antibiotics in protein supply chains. This initiative involves companies within the fast-food and casual dining sector, with the aim of mitigating the risks associated with antibiotic resistance due to the overuse of antibiotics in livestock. The objective is to safeguard public health.

**Achieved:** LAPFF joined a call with FAIRR and other investors with Restaurant Brands International (RBI). As a first call with the company, investors shared key asks of the engagement and pushed for enhanced transparency on the company's efforts to reduce antibiotics in its supply chain.

**In Progress:** LAPFF signed onto a series of letters sent by FAIRR and will seek to join meetings as appropriate when they become available. LAPFF is also hoping to continue supporting engagement with RBI as the dialogue develops.

## Taskforce on Social Factors

LAPFF's chair is a member of the Taskforce on Social Factors, which was established by the DWP with cross-departmental and multi-regulator involvement. The taskforce was established to outline how trustees could and should address social risks and opportunities. Specifically, the group has looked at the materiality of such issues, data on social factors, and the actions pensions funds can take. During the quarter, the group's initial findings were published for consultation. Within the report a series of recommendations were set out to pension trustees, the investment industry, regulators, government, civil society and businesses.

## MEDIA COVERAGE

ESG Investor: [ESG Overload – ESG Investor](#)

Room 151: [LAPFF alongside other investors call for climate vote at high-emitting companies – Room 151](#)

IPE: [Investors coalition creates platform to strengthen human rights stewardship | News | IPE](#)

The Point: [Global perspective: is ESG paying lip service to human rights? | The Point ESG News](#)

Environmental Finance: [CCLA, LAPFF call for climate votes at 'high-emitting' sectors](#)

Pensions & Investments: [U.K. investors turn up the heat on boards for climate transition plans](#)

Sustainable Times: [Investors Managing £1.8 Trillion Rally for Climate Strategy Votes at Upcoming FTSE 350 AGMs](#)

IPE: [Investor group calls for climate vote at high-emitting companies](#)

Net zero investor: [£1.8trn investors call for climate vote at high-emitting companies](#)

Funds- Europe.com: [Investors seek climate votes at high-risk firms](#)

Pensions Age Magazine: [Investor group calls for climate vote at high carbon emitting FTSE 350 firms](#)

TheMJ.co.uk: [Council pension funds call for climate vote](#)

LocalGov.co.uk: [Council pension funds call for climate vote](#)

Investment Week: [Investors overseeing £1.8tn in assets call for AGM votes on climate transition plans](#)

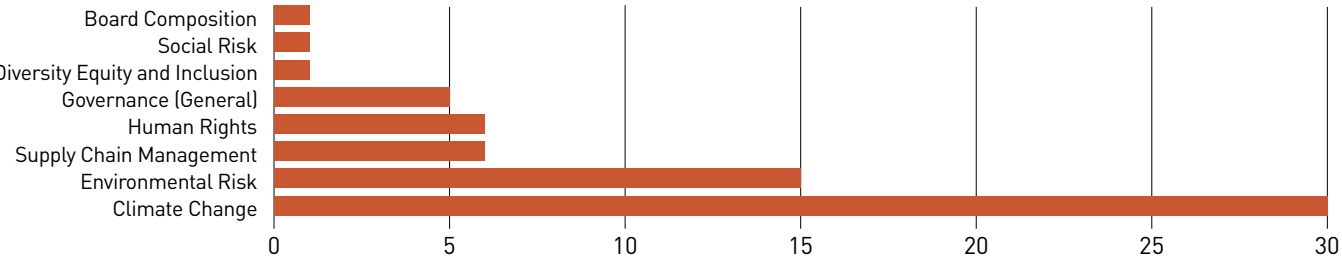
# COMPANY PROGRESS REPORT

44 companies were engaged over the quarter.

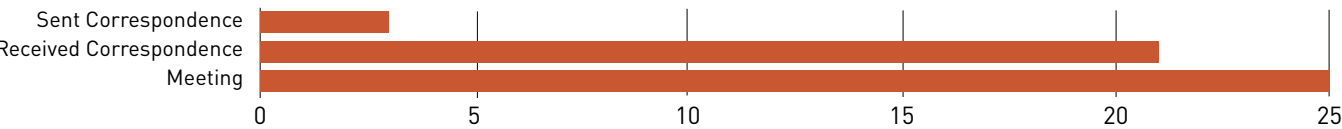
| Company/Index                            | Activity                | Topic                          | Outcome                 |
|------------------------------------------|-------------------------|--------------------------------|-------------------------|
| Company/Index                            | Activity                | Topic                          | Outcome                 |
| AIA GROUP LTD                            | Meeting                 | Environmental Risk             | Dialogue                |
| ASTON MARTIN LAGONDA GLOBAL HOLDINGS PLC | Received Correspondence | Climate Change                 | Dialogue                |
| AVIVA PLC                                | Meeting                 | Climate Change                 | Dialogue                |
| AXA                                      | Meeting                 | Climate Change                 | Moderate Improvement    |
| BAE SYSTEMS PLC                          | Received Correspondence | Climate Change                 | Dialogue                |
| BAKKAVOR GROUP PLC                       | Received Correspondence | Climate Change                 | Dialogue                |
| BARCLAYS BANK PLC                        | Meeting                 | Governance (General)           | Dialogue                |
| BARCLAYS PLC                             | Received Correspondence | Climate Change                 | Dialogue                |
| BP PLC                                   | Meeting                 | Governance (General)           | Dialogue                |
| CENTAMIN PLC                             | Received Correspondence | Climate Change                 | Dialogue                |
| CHIPOTLE MEXICAN GRILL INC               | Meeting                 | Environmental Risk             | Change in Process       |
| CRH PLC                                  | Received Correspondence | Climate Change                 | Dialogue                |
| EASYJET PLC                              | Received Correspondence | Climate Change                 | Dialogue                |
| ENERGEAN PLC                             | Received Correspondence | Climate Change                 | Dialogue                |
| EXXON MOBIL CORPORATION                  | Sent Correspondence     | Social Risk                    | Awaiting Response       |
| FORD MOTOR COMPANY                       | Meeting                 | Supply Chain Management        | Dialogue                |
| FRESNILLO PLC                            | Received Correspondence | Climate Change                 | Dialogue                |
| GLENCORE PLC                             | Meeting                 | Board Composition              | Dialogue                |
| HARBOUR ENERGY PLC                       | Received Correspondence | Climate Change                 | Dialogue                |
| HSBC HOLDINGS PLC                        | Received Correspondence | Climate Change                 | Dialogue                |
| INTERNATIONAL DISTRIBUTIONS SERVICES PLC | Sent Correspondence     | Governance (General)           | Awaiting Response       |
| JOHN WOOD GROUP PLC                      | Received Correspondence | Climate Change                 | Dialogue                |
| KKR & CO INC                             | Received Correspondence | Diversity Equity and Inclusion | Small Improvement       |
| LEGAL & GENERAL GROUP PLC                | Meeting                 | Environmental Risk             | Dialogue                |
| LLOYDS BANKING GROUP PLC                 | Meeting                 | Environmental Risk             | Small Improvement       |
| MERCEDES-BENZ GROUP AG                   | Meeting                 | Human Rights                   | Small Improvement       |
| NATIONAL GRID GAS PLC                    | Meeting                 | Climate Change                 | Dialogue                |
| NATWEST GROUP PLC                        | Received Correspondence | Climate Change                 | Dialogue                |
| NESTLE SA                                | Meeting                 | Environmental Risk             | Change in Process       |
| PERSIMMON PLC                            | Meeting                 | Climate Change                 | Dialogue                |
| PING AN INSURANCE GROUP                  | Meeting                 | Climate Change                 | Change in Process       |
| PRUDENTIAL PLC                           | Meeting                 | Climate Change                 | Change in Process       |
| RENAULT SA                               | Meeting                 | Supply Chain Management        | Moderate Improvement    |
| RESTAURANT BRANDS INTERNATIONAL INC      | Meeting                 | Supply Chain Management        | Dialogue                |
| RIO TINTO PLC                            | Meeting                 | Environmental Risk             | No Improvement          |
| ROLLS-ROYCE HOLDINGS PLC                 | Received Correspondence | Climate Change                 | Dialogue                |
| SANOFI                                   | Received Correspondence | Environmental Risk             | Substantial Improvement |
| SAP SE                                   | Meeting                 | Human Rights                   | Dialogue                |
| SHELL PLC                                | Received Correspondence | Climate Change                 | Dialogue                |
| STANDARD CHARTERED PLC                   | Received Correspondence | Climate Change                 | Dialogue                |
| THE HOME DEPOT INC                       | Meeting                 | Supply Chain Management        | Moderate Improvement    |
| THE TJX COMPANIES INC.                   | Meeting                 | Environmental Risk             | Small Improvement       |
| TI FLUID SYSTEMS PLC                     | Received Correspondence | Climate Change                 | Dialogue                |
| VALE SA                                  | Meeting                 | Human Rights                   | Dialogue                |

