LGPS Central Limited

Annual Stewardship Report 2023

Cheshire Pension Fund

Derbyshire Pension Fund

Leicestershire County Council Pension Fund

Nottinghamshire Pension Fund

Shropshire County Pension Fund

Staffordshire Pension Fund Local Government Pension Scheme

West Midlands Pension Fund

Worcestershire Pension Fund

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01 Foreword

FOREWORD BY:

Joanne Segars
Chair

John Burns
Interim CEO

2023 was a year of significant progress and challenges for investors and markets. The year was marked by several key events that shaped the landscape of responsible investment.

Global challenges, including the impact of climate change, nature degradation, upholding human rights, and governance lapses underscore our commitment to responsible investment. The conflict in the Middle East and the continued war in Ukraine caused us to pause for thought and contemplate what it means to be a responsible investor.

2023 was recorded as the hottest year on record globally with an average temperature being 1.46°C above pre-industrial levels.[1] In a year where the world experienced extreme weather events that significantly impacted human health, ecosystems, and infrastructure, it is as important as ever to continue investing responsibly. Attention was focused on COP28 and in particular the language surrounding the fossil fuel phase out. Much work remains to be done on implementation and the impact of COP28 will depend on the extent to which governments respond to the commitments made. Following the rollback of the UK government's climate targets and the Climate Change Committee's perspective that the UK's response to worsening climate impacts may not be adequate, as responsible investors we continue to engage with policy makers to ensure that the policy environment is an enabling factor to achieve decarbonisation. Building on our Net Zero Statement, in 2023, we published our Net Zero Strategy, outlining our commitment to achieve net zero by 2050 across all assets. We have developed a two-track implementation strategy for public and private markets. This sets out financed emissions reduction targets for key asset classes as well as targets on engagement, carbon footprinting of private markets and the Company's operational emissions.

[1] 2023: The warmest year on record globally - Met Office

We remain steadfast in our position that ESG (Environmental, Social, Governance) integration and stewardship is critical to the discharge of our fiduciary duty. Our stewardship activities reflect our responsibilities as long-term investors whose interests are tied with the effective deployment of solutions for tackling systemic risks, like climate change, nature loss, and attainment of minimal working standards.

In 2023, we continued to focus on our key engagement themes - climate change, plastic pollution, responsible tax behaviour and human rights which we established in collaboration with our Partner Funds. We also undertook our triennial review of the engagement themes, where we consulted with Partner Funds on the new themes. The refreshed engagement themes reflect a tactical shift in focus rather than a complete directional overhaul. Climate change and human rights continue to pose systemic risks to investment and remain key priorities for engagement and voting. To reflect this, in 2023, we joined the Investor Alliance for Human Rights. This initiative aims to promote investor responsibility for human rights, corporate engagements that drive responsible business conduct and standard-setting activities that push for robust business and human rights policies. We also introduced natural capital and sensitive/topical areas as key engagement priorities. Biodiversity loss is rapidly degrading the quality of ecosystem services that the economy depends on to operate. The sensitive/topical areas theme provides a flexible approach to engage with portfolio companies with alleged controversies or deemed to have adopted ESG laggard practices. Our commitment to good stewardship is also demonstrated in our voting activities. We vote all our shares and we do not delegate voting to external managers. In 2023, we voted at 3,431 meetings on 41,754 resolutions. We voted against management recommendation on one or more resolutions at 65.8% of meetings.

In 2023 LGPS Central's responsible investment practices have been highly praised by the PRI. The PRI assesses responsible investors every year to measure and understand the progress made by its signatories to implement and improve their responsible investment practices. We were awarded a 5-star rating (the highest possible score) in five out of six categories and narrowly missed out on the sixth. We have written this report in alignment with the UK Stewardship Code 2020 and the content reflects feedback received from the Financial Reporting Council (FRC) relating to our previous Annual Stewardship reports. This year's report has been reviewed and approved by the LGPSC Executive Committee ("ExCo") and the Board ("Board"). The report has also been reviewed by relevant heads of department to ensure the accuracy of process descriptions and content.

Joanne Segars
Chair

John Burns
Interim CEO

FIGURE 1: KEY ACHIEVEMENTS AND PROGRESS ACROSS OUR STEWARDSHIP ACTIVITIES IN 2023

Key achievements and progress across our stewardship activities in 2023

Responsible Investment Integration

100%

We ensure that Responsible Investment is integrated in all products and is practiced by all appointed external managers.

Climate Risk Monitoring Service (CRMS)

The CRMS underwent a significant review in 2023 to ensure alignment with the upcoming governance and reporting standards on climate change risks mandated by the Department for Levelling Up, Housing and Communities (DLUHC).

Stewardship Theme Activity & Progress

CLIMATE CHANGE

Engaged with Shell and BP on their Scope 3 emissions targets and capex alignment, respectively.

Voted against climate-related resolutions at the AGMs for Shell, TotalEnergies, and Glencore.

Withdrew a shareholder proposal at Barclays following positive updates to their Oil & Gas policy.

RESPONSIBLE TAX BEHAVIOUR

Ongoing participation in PRI collective engagements encouraging better practice in corporate tax reports.

Supported a shareholder resolution at Brookfield requesting the company issue a tax transparency report in line with the Global Reporting Initiative.

PLASTIC POLLUTION

Signed a joint investor statement requesting intensive users of plastic packaging to act more rapidly to address the plastics crisis.

Participated in an award winning collaborative engagement on microfibre. The engagement targeted washing machine manufacturers and policy makers to encourage technological solutions to prevent synthetic microfibers from entering the marine environment.

HUMAN RIGHTS

Ongoing participation in PRI Advance, a collective engagement initiative encouraging better corporate human rights practices. Signed letters to FTSE 350 and AIM-listed companies to disclose a modern slavery statement. 81% of the target companies have either committed to or published a modern slavery statement.

Signed up to the Investor Alliance for Human Rights, an investor initiative focusing on the responsibility of investors to respect human rights.

Broader Engagement

DEFORESTATION

LGPSC remains a key member of the Investor Policy Dialogue on Deforestation (IPDD) collaborative initiative.

Ongoing work with the Finance Sector Deforestation Action Group.

Engagement with Kellanova to help mitigate commodity-driven deforestation in their supply chain.

BOARD DIVERSITY

Voted against 586 proposals on diversity and inclusion matters. We encouraged greater representation of women and ethnic minorities on boards and leadership positions. 69% of them were supported by LGPSC, and 45% won majority support by shareholders.

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

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

PRINCIPLES 6-8

Investment approach

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

PRINCIPLES 9-11

Engagement

- Engagement with issuers
- Participation in collaborative engagement to influence issuers
- Escalation of stewardship activities to influence issuers

PRINCIPLE 12

Exercising rights and responsibilities

- Voting approach and objectives

02 Purpose and governance

PRINCIPLES 1-5

Canalside, Birmingham, West Midlands

PRINCIPLE 1 2.1 Purpose, investment beliefs, strategy, and culture

2.1.1 Purpose and values

LGPS Central Limited (LGPSC) is a Financial Conduct Authority (FCA) regulated institutional investment manager responsible for the pooled assets of eight Local Government Pension Funds in Central England.

LGPSC was formed in April 2018. It is owned equally by all eight of its Partner Funds and is dedicated to the management of local government pension scheme assets.

The aim of the Company is to use the combined scale of its Partner Fund assets to reduce costs, improve investment returns, strengthen governance, and widen the range of available asset classes for investment.

LGPSC Partner Funds have combined assets of c.£56 billion serving over one million LGPS members and over 3,000 participating employers.

In December 2023, LGPSC had c.£28 billion in assets under management and advice invested in listed equities (active and passive), fixed income, direct property, private equity, private debt, and infrastructure. The majority of pooled assets are invested in listed equities and fixed income under an Authorised Contractual Scheme (ACS) fund structure.

