# Stewardship Update

**SECOND QUARTER · 2023-24** (JULY - SEPTEMBER 2023)

# Responsible Investment & Engagement:

## LGPS Central's approach

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

***OBJECTIVE #1***

Support investment objectives

***OBJECTIVE #2***

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

## These are met through three pillars:

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

- Taskforce on Nature-related Financial Disclosures: Biodiversity has been the subject of increased attention from the Responsible Investment community. Several investor initiatives, such as Nature Action 100 and PRI's Nature Reference Working Group, have been announced this quarter. The Taskforce on Nature-related Financial Disclosures (TNFD) was launched at Climate Week NYC, after two years of development and testing. The TNFD's 14 recommendations have been released, and the reporting framework is now officially open for market adoption. Several prominent firms, including GlaxoSmithKline, have announced that they will adopt the recommendations and publish their first TNFD disclosures from 2026. This framework, which is largely based on the Taskforce for Climate-related Financial Disclosure (TCFD) framework, requires organizations to disclose how biodiversity is incorporated into the same four key pillars: Governance; Strategy; Risk Management; and Metrics and Targets.
- Voting Season 2023 Summary: the 2023 vote season was characterised by investor frustration over companies' inadequate responses to climate change, and stakeholder concerns about labour rights and pay as the cost-of-living crisis continued to bite. Shareholders continued to call for change at companies this year, bringing a raft of proposals in the US and Europe on collective bargaining rights, climate lobbying, child safety in the digital realm, animal welfare, racial equity and tax transparency. Executive compensation also came under scrutiny as the cost-of-living crisis continued. Companies continued to give investors the opportunity to vote on their climate transition plans – either for the first time, or by providing an annual update to already-approved plans. However, there was a marked reduction in the number versus 2022, according to EOS tracking data.
- During the period, the team also joined efforts with the **Nature Action 100** and the **CDP Science-Based Target** engagement programmes. Nature Action engages companies in key sectors that are deemed to be systemically important in reversing nature and biodiversity loss by 2030. The CDP Science-Based Target engagement programme will request more than 2,100 high-emitting companies to set science-based emission reduction targets. The company's outreach of both initiatives is set for the next quarter (i.e., 2023 Q4).
- Last but not least LGPS Central launched a **proprietary tool** for tracking engagement activities, including advocacy-type engagements. The tool will track progress against engagement's KPIs and it is fully integrated with the 2024-2027 Stewardship Plan.

### *STEWARDSHIP THEME REVIEW*

As part of the three yearly Stewardship theme refresh, throughout October 2023, LGPSC's Stewardship team met with all Partner Funds to discuss a proposed set of stewardship themes. We will collate feedback and discuss with all our Partner Funds with a view to agree a revised set of stewardship themes for the next three years. We would like to thank all Partner Funds for their continued engagement throughout this process.


Below is a high-level summary of key engagements and AGM votes that have taken place during Q2 of the financial year 2023-24. These and other engagements and voting examples will be covered in more detail later in this update.

## ENVIRONMENTAL

**Société Générale** is the fifth largest European provider of financing to 50 of the top oil and gas companies, having provided over $34 billion between 2016 – 2021[1]. In February 2023, LGPSC co-signed a letter to Société Générale's Chief Executive Officer and Chairman of the Board of Directors, requesting that the company commit to stopping direct financing for new Oil & Gas fields. We attended an engagement call with the firm's Chief Sustainability Officer in September 2023. As responsible investors we were pleased to learn that the company committed to cease financing upstream oil and gas pure players and new greenfield projects from 1st January 2024. The firm also unveiled its refreshed Oil and Gas policy with several new net zero targets. There is potential to re-engage with the company in H1 2024 to discuss extending the commitment to cease financing new oil and gas fields. There is an opportunity to include state-owned companies in this commitment and to discuss the firm's approach to the Just Transition.