# ENGAGEMENT DATA

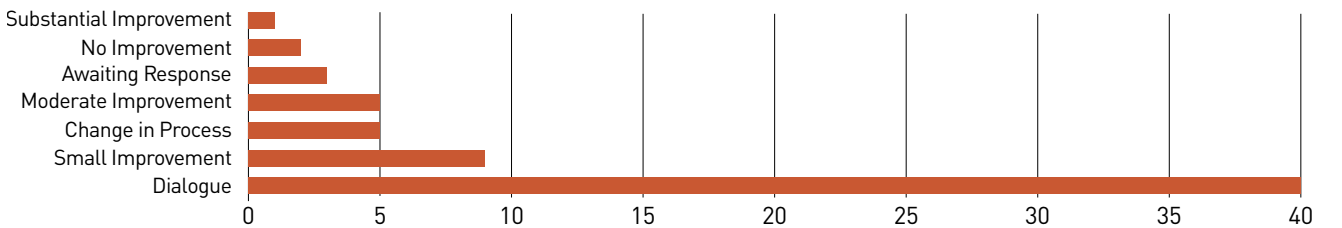
## ENGAGEMENT TOPICS



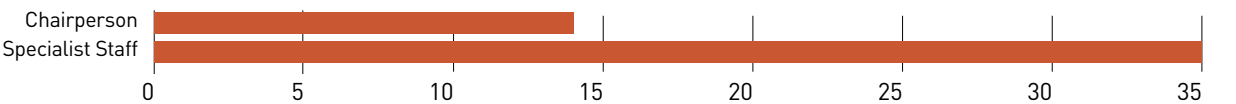
## ACTIVITY



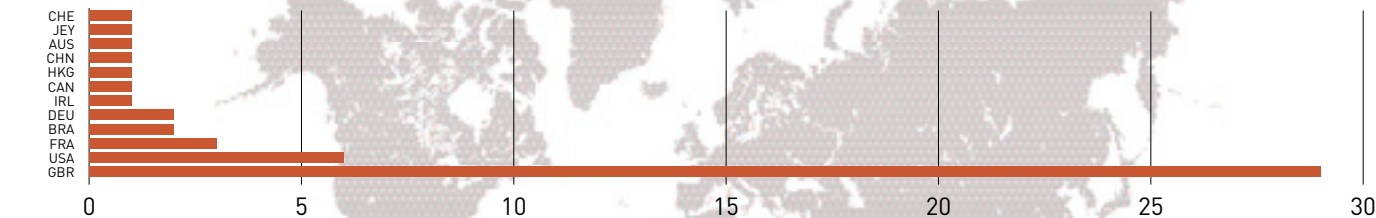
## MEETING ENGAGEMENT OUTCOMES



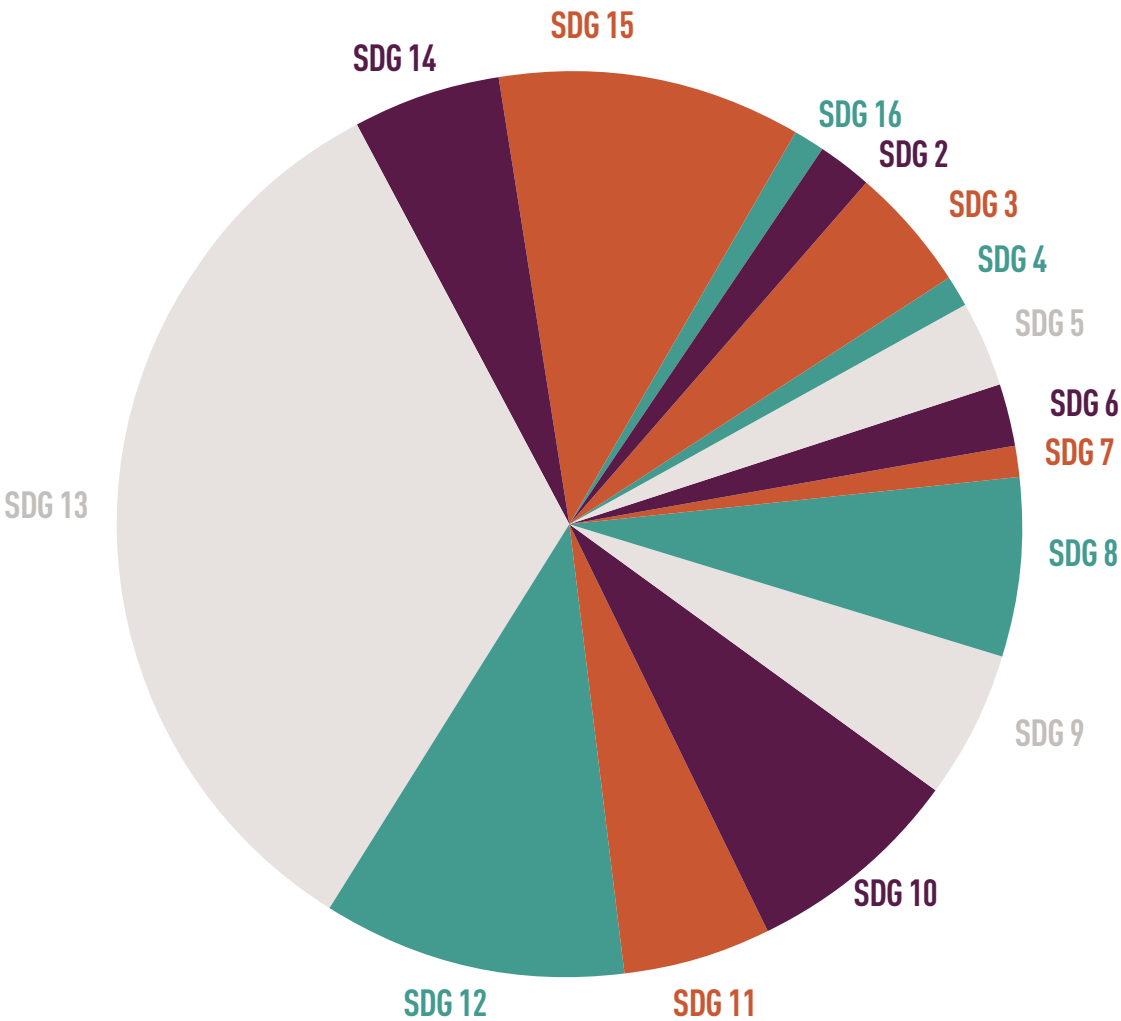
## POSITION ENGAGED



## COMPANY DOMICILES



ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS

|                                                                                                                  |    |
|------------------------------------------------------------------------------------------------------------------|----|
| SDG 1: No Poverty                                                                                                | 0  |
| SDG 2: Zero Hunger                                                                                               | 2  |
| SDG 3: Good Health and Well-Being                                                                                | 4  |
| SDG 4: Quality Education                                                                                         | 4  |
| SDG 5: Gender Equality                                                                                           | 3  |
| SDG 6: Clean Water and Sanitation                                                                                | 2  |
| SDG 7: Affordable and Clean Energy                                                                               | 1  |
| SDG 8: Decent Work and Economic Growth                                                                           | 6  |
| SDG 9: Industry, Innovation, and Infrastructure                                                                  | 5  |
| SDG 10: Reduced Inequalities                                                                                     | 7  |
| SDG 11: Sustainable Cities and Communities                                                                       | 5  |
| SDG 12: Responsible Production and Consumption                                                                   | 10 |
| SDG 13: Climate Action                                                                                           | 31 |
| SDG 14: Life Below Water                                                                                         | 5  |
| SDG 15: Life on Land                                                                                             | 10 |
| SDG 16: Peace, Justice, and Strong Institutions                                                                  | 1  |
| SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development | 0  |



## LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

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|                                         |                                     |                                   |                                         |
|-----------------------------------------|-------------------------------------|-----------------------------------|-----------------------------------------|
| Avon Pension Fund                       | Enfield Pension Fund                | London Pension Fund Authority     | Swansea Pension Fund                    |
| Barking and Dagenham Pension Fund       | Environment Agency Pension Fund     | Lothian Pension Fund              | Teesside Pension Fund                   |
| Barnet Pension Fund                     | Essex Pension Fund                  | Merseyside Pension Fund           | Tower Hamlets Pension Fund              |
| Bedfordshire Pension Fund               | Falkirk Pension Fund                | Merton Pension Fund               | Tyne and Wear Pension Fund              |
| Berkshire Pension Fund                  | Gloucestershire Pension Fund        | Newham Pension Fund               | Waltham Forest Pension Fund             |
| Bexley (London Borough of)              | Greater Gwent Pension Fund          | Norfolk Pension Fund              | Wandsworth Borough Council Pension Fund |
| Cambridgeshire Pension Fund             | Greater Manchester Pension Fund     | North East Scotland Pension Fund  | Warwickshire Pension Fund               |
| Camden Pension Fund                     | Greenwich Pension Fund              | North Yorkshire Pension Fund      | West Midlands Pension Fund              |
| Cardiff & Glamorgan Pension Fund        | Gwynedd Pension Fund                | Northamptonshire Pension Fund     | West Yorkshire Pension Fund             |
| Cheshire Pension Fund                   | Hackney Pension Fund                | Nottinghamshire Pension Fund      | Westminster Pension Fund                |
| City of London Corporation Pension Fund | Hammersmith and Fulham Pension Fund | Oxfordshire Pension Fund          | Wiltshire Pension Fund                  |
| Clwyd Pension Fund (Flintshire CC)      | Haringey Pension Fund               | Powys Pension Fund                | Worcestershire Pension Fund             |
| Cornwall Pension Fund                   | Harrow Pension Fund                 | Redbridge Pension Fund            |                                         |
| Croydon Pension Fund                    | Havering Pension Fund               | Rhondda Cynon Taf Pension Fund    | <b>Pool Company Members</b>             |
| Cumbria Pension Fund                    | Hertfordshire Pension Fund          | Shropshire Pension Fund           | ACCESS Pool                             |
| Derbyshire Pension Fund                 | Hounslow Pension Fund               | Somerset Pension Fund             | Border to Coast Pensions Partnership    |
| Devon Pension Fund                      | Islington Pension Fund              | South Yorkshire Pension Authority | LGPS Central                            |
| Dorset Pension Fund                     | Kingston upon Thames Pension Fund   | Southwark Pension Fund            | Local Pensions Partnership              |
| Durham Pension Fund                     | Lambeth Pension Fund                | Staffordshire Pension Fund        | London CIV                              |
| Dyfed Pension Fund                      | Lancashire County Pension Fund      | Strathclyde Pension Fund          | Northern LGPS                           |
| Ealing Pension Fund                     | Leicestershire Pension Fund         | Suffolk Pension Fund              | Wales Pension Partnership               |
| East Riding Pension Fund                | Lewisham Pension Fund               | Surrey Pension Fund               |                                         |
| East Sussex Pension Fund                | Lincolnshire Pension Fund           | Sutton Pension Fund               |                                         |

