

ENGAGEMENT CASE STUDIES SUSTAINABLE FOOD SYSTEMS

Stewardship strategy: Through LGPS Central we leverage investor collaboration opportunities, for example, through the PRI Plastics Working Group. Voting is engagement led, and we consider co-filing or supporting shareholder resolutions that relate to better risk management (e.g. reduce plastic use, increase recycling, invest in relevant research and development).



Measures of success:

- We aim for positive interactions at senior levels of target companies and acknowledgement of plastic as a business risk, along with commitments to strategies or targets to manage those risks.
- We aim to support investor expectations – e.g. as expressed by the PRI Working Group – in dialogue with companies.

Company	Nestlé
Asset type	Equities (LAPFF)
Geography	Global
Objectives	The meeting with Nestlé sought to assess and understand the integration of regenerative agriculture into its strategy. The objective was to understand Nestlé's specific goals, initiatives, and progress in implementing regenerative practices, along with its contributions to climate change mitigation and biodiversity conservation.
Engagement strategy	LAPFF engaged with Nestlé to gain insights into the strategies and initiatives involved in implementing regenerative agriculture. Discussions covered how this integration would be part of Nestlé's broader climate strategy and its impact on biodiversity. The focus was on evaluating Nestlé's commitment to sustainable practices.
Outcome	The meeting provided insights into Nestlé's commitment to regenerative agriculture. While the long-term effectiveness is yet to be measured, the discussions indicated a strong commitment from Nestlé. Further evaluation will be necessary to gauge the impacts of the strategies implemented.
Next steps	Continued engagement with Nestlé is planned, with a specific focus on monitoring the implementation of their regenerative agriculture practices. Additionally, scrutiny will be extended across the agri-food sector to observe how others are incorporating similar strategies into their business practices as new methods and technologies become available.

ENGAGEMENT CASE STUDIES

HUMAN RIGHTS

Stewardship strategy: We will leverage investor collaboration opportunities, for example the Rathbone Modern Slavery Engagement. Voting will as far as possible be engagement led, and we will consider co-filing or supporting shareholder resolutions that relate to better risk management on human rights risks.

Measures of success:

- We aim for positive interactions at senior levels of target companies and acknowledgement of the human rights risks.



wildanet

Company	Wildanet
Asset type	Infrastructure
Geography	UK
Objectives	The objective of the engagement with Wildanet was to secure funding for the alt-net business operating in rural Cornwall and Devon. Facing liquidity challenges and limited interest from traditional banks and lending institutions, the deal team utilized the Private Equity House's network to directly approach the UK Investment Bank (UKIB), seeking financial support for Wildanet's expansion efforts, particularly in pursuing a Project Gigabit contract and addressing concentration limits within the private equity portfolio.
Engagement strategy	The engagement strategy involved leveraging the investor network of the private equity house to directly communicate with the senior management team of UKIB. The communication highlighted the fundraising challenges within the sector and emphasized the potential impact on providing internet connectivity to rural areas in the UK.
Outcome	Following the intervention by the deal team, UKIB has shown interest in funding the project, and discussions are advancing rapidly.
Next steps	The focus will be to sustain the interaction with UKIB and secure the essential financial support for the business.

ENGAGEMENT CASE STUDIES

RESPONSIBLE FINANCIAL MANAGEMENT

Stewardship strategy: We will leverage investor collaboration opportunities, for example through the PRI Tax Investor Working Group and Tax Roundtable. Voting will be engagement led, and we will consider co-filing or supporting shareholder resolutions that relate to better risk management (through tax policy, board oversight, country-by-country reporting).

Measures of success:

- We aim for positive interactions at senior levels of target companies and acknowledgement of lack of tax transparency as a business risk, along with commitments to strategies or targets to manage those risks.
- We aim to support investor expectations – as expressed by the GRI tax standard and the UK Fair Tax Mark – in dialogue with companies.



Company	Power Integrations
Asset type	Listed Equity (External Manager)
Geography	USA
Objectives	The objective of the shareholder engagement was to persuade Power Integrations to discontinue the inclusion of the tax rate as a component of the company's financial model. Additionally, the engagement aimed to advocate for a shift in focus towards emphasising the company's differentiated technology, intellectual property, markets, and operational execution in its financial reporting.
Engagement strategy	The first conversations were had back in 2022, talking with a newly hired investor relations executive, who was recruited for the company's first capital markets day. During this talk, ideas were proposed that organising taxes in a certain way isn't helpful for society and doesn't make the company stand out for positive reasons. The engagement urged that the company should stop including the tax rate in their financial plans and instead focus on their unique technology. Suggestions to improve how they report on their impact and environmental, social, and governance (ESG) efforts were also offered.
Outcome	Recognising the limited influence as a relatively small shareholder and the challenge posed by systemic changes such as those related to corporation tax, a decision was made to conclude the engagement for the time being. While the engagement concluded, ongoing monitoring of the company's performance and issue management will persist, potentially exploring alternative methods like public policy engagement in the future.
Next steps	