We recognise our fiduciary duty to act in the best long-term interests of our beneficiaries and the crucial role that tropical forests and other types of native vegetation play in tackling climate change, protecting biodiversity and ensuring ecosystem services. To this end, LGPSC are active members in the collaborative investor initiative, **Investor Policy Dialogue on Deforestation (IPDD)**. IPDD sent a letter to several Brazilian Senators raising concerns over Projeto de Lei 2903 which risks undermining protection for indigenous territory and thereby facilitating deforestation. The letter outlines the key role indigenous communities play in ensuring compliance with Brazil's world-leading Forest Code and makes clear that IPDD would like to see the proposed legislation defeated in the Senate.

In response to the government's recent public statements and policy signals, LGPSC co-signed a letter to **Prime Minister Rishi Sunak** in August 2023, along with investment manager, banks, asset owners and other financial institutions representing £1.5 trillion in Assets Under Management. The letter urged the government to provide long-term policy certainty to ensure the UK is a world leader in sustainable finance by making clear that important policy pillars driving investment, like predictable carbon pricing mechanisms, the transition to EVs, and improved energy efficiency standards for housing, will not be changed abruptly.

## SOCIAL

We are directly engaging with an **Information Technology company** on the issue of upholding the United Nations Guiding Principles on Business and Human Rights (UNGPs). We held a meeting with the Chief Compliance Officer in September 2023 to discuss our expectations of the company to undertake human rights due diligence and have established access to remedy programmes encompassing human rights. We requested to see evidence of the firm's Human Rights Due Diligence assessment. We will continue to pursue this engagement.

As part of the PRI Tax Engagement, LGPSC is leading on the review of the Experian's latest Tax report. Feedback will be discussed with the other members of the group. Whilst the company's tax disclosure remains good, there has not been much improvement from previous years. Country to country reporting remains outstanding, as well as explanation behind the changes in the tax rate.

## GOVERNANCE

LGPSC responded to the Corporate Governance Code and the FCA Vote Report consultations. The FRC is proposing a revision to the Code to enhance its effectiveness in promoting good corporate governance. The main changes focus on strengthening assurance in accordance with a company's audit and assurance policy, and reporting on malus and clawback arrangements. This Vote Reporting Group consultation proposes a voluntary, standardised, and comprehensive 'vote reporting template' for asset managers to communicate with asset owner clients on their voting activities.

[1] Oil-Gas-Expansion-lose-lose.pdf (assets-servd.host)

# Voting highlights

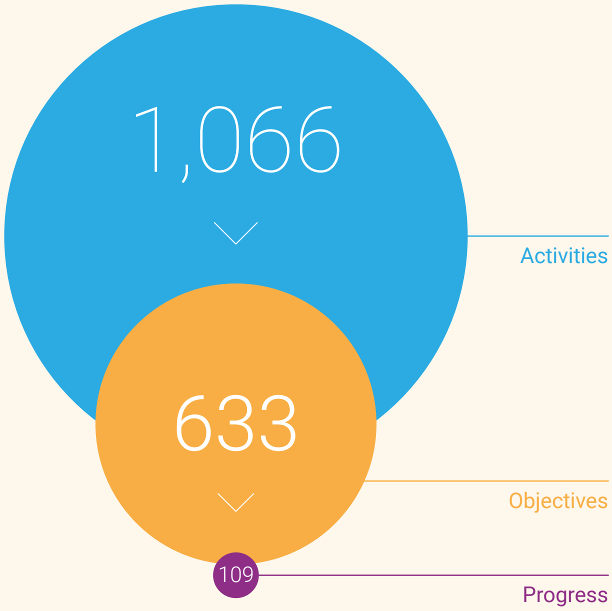
## CONSTELLATION BRANDS, INC.

We supported a shareholder proposal requesting a report disclosing how the company intends to reduce the full range of its Scope 1 through 3 greenhouse gas emissions in alignment with the Paris Agreement's 1.5-degree Celsius goal requiring Net Zero emissions by 2050. Constellation Brands can be viewed as a laggard in comparison to other alcoholic beverage companies including Molson Coors, Anheuser-Busch InBev, and Diageo who have all set Paris aligned targets. These targets have been validated by the Science Based Targets initiative for their Scope 1, 2, and 3 emissions. Given the firm's lagging position relative to its peers, we supported this shareholder resolution. We believe that shareholders would benefit from additional information on how the company plans to align its operations with the Paris Agreement goals, manage its greenhouse gas emissions, and address climate risks. See further detail on page 13.

