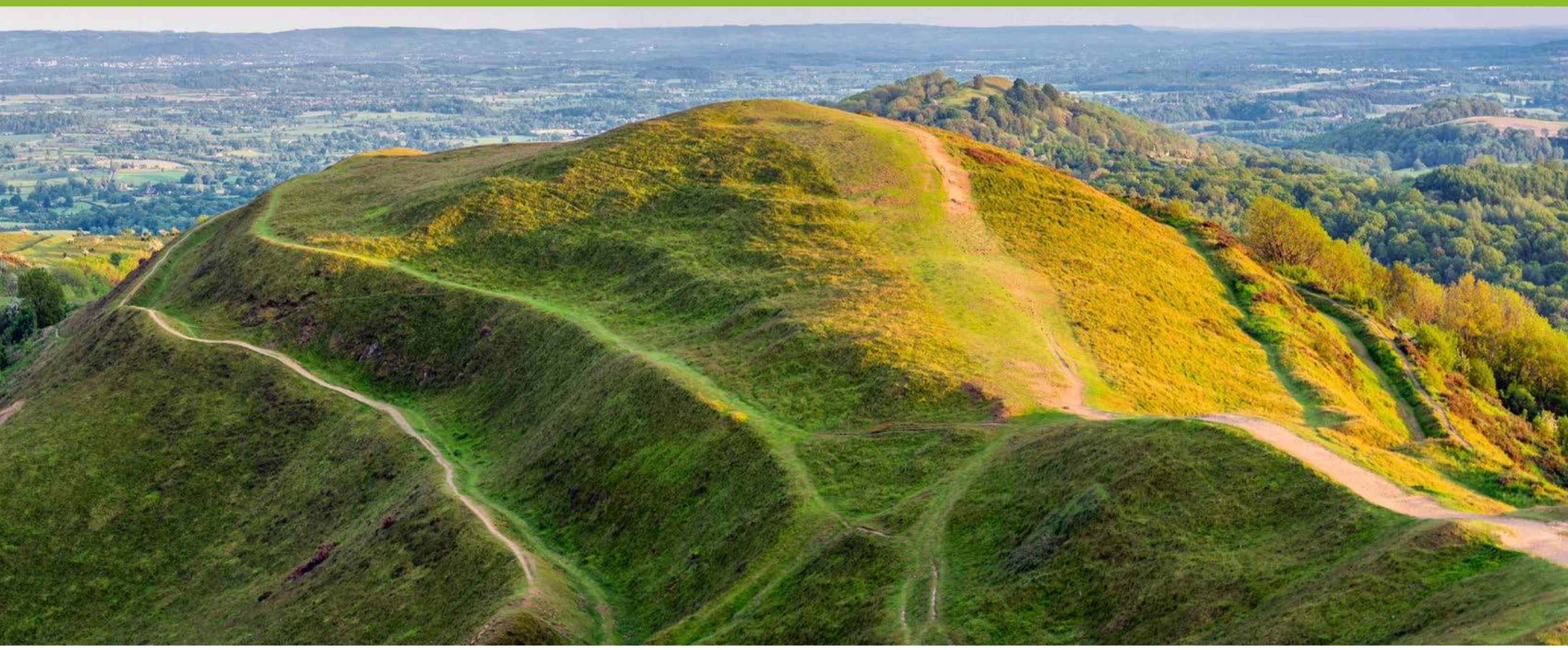
LGPS Central Limited

Stewardship Update

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



CHESHIRE PENSION FUND

Derbyshire Pension Fund

Leicestershire County Council PENSION FUND

NOTTINGHAMSHIRE PENSION FUND

Shropshire County Pension Fund

Staffordshire Pension Fund Local Government Pension Scheme

West Midlands Pension Fund

Worcestershire Pension Fund

Responsible Investment & Engagement:

LGPS Central's approach

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

OBJECTIVE #1

Support investment objectives

OBJECTIVE #2

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

These are met through three pillars:

Our **Selection** of assets

Our **Stewardship** of assets

Our commitment to **Transparency & Disclosure**

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

ADDITIONAL DISCLOSURES

- Responsible Investment & Engagement Framework
- Annual Stewardship Report
- Voting Principles
- Voting Disclosure
- Voting Statistics