As 2023 marked LGPSC's five-year anniversary, a refreshed set of values was launched. Our values inspire us to shape a different way of 'doing things around here' and together we can impactfully thread them through the way we think, work, lead and behave. The values stand as guiding principles for how we should approach our work and interact with colleagues and clients.

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 both in our RI&E Framework and in our Voting Principles. We are members of the charity GAIN (Girls are Investors Network).

FIGURE 2: LGPSC VALUES

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.

The Board has 50% female representation. We are proud to boast a 60/40 split in male/female ratio across our organisation and an ethnic minority population of 49% with 15 different cultures represented within our workforce of 80 people. Although we are not legally obliged to report on gender and ethnicity pay gaps, we believe in transparency and have been monitoring our pay gaps and distribution over the years. Our overall gender pay gap has been decreasing steadily, and we remain committed to reviewing our policies and practices to support inclusivity. While we do not set specific targets for gender or ethnicity, as we believe in merit-based recruitment and promotion, we acknowledge the importance of being aware of the issues that impact pay gaps. As a business with a workforce of under 100 people, staffing changes can have a significant impact on the overall mean gap. As of December 2023, our median gender pay gap has decreased to 28.3% (compared to 41.2% in March 2022), and our mean gender pay gap is 25.6% (compared to 36.6% in March 2022), largely due to higher male representation in middle and top management positions.

LGPSC is a member of the Employers Network for Equality & Inclusion, and we participate in several workstreams under an initiative called "The Diversity Project" around flexible working; improving ethnic representation, promoting policies that assist working families, and an early careers programme (mentoring potential graduates from socially disadvantaged communities). When selecting external managers for LGPSC investment mandates, we expect both good in-house diversity across the organisation, and external managers are expected to integrate diversity and inclusion considerations in their ESG assessments of the companies they invest in. Diversity is one element of our broader assessment of a given manager's culture and ethos and we view strong diversity across gender, culture, and ethnicity as indicative of overall strong governance. We support the newly established Asset Owner Diversity Charter and will use the toolkit provided through the charter to assess managers' approaches to diversity and inclusion. In 2023, LGPSC won the LAPF Diversity and Inclusion award. The award recognises organisations that have worked to drive positive change by embedding principles of diversity and inclusion in the culture of the organisation.

We published a Modern Slavery Statement for LGPSC, although we were not legally required to do so. We wish to follow best practice, as a company and as an investor in this critical area, engaging investee companies and our suppliers. Our procurements follow the Official Journal of the EU (OJEU) process that is adopted by all English public sector entities. We continue to be a part of an investor collaboration engaging FTSE 350 companies on Modern Slavery Act compliance (see Section 4.1.4d below).

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.

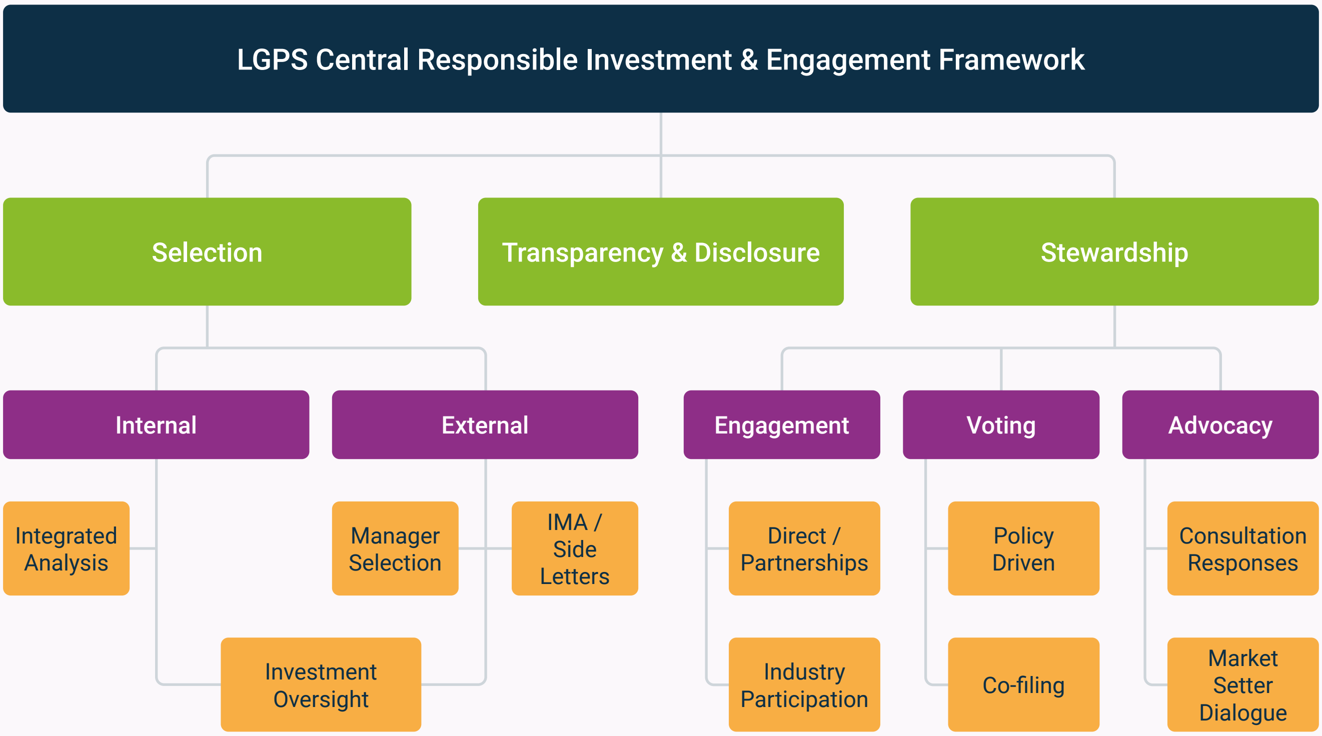
In line with our values and purpose, we established a Framework for RI&E which also reflects the investment beliefs of the Company's eight Partner Funds.

The Framework establishes two high-level objectives for all LGPSC RI-related policies and processes. These are:

1) Firstly, to support investment objectives, and
2) Secondly, to be an exemplar for RI within the financial services industry, promote collaboration, and raise standards across the marketplace.

The RI&E Framework is applied in a manner that promotes these objectives both before the investment decision (which we refer to as the Selection of investments) and after the investment decision (the Stewardship of investments). Furthermore, we aim to be transparent to all stakeholders and accountable to our Partner Funds through regular disclosure of RI activities.

FIGURE 3: LGPSC RI FRAMEWORK



We take the view that a strong RI framework and robust action increase our ability to protect and grow shareholder value. Against this premise, key targets of our RI efforts are to:

- Integrate material environmental, social, and governance factors into investment decisions both pre and post-investment,
- Influence corporate behaviour at company and sector levels through engagement, voting, and other stewardship tools for asset classes beyond listed equities,
- Participate in and contribute to industry-wide best corporate and investor practices, and
- Enhance trust with our stakeholders through ongoing dialogue and a high level of transparency.

We believe that the Framework offers a holistic approach to identifying, assessing, managing, and reporting potential ESG risks and opportunities across all our investments. From time to time, we will identify systemic ESG risks and/or opportunities that are the most material to the Company and our investments. These actions will be communicated to stakeholders to ensure accountability for our actions, using best practice frameworks where applicable (transparency and disclosure of RI activities).

The strategy to meet the key objectives and the way we aim to measure success against them is described in the Sections below of this document. Figure 4 shows, at a high level, our objectives and how we measure achievement against them.