Engagement Theme Review for 2024-2027

Since our four engagement themes were established in 2020, we recognise that the global investment landscape has changed, and thus presents new risks and opportunities to asset owners. In light of this, our RI team reviewed our engagement themes in 2023 to ensure that they were fit for purpose for the coming years. This included conducting an industry sweep to understand what our peers were going to be focusing on and their rationale for selecting such themes. Time was also taken to consider the most pressing global challenges and opportunities by analysing NGO research, such as the World Economic Forum's Global Risk Register, and United Nation's Sustainable Development Goals. The RI team also considered the UK's Department for Levelling Up Housing and Communities agenda. Finally, we also engaged in discussions with our pooling company, LGPS Central, and our sustainability-focused asset managers to discuss their own engagement strategies and implementation of the engagement themes.

We want to ensure our engagement efforts have the most relevance to global risks and opportunities, as well as reflect the materiality of assets within the portfolio and will be fit for purpose for the coming years. The project is nearing its final stages entering into 2024 whilst we communicate our intentions to LGPS Central and other engagement stakeholders. We believe that alignment of engagement priorities will foster more impactful engagements and practical reporting.



ESCALATION

Escalation is a key component of stewardship. We expect managers to be ready to escalate any engagement where there is lack of progress relative to engagement objectives, on any material ESG topic. If engagement with an asset manager is unsuccessful, we may adopt the following:


- Escalating engagement through a different person of authority in the company
- Consider filing or supporting a shareholder resolution
- Voting against unresponsive directors of company boards
- Participate in certain individual and class action securities litigations

Each year the Local Authority Pension Fund Forum (LAPFF) and LGPS Central engage with hundreds of companies, often directly with company chairs, on our behalf. When company dialogue is too slow, LAPFF escalates its engagements through issuing voting alerts for company's Annual General Meeting (AGM) proposals or filing shareholder resolutions with companies to progress action on a given issue. To leverage engagement outcomes, LAPFF often works with other asset owners and managers.

During 2023 we asked managers to pay particular attention to companies' climate transitions, or lack thereof, in line with the Paris Accord. This is part of a broader discussion with external managers around the implementation of our net zero targets.

Company	TE Connectivity Ltd.
Asset type	Equities
Topic engaged	Climate change
Geography	US
Issue/reason for engagement	This company is the top emitter for this investment strategy, therefore net zero and decarbonisation targets are high priority. Engagement was in tandem with other investors and IIGCC, who sent a letter early 2023, requesting the company to disclose their corporate net zero transition plan, that would provide more clarity on how near-term, Science based Targets Initiative (SBTI) targets would be achieved. The request was acknowledged, but TE Connectivity ignored several follow up attempts from investors.
Escalation method	A letter was written to the Chair of the company, which included our managers' voting intentions at the forthcoming AGM if the company failed to respond to engagement. Several other investors also signed the letter adding further weight to the request.
Outcome	The escalation was successful, with a meeting scheduled with the company. The company also confirmed that their Corporate Responsibility team plans to announce progress against its goals in May 2024.






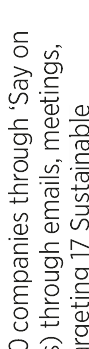


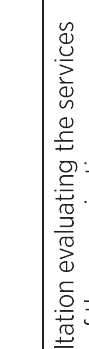
Company	Vestas
Asset type	Equities
Topic engaged	Sustainable food systems
Geography	UK/Denmark
Issue/reason for engagement	The company was identified by our manager for having high exposure to biodiversity implications and sought to engage the company on their approach to managing this risk. The company was reluctant to provide any further details and then later indicated that this was not a priority for them.
Escalation method	Our manager initiated a collaborative engagement with like-minded investors to target specifically Vestas and their biodiversity impacts. Through collaborative, our managers would be able to emphasise a greater sense of urgency of the issue to the company. A letter was written to the CEO calling for the company to support nature conservation and to consider biodiversity impacts alongside the energy transition. It requested the company to make clear its position on biodiversity and publish its approach to mitigating negative impacts and maximising positive biodiversity impacts.
Outcome	The company responded in detail by disclosing their bird and bat protection systems, environmental impact assessment and specialist consultants to support their biodiversity strategy. Further engagement will continue to see how investors can support the upcoming strategy and monitor developments.
	
Company	Insurance Company
Asset type	Equities
Topic engaged	Human rights
Geography	US
Issue/reason for engagement	The company had several allegations relating to workplace behaviour. Our manager reached out to the company on several occasions to discuss said allegations and to understand the related risks on the matter.
Escalation method	Multiple outreach emails were sent with the intention to set up a call with the company.
Outcome	Following discussions with the company, our manager believed that the company's response was not constructive. A decision was made to exit the position. Our manager believes that if an engagement is not successful then the company's risk is significantly higher. This means the return outlook has changed, and therefore the company no longer meets our managers' investment philosophy and thesis.

