LGPS Central Limited

Annual Stewardship Report 2024

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

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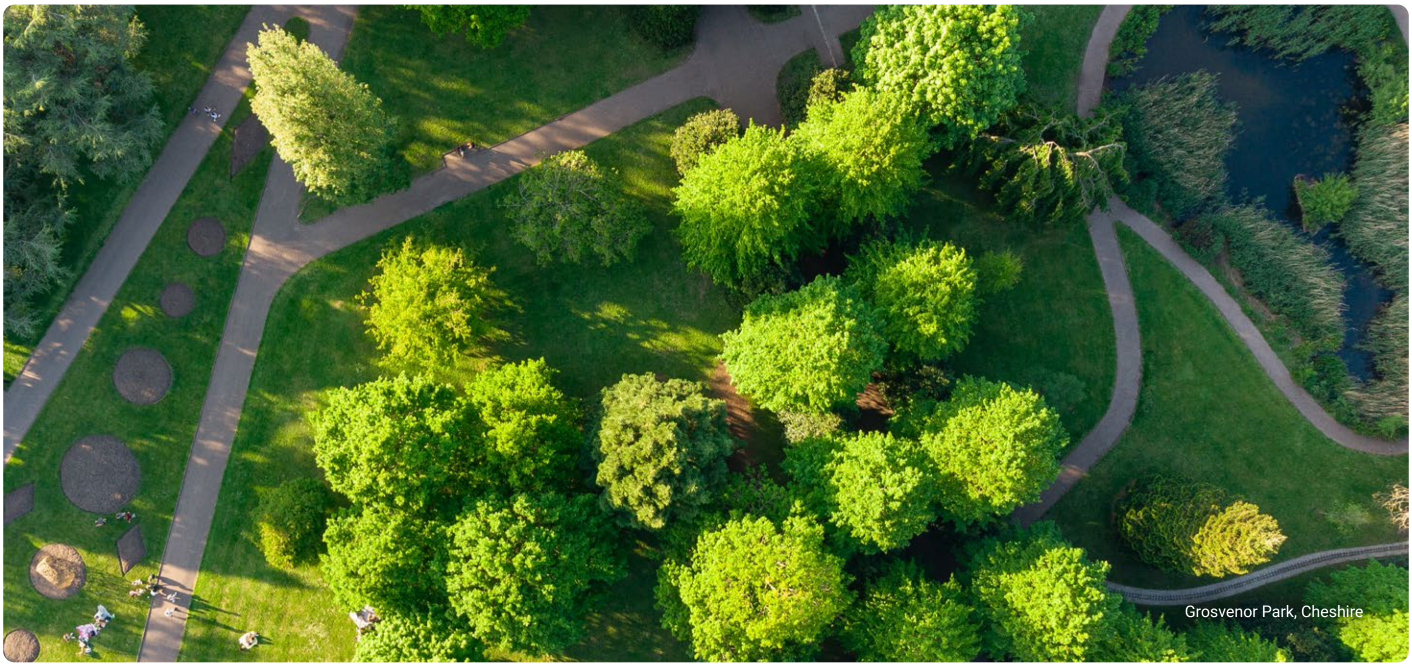
1.0 Foreword



Grosvenor Park, Cheshire

LGPS Central Limited (LGPSC) surpassed £40 billion in assets under management, marked by an increase in the oversight of external passive assets, the launch of multiple new funds and vintages, and reaching £6 billion in commitments to private markets.

We welcomed Richard Law-Deeks as our new Chief Executive Officer, whose leadership reinforced LGPSC's engagement and dialogue with Partner Funds. 2024 was a pivotal year for LGPSC, and we embraced new challenges and opportunities delivered by the Mansion House review. Equally, we navigated events that underscored the interconnectedness of global politics, economics, and stewardship, highlighting the need for multidisciplinary strategies to address global challenges. Factors such as the US elections, international conflicts, COP29, and severe natural disasters reinforced our unwavering commitment to responsible stewardship.

In consultation with Partner Funds, LGPSC responded to the Pension Investment Review: Call for Evidence in October 2024 and early in 2025 the "Fit for Future" consultation from the Ministry of Housing, Communities and Local Government. We look forward to collaborating with the Partner Funds on key proposals put forward by the government aimed at strengthening existing asset pooling arrangements, ensuring better investment outcomes and cost savings for the schemes, and encouraging more significant investment in local and regional projects to support economic growth within the UK.

Donald Trump's re-election in 2024 may have significant implications for responsible investment. The administration will likely block Securities and Exchange Commission (SEC) rules related to corporate and fund disclosures on ESG (Environmental, Social, and Governance) factors, reducing transparency and increasing investor uncertainty.

There may be a shift in requirements for US pension funds to consider ESG factors in their investment decisions. There could also be a curtailment of provisions allowing ESG-related shareholder proposals affecting shareholders globally, thereby shifting shareholders' ability to pressure corporate management to adopt more sustainable practices. We anticipate further delays in the SEC's climate disclosure requirements and a renewed focus on fossil fuels, potentially slowing the transition to cleaner energy sources and increasing market volatility.

According to the International Energy Agency (IEA), there was record production and trade of coal due to the spike in global gas market prices after the Russian conflict with Ukraine. The IEA indicated that coal consumption, which rebounded after a slump during the COVID-19 pandemic, rose to a new peak of a billion tonnes by the end of 2024, and coal consumption could remain at near-record levels until 2027.

Peak District, Derbyshire

In developed economies like the US and the European Union, coal power generation has already peaked and is forecast to decline by 5% and 12%, respectively, this year. This represents a more challenging environment for decarbonising in line with the quest of the Paris agreement.

On a positive note, the COP29 Summit in South Africa saw renewed commitments from major economies to cut emissions and equitably collaborate for net zero. Governments from 61 countries, representing 80% of global emissions, agreed on new priority actions to reduce carbon emissions, with developed countries committing to mobilising at least $300 billion annually by 2035 for developing nations.

Natural disasters in 2024 also significantly impacted global investments, resulting in substantial economic losses estimated at approximately $310 billion worldwide, encompassing both insured and uninsured losses. This led to a drastic surge in premiums, the re-evaluation of risk models in the insurance markets, and increased volatility in financial markets, particularly in real estate, agriculture, and utilities. A devastating 7.9 magnitude earthquake struck Maluku, Indonesia, claimed thousands of lives and caused widespread damage. Moreover, 2024 witnessed record-breaking floods in Central Europe, which displaced millions and resulted in considerable economic losses.

Since its inception, LGPSC has been at the forefront of integrating climate change considerations into investments. In 2019, LGPSC launched the All-World Equity Climate Multi-Factor Fund, which aims for a 60% reduction in carbon intensity, a 70% increase in green revenues, and a 70% reduction in fossil fuel reserves. In November 2024, the Fit for the Future consultation noted that LGPSC had “introduced substantial growth funds with a focus on sustainable investing, including an internally managed £5.2 billion climate factor fund that invests in publicly listed companies targeting lower carbon emissions.” In the last five years, we have also consistently produced Climate Reports for Partner Funds and assisted them with publishing their Task Force on Climate-related Financial Disclosures (TCFD) reports. Along with LGPSC, the Partner Funds have proudly adopted climate change commitments to strive for net-zero emissions ahead of 2050.

We have written this report in accordance with the UK Stewardship Code 2020, and the content reflects feedback and discussions with the Financial Reporting Council (FRC) regarding our previous Annual Stewardship Reports. The LGPSC Executive Committee (ExCo) and the Board have reviewed and approved this year’s report. It has also been reviewed by relevant department heads to ensure the accuracy of process descriptions and content.

Richard Law-Deeks
CEO

Joanne Segars
Chair

Key achievements and progress across our stewardship activities in 2024

Stewardship Strategy Refresh

- **Completed a comprehensive review of the stewardship strategy**, refining the focus to four priority themes: Climate Change, Natural Capital, Human Rights, and Sensitive/Topical Activities.
- **A new matrix was introduced to assess engagement outcomes** across the four priority themes. This framework categorizes progress into four levels—from no improvement to successful outcomes—and sets clear KPIs for each engagement.
- **Developed an in-house cloud-based database to track engagement and advocacy activities.** This system captures detailed metrics such as engagement status, KPIs, and outcomes, enabling more structured and transparent reporting.

Engagement Outcomes

100%
OF COMPANIES
on the stewardship priority list were engaged

11
ENGAGEMENTS
demonstrated moderate or successful outcomes

73%
OF ENGAGEMENTS
showed progress, including 3 successful outcomes

5
COMPANIES
were removed from the priority list (due to completed objectives or portfolio changes), and 3 were added

Policy and Process Enhancements

- **Reviewed and updated the RI&S Policy and Framework** to align with the Investment Risk Policy
- **Enhanced the Voting Principles** to address emerging risks such as AI and geopolitical risks
- **Launched a Regulatory Risk Radar** to track and respond to emerging UK and global regulations, including the FCA's Anti-Greenwashing Rule

External Stewardship Oversight

Conducted a detailed audit of EOS's engagement data and confirmed strong performance across all KPIs

Continued to monitor and assess stewardship providers and external managers for alignment with LGPSC's RI&S expectations

Advocacy and Industry Participation

- Responded to the UK government's "Fit for Future" consultation and the Pension Investment Review
- Active participation in over 20 industry initiatives including CA100+, PRI, IIGCC, and Nature Action 100
- Signed multiple policy statements and letters on climate change, deforestation, and plastic pollution
- Engaged in direct dialogue with global regulators and policymakers, including Brazil's CVM and Australia's Department of Industry

Climate Change

LGPSC engaged with
661
COMPANIES
on climate-related risks with progress tracked on
341
SPECIFIC OBJECTIVES

The Net Zero Stewardship Programme
was refined to align with
UPDATED PORTFOLIO EVALUATION METHODOLOGY

LGPSC co-filed a shareholder resolution with
BARCLAYS
leading to a commitment to stop financing new oil and gas fields and to hold annual meetings with the CEO

EOS, LGPSC's stewardship provider, engaged with
687
COMPANIES GLOBALLY
with 40% of issues linked to climate action and 45% of objectives completed

Natural Capital

295
COMPANIES
were engaged on nature-related risks, with
97
SPECIFIC OBJECTIVES TRACKED

LGPSC co-signed letters to
22
PETROCHEMICAL COMPANIES
urging reductions in fossil fuel dependency and hazardous chemicals

THROUGH NATURE ACTION 100,
LGPSC encouraged companies to conduct nature impact assessments and align with the
Global Biodiversity Framework

REPSOL
AND
LYB LyondellBasell
were engaged directly on sustainable petrochemical strategies

Human Rights

601
COMPANIES
were engaged on
670
HUMAN RIGHTS-RELATED RISKS
with
250
CASES SHOWING PROGRESS

The "Votes Against Slavery" initiative
led to 100% of targeted FTSE 350 companies and
73%
of AIM companies becoming compliant or committing to improve their modern slavery reporting

LGPSC joined the
"Find It, Fix It and Prevent It" initiative
and became a lead engager for a construction sector company

LGPSC engaged
amazon
on union recognition and labour rights, and escalated concerns at other companies through voting

Sensitive/Topical Activities

51
COMPANIES
were engaged on
21
OBJECTIVES
with
6
SHOWING MEASURABLE PROGRESS

LGPSC engaged
ArcelorMittal
following a fatal mining incident, resulting in the publication of an independent health and safety audit and compensation agreements

EOS engaged
Tencent 腾讯
on digital rights and privacy, leading to improved transparency and user consent practices

This report covers each of the 12 principles of the UK Stewardship Code 2020 in numerical order under four main headlines as follows:

PRINCIPLES 1-5

Purpose and governance

- PRINCIPLE 1 Purpose, investment beliefs, strategy and culture
- PRINCIPLE 2 Governance, resources and incentives to support stewardship
- PRINCIPLE 3 Conflicts of interest
- PRINCIPLE 4 Identification and response to market-wide and systemic risks to promote a well-functioning financial system
- PRINCIPLE 5 Review of policies, assurance of processes and assessment of the effectiveness of activities

PRINCIPLES 6-8

Investment approach

- PRINCIPLE 6 Client communication on activities and outcomes of stewardship efforts
- PRINCIPLE 7 Integration of material ESG issues including climate change
- PRINCIPLE 8 Monitoring and holding to account managers and/or service providers

PRINCIPLES 9-11

Engagement

- PRINCIPLE 9 Engagement with issuers
- PRINCIPLE 10 Participation in collaborative engagement to influence issuers
- PRINCIPLE 11 Escalation of stewardship activities to influence issuers

PRINCIPLE 12

Exercising rights and responsibilities

- PRINCIPLE 12 Voting approach and objectives

2.0 Purpose and governance

PRINCIPLES 1-5

2.1 Purpose, investment beliefs, strategy, and culture

PRINCIPLE 1

2.1.1 Purpose and values

LGPSC is a regulated institutional investment manager under the Financial Conduct Authority (FCA), responsible for the pooled assets of eight Local Government Pension Funds in Central England (Partner Funds). Established in April 2018, LGPSC is owned equally by all eight administering local authorities (Administering Authorities) and is dedicated to managing local government pension scheme assets.

The Company aims to leverage the combined scale of its Partner Funds to reduce costs, improve investment returns, strengthen governance, and expand the range of available asset classes for investment. Partner Funds collectively hold around £64 billion in assets, on behalf of over one million LGPS members and more than 3,000 participating employers. Our investment management activities aim to achieve projected cost savings of £339 million by the fiscal year 2033/34 for Partner Funds.

LGPSC had approximately £43 billion in assets under management and advice, invested in various asset classes including listed equities (active and passive), fixed income, direct property, private equity, private credit, and infrastructure.

In November 2024, we proudly saw our efforts mentioned in the Fit for Future consultation, which states that "pooling has allowed for expertise and capacity to be shared, including on reporting and the development of in-house management of assets ('internal management') with associated lower costs".

Our values inspire us to create a beneficial work culture, emphasising how we think, work, lead, and interact with each other and our clients. These values serve as guiding principles for our professional conduct and collaboration.

Values and Recognition

To ensure we live up to our values, we have embedded a company-wide objective that focuses on values-driven behaviours, enabling us to assess not just what we achieve, but how we achieve it. Our recognition scheme, powered by the Kudos platform on Cezanne, celebrates employees who exemplify our values. Recognitions are shared quarterly during our all-hands meetings, reinforcing a culture of appreciation and continuous improvement.

We also use our quarterly pulse survey to evaluate the effectiveness of our values-driven initiatives. These surveys measure employee engagement, inclusivity, and the impact of our Diversity, Equity & Inclusion (DE&I) policies. Recent results indicate a notable percentage improvement in key areas such as workplace inclusivity, employee satisfaction with leadership transparency, and perceptions of career progression opportunities. By regularly analysing this data, we refine our approach to ensure our culture continues to evolve positively.

In 2024, LGPSC also joined and launched new initiatives to steadfastly foster an inclusive workplace, support diverse talent, and drive meaningful change within the industry.

FIGURE 1: LGPSC VALUES

Abbey Park, Leicestershire

New Initiatives and Updates

- Discover Finance Partnership: We hosted a two-day Apprentice Insights Day, welcoming apprentices to learn about the finance industry and challenge misconceptions about the sector. This initiative is designed to attract and support talent from lower socio-economic backgrounds, making careers in finance more accessible.
- Mentoring Scheme: We launched a mentoring programme that includes structured time for reverse mentoring. We are piloting 10 mentor-mentee relationships, enabling senior leaders to gain fresh perspectives from junior colleagues. This initiative fosters knowledge exchange, promotes inclusivity, and ensures that diverse voices are heard at all levels of our organisation.
- Lunch and Learn Sessions: To deepen understanding of DE&I, we hosted three knowledge-sharing sessions throughout the year. These sessions included discussions on Black History Month, promoting open dialogue and learning opportunities that foster an inclusive culture. Additionally, our on-demand learning platform, Huler, provides DE&I training materials regularly signposted to our colleagues, ensuring continuous learning and engagement with inclusivity-focused content.

Diversity

We view diversity as integral to sound decision making, and we believe that the most effective Boards of companies include a diversity of skills, experiences, and perspectives. This view is reflected in our Responsible Investment & Stewardship (RI&S) Framework and our Voting Principles. We are members of the charity GAIN (Girls Are Investors Network). GAIN is a charity set up by investment professionals to improve gender diversity in investment management by building a talent pipeline of entry-level female and non-binary candidates. GAIN is helping us to drive diversity in the recruitment of females into the sector.

We are dedicated to championing diversity, equity, and inclusion in the wider investment management industry. Our commitment to an inclusive workplace is reflected in our Board, which maintains 50% female representation. Additionally, we require all recruiters and search agencies to demonstrate their diversity initiatives and provide a balanced shortlist for hiring processes. This ensures we attract diverse talent and uphold our commitment to equitable recruitment.

We are also proud to have a 60/40 male-to-female split across our organisation, with 38% of our workforce coming from ethnic minority backgrounds. Our 90-member team's employees represent 16 different cultures. This diverse and inclusive workforce strengthens our decision-making, fosters innovation, and enhances our ability to deliver the best outcomes for our stakeholders.

While we are not legally required to report on gender and ethnicity pay gaps, we believe transparency drives progress. We have proactively monitored our pay distribution and are pleased to see a steady decrease in our gender pay gap. Our commitment to inclusive policies and fair recruitment practices ensures we continue to create a level playing field.

As of December 2024, our median gender pay gap decreased to 15.2%, down from 28.3% in December 2023 to 41.2% in March 2022. This improvement is attributed mainly to increased female representation in middle and top management positions.

LGPSC actively participates in the Employers Network for Equality & Inclusion and contributes to multiple workstreams within "The Diversity Project." This initiative promotes flexible working, enhances ethnic representation, supports policies that benefit working families, and provides mentorship opportunities for graduates from socially disadvantaged communities.

Additionally, we are proud to be part of the Diversity Project Pathway Programme. Our involvement in this initiative is helping women in investment management develop and advance into leadership roles. Through mentorship, networking opportunities, and leadership development programmes, we actively support female professionals in achieving their career aspirations. As part of this, our participation in the Pathway Programme provides structured guidance and career support to diverse talent looking to progress within the investment industry.

In recognition of our ongoing efforts, we were honoured to be nominated for the LPAF Diversity and Inclusion Award in 2024. This nomination underscores our continuous progress in fostering a more inclusive investment management industry.

2.1.2 Responsible Investment is integral to our asset management operations

Our Investment Beliefs

Our investment beliefs are shaped by the beliefs and strategies of our clients. Our approach to responsible investment is fully aligned with the beliefs.

Responsible investment enhances return:

Responsible investment is supportive of risk-adjusted returns over the long term, across all asset classes. Integration of ESG factors into the investment process facilitates the implementation of this belief.

Long termism:

A long-term approach to investment will deliver better returns and the long-term nature of LGPS liabilities allows for a long-term investment horizon. We acknowledge that most ESG factors are long-term in nature, therefore it is an imperative that these factors are considered in investment decisions.

Diversification:

Diversification across investments with low correlation improves the risk-return profile. An exclusionary approach can detract from the full benefit of diversification and the real-world impact than responsible investing can have on society and the economy. A strategy of integration along with stewardship is more compatible with the fiduciary duties owed to internal and external stakeholders. This strategy allows for a broader investment universe which promotes diversification. Risks and opportunities are identified and managed at a more granular level. We consider that the flexibility this affords in terms of stock selection and sector appraisal will lead to better investment outcomes than a broad policy of exclusion.

Corporate governance:

Investee companies and asset managers with robust governance structures should be better positioned to handle the effects of shocks and stresses of future events. There is clear evidence showing that decision-making and performance are improved when company boards and investment teams are composed of diverse individuals.

Fees and remuneration:

The management fees of investment managers and the remuneration policies of investee companies are of significance for the Company's clients. Fees and remuneration should be aligned with the long-term interests of our clients, and value for money is more important than the simple minimisation of costs. Contributing to national initiatives that promote fee transparency such as the LGPS Code of Transparency is supportive of this belief.

Risk and opportunity:

Risk premia exist for certain investments; taking advantage of these can help to improve investment returns. There is risk but also opportunity in holding companies that are on an improving trajectory in respect of financially material ESG issues. Opportunities can be captured so long as they are aligned with the Company's objectives and strategy, and so long as there is a sufficient evidence base upon which to make an investment decision.

Sustainable business practice:

We expect investee companies to consider relevant, material social and environmental risk factors in their long-term strategic business planning such as climate change related risks, including biodiversity loss, and human rights related risks. We believe these can have a significant effect on the value of a company's assets over time, and on its ability to generate long-term returns for shareholders.

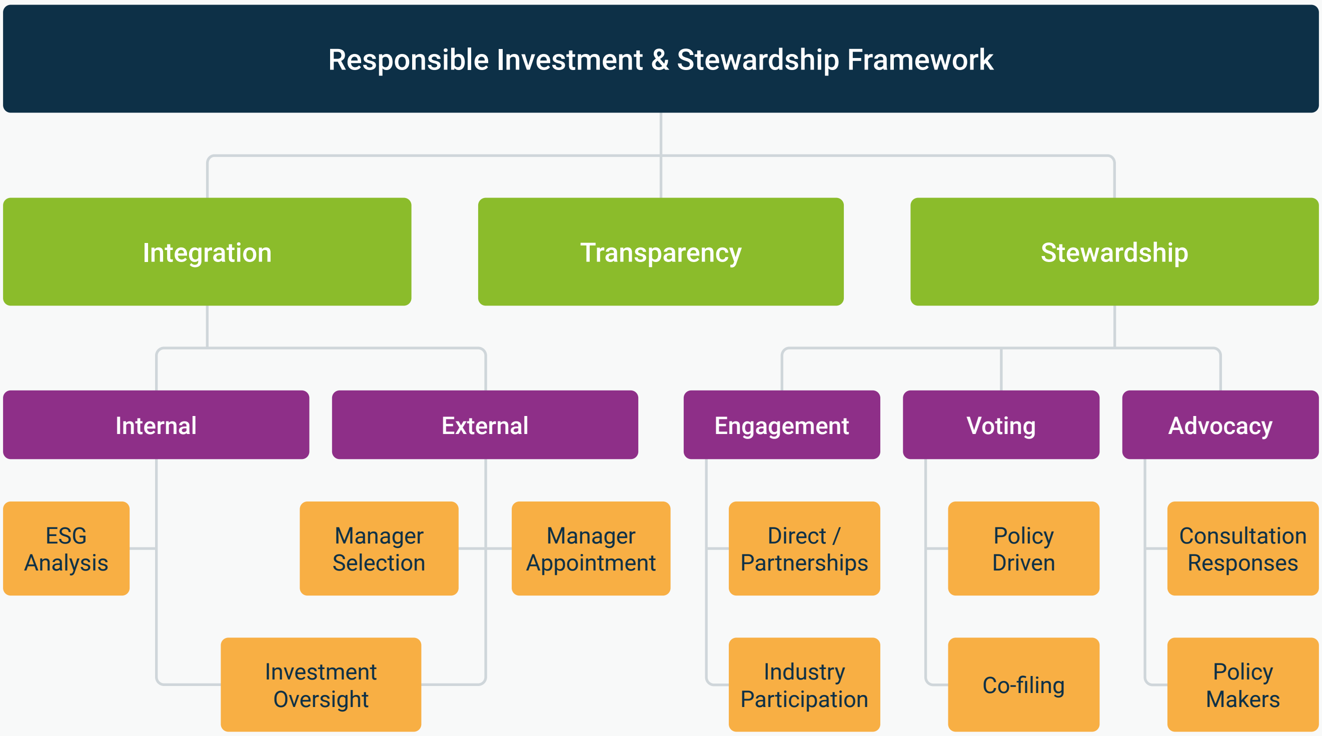
In alignment with our values and purpose, LGPSC's Framework for Responsible Investment and Stewardship (RI&S) aims to reflect the investment beliefs of the Partner Funds.

This Framework sustains two primary objectives for all LGPSC RI&S-related policies and processes:

1) To support our investment objectives.
2) To serve as a model for responsible investment within the financial services industry, promoting collaboration and raising standards across the marketplace.

The RI&S Framework is designed to support these objectives before investment decisions (the selection of investments) and after investment decisions (the stewardship of assets). Additionally, we are committed to being transparent with all stakeholders and accountable to the Partner Funds by regularly disclosing our RI&S activities.

FIGURE 2: LGPSC RI&S FRAMEWORK



A strong RI&S framework and effective implementation enhance our ability to protect and grow shareholder value. Our key targets for RI&S efforts include:

1) Integrating material ESG factors into investment decisions before and after investments are made.
2) Influencing corporate behaviour at company and sector levels through engagement, voting, and various stewardship tools, extending beyond listed equities.
3) Participating in and contributing to industry-wide best practices for corporations and investors.
4) Building trust with our stakeholders through ongoing dialogue and transparency.

2.1.3 A "One-for-Eight" model

LGPSC's RI&S function has implemented a "one-for-eight" model. We operate one framework, one service offering, and one approach; hence, we strive to deliver the same level of service to each of our eight Partner Funds. This aligns with the overarching goals of the pool: to increase efficiency and reduce costs. We also aim to improve investment returns and deliver a range of investment mandates satisfying the Partner Funds' strategic allocation needs. This is referred to as 'Mandate Services'. As part of our Mandate Services, ESG factors are integrated into funds at launch and through their lifespan. RI&S expectations are embedded at the inception of new funds, through the deployment and selection of asset managers, and we continue to monitor how RI&S is integrated throughout the lifecycle of the mandate.

LGPSC assists Partner Funds with RI&S policy design and update, RI-specific training for boards and pension committees, and addressing ad hoc queries from beneficiaries on RI&S-related matters. We have continued our CRMS, and how this has evolved in the last year is described in further detail in Section 2.4.2 below.

2.1.4 Looking ahead

LGPSC will continue to strengthen relationships with stakeholders and promote a client-centric culture. Our success will be measured through trust scores, stakeholder feedback, and positive media coverage. Our core mission is to deliver strong, risk-adjusted returns in alignment with our Responsible Investment & Stewardship (RI&S) approach across various asset classes.

The year 2025 is crucial for shaping LGPSC's RI&S post the Pension Review. We are discussing developing an enhanced framework for monitoring RI&S performance with the Partner Funds. In addition, we will invest in developing local investment strategies, improving LGPSC's Corporate Risk Management System, reporting on natural capital and social factors' financial disclosures, and implementing LGPSC's Private Markets Strategy. These strategic areas and initiatives ensure that LGPSC continues to provide value and quality outcomes for the Partner Funds.