FIGURE 4: SUMMARY OF TARGETS, STRATEGIES, AND MEASURES OF SUCCESS

TARGETS	STRATEGY	MEASURES OF SUCCESS (MoS)
INTEGRATE MATERIAL ESG FACTORS INTO INVESTMENT DECISIONS	Define an RI Integrated Status (RIIS) approach for each fund prior to launch and through its lifecycle	100% of relevant products achieve and maintain RI Integrated Status. RIIS is approved by the Investment Committee and maintenance is monitored quarterly by the Quarterly Portfolio Review Committees.
INFLUENCE CORPORATE BEHAVIOUR	Engagement and voting at company and sector levels	Achieve the majority of the MoS listed in Section 4.1 below (Stewardship Themes).
PARTICIPATE IN AND CONTRIBUTE TO INDUSTRY STANDARDS	Engagement at industry and policy levels	Active contribution to theme-relevant industry initiatives and broader initiatives of relevance to LGPSC. Contribution to relevant public consultations or policy initiatives on standards/ regulation with market-wide application and/or theme-relevant application or as required by Partner Funds.
ENHANCE TRUST WITH STAKEHOLDERS	Transparency and disclosure	Regular Stewardship Updates three times per year, in addition to an Annual Stewardship Report in line with UK Stewardship Code 2020. Quarterly RI meetings with Partner Funds. Annual RI event for Partner Funds to facilitate dialogue on key themes and to build knowledge. See Section 3.1 below for more detail.

2.1.3 A "One-for-Eight" model

LGPSC's RI&E 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 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 as well as deliver the range of investment mandates satisfying our 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 expectations are embedded at the inception of new funds through to deployment/selection of asset managers, and we continue monitoring how RI is integrated throughout the lifecycle of the mandate.

LGPSC assists Partner Funds with: RI&E policy design/update, RI-specific training for boards and pension committees, and ad-hoc queries from beneficiaries on RI-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. below.

2.1.4 Looking ahead

Looking ahead, LGPSC recognises the growing importance of stewardship and the integration of ESG factors into investment processes, as well as the evolving demands of our stakeholders. Key areas of focus during 2023, and going into 2024:

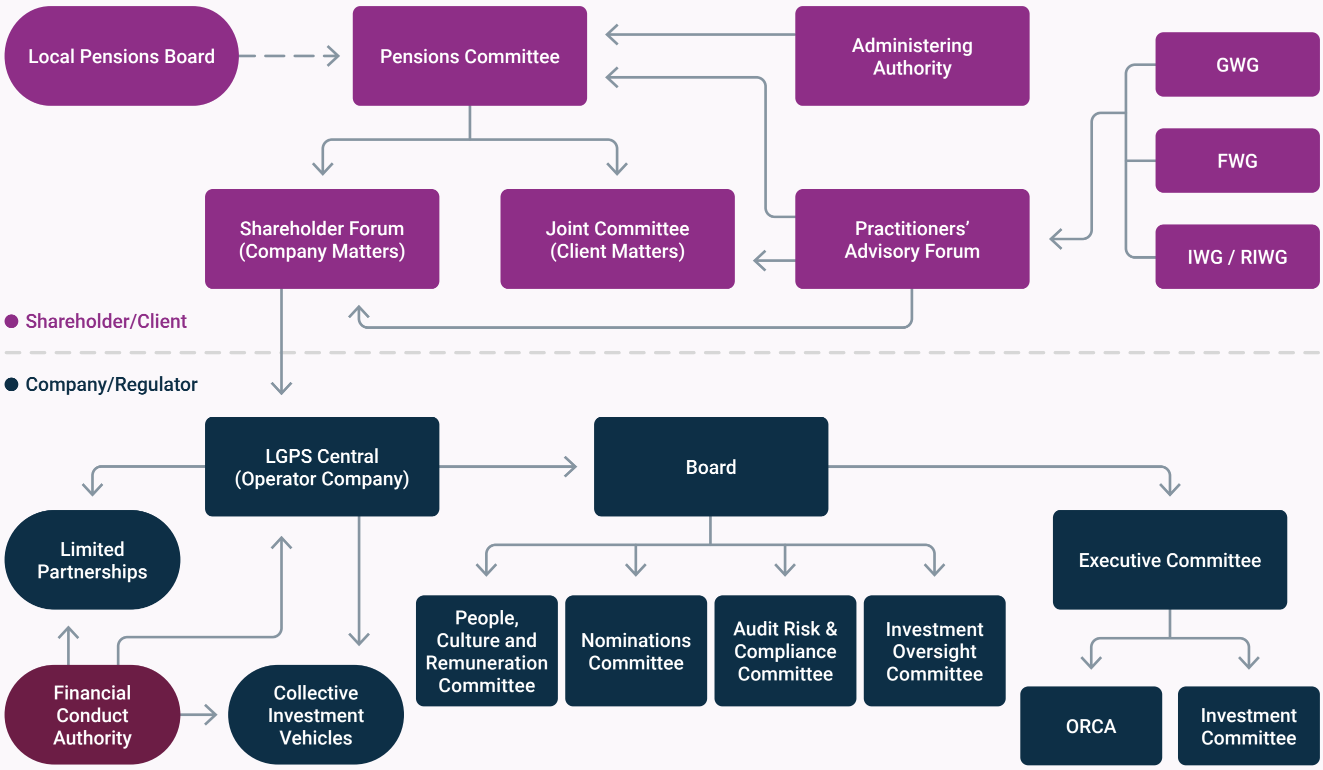
- Implementation of LGPSC's Net Zero Strategy, which includes developing a net zero stewardship plan, asset level implementation, and developing an interactive dashboard for robust reporting,
- Review of the effectiveness of LGPSC's Stewardship Strategy, which involves collaborating with Partner Funds to ensure that our engagement priorities remain relevant, and agreeing on additional engagement areas of focus including adding companies to our engagement priority list,
- Development of the Sustainable Investment Monitoring Service, a tailored report for our Partner Funds that will outline material ESG factors for each portfolio (with a special focus on social factors),
- Extending climate risk analysis at the portfolio level to a broader set of ESG and climate risk factors. We are committed to ensuring that our climate analysis and broader ESG analysis remain fit for purpose and in step with industry developments in this area, and
- Extending our RI&E approach to private markets including bespoke stewardship plans according to asset class.

PRINCIPLE 2

2.2 Governance, resources and incentives to support stewardship

2.2.1 Organisation and lines of communication

FIGURE 5: LGPSC ORGANISATIONAL STRUCTURE AND COMMUNICATION



The Board undertakes an annual review of its performance. This covers the performance of the individual Board members, the Board, and the committees. In line with best practice, every third year the review is conducted by an external third party. The review for the 2023/24 financial year was an external review which undertook a broader evaluation looking at how the Board was supported by organisational governance structures and included interviews with all Directors and a broad selection of Management and advisors.

The Board is ultimately responsible for the oversight of the RI&E Policies, stewardship activities, and the annual review of the RI&E Framework. These activities are overseen operationally by ExCo (see Section 2.2.2 below). The Board and the ExCo meet at least six times a year. Throughout the year, the RI&E team provides the Board with an overview of the Company's latest RI&E efforts including stewardship activities and Net Zero activities. Alongside ongoing oversight and knowledge building, Board members sometimes participate in our broader RI effort e.g., through speaker assignments or in ongoing engagements.

Our organisational structure reflects a collaborative approach whereby LGPSC Partner Funds have direct influence and dialogue with LGPSC on the overall stewardship effort through a Responsible Investment Working Group (RIWG) at the high level, and through a Practitioners' Advisory Forum (PAF) which assesses RI matters in more detail.

The RIWG feeds into the PAF which is made up of client fund officers and meets on a monthly basis.

At quarterly PAF and RIWG meetings, Partner Funds are given updates and can scrutinise LGPSC's implementation of engagement and voting activities, integration of ESG across funds, as well as Client-specific services such as the Climate Risk Monitoring Service.