## NIKE, INC.

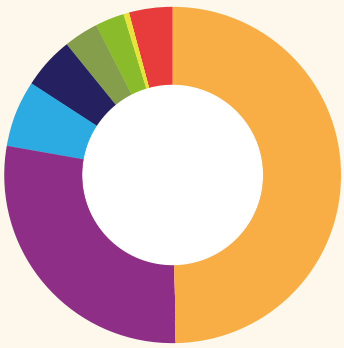
A shareholder proposal was put forward requesting NIKE to report on its gender and racial pay gaps, including various associated risks. The median pay gap statistic provides benefits such as transparency and comparability across time and organisations, as well as measuring the representation of women and racial and ethnic minorities in senior positions. As the company discloses its pay gap data for its UK workforce, investors would benefit from a report concerning the unadjusted median pay gap data for its U.S. or its global workforce. This report would allow them to better gauge how well the company is advancing opportunities for women globally and for racial and ethnic minorities in the U.S. It also assists in mitigating risks related to the increasing public scrutiny on gender and racial/ethnic pay equity issues. This is particularly relevant for NIKE as the company is currently facing a lawsuit alleging sexism and unequal pay for women. We supported this shareholder resolution because we would benefit from global median pay gap statistics, which would allow us to compare and measure the progress of the company's diversity and inclusion initiatives. See further detail on page 13.

## ENGAGEMENT ACTIVITIES DURING THE QUARTER



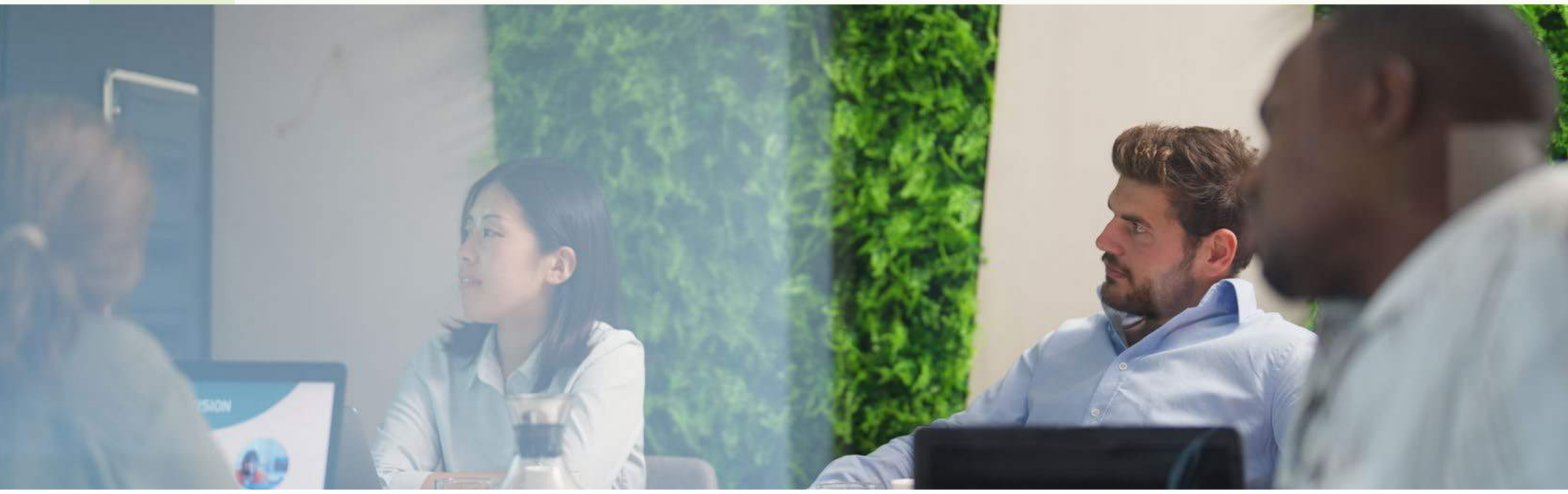

## GLOBAL VOTING

We recommended voting against or abstained on **494** resolutions over the last quarter.