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# Shropshire County Pension Fund Climate Stewardship Plan



## 1. Introduction

In August 2020 Shropshire County Pension Fund (“The Fund”) received an in-depth Climate Risk Report from its pooling company, LGPS Central Limited. One of the key recommendations from this report was for the Fund to develop a Climate Stewardship Plan. The Climate Stewardship Plan identifies specific investee companies and portfolio managers in which stewardship techniques can be leveraged to further understand and manage climate-related risks within the Fund. The Climate Stewardship Plan aligns with and is supportive of the Task Force on Climate-related Financial Disclosures (TCFD) and relates to the third pillar – Risk Management.

The Climate Stewardship Plan focuses specifically on climate change and complements ongoing stewardship activities on other environmental, social and governance factors.

The Climate Stewardship Plan operates alongside the wider context, that for investments outside of LGPS Central, corporate engagements are also carried out through the appointed asset managers. In addition to LGPS Central the Fund also invest in equities through Legal and General Investment Management (LGIM). The Fund also engages Columbia Threadneedle Investments to carry out further engagement work with invested companies globally and is a member of the Local Authority Pension Fund Forum (LAPFF). The Fund has regular oversight of and discussions with LGIM and Columbia Threadneedle Investments on their stewardship activity.

## 2. Scope

The Fund’s Climate Risk Report included a bottom-up Carbon Risk Metrics analysis of its equity portfolios. The Carbon Risk Metrics utilised included: portfolio carbon footprint (weighted average carbon intensity), exposure to fossil fuel reserves, weight in clean technology, carbon risk management (via the Transition Pathway Initiative) and financed emissions. The companies recommended for engagement were identified based on the following factors:

- Perceived level of climate risk, considering carbon risk metrics
- Weight of the company in the Fund
- Ability to leverage investor partnerships

The fund managers recommended for engagement were identified based on the following factors:

- Perceived level of climate risk, considering carbon risk metrics and climate scenario analysis
- Size (by AUM) of the portfolio
- Whether the mandate is expected to be long-term

### 3. Climate Stewardship Plan

The Fund will monitor engagements with a focus list of ten investee companies that face a high level of climate risk and are of particular significance to the Fund's portfolio. Seven companies<sup>1</sup> are captured by the Climate Action 100+ (CA100+) engagement project<sup>2</sup>, in which our pooling company LGPS Central is an active participant.

Whilst the pooling company, LGPS Central will report to the Fund on engagement activity, the Fund itself plays an active role in monitoring engagements and engaging with LGPS Central for further information if needed.

Officers meet with Investment Managers on a quarterly basis to challenge and hold them to account on the companies they hold within their portfolios which have been identified within the stewardship plan. Updates on engagement and voting activities are provided on a quarterly basis to Pension Committee as part of the Corporate Governance report.

In leveraging this investor initiative, the Fund is able to engage and monitor progress for the focus list companies against a newly established CA100+ Net Zero benchmark Framework. All companies have been asked to set a 2050 net zero emissions ambition and to provide verifiable evidence of how that will be achieved in the short, medium and long-term. The first company assessments have been released by the IIGCC and the results are publicly available.

Company response and engagement progress will feed into voting decisions undertaken by the Fund. The Fund will engage these investee companies on all elements of the CA100+ framework but with particular emphasis on:

| Company        | Sector    | Portfolio                                                                                                                                                 | Issue/ Objective                                                                                                                                                                                                                         |
|----------------|-----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| LafargeHolcim  | Materials | <ul style="list-style-type: none"><li>• LGPS Central Global Equity Active Multi Manager Fund</li></ul>                                                    | <ul style="list-style-type: none"><li>• Paris-aligned accounts in line with IIGCC's Investor Expectations</li><li>• Continued improvement in achievement of CA100+ high level objectives</li></ul>                                       |
| NextEra Energy | Utilities | <ul style="list-style-type: none"><li>• LGPS Central Global Equity Active Multi Manager Fund</li><li>• LGPS Central Global Sustainable Equities</li></ul> | <ul style="list-style-type: none"><li>• Net Zero GHG emissions by 2050 or sooner ambition</li><li>• Capital allocation alignment with Paris Agreement</li><li>• Commitment to clear medium and long term GHG reduction targets</li></ul> |

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<sup>1</sup> TSMC, Linde PLC and Micron Technology are not part of the Climate Action 100+ engagement project.

<sup>2</sup> Climate Action 100+ (CA100+) was initiated in December 2017 and is supported by more than 500 investors with 47 trillion USD in AUM. The project builds on a relatively simple but powerful logic: Engage and influence the highest emitters (80% of global industrial emissions) and you influence whole sectors, markets and the global economy with a view to assisting an orderly transition to a low-carbon economy.

|                                                       |             |                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                          |
|-------------------------------------------------------|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Royal Dutch Shell                                     | Energy      | <ul style="list-style-type: none"> <li>• LGIM Solactive Portfolio</li> <li>• LGPS Central Global Equity Active Multi Manager Fund</li> </ul>                                                | <ul style="list-style-type: none"> <li>• To set and publish targets that are aligned with the goal of the Paris Agreement</li> <li>• To fully reflect net zero ambition in its operational plans and budgets</li> <li>• To set a transparent strategy on achieving net zero emissions by 2050</li> </ul> |
| CRH PLC                                               | Materials   | <ul style="list-style-type: none"> <li>• LGPS Central Global Equity Active Multi Manager Fund</li> </ul>                                                                                    | <ul style="list-style-type: none"> <li>• New addition as per the 2022 Climate Risk report</li> <li>• Achievement of CA100+ high level objectives</li> <li>• To duly account for climate risks in financial reporting</li> </ul>                                                                          |
| Iberdrola SA                                          | Energy      | <ul style="list-style-type: none"> <li>• LGPS Central Global Sustainable Equities</li> <li>• LGPS Central Global Equity Active Multi Manager Fund</li> <li>• LGIM Solactive Fund</li> </ul> | <ul style="list-style-type: none"> <li>• New addition as per the 2022 Climate Risk report</li> <li>• Achievement of CA100+ high level objectives</li> <li>• To duly account for climate risks in financial reporting</li> </ul>                                                                          |
| Taiwan Semiconductor Manufacturing Company Ltd (TSMC) | Technology  | <ul style="list-style-type: none"> <li>• LGPS Central Global Equity Active Multi Manager Fund</li> </ul>                                                                                    | <ul style="list-style-type: none"> <li>• New addition as per the 2023 Climate Risk report</li> <li>• Not part of CA100+ engagement</li> </ul>                                                                                                                                                            |
| Conocophillips                                        | Energy      | <ul style="list-style-type: none"> <li>• LGPS Central Global Equity Active Multi Manager Fund</li> <li>• LGIM Solactive Portfolio</li> </ul>                                                | <ul style="list-style-type: none"> <li>• New addition as per the 2023 Climate Risk report</li> <li>• Partial achievement of CA100+ high level objectives</li> </ul>                                                                                                                                      |
| Linde PLC                                             | Industrials | <ul style="list-style-type: none"> <li>• LGPS Central Global Equity Active Multi Manager Fund</li> </ul>                                                                                    | <ul style="list-style-type: none"> <li>• New addition as per the 2023 Climate Risk report</li> <li>• Not part of CA100+ engagement</li> </ul>                                                                                                                                                            |



|                        |             |                                                                                                          |                                                                                                                                                             |
|------------------------|-------------|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Micron Technology Inc. | Technology  | <ul style="list-style-type: none"> <li>• LGPS Central Global Equity Active Multi Manager Fund</li> </ul> | <ul style="list-style-type: none"> <li>• New addition as per the 2023 Climate Risk report</li> <li>• Not Part of CA 100+ engagement</li> </ul>              |
| L’Air Liquide          | Industrials | <ul style="list-style-type: none"> <li>• LGIM Solactive Portfolio</li> </ul>                             | <ul style="list-style-type: none"> <li>• New addition as per the 2023 Climate Risk report</li> <li>• Achievement of CA100+ high level objectives</li> </ul> |