LGPSC's external stewardship provider, EOS at Federated Hermes (see Section 2.2.4 below), may take part in RIWG meetings to provide granular detail on specific topics/sectors of interest to the Partner Funds (for instance on the Israel/Palestine conflict).

The Joint Committee (JC) meeting is held annually. At the JC meeting in July 2023, 3 questions from members of the public regarding RI were read and answered during the meeting. We have seen an increased focus on RI over recent years.

LGPSC provides reporting to stakeholders through regular stewardship updates (voting and engagement), quarterly performance reports (ESG integration, engagement and voting as part of performance assessment), an annual PRI report and an annual Stewardship Code report.

2.2.2 Board oversight and ownership across the organisation and effectiveness review

The Board is responsible for approving and monitoring LGPSC's approach to responsible investment, as part of its oversight of our policies including the Responsible Investment & Engagement Framework ("the RI&E Framework"). Apart from the Framework, the Board also reviews and approves our Voting Principles, our Taskforce for Climate-Related Financial Disclosure report, and this Annual Stewardship Report.

The responsibility for the implementation of the Framework resides with the ExCo. The Exco delegates day-to-day management of RI&E to the investment teams, with oversight from the Investment Committee ("IC") and the Chief Investment Officer ("CIO"). The IC has one subcommittee: the Private Markets Investment Committee ("PMIC") is responsible for private assets covered by the Framework, as determined by the threshold specified in relevant internal policies and frameworks. The IC reports directly to the ExCo. The Director of RI&E has lead responsibility within the IC for the activities covered by the Framework. This includes the responsibility to review and propose changes to the Framework. Portfolios are reviewed by the IC on a quarterly basis. Specific asset class and/or investment strategy RIIS procedure outlines the approach to ESG integration and stewardship at a fund-by-fund level. Monitoring the implementation involves reviewing the holdings and conducting regular meetings with appointed external managers. LGPSC's RIIS approach requires and allows detailed dialogue between the RI&E team and the relevant Asset Class team throughout each fund's lifespan. This approach also ensures that the RI approach taken for a given fund or asset is co-sponsored by the Director of RI&E and the relevant Investment Director, reinforcing stewardship and RI integration. RIIS covers the following key elements: Beliefs, Documentation, Process, Reporting, and Review. We have established a Board-level Key Performance Indicator (KPI) that 100% of investment products integrate responsible investment, and regular updates are provided to the Board and the ExCo.

Our Voting Principles were approved by the Board in March 2023 (and an updated version was approved in May 2024). The latest updates to the LGPSC Voting Principles can be summarised in three areas: good governance, diversity, and LGPSC stewardship priorities. Our voting guidelines support corporate governance best practices. We have enhanced our expectations, advocating robust gender diversity beyond board level. We also expect outstanding board responsiveness from our holdings. We finally updated our climate-related disclosure expectations and added new principles for disclosure on modern slavery and natural capital.

We believe it is critical that RI is owned and practiced across LGPSC. As such, the RI&E team performs a coordinating function relying on regular interaction with colleagues in asset class teams, in the broader Investment team and across back-office functions including Operations, Legal, HR, and Compliance. The Director of the RI&E team reports to the Chief Investment Officer (CIO). The Director of RI&E is a member of the IC, the PMIC and the Strategy Development Group (SDG). RI&E-related matters are regularly brought to ExCo for discussion and approval. During 2023 this has included a review of LGPSC's RI&E-related policies and the launch of our Net Zero Strategy. This is an addition to our regular reporting requirements, which include the Annual Stewardship Report and the TCFD report.

LGPSC staff are incentivised to integrate stewardship and investment through the following means:

- Investment Directors have RI and ESG integration objectives included in their annual Personal Development Reviews,
- Training and knowledge sharing: Lunch and learn sessions are a fixture at LGPSC, with each department taking turns sharing knowledge and/or latest developments. The RI&E team's last session talked about LGPSC's Net Zero Strategy. We also organised training for relevant teams to introduce our recently procured ESG tool, and
- All staff are being asked to think about RI&E and sustainability initiatives as part of their annual personal development review.

2.2.3 Dedicated in-house stewardship resources

In 2023, the RI&E team was composed of an Investment Director, a Head of Stewardship, an ESG Integration Manager and a Net Zero Manager, a Senior Stewardship Analyst and two RI analysts. The team structure enables LGPSC to satisfy the increased demands placed upon the team and to manage key person risk.

Our RI&E team members come from diverse academic backgrounds and specialisms including economics, investment management, politics, sustainability, and have followed a number of career pathways before arriving at responsible investment such as compliance, international affairs, risk management, fund management, credit analysis, sustainability and consultancy. We consider this diversity of skills, knowledge and experience to be a strength, and welcome this diversity and breadth of perspectives. The team leverages a strong network among peer investors both in the UK and globally, as well as investee companies, industry associations, relevant regulatory bodies, and civil society.

2.2.4 External stewardship resources

Due to the size of our asset under management, we are assisted by an external Stewardship Provider, EOS at Federated Hermes, for stewardship activities beyond the scope of the LGPSC-led stewardship activities. Following a comprehensive due diligence process, EOS was selected as their beliefs align well with both LGPSC and our Partner Funds. We share a view that dialogue with companies on ESG factors is essential to build a global financial system that delivers improved long-term returns for investors, as well as more sustainable outcomes for society.

EOS reports on voting and engagement activities across relevant ACS funds on a quarterly and annual basis. Outside of reporting, we regularly interact with EOS both one-to-one, for instance, through voting season on contentious votes, and together with other EOS clients at the Client Advisory Council hosted twice a year. Through this regular dialogue, we can ensure that our values remain aligned (see Section 3.3.2 below for a detailed review of EOS' services during 2023). EOS also engages with regulators, industry bodies, and other standard setters on our behalf to shape capital markets and the environment in which companies and investors can operate more sustainably.

We receive quarterly data from external fund managers on the number of engagements undertaken and the weight in the portfolio. See further detail under Section 3.3. below.

Peak District National Park, Derbyshire

PRINCIPLE 3

2.3 Conflicts of Interest

LGPSC's approach to managing and mitigating risks associated with conflicts of interest is outlined in the LGPSC conflicts of interest policy. The policy is designed to ensure fair outcomes for Partner Funds and to ensure that LGPSC fulfils its stewardship responsibilities to its pool partners in terms of how their assets are managed.

The policy was signed off by the IC, ExCo, and the Board. The policy is reviewed annually and changes to the policy are approved through our executive subcommittee: Operational, Risk, Compliance, and Administration Committee (ORCA).

LGPSC employees, including management and members of ExCo are required to complete conflict management training at induction and on an ongoing basis. This training includes guidance on what constitutes a conflict of interest.

When LGPSC appoints external managers a thorough due diligence process is undertaken. This includes consideration of the external managers' processes and procedures around the management of conflicts of interest. We expect our managers to have robust controls and procedures in place around conflict management and to demonstrate commitment to managing conflicts fairly. LGPSC only manages Partner Fund assets, and our active portfolios are managed externally.

LGPSC provides investment advisory services to its Partner Funds, as well as offering discrete investment management mandates and fund offerings. There is therefore scope for potential conflicts of interest to arise where LGPSC is providing advice in relation to a client's portfolio or appointed manager whereby it could offer an equivalent or alternative product. LGPSC, therefore, highlights the potential for a conflict of interest to all its clients. It covers conflicts under the advisory terms and on an ongoing basis as part of any advice provided. This enables the client to engage with LGPSC and act, accordingly, whether simply by taking the potential conflict into account in its decision-making, requesting temporary team ringfencing within LGPSC or instructing separate independent advice on a particular matter.