- Board structure **49.8%**
- Remuneration **27.9%**
- Shareholder resolution **6.5%**
- Capital structure and dividends **5.1%**
- Amend articles **3.2%**
- Audit and accounts **2.8%**
- Poison pill/Anti-takeover device **0.6%**
- Other **4.0%**

# 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.


| | |
|---|---|
| ENGAGEMENT SET[2] COMPRISED **439** COMPANIES | ENGAGEMENT ACTIVITY ON **1066** ISSUES AND OBJECTIVES[3] |
| THERE WERE **633** OBJECTIVES | ACHIEVEMENT OF SOME OR ALL ON **109** OBJECTIVES |

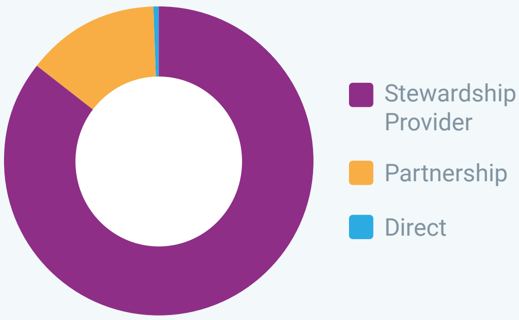
This quarter our engagement set[2] comprised 439 companies. There was engagement activity on 1066 engagement issues and objectives[3]. Against 633 specific objectives, there was achievement of some or all on 109 occasions. Most engagements were conducted through letter issuance or remote company meetings, where we, our partner or our stewardship provider in a majority of cases met or wrote to the Chair, a Board member or a member of senior management.

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

## CLIMATE CHANGE ENGAGEMENTS

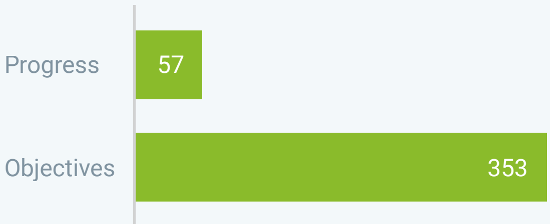
This quarter, our climate change engagement set comprised 196 companies with 355 engagement issues and objectives[4]. There was progress on 57 specific engagement objectives.

### ENGAGEMENT VOLUME BY TYPE




- 353 engagements during the quarter.

### ENGAGEMENT VOLUME BY OUTCOME




### BANK OF IRELAND GROUP PLC

**Theme:** Climate Change

**Objective:** Bank of Ireland Group PLC (the 'Bank') is investigating ways to implement full scope emissions targets for its operations and Scope 3 portfolio emissions, and how this will align with science-based pathways. This strategy implies changes to lending practices as well as managing down legacy emissions in historical lending. Our stewardship provider, EOS at Federated Hermes ('EOS') have set an objective for this to be achieved, with a net-zero target across all scopes and lending that can be achieved well before 2050.

**Engagement:** During a Q3 2022 engagement, the bank provided an outline of its intended strategy to disclose a planned science-based pathway for Scopes 1, 2 and 3 and lending portfolio emissions reductions. EOS engaged with the bank throughout the process and reported on the bank's progress on the science-based pathway, and the strategy to achieve this, as well as greater detail on how net zero can be achieved. EOS also reviewed its sustainable business disclosure, which has outlined the work it will carry out in its internal asset class working groups to establish approaches to science-based targets.

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

**Outcome:** At the end of Q3 2023, the bank has published a full and detailed strategy for science-based emissions reduction pathways of which the targets have been validated by the SBTi. These consist of a 49% reduction in GHG emissions from operations (Scope 1 and 2) by 2030 and reduction targets have been set for emissions arising from lending (Scope 3). To achieve this, the Bank has increased sustainable lending by committing to a 48% reduction in mortgage portfolio emissions and a 56% reduction in commercial real estate portfolio emissions by 2030, with 2020 as the base year.