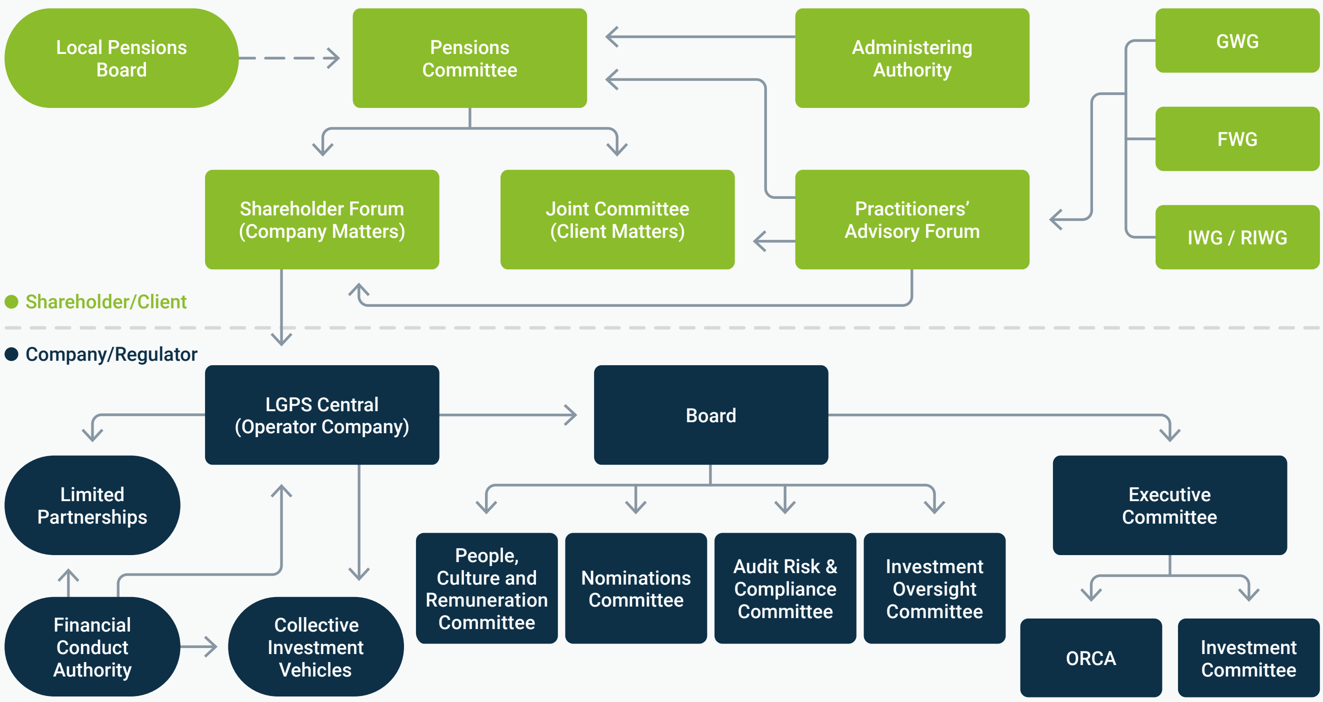
In our communication with stakeholders, including this report, we aim to provide a clear and transparent account of our stewardship activities. The RI&S documents—such as presentations to Partner Funds, public reports, and policies—are produced after a thorough review of various sources, including proxy voting activities, engagement case studies, collaboration with policymakers and third parties, and ongoing feedback from LGPSC Partner Funds and colleagues, including the ExCo and IC. Through this process, we strive to deliver fair and balanced reporting of our RI&S activities for the benefit of our stakeholders. In this report, the case studies cover a range of asset classes and managers, showcasing outcomes across all LGPSC stewardship priority themes.

2.2 Governance, resources, and incentives to support stewardship

PRINCIPLE 2

2.2.1 Organisation and lines of communication

FIGURE 3: LGPSC ORGANISATIONAL STRUCTURE AND COMMUNICATION



The Board undertakes an annual review of the effectiveness of LGPSC's Board and Committee governance. This covers the performance of individual Board members, the Board itself, and its subcommittees. In line with best practice, the review is conducted by an external consultant every third year. The 2024 review was internal and concluded in December 2024. The outcomes were presented to the Nominations Committee. The positive developments identified included the Board having diverse skills and knowledge, a high level of commitment and mutual respect. Areas identified for improvement included continuing to evolve and improve Board reporting and streamlining agendas. Additionally, several new initiatives were introduced in 2024, stemming from the external review conducted in 2023. These initiatives included the establishment of a Board-level Investment Oversight Committee (IOC) to support strategic focus at the Board level, an enhanced Board report template to improve Board efficiency, and a review of Non-Executive Director (NED) tenure and staging to ensure better Board resilience.

Our organisational structure reflects a collaborative approach. Partner Funds regularly and directly influence and dialogue with LGPSC on stewardship activities through the Responsible Investment Working Group (RIWG) and the Practitioners' Advisory Forum (PAF). LGPSC reports back to stakeholders via the Joint Committee biannually.

Partner funds receive updates at quarterly PAF and RIWG meetings. They can scrutinise LGPSC's implementation of engagement and voting activities and the integration of ESG across funds, including Client-specific services such as the Climate Risk Monitoring Service. Discussions held at the RIWG meeting inform the PAF, which comprises client fund officers and runs monthly.

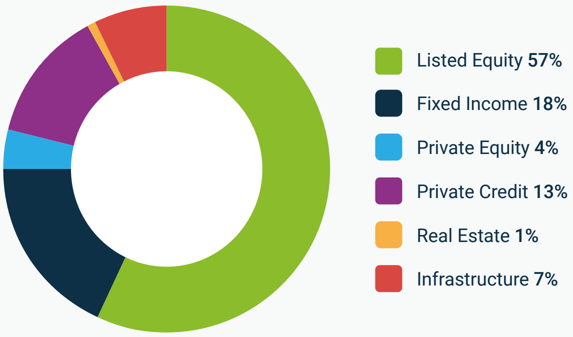
The Joint Committee (JC) meeting, a public forum for the Administering Authorities to conduct oversight of client matters, comprises one elected member per authority and is held twice a year. During 2024, six questions from members of the public regarding RI&S were read and answered during the meetings held in February and October. We have seen an increased focus on RI&S over the past few years.

In summary, LGPSC interacts with Partners Funds through various channels and offers services to promote exceptional RI&S integration and transparency.

2.2.2 Client communication on activities and outcomes of stewardship efforts

Figure 4 illustrates a breakdown of LGPSC ACS Funds, which have been established to meet Partner Fund investment requirements. LGPSC is in continuous dialogue with its Partner Funds on both the development of new investment funds and the review of existing funds to ensure that RI&S is clearly visible, both at inception and throughout the life of the fund. Please refer to Section 3.2 below for further understanding of LGPSC's approach to ESG integration.

FIGURE 4: BREAKDOWN OF LGPSC ASSETS UNDER MANAGEMENT AS OF 31 DECEMBER 2024[1]



Ongoing dialogue with Partner Funds on the RI&S

- Quarterly RIWG meetings allow for knowledge sharing and reporting on the RI&S team activities and annual objectives.
- Annual RI Summits have been held to facilitate a deeper debate on key topics (divest/engage; climate change; net zero alignment).
- Increasing attention on RI&S at the AGM and Client JC Meetings with all Partner Funds.
- Practitioners Advisory Forum (PAF) meetings: RI&S included as a standing item in response to increased interest in this area from Partner Fund Pension Committee members and broader stakeholder groups.
- RI&S team supports Partner Funds to respond to questions from the members on RI&S matters on an ad-hoc basis.
- RI training sessions are delivered to Partner Funds pension fund committees. In 2024, the RI&S team delivered over 10 training sessions to Partner Funds on various RI&S-related topics.

Ongoing Stewardship Reporting

- Regular Stewardship Updates including engagement and voting examples (including progress and outcomes).
- Vote by vote disclosure on LGPSC website.
- Quarterly Performance Reporting including RI narratives.
- Quarterly Media Round-up which gives highlights of RI-related news and developments.
- Measures of Success against the Annual Stewardship Plan are presented to Partner Funds at RIWG meetings.
- Annual Stewardship Report.

Bespoke assistance to Partner Funds

The LGPSC RI&S team dedicates most of its resources to delivering Mandate Services that benefit all Partner Funds directly. In addition, we offer Call-off Services, which include:

- Training to Pension Officers and Pension Committees.
- Policy development.
- Delivery of CRMS & SIMS.
- Assistance with the submission of Partner Funds' UK Stewardship Code 2020.

[1] As of 31 December 2024, LGPSC's AUM totaled £32.4 billion, and LGPSC's AUM was approximately £45 billion as of 31 May 2025.

2.2.3 Board oversight and ownership across the organisation and effectiveness review

In 2024, the Board delegated the oversight of the RI&S framework and policies, including voting principles, to the IOC. However, the Board retains full responsibility for approving the Annual Stewardship Report and the TCFD-aligned Climate Report. The Chair of the IOC reports key elements back to the Board.

In 2024, LGPSC established a Board-level Balanced Scorecard that includes the following RI&S performance metric: to achieve 100% targeted investment with purpose and engagement, prioritising stewardship among key companies. In December, we met the target.

The Board meets at least six times yearly, the IOC meets four times annually, and the ExCo meets monthly. During 2024, there were additional nine special meetings of the ExCo and five of the Board to address specific business items. A dedicated Board strategy day was held in July to focus on long-term strategic considerations for the business.

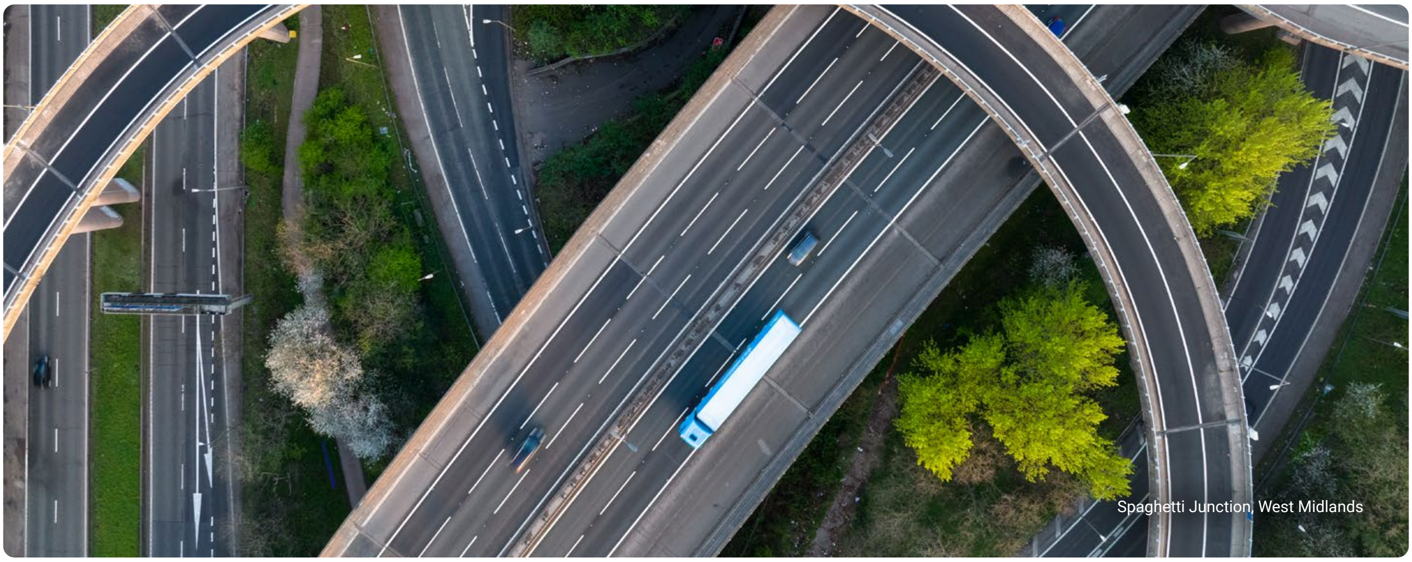
The Board approved the Voting Principles in April 2024 and thereafter in February 2025. The latest revisions to the LGPSC Voting Principles focused on three main areas: good governance, climate resilience, and geopolitical risks. We have increased our expectations, advocating for robust gender diversity at all levels. We also expect companies to adhere to their climate targets, as approved by shareholders, as part of their climate action plans. Scaling back from existing targets may erode trust in the companies from shareholders.

The ExCo implements the RI&S Framework and delegates day-to-day management to the investment teams overseen by the Investment Committee (IC) and the Chief Investment Officer. The IC has one subcommittee, the Private Markets Investment Committee (PMIC), responsible for managing private assets as specified by relevant internal policies. The IC reports directly to the ExCo, and the Head of Responsible Investment and Stewardship holds lead responsibility within the IC for all activities covered by the Framework, including reviewing and proposing changes to the Framework. The IC reviews portfolios quarterly. Specific procedures for RI&S outline the approach to ESG integration and stewardship at the fund level. Implementation monitoring involves reviewing holdings and holding regular meetings with appointed external managers. The RI&S approach for each fund or asset is co-sponsored by the Head of RI&S and the relevant Investment Director, reinforcing stewardship and integration efforts.

In addition to the formal governance structures, the RI&S team coordinates, regularly interacting with colleagues across asset class teams, and back-office functions, including Operations, Legal, People, and Compliance. In 2024, LGPSC established the RI&S Champions Network (the Network). The Network comprises each investment team member, with annual reviews and responsibilities aligned with their PDR objectives. The Network meets quarterly, chaired by the RI&S team, and encourages open dialogue across the investment team by raising open discussions on investment trends and how RI&S can be integrated beyond the established framework and policies.

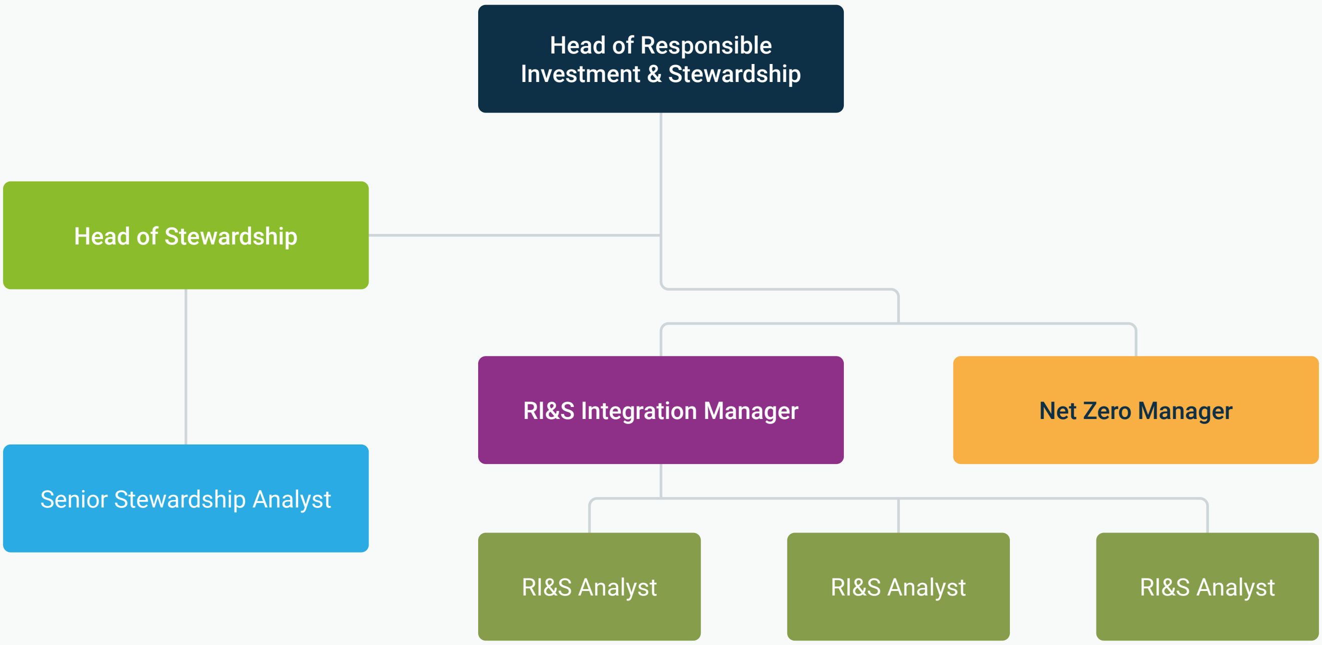
To promote the integration of stewardship and investment, LGPSC staff are incentivised through various means:

- Investment Directors have stewardship objectives included in their annual Personal Development Reviews.
- Training and knowledge sharing are integral, with "Lunch and Learn" sessions where each department shares knowledge or updates on recent developments.
- RI&S is a mandatory component of the onboarding training for all staff, and refresher RI&S training is tailored to LGPSC staff.
- All staff are encouraged to incorporate RI&S and sustainability initiatives into their annual personal development goals.



2.2.4 Dedicated in-house stewardship resources

FIGURE 5: THE RI&S TEAM



In 2024, the RI&S team consisted of a Head of Responsible Investment & Stewardship, a Head of Stewardship, an RI&S Integration Manager, a Net Zero Manager, a Senior Stewardship Analyst, and three RI&S Analysts. In January 2025, an additional RI&S Analyst with specialised knowledge in natural capital and data analysis was appointed to support LGPSC's growing reporting requirements.

The RI&S team come from diverse academic backgrounds and specialities, including economics, investment management, politics, and sustainability. They have followed various career paths before transitioning to responsible investment, such as compliance, international affairs, risk management, fund management, credit analysis, sustainability, and consultancy. We view this diversity of skills, knowledge, and experience as a significant strength and actively embrace various perspectives. The team also benefits from a strong network among peer investors both in the UK and globally, as well as connections with investee companies, industry associations, relevant regulatory bodies, and civil society. Our team has over 60 years of experience in responsible investment and stewardship. The team structure enables LGPSC to meet the increasing demands placed upon it and effectively manage key personnel risk.

2.2.5 External stewardship resources

Given the scale of our assets under management, we collaborate strategically with an external Stewardship Provider, EOS at Federated Hermes (EOS), to enhance our stewardship efforts beyond those undertaken by LGPSC. After thorough due diligence, we chose and retained EOS because their principles and values align closely with those of LGPSC and the Partner Funds.

We believe that meaningful dialogue with companies regarding ESG factors is essential for building a global financial system that delivers superior long-term returns for investors while also promoting sustainable outcomes for society. EOS has consistently shown transparency in its practices, providing comprehensive reports on voting and engagement activities across relevant ACS funds on both a quarterly and annual basis.

In addition to these reports, we actively engage with EOS through direct discussions, especially during voting season when contentious issues arise, and through collective meetings with other EOS clients at the Client Advisory Council, which is held twice a year. In 2024, LGPSC and EOS started collaborating to establish a voting structure. This allows LGPSC to vote on behalf of Partner Funds for their legacy equity mandates that LGIM currently manages. This initiative further demonstrates EOS and LGPSC's strong commitment to empowering Partner Funds to express their stewardship beliefs regarding shares held in pooled funds, which beneficiaries typically do not have the opportunity to vote on. This ongoing dialogue ensures that our shared values remain aligned (refer to Section 2.5.1 below for an in-depth review of EOS's impactful services in 2024). Moreover, EOS supports LGPSC in engaging with regulators, industry organisations, and other influential standard-setters, helping to shape capital markets and create an environment where companies and investors can pursue sustainable practices. We also receive quarterly insights from external fund managers that detail the number of engagements undertaken and the significance of these actions within the portfolio. Additional information can be found in Section 3.3 below.

Chester, Cheshire

2.3 Conflicts of Interest

PRINCIPLE 3

LGPSC outlines its approach to managing and mitigating risks associated with conflicts of interest in its Conflict of Interest Policy. The policy is reviewed annually, and no major changes were made in 2024. The policy has been approved by the IC, the ExCo, and the Board. The Operational, Risk, Compliance, and Administration Committee (ORCA) is responsible for reviewing the policy annually.

LGPSC employees and the Board must complete ongoing conflict management training during their induction. This training includes guidance on identifying conflicts of interest.

When appointing external managers, as part of the LGPSC's due diligence process, prospective external managers' ability and processes for managing conflicts of interest are evaluated and assessed. LGPSC expects its managers to implement robust controls and commit to managing conflicts fairly.

LGPSC also provides investment advisory services to its Partner Funds, along with discrete investment management mandates and fund offerings. This creates the potential for conflicts of interest to arise when LGPSC offers advice related to a client's portfolio or appointed manager and could provide an equivalent or alternative product.

To address this, LGPSC informs clients of potential conflicts of interest, covering these topics in both the advisory terms and ongoing advice. This allows clients to consider the potential conflict in their decision-making, request temporary LGPSC's team members to be ring-fenced, or seek separate independent advice on specific matters. LGPSC staff do not receive remuneration through a bonus scheme, which further helps to mitigate potential conflicts of interest.

Peak District, Derbyshire

2.3.1 Examples of Conflicts of Interest

Internal Appointments

LGPSC made a significant managerial appointment that brought a wealth of experience in stakeholder engagement, business development, and strategic leadership, as well as extensive experience in the Local Government Pension Scheme. At the time of the appointment, the candidate was involved in an advisory arrangement with an administrative authority from another pool. This was identified as a potential conflict of interest with LGPSC's ongoing business. As a result, the advisory arrangement was terminated by mutual agreement. There was a brief overlap during the initial weeks of the candidate's employment at LGPSC while the advisory arrangement was being wound down. To mitigate any conflicts during this transition, measures were implemented to restrict access to relevant business materials during this period.

External Managers

No potential instances of conflicts of interest were recorded in 2024.

Stewardship Provider

We expect our stewardship provider to be transparent about conflicts of interest and to implement measures to manage these conflicts, such as establishing firewalls, adopting conflict management policies, and maintaining conflict registers.

EOS has a publicly available Stewardship Conflicts of Interest Policy. This policy outlines several potential conflict areas, including:

- Conflicts arising from Federated Hermes Limited's ownership of EOS.
- Conflicts between the clients of Federated Hermes Limited and EOS.
- Personal relationships between engagement staff and senior personnel at the companies being engaged.
- Potential stock lending and short-selling positions held by Federated Hermes Limited.

EOS's conflict policy document outlines the management, monitoring, and review processes for these conflicts and provides practical examples of how they are addressed.

Conflicts encountered by EOS are recorded in the Federated Hermes group's conflicts of interest policy and conflicts of interest register. As part of the policy, employees must report any potential conflicts to the compliance team for assessment, and the register is updated when necessary. Senior management reviews the conflicts of interest register regularly. In 2024, EOS alerted LGPSC on 26 notifications flagging potential conflicts of interest. The instances represented votes for LGPSC's holdings, which the EOS investment division also invested in.

Voting

EOS is responsible for appointing and casting LGPSC's proxy voting for companies not included in the voting priority list.

We expect our proxy voting providers to be transparent about any conflicts of interest and to implement measures to manage these conflicts. This includes having conflict management policies and maintaining conflict registers.

Conflicts of interest can arise during the voting season. For instance, a proxy voting provider may have conflicts if they offer other services to corporates or if they engage with and provide voting recommendations for a pension scheme's sponsoring company.

Our proxy voting research provider, ISS, has identified three primary potential conflicts of interest:

- Corporate issuers who are clients of ISS Corporate Solutions (ICS).
- Corporate issuers who are clients of ISS.
- ISS's ownership structure.


Leicestershire Farmland

2.4 Identification and response to market-wide and systemic risks to promote a well-functioning financial system

PRINCIPLE 4

Our work on market-wide systemic risk enhances our ability to manage the risks and opportunities that are expected to arise over the long term, aligning with the investment horizons of the Partner Funds. This process is intrinsic to the delivery of the LGPSC's purpose. The RI&S team works closely with:

- Partner Funds to identify new trends and requirements that can benefit them and ideally the broader LGPS community.
- The Investment Team to support the development and assessment of new mandates, ensuring that emerging ESG issues are integrated into our investment strategies, such as considerations around AI and the challenges of data in private markets.
- Internal governance bodies and support teams that guide us on macroeconomic risks and opportunities, encompassing stewardship and the wider industry landscape.
- Our affiliation networks that provide fresh perspectives on how risks and opportunities are addressed in the market. For this reason, we periodically review our affiliation networks to ensure that LGPSC's ambitions are consistently met.

Our multi-stakeholder approach enables us to incorporate dialogues and reflections into our RI&S policies, including our stewardship strategy, net-zero statements, and the RI&S framework.

2.4.1 Climate Change – Net Zero Strategy

LGPSC is exposed to macroeconomic risks and can benefit from growth opportunities arising from the energy transition. In the near term, climate-related risks are concentrated in real assets and energy-intensive sectors. Over the longer term, no sector will be immune from the transition and the earth's rapidly changing climate.

We have developed and published a cross-asset class Net Zero Strategy (with reference to IIGCC's Net Zero Investment Framework and the Net Zero Asset Owner Alliance's Target Setting Protocol). This is based on a twin-track approach for public and private markets. These targets are summarised in Figure 6 below.

FIGURE 6: LGPSC NET ZERO TARGETS

Pooled Assets

Portfolio Target: Net zero (scope 1 & 2 CO_2e) financed emissions by 2050 or sooner

Listed Equities & Corporate Bonds

Asset-class Targets

Emission-reduction Targets

50% reduction in (scope 1 & 2 CO_2e) financed emissions in 2030

Reduction of (scope 1 & 2 CO_2e) financed emissions per £m invested:

50% in 2030	60% in 2035	80% in 2040	90% in 2045	100% by 2050 or sooner

Footprinting Targets

Track relevant scope-3-category emissions of top 20 companies by scope 3 financed emissions in 2024

Alignment and Engagement Targets

Engagement with external managers on LGPS Central's net zero strategy and stewardship programme:
100% in 2023

Engagement threshold targets for companies from "material sectors":

	Listed equities & corporate bonds	Active equities	Passive equities	Corporate bonds
2025	80%	85%	75%	85%
2030	90%	90%	90%	90%

Portfolio coverage targets for companies from material sectors:

	Active equities	Passive equities	Corporate bonds
2030	50%	60%	50%
2035	75%	80%	75%
2040	100%	100%	100%

Sovereign Debt & Private Markets

Asset-class Targets

Emission-reduction Targets

Net zero (scope 1, 2 & Scope 3, category 13 CO_2e) financed emissions by 2050 or sooner for direct property investments based on a "whole-building and operational approach"

Footprinting Targets

Carbon footprints for all assets in 2024 using:

estimated scope 1 & 2 CO_2e emissions data for sovereign debt	estimated scope 1 & 2 CO_2e emissions for private market assets

Carbon footprints for all assets in 2025 using:

estimated scope 1 & 2 CO_2e emissions data for sovereign debt	estimated and actual scope 1 & 2 CO_2e emissions for private market assets

Alignment and Engagement Targets

Engagement with external managers on climate targets and data:
100% in 2023

LGPSC's climate commitments are driven by the imperative of being a good steward of those assets whose decarbonisation is integral to the wider change required in the real economy.