LGPSC staff are not remunerated through a bonus scheme, which is also a key mitigant in avoiding potential conflicts.

Examples of Conflicts of Interest

Appointment of a New Emerging Markets Investment Manager

We have appointed a new Investment Manager for the Emerging Markets funds. All colleagues involved in the evaluation of tenders were required to complete a conflict-of-interest declaration. The declaration asks colleagues to provide details of any conflicts of interest with any of the potential managers for assessment by the compliance team. The approach taken is that conflict may arise particularly in the form of existing business relationships and previous periods of employment with the investment managers on the shortlist. As long as these conflicts are declared and recorded, they can be managed.

On this occasion no conflicts arose. The managers appointed were pre-existing providers that had already gone through this process. The conflicts declaration was refreshed to ensure there had been no changes.

Stewardship Provider

We expect our stewardship provider to be transparent about conflicts of interest and to implement measures to ensure they manage these conflicts such as Chinese walls, conflicts management policies and conflicts registers.

EOS at Federated Hermes has a publicly available Stewardship Conflicts of Interest Policy. The policy details several potential conflict areas including:

- Potential conflicts arising from Federated Hermes Limited's ownership of EOS
- Potential conflicts between Federated Hermes Limited's and EOS' clients
- Personal relationship between engagers and senior staff members in engaged companies
- Potential stock lending and short selling positions at Federated Hermes Limited

How these conflicts are managed and monitored, the review process, and examples of how the issues are approached in practice are discussed in EOS's conflicts policy document.

EOS conflicts are maintained in a Federated Hermes group conflicts of interest policy and conflicts of interest register. As part of the policy, employees report any potential conflicts to the compliance team to be assessed and, when necessary, the register is updated. The conflicts of interest register is reviewed by senior management on a regular basis.

Voting

EOS at Federated Hermes appoints and oversees LGPSC's proxy voting research provision.

However, we expect our proxy voting providers to be transparent about conflicts of interest and to implement measures to ensure they manage these conflicts such as, conflicts management policies and conflicts registers.

Conflicts of interest can arise during the voting season. This can for instance be the case where a proxy voting provider also provides other services to corporates or possibly in some circumstances where they engage with and provide voting recommendations in relation to a pension scheme's sponsor 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' ownership structure

The IC annually approves the due diligence undertaken on EOS by the RI&E team to ensure good governance and alignment with the LGPSC RI&E Framework and legal obligations as an FCA entity.

PRINCIPLE 4

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

We identify systemic ESG risks and/or opportunities that are the most material to the Company and in our mandates. We have specific approaches to climate change, natural capital, and human rights. Through stewardship themes, we seek to address and mitigate the risks and seize the opportunities presented by these factors. We have also set up a robust methodology to track the effectiveness of our stewardship efforts.

2.4.1 Climate Change – Net Zero Strategy

LGPSC is exposed to company-specific and macro-economy-wide risks and growth opportunities arising from the energy transition. In the near term, climate-related risks are concentrated in real assets and a dozen energy-intensive sectors, in the longer run no sector is expected to be shielded from this transition and the earth's rapidly changing climate.

To demonstrate our support for the goals of the Paris Agreement, we, with reference to IIGCC's Net Zero Investment Framework, has developed and published in October 2023 a cross-asset class Net Zero Strategy. This is based on a twin-track approach for public and private markets (plus sovereign debt). 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

Sherwood Forest, Nottinghamshire

LGPSC 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.

All public markets managers have been engaged. In addition, we have notified most of the private markets managers about the commitments and targets set in our Net Zero Strategy. Biannual net zero calls and quarterly calls with our managers have been instigated. Partner Funds have been supportive of the Net Zero Strategy.

Whilst at this stage, we are in the process of implementing these targets, our current engagement coverage is 75% across public markets (excluding – sovereign debt). In expanding this coverage and raising the effectiveness of our climate engagement, the support of our external managers is essential. In this regard, we have engaged with each of our asset managers to seek their support for the delivery of our Net Zero Strategy. We will hold six-monthly meetings to review their progress on implementation.

2023 Alignment and Engagement Target:

Partially Achieved

All public markets managers and private markets managers (except co-investment external managers) were informed about climate change targets and data. Co-investment external managers will be reached out in 2024.

2.4.2 Climate Change – CRMS

The Climate Risk Monitoring Service (CRMS) is a set of four services designed to assist LPGSC Partner Funds with their strategic responses to climate-related risks and opportunities.

LGPSC annually conducts an in-depth climate risk assessment of Partner Fund's holdings which generates a Climate Risk Management Report (CRMR). The CRMR is designed to allow each Partner Fund a view of the climate risk held through their entire asset portfolio accompanied by proposed actions each could take to manage and reduce that risk. This allows LGPSC's Partner Funds to efficiently report back to their Pensions Committee on their net zero transition towards through LGPSC invested assets. In its fourth iteration, the CRMRs underwent significant changes in 2023. These changes were made to ensure that our Partner Funds are ready to meet the upcoming governance and reporting of climate change risks requirements by DLUHC. On top of assessing our Partner Funds' readiness to meet the requirements, we also enhanced the carbon footprint metrics used in the reports to promote transparency and understanding of the topic.

Our Partner Funds have used the findings of their CRMRs to develop individual Climate Strategies covering governance, beliefs, objectives, strategic actions, and reviews in relation to their climate-related risk. To date, LGPSC Partner Funds have published Climate Strategies. Aside from strategy setting, the CRMRs have also been used to facilitate TCFD disclosure; formulate Climate Stewardship Plans; conduct training sessions on climate change; initiate governance and policy reviews; and for exploring potential investments in sustainable asset classes.

We are equipped to support Partner Funds in producing their TCFD reports when requested we will also publish our first TCFD report compliant with the FCA guidelines in May 2024.

2.4.3 Natural Capital

Nature loss can have devasting effects including a decline in the supply of primary goods and vital services, including food, and clean water. Tropical forests play an important role in tackling climate change, protecting biodiversity and ensuring ecosystem services. We are concerned about the financial impact that biodiversity loss, deforestation, and the violation of the rights of indigenous peoples may have on our portfolio and investee companies, by potentially increasing reputational, operational and regulatory risks. The Company, through our investments, plays an essential role in incentivising the protection and restoration of biodiversity, as well as mitigating and preventing the major drivers of nature loss. We encourage investee companies to develop and disclose a strategy to address biodiversity loss and commit to publish a report based on the Taskforce on Nature-Related Financial Disclosures (TNFD) recommendations (which launched in 2023) and align their business practices to the Global Biodiversity Framework. During COP26 many governments pledged to halt deforestation by 2030. Financial institutions, including LGPSC, have committed to engage with a view to eliminating commodity-driven deforestation by 2025 through engagement at policy and corporate levels. Through our Voting Principles we have set expectations on companies across sectors to protect nature and biodiversity as part of their ongoing climate transition efforts. This is in support of ongoing engagements with high-risk commodity sectors including palm oil, soy, beef, pulp and paper. We view policy dialogue as an important engagement tool alongside corporate engagement. LGPSC participates in policy engagement with the Brazilian government through the Investor Policy Dialogue on Deforestation (IPDD) initiative. We engage through collaborative engagements like Nature Action 100 and Finance Sector Deforestation Action.

2.4.4 Human Rights

The long-term legitimacy of sectors and markets depends, among other things, on operations and products retaining their "social license to operate". Businesses and institutional investors have a responsibility to respect human rights as indicated in the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises. Companies have multi-stakeholder impacts which extend to employees, contract workers, workers in supply chains, customers, and communities.

Our investments are monitored and reviewed to detect ESG risks, including human rights risks. Concerns are managed in accordance with the RI Framework. Stewardship activities on human rights risks are conducted across multiple engagement strands, including direct, collaborative and engagement with policymakers.