Under the targets, 25% of the Bank's corporate loan portfolio will also need to have SBTi-validated targets by 2025. Whilst the wider objective is achieved, EOS continues to engage with the Bank on how it is executing against the commitments to complete the requirement above.

In Q3 2023, EOS discussed challenges and opportunities of executing lending against emissions pathways. The Bank have implemented strategies to increase adoption of decarbonisation, adaptation and resilience-related lending amongst agriculture and home mortgage borrowers. EOS will continue to monitor achievement of emissions and lending targets and provide feedback on how the bank is providing quantitative disclosure in this regard.

## DELTA ELECTRONICS INC

**Theme:** Climate Change

**Objective:** The objective is for the company to enhance its disclosure in line with the TCFD recommendations to demonstrate that its strategy is consistent with the Paris Agreement goals or the International Energy Agency's 1.5 degrees scenario.

**Engagement:** Our stewardship partner, EOS at Federated Hermes (EOS) raised concerns about the company's use of internal carbon funds or capex to fund its climate transition. The company stated it has been using internal carbon funds or capex to fund other activities in order to meet its carbon neutrality goals. During an engagement in November 2021, EOS requested further disclosure on the use of the fund. EOS discussed the company's internal carbon pricing and asked how the mechanism, whereby internally generated funds are directed to energy conservation, emissions reduction, and renewable energy investment, works in practice. The company was unable to provide a detailed answer, investor relations advised that more information should be provided in the upcoming ESG report.

**Outcome:** Delta Electronics' 2022 ESG report contains significant new information on how its internal pricing mechanism helps it to achieve its climate ambitions. It quantifies funds totalling US$120m raised by the mechanism in 2022. The report explained the carbon fee charged by the mechanism and also explained how the mechanism is used to help finance its transition to electric vehicles, which is in line with its commitment to using only zero-emission company vehicles by 2030.

## SUZANO SA

**Theme:** Biodiversity

**Objective:** Our stewardship provider, EOS at Federated Hermes (EOS) scrutinised the company's long-term biodiversity strategy. The company was requested to produce evidence in terms of biodiversity restoration, land use and social impact outcomes in its 2021 to 2023 disclosures. The strategy needs to account for and report against historic problems in biodiversity and land use that the company has faced in previous decades.

**Engagement:** Following the 2021's Company biodiversity strategy and targets, EOS has engaged with the company on disclosure on the targets and its long-term alignment towards biodiversity restoration and land use. In addition, the Company has previously faced criticism on its approach towards land use and biodiversity.

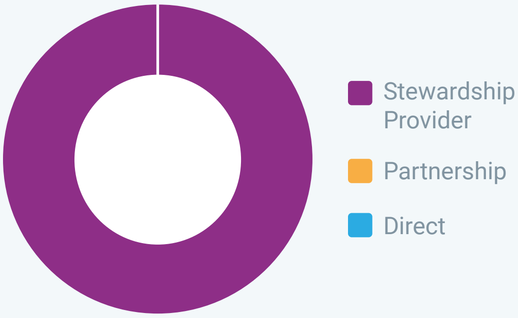
**Outcome:** The Company has set up a target on restoring ecological connective corridors in three focus biomes. This will lead to biodiversity restoration across a total of 4 million hectares to be conserved overall. The target covers directly owned lands and expands to joint ventures. As of 2022, around 180 hectares have been planted, about 1% of its restoration goal. Despite initially slow progress, the company is encouraged to remain committed to its long-term partnership and ambition, given the environmental and social materiality of resilient biomes to the company's financial health.

The engagement is still ongoing. The company reports the impact the strategy is having in its 2021 ESG disclosures and changes made to improve effectiveness. The company has begun to demonstrate early results of its biodiversity, land use their reporting, but more progress is needed. Our engagement provider, EOS, continues to monitor this.