In 2023, we started contacting all engaged public markets managers and notified private market managers about the commitments and targets set in our Net Zero Strategy. In 2024, we expanded our carbon metric analysis to include all private market assets, utilising a combination of reported and estimated data.

We are continuing to develop climate-related training for the Board and Partner Funds. Later in 2025, we will publish an update on our Net Zero Strategy, including our progress toward net-zero targets. These updates reflect LGPSC's ongoing commitment to integrating climate considerations into our investment strategies.

In 2024 we surveyed all private market managers to:

i) Estimate their financed emissions at the portfolio company level based on the capital invested and a sector emissions factor. In some cases, reported portfolio company data was provided by the manager.

ii) Baseline our private market managers and the underlying portfolio companies against the Private Markets Decarbonisation Roadmap net zero alignment scale. This provides an alignment rating – "not started", "capturing data", "preparing to decarbonise", "aligning" and "aligned" – for each portfolio company.

We will continue to track these data points year-on-year, which will enable more targeted monitoring and engagement of private market managers as well as the ability to track their progress over time.

In 2024, we formalised our strategy for reducing operational emissions, which includes the stages outlined below:

FIGURE 7: APPROACH TO OPERATIONAL EMISSION REDUCTIONS

Definition

Scope 1, 2, 3

Excluded working from home and community

By 2023/2024

Strategy

Phase 1

Transition to 100% renewable energy supply

Purchase of Carbon credits

LGPSC's staff surveys/ workshops

By 2025

Phase 2

Value chain climate analysis

Development of WFH[2] and commuting climate accounting methodologies

By 2030

Reporting

The relocation to a new office in 2022 led to a significant 65.9% reduction in measured scope 1 and 2 emissions, highlighting our progress in sustainability

Annually

[2] Working from Home.

2.4.2 Climate Change – Climate Risk Monitoring Report (CRMS)

As an integral component of our products and services, we offer a CRMS, a suite of reports designed to help the Partner Funds formulate strategic responses to climate-related risks and opportunities. The cornerstone of the CRMS is the annual Climate Risk Monitoring Report (CRMR), which evaluates the Partner Funds' approach to climate-related risks and opportunities against a set of best practices, such as the TCFD, and their climate risk strategies. The report delves into Partner Funds' approaches and progress in governance, strategy, risk management, and metrics.

The analysis covers Partner Fund holdings, including both pooled and non-pooled mandates. LGPSC aims to support them in efficiently reporting to their Pensions Committee on their net-zero transition. The Partner Funds have utilised this service's findings to better understand systemic climate risks and develop their ambitions and strategies. Additionally, the reports have facilitated TCFD disclosures, identified the most carbon-intensive issuers, initiated governance and policy reviews, and explored potential investments in sustainable asset classes. LGPSC supported the following successes:

- In 2023, LGPSC equipped Partner Funds to meet the upcoming governance and reporting requirements for climate change risks, as initially suggested by the DLUHC (Department for Levelling Up, Housing and Communities, now called the Ministry of Housing, Communities and Local Government).
- The Partner Funds have published their TCFD reports in line with TCFD recommendations.
- Nearly 90% of the Partner Funds have established their net-zero targets, committing to achieve net-zero by 2050.
- LGPSC delivered annual training to the majority of Partner Funds' Pension Committee on net zero.
- In July 2024, LGPSC published its first Climate report, compliant with the FCA guidelines.

2.4.3 Climate Change – Regulatory Radar

To ensure that LGPSC remains at the forefront of RI&S regulations, we have developed a Regulatory Risk Radar (the Radar) in 2024.

The monitoring tool categorises risk into three tiers and captures:

1) New UK regulatory proposals or changes.
2) Innovative government or industry-led initiatives poised to influence future regulation.
3) Significant UK government policy changes in the real economy associated with RI&S.

The Radar is meticulously updated at least quarterly, facilitating monthly discussions within the RI&S team, and is shared with the Risk and Compliance Team each quarter. The Radar provides essential insights from the date level of LGPSC's preparedness for regulatory change.

The Head of Legal and the ARCC are promptly informed, especially for Tier One items. We also commit to providing timely updates to ExCo, the Board, and Partner Funds whenever necessary. To proactively identify and address issues, the RI&S team leverages a wealth of knowledge from within the team, collaboration with member associations (including UKSIF, IIGCC, PRI), and comprehensive public resources, such as a bi-annual global report published by Environmental Resources Management.

Example from 2024

LGPSC created an inter-departmental working group to analyse and ensure LGPSC practices complied with the anti-greenwashing rule, which was enacted on 31 May 2024. The group held a virtual workshop with Eversheds to discuss the Sustainability Disclosure Requirements (SDR) implications.

Among the activities undertaken by the group, LGPSC ensured:

- Amending the IC terms of reference to include greenwashing risk oversight.
- Balanced imagery is used in external reports.
- Delivery of several workshops to colleagues.
- Reporting annually on compliance with the anti-greenwashing rule.
- Updating of the Legal and Regulatory Aspects of Client Publications Policy to include guidance on the anti-greenwashing rule.

2.4.4 Natural Capital

Nature loss can have devastating effects, including a decline in the supply of essential goods and services such as food and clean water. This loss is connected to the inadequate protection of biodiversity, which refers to the variety of all plant and animal life on Earth. The Stockholm Resilience Centre estimates that the Earth operates outside six of its nine Planetary Boundaries, which are crucial for maintaining planetary stability and supporting a growing population.

More than half of global GDP depends on nature and its services, making the degradation of natural capital a systemic risk to the worldwide economy. Nature provides critical ecosystem services such as food production, climate change mitigation, soil regeneration, flood protection, and water purification. The total economic value of these services is estimated to be between $125 trillion and $140 trillion per year, more than 1.5 times the global GDP.

As investors, we incorporate natural capital factors into our portfolios, assessing physical and transition risks. This approach encourages us to evaluate companies' impacts and dependencies on nature and to integrate biodiversity considerations into our investment processes. We also collaborate with other investors through engagement and advocacy projects to promote enhanced regulations and improved reporting.

We actively engage with investee companies to develop and disclose strategies for addressing biodiversity loss and commit to publishing reports based on the recommendations of the Taskforce on Nature-Related Financial Disclosures (TNFD), launched in 2023. Additionally, we aim to align their business practices with the Global Biodiversity Framework. During COP26, many governments pledged to halt deforestation by 2030.

In this respect, plastic pollution exacerbates the triple planetary crisis of climate change, biodiversity loss, and pollution. We engage with petrochemical companies, encouraging them to shift from reliance on fossil fuel-based plastic production to more sustainable alternatives. We urge these companies to disclose robust petrochemical strategies supported by credible targets. Companies that fail to manage plastic-related risks may face reputational and regulatory risks, particularly for the international legally binding instrument on plastic pollution.

Through our Voting Principles, we set expectations for companies across sectors to protect nature and biodiversity as part of their ongoing climate transition efforts. This supports our continued engagement with high-risk commodity sectors, including palm oil, soy, beef, pulp, and paper. We consider policy dialogue a vital engagement tool alongside corporate outreach. LGPSC participates in policy engagement with the Brazilian government through the Investor Policy Dialogue on Deforestation (IPDD) initiative.

2.4.5 Human Rights

The long-term legitimacy of sectors and markets relies, in part, on ensuring that operations and products maintain their "social license to operate." Businesses and institutional investors have a responsibility to respect human rights, as outlined in the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises. Companies have multi-stakeholder impacts that extend to employees, contract workers, supply chain workers, customers, and communities.

Geopolitical risks stemming from conflicts and regulations in Europe have led to heightened awareness among investors regarding human rights issues. This includes the EU Corporate Sustainability Due Diligence Directive (CSDDD), which was adopted in July 2024. The CSDDD legally mandates that companies above a certain size to conduct human rights due diligence (HRDD) across their own operations and supply chains. The directive aims to incorporate the UNGPs into binding legislation. Additionally, the EU Corporate Sustainability Reporting Directive (CSRD) and the EU Sustainable Finance Disclosure Regulation (SFDR) were enacted in earlier years. Since 2023, companies in the EU have been subject to new reporting requirements outlined in the CSRD, with the first reports expected in 2025 for large undertakings and groups. The SFDR, which has been in effect since 2021, requires financial market participants to report on human rights based on the Principal Adverse Impact (PAI) indicators.

Our investments are continually monitored and reviewed to identify ESG risks, including human rights risks (i.e. companies' implementation of UNGP-compliance practices and modern slavery), and ensure alignment with international best practices. Concerns are managed according to the RI&S Framework. Stewardship activities addressing human rights risks are conducted across various engagement strategies, including direct outreach, collaboration, and engagement with policymakers.

FIGURE 8: LGPSC'S EXCELLENCE IN STEWARDSHIP ALIGNMENT WITH SYSTEMIC RISKS

In 2023, LGPSC revitalised its stewardship efforts to address socio-economic risks associated with modern slavery and broader human rights issues. Reaffirming its commitment, LGPSC renewed its membership of the "Find It, Fix It and Prevent It" initiative and proudly joined the Investor Alliance for Human Rights.

LGPSC is a new lead engager for a company within the "Find It, Fix It, and Prevent It" program, which mainly targets companies working in the construction sector. LGPSC has expanded its modern slavery stewardship to include its UK Direct Property Fund, which is managed in partnership with DTZ Investors. This extension reflects LGPSC's commitment to comprehensive ESG integration across all asset classes.

The UK construction sector employs over 2.2 million people. The National Crime Agency reported a 134% increase in labour exploitation cases in 2022, including 141 potential cases in construction involving approximately 543 victims (2022).

Following a six-month engagement between LGPSC and DTZ Investors, which concluded in Q2 2024, DTZ Investors has enhanced its due diligence processes for building contractors to a level beyond the general compliance standards of the UK Modern Slavery Act. It includes whistleblowing mechanisms, a more substantial commitment to preventing modern slavery within the supply chain (including agents and subcontractors), rigorous due diligence checks, and prompt reporting on breaches.

DTZ Investors now exemplifies best practices in managing modern slavery risk. Its comprehensive due diligence and monitoring processes cover over 70 UK building contractors and have over GBP 7 billion of assets under management.

2.4.6 Stewardship Strategy

The RI&S Team reviews the LGPSC stewardship strategy, including its themes and priorities, every three years. In 2023, we sought feedback and approval from the Partner Funds and our governance bodies. LGPSC's stewardship strategy comprises both engagement and advocacy. The strategy is composed of four pillars:

FIGURE 9: LGPSC STEWARDSHIP STRATEGY'S PILLARS

A thorough review of stewardship priorities was completed in 2023 and beginning in 2024, LGPSC has focused on Climate Change, Natural Capital, Human Rights, and Sensitive/Topical activities.

The Climate Change Stewardship Program supports the LGPSC Net Zero Strategy, which is essential for achieving our net zero ambitions. As indicated previously, we consider Natural Capital (including biodiversity and nature loss) to be a systemic risk, and we expect both investors and regulations to become increasingly aware of this issue. The Sensitive/Topical Activities theme targets companies in our portfolio that have high ESG risk profiles or are involved in significant controversies. This theme aims to ensure that we adequately address ESG risks and issues arising from our holdings. It will prioritise high-conviction assets that either face one or more unaddressed egregious controversy or possess an ESG corporate management system that significantly lags peers.

We have incorporated Natural Capital and Sensitive/Topical Activities to replace the previous themes of Plastic Pollution and Responsible Tax, respectively, as we believe these issues can be integrated within broader thematic approaches. For instance, we continue to address Plastic Pollution by engaging with petrochemical companies on sustainable plastic production. We continue to advocate for responsible taxation.

We acknowledge that the spectrum of ESG risks is broad and continuously evolving. However, in agreement with Partner Funds, we focus on these themes for a minimum of three years, while conducting annual reviews to accommodate necessary adjustments or changes.

In 2024, the RI&S team reviewed its Escalation Strategy, making no major changes. However, key updates added in 2023 include engaging with managers, introducing dissent votes for board members beyond just the Chair (extending from the Chair to other board members), and adopting a more nuanced approach to stock-level divestment reflecting alignment between LGPSC and its investment managers regarding stock selection and portfolio construction (this was indicated in the LGPSC 2023 Annual Stewardship Report). This policy also guides the next steps for LGPSC engagements. The full report is available in Appendix 3.

2.4.7 Stewardship Priorities

FIGURE 10: LGPSC 2024-2027 STEWARDSHIP PRIORITIES

THEMES	Climate Change	Natural Capital	Human Rights	Sensitive / Topical Activites
CHALLENGES	Climate change risks are widespread and include physical, transitional, and market-pricing risks. Their impact is likely to affect future generations.	The poor management of risks related to nature can lead to significant systemic and macroeconomic threats.	Higher scrutiny is placed on social (S) factors; if mismanaged, they can have the potential to destroy company value, and they are increasingly perceived as a barometer for a company's culture.	Controversial activities engaged in by companies can significantly undermine shareholder value. Companies that fail to effectively manage ESG risks are more prone to facing controversies.
INVESTMENT RISK AND OPPORTUNITY	Effectively managing the risks of climate change and seizing new opportunities is crucial for protecting investments. An orderly transition aligned with the Paris Agreement is preferable for the economy, as it causes the least disruption.	Degradation of nature could reduce a company's ability to generate long-term value for shareholders through: – scarce resources – regulatory tightening – reputational damage New opportunities around Nature-based climate solutions.	Businesses and institutional investors have a responsibility to respect human rights as indicated in the UNGPs and the OECD Guidelines for Multinational enterprises. Litigations and claims can be brought against investors.	The share values of companies involved in systemic ESG scandals can suffer substantial declines. Those that severely violate international norms may face immediate risks, including the loss of their operational licenses, government intervention, and serious legal challenges. Poor ESG practices can serve as a sign of a company's vulnerability to scandals and corporate mismanagement.
NUMBER OF COMPANIES DIRECTLY TARGETED BY LGPSC	11	6	9	7
PARTNER ORGANISATIONS	IIGCC, PRI, CA100+, CDP, LAPFF, Share Action	PRI, IPDD, NA100, Planet Tracker	ICCR, PRI, Find it, Fix it and Prevent It, LAPFF	PRI, Investor Forum

In line with our commitment, the RI&S team selects a range of companies for priority engagement and voting, focusing on four stewardship priorities (as referenced above). In 2024, we made minor adjustments to the Net Zero Stewardship Programme, aligning it with a planned update to our methodology for evaluating the consistency of our portfolio with LGPSC 's net zero policy. These changes will enable us to stay at the forefront of our sustainability goals. We also compile a Voting Watch List featuring approximately 50 companies, selected based on our top holdings, our stewardship priorities and companies which Partner Funds are most interested in.

2.4.8 Stewardship Effectiveness Framework

In 2024, the RI&S Team reviewed and made iterative updates to the Stewardship Effectiveness Matrix. The Matrix determines how we measure progress against the engagement objectives that are set.

FIGURE 11: LGPSC STEWARDSHIP EFFECTIVENESS MATRIX

	Climate	Natural Capital	Human Rights	Sensitive / Topical Activites
LEVEL 3: SUCCESSFUL OUTCOME	• Company demonstrate alignment with LGPSC net zero strategy.	• Company undertook a nature impacts and dependencies assessment and has published an ambition to align with the GBF. • Company has disclosed robust petrochemical strategy underpinned by credible targets.	• Company demonstrates full alignment with UNGPs or Modern Slavery Act.	• Company has disclosed a plan for: – Addressing the alleged controversy. – Improve ESG practices at reasonable level.
LEVEL 2: MODERATE PROGRESS	• Progress observed in the Climate Action 100+ Benchmark Framework, CDP. • Companies improving on TPI management quality ladder. • Companies are partly aligned with LGPSC net zero strategy.	• Progress on undertaking a nature impacts and dependencies assessment or on publishing an ambition to align with the GBF. • Progress on developing a robust petrochemical strategy underpinned by credible targets.	• Partial progress observed by Find it, Fix it and Prevent it, Corporate Human Rights Benchmark and LAPFF research.	• Company has disclosed a plan for: – Partly addressing the alleged controversy including acknowledgment of the controversy. – Partly improve ESG practices at reasonable level.
LEVEL 1: MINIMUM EXPECTATIONS	• Companies disclosing data to facilitate carbon performance assessment if relevant.	• Evidence of constructive meeting with companies.	• Companies responded to engagement request.	• Companies responded to engagement request.
LEVEL 0: NO IMPROVEMENT	• No progress has been made.	• No progress made.	• No progress has been made.	• No progress have been made.

The main update to the Matrix was under the Natural Capital theme. Previously, a successful outcome for a natural capital engagement was to be determined, due to the nascent nature of the topic for investors. In 2024, LGPSC set its objective for this engagement programme. For an engagement to be classified as successful, a company will either have to (1) undertake a nature impacts and dependencies assessment and publish an ambition to align with the Global Biodiversity Framework (GBF) or (2) disclose a robust petrochemical strategy underpinned by credible targets. Key performance indicators (KPIs) and expected outcomes are allocated to each engagement. From 2025, engagements will be biannually assessed, and progress on outcomes will be reported back to Partner Funds and LGPSC governance committees. We also report on the outcomes of our stewardship activities in our public reports.

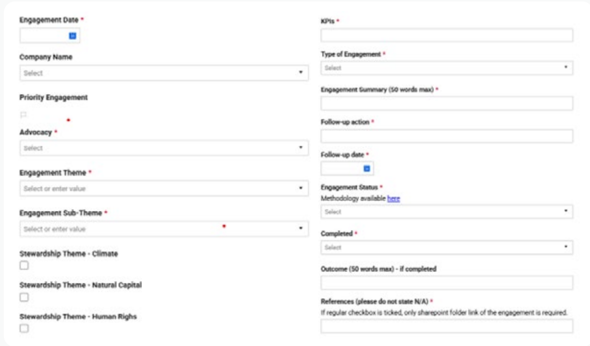
We require companies to demonstrate alignment with LGPSC's net-zero strategy to be deemed successful in our climate engagements. For human rights, companies must demonstrate full alignment with the UNGPs. For sensitive/topical activities, the company must address the alleged controversy or materially improve their ESG practices, as applicable.

2.4.9 Tracking

In 2023, LGPSC developed an in-house tracking database to monitor the number of engagements, and the progress made against the engagement objective(s) during the year.

In 2024, we continued improving the database by adding direct references to the Stewardship Priority List. LGPSC tracks both corporate engagement and advocacy. The cloud tool comprehensively records engagements and advocacy activities related to stewardship priority themes. The database includes engagement dates, company names, priority engagements, advocacy themes, engagement sub-themes, KPIs, types of engagement, summaries, follow-up actions, follow-up dates, engagement statuses, and outcomes.

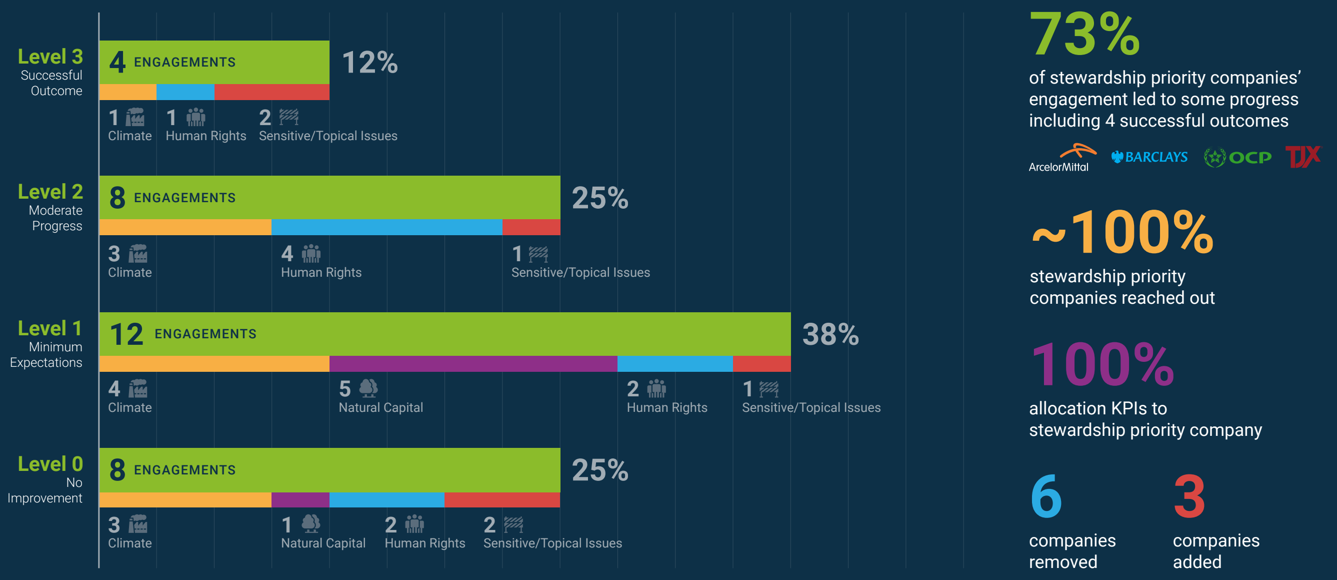
FIGURE 12: ENGAGEMENT DATABASE FORM


Engagement Date *
Company Name
Select
Priority Engagement
Advocacy *
Select
Engagement Theme *
Select or enter value
Engagement Sub-Theme *
Select or enter value
Stewardship Theme - Climate
Stewardship Theme - Natural Capital
Stewardship Theme - Human Righs
KPIs *
Type of Engagement *
Select
Engagement Summary (50 words max) *
Follow-up action *
Follow-up date *
Engagement Status *
Methodology available here
Select
Completed *
Select
Outcome (50 words max) - if completed
References (please do not state N/A) *
If regular checkbox is ticked, only sharepoint folder link of the engagement is required.

2.4.10 Reporting/Progress against the 2024-2027 Stewardship Strategy

FIGURE 13: PROGRESS AGAINST THE 2024-2027 STEWARDSHIP STRATEGY

Engagement Metrics



As of 31st December 2024, all companies on LGPSC's stewardship priority list have been engaged. Seventy-three percent of stewardship priority companies achieved progress, including three successful outcomes. Six companies have been removed and three companies have been added to the list.

Most engagements have met minimum expectations or recorded no improvement, which is to be expected in the first year of the three-year stewardship strategy. We are pleased to report that some engagements have demonstrated either moderate progress or successful outcomes.

2.4.11 Advocacy – Participation in industry dialogues

LGPSC actively participates in discussions about corporate and investor best practices. We believe that collaborating with peer investors and engaging in industry initiatives is essential, as it provides us with more leverage in our engagements. By taking part in these initiatives, we gain access to valuable data, research, and tools available to members, while also influencing the development of these programmes.

Figure 14 below lists the organisations and initiatives of which LGPSC is a member, along with a brief assessment of the effectiveness of each initiative and the outcomes achieved in 2024. We have reviewed our ongoing participation in these initiatives to ensure that we maximise our resources effectively and align with the priorities of the Partner Funds.

FIGURE 14: PARTICIPATION IN INDUSTRY DIALOGUE

ORGANISATION/INITIATIVE NAME	ABOUT THE ORGANISATION/ INITIATIVE	EFFICIENCY AND OUTCOMES
30% CLUB INVESTOR GROUP	A global network to unite efforts in delivering greater diversity and inclusion in the companies they invest in around the world. LGPSC has been a member since its inception.	As we focus on Europe now, plans may extend to Canada. UK group members can opt-in to support international engagements.
BVCA	UK trade body for private equity.	The BVCA organises ESG-related roundtables and events promoting ESG in the asset class.
CA100+	Engagement collaboration with more than 600 investors. Engaging with 168 companies that are responsible for roughly 80% of global corporate greenhouse gas (GHG) emissions. LGPSC Head of Stewardship is a member of the Mining and Metals Sector Group.	CA100+'s key company engagement priorities are the implementation of strong governance frameworks, garnering commitments to reduce GHG emissions throughout the value chain, the provision of enhanced disclosure and the implementation of transition plans.
CDP	CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.	We signed up to the CDP's 2023/24 Science-Based Targets (SBTi) Campaign. The SBTi's goal is to accelerate companies worldwide in their support of the global economy, aiming to halve emissions by 2030 and achieve net zero by 2050.
CROSS-POOL RI GROUP WITHIN LGPS	Collaboration group operating across LGPS pools and funds.	A cross-fund group set up to advise UK local pension schemes on responsible investment and infrastructure.
IGCN	ICGN advances the standards of corporate governance and investor stewardship worldwide, pursuing long-term value creation and contributing to the development of sustainable economies, societies, and the environment.	ICGN's work programme is delivered around three core activities: Influencing public policy and professional practice on global standards of corporate governance and investor stewardship, convening events to share knowledge, build networks and collaborate across capital markets. Guiding stewardship and corporate governance.

ORGANISATION/INITIATIVE NAME	ABOUT THE ORGANISATION/ INITIATIVE	EFFICIENCY AND OUTCOMES
IIGCC	Influential asset owner and asset manager group. Useful for climate change research and policy influence. LGPSC is part of the following working groups: UK Policy, Steel, Mining, and Proxy Voting Group.	IIGCC's corporate engagement and policy engagement programmes add considerable value to LGPSC's work on climate change. IIGCC engaged broadly with stakeholders in the lead-up to COP29.
INVESTOR ALLIANCE FOR HUMAN RIGHTS	An initiative focusing on investor responsibility to respect human rights, corporate engagement that drives responsible business conduct, and standard-setting activities that promote robust business and human rights policies.	In 2024, the initiative continued to collaborate with investors and civil society organisations to mobilise collective and coordinated investor leverage, thereby embedding and promoting corporate responsibility to respect human rights.
LAPFF	Engagement with companies in the UK and abroad, assisting LGPS funds with sustainable and ethical investment challenges.	LAPFF conducts engagements that are complimentary to LGPSC's stewardship theme engagements.
NATURE ACTION 100	A global investor engagement initiative focused on driving greater corporate ambition and action to reverse nature and biodiversity loss.	The initiative engages with companies in key sectors that are systemically important in reversing nature and biodiversity loss by 2030.
PRI	Largest RI-related organisation globally. Helps with research, policy influence and collaborative engagement.	In the latest PRI assessment report and were awarded five stars, the maximum score in five out of six pillars.
INVESTMENT ASSOCIATION	The Investment Association is a trade body representing UK investment managers.	The group continued to work on: supporting the development of climate-related disclosure, improving how firms communicate sustainability matters, supporting the Race to Zero and the Net Zero Asset Managers Initiative.
INVESTOR FORUM	High-quality collaborative engagement platform set up by institutional investors in UK equities. LGPSC has been a member since the inception of our Company.	In 2024, LGPSC continued to utilise the resources made available by the Investor Forum for the benefit of its members.
THE LOCAL GOVERNMENT PENSION SCHEME ADVISORY BOARD	LGPSC is a member of the RI Advisory Group of SAB. Discussions are held on RI-relevant policies and standards that will have direct or indirect implications for LGPS funds and pools.	Discussions during 2024 have centred around themes such as impact investing, plans to introduce mandatory TFCD reporting and the discussion around fiduciary duty for LGPS funds.