Signatory of: PRI Principles for Responsible Investment

UK STEWARDSHIP CODE

employers network for equality and inclusion Member

LGPS ADVISORY BOARD CODE OF TRANSPARENCY

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

Key Stewardship developments

- The Principles for Responsible Investment (PRI) has called on investment management signatories to improve their stewardship policies with broader coverage across AUM, asset classes, and ESG issues. The PRI also relaunched a more streamlined version of its reporting framework which focuses on human rights and aligns with TCFD and other bodies.
- The institutional Investor Group on Climate Change (IIGCC) has assembled a group of 93 investors set to focus engagement on companies that are important for the transition but are not currently targeted by CA100+. The list is largely comprised of European companies across a range of sectors, such as: Ryanair, Vattenfall, Ferrari and Tesco. Many members of the IIGCC make up the investor list, including Fidelity International, Northern Trust Asset Management and, several LGPS pools.
- In February 2023 ClientEarth, the environmental law charity, filed a derivative claim against Shell's board of Directors on an alleged breach of the statutory duties to: (i) promote the success of the company; and (ii) exercise reasonable care, skill, and diligence (sections 172 and 174 of the Companies Act 2006) in relation to climate risk. More specifically, ClientEarth was seeking Shell's board to adopt a strategy to manage climate risk in line with its duties under the Companies Act. The case was to challenge corporate directors over their failure to prepare for the energy transition and was supported by institutional investors holding over 12 million shares in the company. The UK High Court dismissed the case concluding that ClientEarth had not demonstrated the directors had breached their duty in managing climate risk. ClientEarth failed to reflect that the directors had "to take into account a range of competing considerations" when developing Shell's Energy Transition Strategy and the court was "ill-equipped to interfere" with a "classic management decision"[1]. A Senior Lawyer at ClientEarth outlined that they "respectfully disagree with the terms of the Court's decision, and in light of the importance of the issues raised by this case will ask the Court to reconsider."[2] Despite the outcome we expect the Board to engage with shareholders on climate as it is recognised as being a significant matter and that the Board has a clear understanding of the views of the shareholders.

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

ENVIRONMENTAL

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

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

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

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

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

LGPS Central are co-leading a CA100+ engagement with **Glencore**. LGPS Central co-signed a letter outlining our "red flags" and the assurances we needed regarding the Company's climate transition efforts in advance of the 2023 AGM. In March 2023, a 1:1 meeting between LGPS Central and the Head of Sustainable Development was scheduled. We expressed a desire for Glencore to disclose short and medium-term decarbonisation targets and to set a specific 2030 target. The Company's senior management expressed the efficacy of climate dialogue with CA100+. We are continuing to build bilateral dialogue with the Company to encourage the company to present a strong revised climate transition plan in 2024 that addresses our concerns.

SOCIAL

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

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

GOVERNANCE

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

Voting highlights

METRO INC

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

A.P. MOLLER-MAERSK

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

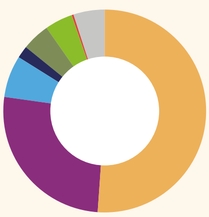
GLOBAL VOTING

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

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

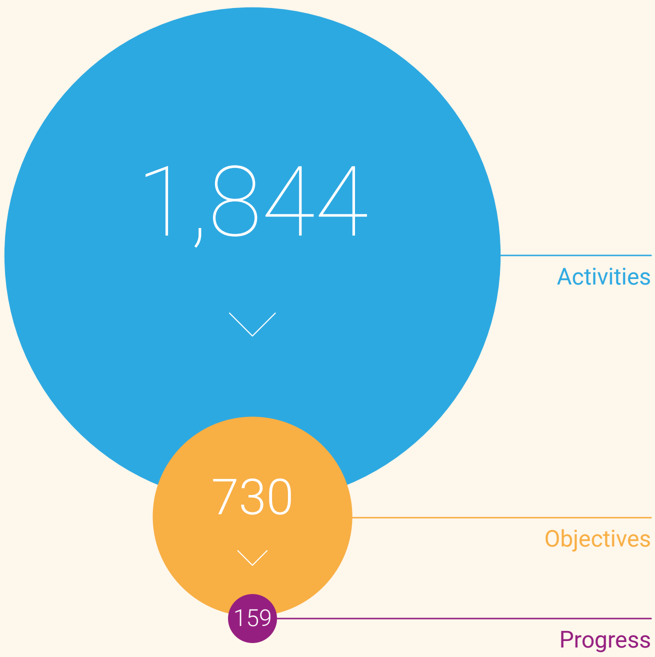
GLOBAL VOTING

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



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

EOS-LED ENGAGEMENT ACTIVITIES DURING THE QUARTER



02 Engagement case studies

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

Our Stewardship Themes are:

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

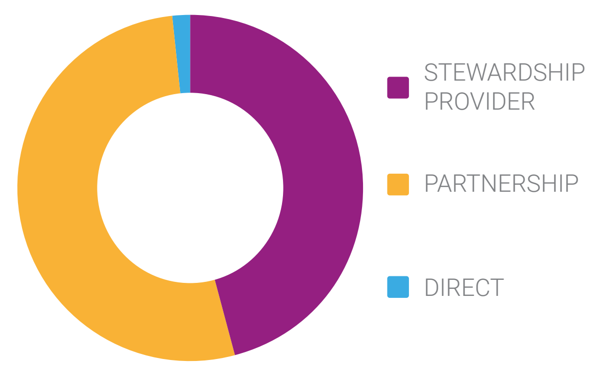
This quarter our engagement set[3] comprised 729 companies. There was engagement activity on 1,844 engagement issues and objectives.[4] Against 491 specific objectives, there was achievement of some or all on 159 occasions. Most engagements were conducted through letter issuance or remote company meetings, where we, our partners or our stewardship provider in a majority of cases met or wrote to the Chair, a Board member or a member of senior management.