2.4.5 Stewardship Themes

In partnership with Partner Funds, LGPSC reviews its stewardship priorities every three years. In 2023 the LGPSC's core Stewardship Themes were climate change, plastic pollution, responsible tax behaviour and human rights. Along with an assessment and a review of the material ESG risks associated with our investment portfolio, stewardship priorities are chosen based on the following parameters:

- Economic relevance
- Ability to leverage collaboration
- Stakeholder interest

Identifying core themes that are material to the Partner Funds' investment objectives and time horizon, that are likely to have broader market impact, and that are perceived to be of relevance to stakeholders, helps us prioritise and direct engagement. We fully acknowledge that the spectrum of ESG risks is broad and constantly evolving. However, in agreement with our LGPSC pool partners, we consider it appropriate to pursue these themes over a three-year horizon, at a minimum, while conducting annual reviews to allow for necessary adjustments or changes. This helps us build strong knowledge on each theme, seek or build collaborations with other investors, identify and express consistent expectations to companies on theme-relevant risks and opportunities, and measure the progress of engagements.

Furthermore, we take the view that engagement on a theme needs to happen at multiple levels in parallel: company-level, industry-level, and policy-level. With our long-term investment horizon, we take a whole-of-market outlook and changing the "rules of the game" through industry and policy dialogue is as important, if not more important, than individual company behaviour. Below we give a detailed overview of engagement activity and progress for each Stewardship Theme. In addition, we provide information on the annual review of Stewardship Themes that was carried out during Q4 of 2023.

All engagements are tracked, according to theme, in a Measuring Progress document which is presented to Partner Funds in RIWG Sessions. This document sets out the engagement strategy, objectives, and measures of success for each engagement. In 2023 the RI&E team has also reviewed its Escalation Strategy. The key changes to the Escalation Strategy are the introduction of engagement with managers, dissent vote to board members beyond the Chair, (i.e. Chair to other members of the board) and the introduction of a more nuanced approach to stock level divestment which reflects better the relationship between LGPSC and its investment managers in terms of stock selection and portfolio construction. This policy also influences the next steps with LGPSC engagements (see section 4.3).

2.4.6 Stewardship Priorities

A deep dive review of the stewardship priorities was undertaken in 2023. In the next three years, LGPSC stewardship priorities will be Climate Change, Natural Capital, Human Rights and Portfolio-led engagements (i.e. sensitive/topical activities).

FIGURE 7: LGPSC 2024-2027 STEWARDSHIP PRIORITIES

THEMES	Climate Change	Natural Capital	Human Rights	Sensitive / Topical Activites
CHALLENGES	Climate change risks are endemic and span from physical, transitional to market-pricing risks. Its impact is likely to be transgenerational.	The mismanagement of nature-related risks poses potentially serious systemic and macroeconomic risks.	Higher scrutiny is placed on social (S) factors since if mismanaged, they can have the potential to destroy companies' value and they are increasingly perceived as a barometer for a company's culture.	Controversial activities that companies are involved in can have the potential to destroy shareholder value. Companies that have an inadequate approach to the management of ESG risks are more likely to be at risk of controversies.
INVESTMENT RISK AND OPPORTUNITY	Managing climate-change risks and capturing new opportunities can be crucial to protecting investments. A Paris Orderly Transition pathway is preferable for the economy, as it is the least disruptive.	Degradation of nature could reduce companies' ability to generate long-term value for shareholders through: i. scarce resources ii. regulatory tightening iii. reputational damage New opportunities around Nature-based climate solutions.	Businesses and institutional investors have a responsibility to respect human rights as indicated in the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational enterprises. Litigations and claims can be brought against investors.	The share values of companies that are involved in systemic ESG scandals are likely to be severely impaired. Companies in severe breach of international norms can be exposed to imminent removal of their license to operate, government intervention, and severe litigations. Laggard ESG practices can act as a proxy indicator for companies' vulnerability to potential scandals and corporate mismanagement.
NUMBER OF COMPANIES DIRECTLY TARGETED BY LGPSC	13	6	8	6
PARTNER ORGANISATIONS	IIGCC, CA100+, CDP, LAPFF, Share Action	PRI, IPDD, Nature Action 100, AsYouSow	ICCR, PRI, Find it, Fix it and Prevent It, LAPFF	PRI, Investor Forum

2.4.7 Stewardship Effectiveness Framework

The review also included an overhaul of LGPSC's approach to monitoring and assess of the effectiveness of our stewardship efforts. From 2024, KPIs and expected outcomes are allocated to each engagement. Engagements are biannually assessed and progress on outcomes is reported back to Partner Funds and LGPSC governance committees. We also report on the outcomes of our stewardship activities in our public reports.

FIGURE 8: LGPSC STEWARDSHIP EFFECTIVENESS MATRIX

MEASURES OF SUCCESS	Climate	Natural Capital	Human Rights	Sensitive / Topical Activites
LEVEL 3: SUCCESSFUL OUTCOME	• Companies demonstrate alignment with LGPSC Net Zero Strategy	• To be determined	• Company demonstrates full alignment with UNGPs or Modern Slavery Act	• Company has disclosed a plan for: – Addressing this alleged controvery – Improving ESG practices at reasonable level
LEVEL 2: MODERATE PROGRESS	• Progress observed in the Climate Action 100+ Benchmark Framework or/ and CDP • Companies improving on TPI managment quality ladder • Companies are partly aligned with LGPSC Net Zero Strategy	• Evidence of constructive meeting with companies	• Partial progress observed by Find it, Fix and Prevent it, Corporate Human Rights Benchmark and LAPFF research	• Company has disclosed a plan for: – Partially addressing the alleged controversy including acknowledgment of the controversy – Improving ESG practices to a reasonable level
LEVEL 1: MINIMUM EXPECTATIONS	• Companies disclosing data to facilitate carbon performance assessment where relevant	• Evidence of constructive dialogue with companies*	• Companies responded to engagement request	• Companies responded to engagement request
LEVEL 0: NO IMPROVEMENT	• No progress has been made	• No progress has been made	• No progress has been made	• No progress has been made

2.4.8 Participation in industry dialogues

LGPSC is an active participant in the debate on corporate and investor best practice. We see the collaboration with peer investors and via industry initiatives as vital; this gives more leverage in engagement. Taking part allows us to access data, research, and tools available to members and at the same time influence the further development of these initiatives.

Figure 9 below is a list of organisations and initiatives that LGPSC is an active member of. This includes a brief assessment of the efficiency of the initiative and outcomes achieved during 2023. Our ongoing participation in these initiatives will be reviewed in 2024 to ensure that we maximise the effectiveness of our resources and to ensure alignment with our Partner Funds priorities.

FIGURE 9: PARTICIPATIONS IN INDUSTRY DIALOGUE

ORGANISATION/ INITIATIVE NAME	ABOUT THE ORGANISATION/INITIATIVE	EFFICIENCY AND OUTCOMES
30% CLUB INVESTOR GROUP	The 30% Club investor group was initially a UK group. The group have set up a global group to unite efforts to deliver greater diversity and inclusion in the companies they invest in around the world. LGPSC has been a member since its inception.	This forum allows investor to discuss, learn and coordinate engagement among investors. In 2023 the group supported the rollout of the tool by the Women in Finance Climate Action Group focusing on gender equity and net zero. In 2023 the representation of women on FTSE 350 Boards has increased beyond the 40% target. At Executive level, there was reasonable progress at both FTSE 100 and FTSE 250 (35.2% representation at FTSE 100, and 33.9% at FTSE 250).
BVCA	UK trade body for private equity.	This forum is very useful for deal flow information. It also runs training courses which helps build knowledge. The BVCA also organises ESG related roundtables and events.
CA100+	Engagement collaboration of more than 700 investors with a combined $68 trillion assets under management. Engaging 170 companies on climate risk that are responsible for 80% of global corporate GHG emissions. LGPSC Head of Stewardship is a member of the Mining and Metals Sector Group.	In 2023 CA100+ evolved the Net Zero Company Benchmark, providing further guidance on how investors can participate to the initiative and updated to the focus list. CA100+ 's key company engagement priorities are: implementation of strong governance framework, commitment to reduce GHG emissions throughout the value chain, provision of enhance disclosure and 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.	In 2023 we signed up to the CDP's Science-Based Targets (SBTi) Campaign. The SBTi's goal is to accelerate companies across the world to support the global economy to halve emissions before 2030 and achieve net-zero before 2050.
CROSS-POOL RI GROUP WITHIN LGPS	Collaboration group operating across LGPS pools and funds.	A cross-fund group set up for advising UK local pension schemes on responsible investment and infrastructure.