WORKING IN PARTNERSHIP

We believe working collaboratively with other investors will deliver improvements to the way in which companies are managed and provides opportunity to influence wider policy which can positively impact long-term returns.

During 2023 we asked managers to pay particular attention to companies' climate transitions, or lack thereof, in line with the Paris Accord. This is part of a broader discussion with external managers around the implementation of our net zero targets.

Industry initiatives	Contribution	Effectiveness
Asset Owner Diversity Charter (AODC) 	Founding member of a group aiming to formalise a set of actions for asset owners to improve diversity across the investment industry. <ul style="list-style-type: none"> • Providing input into the strategic direction of the working group • Supporting in-person events and conversations 	<ul style="list-style-type: none"> • Due to host the second in-person AODC event in 2024 covering the progress of the industry thus far • Participated in the FCA Consultation: Diversity and inclusion in the financial sector • Establishment of the advisory committee to oversee and guide the direction of the working group
Climate Action 100+ (CA100+) 	Member of the engagement initiative comprising of 700+ investors with a combined \$68 trillion assets under management. CA100+ engages 170 companies on climate risk that are considered high emitters and contribute the most to global industrial greenhouse gas emissions.	<ul style="list-style-type: none"> • Robust, targeted, and strong investor collaboration that forms part of our engagement program for climate change risk management • CA100+ Benchmark Framework embeds structure and rigour to assessments of companies against a Paris Accord trajectory
Cross-Pool RI Group	Member of a collaboration group across the Local Government Pension Scheme (LGPS) pools, LGPS pension funds and pool same regulatory environment and with similar expectations from clients and beneficiaries across a range of topics. <ul style="list-style-type: none"> • Attendance at the quarterly meeting providing input to relevant discussion topics 	<ul style="list-style-type: none"> • Engaging with regulatory bodies providing feedback and within LGPS receiving updates of the latest changes in the regulatory operators. Forum to discuss with like-minded investors in the landscape • Forum to discuss best practice and challenges on a range of topics including reporting and net zero strategies

Industry initiatives	Contribution	Effectiveness
Institutional Investor Group on Climate Change (IIGCC) 	<p>Member of an influential asset owner and asset manager membership body focusing specifically on defining investment practices, policies, and corporate behaviours to tackle climate change.</p> <ul style="list-style-type: none"> Involvement in a range of webinars and forums including net zero surgeries 	<ul style="list-style-type: none"> Member of the Paris Alignment Investment Initiative setting our formal commitments to achieve net zero by 2050 with support and guidance from the IIGCC Net Zero Investor Framework. In 2023 we submitted our 'Survey on Progress', which assesses our net zero commitments against our 2022 Annual Target Disclosure
Local Authority Pension Fund Forum (LAPFF) 	<p>Founding member of an engagement provider for 87 local authority pension funds and 7 investments pools, assisting with sustainable and ethical investment challenges.</p> <ul style="list-style-type: none"> Our Executive Director of Pensions is a member of LAPFF's Executive Committee Setting the direction and engagement approach by feeding into the annual workplan ensuring our engagement themes are being addressed 	<ul style="list-style-type: none"> Engaged with 256 companies (additionally 470 companies through 'Say on Climate' and Nature Action 100+ engagements) through emails, meetings, and AGMs on a range of material ESG issues targeting 17 Sustainable Development Goals Issued voting alerts to escalate engagements, reflective of our engagement themes, with companies where engagement has been ineffective to date, or where companies have failed to engage at all LAPFF engagement activities complement our engagement efforts, for instance human rights risks from companies operating in conflicts zones such as Occupied Palestine Territories
Principles for Responsible Investment (PRI) 	<p>Signatory, since 2010, to the largest, global, responsible investment-related organisation supporting with research, policy influence and collaborative engagement.</p> <ul style="list-style-type: none"> Undertaking the RI assessment to obtain our signatory status Provided feedback on the future direction of the PRI through the 'PRI in a Changing World' consultation 	<ul style="list-style-type: none"> Partook in the 'PRI Changing the World' consultation evaluating the services provided by PRI and setting strategic direction of the organisation In 2023, we maintained our signatory status, achieving A+/A across all metrics
Taskforce for Climate-related Financial Disclosures (TCFD) 	<p>Reporting against a voluntary framework for companies and investors to provide climate-related information in their annual reports around governance, strategy, risk management and metrics.</p>	<ul style="list-style-type: none"> Measuring and disclosing carbon metrics in our TCFD report demonstrating progress to net zero
Transition Pathway Initiative 	<p>Member of a global, asset-owner led initiative which assesses companies' preparedness for the transition to a low carbon economy with a global investor community of \$60trn AUM.</p>	<ul style="list-style-type: none"> Tool adopted by LGPS Central to directly inform and prioritise Initiative (TPI) engagement and voting on behalf of our Fund. In 2022, the LGPS Central raised its expectation on climate management and strategy for companies using the TPI management score strengthening our views and strategy on our net zero ambition.