[3] This includes engagements undertaken directly, in collaboration, and via our contracted Stewardship Provider.
[4] There can be more than one engagement issue per company, for example board diversity and climate change.

CLIMATE CHANGE ENGAGEMENTS

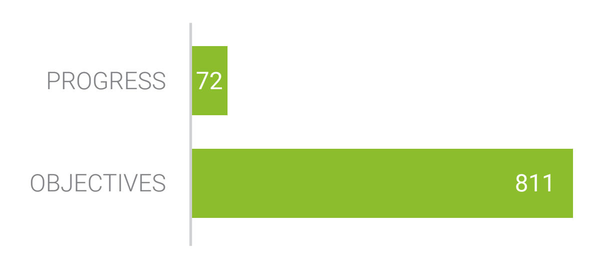
This quarter, our climate change engagement set comprised 559 companies with 812 engagement issues and objectives.[5] There was progress on 72 specific engagement objectives.

ENGAGEMENT VOLUME BY TYPE



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

ENGAGEMENT VOLUME BY OUTCOME



GLENCORE

Theme: Climate Change

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

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

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

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

SHELL PLC

Theme: Climate Change

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

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

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

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

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

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

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

LOWE'S COMPANIES INC.

Theme: Deforestation risk

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

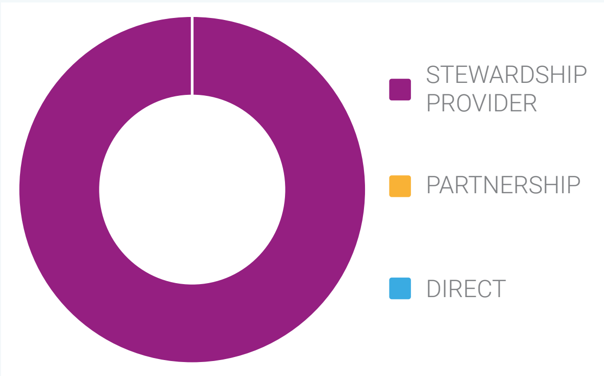
Engagement: Lowe's Companies Inc. is the second-largest hardware retailer in the U.S. and a FORTUNE® 50 home improvement company. Lowe's published its first wood policy in 2000 and last year set a net zero goal across its value chain by 2050 in accordance with guidelines from the Science Based Targets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

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

PLASTIC ENGAGEMENTS

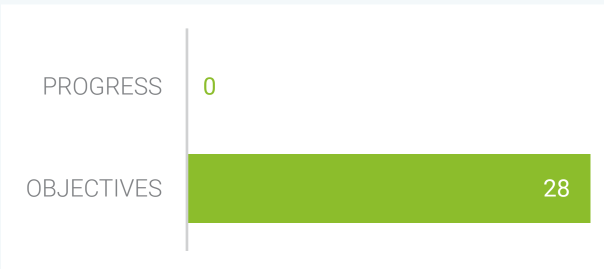
This quarter our plastic-related engagement set comprised 26 companies with 28 engagement issues and objectives. Although no progress has been recorded with individual company engagements, LGPS Central has continued to participate in broader industry action asking for swifter action on plastic use (see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

ENGAGEMENT VOLUME BY TYPE



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

ENGAGEMENT VOLUME BY OUTCOME



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

INVESTOR STATEMENT ON PLASTIC REDUCTION

Theme: Plastics

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

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

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

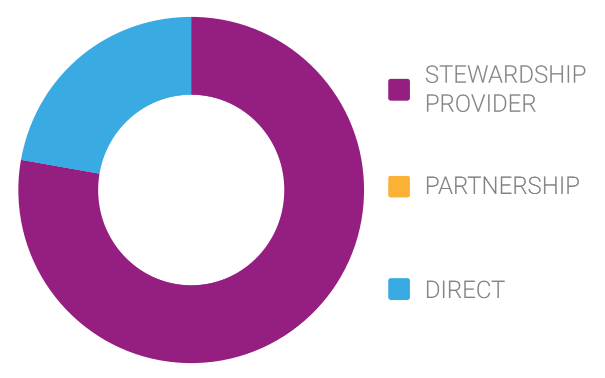
- The estimated costs to society from plastic pollution – including environmental clean-up, ecosystem degradation, shorter life expectancy and medical treatment – exceed US$ 100 billion per year.
- There are between 75 and 199 million tonnes of plastic in the oceans.
- Over 3,000 potentially harmful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