ORGANISATION/INITIATIVE NAME	ABOUT THE ORGANISATION/ INITIATIVE	EFFICIENCY AND OUTCOMES
TPI Transition Pathway Initiative	The TPI Centre's analysis considers corporate climate governance and carbon emissions. LGPSC's, Head of Responsible Investment and Stewardship, represents LGPSC on the TPI Limited board, contributing to the governance and oversight of this important initiative.	LGPSC uses the TPI dataset directly to inform engagement and voting on behalf of Partner Funds. TPI has also reported on sovereign climate-related opportunities and risks (a previously under-researched asset class in respect of climate).
UKSIF UKSIF UK Sustainable Investment and Finance Association	UKSIF focuses on sustainable finance and supporting the investment community in implementing RI best practices. LGPSC is part of the Policy Committee.	The group has provided stakeholder feedback to the FCA on SDR and the labelling regime. UKFSIF responded to more than 10 consultations, including a number relating to the SDR. They broadened their focus in 2024 with submissions on planning policy, the UK's Industrial Strategy, and the government's pensions investment review.

2.4.12 Advocacy – Participation in industry dialogues – Assessment

In 2024, we began assessing and reporting to Partner Funds on the value of LGPSC's participation in industry dialogues and memberships. The assessment considers our short-term and long-term objectives linked to advocacy efforts. LGPSC's advocacy efforts should aim to deliver:

Short-term objective

- Increase leverage in engagement (A).
- Accessing data, research, tools and opportunities available (B).
- Provide learning and progression opportunities to analysts (C).
- Foster collaboration among the RI&S industry (D).

Long-term objective

- Support LGPSC's investment beliefs (i.e., long-termism).
- To identify and respond to market-wide and systemic risks to promote a well-functioning financial system (UK Stewardship Code - Principle 4).

FIGURE 15: ADVOCACY ASSESSMENT MAP

TYPE	CLIMATE	HUMAN RIGHTS	NATURAL CAPITAL	STRATEGY	TOTAL	A	B	C	D
MEMBER	3	2	2	10	17				
AOC				✓		✓			✓
BVCA				✓			✓		
CDP	✓					✓	✓	✓	✓
CROSS-POOL RI GROUP WITHIN LGPS				✓		✓	✓	✓	✓
ESG DISCLOSURE				✓			✓		✓
FINANCE SECTOR DEFORESTATION ACTION (FSDA)			✓				✓	✓	
IIGCC AUDIT AND ACCOUNTS WORKING GROUP	✓						✓	✓	✓
INSTITUTIONAL INVESTORS GROUP ON CLIMATE CHANGE (IIGCC)	✓					✓	✓	✓	✓
INTERNATIONAL CORPORATE GOVERNANCE NETWORK (ICGN)				✓		✓	✓	✓	✓
INVESTMENT ASSOCIATION				✓		✓	✓		
INVESTOR ALLIANCE FOR HUMAN RIGHTS (IAHR)		✓				✓	✓		✓
INVESTOR FORUM				✓		✓	✓	✓	
LOCAL AUTHORITY PENSION FUND FORUM (LAPFF)				✓			✓		
PLANET TRACKER PETROCHEMICAL WORKING GROUP			✓				✓	✓	✓
PRI				✓		✓	✓	✓	✓

TYPE	CLIMATE	HUMAN RIGHTS	NATURAL CAPITAL	STRATEGY	TOTAL	A	B	C	D
UK SUSTAINABLE INVESTMENT AND FINANCE ASSOCIATION				✓		✓	✓	✓	✓
VOTES AGAINST SLAVERY (VAS)		✓					✓		✓
MEMBER/BOARD SEAT	1		1	1	3				
INVESTOR POLICY DIALOGUE ON DEFORESTATION (IPDD)			✓			✓	✓	✓	✓
THE LOCAL GOVERNMENT PENSION SCHEME ADVISORY BOARD				✓		✓	✓		✓
TRANSITION PATHWAY INITIATIVE	✓					✓	✓		✓
OBSERVER					1				
WORLD BENCHMARK ALLIANCE			✓	✓		✓	✓		
MEMBER/LEAD (OR CO-LEAD)	2	1	1		4				
CA100+	✓					✓	✓	✓	✓
FIND IT, FIX IT, PREVENT IT		✓				✓	✓	✓	✓
NATURE ACTION 100			✓			✓	✓	✓	✓
SHAREACTION	✓					✓	✓	✓	✓

For a comprehensive list of initiatives that LGPSC actively supports and engages with, please refer to Section 14 above.

2.4.13 Advocacy – Case studies

Policy engagements and consultation responses:

The Company has actively participated in policy dialogue on behalf of Partner Funds across various themes and regulations, including climate change, deforestation risk, and plastic pollution.

Statement in support of CA100+: LGPSC signed a statement in support of CA100+ emphasising three clear messages that the investment community remains committed to: (1) Further action on addressing systemic risk l, (2) Addressing significant investment risks, including climate risk, as a fiduciary imperative, (3) Collaborative engagement remains a vital tool.

Global Plastics Treaty: LGPSC signed a statement from the financial sector to the member states negotiating the International Legally Binding Instrument (ILBI) on plastic pollution. The statement called on governments to set a clear objective to end plastic pollution, supported by binding rules and obligations that address the full life cycle of plastic.

IPDD on Deforestation: The IPDD is an initiative to coordinate a public policy dialogue to halt deforestation. LGPSC signed a letter to Brazilian ministers requesting they ratify the Escazú Agreement. The Agreement is the first legally binding treaty on environmental rights for the Latin American and Caribbean region. Ratification of the Escazú Agreement will help support a level playing field for responsible business conduct, sustainable economic development, and stable business relationships with community stakeholders in Brazil. LGPSC attended a call with CVM, the Brazilian Securities and Exchange Commission, to discuss the Brazilian Green Taxonomy, developments around the sustainability reporting roadmap, and the development of the local carbon market in Brazil. We attended a call with B3, the Brazilian stock exchange, to understand their position on the sustainability requirements of issuers. We attended a call with the Brazilian National Development Bank to understand their approach to addressing deforestation.

Meeting with Australia's Department of Industry, Science and Resources: Alongside PRI and collaborating investors, we met with lead officials from the Department of Industry, Science and Resources. The purpose of the meeting was to discuss the group's response to the Australian government's consultation on its Future Gas Strategy.

Global Investor Statement to Governments: LGPSC signed a statement to Governments to take a whole-of-government approach to align with 1.5°C and tackle climate change.

Letter to Defra: LGPSC signed a letter to the UK Department for Environment, Food and Rural Affairs. This letter explained the importance of halting deforestation to investors. Highlighting both the systemic risks and the financial, reputational, operational, litigation and regulatory risks arising from investment in companies or instruments that are directly or indirectly linked to global supply chains containing forest commodities. The letter called on the government to introduce the Forest Risk Commodities legislation set out in the Environment Act 2021 as a priority.

2.5 Review of policies, assurance of processes and assessment of the effectiveness of activities

PRINCIPLE 5

Review of LGPSC RI&S policies

In 2024, we undertook a comprehensive review of the RI&E Policy to ensure alignment with the LGPSC Investment Risk Policy framework and to clearly differentiate the scope and purpose of the two documents.

The new RI&S Policy outlines the expectations for RI&S across all activities at LGPSC. In addition, the RI&S Framework will provide detailed processes necessary to meet these expectations across our investments. Additionally, the Framework makes direct reference to external reporting, such as the Climate and the Stewardship Code reports.

We also discuss trends and developments in RI&S with investor peers on a continuous basis (see the overview of Initiative memberships in Section 2.4 above). We also discuss voting trends with EOS and market specialists ahead of any revision of the Voting Principles. For example, in 2024, following consultation with stakeholders, we made some changes to our Voting Principles, including an increased emphasis on net zero and disclosure on emerging risks (i.e. geopolitical, AI). We have done this in tandem and close alignment with similar changes to EOS' voting policies and best practices adopted by other investors.

We update our Risk Register on sustainable finance regulation every quarter. We consider this a "live" document that will be updated regularly and presented to the ExCo and the Board. The Board is informed and expects updates on the Company's compliance with sustainable finance regulations that LGPSC is in scope for, such as the FCA's Anti-Greenwashing Rule. We have shared this document with cross-pool peers through the Cross-Pool RI Working Group.

RI&S Data and Risk Review

The RI&S team at LGPSC collaborates closely with our Enterprise Risk team to manage the Responsible Investment Risk Register. This register evaluates business risks, controls, actions, and mitigations related to responsible investment, with a net risk position agreed upon and reported to ORCA. It also includes an ESG analysis to identify companies profiting from controversial weapons business activities. Additionally, the Investment team at LGPSC maintains a departmental Risk Register that encompasses RI&S-related risks. Net risk levels are determined after considering existing controls and any outstanding actions.

External audit of the RI&S function

KPMG completed an advisory review to assess the design of controls and processes in place relating to LGPSC's TCFD-compliant reporting. LGPSC produced an entity-level TCFD-compliant Climate Report on a voluntary basis. However, LGPSC is now subject to mandatory TCFD-compliant reporting starting from the reporting period ending 31 December 2023. In 2024, LGPSC published TCFD-compliant reports at both the entity and product levels to align with the FCA's requirements. Whilst there were no critical and significant findings identified, KPMG advised some improvements including stronger governance arrangements to ascertain the completeness and accuracy of downloaded data and calculated output for inclusion in the report. Additional climate related training was also recommended. Such provisions are now scheduled to be delivered against a mid-2025 target date.

Stewardship Provider

We annually assess EOS's performance against our contract terms and seek approval from the IC. This year's review concluded that EOS has consistently met the contract requirements, including providing timely responses to queries, delivering reporting on time, and delivering required engagement disclosures.

Beyond our annual review process starting in 2023, the RI&S team performed audits comparing EOS platform-reported engagement data against a snapshot from EOS's internal database. This enables us to verify that our stewardship providers conduct necessary checks and balances before providing data. There are multiple touchpoints for LGPSC to review EOS's activities, including regular reporting (via the client portal, quarterly, and annual reports) and opportunities for feedback, such as quarterly meetings, annual presentations, and bi-annual client conferences. Additionally, LGPSC conducted a soft market review to ensure that EOS remains competitive. Although we believe the service meets our requirements, we remain concerned that the market participants in this space remain limited. We believe this market characteristic warrants further discussion with other asset owners and continued conversations with potential providers to create greater demand for these services among multiple players.

EOS conducts a sample-based audit of approximately 50 meetings every six months, where an EOS engagement professional manually enters vote recommendations for clients. The audits are performed by the EOS Voting and Engagement Support team and are subsequently reviewed by the Engagement Regional Team Leads. The primary purpose of these audits is to examine voting decisions that may be perceived to be misaligned with best practices and ascertain the rationale behind.

EOS requires ISS to provide evidence for a selection of auto-instructed meetings to ensure the accuracy of EOS's policy interpretation and operational workflow. EOS offers clients a range of qualitative and quantitative reports regarding the engagement and voting activities undertaken on behalf of LGPSC.

2.5.1 Review of EOS services

Besides the annual review of EOS services, we meet yearly to focus on specific votes and engagements, which we find highly beneficial, especially during proxy voting season. The EOS team participates in our quarterly PAF RIWG meetings, allowing the Partner Funds to ask detailed questions about engagements and prioritisation. Additionally, clients have multiple touchpoints to review EOS's activities through regular reporting methods such as the client portal and quarterly and annual reports. Clients can also provide feedback during EOS's semi-annual client conference, which includes a dedicated discussion forum for clients. The RI&S team annually reviews EOS's services to ensure that the stewardship provider meets the contract terms.

This review is documented and approved by the IC each year. Summary for the 2024 review: EOS has consistently delivered strong and value-adding services to LGPSC, including effective communication during voting season regarding LGPSC's Voting Watch List. EOS has also provided direct support to Partner Funds by participating in all PAF RIWG meetings throughout the year.

FIGURE 16: REVIEW OF EOS'S SERVICE AS OF SEPTEMBER 2024

KPI AREA	KPI REVIEW
GLOBAL ENGAGEMENT	Engaged with 687 companies with regional and thematic breakdowns.
ENGAGEMENT QUALITY	110 objectives were linked to engagement with 687 companies. During the period, 45% of objectives were completed.
VOTING COVERAGE	EOS voted on 5,558 ballots during the period under review. EOS overrode 8% of ISS voting recommendations and 2% of their voting policy recommendations. We found this voting discretion acceptable as EOS extensively consults with ISS on their voting benchmarks and sets up their voting policy in consultation with clients. Less than 0.5% of votes were not executed, due to share-blocking market provisions and delays in generating the ballots. A discrepancy was found for one account due to ballots being received late on the ISS platform.
CLIENT SERVICE	Most queries to EOS were dealt with within 48 hours. EOS has also assisted LGPSC with delivering engagement and voting data for the Partner Funds' stewardship code submission. From June 2024, the RI&S Team received an update on the status of outstanding queries every three weeks.
COMPLAINT HANDLING	No complaints.
CLIENT SERVICE MEETING	Several meetings were held before, during and after voting season 2024, relating to the planning of the voting season.
REPORTING PUNCTUALITY	Reports have been delivered on schedule.
REPORTING QUALITY	Overall, quality has been good.
TEAM STABILITY	Since October 2023, the team has been relatively stable. Only 2% of EOS and Federated Hermes personnel left the firm.

3.0 Investment approach

PRINCIPLES 6-8

3.1 LGPSC RI&S Framework

The LGPSC's approach to responsible investment is primarily achieved through RI&S integration within our investment activities. We believe this framework allows us to effectively identify, assess, manage, and report on ESG risks and opportunities across our investments, fulfilling our fiduciary responsibilities to Partner Funds.

ESG integration involves incorporating ESG issues into LGPSC's manager appointments and retention, which enhances our ability to manage risks and returns. Stewardship refers to using our influence to maximise long-term value. At LGPSC, this includes engagement, voting, and advocacy.

Transparency is characterised by regular disclosures to stakeholders, utilising industry-standard disclosure frameworks. Our investment products are designed to meet the needs of our Partner Funds and include both internally managed and externally delegated investments. The steps for ESG integration differ for each asset; however, ESG integration is consistently applied throughout the entire investment lifecycle. Currently, our internally managed products employ passive strategies. Therefore, much of the ESG integration is conducted at the initial stage of selecting the appropriate index to track. Client preferences generally guide index selection, but LGPSC's insights are also considered. This involves comparing ESG methodologies for tilted indices and assessing significant ESG risks across various indices and providers. For externally delegated investment products, funds and managers are selected through an approved procurement process. We consider the responsible investment strategy of prospective managers throughout this process, and their performance in responsible investment significantly influences their overall evaluation. Our goal is to appoint managers who align with our RI&S framework. The assessment includes examining their policies, resources, ESG processes, stewardship practices, past ESG issues and performance, and their approach to ESG reporting. Before appointing a manager, we agree on RI&S-related clauses in relevant documents, e.g. side letters, to ensure alignment with LGPSC's RI&S Policy, ESG reporting requirements, and net zero strategy.

We regularly monitor all our investment products, with progress reported to IC when required. Any significant issues are escalated to the l Investment Oversight Committee as needed. This monitoring process involves external manager reports and data analysis utilising our internal models, which also contribute to our routine client reporting.

In addition to providing regular reports, we proactively share our findings with clients to maintain transparency and foster trust. This open communication ensures that our clients remain informed about actions and progress related to identified ESG issues, reinforcing our commitment to accountability and sustainable practices.

All three pillars—ESG integration, stewardship, and transparency—are interconnected and mutually reinforcing. ESG integration enables us to identify specific portfolio concerns, which are then systematically addressed through our stewardship activities. Insights from these engagements feed directly into our product monitoring efforts and support meaningful dialogue with our delegated managers. Regular interactions with the Partner Funds also provide valuable feedback on ESG concerns raised by their stakeholders and members, guiding our focus areas. We stay attentive to regulatory requirements and reporting standards to proactively identify and address potential issues. Furthermore, our ongoing conversations with ESG data and service providers offer additional perspectives that enhance our ESG integration and stewardship initiatives. Together, these efforts create a coherent and comprehensive approach to responsible investment.

3.2 Tailored approach for different asset classes

Specific to the Company's investment activities, bespoke RI&S procedures are proposed for each asset class and/or investment strategy in which LGPSC invests. These documents, currently referred to as the Responsible Investment Integrated Status (RIIS), detail the due diligence process that must be followed and the RI standards that must be achieved when a product is launched within that asset class. This includes how ESG performance will be monitored and the frequency of dialogue with appointed managers. Each asset class-specific RIIS procedure is co-sponsored by the Head of RI&S and the relevant Investment Director. By requiring co-sponsorship of the RIIS proposal, we ensure buy-in from all relevant teams and integration of the RIIS procedure into the investment processes and decision-making.

Beyond our investment products, other RI&S-related activities shall adhere to the guidelines specific to those activities. These may include a client services agreement, service level agreement, or other relevant internal frameworks.

See examples of how RIIS requirements may vary depending on the specific fund and asset classes involved.[3]

Active Equities

LGPSC has several investment beliefs specific to active equities which guide our integration of ESG within this asset class. These beliefs include, amongst others, that ESG risk is not always effectively priced (both in developed and emerging markets), the extent to which ESG factors apply to a particular stock or sector varies, and that engagement with companies is an active part of portfolio management. We place a high value on the manager selection process to ensure that these beliefs are followed by the manager. Post-investment, monitoring in active equities is primarily achieved by analysing the portfolios in Bloomberg using ESG risk ratings, inspecting managers' responses to quarterly data requests, and questioning managers during quarterly calls on specific stocks and voting and engagement activities. We expect managers to be able to justify any new positions with a detailed analysis of the ESG risks and opportunities facing that company.

Fixed Income

We believe that the extent to which, and the way ESG is integrated into fixed income investing varies significantly by the type of issuer (corporate, sovereign, supranational, municipal, etc) and a one-size fits all approach is unlikely to be optimal. We reflect this belief in our selection process for Fixed Income mandates. During the selection of LGPSC's Multi Asset Credit Fund, we asked managers to provide three examples each pertaining to a different type of issuer to ensure that RI was being fully incorporated into all aspects of the portfolio. We monitor managers ongoing integration of ESG considerations during quarterly review meetings where we discuss specific issuers.

Passive Equities

For passive and factor-based equity funds we place a greater emphasis on stewardship and voting as our main tool for ESG integration. This reflects our belief that while index tracking funds can mitigate idiosyncratic ESG risks through diversification, long-term systemic ESG risks cannot be eliminated through diversification. As a result, long-term investors should utilise thematic stewardship to mitigate long-term market risks and positively influence corporate practices. Reflecting this, LGPSC focuses its engagement and voting activity on four Stewardship Themes which are agreed with the Partner Funds (See principle 9 below).

Private Equity

Within Private Markets, RI is integrated into due diligence on a five-pillar scoring framework that covers: policy, people, process, performance, and transparency and collaboration. A more rigorous due diligence assessment is conducted if a fund is considered high risk due to its sector or geographical location. The findings of the due diligence report are considered as part of the PMIC approval process. Following the appointment, we request that the manager report on material ESG incidents. For co-investments an RI risks report which is bespoke to the investment is produced.

[3] Relevance is assessed on a case-by-case basis, and it is only in exceptional circumstances that RI integration would be deemed irrelevant. For instance, when evaluating UK Gilts, we have determined that RI and ESG integration are not applicable (to be rechecked).

FIGURE 17: LGPSC RED, AMBER, YELLOW, GREEN (RAYG) RATING

LGPSC has developed a RAYG rating for manager monitoring, of which RI&S is a core component. These ratings get updated each quarter based on the discussion at the manager meetings. The RAYG rating is split into four possible ratings: red (manager fails to convince, warrants formal review with potential manager exit), amber (manager warrants closer scrutiny with potential for going on "watch"), yellow (manager is fulfilling expectations but with minor areas of concern), and green (manager shows clear strengths tailored to requirement).

We score managers on four components of their RI&S approach:

1) Philosophy, people, and process.
2) Evidence of integration.
3) Engagement with portfolio companies.
4) Climate risk management.

Reflecting its importance, the RI&S component carries 13% of the weight in the overall score.

FIGURE 18: PUBLIC MARKETS MANAGER SCORES (Q4 2024)

CASE STUDY

Fixed Income Manager Monitoring

Engagement undertaken by LGPSC's external managers in 2024 has been comprehensive. Several of these managers hold sizeable positions in their highest conviction portfolio holdings, giving them direct access to company management which has been used effectively to drive company change in the past. On any occasion where the level of engagement disclosure was unsatisfactory, or where the link between an engagement and subsequent investment decision-making was not clear, fund managers were marked down during our RAYG rating review and LGPSC discussed its concerns in the quarterly meetings with the managers.

In Q2 of 2024, the RI&S Team took the decision to downgrade one of the Fixed Income managers from "Yellow" to "Amber". This downgrade reflected long-term concerns that the manager, despite being able to discuss ESG risks associated with its holdings, was not integrating these factors into its decision-making process. This was evidenced by the presence of several investments with high exposure to ESG risk coupled with limited efforts to mitigate that risk through stewardship.

This decision was further supported by LGPSC's findings following our three-year review of the manager, which took place in Q3 2024. This consisted of a deep dive into the managers' RI processes, which aims to ensure that appointed manager's ESG integration approach is consistent with our RI&S Framework and is tracking industry best practice.

The RI&S Team's assessment of the manager was promptly shared with the Investment Team, who were also undertaking a formal review of the manager's overall performance. ESG considerations, including the manager's response to the concerns raised, will help inform the nature of LGPSC's relationship with the manager.

CASE STUDY

Manager procurement for a new fixed income mandate

In Q1 2024, we initiated a search for a specialist manager to oversee a new Buy and Maintain Sterling Investment Grade Credit Evergreen Sub-Fund.

As part of the product's investment case, we emphasised characteristics that align with our RI&S framework. We believe the strategy's long-term perspective necessitates the consideration of ESG matters by the manager.

We also explored incorporating a formal secondary target based on sustainability and requested examples of sustainable portfolios as part of the procurement. We concluded that a formal target would lead managers to employ negative screens, a method misaligned with our approach due to the reduced investable universe.

The manager selection process consisted of three stages: a questionnaire, a presentation, and a due diligence visit. RI&S accounted for 20% of the questionnaire score and 10% of the presentation score. The RI&S team created questions, reviewed responses, attended presentations, provided scoring input, and identified issues for due diligence. The RI&S team had access to all manager data, including model portfolios and analyst reports. Two managers progressed to the due diligence stage, which involved on-site visits with RI&S breakout sessions. During these sessions, managers were required to show evidence of how they integrate ESG and stewardship into their daily operations. The findings were summarised in a report and given a final score, which was equally weighted with eight other factors.

RI is an integral part of the investment oversight RAYG rating, which is updated quarterly. Regular meetings are held with external managers, with additional RI-specific meetings arranged, as necessary. These meetings cover changes to topics identified at procurement and assesses the manager's ESG integration and stewardship activities to explain their investment decisions.

CASE STUDY

Private markets fund selection, appointment and monitoring

Fund/General Partner selection is a multi-stage process, requiring IC approval at both stages.

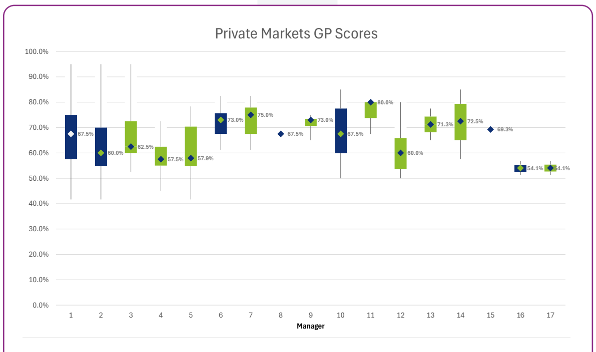
- **Preliminary Investment Recommendation:** The private equity team reviews potential funds that meet our geographic and strategic requirements. The team then scores the funds based on multiple categories, including responsible investment. Regarding responsible investment, funds are graded on a scale of 0 to 4. Responsible investment accounts for 16% of the overall score at this stage. The team will then propose to the IC the recommended funds to proceed to the due diligence stage, highlighting areas of focus. The IC will then issue a go/no-go decision.
- **Due Diligence:** An assessment of the RI&S approach of managers is conducted by the RI&S team at the due diligence stage. We have an in-house due diligence framework which we follow to ensure a thorough and consistent approach. Issues identified during the due diligence process will be included in the full due diligence report and raised at the IC for further discussion, including how the issues will be addressed. The score also acts as a baseline for ongoing dialogue with the General Partner (GP) and as input to our benchmarking exercise.

Investment monitoring: RI&S monitoring is integrated into our general investment process to ensure ESG considerations are systematically addressed. This enhances our asset governance and fosters accountability. We engage with General Partners to address ESG issues early, collaboratively developing risk mitigation strategies. This proactive approach aligns with our stewardship responsibilities and promotes sustainable investment practices. Our commitment to ESG excellence is reflected in our monitoring processes, which we continually refine to ensure they remain effective and aligned with LGPSC's investment principles.

FIGURE 19: PRIVATE MARKETS RI PROCESS

Due Diligence Framework[4]

Manager Scoring



Benchmarking and Monitoring

[4] See Section 6.2 for the full Due Diligence Framework.