## PLASTIC ENGAGEMENTS

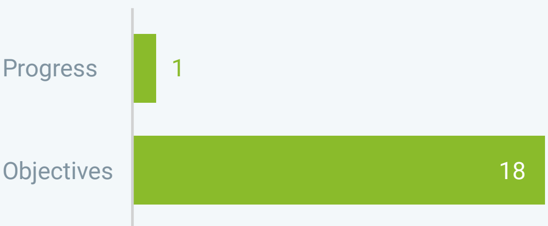
This quarter our plastic-related engagement set comprised 17 companies with 18 engagement issues and objectives. There was progress on 1 specific engagement objective.

### ENGAGEMENT VOLUME BY TYPE




- 18 engagements during the quarter

### ENGAGEMENT VOLUME BY OUTCOME




## ANSELL LTD

**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. The objective is for the company to develop and publishes a circular economy strategy with goals that include sourcing, demand, use and disposal.

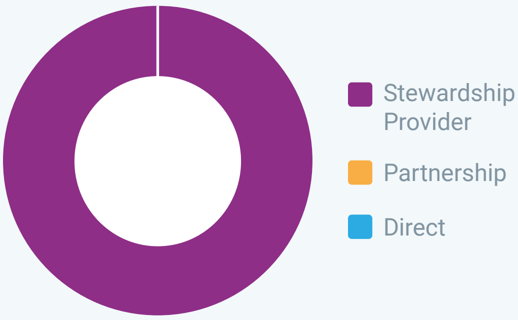
**Engagement:** In the most recent engagement, held in Q3 2023, the company confirmed to EOS, our partner, plans to launch a new framework to outline the sustainability characteristics of individual products. It is calling this initiative Ansell Earth and expects it to be helpful in informing customer choice on sustainability. This supports its target for 80% of products to be designed with a reduced environmental impact by 2026. The company has also undertaken a lifecycle analysis of the environmental impact of multiple products. For its reusable gloves, around 50% of the carbon footprint relates to the yarn, while for its single-use gloves the biggest impacts occur at manufacturing (being addressed) and through end-of-life waste generation. The creation of a dedicated team of sustainability specialists that work across innovations underlines the increased importance of sustainability at Ansell. In 2023 it partnered with a French recycling company to trial the processing of gloves, including nitrile gloves, into second life material for use.

**Outcome:** EOS will continue to engage with the company until the firm has developed and published a robust circular economy strategy as outlined in the engagement objective.

## FAIR TAX PAYMENT AND TAX TRANSPARENCY ENGAGEMENTS

This quarter, our tax transparency engagement set comprised 1 company with 2 engagement issues and objectives.

### ENGAGEMENT VOLUME BY TYPE




- 2 engagements during the quarter

### EXXON MOBIL CORP

**Theme:** Responsible Taxation policy

**Objective:** The objective is for the company to publish a responsible taxation policy in line with the Global Reporting Initiative Tax Fairness Standard, and disclose itemised payments to governments at the national, state, and local levels.

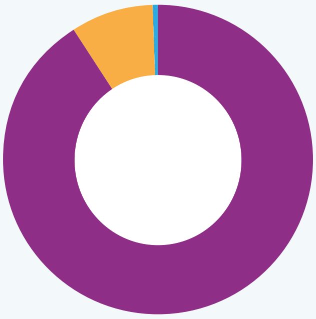
**Engagement:** In February 2023, our Stewardship Partner, EOS at Federated Hermes, encouraged the company to publish a responsible taxation policy in line with the Global Reporting Initiative Tax Fairness Standard, and disclose itemised payments to governments at the national, state, and local levels. In response, the company said it was prepared to increase disclosure on the topic in line with emerging Dodd Frank regulations - regulation that restricts banks from trading with their own funds, monitors systemic risk, tightens regulation of financial products, and creates new agencies to oversee the process.

**Outcome:** In Q3 2023, the company outlined that it is prepared to comply with emerging tax regulations that require country-by-country reporting. EOS will continue to engage with the firm on this matter.

## *HUMAN RIGHTS*

This quarter our human rights related engagements comprised 129 companies with 223 engagements issues and objectives. There was progress on 29 specific engagement objectives.