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

FAIR TAX PAYMENT AND TAX TRANSPARENCY ENGAGEMENTS

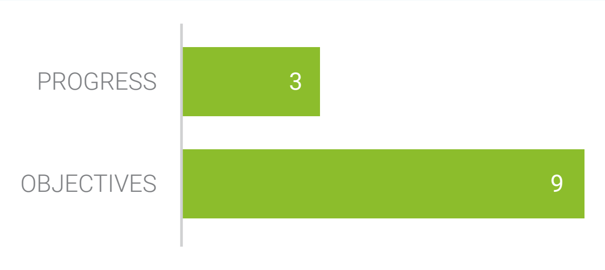
This quarter, our tax transparency engagement set comprised 8 companies with 9 engagement issues and objectives. There was progress on three specific engagement objectives.

ENGAGEMENT VOLUME BY TYPE



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

ENGAGEMENT VOLUME BY OUTCOME



BARRICK GOLD

Theme: Responsible Tax Engagement

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

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

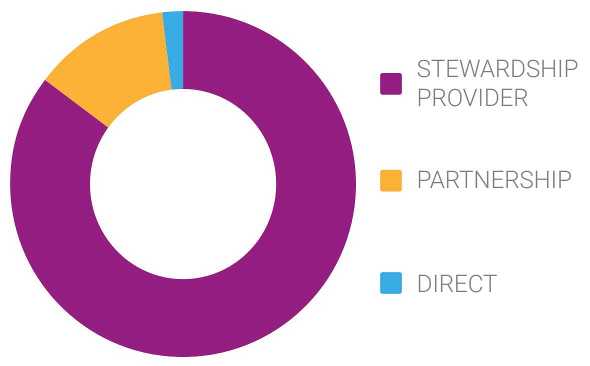
During the quarter, LGPSC liaised with peer investors within the engagement group to discuss the company's response to the feedback, as well as setting expectations on the upcoming tax transparency report that would be published together with the company's annual report.

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

HUMAN RIGHTS

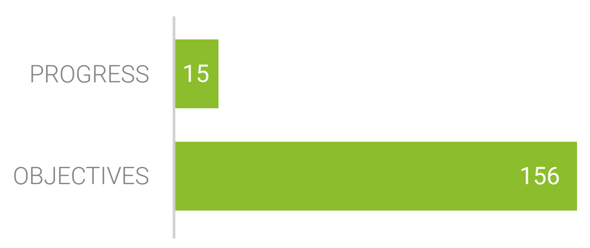
This quarter our human rights related engagements comprised 120 companies with 157 engagements issues and objectives. There was progress on 15 specific engagement objectives.

ENGAGEMENT VOLUME BY TYPE



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

ENGAGEMENT VOLUME BY OUTCOME



THERMO FISHER

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

Sector: Medical Equipment

ESG Topics Addressed: Human rights

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

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

Outcome: The company confirmed they have stopped selling genetic sequencers in Xinjiang, but also to all police bureaus across the country. Regarding enhanced human rights due diligence, Thermo Fisher now require due diligence into end customers and use of their products, with distribution being terminated if customers violate Thermo Fisher's requirements. The company has incorporated similar policies into other regions where similar risks could arise. Following this engagement, the manager was comfortable that Thermo Fisher had sufficiently addressed its concerns.

CHINESE COMMUNICATIONS COMPANY

Theme: Digital rights and freedom of expression

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

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

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

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

03 Voting

POLICY

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

COMMENTARY

Between January – March 2023, we:

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

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

EXAMPLES OF VOTING DECISIONS

MAERSK

Company: A.P. Moller-Maersk

Theme: Human Rights

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

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

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

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

metro

Company: Metro Inc

Theme: Climate Change

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

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

- *Be publicly disclosed at least 180 days prior to the next annual shareholders meeting;*
- *Follow the guidance of advisory groups such as the Science-Based Targets Initiative;*
- *Be supported by an enterprise-wide climate action plan outlining the steps the Company will take to achieve net-zero emissions."*

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

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

Company: Apple Inc.

Theme: Gender Pay Gap

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

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

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

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

Company: Walgreens Boots Alliance, Inc.

Theme: Board independence/structure

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

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

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

Company: ASOS plc

Theme: Executive Remuneration

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

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

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

LGPS CENTRAL LIMITED'S

Partner Organisations

LGPSC actively contributes to the following investor groups

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

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