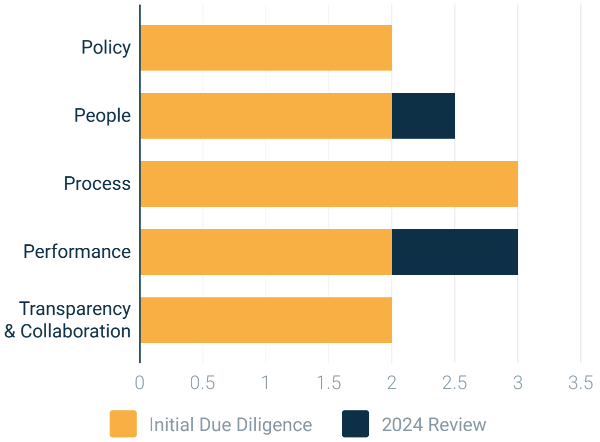
CASE STUDY

Manager monitoring in Private Markets

The monitoring of ESG issues within our private market investments is integrated into the general monitoring process that is established internally. From time to time, we conduct deep dive reviews of the practices of our fund managers. The frequency of the review is approximately 3 years, or more frequently depending on the risk level.

In 2024, LGPSC reviewed one Private Equity manager within our 2018 Private Equity fund This manager was found to have improved from the initial due diligence with respect to its performance against our five-pillar scoring framework, Figure 20 illustrates the scores achieved during the initial due diligence and the subsequent review.

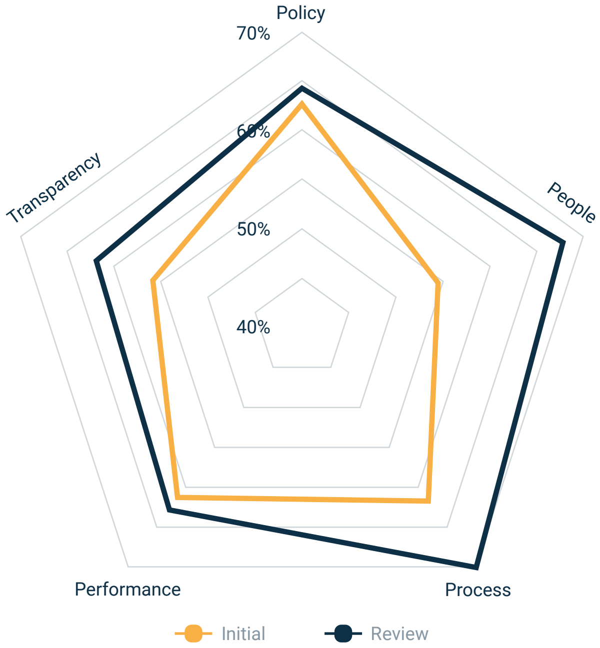
FIGURE 20: RI&S IMPROVEMENTS BETWEEN THE INITIAL DUE DILIGENCE AND THE MOST RECENT REVIEW OF A PRIVATE EQUITY MANAGER



Improvements were observed in the pillars of people, performance and transparency & collaboration. Following an acquisition, the manager now benefits from a global, group-level sustainability team that operates across the manager's various asset classes, which contributed to the manager's improved people pillar score. During the review, the manager demonstrated how ESG considerations had influenced investment decisions, highlighting both accepted opportunities, and how ESG factors had contributed to the final decision, and those rejected due to ESG concerns. While previously identified as a weakness, we observed improvements in the manager's transparency and collaboration. This is partially attributable to notable enhancements in annual sustainability reporting and increased participation in sustainability-focused collaboration groups such as the CDP and the ESG Data Convergence Initiative.

FIGURE 21: RI&S IMPROVEMENTS BETWEEN THE INITIAL DUE DILIGENCE AND REVIEW OF THE 2018 PRIVATE EQUITY FUND

Private Equity: Average Category Scores



At a high level, we have observed a general improvement in our private equity managers that have undergone a review since our initial due diligence. The most notable improvements have been in the people and process pillars. Within these pillars we have identified several key trends. GPs are rapidly expanding their RI&S resources, with many managers hiring dedicated ESG professionals, establishing ESG working groups, and engaging external advisors to provide RI&S training for all staff. Additionally, we have seen improvements in RI due diligence and stewardship processes, including enhanced ESG monitoring and reporting. This has led to a rise in the number of GPs collecting ESG data from their portfolio companies. Transparency has also improved, with more GPs providing annual ESG reports and material incident reporting to LPs. As such, we will continue to engage with our private equity managers to drive further progress.

CASE STUDY

Private Markets Carbon Footprinting

In our 2023 TCFD Report, we calculated the carbon footprint of our private equity portfolios (including co-investments) using estimated data. During 2024, we expanded our approach to include all private market portfolios[5] and incorporated the collection of reported data.

Reported data is provided by managers and sourced through various methods, including direct reporting from underlying portfolio companies or estimations by the managers, who are better positioned to estimate the underlying portfolio companies. As reported data provides greater accuracy, it is prioritised over estimated data. However, estimations are used where reported data is unavailable.

Data is estimated using MSCI's Total Portfolio Footprinting[6] which adheres to PCAF guidelines.

This process began with contacting our underlying managers to request the necessary inputs and any reported emissions data. The data then had to be aggregated into the required format, which posed challenges due to the variation in data and formats provided by managers. Once formatted, emissions were estimated where needed, and data was aggregated at the asset class level. Through this process, we have been able to produce scope 1, 2, and 3 financed emissions and normalised financed emissions.

It is important to note that significant discrepancies often exist between estimated and reported data. The estimation process considers factors such as company size, revenue, and sector, but it cannot account for the specific nuances of portfolio company operations that reported data can capture. Nonetheless, estimation provides valuable insights into portfolios' likely carbon footprint and carbon intensity. We anticipate an increase in the proportion of reported data as we continue to work with managers to enhance disclosures.

Development of new funds

Index providers continue to launch indices that help investors align their funds with net zero and the transition to a low-carbon economy. Initially, climate index products focused on reducing carbon emissions and fossil fuel reserves. These considerations were successfully implemented in the design of the LGPS Central All World Equity Climate Multi-Factor Fund launched in October 2019, which successfully reduced exposure to fossil fuel reserves and emissions compared to the traditional market cap index.

LGPSC considered adding a decarbonisation target to the existing benchmark index for the LGPS Central All World Equity Climate Multi-Factor Fund. We also considered alternative offerings within the Paris-Aligned Benchmark and Climate Transition Benchmark frameworks. We undertook this analysis following questions raised by Partner Funds. One recommendation was to incorporate a decarbonisation trajectory into the index. This would preserve the current targeted factor exposures while ensuring consistent year-on-year decarbonisation. However, given the Pensions Review, this discussion is expected to be part of a broader strategic initiative concerning the implementation of Partner Fund investment strategies and their alignment with climate strategies.

[5] This includes LGPSC's private equity, private credit, infrastructure, and property as of Q4 2023 where available. When unavailable later data was utilised.
[6] Total Portfolio Footprinting - MSCI

4.0 Engagement

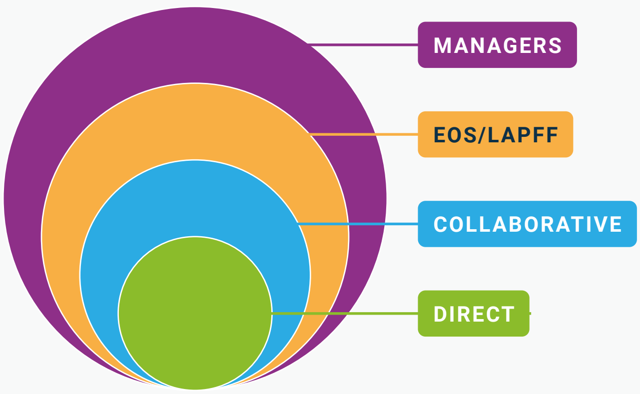
PRINCIPLES 9-11


Long Mynd, Shropshire

PRINCIPLE 9

Engagement is a key component of our stewardship strategy and approach to responsible investment. LGPSC engages with all companies on our Stewardship Priority List through direct engagement. Additionally, we may participate in collaborative engagement initiatives if we believe they could yield better results. We only join these collaborative efforts when our engagement objectives align fully with the goals of the engagement program. In addition to direct and collaborative engagements, we work with stewardship overlay partners (e.g. EOS and LAPFF) which also engage with companies on our behalf. Furthermore, we expect our appointed external managers to actively engage with the companies they invest in. We monitor the engagement efforts of our managers as part of our assessment process.

FIGURE 22: LGPS CENTRAL STEWARDSHIP OVERREACH



4.1 Direct and Collaborative Engagement

In 2024, LGPSC undertook 323 engagements, run either collaboratively or directly. 22% of the engagements were directly led, and 77% were conducted collaboratively. The majority of these engagements were composed of letters sent to companies.

4.1.1a Climate Change

ENGAGEMENT HIGHLIGHTS DURING 2024

- 661 companies on climate-related risks, with progress measured on 341 specific objectives.
- We voted against Shell's Energy Transition Strategy and directly engaged with the Chair to discuss the company's approach to setting interim net-zero targets.
- We participated in a collaborative engagement, encouraging Barclays to stop financing new oil and gas fields and restrict lending more broadly to energy companies expanding fossil fuel production. We met with the CEO and representatives from Barclays' ESG team, who provided reassurances that the company is following through with its commitments.
- We participated in a collaborative engagement and co-signed letters to 38 FTSE 100 companies requesting that they provide shareholders with a vote on their climate transition plans.
- Through the collaborative engagement initiative Climate Action 100+, we engaged with BHP on enhanced disclosures on the Just Transition.
- We supported a statement requesting that Societe Generale publish its methodology for achieving its green finance target and set sector-based green finance targets. Encouragingly, the Chair responded that they would welcome engagement on this topic.
- We co-signed private letters to two mining companies, requesting that they develop a best-practice approach to measuring, disclosing, and mitigating methane emissions for metallurgical coal operations.
- We engaged with RWE to discuss coal exposure, the Just Transition, and stranded asset risk associated with the build-out of its gas infrastructure.

FIGURE 23: BREAKDOWN OF CLIMATE CHANGE ENGAGEMENT BY TYPE

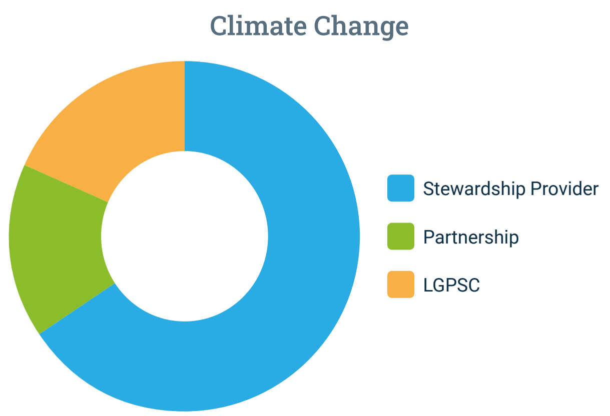
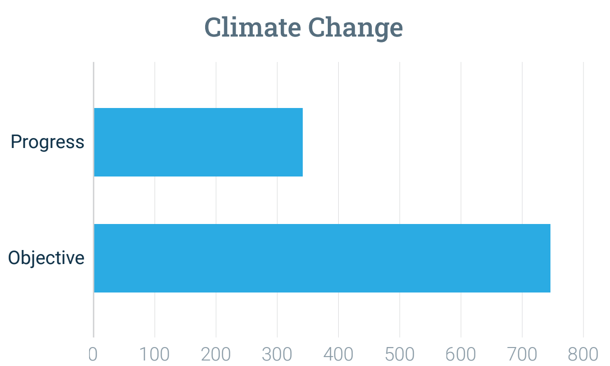


FIGURE 24: CLIMATE CHANGE ENGAGEMENT BY OUTCOME



4.1.1a Climate Change

FIGURE 25: LGPSC CASE STUDIES CLIMATE CHANGE

Shell PLC

OBJECTIVE:
Short-term: Build an effective engagement relationship with the company. Long term: ensure that Shell's net zero policy is aligned with a 1.5°C temperature increase.

ENGAGEMENT:
Following our vote against Shell's Energy Transition Strategy at the company's 2024 AGM, in September, we met with the Chair of the Board to discuss the strategy in more detail. Several topics were discussed, including the correlation between Shell's expansion of its gas business and the prospective disclosure of medium-term climate targets, as well as the company's confidence in its assumptions regarding global gas markets.

OUTCOME:
We also clarified Shell's long-term business strategy and key future dates. This marks significant progress towards achieving the short-term objective of this engagement: to establish an effective engagement relationship with the company. Whilst we have established an active dialogue with the company, we expect further clarity on how Shell's net-zero commitment is resilient to economic scenarios, especially in relation to global liquified natural gas demand over the next few decades. We will discuss our thoughts with our external managers and continue to engage with the company on aligning its decarbonisation strategy with the goals of the Paris Agreement.

FIGURE 26: LGPSC CASE STUDY CLIMATE CHANGE

BHP

THEME:
Climate Change (Just Transition)

RAG STATUS:
Red

OBJECTIVE:
Enhanced disclosure on Just Transition

ENGAGEMENT:
Through CA100+, LGPSC met with BHP regarding the closure of the Mt Arthur thermal coal mine, which was due to close in 2045 but will now close in 2030. There are approximately 2,200 employees at risk of job loss. Although BHP has committed to the responsible closure of the mine in 2030, we wanted the company to reassure us on how they intend to meet this commitment.
The company confirmed that they have set up the Tomorrow, Together Initiative, which aims to support BHP employees in identifying an appropriate pathway post-closure for the workforce. When we questioned the company regarding the progress of the Tomorrow, Together Initiative, the company confirmed that they have assigned costs to re-training and redeployment. However, the company has not disclosed these costs outside of the usual rehabilitation costs. BHP explained that consultations have taken place with employees to consider the appropriate levels of retraining and redeployment. While considerations regarding contract workers are being managed by their agencies. The company confirmed that it wants to allow workers to reconsider their plans and change their minds about where they want to relocate after the mine closure.
The company directed us to their disclosures on Just Transition. However, it lacked adequate clarity outside of the usual rehabilitation costs.

OUTCOME:
The company acknowledged the rationale behind public disclosures, omitting specific Tomorrow, Together Initiative metrics. We plan to re-engage with the company on further disclosures regarding their approach to Just Transition.

4.1.1b Natural Capital

STEWARDSHIP STRATEGY

Engagements with investee companies are conducted directly and collaboratively through Nature Action 100.

MEASURES OF SUCCESS

- The company undertakes a nature impacts and dependencies assessment and has published an ambition to align with the Global Biodiversity Framework.
- The company has disclosed a robust petrochemical strategy underpinned by credible targets.
- We aim for positive interactions at senior levels of target companies and acknowledgement of natural capital as a business risk, along with commitments to strategies or targets to manage those risks.

ENGAGEMENT HIGHLIGHTS DURING 2024

- 295 companies on with progress on 97 specific objectives.
- We engaged with Rio Tinto, Kellanova, and Sherwin-Williams through Nature Action 100 (NA100). We introduced the initiative and outlined our high-level expectations for companies to manage nature-related risks effectively. Our main aim at this stage is for companies to disclose their nature impacts and dependencies assessment.
- We co-signed letters to 22 petrochemical companies, requesting that they reduce fossil fuel dependency and eliminate hazardous chemicals in plastic production. We engaged with Repsol and LyondellBasell to discuss our concerns.

FIGURE 27: BREAKDOWN OF NATURAL CAPITAL ENGAGEMENT BY TYPE

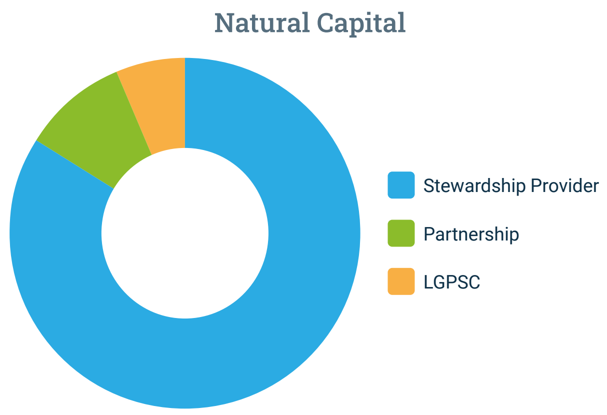
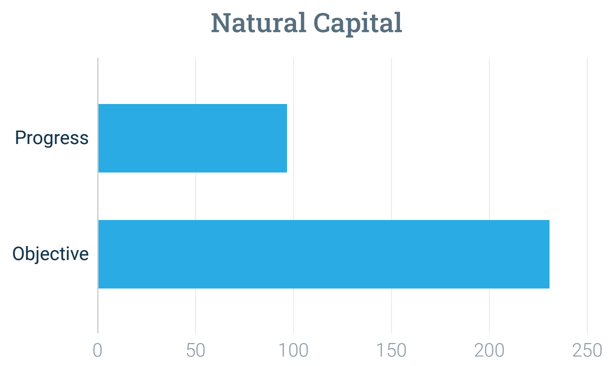


FIGURE 28: NATURAL CAPITAL ENGAGEMENT BY OUTCOME



4.1.1b Natural Capital

FIGURE 29: LGPSC CASE STUDIES NATURAL CAPITAL

Repsol SA

OBJECTIVE:
To develop a robust petrochemical strategy underpinned by credible targets.

ENGAGEMENT:
In the run-up to the UN-led Plastics Treaty negotiations, we co-signed a letter drafted by Planet Tracker to 22 companies, including Repsol, requesting petrochemical companies to take stronger actions towards plastics circularity. The statement outlines five expectations for companies, including the disclosure of strategies and setting targets to transition to sustainable plastic production. Following the company's AGM, we wrote to them detailing our rationale for voting against their Energy Transition Strategy and requested a call to discuss the petrochemical statement.

OUTCOME:
We met with the company to discuss their approach to petrochemical production. Repsol confirmed that they are considering developing a strategy related to sustainable petrochemicals. They currently have one production volume target about sustainable petrochemicals. We emphasised that investors are keen to see a credible strategy that outlines how the company will transition away from fossil-based plastics and hazardous chemicals, given the projected associated financial risks of such products. The company was receptive to this message and outlined that they will release their inaugural TNFD disclosures in their upcoming annual report. We are arranging a follow-up meeting with the company to discuss their petrochemical strategy and TNFD disclosures further.

FIGURE 30: LGPSC CASE STUDY NATURAL CAPITAL

NA100

OBJECTIVE:
To undertake a nature impacts and dependencies assessment and to publish an ambition to align with the Global Biodiversity Framework (GBF).

ENGAGEMENT:
We are active participants in NA100; the goal of the collaborative engagement is to align the business models of companies that have the highest impact and dependencies on nature with the goals of the GBF. We have signed letters to 85% of companies on the NA100 list, introducing investor expectations on nature-related risk management, and we have engaged with four companies through the initiative. Currently, our engagements focus on encouraging companies to conduct a nature impacts and dependencies assessment. From 2025, we will consider voting against the appointment of the Chair of companies that have not demonstrated a constructive dialogue with NA100. Following the release of the NA100 benchmark assessment results, we were pleased to see that a significant number of companies are already disclosing nature-related targets and implementation plans. The benchmark results highlight the need for companies to strengthen governance around nature issues and conduct comprehensive nature impacts and dependencies assessments.

OUTCOME:
We met with three out of the four companies we are engaging with in 2024. The meetings focused on introducing investor expectations on the management of nature risk, with a particular emphasis on encouraging companies to conduct a nature impacts and dependencies assessment. We will continue to engage on these issues through NA100.

4.1.1c Human rights

STEWARDSHIP STRATEGY

We recognise the importance of human rights as a business risk and aim to engage with investee companies to ensure appropriate management of this risk. We leverage opportunities to collaborate such as the Modern Slavery Act engagement with FTSE 350 companies and engaging technology companies with respect to human rights. We will also actively participate in the PRI's "Advance", stewardship initiative for human rights and social issues. We will consider co-filing and/or supporting shareholder resolutions in cases where companies are in breach of the Modern Slavery Act and against the reappointment of Board members in cases where companies do not respond to engagement on human rights risks.

MEASURES OF SUCCESS

- We expect policies for responsible business conduct to follow the UN Guiding Principles for Business and Human Rights, where applicable.
- We expect companies to demonstrate alignment with the Modern Slavery Act.
- We seek Board oversight of human rights risk; policies to respect human rights; relevant measures to manage human rights risks integrated into corporate business strategy, risk management and reporting; engagement with stakeholders and grievance mechanisms. Where relevant we expect to see policies relating to, and external verification of the management of human rights risks in conflict areas.
- We encourage improvements in benchmarks such as the World Benchmarking Ranking Digital Rights Index and the Workforce Disclosure Initiative.

ENGAGEMENT HIGHLIGHTS DURING 2024

- 601 companies engaged on a range of 670 broader human rights risks. Progress was seen in 250 cases against specific objectives.

FIGURE 31: BREAKDOWN OF HUMAN RIGHTS ENGAGEMENT BY TYPE

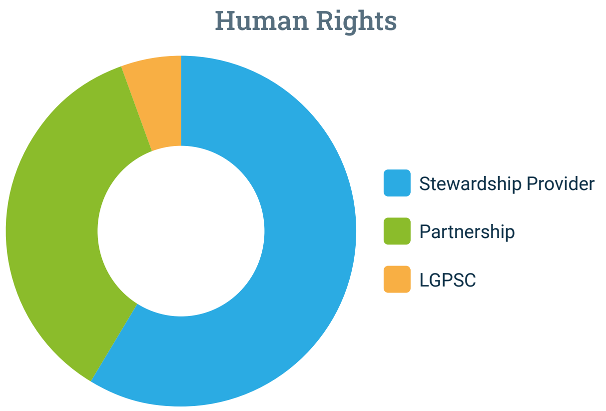


FIGURE 32: HUMAN RIGHTS ENGAGEMENT BY OUTCOME

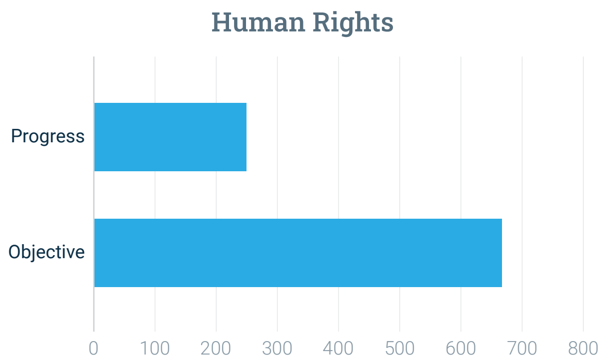


FIGURE 33: LGPSC CASE STUDY HUMAN RIGHTS

OCP Group

OBJECTIVE:

To ascertain whether the UNGPS are fully integrated into its business strategy.

ENGAGEMENT:

OCP Group operates in territories with potentially conflicting boundary claims and concerns indicated by the UN Special Rapporteur in the field of cultural rights. OCP Group's policy upholds the International Bill of Human Rights and clearly refers to the United Nations Guiding Principles. The company also makes public reference to grievances as well as its due diligence plan across the supply chain. We sought

4.1.1c Human rights

further reassurance that the company's human rights policy was implemented beyond the company level (e.g. supply chain) and is fully integrated within its business practices for the long term. LGPSC sought such clarifications due to the company's corporate structure, the regulatory regime in which the company is headquartered and the company's closed business relationship with the European Union (CSRD).

OUTCOME:
In October 2024, LGPSC, along with another investor, met with the OCP Group's Investor Relations and OCP's Head of Sustainability. The Company confirmed that its human rights policy and approaches are fully integrated within OCP Group's business strategy, including regular supplier due diligence and ambitions to strengthen grievance reporting. The Company also requested LGPSC remain in regular contact to further discuss the challenges for emerging market companies in integrating human rights' best practices and being an SDG net promoter in its operating territories.

FIGURE 34: LGPSC CASE STUDY HUMAN RIGHTS

Votes Against Slavery

OBJECTIVE:
FTSE 350 and AIM-listed companies whose modern slavery reporting failed to meet the requirements of the Modern Slavery Act - Section 54 (s54).

ENGAGEMENT:
LGPSC is a member of the Votes Against Slavery initiative led by Rathbones Group. Companies are informed about investors' concerns regarding their lack of disclosure on modern slavery via a letter requesting engagement. Companies are also notified that failure to comply could result in a lack of support for their annual report and accounts. Ahead of the AGM season, those companies were notified about investors' expectations.

OUTCOME:
In 2024, the initiative targeted 32 FTSE 350 companies and 126 AIM companies. All 32 FTSE 350 companies are now either fully compliant with S54 or have committed to making changes to their reporting, and 92 AIM listed companies are now either fully compliant with S54 or have committed to making changes to their reporting.

FIGURE 35: LGPSC CASE STUDY HUMAN RIGHTS

Amazon

THEME:
Human Rights

RAG STATUS:
Red

OBJECTIVE:
The Company to recognise labour rights in UK facilities.

ENGAGEMENT:
We co-signed a public investor letter, calling on Amazon to recognise the GMB union in the UK and to cease all anti-union communications in Coventry. There have been reports of activity by Amazon in response to workers organising at its Coventry facility in the UK in protest over local practices that were deemed anti-union practices. The Central Arbitration Committee has ruled in favour of the GMB's application for a union recognition vote. However, Amazon has refused to recognise the union voluntarily. Recently, the GMB union have filed an inducement claim, which includes allegations that Amazon has used a range of anti-union communications, including QR codes generating emails to the union's membership department requesting membership cancellation, anti-union seminars and displaying anti-union messages on billboards.

OUTCOME:
The GMB narrowly lost its bid for union recognition at the Amazon warehouse in Coventry. The GMB has submitted a complaint to Britain's labour law regulator, outlining the anti-unionisation tactics that Amazon has employed. We will continue to monitor the situation's progress.

4.1.1d Sensitive/Topical Activities

STEWARDSHIP STRATEGY

We will leverage investor collaboration opportunities and engage directly with investee companies where controversies or ESG practices lag have behind peers. Voting will be engagement led, and we will consider co-filing or supporting shareholder resolutions that relate to better risk management.

MEASURES OF SUCCESS

- The company has disclosed a plan for addressing the alleged controversy.
- The company has improved ESG practices at a reasonable level.
- The company has responded to engagement request.

ENGAGEMENT HIGHLIGHTS DURING 2024

- 51 companies engaged on 21 sensitive/topical activities related objectives, with progress on 6 specific objectives.