The Fund will monitor identified investment managers to ensure climate-related risk is fully integrated into their investment processes. The Fund will engage its managers on the following issues:

| Asset Class  | Topic                                                                                                                                                                                                                                            |
|--------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Equities     | <ul style="list-style-type: none"> <li>• Stewardship activities with companies identified in the Climate Risk Report</li> <li>• The influence of climate factors on sector positioning</li> </ul>                                                |
| Fixed Income | <ul style="list-style-type: none"> <li>• Approach to assessing climate risk in the absence of reported GHG emissions data</li> <li>• Engagement with the most intensive carbon issuers</li> <li>• Extent of investment in green bonds</li> </ul> |
| Real Assets  | <ul style="list-style-type: none"> <li>• Physical risk resilience</li> <li>• GRESB participation</li> </ul>                                                                                                                                      |

#### 4. Timeline

The Climate Stewardship Plan sets stewardship objectives over several years, and the Fund will report on progress annually through its public facing Climate Risk Report. The next progress update is expected in Q4 2024. During the annual refresh of the Carbon Risk Metrics analysis, the focus list of investee companies and Fund Managers will be reviewed and amended if required.



**LGPS** Central Limited



**Shropshire  
County  
Pension Fund**

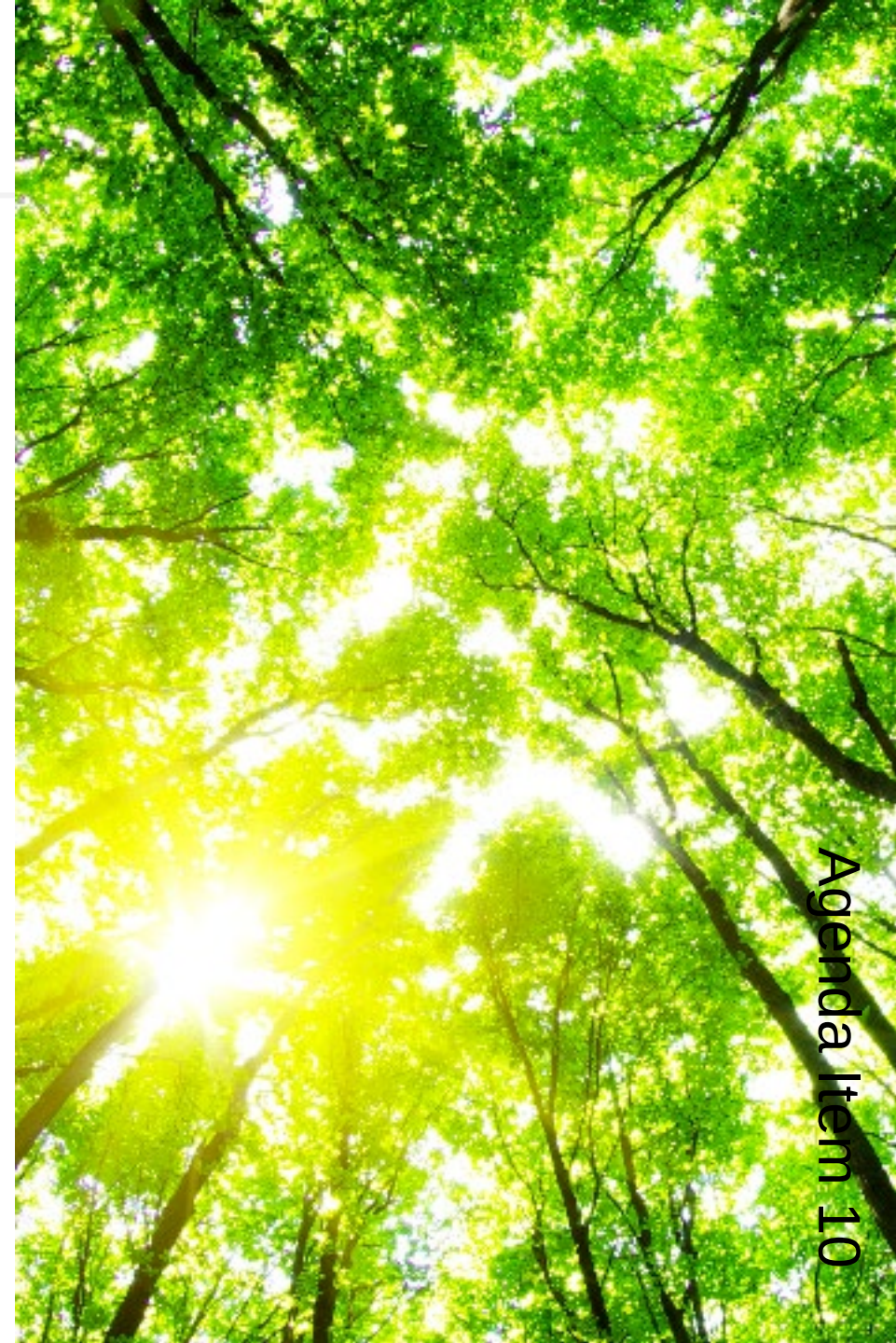
# Shropshire County Pension Fund

## *LGPS Central Limited Update*

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**15<sup>th</sup> March 2024**

Agenda Item 10



# Agenda



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## LGPS CENTRAL LIMITED UPDATE

- Introduction
- Investment Overview and Performance
- Responsible Investment and Engagement
- Closing Comments

In collaboration with our Partner Funds...





# Introduction

**Cara Forrest**  
Head of Clients

# What is Pooling?

**May 2013:** National Association of Pension Funds' local authority conference, Local Government Minister Brandon Lewis said:

*"...the clear message from me this morning is that I am not wedded to the existing number of 89 funds in England and Wales. If it takes a smaller number of funds to improve the efficiency and cost-effectiveness of the Scheme, I shall not shy away from pursuing that goal."*



**November 2015:** Government produce set of principles against which authorities were invited to bring forward proposals for half a dozen "asset pools". The principles included the following objectives:

- **Attain scale** – with £25 billion set as a target size for pools
- **Make savings** – no target was set but the word "substantial" gave an insight into the expectations
- **Include good governance**
- **Do more infrastructure** – expressed as an objective to develop the capacity and capability to increase investment but without a target



**February 2016:**

Submissions were received by government for eight developing pools.

These groupings were a mixture of natural allies, geographical neighbours and/or the strategically like-minded.



**3 April 2018:**  
LGPS Central Limited opens for business.

Source: LAPF

Our Partner Funds:



Derbyshire Pension Fund



Staffordshire Pension Fund  
Local Government Pension Scheme



West Midlands Pension Fund



NOTTINGHAMSHIRE Pension Fund



SHROPSHIRE COUNTY Pension Fund

Worcestershire Pension Fund





# Evolving landscape



**LGO**  
LOCAL GOVERNMENT CHRONICLE

Local government's reputation is at stake in 2024  
SARAH CALKIN, EDITOR

BRIEFING PODCAST FINANCE WORKFORCE GOVERNANCE NET ZERO IDEA EXCHANGE LGPS EVENTS JOBS SUBSCRIBE

**FINANCE**

## Chancellor: All LGPS funds to be in pools worth £200bn by 2040

22 NOVEMBER 2023 | BY MARTIN GEORGE

The chancellor has announced that all Local Government Pension Scheme funds will be in pools worth at least £200bn by 2040.

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## Budget take: Government sets deadline for LGPS pooling assets

by Andrew Holt | 16 Mar 2023

The budget revealed a deadline for the pooling of local pension fund assets, a greater investment push in illiquids and a drive for DC pensions to invest in tech-and science companies.