### *ENGAGEMENT VOLUME BY TYPE*




- 223 engagements during the quarter

### *NESTLE SA*

**Objective:** The objective of this engagement is to ensure the company is advocating for the industry to stop the marketing of unhealthy products to children under 18 years of age and extends its Responsible Marketing to Children Policy to all children under the age of 18.

**Engagement:** EOS raised concerns regarding the absence of company advocacy for the industry to stop the marketing of unhealthy products to children under 18 years of age and the importance of extending its Responsible Marketing to Children Policy to all children under the age of 18. Our engagement provider challenged marketing policies that allow for up to 25% of marketing to target children under 12 and questioned why its 'Responsible Marketing to Children Policy' cannot be extended to all children under the age of 18. The company acknowledged their concerns but argued that there needs to be an industry-wide level-playing field on marketing policy. As a result, our stewardship provider pushed the company to evidence that it is advocating for the industry to stop the marketing of unhealthy products to children under 18 years of age as well extending its own policy to this whole age group. EOS participated in a collaborative Access to Nutrition Index engagement with the company's head of public affairs, head of food, and head of governance in Q4 2022 to further challenge the company on responsible marketing to children.

**Outcome:** The company raised its minimum age for marketing to children from 13 years to 16 years and its advocacy plan to raise industry standards. The company reiterated its recent commitment during a collaborative engagement with the Healthy Markets Coalition and the company's global head of food and global head of public affairs in Q4 2022. During ShareAction's Healthy Markets Coalition in July 2023, we found that the company is strengthening its responsible marketing to children, and refrains from marketing indulgent products or portions over a certain number of calories to children under 16 years of age.

# 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.

LGPS Central's approach to voting aligns with our responsible stewardship responsibility towards clients, i.e. Partner Funds. LGPS Central exercises voting rights to support the long-term economic interests of its stakeholders and to ensure boards of directors are accountable to shareholders.

## COMMENTARY

Between July – September 2023, we:

| VOTED AT | OPPOSED ONE OR MORE RESOLUTIONS AT | SUPPORTED |
|---|---|---|
| 394 MEETINGS (4,128 resolutions) globally | 215 MEETINGS | 69.2% OF SHAREHOLDER PROPOSALS (36 out of 52 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*

### Constellation Brands

**Company:** Constellation Brands Inc

**Theme:** Climate Change

**Rationale:** We supported a shareholder proposal requesting a report disclosing how the company intends to reduce the full range of its Scope 1 through 3 greenhouse gas emissions in alignment with the Paris Agreement's 1.5 degree Celsius goal requiring Net Zero emissions by 2050. Most of the firm's emissions fall under Scope 3, which is not covered by its current emissions targets. According to the company's ESG Impact Report 2022, it aims to reduce Scope 1 and Scope 2 greenhouse gas emissions by 15 percent by FY 2025, from a baseline FY 2020 emissions. The firm is implementing a three-year strategy and operating plans to achieve its targets. However, Constellation Brands can be viewed as a laggard in comparison to other alcoholic beverage companies including Molson Coors, Anheuser-Busch InBev, and Diageo who have all set Paris aligned targets. These targets have been validated by the Science Based Targets initiative for their Scope 1, 2, and 3 emissions. Given the firm's lagging position relative to its peers, we supported this shareholder resolution. We believe that shareholders would benefit from additional information on how the company plans to align its operations with the Paris Agreement goals, manage its greenhouse gas emissions, and address climate risks.

**Result:** The vote received 31.0% support which sends a strong message to the Board that investors would like to see improved greenhouse gas disclosures, in line with peers.

**Company:** NIKE, Inc

**Theme:** Human Rights

**Rationale:** A shareholder proposal was put forward requesting NIKE to report on its gender and racial pay gaps, including various associated risks. NIKE does not publish for its U.S. or global workforce the same gender pay gap statistic as it publishes in the UK. The company is facing a lawsuit filed in 2018, by two former employees alleging the company promoted a culture of sexism and fear of retaliation as well as unequal pay for women.