FIGURE 36: BREAKDOWN OF SENSITIVE/TOPICAL ACTIVITIES ENGAGEMENT BY TYPE

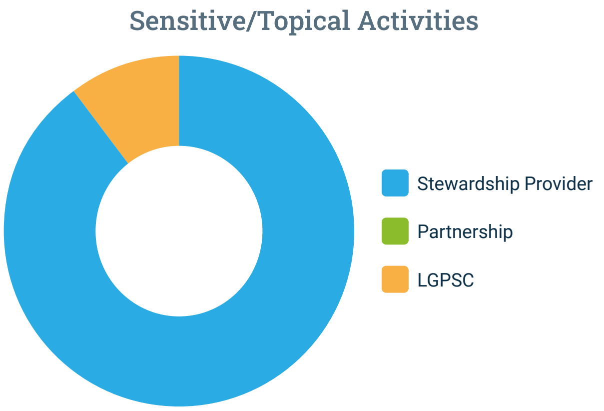
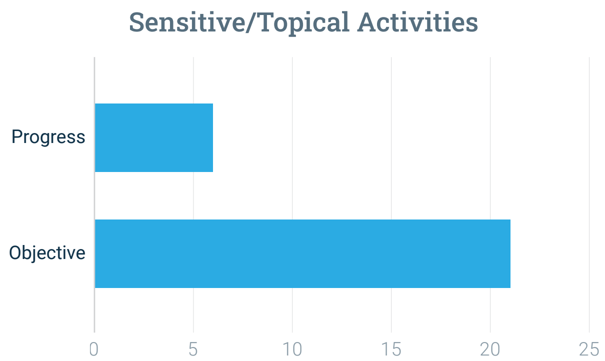


FIGURE 37: SENSITIVE/TOPICAL ACTIVITIES ENGAGEMENT BY OUTCOME



4.1.1d Sensitive/Topical Activities

FIGURE 38: LGPSC CASE STUDY SENSITIVE/ TOPICAL ACTIVITIES

Arcelor Mittal

OBJECTIVE:
To improve its health and safety practices and address existing alleged controversies pertaining occupational safety.

ENGAGEMENT:
Following a methane explosion in a coal mine in Kazakhstan in 2023, which resulted in 46 fatalities, we sent the company a letter raising our concerns. In the letter, we outlined several concerns, including: (1) the limited availability of published data relating to lessons learned from Arcelor Mittal's past incidents. We proposed targeted efforts aimed at enhancing safety protocols and mitigating potential risks, (2) a lack of adequate emergency response plans and post-incident medical care protocols. Additional info on this would be welcomed, (3) lack of effective implementation of the H&S policy within the operations in Kazakhstan, (4) a decrease in incentives relating to the H&S component in the company's executive pay package. We met with the company to discuss our concerns.

OUTCOME:
In October 2024, the company published the recommendations of an independent H&S audit and the action plan.

In a call with the company, they confirmed that H&S safety data will be audited from 2024 by E&Y, and the company agreed on compensation packages with 80/90% of families affected by the H&S disaster in Kazakhstan.

FIGURE 39: EOS ENGAGEMENT CASE STUDY

Tencent Holdings

OBJECTIVE:
To simplify its terms and conditions and privacy policies, and to obtain consent from users for its collection, sharing, and retention of personal information.

ENGAGEMENT:
Tencent has been accused of an indirect role in the infringement of civil liberties through surveillance of users, including ethnic minorities, by the Chinese government. In Q2 2022, EOS sent the company its Digital Rights Principles. They highlighted that their objective was for the company to simplify its terms and conditions and privacy policies, and to obtain consent from users for its collection, sharing, and retention of their personal information. EOS gave feedback on how its terms and conditions and privacy policies could be made easier to understand for the majority of its users.

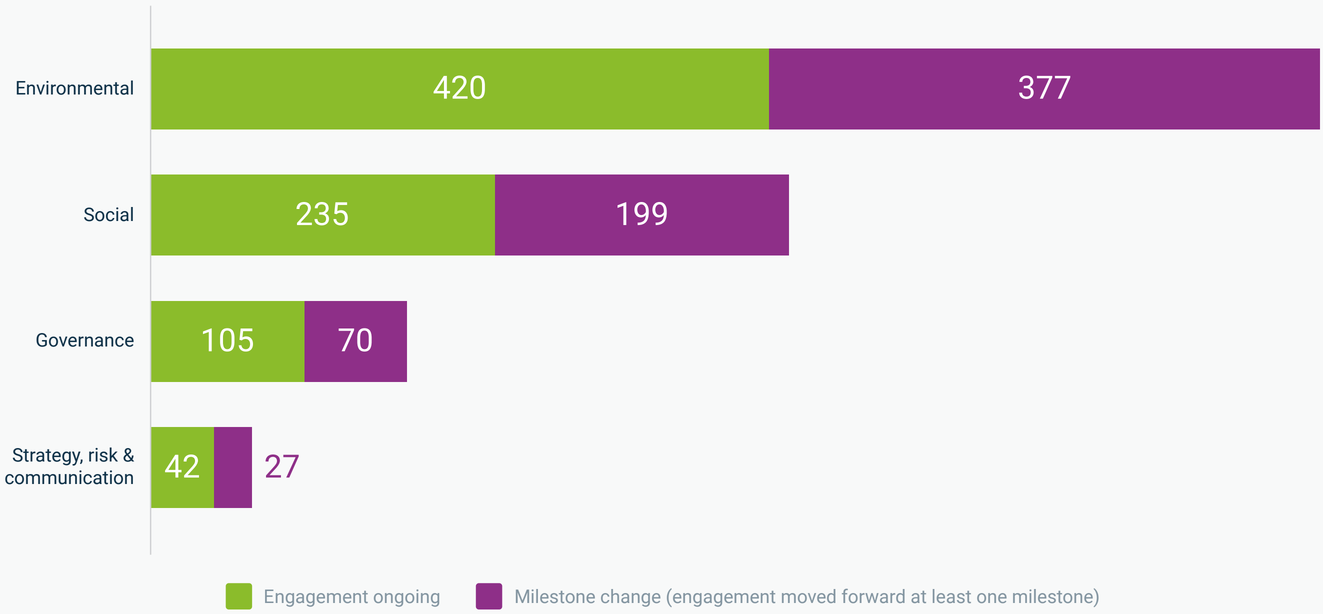
OUTCOME:
In Q2 2024, EOS relayed its continued consideration of digital rights in its voting recommendations which the company acknowledged. EOS recognised the progress made by the company, but encouraged additional actions, for example, producing transparency reports about requests for user information and adding videos and images to its privacy policies for further clarification. EOS will continue engagement with the company on this topic.

The Roaches, Staffordshire

4.1.2 EOS

In 2024 EOS engaged with 721 companies on 3,439 issues pertaining to environment, social, governance, strategy, risk, communication and corporate.[7] [8] EOS takes a holistic approach to engagement and typically engages with companies on multiple topics simultaneously. Over 26% of engagements centred around governance issues, and 40% involved discussions on environmental issues. 2,266 of the issues and objectives[9] was moved forward for about 46% of EOS' engagement objectives during the year. Figure 40 below describes how much progress has been made in achieving the milestones set for each engagement.

FIGURE 40: EOS PROGRESS AGAINST ENGAGEMENT OBJECTIVES IN 2024



[7] Our Stewardship provider EOS distinguishes between engagement issue and engagement objective. Specific engagement objectives will be set at the beginning of company dialogue and progress is measured on these through a proprietary milestone system. An issue is a topic EOS has raised with a company in engagement, for instance around the time of an AGM, but where a precisely defined outcome for the engagement has not been set in advance. This can be more appropriate if the issue is of lower materiality and EOS would not anticipate engaging with the frequency required to pursue an engagement objective.

[8] We report two different figures as the number of companies engaged by EOS in section 4.1.1 and 3.3.2. In section 4.1.1, we refer the number of companies in the 2023 calendar year instead in section 3.3.3 we report the number of companies engaged by EOS by 30th September 2023. Our annual contract with EOS renews in October, therefore our due diligence review is undertaken in September.

[9] EOS' proprietary milestone system allows tracking of engagement progress relative to the objectives set at the beginning of interactions with companies. The specific milestones used to measure progress in an engagement vary depending on each concern and its related objective. They can broadly be defined as follows:

- **Milestone 1** Concern raised with the company at the appropriate level
- **Milestone 2** The company acknowledges the issue as a serious investor concern
- **Milestone 3** Development of a credible strategy/Stretching targets set to address the concern
- **Milestone 4** Implementation of a strategy or measures to address the concern

FIGURE 41: EOS ENGAGEMENT SUPPORTING THE UN SUSTAINABLE DEVELOPMENT GOALS IN 2024

1 No poverty	5%
2 Zero hunger	1%
3 Good health and well-being	7%
4 Quality education	1%
5 Gender equality	11%
6 Clean water and sanitation	5%
7 Affordable and clean energy	9%
8 Decent work and economic growth	18%
9 Industry, innovation and infrastructure	6%
10 Reduce inequalities	15%
11 Sustainable cities and communities	3%
12 Responsible consumption and production	28%
13 Climate action	40%
14 Life below water	8%
15 Life on land	11%
16 Peace, justice and strong institutions	8%
17 Partnerships for the goals	1%

FIGURE 42: EOS ENGAGEMENT CASE STUDY

Nationwide Building Society

OBJECTIVE:
To disclose impacts of climate change and the energy transition on its mortgage portfolio, detailing the impacts over short-, medium- and long-term timeframes and the measures taken to mitigate these risks. To completes this analysis to show the distribution of risk within a two-year timeframe.

ENGAGEMENT:
EOS has been engaging with Nationwide since 2020 on the topic of climate scenario analysis. The company recognised the importance of scenario analysis in understanding the physical and transitional impacts to its mortgage portfolio. Encouragingly Nationwide's TCFD report contains extensive disclosures on climate risks to the mortgage portfolio.

OUTCOME:
At a meeting in August 2024, the company confirmed that it has expanded its climate scenario testing approach for its loan book, with its process now covering its social landlord and residential mortgage portfolio (which is most of its loan book). The company currently uses two risk scenarios for its modelling work, covering moderate and high-risk scenarios. It stated that the results of this analysis indicated that there were currently no material risks to the portfolio, due to its low-risk business model and projected credit losses not exceeding its materiality threshold of £50m annually. The company will continue to evolve its approach as more data and guidance become available. The company has met the engagement objective.

FIGURE 43: EOS ENGAGEMENT CASE STUDY

Vale SA

OBJECTIVE:
To assess and disclose the nature-related impacts, dependencies, risks and opportunities, in line with the TNFD recommendations.

ENGAGEMENT:
As part of NA 100, EOS sent the company a letter introducing the group's expectations on nature. The letter explains that the aim is to support companies to reverse nature loss and help achieve the goals of the Global Biodiversity Framework. EOS highlight the risk that nature and biodiversity loss poses to companies, for example by impacting business operations, supply chain resiliency, and financial returns. EOS asked the company to consider including nature in its business model, strategy, and climate transition plan. In Q1 2024, EOS acknowledged the company's leadership in Brazil and in the wider mining sector by committing to the early

adoption of the TNFD recommendations, and to publishing its first TNFD-aligned disclosures alongside financial statements for the 2025 financial year.

OUTCOME:
In Q3 2024, the company published its first TNFD report, detailing its LEAP (Locate, Evaluate, Assess, Prepare) methodology, as part of the integration of nature risks into the risk management framework, and explaining the next steps towards the implementation of the TNFD recommendations into the company's integrated report.

4.1.3 Engagement by LAPFF

LGPSC and all the Partner Funds are members of the LAPFF. LAPFF conducts engagements with companies on behalf of local authority pension funds. In 2024, LAPFF engaged 340 companies, sent over 385 correspondences, attended 83 meetings and 6 AGMs across a spectrum of material ESG issues. In these engagements, LAPFF saw 118 instances of improvements or change in progress.

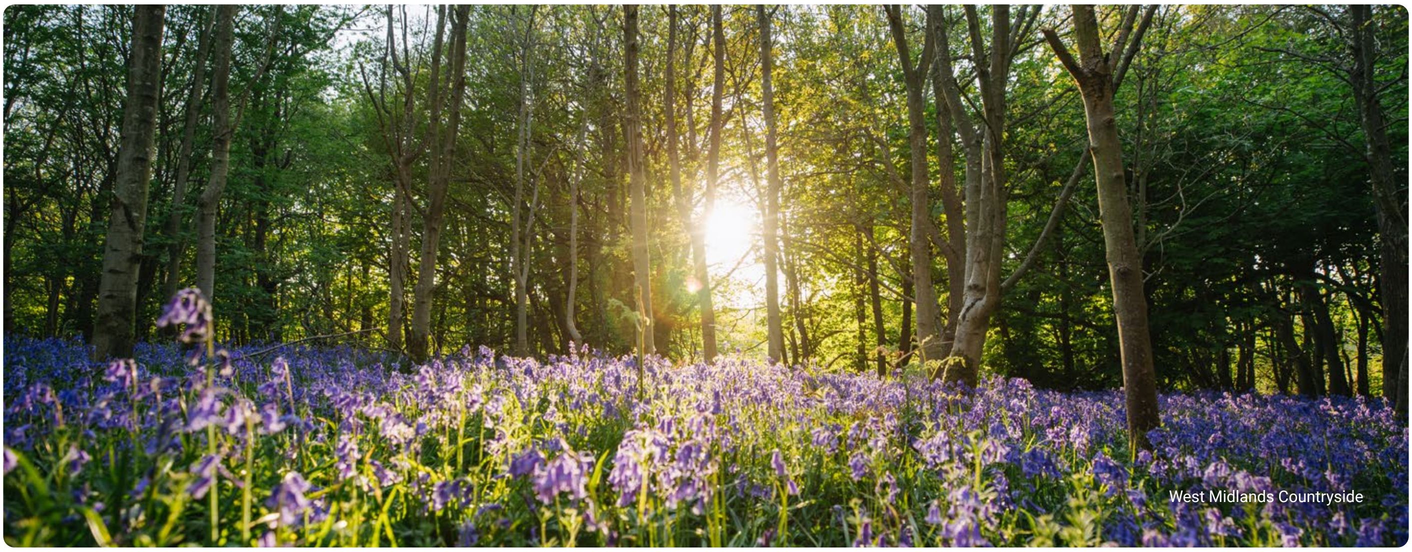
FIGURE 44: LAPFF ENGAGEMENT CASE STUDY

Chipotle Mexican Grill

OBJECTIVE:
To set measurable and timebound targets to reduce negative impacts on freshwater supplies.

ENGAGEMENT:
During Q2 LAPFF met with the company in advance of the publication of its sustainability report. The company had requested the opportunity to provide an update on the work it had undertaken as it relates to managing water risk across the business. The discussion was relatively high-level given the sustainability report had not been released publicly. However, it was clear from the overview provided that the approach being proposed to drive improved water outcomes would fail to meet the expectations of LAPFF, specifically relating to measurability. As a result, LAPFF wrote to the company immediately following the call reemphasising the Forum's expectations, such as, providing peer examples of best practice. Shortly after the engagement, Chipotle published its sustainability report which included a goal to support water stewardship efforts to conserve and restore watersheds in priority regions.

OUTCOME:
LAPFF welcomes the publication of the water-related goal set by Chipotle, as well as improved disclosures on the percentage of water withdrawn and consumed from regions with high baseline water stress. However, the goal itself lacks specificity and measurability, is not timebound, and does not provide a framework of accountability. LAPFF will continue to work with the company to develop robust and ambitious water goals.



4.1.4 Engagement by our managers

Engagement undertaken by LGPSC's external managers in 2024 has been comprehensive. Several of these managers hold sizeable positions in their highest conviction portfolio holdings, giving them direct access to company management which has been used effectively to drive company change in the past. On any occasion where the level of engagement disclosure was unsatisfactory, or where the link between an engagement and subsequent investment decision-making was not clear, fund managers were marked down during our RAYG rating review and LGPSC discussed its concerns in the quarterly meetings with the managers (as indicated previously).

Starting in 2024, LGPSC has expanded its stewardship monitoring requirements for all external managers. These managers are now required to provide evidence regarding the number of companies they engage with, the specific ESG engagements targeted, as well as business strategy concerns. They must also share examples of their escalation strategies, define what they consider to be stewardship success, and provide evidence of their escalation policies.

A questionnaire was distributed to all external managers who oversee LGPSC's fund investments, which include public equities, fixed income, infrastructure, private credit, private equities, and real estate.

FIGURE 45: STEWARDSHIP MONITORING OF EXTERNAL MANAGERS

External managers' response rate (by mandate): Approximately **70**

Total number of companies engaged: Over **1,600**

	FIXED INCOME	PUBLIC EQUITIES	INFRA-STRUCTURE	PRIVATE CREDIT	PRIVATE EQUITIES	REAL ESTATE
BY ASSET CLASS IN %	20	24	12	22	12	10

FIGURE 46: LGPSC CASE STUDY WITH EXTERNAL MANAGER

Deere & Company, Baillie Gifford

SECTOR:
Agriculture

ESG TOPICS ADDRESSED:
Natural Capital

ISSUE / REASON FOR ENGAGEMENT:
To raise awareness of the problem of biodiversity loss, to encourage the development of new and impactful products to address the challenge, and to advocate for improved disclosure from Deere on its approach.

SCOPE AND PROCESS / ACTION TAKEN:
The manager began engaging with Deere on biodiversity loss in 2020. Over four years of holding Deere in the portfolio, the manager have spoken to the company about this issue on seven different occasions, across all company levels. At first, discussions were high-level and aimed to raise awareness of the challenge and how it may affect Deere. They soon developed into more nuanced discussions on the role the company's precision agricultural tools could play and its role in expanding access to mechanisation in emerging markets. Through meetings, the manager learnt of the many trials Deere was undertaking to expand the use of cover crops, which can enhance biodiversity and protect soil health. The manager also discussed opportunities for supporting carbon markets and sustainable farming practices. In 2024, the manager continued the conversation by discussing ways for Deere to improve its Task Force on Climate-related Financial Disclosure reporting, drawing upon learnings from the Task Force on Nature-related Financial Disclosure.

OUTCOMES AND NEXT STEPS:
Since engaging on this topic, the company went from disclosing a minimal awareness of biodiversity loss to demonstrating a strong understanding of how it affects its key stakeholders. As the company formalised its approach to ESG in 2020, we saw the integration of biodiversity loss as a topic to be managed. In 2021, as the company started to focus more on impact reporting, we saw the inclusion of biodiversity-related impacts from using their products, such as savings of agricultural chemicals through See & Spray. This year, Deere disclosed its plans to undertake a CDP assessment of its biodiversity-related risks and opportunities (CDP is an international not-for-profit organisation that operates the world's largest environmental disclosure system. Through this system, organisations receive comprehensive assessments of their environmental impact and performance).

FIGURE 47: LGPSC CASE STUDY WITH EXTERNAL MANAGER

Roche Holding AG, Schroders

SECTOR:
Pharmaceuticals

ESG TOPICS ADDRESSED:
Climate Change

ISSUE / REASON FOR ENGAGEMENT:
To validate targets via an independent third-party such as the Science Based Targets initiative (SBTi).

SCOPE AND PROCESS / ACTION TAKEN:
In an engagement with the company, the manager gained insights into the company's approach to key sustainability challenges. Roche is tackling antimicrobial resistance (AMR) by improving patient diagnostics, reducing broad-spectrum antibiotic use, and supporting global health security through an AMR surveillance program. The company sees diagnostics as an opportunity in AMR management while ensuring manufacturing partners meet strict environmental standards. Roche has set new short-term net-zero goals for 2029 and 2045 through the Science Based Targets initiative, though some supply chain emissions require offsetting. Starting in 2025, Roche plans to report in line with the Task Force on Climate-related Financial Disclosures (TCFD) and views climate-related health challenges, like malaria, as business opportunities. For access and health equity, Roche is addressing gaps identified in the Access to Medicine (ATM) Index, particularly regarding diagnostics in emerging markets, and advancing diversity in clinical trials based on FDA guidance. Future steps include advocating for more comprehensive ESG reporting to reflect its sustainability efforts better.

OUTCOMES AND NEXT STEPS:
In December 2024, the company confirmed that targets have been submitted and that they are working on a transition plan in line with TCFD.

Fixed Income

LGPSC views engagement with fixed income issuers as essential and value accretive, both via information gains and via the potential to influence company management. LGPSC observes this belief when selecting and onboarding managers. We look for evidence of robust issuer engagement, and any manager unable to provide this is marked down. Once appointed, LGPSC monitors engagements undertaken by fixed income managers during quarterly meetings. We expect our external managers to align their values and practice with LGPSC and to demonstrate this commitment in their reporting and quarterly meetings. We seek to determine whether the manager is delivering the level of engagement that was evidenced during our initial due diligence. We challenge accordingly if the response is unsatisfactory. These discussions subsequently feed into LGPSC's manager scoring system and could lead to a rating downgrade.

FIGURE 48: LGPSC CASE STUDY WITH EXTERNAL MANAGER (FIXED INCOME)

Volkswagen (VW), Neuberger Berman

SECTOR:
Automotive

ESG TOPICS ADDRESSED:
Human Rights

ISSUE / REASON FOR ENGAGEMENT:
This is to encourage the company to address concerns regarding forced labour allegations more effectively at its Chinese joint-venture plant in Xinjiang and commission an independent audit.

SCOPE AND PROCESS / ACTION TAKEN:
The due diligence process involved discussions with the issuer's Treasurer and Head of IR regarding allegations that Volkswagen used forced labour of vulnerable minorities in Xinjiang for its joint venture with SAIC. MSCI categorized these allegations as a "very severe" controversy. The manager encouraged VW to commission an independent audit of its Xinjiang plant. Initially, management dismissed the allegations as unfounded, but they became more receptive through continued engagement and ultimately agreed to plan the independent audit to address the concerns.

OUTCOMES AND NEXT STEPS:
In June 2023, VW announced plans for an independent audit of its SAIC JV automotive plant in Xinjiang, China, aiming for a higher MSCI ESG rating of BBB. By December 2023, the audit found no evidence of forced labour and confirmed compliance with international labour standards. Consequently, MSCI removed its "red flag" designation. In November 2024, VW decided to end operations in Xinjiang and sell its Urumqi plant, addressing concerns over potential human rights violations. The manager will continue to monitor labour management and progress toward the MSCI BBB target.

FIGURE 49: LGPSC CASE STUDY WITH EXTERNAL MANAGER (FIXED INCOME)

Petroleos Mexicanos (Pemex), Amundi

SECTOR:
Integrated Oil and Gas

ESG TOPICS ADDRESSED:
Climate Change / Controversies

ISSUE / REASON FOR ENGAGEMENT:
To discuss and get more details on the sustainability plan and controversies.

SCOPE AND PROCESS / ACTION TAKEN:
In early 2024, the manager engaged with Pemex to discuss their sustainability plan, which lacked comprehensive detail and coverage for the entire business. The manager requested more information, particularly on capex. Pemex published an enhanced strategy for tackling methane emissions, showing some progress from a low base, but it still lacks plans to join the Oil and Gas Methane Partnership. The company has no exposure to low-carbon solutions, though this may change in the medium term. The manager will continue to monitor developments. Regarding financing, Pemex is including ESG KPIs that will affect financing costs if unmet, but there are no ESG KPIs for management. ESG discussions occur at the board level, with a focus on communication strategies. A heavy tax burden and debt costs impact the company's cash flows. In November, the manager requested an update on controversies related to deforestation, air pollution, influence peddling, and alleged fuel theft.

OUTCOMES AND NEXT STEPS:
Although the company has several longstanding controversies, the manager is engaged with it and believes that they may have seen the worst of these. The manager will continue to monitor the strategy and actions of the new management team and push for more targets on their sustainability plan too.

FIGURE 50: LGPSC CASE STUDY WITH EXTERNAL MANAGER (FIXED INCOME)

DP World Ltd, Columbia Threadneedle Investments

SECTOR:
Transportation

ESG TOPICS ADDRESSED:
Climate Change / Natural Capital

ISSUE / REASON FOR ENGAGEMENT:
DP World is a global ports and logistics company. It has a substantial emissions footprint, but its potential climate mitigation impact is magnified by its ability to support the decarbonisation of its shipping customers. DP World has an adequate approach to climate management, but the manager felt that the company's targets could be strengthened, and that additional detail on its Capex planning and primary decarbonisation levers would increase investor confidence in its strategy. In addition, DP World operates and develops port assets which can have substantial impact on biodiversity, yet it ranked towards the bottom of its peer group in the manager's analysis with limited ability to appraise and control its biodiversity impacts.

SCOPE AND PROCESS / ACTION TAKEN:
The manager has been engaging DP World intensively over the past two years to seek improvements in its climate and biodiversity management, engaging with the company 17 times on these topics since the start of 2022. In 2024 DP World updated its short-term decarbonisation target for 2030 to align with the 1.5°C guidance issued by SBTi and set a scope 3 target for the first time. In addition, the company has specifically taken onboard the manager's advice on biodiversity and commissioned a consultant to identify priority impacts and dependencies across its asset base. This will enable the company to start aligning with the TNFD and to identify priority sites for additional focus.

OUTCOMES AND NEXT STEPS:
We are pleased by this step forward in DP World's climate ambition following multiple engagements specifically encouraging aligning its targets with SBTi and setting a scope 3 target. The manager will continue to encourage the company to quantify the contribution that each of its primary decarbonisation levers will make to its 2030 target and to disclose Capex by decarbonisation lever. On biodiversity, the manager thinks this assessment exercise is an important foundational step and encourage the company to quickly progress to gathering primary data and establishing a portfolio of biodiversity KPIs and targets to appraise its operational impact.