COLLABORATIVE ENGAGEMENT

We believe and have evidenced that we will improve our effectiveness by acting collectively with other like-minded investors because it increases the likelihood that we will be heard by the company or other relevant stakeholders compared with acting alone. We will continue to monitor the success of both our individual but also collective engagement with investee companies, policy makers and other relevant stakeholders.

Climate Change

- **Climate Action 100+ Engagement**

One of our external managers, as part of Climate Action 100+, collaborated in a shareholder engagement focused on Grupo Mexico's decarbonization efforts. Hosting two calls with company executives, our manager advised enhancing disclosure practices for comprehensive progress details. Grupo Mexico plans to disclose new emission reduction targets, explore interim targets, and link climate performance to executive compensation. The company's climate strategy includes electrifying mining vehicles, renewable energy projects, fuel substitution in trains, and improved energy efficiency. However, some renewable projects face delays. Our manager aims to closely monitor Grupo Mexico's progress and emission reduction target publication.

- **Infrastructure Opportunity**

Our property manager worked with Rise Homes and Leeds City Council and West Yorkshire Combined Authority (WYCA), focusing on securing an alternative heat source for housing developments in 2022 (see the Annual Stewardship Report 2023). The objective was to continue providing information to WYCA for the £1.85 million grant funding to connect a property to the district heating system. In 2023, Rise Homes and the investment team sustained engagement with WYCA through email and virtual meetings, ensuring updates on the development and meeting information covenants for drawing down the grant funding. The grant funding is in the process of being drawn down, forming a part of the development funding. The next steps involve ongoing provision of necessary information to WYCA until all grant funding is received, facilitating the connection of the property to the Leeds district heating system. The UK government sees district heating as a key solution for achieving net zero emissions.

- **Sustainable Food Systems**

- **Investor Coalition on Microfibre Pollution**

The Investor Coalition on Microfibre Pollution, involving various Asset Owners and Managers globally, aims to collectively address the escalating threat of plastic pollution, particularly microfibre pollution impacting biodiversity in oceans and on land. The coalition focuses on engaging companies to deploy filter technologies in washing machines, addressing the issue of microfibre shedding from laundered textiles. Engagements include collaborating with the UK's Marine Conservation Society for legislative advocacy and specific engagements like MUFG AM in Japan raising the issue with Panasonic. The coalition plans to leverage its collective influence to continue engaging with companies and advocating for robust microplastics strategies in the future.

- **ShareAction Long Term Investors in People's Health initiative**

In 2023, we, through LAPFF, engaged with Unilever through ShareAction's Long Term Investors in People's Health initiative, aiming to enhance disclosures on how Unilever promotes health in its portfolio. After withdrawing a shareholder resolution in 2022, investors requested more granularity and the use of government-endorsed nutrient profiling models. Unilever made significant progress by publishing targets and new disclosure practices, assessing product health globally.

However, LAPFF continued discussions on our behalf for greater ambition in the proposed targets in 2023, emphasizing the use of an independent nutrient profiling model and evaluating healthiness against sales proportion rather than 'servings.' Despite Unilever's view of challenging targets with a positive impact, investors advocated for more robust measures.

Human Rights

- **Platform Living Wage Financials and the Interfaith Centre on Corporate Responsibility (ICCR's)**

Another external manager collaborated with Platform Living Wage Financials and the Interfaith Centre on Corporate Responsibility (ICCR's) investor engagement group to engage Anta Sports, aiming to enhance ESG disclosure on human rights due diligence and living wage efforts in the supply chain. As lead engagers, discussions focused on improving Anta Sports' performance on the Corporate Human Rights Benchmark. Notable progress includes the publication of a Supply Chain Handbook with expectations for worker rights and a focus on eradicating child and forced labour. Anta Sports is educating Chinese suppliers on living wages and using ESG data tools for progress. Follow-up assessments highlighted

improvement, emphasizing the need for further disclosure on defining living wages, detailing engagement with unions, and tracking supplier performance in implementing living wage programs.

- **Investor Alliance for Human Rights initiative**

Our external manager engaged a semiconductor manufacturer, collaborating with other shareholders in the Investor Alliance for Human Rights initiative, focusing on human rights-related risk management in the United States. This engagement aimed to address the company's low score in the World Benchmarking Alliance's corporate human rights benchmark. Through a positive and constructive dialogue, the company demonstrated commitment by implementing a revised human rights governance structure, updating policies, and forming a working group for regular inputs to the board. Suggested best practices were shared, and the company agreed to review them. Future plans are to assess the company's next sustainability report and human rights-related disclosures in the follow-up.



Voting

(Principle 12)

Voting is used to reinforce and escalate engagements that are carried out by our external managers, our external stewardship provider, or through collaborative initiatives.