News & Analysis

**PENSIONS<sup>Age</sup>**  
The leading pensions magazine

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EVENTS ROUNDTABLES EUROPEAN PENSIONS PODCASTS

**LATEST NEWS** Pension literacy campaign launched after research reveals schooling gaps

**BOOK YOUR TABLE NOW**  
21 February 2024, The Great Room, Grosvenor House Hotel, Park Lane, London

**European Pensions AWARDS 2024**  
4 JULY 2024

**Deadline for entries: 8 March 2024**

**Free to enter**

## Industry appreciates 'continuity' in Labour's Plan for Financial Services

By Jack Gray | 1/2/24

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**LATEST NEWS** Trustees urged to review cyber incident frameworks following NCSC changes

**European Pensions AWARDS 2024**  
4 JULY 2024

**Deadline for entries: 8 March 2024**

**Open for entries**

## Autumn Statement 23: Govt confirms March 2025 pooling deadline for LGPS

By Sophie Smith | 22/11/23

# Pooling is here to stay

## What does this mean for clients



## Commercial Drivers



# The acceleration challenge

**We need to:**

Offer you the right  
products and services

Build your confidence in our investment  
performance and service delivery

Demonstrate value for money

# Maximising the benefits of pooling for clients

## Initial aims



Benefits of scale

Better governance

Reduce cost

Capacity & capability

## Progress



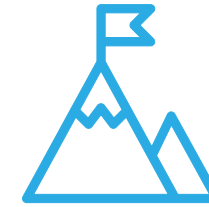
33% assets

FCA regulation

£77m 'banked'

£4bn committed

## Company ambitions



100% assets

**Strategic partners**

£328m forecast

**Full suite of funds & services**

# Investment Overview

**Mark Davies**

Head of Public Markets

**Nadeem Hussain**

Head of Private Markets

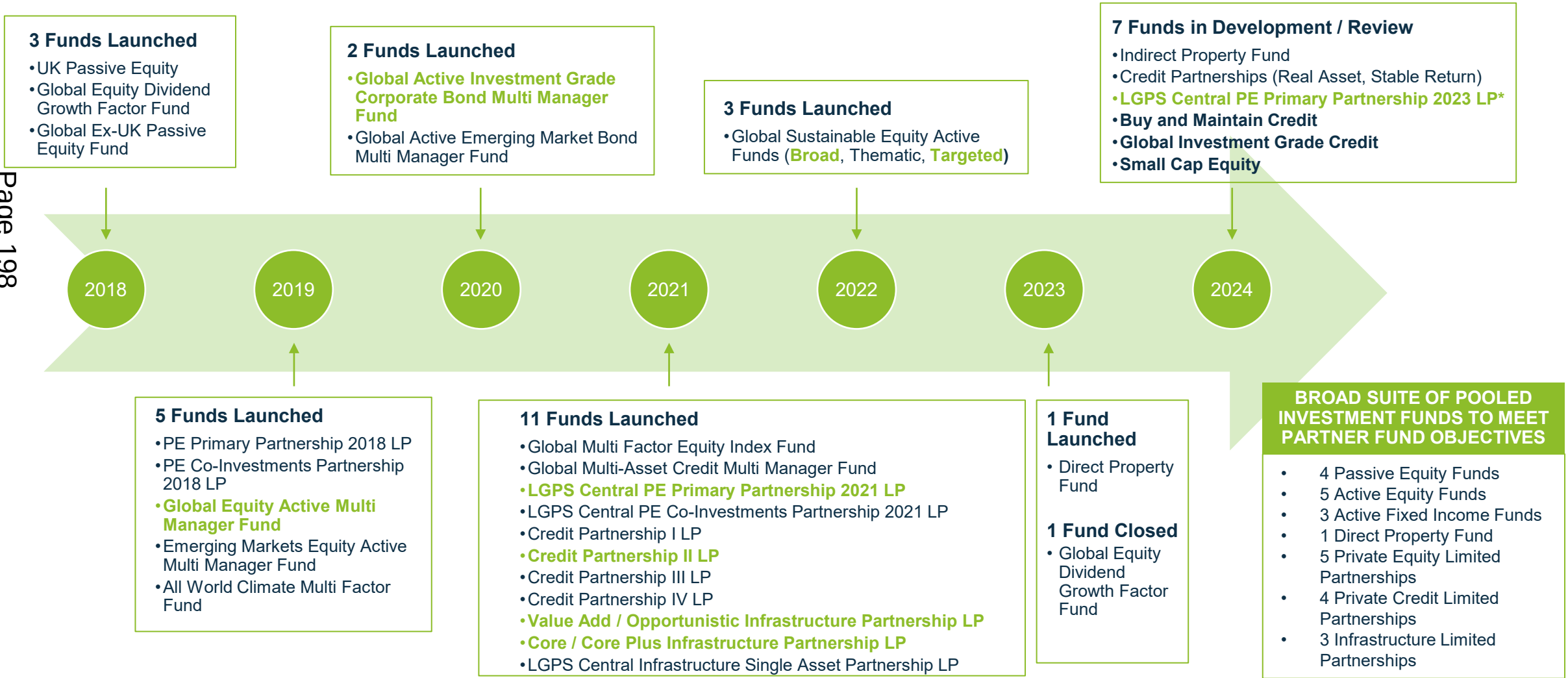


# The journey so far



## PRODUCT DEVELOPMENT: SHROPSHIRE’S POOLING PROGRESS

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Green denotes Shropshire’s investments / commitments. \*First close Jan 2024

# Market Backdrop and Outlook



## CENTRAL BANKS HAVE WON THE INFLATION BATTLE, BUT IS THE WAR OVER?

**Rates will be cut, but not by as much, nor as quickly as initially thought.**

- Inflation will re-appear late in Q2 and may well delay H1 rate reductions.
- **Service inflation remains stubborn** in certain markets (UK and US especially) other sectors have seen prices decline and base effects have seen further headline improvements. However, this could reverse during Q2 and lead central banks to pause in any rate decline they might have started or even delay such actions until early H2

**Canada could lead the way and cut first,**

- Followed by the EU although mid-year elections here might delay their move? Indeed, upcoming elections may reduce the window for rate cuts even further (to avoid central banks being politicised or their independence being compromised).

**US elections happen towards the end of the year** giving the Fed ample time to act;

- The market now accepts the Fed's vision of three moves. UK elections yet to be announced but assumed to be late Q3 gives the MPC a smaller window, especially as UK inflation is the most stubborn to decline (especially Service inflation) and most likely to have a Q2 uplift due to base effects.

**Economic growth** continues to prove varied amongst leading economies with US seemingly set with growth forecast at over 2%, EU and Japan probably the weaker of the major areas. UK technically in recession and finding it difficult to recover.

**Fixed income markets** have disconnected from equity markets as investors have readjusted to more realistic rate moves albeit with increased volatility, **equity markets** continue to rally with even Japan hitting all time highs

- Current Chinese annual National People's Congress is forecasting 5% annual growth, fiscal support to help economic growth and encourage domestic consumption. May give additional help to global growth, but focus is on 'home grown' improvement

# Private Markets Overview

## BROAD COVERAGE OF OPPORTUNITIES ACROSS FOUR ASSET CLASSES

### Asset Class Coverage



- Private Markets covers Private Equity, Private Debt, Infrastructure and Property. To date, 13 strategies have been launched.
- New vintage launches planned for Private Equity (Q1 2024), Private Credit (Q1/Q2 2024) and Indirect Residential Property (Q1 2024)
- Infrastructure funds are open-ended allowing capital to be committed as required across four strategies
- UK Direct Property, has recently been launched with legacy property portfolios being considered for transition

### Opportunities and Threats



- Investor appetite for Infrastructure and Private Debt continues, driven by mega themes (e.g. energy transition and drive to net zero) and macro economical factors (e.g. higher interest rates)
- Increased focus on acquiring assets at the right price as many funds are sitting on dry powder
- Continued opportunity in private debt due to the market dislocation as banks continue to retrench
- Enhanced returns through floating rate loan structures benefiting from interest rate increases are expected to reduce as inflation reduces and central banks reduce interest rates

# Shropshire Investment Overview



| 30 December 2023 | Inception Date | Date Shropshire First Invested | Total Fund NAV | Shropshire NAV | Shropshire % of Fund | Performance % Since First Investment | Benchmark / Target Performance % Since First Investment |
|------------------|----------------|--------------------------------|----------------|----------------|----------------------|--------------------------------------|---------------------------------------------------------|
|------------------|----------------|--------------------------------|----------------|----------------|----------------------|--------------------------------------|---------------------------------------------------------|

## Public Markets

|                                                       |            |              |           |         |     |        |                 |
|-------------------------------------------------------|------------|--------------|-----------|---------|-----|--------|-----------------|
| Global Equity Active Multi Manager Fund               | March 2019 | March 2019   | £3,340.4m | £401.9m | 12% | 11.98% | 11.11% / 12.61% |
| Global Sustainable Equity Active Broad Fund           | May 2022   | May 2022     | £503.0m   | £123.6m | 25% | 7.27%  | 7.59% / 9.09%   |
| Global Sustainable Equity Active Targeted Fund        | May 2022   | May 2022     | £639.9m   | £38.2m  | 6%  | 2.77%  | 7.59% / 9.59%   |
| Global Active Investment Grade Corporate Bond MM Fund | March 2020 | October 2023 | £2,011.9m | £251.7m | 13% | 9.70%  | 9.04% / 9.84%   |

| 30 September 2023 | Inception Date | PF commitments | Sub-committed | Shropshire Commitment (% LP) | Drawn | Performance | Benchmark % / Target % |
|-------------------|----------------|----------------|---------------|------------------------------|-------|-------------|------------------------|
|-------------------|----------------|----------------|---------------|------------------------------|-------|-------------|------------------------|

## Private Markets

|                                                                    |            |         |                  |             |       |                                     |                |
|--------------------------------------------------------------------|------------|---------|------------------|-------------|-------|-------------------------------------|----------------|
| LGPS Central Credit Partnership II LP                              | July 2021  | £1,165m | £1,176m (100.9%) | £120m (10%) | 52.5% | 11.1% net                           | - / 6%-8%      |
| LGPS Central PE Primary Partnership 2021 LP                        | Sept 2021  | £365m   | £365m (100%)     | £30m (8%)   | 10.3% | No meaningful data given immaturity |                |
| LGPS Central Core/Core Plus Infrastructure Partnership LP          | June 2021  | £826m   | £689m (83.4%)    | £69m (8%)   | 56.0% | 2.3%                                | 3.5% above CPI |
| LGPS Central Value Add/Opportunistic Infrastructure Partnership LP | April 2021 | £197m   | £162m (82.2%)    | £17m (9%)   | 19.1% | 5.9%                                | 5% above CPI   |