4.2 Escalation of stewardship activities to influence issuers

PRINCIPLE 11

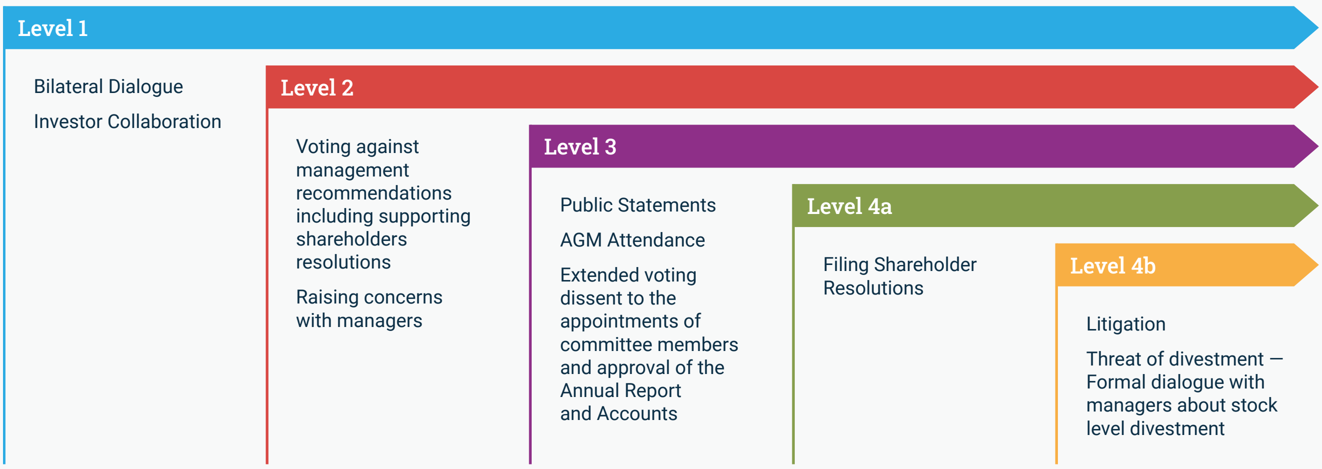
The stewardship themes that we have identified as priority areas for engagement are all long-term and systemic in nature. Against that backdrop, we will often use escalation to enhance the chances of achieving long-term engagement outcomes. Examples of how we might escalate include, but are not limited to:

- Additional meetings with the management or the directors of an investee company.
- Escalating the dialogue from the executive to the board of directors or from one board member to the Chair and/or a more amenable board member, in line with LGPSC's escalation strategy detailed below.
- Collaboration with fellow investors and/or with partnership organisations.
- Public statement.
- Voting against management, e.g., against the annual report, the appointment of directors or the auditors.
- Co-filing shareholder resolutions.
- Attending and raising questions at the AGM.

We refreshed the escalation strategy in 2023, and this was presented to the IC in early 2024. The key changes related to providing increased granularity about the process; specifically, to make explicit:

- Level 2: raising concerns with investment managers.
- Level 3: escalating voting concerns.
- Level 4b: the threat of divestment.

FIGURE 51: 2024 LGPSC ESCALATION STRATEGY



Through our involvement in collaborative engagement projects, like CA100+, we continuously assess the need for escalation depending on individual companies. Due to the nature and complexity of the transition challenge, expectations and requirements do not remain static, which means that both investors and companies need to be ready to step up ambition. At the end of 2024, the majority of engagements are categorised as Level 1 and 2. One engagement is classified as Level 3.

FIGURE 52: LGPSC CASE STUDY CLIMATE CHANGE (ESCALATION)

Barclays

THEME:
Climate Change

RAG STATUS:
Green

OBJECTIVE:
New policy to terminate direct/ project financing of upstream pure play oil and gas companies.

ENGAGEMENT:
In 2023, through a collaborative engagement organised by ShareAction, we engaged with the company on its approach to fossil fuel financing. In February 2023 we sent a letter to 5 European banks, including Barclays, requesting they cease financing new oil and gas fields. We escalated our concerns regarding the management of the company's climate-related risks by co-filing a shareholder resolution at Barclays in Q4 2023. This resolution requested the company to disclose the stranded asset risks associated with financing oil and gas infrastructure.

OUTCOME:
Following extensive engagement with Barclay's senior leadership, the shareholder resolution was withdrawn because of the positive outcome agreed between the investor group and Barclays. Barclays committed to: (1) Stop financing new oil and gas fields and restrict lending more broadly to energy companies expanding fossil fuel production and (2) an annual meeting between the investor group and Barclays CEO. In Q4 2024, during a face-to-face meeting with the CEO, Barclays provided the investor group with written reassurances that the new commitments were being followed.

FIGURE 53: LGPSC CASE STUDY HUMAN RIGHTS (ESCALATION)

Telecommunications Company

THEME:
Human Rights

RAG STATUS:
Red

OBJECTIVE:
The adoption of the UNGPs on Business and Humans Rights across its business operations.

ENGAGEMENT:
Since 2023 LGPSC has been engaging with the company on the adoption of the UNGPs across its business operations. Unlike its competitors, the company does not undertake human rights due diligence and its approach to human rights is not integrated into the terms of reference of any of its governance committees. We met with the company to discuss our concerns and provided a detailed review of the company's human rights approach compared with the practices adopted by its competitors. We were not able to secure a follow-up meeting with the company. The company deems its own human rights approach to be satisfactory (although not compliant with the UNGPs).

OUTCOME:
We escalated our concerns by voting against the chair at the AGM due to inadequate engagement progress. We wrote to the company informing them of our rationale to do so. We will work with LAPFF and our external manager holding the stock on behalf of LGPSC to escalate our concerns.

Expectations on external managers to escalate on our behalf

We expect managers to escalate an engagement concerning any significant ESG topic when there is insufficient progress toward the engagement's objectives. In 2024, we continued to encourage external managers to pay close attention to companies' climate transition efforts—or the lack thereof—in line with the Paris Agreement. This emphasis is part of a broader discussion with external managers on how to effectively achieve our net zero targets.

FIGURE 54: CASE STUDY – ESCALATION

Masimo Corp, Liontrust

SECTOR:
Healthcare

ESG TOPICS ADDRESSED:
Board dynamics / company culture

ISSUE / REASON FOR ENGAGEMENT:
The manager had become concerned that Masimo's management team did not appear to have a good or productive relationship with the company's Board.

SCOPE AND PROCESS / ACTION TAKEN:
The manager met the CFO in February to discuss ongoing board dynamics. In May, the team asked management about this relationship; since new Board members joined last year it appears that they have not worked much together. In another meeting, later in May, the manager met the CEO to discuss the upcoming proxy vote where activist investor Politan Capital is requesting two more board seats. Continued engagement was required to monitor this situation.

Later, the manager became concerned that this ongoing battle in the boardroom could be negatively impacting the morale inside the company, so it raised this issue with management in another meeting in August. Management conceded that it had been a challenging time internally and that relations between the board and management had been strained. The manager believed that governance at the company needed improvement and given the facts presented, the manager decided to support activist representatives in joining the board.

ESCALATION STRATEGY:
Engagement / proxy voting

OUTCOMES AND NEXT STEPS:
Other investors also voted this way resulting in the CEO/Founder resigning from the company in September. Following the appointment of an interim CEO, and a new CEO to join in February 2025, the manager expects that the business should get back to focusing on what it does best, which is providing the best pulse oximeters to hospitals all over the world. In December, the manager then raised this issue with the COO as well as a non-executive member of the board as well as concerns about potential additional damage to morale given the recent departure of its Founder.

The company representatives explained that staff turnover has fallen since the Founder has left, and that morale inside the organisation is now very high; staff now appreciate the stability that new appointments have brought. The manager was reassured that employees have welcomed the new focus on the core business and are excited to be a part of this new, focused regime. The manager will continue to monitor progress over and meet with the incoming CEO over 2025 and will request to see data such as staff surveys and turnover that demonstrate morale is back on track.

5.0 Exercise of rights and responsibilities

PRINCIPLE 12

It is essential for LGPSC to fully leverage all available strategies to influence corporate behaviour across our equity and fixed-income investments. Voting is a key shareholder right; hence a tactical component of our stewardship strategy (see sections 5.1 – 5.3 below). We actively exercise our rights and responsibilities as bondholders (see section 5.4 below). In terms of private markets, we work closely with private market partners to establish relevant KPIs for the underlying assets, and we started receiving reporting on these KPIs and stewardship-related reporting (see section 5.5 below).

5.1 Voting approach and objectives

High-Level Objectives:

Our key ambitions are to:

- Safeguard the long-term economic interests of our stakeholders though the application of prudence and high levels of integrity.
- Ensure that boards of directors consistently act in the best interests of shareholders while championing the long-term success of the organisations they represent.
- Harness the potential of ESG (Environmental, Social, and Governance) factors—both risks and opportunities—to drive value creation across diverse companies and sectors.

Our voting strategy is firmly rooted in a principles-based approach, guided by the established Voting Principles of LGPSC. We firmly expect companies to:

- Uphold rigorous standards of good governance concerning board composition and oversight.
- Communicate transparently with shareholders, fostering trust and engagement.
- Ensure executive remuneration is competitively set and aligned to shareholder value.
- Protect shareholder rights and prioritise alignment with shareholder interests.
- Credible and resilient ESG strategies are embedded in management strategies.

Voting outreach:

To send a unique voting signal to investee companies, LGPSC votes all its shares—externally or internally managed—according to our voting policy. While the ultimate voting decision rests with LGPSC, we have a procedure for capturing information and recommendations from our external fund managers.

Our stewardship approach actively leverages voting rights and engagement as a powerful means to endorse and support the management strategies of the companies we invest in. This approach is implemented holistically, regardless of whether our chosen engagement approach is direct, collaborative, or facilitated through our industry leading external stewardship partner, EOS at Federated Hermes.

We firmly believe that companies with exemplary governance endure risks more effectively and capitalise on opportunities in a rapidly evolving business landscape. We also focus on resolutions pertaining to critical issues surrounding environmental sustainability—such as climate change and natural capital—as well as pressing social matters like human rights risk management, all reflected through our voting beliefs.

In our commitment to the highest governance standards, LGPSC proudly upholds principles of transparency in our reporting. Our Voting Principles are readily accessible on our website, detailing our voting outcomes in comprehensive reports. We deliver this information to stakeholders in three formats: First, we publish a report summarising our voting activities in our Stewardship Updates, issued three times a year, covering the first three quarters of the calendar year. Second, we provide a detailed summary of our voting activities in our Annual Stewardship Report. Through these efforts, we reaffirm our dedication to responsible investing and accountability. Thirdly, we provide voting commentary through our regular meetings with Partner Funds and LGPSC governance committees.

5.2 Voting strategy

We have set up a structure whereby EOS provides us with voting recommendations based on our Voting Principles which are input on the ISS voting 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. With this voting structure, we have confidence that votes are cast according to LGPSC Voting Principles across a voting universe.[10] We regularly monitor the adoption of the LGPSC Voting Principles by monitoring our previous quarter's votes against expected voting recommendations. In addition, when we engage with a company and LAPFF issues a voting alert that falls outside EOS' main engagement, we often consult ISS research directly.

Voting Watch List:

Conducting comprehensive research on every proxy vote across our ACS equity funds is not feasible, as we annually vote over 3,000 meetings. Every year we compile a "Voting Watch List," which is discussed with Partner Funds and approved by LGPSC's IC and ExCo. The RI&S team prioritises companies for voting when the following conditions apply:

- Material exposure in the LGPSC investment portfolio, and
- Companies identified as having significant exposure to one or more stewardship priority issue and assessed as having inadequate company management responses to address these risks.

The list includes ACS' top holdings based on market value and active risk contribution, which refers to companies that show the greatest upward divergence between our investment weight holdings and the index weight benchmark. Additionally, we include our stewardship priority list and companies identified in the LGPSC's Partner Funds Climate Stewardship Reports and the SIMS reports.

We will carefully review our voting decisions for these companies prior to company meetings, especially Annual General Meetings (AGMs). Although attending meetings in person may not be feasible, we are dedicated to participating virtually and engaging with the companies' representatives and boards before the AGMs.

Interaction with EOS

Ahead of each voting season, we share our Voting Watch List with EOS to ensure we receive a more detailed analysis to substantiate their voting recommendations for companies on this list ahead of relevant AGMs. We will seek ad-hoc interactions/meetings with EOS regarding core engagements, where either they or we would like further input from the other ahead of a vote.

Interaction with external managers:

We aim to gather insights and recommendations from active equity fund managers regarding their key holdings and any contentious voting issues. Additionally, we seek to influence managers' broader voting practices on significant topics such as climate risk management.

Here are our main strategies:

- We will inform managers annually before the voting season to facilitate a focused discussion on voting matters.
- We will keep external managers updated on any changes to the LGPSC Voting Principles and expect the same in return.
- We will provide each external manager with our Voting Watch List, encouraging them to share their perspectives on the companies included in their portfolios.
- The RI&S team may reach out on an ad-hoc basis to request insights on contentious issues related to core holdings or key engagements.

This input may help supplement our own views as well as those of our external stewardship provider.

Stock-lending:

LGPSC runs an active securities lending programme aligned with the ICGN Guidance on Securities Lending. While securities lending is recognised for boosting market liquidity, lowering trading costs, and mitigating risks, LGPSC acknowledges key concerns:

- Corporate Governance: Risks like misuse of voting rights by temporary shareholders.
- Risk Management: Ensuring shareholder voting intentions aren't compromised.
- Transparency: Promoting clear communication to mitigate misunderstandings.
- Investor Policy Alignment: Matching securities lending activities with governance policies.

In 2023, we revised its stock-lending approach to focus on voting rights management. Instead of blanket restrictions at the start of voting season, it now restricts lending based on voting provisions in a securities' primary jurisdiction (e.g., U.S. securities by their record date). This change aims to maximise voting impact, especially for critical engagements escalated via shareholder resolutions or board member votes. The policy applies to LGPSC's Voting List.

[10] Management support may apply when companies demonstrate robust progress.

5.3 Voting highlights and outcomes 2024

Proportion of shares voted during 2024

Based on our voting arrangements with EOS – whereby EOS' voting recommendations (aligned with LGPSC Voting Principles) are cast as voting instructions for all shares – we can ensure that all shares are indeed voted. There are occasions where a vote is not cast due to share blocking or a non-standard voting procedure for instance. However, these are very rare occurrences. Further information is provided in the "2024 Voting Statistics" box.

5.3.1 Voting highlights

A downturn in support for shareholder-proposed resolutions characterised the 2024 proxy voting season, Resolutions related to natural capital and AI increased, reflecting investors' mounting interest in these topics. The disconnect in tactical dissent votes to challenge boards when credible climate strategies are not in place persists between asset owners and asset managers. In the US, we also noticed a rise in investor support for resolutions addressing excessive pay and lower dissent votes cast against the re-appointment of directors.

PRI reports that support for shareholder resolutions has dropped from 28.3% in 2023 to 21.6% in 2024. This trend is fostered by an increased perception that shareholder resolutions are deemed too prescriptive and a combative political environment discouraging asset manager support for ESG resolutions. We also noted increased anti-ESG resolutions which received limited support from companies and investors. Nevertheless, we expect the new administration's action in the US will impact proxy voting on environmental and social issues and a continued increase of anti-ESG shareholder proposals.

The Kunming-Montreal Global Biodiversity Framework has spurred action on nature-related issues, with 18 related shareholder resolutions filed this year, a significant increase from previous years. The fast pace of AI development has also prompted requests for companies to report on ethical considerations regarding AI use, receiving notable support from shareholders at Netflix (43.3%), Apple (37.5%), and Warner Brothers Discovery (24%).

As a result of a growing perceived misalignment between asset owners and managers on climate votes, LGPSC joined a coalition of investors in signalling our expectations towards climate-related voting.

2024 Voting Statistics

Voted at

3,377

MEETINGS

and on

41,455

RESOLUTIONS

Supported

51.6%

(632)

OF SHAREHOLDER PROPOSALS

We voted against management recommendation on one or more resolutions at

66.03% OF MEETINGS

and our **dissent level** was

14.02%

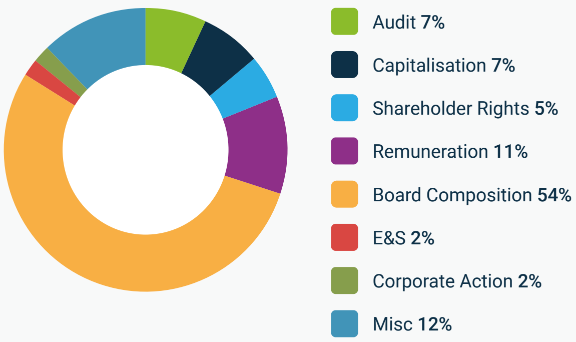
(i.e. number of times we voted contrary to management recommendations).

In 2024 EOS attended 8 AGMs: Siemens Energy AG, Mizuho Financial Group, Sika Group, Royal Bank of Canada, The Toronto Dominion Bank, Standard Chartered Plc, BNP Paribas SA, and Bayerische Motoren Werke AG.

FIGURE 55: OVERVIEW OF 2024 VOTING ACTIVITY

NO OF RESOLUTIONS VOTED FOR	34,994	84.4%
AGAINST/WITHHELD	5,950	14.4%
ABSTAIN	352	0.8%
OTHER	159	0.4%

FIGURE 56: NUMBER OF RESOLUTIONS VOTED ON BY TYPE



Environmental resolutions

- In 2024 we supported **116 environmental-related shareholder resolutions**. Topics included GHG emissions, climate lobbying, fossil fuel financing, Just Transition, plastic pollution, deforestation and pesticide use.
- On 136 instances we voted against director elections due to environmental concerns.
- At **Quest Diagnostics Inc**, we supported a shareholder resolution which called on the company to set science-based emissions reductions targets. With several climate regulations on the horizon, the company could benefit from adopting a science-based GHG reduction target to better navigate these changes. This sentiment was reflected by the proposal recording roughly 42%.
- At **Shell Plc's** AGM, we voted against the climate transition plan due to concerns over the opacity of the energy transition plan especially the company's long-term net zero commitment for 2030-2050, the inadequate level of capex allocated to alternative fuels, the overreliance on liquefied petroleum gas as a transition fuel, and the departure from the previous commitment to restraining new oil and gas projects. We wrote to the company prior to the AGM outlining our rationale for dissent and sought a meeting to discuss our concerns further.
- At **Nike Inc's** AGM, we supported a shareholder resolution requesting an analysis of its failure to meet its sustainability targets and of its corporate governance around sustainability. The resolution received 26.7% support demonstrating shareholder concern over the company's process for setting and communicating sustainability targets and appropriately tying them into the company's strategic decisions.
- We supported a shareholder resolution at **General Mills Inc's** AGM requesting the company report on an absolute reduction in its use of plastic packaging. The shareholder resolution received 40.1% support demonstrating investor concern over increasing state legislation being introduced to address environmental pollution caused by plastics.
- At **FedEx Corporation's** AGM, we supported a shareholder proposal requesting a report on the company's efforts to address impacts on workers and communities in relation to its climate change strategy. While the company's efforts and disclosure on climate-related risks exceed those of some of its key peers, we were concerned about the state of the company's disclosure specifically as it relates to how it is addressing the labour impacts of the transition.
- We supported a shareholder resolution at **Cintas Corporation**, requesting the Company issue science-based GHG reduction targets. The Company lags some of its peers in adopting and disclosing reduction targets. By setting quantifiable emissions reduction targets, the company could better inform investors of its strategy to reduce emissions and mitigate climate change-related risks.

Social issues proposals on the rise

- In 2024 we supported 121 shareholder resolutions, the majority were filed against US companies, including many on social issues such as Animal Welfare, Artificial Intelligence, Child Safety, Modern Slavery, Health & Safety, Human Capital Management, Human Rights, and Political Spending. Only two of these won majority support: DSV and DexCom Inc.
- At Alphabet, we supported several shareholder resolutions including requests for increased disclosure on child safety policies, AI misinformation and AI-driven targeted advertising policies.
- At BNY Mellon, we supported a shareholder resolution requesting increased disclosure on its political lobbying activities. It is encouraging that the Company provides disclosure around board oversight of its direct lobbying and provides rationale for participation in the political process. However, we supported the resolution as there are gaps in its disclosure pertaining to indirect lobbying, trade association participation, or state-level lobbying. The resolution received roughly 38% support from shareholders, sending a strong signal of investor concern over lobbying disclosures.
- At Amazon, we supported two shareholder resolutions which received over 30% support each. We supported a resolution requesting an assessment of the Company's commitment to freedom of association. Considering the controversy surrounding the Coventry warehouse,[11] we believe that shareholders would benefit from increased disclosure and transparency to comprehensively assess how the Company is managing human rights-related risks,

[11] Investors add pressure to Amazon | LRD

especially on the topic of freedom of association. We also supported a resolution requesting a third-party audit on working conditions as shareholders would benefit from an independent report on work-place violations and associated reputational risks. We supported several shareholder resolutions at the AGM, including on AI governance, gender and racial pay gap reporting, and transparency over lobbying.

Diversity and inclusion

- We voted in favour of 12 shareholder resolutions seeking further oversight and disclosure around diversity and inclusion.
- We voted against 595 director elections due to concerns over diversity and inclusion. In the UK, 17% of these resolutions received significant dissent from shareholders, compared to 14% in the USA.
- Diversity is a key consideration in LGPSC's Voting Guidelines and an intention to vote against the Nomination Committee members was communicated in 2024 when female board representation is below standard practices and there is no recognised plan for improving the board's female representation (FTSE 100).
- We voted against the re-election of the Chair of **Mitchells & Butlers Plc** due to the Board and key committee members falling short of the FCA expectations to have 40% of women on the Board. Dissent was significant at 29.6% which sends a clear signal to the company around investor expectations regarding Board composition.
- We opposed director re-elections at **Fairfax Financial Holdings Limited**, **Clarkson Plc**, and **Fox Corporation**, due to concerns overboarding and diversity.

Remuneration

- We continue to voice concerns over executive pay, we **voted against 44% of Say on Pay proposals**, of which **78%** were directed at resolutions requesting approval for annual executive remuneration and **22%** of resolutions were directed at resolutions approving remuneration policy.
- As shown by our dissent level, globally we note that almost half of the say on pay proposals are misaligned with our principles. In the UK, we opposed **40%** of remuneration say on pay proposals. In the USA, we opposed **49%** of executive pay proposals.
- At software company, **Palo Alto Networks Inc**, we voted against an advisory vote to ratify the executive officers' compensation. We were concerned that total CEO pay was valued at nearly double the total median CEO pay of peers. It was unclear whether the Company adequately addressed shareholder concerns from last years failed say-on-pay vote. The proposal recorded a significant level of dissent at 49.6%. We would expect the Company to continue to engage with shareholders on executive compensation.
- At **Ashtead Group Plc**, we opposed the remuneration policy due to the company significantly increasing the Performance Share Units opportunity under the Long-Term Incentive Plan, in addition to introducing new Restricted Stock Unit awards, primarily to offer higher pay packages to US-based Executives. These changes represent a significant deviation from UK market practice and resulted in 36.8% dissent at the AGM.

5.3.2 Voting outcomes

Below is a selection of significant votes related to LGPSC's Stewardship Themes (described under Section 4 above).

FIGURE 57: LGPSC VOTING CASE STUDY

The TJX Companies

THEME:
Supply Chain Due Diligence / Executive Remuneration

RATIONALE:
We dissented on three items at the AGM. We supported a shareholder proposal requesting a third-party assessment and report assessing the effectiveness of current company due diligence in preventing forced, child, and prison labour in the Company's supply chain. Support is warranted as shareholders would benefit from disclosures of Tier 1 and Tier 2 suppliers for TJX's private label products and auditing metrics to track progress. Increased accountability and transparency would allow shareholders to comprehensively assess how the companies are managing human rights-related risks in their supply chains, including due diligence around high-risk subject areas such a forced labour and child labour. We also dissented on an advisory vote to ratify executive officers' compensation and on the re-election of the Chair of the Compensation Committee. Our primary concern was the high quantum which we opposed last year. The quantum again rose by 8% and is 1.23 times the median of peers (1.48 the median of peers for a 3-year average). We were also concerned about the compensation package which includes the adoption of minimum shareholding requirements applicable to executive directors.

RESULT:
The shareholder proposal recorded 19% dissent whilst the election of the Compensation Committee Chair and the advisory vote on executive officers' compensation received 2.8% and 8.7% dissent, respectively. We wrote to the company outlining our rationale for dissent. The Company noted our perspectives and planned to share our letter with the Chair and Board of Directors.

FIGURE 58: LGPSC VOTING CASE STUDY

Tesla Inc

THEME:
Executive Pay

RATIONALE:
We voted against a management proposal that sought to ratify the performance-based stock options for CEO Elon Musk. In re-ratifying the 2018 performance option grant, shareholders have been given a unique opportunity to opine on a granted pay package for a second time. The magnitude of the award is the largest pay package ever in the US market, with the potential for the award value to peak above $55bn. We voted against the resolution due to the excessive size of the grant even given the company's success and growth during the performance period. The grant failed to achieve the board's other original objective of focusing the CEO on the interests of Tesla shareholders, as opposed to other business endeavours. The CEO is involved in multiple private companies that have significantly grown. There is a lack of clarity on the board's plan for the CEO's future compensation program.

Finally, there are concerns of potential dilutive effects of the CEO exercising the roughly 304 million stock options from the 2018 award (there are roughly 3.2 billion shares outstanding as of April 2024). The CEO's current ownership is 20.5% of common shares outstanding and the exercise of these options would further widen the ownership gap between the CEO and institutional shareholders. It should be noted that the pledging of shares which is practiced by the CEO poses a risk to ordinary shareholders. The prior 2018 mega-grant of options to Elon Musk, all of which have vested but have not yet been exercised and remain subject to litigation and shareholder ratification at the 2024 AGM, means that the number of pledged shares could increase in coming years.

RESULT:
Whilst the resolution passed it did receive roughly 22% dissent. This does send a signal to the board that investors are concerned about the size and structure of the pay package.

FIGURE 59: LGPSC VOTING CASE STUDY

Apple Inc

THEME:
Artificial Intelligence (AI)

RATIONALE:
LGPSC supported a shareholder resolution filed at Apple's AGM requesting the company prepare a transparency report on its use of AI in its business operations and to disclose any ethical guidelines that the company has adopted regarding AI technology.

The Board asserts that they already provide transparency on the company's approach to AI and that existing guidelines, policies, and procedures sufficiently address the concerns raised. Whilst we agree that the existing guidelines and practices broadly address topics mentioned in the shareholder proposal, they do not specifically identify potential risks resulting from the use of AI.

Apple's peers have committed to mitigate risks posed by AI, and given the company's lack of disclosure, especially regarding AI's potential adverse effects on labour-related issues and the spread of misinformation, there are concerns regarding shareholders' ability to properly evaluate the risks associated with the use of AI or the actions the company is potentially taking to mitigate those risks. This is of particular concern given these issues have become increasingly contentious and may pose significant reputational and social risks. Improved transparency surrounding the company's use of AI within its business operations and the disclosure of an ethical guideline specifically related to AI will help to alleviate our concerns surrounding Apple's use of AI.