By regularly raising key issues through different mediums and channels, we increase the chances of being heard by the company and wider sector and initiating changes that reduce portfolio risks and contribute to sustainable futures.

Our Voting Principles outline our approach and voting expectations in asset classes where we hold voting rights, which are reviewed on an annual basis. In 2023, we strengthened our ambitions across various systemic issues, including gender and ethnicity diversity at senior management and board levels, biodiversity and for each of our engagement themes. This includes expectations for companies to include 1.5°C pathways as part of their financial statements and encourage companies to protect and restore biodiversity as part of their climate transition efforts. Votes against the Chair will be considered if the

company scores below 10 on the Forest 500 ranking. Further changes can be seen in our Voting Principles²². Where voting rights are executed by external managers on behalf of our (for instance, in pooled mandates operated by LGPS Central, or where we have delegated authority) we regularly review our voting approach and hosts meetings together with all external managers to ensure alignment in voting practices and issues.

We vote on a range of key issues concerning environmental sustainability, including climate change, and broader social issues such as human rights. We recognise that for a company to address these issues, good governance is required to ensure sufficient expertise and oversight. Following unsuccessful engagement, votes may be cast against those responsible for good governance.

2023 VOTING ACTIVITY

Voted at

2,882

meetings

37,180

resolutions



Votes executed in 2023 (%)

- Total meeting in favour **32.2**
- Meeting against **63.7**
- Meetings abstained **0.1**
- Meeting with management by exception **4.0**



Votes issues against management 2023 (%)

- Board structure **50.2**
- Remuneration **25.3**
- Shareholder resolution **10.3**
- Capital structure and dividends **5.8**
- Amend articles **1.9**
- Audit & accounts **4.1**
- Other **2.4**

²² The Voting Principles 2024 is due for revision and approval for March 2024

VOTING PROCEDURES

Our voting rights are executed by our appointed Pool company LGPS Central across assets invested assets across our segregated mandates and LGPS Central pooled investments, both of which align to our voting principles.



This includes companies that are held within the LGPS Central listed equity funds, three emerging market equity mandates and three sustainable equity mandates. LGPS Central's proxy research provider, EOS, provides LGPS Central with voting recommendations based on our Voting Principles, which are input on the Institutional Shareholder Services platform prior to the vote deadline. The voting recommendations are then cast as voting instructions if there is no further intervention, except in the case of share-blocking votes. LAPFF issues voting alerts for the companies directly to us and LGPS Central. In minority cases where a company LGPS Central are engaging and/or that the Local Authority Pension Fund Forum has issued a voting alert for falls outside EOS' main engagement, LGPS Central will often consult ISS research directly.

In situations where companies are faced with a market-wide crisis that causes unprecedented disruption, uncertainty and challenges to their business models, operations, workforce and finances LGPS Central, on our behalf, will consider applying a more flexible voting approach. In such instances LGPS Central would issue us with a document explaining how they may deviate from our Voting Principles, on what issues and relative to which sectors (if different sectors are affected differently).

Voting Watch List

We take a pragmatic view to voting due to the size of our equity portfolio. The structure established by EOS and LGPS Central allows for our voting rights to be executed across all available holdings in line with our Voting Principles efficiently.

In addition, LGPS Central has established a "Voting Watch List" that covers approximately 50 companies that have significant holdings and/or core engagements in and outside of our Engagement Themes and/or have ongoing controversies. Votes at these companies will be given particular scrutiny ahead of the AGM. While it is not feasible to attend all these companies' AGMs, LGPS Central aim to attend AGMs virtually (if permissible) for core Climate Action 100+ engagements and for any company with which they have filed a shareholder resolution.

The watch list companies will undergo further analysis by LGPS Central and provides an opportunity to access how accurately our Voting Principles are being implemented. Interaction with EOS at Federated Hermes:

- LGPS Central share the Voting Watch List with EOS ahead of each voting season, who will provide more detailed analysis to substantiate their voting recommendations for companies on the list ahead of the AGM
- LGPS Central seek ad-hoc interactions/meetings with EOS in regard to core holdings or key engagements, where either they or we would like further input ahead of a vote.

Interaction with External Managers: LGPS Central liaise with external fund managers to understand their views and recommendations relative to key holdings and/or contentious voting issues:

- External Managers will be kept up to date on any changes to LGPS Central's/our Voting Principles, and LGPS Central/we will be informed of changes to the managers' voting approach and/or policy

- LGPS Central will share with each external manager its Voting Watch List with an explicit incentive to communicate their views on companies on this list that are held in their respective portfolios.
- The RI&E team may reach out on an ad-hoc basis in cases where they would like to elicit views on contentious issues in core holdings or key engagements that can supplement views from EOS.

Securities Lending Programme

LGPS Central reviewed and updated its active securities lending programme, built on the dialogue with us and the Central Pool partner funds, which places full restrictions on certain securities trading during the voting season. Holding securities during the Annual General Meeting (“AGM”) period ensures that our voting impact is maximised, and shareholder concerns are emphasised during engagement.