Total Investment in LGPSC: £1,051.4m

# LGPS Central Product Development



FOCUS ON FURTHER PRIVATE MARKET VINTAGES/OPPORTUNITIES

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## Buy and Maintain Credit



Investment case in progress

Launch expected Q2 2024

## Private equity



2024 vintages in progress

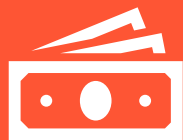
First Close  
Q1 2024  
**Shropshire**  
**Commitment: £30m**

## Infrastructure



Opportunities available throughout the year

## Private credit



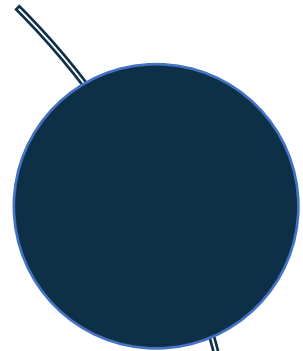
2024 vintages in progress

Launch expected Q1/Q2 2024

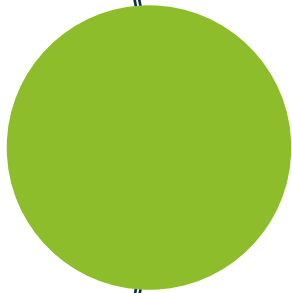
Shropshire actively in discussion on these funds and contributing towards development



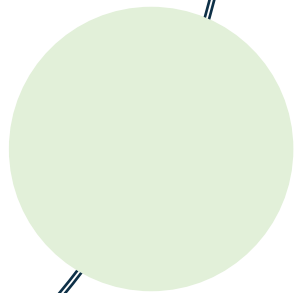
# Priorities for 2024



Continue to work closely with clients to better understand their investment strategies and risk appetite



Continue to review and evolve our manager selection processes to ensure we can continue to offer our clients best in class solutions to meet investment needs



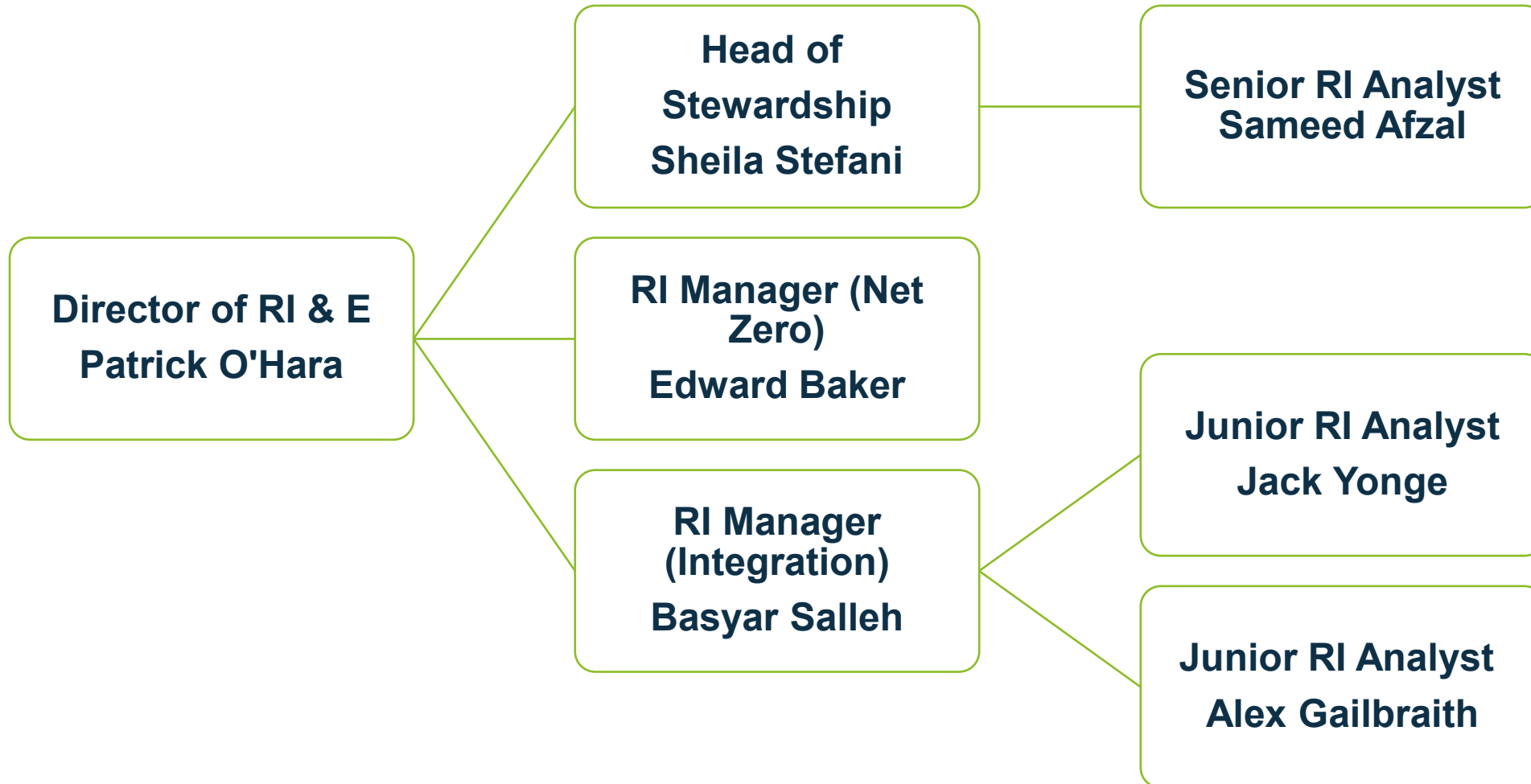
Continue to build the LGPSC pool and meet the long-term ambitions of becoming strategic partners, offering a full suite of products and services.

# Responsible Investment & Engagement

**Patrick O'Hara**  
Director, Responsible Investment

# Recruitment Update

## RI TEAM ORGANISATIONAL CHART



# Net Zero Update



## POSITIVE FEEDBACK RECEIVED FOLLOWING LAUNCH

LGPS Central launches new net zero strategy to 'decarbonise real economy'  
*"Realistic but challenging' climate targets"*

Room151 |

**LGPS Central Net Zero Plans Undeterred by UK Policy**

*"Interim targets and twin track strategy across asset classes designed to combine pragmatism with precision and transparency"*



*LGPS Central launches twin-track net-zero strategy*



LGPS Central launches new net zero strategy to 'decarbonise real economy'

 LGPS Central reaffirms net zero commitments with strategy launch

# Net Zero Update



## Analytics



## Implementation activity

### Public markets

- Review of engagement prioritisation criteria & methodology

- Presentation to external managers
- Identifying new influencing channels (with UKSIF, IIGCC & EOS)
- Agreed NZ index parameters for testing (LSEG)

### Sovereigns and private markets

- Carbon Foot Printing & Country level analysis

- Inputted into IIGCC net zero consultation on sovereigns
- Sent questionnaire to IMs on foot Printing

### Operational NZ / other

- Calculated NZ operational emissions
- Briefing notes on key themes for 2024
- Sustainable finance regs radar

- Discussed with external advisors
- Presented to Board & ExCo
- Set up internal cross-working group on SDR



# Net zero: priorities for Q1 2024

## Outputs

- Present & seek investment teams input on internal net zero asset class strategy Publish paper on net zero operational emissions.
- Carbon-Foot Printing Private Markets.

## Stewardship/policy advocacy

- Prioritise and support engagement with top emitters and strategic companies.
- Input into UKSIF, IIGCC & PRI's UK & EU priorities and engagement plan.

## Analytics

- Development of net zero dashboard.



# LGPS Central Net Zero Operations



## Office-Based Emissions

- We have calculated scope 1 and 2 emissions associated with electricity and heating within LGPS Central offices.
- From a baseline of 2019, to 2023.

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## Business Travel Emissions

- We have estimated annual emissions associated with our business travel including, rail, air and by car.

## Looking Forward

- We are planning to investigate our emissions associated with home working, commuting and supply chains. We plan to transfer to a zero-carbon energy product.
- Consideration of robust carbon offsets to target residual emissions.