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

FIGURE 60: LGPSC VOTING CASE STUDY

Exxon

THEME:
Corporate Governance/Shareholder Rights

RATIONALE:
We voted against the re-election of all board members who had served for over a year. Our decision was based on concerns regarding the company's use of resources to initiate legal actions against Exxon shareholders. These actions aimed to improve transparency about climate change and allocate shareholder resources in a way that undermines shareholders' rights.

RESULT:
Thirteen percent of shareholders voted against the Lead Director Hooley, while nine percent voted against CEO Woods. This is notably higher than the average director dissent for similar companies. A U.S. District Judge ruled that the court could not make a decision because the shareholders had agreed not to submit any future resolutions related to greenhouse gases against the company. As a result, the case was dismissed due to the lack of an active legal dispute.

5.4 Fixed income – exercise of rights and responsibilities

We expect all our Fixed Income managers to fully exercise their rights and responsibilities. We provide below an example of how our external managers approach this.

FIGURE 61: LGPSC CASE STUDY

Thames Water (TW), Neuberger Berman, LGPSC Global Active Investment Grade Corporate Bond Multi Manager Fund

OBJECTIVE:
To mitigate concerns regarding the management of Thames Water.

SECTOR:
Utilities

ISSUE / REASON FOR ENGAGEMENT:
Mitigate concerns regarding management of Thames Water, to discuss disclosure and turnaround strategy, waste management, including the Thames Tideway Tunnel progress, pollution incidents, and storm overflows.

SCOPE AND PROCESS / ACTION TAKEN:
The manager engaged with TW to discuss disclosure and turnaround strategy, waste management, including the Thames Tideway Tunnel progress, pollution incidents, and storm overflows. The manager's diligence process included an environmental-focused engagement with the company's Head of Sustainability and Investor Relations team and a governance-focused engagement with TW's management. The discussion covered key topics such as wastewater discharge, the Thames Tideway Tunnel project, and storm overflow impacts. The company highlighted transparency efforts through the launch of a live storm discharge map, which reports real-time overflows and their durations. Regarding governance the manager questioned the company on its recapitalisation plan ahead of the new regulatory period and its significant increase in capital investments.

The company provided updates on the tunnel, which is designed to reduce sewage discharge into rivers. Expected to be completed by 2025, the tunnel will capture 95% of sewage by volume, reducing annual sewage discharge durations by 50% across the Thames Valley by 2030 and by 80% in sensitive catchments. The company launched a live storm discharge map in January 2023, the first of its kind in the sector, which reports real-time overflows and their durations. This initiative set a new standard for transparency, potentially influencing government regulation to mandate similar disclosures across the sector.

The company continued to clash with Ofwat on returns and performance commitments ahead of the draft determination. It also lacked a credible recapitalisation plan with weak commitment from shareholders to inject equity into both the operating and holding companies.

OUTCOMES AND NEXT STEPS:
The manager's ESG view of TW modestly improved from an environmental perspective due to the following reasons: 1) additional information on Thames Tideway Tunnel to reduce sewage discharge proportion, and 2) improved transparency of storm discharge from live spills. However, the company's environmental performance and management of environmental risks continues to lag peers. Following the lack of recapitalisation, the manager reduced their exposure to the name because of significant concerns related to risk management. The position was exited before the Draft Determination in July 2024.

5.5 Private markets

Where applicable, we seek a seat on the Limited Partner Advisory Committee (LPAC) of the funds in which we invest. When this is not possible, we liaise with the other LPs on the LPAC to ensure the alignment of objectives.

We expect all our Private Markets managers to fully exercise their rights and responsibilities at the companies in which they invest. We provide below an example of how our external managers approach this.

FIGURE 62: LGPSC CASE STUDY

Golden Goose, Permira, Private Equity Fund

OBJECTIVE:
To develop an ESG strategy with a focus on environmental sustainability.

ISSUE / REASON FOR ENGAGEMENT:
As a consumer-facing business, sustainability is crucial for customers and regulators and can also be important for investors seeking to protect and enhance value.

SCOPE AND PROCESS / ACTION TAKEN:
Permira has supported the management team at Golden Goose as they have built and developed the sustainability programme. As a result, the company hired a Chief Sustainability Officer, elevated sustainability to the Board agenda, developed a well-established sustainability strategy and published annual sustainability reports. In 2022, Golden Goose unveiled its Forward Agenda, a set of sustainability goals it aims to meet by 2025.

OUTCOMES AND NEXT STEPS:
Tangible actions arising from the sustainability strategy include:

- Set validated Science-Based Targets to reduce scope 1 & 2 GHG emissions by 70% and scope 3 emissions per pair of shoes by 40% by the end of 2030.
- Created five 'Forward Stores' which offer repair, remake, resell and recycling services for any brand of trainer, supporting customer retention and the circular economy.
- Announced the creation of the Yatay Lab in Erba (Como, Italy), a co-action platform committed to the research and development of circular materials and products that seek to be scalable and sharable.
- Achieved Management level (B score) in its first CDP Climate Change assessment for taking meaningful actions on climate issues.

FIGURE 63: LGPSC CASE STUDY

Vantage Towers, KKR, Infrastructure Fund

OBJECTIVE:
To manage material ESG issues.

ISSUE / REASON FOR ENGAGEMENT:
Vantage Towers is at a strategic inflexion point due to the transition of ownership from Vodafone, which brings potential risks and value creation opportunities. Key risks include:

- Maintain high health and safety standards for all stakeholders: The company faces inherent employee health and safety risks from their tower, mounted client communication, and connected power assets.
- Climate change is increasing VT's exposure to potential climatic hazards, including extreme wildfires and flooding.

Value creation opportunities include:

- Increase market share through 'best in class's sustainability performance. Many telecommunications clients have ambitious net zero targets and are progressing their climate risk analysis.
- Providing low-carbon, climate-resilient infrastructure and services can be a competitive advantage.
- The Company has an opportunity to improve its public transparency through publishing its sustainability strategy, carbon emissions, climate risk analysis, and decarbonization plan, which could benefit stakeholder relations.

SCOPE AND PROCESS / ACTION TAKEN:
Vantage Towers AG ("VT") is the second largest telecom tower company in Europe and controls nearly 83,000 macro sites, including towers, masts and rooftop sites, and ~9,400 micro sites, including small cells and distributed antenna systems ("DAS"), across 10 European markets.

OUTCOMES AND NEXT STEPS:
Post KKR investment, Vantage Towers has continued their commitment to having a mature ESG program and

addressing their material topics, with KKR's support: VT has been working to implement their own ESG Management and Governance structure, goals, and targets since the demerger from Vodafone. VT have a long-term target of net zero by 2040 (scopes 1-3), which was inherited from Vodafone, and they aim to meet target primarily through the adoption of 100% grid renewable electricity target (via Power Purchase Agreements and Renewable Energy Certificates). VT's current focus is on scope 3 measurement and baselining in 2024, followed by a detailed decarbonisation plan. VT's health and safety policy includes a strict sets of workplace safety rules that are supported by a rigorous consequence management policy and metric tracking.

FIGURE 64: LGPSC CASE STUDY

Evondos, Blackrock, Private Credit

OBJECTIVE:
Provide continued support to the Company to help enable their sustainability agenda and progress, including understanding its decarbonisation opportunities and net zero target setting approaches.

ISSUE / REASON FOR ENGAGEMENT:
Supporting the sustainability agenda.

SCOPE AND PROCESS / ACTION TAKEN:
The manager initiated a 6-week net zero target setting engagement program with their climate partner ERM. The company completed a C-suite workshop with Deputy CEO, CFO, Head of Marketing, Head of Operations and Procurement. The work uncovered that the largest emissions reduction opportunity was in switching from new aluminium, plastic, and rubber to recycled versions of the materials. The company formed a target setting working group and are investigating material sourcing and product design for new product model.

OUTCOMES AND NEXT STEPS:
Paris aligned target setting expected in 1H 2025. The manager is currently in discussions with the CFO to include a margin ratchet linked to its decarbonisation roadmap.

6.0 Appendices

Appendix 1: List of acronyms

ACS	Authorised Contractual Scheme
AI	Artificial Intelligence
AIM	Alternative Investment Market
ARCC	Audit, Risk and Compliance Committee
BVCA	British Private Equity and Venture Capital Association
CA100+	Climate Action 100+
CRMR	Climate Risk Monitoring Report
CRMS	Climate Risk Monitoring Service
CSDDD	EU Corporate Sustainability Due Diligence Directive
CSRD	EU Corporate Sustainability Reporting Directive
DE&I	Diversity, Equity & Inclusion
ESG	Environment, Social, and Governance
ExCo	Executive Committee
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
FSDA	Finance Sector Deforestation Action Group
GAIN	Girls are Investors Network
GBF	Global Biodiversity Framework
GHG	Greenhouse Gas
GP	General Partner
HRDD	Human Rights Due Diligence
IAHR	Investor Alliance for Human Rights
IC	Investment Committee
ICCR	Interfaith Center on Corporate Responsibility
ICGN	International Corporate Governance Network
ICS	ISS Corporate Solutions
IEA	International Energy Agency
IIGCC	Institutional Investors Group on Climate Change
ILBI	International Legally Binding Instrument
IOC	Investment Oversight Committee
IPD	Integrated Disclosure Project
IPDD	Investor Policy Dialogue on Deforestation
JC	Client Joint Committee
KPIs	Key Performance Indicators
LAPFF	Local Authority Pension Fund Forum
NED	Non-Executive Director
ORCA	Operational, Risk and Compliance Committee
PAB	Paris-Aligned Benchmark
PAF	Practitioners' Advisory Forum
PAI	Principal Adverse Impact
PMIC	Private Markets Investment Committee
PRI	Principles for Responsible Investment
RIIS	Responsible Investment Integrated Status
RI&S	Responsible Investment & Stewardship
RIWG	Responsible Investment Working Group
SAB	Local Government Pension Scheme Advisory Board
SBTi	Science-Based Targets Initiative
SDG	Strategy Development Group
SDGs	Sustainable Development Goals
SEC	Securities and Exchange Commission
SFDR	EU Sustainable Finance Disclosure Regulation
TCFD	Task Force on Climate-Related Financial Disclosures
TNFD	Taskforce on Nature-related Financial Disclosures
TPI	Transition Pathway Initiative
TW	Thames Water
UKSIF	UK Sustainable Investment and Finance Association
UNGPs	United Nations Guiding Principles on Business and Human Rights

Appendix 2: Due Diligence Framework

FIGURE 65: LGPS CENTRAL RESPONSIBLE INVESTMENT DUE DILIGENCE FRAMEWORK

CATEGORY	SUB-CATEGORY	NOT PRESENT (0)	DEVELOPING (1)	INTERMEDIATE (2)	ADVANCED (3)
POLICY	AVAILABILITY OF POLICY	No ESG policy in place.	Basic ESG policy.	ESG policy supplemented by sub-policies such as exclusions, engagement or climate policies.	Building on 'Intermediate', GP also has an asset class-specific policy/ framework, such as LGPS Central RIIS procedure.
	APPROACH TO POLICY REVIEW	No policy implemented; no plans to develop an approach towards the management of ESG considerations.	GP may reference plans to periodically review or further develop its ESG policy, but detail regarding frequency and timing is lacking.	GP conducts a periodic review (i.e. every 2-3 years) of its ESG policy and can share recent findings and updates.	GP reviews its ESG policy annually and can comment on its evolution (prior findings and how they were addressed, how it keeps pace with industry developments, etc.).
	ESG OWNERSHIP	No governance/ ownership in place for ESG considerations.	ESG oversight is represented via steering committee or exec level ownership as a shared responsibility (e.g., part of legal, compliance or investor relations).	Senior leadership is more actively involved with ESG issues, augmented by dedicated ESG staff or third party experts helping guide the process.	Leadership-driven accountability for ESG ownership extends throughout the organisation; including investment and deal team professionals, to ensure ESG considerations are integrated into decision making and operating processes.
PEOPLE	RESOURCING	GP does not have dedicated ESG resource or ESG resource dedicated to communications.	Minimal ESG resource focussing on policy work. Heavy reliance on third party assistance.	More dedicated ESG resources supporting staff throughout the organisation.	Extensive resource available. Investment personnel exhibit clear understanding of ESG during the due diligence call.
	CAPACITY BUILDING AND TRAINING	No training programs focused on ESG.	Ad-hoc ESG training provided for some staff, including new hires responsible for executing some part of the ESG policy.	There are more systematic, regular efforts to provide training internally to inform investment teams of ESG best practices. Training may focus on ESG integration and capacity building, but also should generate awareness around how and when to work with consultants, service providers and field experts.	Systematic, regular efforts to provide training for all staff; training includes recognizing ESG-related risks and opportunities specific to the sectors staff cover. Training programs also extend to portfolio companies, providing those boards and leadership teams with industry/sector materiality-based topical training.
	REMUNERATION	No.	No.	Senior leaderships' remuneration are tied to ESG performance. Little discussion on how the ESG KPIs drive GP's performance.	ESG KPIs may be evidenced across organisation. Clear connection made between ESG KPI and GP's financial and investment performance.

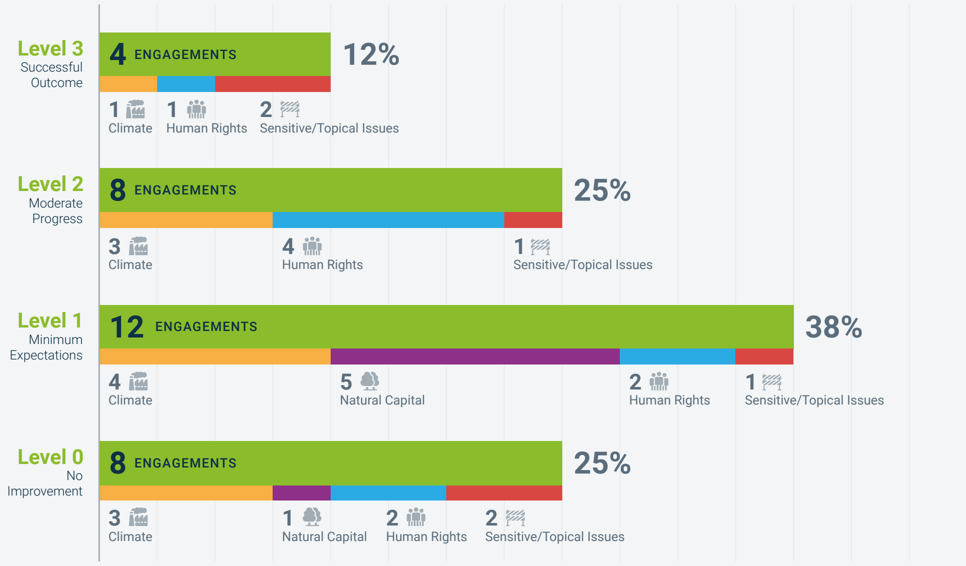
CATEGORY	SUB-CATEGORY	NOT PRESENT (0)	DEVELOPING (1)	INTERMEDIATE (2)	ADVANCED (3)
PROCESS	DUE DILIGENCE	ESG factors are not a consideration in the investment due diligence process.	ESG diligence is typically conducted by a third-party, focused on compliance-based risks with inclusion in investment committee process on an ad-hoc basis.	ESG diligence is typically a GP-led process (often augmented by third-party experts) focused on material risks. Risks identified during diligence are discussed and factor into investment committee decision making.	Building upon "Intermediate," ESG diligence includes a process for assessing ESG related value creation opportunities utilizing a materiality-based assessment framework and encourages significant input from investment, legal and compliance and HR teams.
	MONITORING	No monitoring or management of ESG considerations takes place after an acquisition occurs.	Monitoring and management of ESG considerations is limited and tends to be ad-hoc or reactive.	Monitoring and management of ESG considerations occurs as part of a structured process that includes portfolio company onboarding and annual reviews where risks identified during diligence are examined and actions taken to address any findings are discussed.	Monitoring and management of ESG considerations and KPIs are featured as an ongoing part of the GP's management and value reation process. ESG assessments are conducted for all portfolio companies on an annual basis, board members are trained and accountable for material ESG considerations.
	EXIT AND AFTER SALE	No ESG considerations are incorporated into the exit planning process.	GP provides ESG related information to buyers upon request or on an ad-hoc basis.	ESG-focused value creation and enhanced risk management considerations feature into investment marketing materials and the data rooms shared with investment bankers and potential buyers.	Building upon ""Intermediate,"" GP also formally measures and analyzes the impact of ESG on investment performance and reports on progress at time of exit. GP also supports buyers by providing required information and processes to continue any ongoing sustainable investment initiatives at time of sale.
	DECISION MAKING	No ESG considerations.	ESG considerations do not factor prominently in investment committee dialogue or investment decisions.	ESG considered in investment committee dialogue or investment decisions but overseen by the investment team.	Individual(s) charged with ESG oversight sits on investment committees and ESG considerations are included in committee dialogue and investment decisions.
PERFORMANCE	CONTROVERSIES	Evidence of ESG-related controversy(ies) at GP and/or portfolio-company. GP wasn't able to share evidence of mitigation.	Evidence of ESG-related controversy but GP was able to share evidence of mitigation and lessons learned.	No controversy found.	No controversy found. GP has exclusionary policies covering investments in potentially controversial sectors/regions.
	CASE STUDY	GP does not provide ESG case study.	GP hand picked case study. Little evidence of integration such as IC minutes, ESG DDQ and/or KPI.	GP hand picked case study. Discussion on cradle to grave ESG integration. Clear evidence provided.	Similar to 'Intermediate', but based on LGPSC's hand picked case study.

CATEGORY	SUB-CATEGORY	NOT PRESENT (0)	DEVELOPING (1)	INTERMEDIATE (2)	ADVANCED (3)
TRANSPARENCY	APPROACH TO COMMUNICATION	Little or no coverage of ESG topics at AGMs, LPAC meetings and periodic communications with investors.	GP occasionally references ESG at AGMs, LPAC meetings and in its annual report.	Coverage of ESG topics appears regularly at AGMs, LPAC meetings, in regular communications with investors and in an annual report which includes case studies and KPIs. Communication/ discussion of ESG risks should be proactive and is not limited to incident reporting or problematic situations.	Building upon “Intermediate,” communications and discussion of ESG extends beyond risk mitigation and revolves around challenges, recent learnings, targets/ goals and updates on progress, and ties to value creation in the portfolio.
	INCIDENT REPORTING	No policy detailing GP’s approach to ESG-related incident reporting or evidence exemplifying treatment of prior reported incidents. *Note, for all four categories - LPs may have differing definitions for what constitutes an “”incident;”” ILPA suggests LPs share and discuss that definition with their GPs.	GP has a basic approach to ESG-related incident reporting; able to provide limited examples of prior incident communications.	Clearly detailed approach to ESG-related incident reporting, GP is able to provide examples of prior communications detailing incidents, resolutions and plans that ensure future incidents are avoided.	Building upon “Intermediate,” GP demonstrates a strategic approach to incident remediation and prevention as an organisation and can speak to how prior incidents (across funds) have informed its strategy.
	KPIS AND REPORTING	No ESG KPIs or reporting in place, plans and procedures for collecting future KPIs and managing reporting are not present.	KPIs may be basic in nature (or a work in progress) and may include yes/no answers to a binary set of questions. Reporting is often ad-hoc, or focused on future capacity building objectives and less on material risks and opportunities.	Materiality-based process in place for determining relevant ESG KPIs. Annual reporting includes both qualitative and quantitative updates on ESG considerations, including examples and case studies at the portfolio company level.	Materiality-based KPIs remain in constant view as part of an integrated process that includes benchmarking against targets. Annual reporting includes both qualitative and quantitative updates on ESG considerations, including examples and case studies at the portfolio company level with clear linkages to value creation, and broader, stewardship based objectives and sustainability outcomes.

CATEGORY	SUB-CATEGORY	NOT PRESENT (0)	DEVELOPING (1)	INTERMEDIATE (2)	ADVANCED (3)
COLLABORATION	INDUSTRY COLLABORATION	No commitments to industry collaboration (e.g., PRI signatory) or plans to participate in the next few years.	GP is a PRI signatory or has formally adopted at least one set of industry recognized best practices.	GP may be a member of financial services industry-wide collaboration such as IIGCC/CERES.	GP participates in sub-industry collaboration. Examples include BBBP for property, EDCi for private equity, ESG IDP for private debt, etc. GP actively participates in driving best practice or standard adoption in the industry e.g. committee membership at such collaborations.
	COLLABORATION WITH LGPS CENTRAL	No commitment.	RIWG.	RI Summit.	Co-engagements.

Appendix 3: Progress against the Stewardship Strategy

2024 LGPSC Stewardship Progress – Engagement Metrics



73% of stewardship priority companies' engagement led to some progress including 4 successful outcomes

~100% stewardship priority companies reached out

100% allocation KPIs to stewardship priority company

6 companies removed

3 companies added

STEWARDSHIP PRIORITY: CLIMATE

Net Zero Alignment

Company Name	KPI Keywords	2024 Engaged?	2025 Escalation Grade	2024 Associated Voting Dissent?	Progress	2025 Removal	2025 Inclusion
SHELL PLC	Net Zero Alignment	✓	Level 2	✓	Level 2	-	-
RWE AKTIENGESELLSCHAFT	Net Zero Alignment	✓	Level 2	✗	Level 2	-	-
HOLCIM AG	Net Zero Alignment	✓	Level 2	✗	Level 0	-	-
CEMEX S.A.B. DE C.V.	Net Zero Alignment	✓	Level 2	✗	Level 0	-	-
BHP	Net Zero Alignment	✓	Level 2	✓	Level 1	-	-
ARCELORMITTAL SA	Net Zero Alignment	✓	Level 2	✗	Level 1	-	-
BP PLC	Net Zero Alignment	✓	Level 1	✗	Level 1	-	-
CRH PLC	Net Zero Alignment	✓	Level 1	✗	Level 2	-	-
RIO TINTO LIMITED	Net Zero Alignment	✓	Level 1	✗	Level 1	-	-

Banks (ShareAction)

Company Name	KPI Keywords	2024 Engaged?	2025 Escalation Grade	2024 Associated Voting Dissent?	Progress	2025 Removal	2025 Inclusion
SOCIETE GENERALE SA	O&G Policy/Green Finance	✓	Level 1	✗	Level 0	-	-
BARCLAYS PLC	O&G Policy	✓	-	✗	Level 3	✓	-

STEWARDSHIP PRIORITY: **NATURAL CAPITAL**

Nature Action 100

Company Name	KPI Keywords	2024 Engaged?	2025 Escalation Grade	2024 Associated Voting Dissent?	Progress	2025 Removal	2025 Inclusion
GLENCORE	Global Biodiversity Framework	✓	Level 2	✗	Level 0	-	-
KELLANOVA	Global Biodiversity Framework	✓	-	✓	Level 1	✓	-
RIO TINTO LIMITED	Global Biodiversity Framework	✓	Level 1	✗	Level 1	-	-
THE SHERWIN-WILLIAMS COMPANY	Global Biodiversity Framework	✓	Level 1	✗	Level 1	-	-

Petrochemicals

Company Name	KPI Keywords	2024 Engaged?	2025 Escalation Grade	2024 Associated Voting Dissent?	Progress	2025 Removal	2025 Inclusion
REPSOL	Sustainable Plastics	✓	Level 1	✗	Level 1	-	-
LYONDELLBASELL	Sustainable Plastics	✓	Level 1	✓	Level 1	-	-

World Benchmarking Alliance

Company Name	KPI Keywords	2024 Engaged?	2025 Escalation Grade	2024 Associated Voting Dissent?	Progress	2025 Removal	2025 Inclusion
COSTO WHOLESALE CORPORATION	Global Biodiversity Framework	-	Level 1	-	-	-	✓

STEWARDSHIP PRIORITY: HUMAN RIGHTS

Corporate Index Benchmark

Company Name	KPI Keywords	2024 Engaged?	2025 Escalation Grade	2024 Associated Voting Dissent?	Progress	2025 Removal	2025 Inclusion
COSTCO WHOLESALE CORPORATION	Supply Chain	✓	Level 1	✗	Level 2	-	-
NVIDIA CORPORATION	Responsible AI	✓	Level 2	✗	Level 0	-	-
THE TJX COMPANIES	Supply Chain	✓	-	✓	Level 3	✓	-
TESLA	Supply Chain/ Labour Rights	✓	Level 1	✓	Level 1	-	-

OPT

Company Name	KPI Keywords	2024 Engaged?	2025 Escalation Grade	2024 Associated Voting Dissent?	Progress	2025 Removal	2025 Inclusion
MOTOROLA	Alignment with UNGPs	✓	Level 3	✓	Level 1	-	-

PRI Advance

Company Name	KPI Keywords	2024 Engaged?	2025 Escalation Grade	2024 Associated Voting Dissent?	Progress	2025 Removal	2025 Inclusion
BHP	Reparation	✓	Level 2	✗	Level 2	-	-

Find it, Fix it, Prevent it - Modern Slavery

Company Name	KPI Keywords	2024 Engaged?	2025 Escalation Grade	2024 Associated Voting Dissent?	Progress	2025 Removal	2025 Inclusion
COMPASS GROUP	UK Modern Slavery	✓	-	✗	Level 2	-	-
BARRAT	UK Modern Slavery	✓	Level 1	-	Level 2	-	-
VOLUTION	UK Modern Slavery	✓	Level 2	✗	Level 0	-	-

STEWARDSHIP PRIORITY: TOPICAL/SENSITIVE TOPICS

Egregious Controversies in the ACS

Company Name	KPI Keywords	2024 Engaged?	2025 Escalation Grade	2024 Associated Voting Dissent?	Progress	2025 Removal	2025 Inclusion
ARCELORMITTAL	Health & Safety Disaster	✓	-	✓	Level 3	✓	-
HYUNDAI MOTOR COMPANY	Supply Chain	✓	Level 1	✗	Level 1	-	-
KIA CORPORATION	Product Safety	✓	Level 2	✗	Level 0	-	-
META PLATFORMS	Online Safety	✓	Level 2	✓	Level 2	-	-
OCP GROUP	Alignment with UNGPs	✓	-	✗	Level 3	✓	-
AMAZON	Labour Rights	-	Level 1	-	-	-	✓

Laggards in the ACS

Company Name	KPI Keywords	2024 Engaged?	2025 Escalation Grade	2024 Associated Voting Dissent?	Progress	2025 Removal	2025 Inclusion
M3	Data Security	✓	Level 1	✗	Level 0	-	-
BERKSHIRE HATHAWAY	ESG Policies	-	Level 1	-	-	-	✓

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All information is prepared as of **31 May 2025**.

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