The median pay gap statistic provides benefits such as transparency and comparability across time and organisations, as well as measuring the representation of women and racial and ethnic minorities in senior positions. As the company discloses its pay gap data for its UK workforce, investors would benefit from a report concerning the unadjusted median pay gap data for its U.S. or its global workforce. This report would allow them to better gauge how well the company is advancing opportunities for women globally and for racial and ethnic minorities in the U.S. It also assists in mitigating risks related to the increasing public scrutiny on gender and racial/ethnic pay equity issues. This is particularly relevant for NIKE as the company is currently facing a lawsuit alleging sexism and unequal pay for women. We supported this shareholder resolution because we would benefit from global median pay gap statistics that would allow us to compare and measure the progress of the company's diversity and inclusion initiatives.

**Result:** The proposal received 29.6% support which sends a strong signal to NIKE's Board on investor concern over the firms approach to Diversity, Equity, and Inclusion.

### FedEx

**Company:** FedEx Corporation

**Theme:** Climate Change

**Rationale:** We supported a shareholder proposal that requested the Board of Directors to commission an independent study of how FedEx is addressing the impact of its climate change strategy on relevant stakeholders, including but not limited to its employees, workers in its supply chain, and communities in which it operates. The report should be consistent with the "Just Transition" guidelines of the International Labor Organization and indicators of the World Benchmarking Alliance.

The World Benchmark Alliance's 2022 Transportation Benchmark report scored FedEx 1.9 out of 20 on the Just Transition and raised concerns about sufficient disclosure and strategy around planning for the impact of the low-carbon energy transition on workers and communities. The firm is pursuing electric and autonomous vehicles as part of its climate strategy and research suggesting that the shift to electric vehicles and autonomous vehicles may introduce significant workplace challenge. As responsible investors we are interested in how FedEx will manage these impacts. The company does not provide disclosure around whether it anticipates its climate strategy to have a significant impact on its workforce development strategy. It is also unclear whether its current workforce development efforts would be well-positioned to address potential changes. While the company's efforts exceed those of its key peers, in this case, there appear to be concerns about the state of disclosure within the entire transportation sector. Greater disclosure around the company's just transition strategy would allow shareholders to better evaluate any related risks and opportunities.

**Result:** The proposals received 29.7% shareholder support and continues to send a strong message to the Board that investors are cognisant of risks associated with the Just Transition.

**Company:** Wizz Air Holdings Plc

**Theme:** Remuneration

**Rationale:** Shareholder approval was sought for a non-binding resolution to approve the company's remuneration policy, which would be effective from August 2023 to August 2026. The company proposed to amend the performance conditions and period of the Value Creation Plan (VCP) award granted to the CEO in 2021. Key changes to the in-flight policy include:

- The performance period is being extended from five years to seven years;
- Amendments have been made to allow full payout if 100% target share price is hit during two consecutive quarters before end date, otherwise defaulting to measured achievement based on 1H CY 2028 VWAP.
- The Company is removing the financial underpin related to the payout of the ESG portion of the award.

As a responsible investor, we have concerns about the changes in the executive package. The removal of financial underpin relaxes the conditions for the award being granted which is worsened by the fact that full payout can be paid if the 100% target share price is achieved during 2 consecutive quarters. We believe these metrics are not stretching and as challenging as the original executive policy (e.g. financial underpin attached to the ESG metrics).

**Result:** The proposal resulted in 28.2% voting against the resolution. Although the resolution passed it sent a strong message to the company over investor concern of the remuneration policy.

*LGPS CENTRAL LIMITED'S*

# Partner Organisations

**LGPSC actively contributes to the following investor groups**

30% Club – Growth Through Diversity

BVCA – British Private Equity & Venture Capital Association

CDP – Disclosure Insight Action

Climate Action 100+ – Global Investors Driving Business Transition

Federated Hermes

IIGCC – Institutional Investors Group on Climate Change

ICGN – International Corporate Governance Network

Local Authority Pension Fund Forum

Pensions for Purpose

PRI – Principles for Responsible Investment

Transition Pathway Initiative

The Investor Forum



All information is prepared as of **24/08/2023**.

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