### Energy performance certificate (EPC)

|                                                                        |                           |
|------------------------------------------------------------------------|---------------------------|
| 4TH FLOOR<br>Mander House<br>Mander Centre<br>WOLVERHAMPTON<br>WV1 3NB | Energy rating<br><b>D</b> |
|------------------------------------------------------------------------|---------------------------|



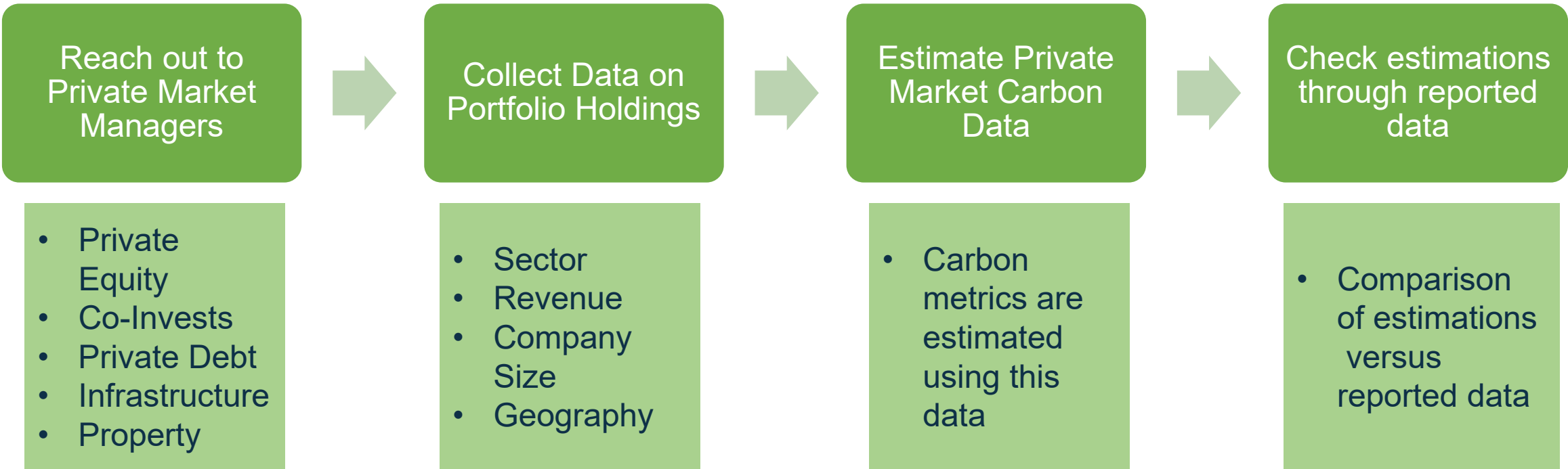
|                                                                           |                           |
|---------------------------------------------------------------------------|---------------------------|
| i9 Wolverhampton Interchange<br>Railway Drive<br>Wolverhampton<br>WV1 1LH | Energy rating<br><b>B</b> |
|---------------------------------------------------------------------------|---------------------------|

We noted a significant reduction in our office-based emissions following our move from Mander House to I9 during 2021.

# Private Market Carbon Foot Printing



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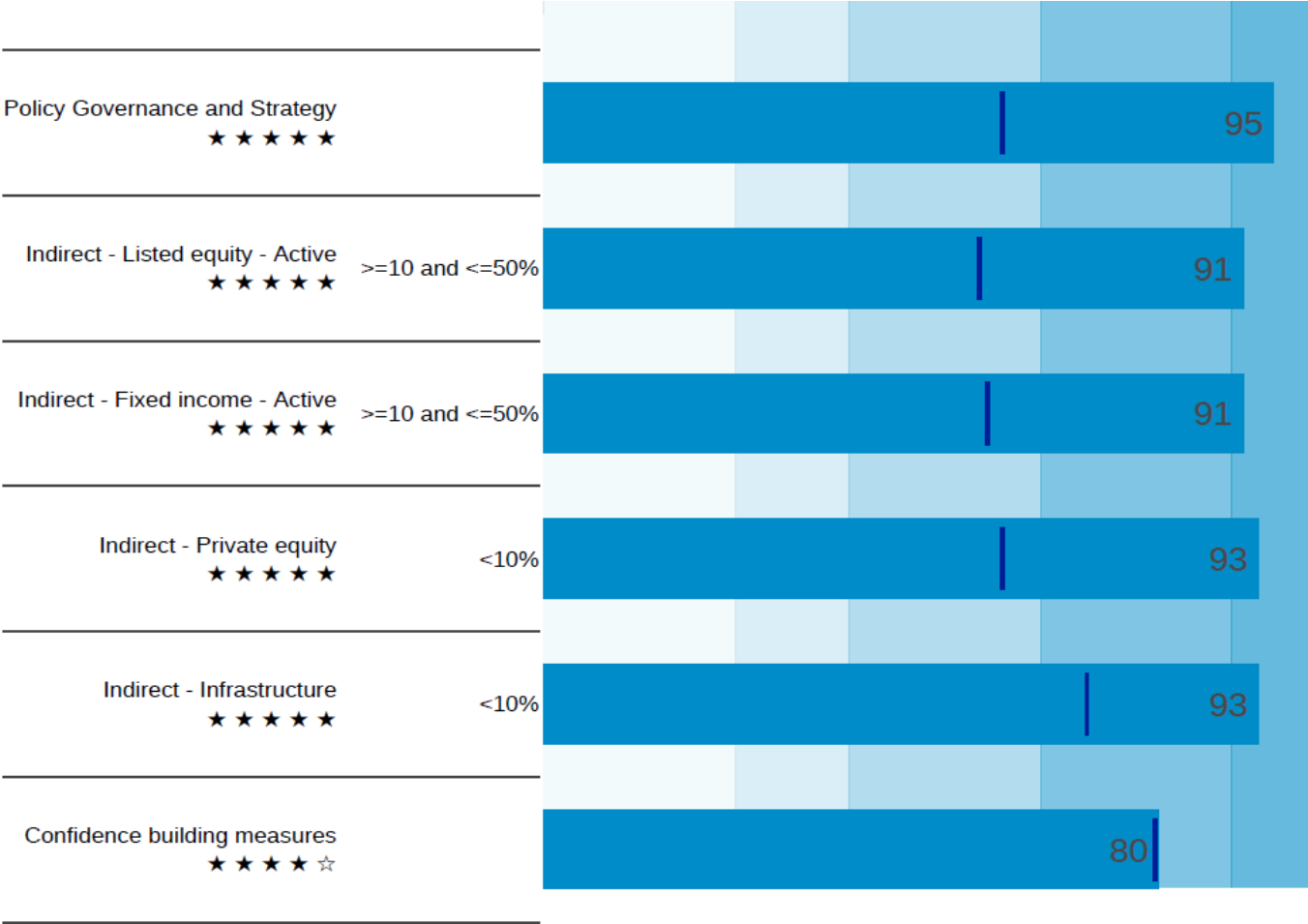


We are currently preparing to reach out to managers in anticipation of collecting Q1 2024 portfolio holdings data

# Other Highlights



## KEY ACHIEVEMENTS IN 2023



## Summary Scorecard



LGPS Central was awarded **five stars** (maximum score) in five out of six modules.

Scoring well above the PRI Median in these 5 modules.

# Other Highlights



## KEY ACHIEVEMENTS IN 2023

Total votes = 42,078  
% dissent = 14.41%

- RI Champions Network established
- RI Summit delivered
- TCFD Report and Stewardship Code report completed (5 Partner funds now signatories)
- MSCI ESG Platform procured and onboarded
- LGPSC nominated for the “Best Approach to RI” as part the LAPFF awards
- RI&E – Governance refreshed and enhanced
- In active equities, the RI team conducted due diligence for the replacement of the Emerging Markets manager, as well as the 3-year review of the overall EM fund
- In fixed income, we conducted 3-year reviews of two corporate bond managers
- In private markets, we conducted due diligence on several managers and co-investments including abrdn, Macquarie, Berkshire, IFM Investors, EQT, Nielsen (Co-Investment), Duck Creek (Co-Investment) and M&G
- Consultations Corporate Governance Code, Fair Reward, FCA Listing Regime, FCA Vote Reporting and DLUHC consultation on Mandatory TCFD reporting
- 30 letters sent to investee companies post voting season to explain the rationale behind votes against management
- 16 Presentations delivered to partner funds on a range of ESG related topics
- We will be providing further training to Committee on RI&E and Stewardship at a separate training session.



# Priorities for 2024



## KEY DELIVERABLES

- **Private Markets**
  - Manager Monitoring
  - Portfolio Analysis
  - Net Zero
  - Carbon Reporting
- **Regulatory Developments**
  - LGPS Central
  - Partner Funds
- **SIMS (Sustainable Investment Monitoring Service)**
  - TNFD Preparedness
  - The “S of ESG”

- **Net Zero Strategy**
  - Engagement
  - Asset Level Implementation
  - Dashboard/ Reporting
- **Stewardship Themes Refresh**
  - Impact and Outcomes focused
  - Associated Reporting
- **Client Reporting**
  - Further CRMS enhancements
  - Outcomes focused Stewardship reporting