IGCN	ICGN advances the standards of corporate governance and investor stewardship worldwide in pursuit of long-term value creation, contributing to 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. Providing guidance on stewardship and corporate governance.
IIGCC	Influential asset owner and asset manager group. Useful for climate change research and policy influence. LGPSC is part of 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 COP28.
INVESTOR ALLIANCE FOR HUMAN RIGHTS	An initiative focusing on the investor responsibility to respect human rights, corporate engagements that drive responsible business conduct, and standard-setting activities that push for robust business and human rights policies.	In 2023, the initiative continued to work with investors and civil society organizations to mobilize collective and coordinated investor leverage to embed and promote the 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.	LGPSC has been a member since its inception. We report on LGPSC's active participation in PRI through submission of an annual report. We also participate through membership of PRI Working Groups and collaborative engagements. By working with PRI and other investors we can increase our impact and engage with a broader set of companies on a broader set of issues. In 2023, we received our summary 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.	In 2023, the group continued to work on: supporting the development of climate-related disclosure, improving how firms communicate sustainability matters, supporting Race to Zero and the Net Zero Asset Managers.

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 2023 LGPSC continued to participate in an Investor Forum coordinated working group focused on Investing in the Defence Industry. LGPSC and the Investor Forum collaborate for the consultation responses on the review of Corporate Governance Code and FCA Premium Listings.
THE LOCAL GOVERNMENT PENSION SCHEME ADVISORY BOARD	LGPSC is a member of an RI Advisory Group to SAB. Discussions are held on RI relevant policies and standards that will have direct or indirect implications for LGPS funds and pools.	Discussions during 2023 have centred around themes such as impact investing, DLUHC's plan to introduce mandatory TFCD reporting and the Economic Activity of Public Bodies (Overseas Matters) Bill.
TPI	TPI is a research and data centre focussing on company policies and performances including the collaboration with CA100+ Benchmark Framework. The TPI Centre's analysis considers corporate climate governance and carbon emissions. LGPSC's Director of Responsible Investment represents LGPSC on the TPI Limited board contributing to the governance and oversight of this important initiative.	LGPSC uses TPI dataset directly to inform engagement and voting on behalf of Partner Funds. TPI has recently reported on the progress made by food producers on their journey towards net zero, a critical sector in terms of the transition. TPI has also reported on sovereign climate related opportunities and risks (a previously under researched asset class in respect of climate).
UKSIF	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. In addition, the group provided feedback to parliament on the green taxonomy and the ISBB standards.

Bewdley, Worcestershire

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 and deforestation risk, ethnicity pay reporting, tax transparency, modern slavery, and sustainability reporting.

Collaborative engagement on Microfibre pollution: LGPSC participated in a collaborative engagement that won the Environmental Finance Sustainable Investment Award for 'ESG engagement initiative of the year, EMEA' in 2023. The engagement focused on preventing marine microfibre pollution. Alongside 30 institutional investors, LGPSC engaged with manufacturers and policymakers to introduce technological solutions to prevent synthetic microfibres from entering the marine environment. Microfibre pollution poses a significant threat to biodiversity and human health. Companies who do not effectively manage microfibre pollution will face reputational risks and litigation risks. Consequently, LGPSC co-signed a letter to DEFRA supporting recommendations to mandate the installation of microfibre filters in new washing machines by 2025.

FCA Proposed Listing Rules CP23/10 response: LGPSC has responded to the consultation from the Financial Conduct Authority (FCA) on the proposed listing rules CP23/10. We provided feedback to some proposals, for instance we commented on the removal of shareholder voting rights for Related Party Transactions and the extension of sunset provisions[2] to 10 years.

Financial Services and Markets Bill letter: We co-signed a letter supporting an amendment to the Financial Services and Markets Bill. We advocated for the introduction of a mandatory due diligence system for financial institutions to prevent the financing of deforestation.

Letter to UK Government over net zero commitments: LGPSC co-signed a letter addressed to the UK Prime Minister, alongside investment managers, banks, asset owners and other financial institutions managing £1.5 trillion in assets. The letter expressed concern at the government's watering down of climate targets including the weakened stance on phasing-out new petrol and diesel cars and gas boilers. The letter urges the UK to provide long-term policy certainty to ensure that the UK can lead the world in sustainable finance, drive capital towards innovative British companies and create jobs and skills across the country.

IPDD on deforestation: The IPDD is an initiative whose goal is to coordinate a public policy dialogue on halting deforestation. We co-signed a letter to Brazilian Senators raising concerns about Bill Projeto de Lei. The Bill proposes to restrict the demarcation of indigenous territory to land occupied or claimed prior to 1988. In the letter we outline our concerns that this would limit the ability of the Brazilian authorities and indigenous peoples to work together to fight deforestation, and potentially opens up key biomes to damage from mining and agricultural activities. We urged the Senators to vote against the proposed legislation in the Senate.

Corporate Governance Code: We provided feedback on the proposed review of the UK Corporate Governance Code. Our key takeaway was that most of the revisions were welcomed while some amendments were recommended to align with best practices, retain the emphasis on how the Board ensure that companies promote a diverse pipeline for succession and with the aim of promoting the long success of companies.

Vote reporting: The FCA Vote Reporting Group consultation proposed a voluntary, standardized, and comprehensive 'vote reporting template' for asset managers to communicate to asset owner clients on their voting activities. LGPSC responded to the consultation. We are in support of the disclosure of managers' voting. We pointed out that the template should include number of shares on loan voted. This would enable asset owners to ascertain how managers' votes impact the overall company's voting turnout.

[2] A sunset clause/provision can be used by a corporation issuing shares to shareholders of a certain class of shares to redeem the company stocks prior to a certain date.

PRINCIPLE 5

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

Review of LGPSC RI&E policies

LGPSC's Board annually approves three RI-related policy documents; LGPSC RI&E Framework, LGPSC RI&E Policy and LGPSC Voting Principles. Ahead of each annual review, LGPSC consults its Partner Funds to solicit their views. Revisions will then be taken through IC and ExCo for discussion and approval before the Board finally assesses and approves them. The Board take an active interest in these policies and often recommend alterations and enhancements. They are familiar with the issues and their perspectives are welcomed and add value.

In addition to Partner Fund consultation, we discuss trends and developments in RI with investor peers on a continuous basis, in particular with other LGPS pools (see overview of Initiative memberships in Section 2.4 above). We also discuss voting trends with EOS and with peer investors ahead of any revision of our Voting Principles. For example, we have over the last two years heightened our expectations on companies' governance of Board and Senior Management diversity (gender and ethnicity), sustainability reporting and climate risk management. 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 on a quarterly basis. We track regulatory initiatives (hard and soft law) that may impact our RI approach and policies. We consider this a "live" document that will be updated on a regular basis and presented to 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. Discussion on upcoming regulation, consultations and other standard developments will be a regular item for discussion within this group.