Companies from the Voting Watch List (of 50 companies) were selected as critical engagements with lending restrictions to ensure that we had the ability to vote for these certain companies. These companies are viewed as high-risk companies in relation to climate identified in our Climate Risk Reporting and/or fall within the scope of the Climate Action 100+ engagements. A more targeted approach was adopted to balance the cost implications of excluding all companies in the Voting Watch List, which is lifted at the end of the AGM season.

Reporting for Outcomes


For transparency and accountability, we publicly disclose our voting outcomes in three main formats:

- A report summarising our voting activities is provided on a quarterly basis to our Pensions Committee.
- Our annual report includes disclosures on voting, as well as other aspects of RI, consistent with the statutory guidance.
- We disclose the latest quarterly voting statistics on our website.




VOTING OUTCOMES

In 2023, examples of significant votes aligned to our Stewardship Themes are highlighted below.

Company	Volkswagen AG
Theme	Climate change
Objective	To align with industry standards on climate change-related corporate lobbying, set by the Institutional Investors Group on Climate Change (IIGCC) and the Global Standard on Responsible Climate Lobbying, due to perceived slow progress at the company.
Vote decision and rationale	EOS recommended a vote against the discharge of the management board due to concerns about Volkswagen's slow progress in aligning with climate change-related corporate lobbying expectations. The engagement with the company since 2019 focused on climate lobbying, and despite a shareholder resolution in 2022 urging the company to explain its lobbying activities related to climate risks, the proposal was rejected twice. EOS expressed concerns about the lack of detailed drafts or a public commitment to publish a report before the 2023 AGM. Additionally, misalignment between short- and medium-term emissions reduction targets and a 1.5°C trajectory contributed to the vote recommendation.
Outcome	After the voting deadline but just days before the annual May meeting, Volkswagen released its inaugural Association Climate Review for 2023, which assesses the alignment of its key trade associations to its climate change policy. We welcomed this development as a positive move forward, marking progress after four years of engagement on this matter.
 VOLKSWAGEN AG	
Company	Yum! Brands, Inc.
Theme	Sustainable food systems
Objective	To encourage Yum! Brands, Inc. to issue a report outlining its efforts to reduce plastic use, specifically by shifting away from single-use packaging.
Vote decision and rationale	The collaborative initiative, As You Sow, proposed that Yum! Brands provide a detailed report on plans to reduce plastic use, emphasizing concerns about inadequate disclosure on strategies addressing plastic pollution, posing financial and reputational risks. While acknowledging Yum! Brands' packaging policy, the proposal argued it insufficiently addressed potential risks related to using virgin plastics, new incoming regulations, and lacked discussion on a transition plan away from single-use plastic. Despite existing goals, the proposal suggested a more comprehensive report to enhance shareholders' understanding of risk management.
Outcome	The shareholder resolution did not pass. However, it gained significant support, receiving 37.6% of shareholder votes. The concerns raised in the proposal about the company's plastic reduction goals and risk management strategies, though not leading to immediate policy changes, reflect a meaningful level of shareholder interest in sustainability and plastic use reduction.



Company	Amazon
Theme	Human rights
Objective	Insufficient management of human rights risks
Vote decision and rationale	We revised our voting principles alongside LGPS Central on an annual basis. In 2023, we revised human rights voting policy, which identifies a watchlist of companies that have received low scores on credible third-party human rights benchmarks, or that have been involved in significant controversies. At Amazon, EOS recommended voting against electing Director Jamie Gorelick as there are concerns about insufficient management of human rights risks.
Outcome	
	
Company	Microsoft Corporation
Theme	Responsible financial management
Objective	To urge Microsoft to publish a Tax Transparency Report, aligning with the GRI Tax Standard.
Vote decision and rationale	Led by Akademiker Pension and co-filers, shareholders proposed a precatory resolution advocating for Microsoft to disclose its tax payments according to the GRI Tax Standard. Microsoft's board responded by highlighting the company's practice of providing annual country-by-country reports confidentially to tax authorities, as per OECD agreements. They also mentioned that, although not currently mandatory, Microsoft plans to comply with EU requirements for country-by-country reporting starting fiscal year 2025. LGPS Central supported the resolution, emphasizing the importance of such disclosure for shareholders to understand the company's tax management approach and its consideration in corporate activities.
Outcome	The shareholder resolution did not pass, but it gained notable support with 21.3% of shareholders voting in favour. Microsoft's commitment to comply with EU requirements for country-by-country reporting in fiscal year 2025 was emphasized, even though it was not sufficient to sway the majority of shareholders in this instance.