# Appendix: LGPS Central Performance

# Public Markets Performance 31 December 2023



| Annualised Performance to 31 December 2023            | Inception Date | 1 Year Performance (2023) |                 |                | Rolling Three-Year Performance |                 |                 | Since Inception Performance |                 |                 |
|-------------------------------------------------------|----------------|---------------------------|-----------------|----------------|--------------------------------|-----------------|-----------------|-----------------------------|-----------------|-----------------|
|                                                       |                | Fund (% p.a.)             | B'mark (% p.a.) | Tracking Error | Fund (% p.a.)                  | B'mark (% p.a.) | Tracking Error  | Fund (% p.a.)*              | B'mark (% p.a.) | Tracking Error  |
| Passive ACS Funds                                     |                |                           |                 |                |                                |                 |                 |                             |                 |                 |
| UK Passive Equity Fund                                | April 2018     | 8.04%                     | 7.92%           |                | 8.43%                          | 8.61%           |                 | 5.11%                       | 5.26%           |                 |
| Global Ex-UK Passive Equity Fund                      | April 2018     | 14.50%                    | 14.39%          |                | 7.53%                          | 7.34%           |                 | 9.33%                       | 9.35%           |                 |
| All World Equity Climate Multi Factor Fund            | Oct 2019       | 11.64%                    | 11.40%          |                | 8.99%                          | 8.77%           |                 | 10.06%                      | 9.86%           |                 |
| Global Low Carbon Multi Factor Fund                   | Jan 2021       | 9.73%                     | 9.34%           |                | -                              | -               | -               | 7.90%                       | 7.65%           |                 |
| Annualised Performance to 31 December 2023            | Inception Date | Fund (% p.a.)             | B'mark (% p.a.) | Target (%p.a.) | Fund (% p.a.)                  | B'mark (% p.a.) | Target (% p.a.) | Fund (% p.a.)               | B'mark (% p.a.) | Target (% p.a.) |
| Active ACS Funds                                      |                |                           |                 |                |                                |                 |                 |                             |                 |                 |
| Global Equity Active Multi Manager Fund               | March 2019     | 16.60%                    | 15.69%          | 17.19%         | 10.14%                         | 8.76%           | 10.26%          | 11.98%                      | 11.11%          | 12.61%          |
| Emerging Markets Equity Active MM Fund                | July 2019      | 0.57%                     | 2.94%           | 4.94%          | -5.15%                         | -0.92%          | 1.08%           | -0.60%                      | 2.08%           | 4.08%           |
| Global Sustainable Equity Active Thematic Fund        | May 2022       | 16.94%                    | 15.69%          | 17.69%         | -                              | -               | -               | 7.54%                       | 7.59%           | 9.59%           |
| Global Sustainable Equity Active Broad Fund           | May 2022       | 12.36%                    | 15.69%          | 17.19%         | -                              | -               | -               | 7.24%                       | 7.59%           | 9.09%           |
| Global Sustainable Equity Active Targeted Fund        | May 2022       | 8.60%                     | 15.69%          | 17.69%         | -                              | -               | -               | 2.77%                       | 7.59%           | 9.59%           |
| Global Active Investment Grade Corporate Bond MM Fund | March 2020     | 10.10%                    | 8.89%           | 9.69%          | -4.45%                         | -4.08%          | -3.28%          | 1.21%                       | 1.11%           | 1.91%           |
| Global Active Emerging Market Bond MM Fund            | Dec 2020       | 10.62%                    | 9.88%           | 10.88%         | -3.03%                         | -4.54%          | -3.54%          | -2.92%                      | -4.39%          | -3.39%          |
| Global Active Multi Asset Credit MM Fund              | April 2021     | 8.90%                     | 4.94%           | 8.94%          | -                              | -               | -               | -0.60%                      | 2.53%           | 6.53%           |

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Registered Office: i9, Wolverhampton Interchange, Wolverhampton, WV1 1LD

Passive Funds: **Red** – Tracking error outside of tolerance range, **Green** – Tracking error within tolerance range

Active Funds: **Red** – Performance below benchmark, **Amber** – Performance in line / above benchmark, below target, **Green** – performance in line / above target

Source: LGPS Central / Northern Trust. Figures subject to rounding

# Private Markets Performance (30 September 2023)



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| Performance Since Inception to 30 September 2023                   | Inception Date | PF commitments             | Sub-committed    | Drawn | Performance                         | Benchmark %    | Target %   |
|--------------------------------------------------------------------|----------------|----------------------------|------------------|-------|-------------------------------------|----------------|------------|
| Private Equity                                                     |                |                            |                  |       |                                     |                |            |
| LGPS Central PE Primary Partnership 2018 LP                        | Jan 2019       | £150m                      | £148m (98.7%)    | 81.0% | 14.6%                               | 9.2%           | 13.2%      |
| LGPS Central PE Co-Investments Partnership 2018 LP                 | Jan 2019       | £107m                      | £100m (93.5%)    | 94.0% | 32.9%                               | 8.5%           | 12.5%      |
| LGPS Central PE Primary Partnership 2021 LP                        | Sept 2021      | £365m                      | £365m (100%)     | 10.3% | No meaningful data given immaturity |                |            |
| LGPS Central PE Co-Investments Partnership 2021 LP                 | Sept 2021      | £140m                      | £139m (99.3%)    | 82.4% | 20.1%                               | 1.2%           | 5.2%       |
| Private Credit                                                     |                |                            |                  |       |                                     |                |            |
| LGPS Central Credit Partnership I LP                               | Oct 2021       | £305m                      | £277m (90.8%)    | 60.6% | 10.3% net                           | -              | 12-14% net |
| LGPS Central Credit Partnership II LP                              | July 2021      | £1,165m                    | £1,176m (100.9%) | 52.5% | 11.1% net                           | -              | 6-8% net   |
| LGPS Central Credit Partnership III LP                             | Nov 2022       | £440m                      | £440m (100%)     | 24.8% | No meaningful data given immaturity |                |            |
| LGPS Central Credit Partnership IV LP                              | June 2022      | £587m                      | £498m (84.8%)    | 57.7% | -0.2% net                           | -              | 4.5-6% net |
| Infrastructure                                                     |                |                            |                  |       |                                     |                |            |
| LGPS Central Core/Core Plus Infrastructure Partnership LP          | June 2021      | £826m                      | £689m (83.4%)    | 56.0% | 2.3%                                | 3.5% above CPI |            |
| LGPS Central Value Add/Opportunistic Infrastructure Partnership LP | April 2021     | £197m                      | £162m (82.2%)    | 19.1% | 5.9%                                | 5% above CPI   |            |
| Single Asset Infrastructure Partnership LP                         | Feb 2022       | £205m                      | £205m (100%)     | 100%  | 7.2%                                | 8% - 12% TWR   |            |
| Co-Investment Infrastructure Partnership LP                        | Feb 2022       | Commitments yet to be made |                  |       |                                     |                |            |



# Appendix: Glossary



# Glossary



| Term                                                           | Definition                                                                                                                   |
|----------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| <b>AsYouSow</b>                                                | NGO promoting corporate accountability through shareholder action.                                                           |
| <b>Authorised Contractual Schemes (ACS)</b>                    | Collective investment scheme that pools assets and is managed on behalf of several investors.                                |
| <b>CDP</b>                                                     | NGO helping companies, cities, states, regions, and public authorities disclose their environmental reporting impact.        |
| <b>Climate Action 100+ (CA100+)</b>                            | Investor initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. |
| <b>EOS at Federated Hermes</b>                                 | Engagement overlay provider that delivers corporate engagement and proxy voting services.                                    |
| <b>Finance Sector Deforestation Action (FSDA)</b>              | Investor initiative focused on eliminating agricultural commodity-driven deforestation from portfolios.                      |
| <b>Financial Reporting Council (FRC)</b>                       | Regulator that is responsible for setting the UK's Corporate Governance and Stewardship Code.                                |
| <b>Institutional Investors Group on Climate Change (IIGCC)</b> | A European-based membership body for investor collaboration on climate change.                                               |
| <b>Intergovernmental Panel on Climate Change (IPCC)</b>        | United Nations body for assessing the science related to climate change.                                                     |
| <b>Investor Policy Dialogue on Deforestation (IPDD)</b>        | Investor initiative engaging with public agencies and industry associations on the issue of deforestation.                   |

# Glossary



| Term                                                              | Definition                                                                                                                                                                                 |
|-------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Local Authority Pension Fund Forum (LAPFF)</b>                 | Promotes the highest standards of corporate governance to protect the long-term value of local authority pension funds.                                                                    |
| <b>Natural Capital</b>                                            | The worlds stocks of renewable and non-renewable natural resources (plant, animals, air, water, minerals, soil) that combine to provide a flow of benefits (ecosystem services) to people. |
| <b>Principles for Responsible Investment (PRI)</b>                | Independent body working to encourage investors to use Responsible Investment to enhance returns and better manage risk.                                                                   |
| <b>ShareAction</b>                                                | NGO promoting Responsible Investment and driving better corporate action on Environmental, Social, and Governance issues.                                                                  |
| <b>Taskforce for Nature-related Financial Disclosures (TNFD)</b>  | Risk management and disclosure framework for organisations to report on nature-related risks.                                                                                              |
| <b>The Investor Forum</b>                                         | Practitioner-led membership organisation to position stewardship at the heart of investment decision-making.                                                                               |
| <b>Transition Pathway Initiative (TPI)</b>                        | Global initiative that assesses preparedness by companies in high carbon sectors for transition to a low carbon economy.                                                                   |
| <b>UN Guiding Principles on Business and Human Rights (UNGPR)</b> | Set of guidelines for states and companies to prevent, address and remedy human rights abuses committed in business operations.                                                            |



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Share Class and Benchmark performance displayed in GBP.

Performance is shown on a Net Asset Value (Nav) basis, with gross income reinvested where applicable.

All information is prepared as of **4 March 2024**

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“One Central team, working in partnership to invest with purpose and deliver superior returns”



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