Microsoft

Appendix 1

Mapping to the FRC Stewardship Code Principle

Principle	Page	Additional comments
<p>Principle 1: Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.</p>		<p>Our purpose is to provide a sustainable future for all as elaborated from our mission and our vision. Our culture, values and strategy are further demonstrated in our People Strategy, which outlines our PRIDE values that govern the way we operate, and our Corporate Plan, which outlines how we adapt and mould our business strategy in line with changing operating environment and intentions.</p> <p>One of our investment beliefs, as detailed in this document, is the Responsible Investment focusing on ESG integration into the investment strategy and governs our approach to the stewardship of our assets, as stated in our Responsible Investment Framework. The framework is reviewed on an annual basis to ensure that these practices and processes are enabling effective stewardship. We have also attached our PRI assessment scores in Appendix 3, which demonstrates how well Responsible Investment is integrated into our investment approach (one of our Investment Beliefs), ultimately translating to value-add for our clients and beneficiaries.</p>
<p>Principle 2: Signatories' governance, resources, and incentives support stewardship</p>		<p>As a Local Government Pension Fund (LGPS), the Fund's governance structure is dedicated by the rules of the LGPS. This extends to the structure of our Pensions Committee and Local Pension Board. The Investment Advisory Panel was an addition to the original governance structure, providing investment specialism and oversight, filling in the missing knowledge gap and experience in our governing bodies.</p> <p>Our employees form the heart of the organisation. We have developed a range of initiatives and programs to support the development, growth, and well-being of all employees. This includes:</p> <ul style="list-style-type: none"> • Funded professional development and qualifications in all service areas including investment (CFA, IMC, IOC), pension administration (PMI) and finance (ACCA). • "STAR award programme" recognises the work of our employees and stand out contributions, and monthly employee "Special Recognitions" are highlighted in our internal Fund newsletter. • Wellbeing support and training, through the onboarding of mental health first aiders, external training (e.g. stress and resilience) from professionals and breakout spaces • Championing Equality, Diversity and Inclusion (EDI) through the development of the EDI framework and receiving accreditations for certain diversity characteristics <p>While we don't have specific reward programmes to incentivise employees to integrate stewardship into investment decision making, individuals' objectives are linked to our wider objectives with performance assessed by progress against those objectives.</p>

Principle	Page	Additional comments
<p>Principle 3: Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first</p>		<p>We have disclosed our conflicts of interest policy including the process of identifying potential and actual instances of conflicts internally, with our stakeholders and pooling company. Whilst we have no identified examples that pertain to stewardship internally, there are instances of conflicts of interests with a political angle. Examples of potential conflicts of interest are provided in Appendix 2a. Examples of second order conflicts of interests are provided in Appendix 2B.</p>
<p>Principle 4: Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system</p>		<p>We have outlined the different methods used to identify market-wide and systemic risks. We also identify and track market-wide risks as part of manager monitoring that is undertaken on a quarterly basis across asset classes. We work with others to best position us to address these risks and implement a program of engagement to address them. Some identified include climate change risks, which we assess through Climate Risk Monitoring on an annual basis.</p> <p>We have provided examples of how we work with industry participants to shape the landscape in which we operate in, including but not limited to, consultations, engagement on regulatory rules and by sharing best practice with the wider community.</p> <p>We have also provided a list of initiatives that we currently active in, including our contribution and effectiveness.</p>
<p>Principle 5: Signatories review their policies, assure their processes and assess the effectiveness of their activities</p>		<p>We have stated how policies pertaining to stewardship have been reviewed through our governing bodies and triennial review to ensure that our reporting is balanced, fair and understandable. We have also attached our PRI assessment scores in Appendix 3, which demonstrates how our policies (including the Responsible Investment Framework and Voting Principles) enable effective stewardship.</p> <p>We have listed both internal and external assurance applicable to us.</p>
<p>Principle 6: Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them</p>		<p>We are a defined benefit pension scheme with an overview of the investment portfolio, membership base and investment time horizon provided.</p> <p>We have outlined our communications with our members in 2023, including our pilot Responsible Investment Survey and Engagement Forums, which enables us to assess the effectiveness of our customer engagement. We plan to build upon this in 2024.</p>

Principle	Page	Additional comments
<p>Principle 7: Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities</p>		<p>We have defined four engagement themes that we prioritise during the investment and stewardship process. We recognise the difficulties of integrating Responsible Investment across certain asset classes and geographies, due to data availability, legislative reasonings or political structures. We expect all our managers to be integrating Responsible Investment but may be more forgiving towards managers whereby the barriers are beyond their control but aiming to address this issues in other ways.</p> <p>We have defined our expectations for asset managers and LGPS Central for the integration of responsible investment and stewardship into the investment process, during manager selection, the design and award of mandates and reiterated through regular performance monitoring meetings. This is reiterated through LGPS Central's Responsible Investment and Engagement Framework. LGPS Central is also informed through our involvement in steering LGPS Central's strategic direction in the provision of the climate risk monitoring service, defining the pool's engagement themes and implementation of net zero strategies aligned with our ambitions and commitments.</p> <p>We have provided an example of how stewardship and engagement has led to an exit in a position aligning to our managers' investment philosophy. This can be viewed in Escalations.</p>
<p>Principle 8: Signatories monitor and hold to account managers and/or service providers</p>		<p>We have described the service providers that we utilise to support the work of stewardship, such as external managers, LGPS pool provider, consultants, and advisors, including how their services are reviewed annually, overseen by our governing bodies and the value/effectiveness of the services they provide.</p>
<p>Principle 9: Signatories engage with issuers to maintain or enhance the value of assets</p>		<p>We have defined four engagement themes based on key issues for the portfolio that inform our engagement approach such as climate change as it aligned with our Investment Beliefs. Not only are these issues material to the investments, but these issues also reflect our purpose for 'Providing Sustainable Futures for All'. As part of our Responsible Investment Survey, we determined that our members' views were aligned with our approach.</p> <p>Our Stewardship Provider, and other relevant engagement initiatives, sets out milestones and defined objectives with companies and informs us, on a quarterly basis, which milestones have been achieved.</p> <p>Engagement occurs in different forms, such as correspondence, meetings, participation for Annual General Meetings, signing investor letters and voting at company Annual General Meeting (only applied to equities). These engagements can be done directly with our managers, particularly whereby the number of holdings is small, selected, specialise engagement providers or through collaborative investor engagement initiative.</p>

Principle	Page	Additional comments
Principle 10: Signatories, where necessary, participate in collaborative engagement to influence issuers		We have provided examples of collaborative engagements that we have participated in, either directly or through service providers, including the outcomes or next steps of those engagements.
Principle 11: Signatories, where necessary, escalate stewardship activities to influence issuers		<p>We expect managers to escalate engagement when there is lack of progress relative to the engagement objectives, which is reiterated during quarterly performance reviews. We understand that escalations may differ depending on how the engagement took place including voting at company's Annual which is bespoke to listed equity.</p> <p>Examples of escalation, undertaken by us or external managers in 2023, have been provided.</p>
Principle 12: Signatories actively exercise their rights and responsibilities		<p>We have outlined our process and approach to voting. Our voting rights from our segregated mandates (equities only) are transferred to pool provider and their stewardship provider. As stated, this is outlined in our Voting Principles, which is agreed upon by us and our pool provider.</p> <p>Examples of voting outcomes and examples of resolutions in 2023, have been provided.</p>

Appendix 2a

Hypothetical Examples of Internal Conflicts of Interest

<p>Investing to improve scheme administration versus saving money</p>	<p>An employer representative, who may be a Permanent Secretary, finance officer or local councillor, is aware that system X would help to improve standards of record-keeping in the scheme, but it would be costly to implement. The scheme manager, for instance a central government department or local administering authority, would need to meet the costs of the new system at a time when there is internal and external pressure to keep costs down. In order to meet the costs of the new system, the scheme manager would need to find money, perhaps by using a budget that was intended for another purpose. This decision could prove unpopular with taxpayers. A conflict of interest could arise where the employer representative was likely to be prejudiced in the exercise of their functions by virtue of their dual interests.</p>
<p>Outsourcing an activity versus keeping an activity in-house</p>	<p>In an extension of the previous example, a member representative, who is also an employee of a participating employer, is aware that system X would help to improve standards of record-keeping in the scheme, but it would mean outsourcing an activity that is currently being undertaken in-house by their employer. The member representative could be conflicted if they were likely to be prejudiced in the exercise of their functions by virtue of their employment.</p>
<p>Representing the breadth of employers or membership versus representing narrow interests</p>	<p>An employer representative who happens to be employed by the administering authority and is appointed to the pension board to represent employers generally could be conflicted if they only serve to act in the interests of the administering authority, rather than those of all participating employers. Equally, a member representative, who is also a trade union representative, appointed to the pension board to represent the entire scheme membership could be conflicted if they only act in the interests of their union and union membership, rather than all scheme members.</p>
<p>Assisting the scheme manager versus furthering personal interests</p>	<p>i) A Pensions Board member, who is also a scheme adviser, may recommend the services or products of a related party, for which they might derive some form of benefit, resulting in them not providing, or not being seen to provide, independent advice or services</p> <p>ii) A Pensions Board member who is involved in procuring or tendering for services for a scheme administrator, and who can influence the award of a contract, may be conflicted where they have an interest in a particular supplier, for example, a family member works there.</p>
<p>Sharing information with the pension board versus a duty of confidentiality to an employer</p>	<p>An employer representative has access to information by virtue of their employment, which could influence or inform the considerations or decisions of the Pensions Board. They have to consider whether to share this information with the Pensions Board in light of their duty of confidentiality to their employer. Their knowledge of this information will put them in a position of conflict if it is likely to prejudice their ability to carry out their functions as a member of the Pensions Board.</p>
<p>Acceptance of gifts</p>	<p>An individual accepts the offer of a dinner invitation from a bidder or potential bidder to one of our outsourced contracts.</p>