RI&E Data and Risk review

LGPSC's RI&E team works closely with our Enterprise Risk team to maintain our Responsible Investment Risk Register. The register assesses business risk, controls, actions and mitigants related to responsible investment and a net risk position is agreed and reported to ORCA. The acquisition of an ESG tool covering companies listed in public markets and the expansion of the RI&E team have reduced net risk. We have started to undertake a similar exercise for acquiring an ESG tool covering private markets.

The Investment team at LGPSC also maintains a departmental Risk Register which includes RI&E related risks. Net risk levels are agreed following the consideration of controls and outstanding actions.

Internal audit of RI&E function

In 2023 we closed most of the recommendations identified by an internal audit executed in 2021. The audit included a review of the governance processes, and approach to external manager onboarding and ongoing monitoring. The audit found that controls were generally appropriate, working effectively to manage risks and provide reasonable assurance that objectives are being met. The RI&E team has rolled out mandatory training for all new hires on RI&E and provided periodic training to colleagues. In addition, we strengthened the governance procedures around our watchlist management. Our watchlist identifies companies in the portfolio exposed to controversies, including controversies associated with the UN Global Compact.

In 2024 our internal audit function, provided by KPMG, will undertake a review of LGPSC 2023 TCFD report. The review will assess the design and operating effectiveness of the controls implemented process by management to prepare the annual TCFD. The exercise, again, is a testament to our commitment to data quality and transparency.

Stewardship Provider

EOS performs a sample-based audit of approximately 50 meetings every 6 months where an EOS engagement professional has manually entered vote recommendations for clients. EOS Voting and Engagement Support team conducts the audits, which is then reviewed by the Engagement Regional team Leads. The main purpose of the audit is to look at voting decisions that contradict voting principles to establish intentionality and appropriateness. This process has been reviewed and approved by EOS' Internal Audit function. Separately, EOS ask ISS to provide evidence of a selection of auto-instructed meetings in order to ensure accuracy of EOS policy interpretation and operational workflow. EOS provide a range of qualitative and quantitative reporting for clients on the engagement and voting activities they have undertaken on LGPSC's behalf. From 2023 the RI&E team also started to perform audits between EOS platform reported engagement data against a snapshot of data coming from EOS internal database. This enables us to verify that our stewardship providers undertake checks and balance testing before the provision of data.

There are multiple touchpoints for LGPSC to review EOS' activities, by way of regular reporting (client portal, quarterly and annual reporting) and opportunities to provide feedback, including quarterly meetings, annual presentations, and bi-annual client conferences.

03 Investment approach

PRINCIPLES 6-8

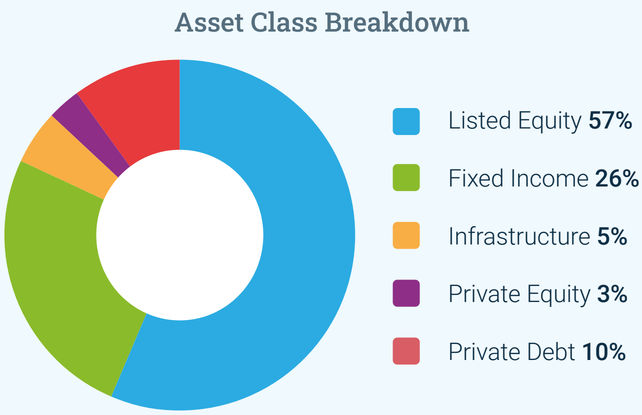
Stafford Castle, Staffordshire

PRINCIPLE 6

3.1 Client communication on activities and outcomes of stewardship efforts


Rutland, Leicestershire

FIGURE 10: BREAKDOWN OF LGPSC ASSETS UNDER MANAGEMENT AS OF 31 DECEMBER 2023



The picture shows a breakdown of LGPSC ACS Funds which have been set up to meet Partner Fund investment needs. LGPSC is in continuous dialogue with its Partner Funds on both the development of new investment funds and reviewing existing funds to ensure that RI is clearly visible both at inception and throughout the life of the fund. See Section 3.2 below to further understand LGPSC's approach to ESG integration.

Development of new funds

As investors increasingly take account of climate considerations, 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 had a simple focus on reducing carbon emissions and fossil fuel reserves. These considerations were successfully implemented in the design of the LGPSC All World Equity Climate Multi Factor Fund launched in October 2019 and successfully reduced exposure to fossil fuel reserves and emissions compared to the traditional market cap index. However, more recent index launches make use of forward-looking data to reflect the commitments that companies are making to align with the Paris Climate Agreement.

There are two main types of benchmarks, Climate Transition Benchmarks (CTB) and Paris Aligned Benchmarks (PAB). The benchmarks are both designed to achieve net zero by 2050 and operate in line with the regulations and minimum standards laid out for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks. The aim of these benchmarks is to achieve an immediate and an annual reduction in emissions, achieving net zero by 2050.

The RI&E team are currently consulting with index providers and examining these index products to review and compare these offerings. We are exploring the possibility to launch a solution that could be attractive to our Partner Funds and consistent with our net zero commitments.

Ongoing dialogue with Partner Funds on the application of the RI&E Framework

- LGPSC seeks Partner Fund views when identifying and revising Stewardship Themes
- Quarterly RIWG meetings allow for knowledge sharing and reporting on the RI&E's team activities and annual objectives
- Annual RI Summits have been held to faciliate a deeper debate on key topics (divest/engage; climate change; net zero alignment)
- Increasing attention to RI at the AGM and at Client Joint Committee Meetings with all Partner Funds
- PAF meetings: RI included as a standing item in response to increased interest in this area from Partner Fund Pension Committee members and the broader stakeholder groups

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 Roundup 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[3]
- Annual Stewardship Report

In our RI&E communication to stakeholders, including this report, we seek to provide an account of our stewardship activities in a fair, balanced, and understandable manner. The RI&E documents (e.g. presentations to Partner Funds, public reports, and policies) are produced after a detailed review of a range of documents, e.g. proxy voting activities, engagement case studies, collaboration with policy makers and third parties, ongoing feedback from LGPSC Partner Funds and colleagues including Exco and the IC. Through this process we seek to provide fair and balanced reporting of our RI&E activities for the benefit of our stakeholders. In this report, case studies represent different asset classes and managers, and outcomes across all LGPSC stewardship priority themes.

Bespoke assistance to Partner Funds

The LGPSC RI&E team allocates the majority of its resource to the delivery of Mandate Services which directly benefit all Partner Funds. We also provide Call-off Services in the form of:

- Communications
  (ad-hoc ESG queries, Freedom of Information requests)
- Training
- Policy development
- Presentations
- CRMS (see Section 2.4.1 above)
- Compliance with the UK Stewardship Code 2020

[3] In 2024 we will develop a new system for measuring effectiveness

PRINCIPLE 7

3.2 Integration of material ESG issues including climate change

3.2.1 ESG Integration during Manager Selection

An assessment of RI&E is a core part of LGPSC's manager selection process. Typically, manager selection is undertaken in three stages: standard questionnaire, request for proposal, and manager meetings. RI&E assessment features in all stages. The RI&E team draft questions for insertion and the managers are then scored based on their responses. In both stages, a 10-15% weighting is attached to the RI&E questions to reflect the importance that LGPSC places on ESG integration and stewardship. A representative from the RI&E team then attends the manager meetings, typically the Director of RI&E. A key objective in the assessment of a manager is whether the ultimate decision maker is engaged in the integration of ESG factors into his or her decision-making process. Managers will not be appointed unless they can demonstrate sufficient awareness of and ability to manage the risks posed by ESG factors.

In 2023, we obtained access to MSCI's ESG tool, which allows us to scrutinise our external managers during the due diligence process and during ongoing monitoring with greater rigour.

3.2.2 LGPSC's RI Integrated Status for all ACS Funds

LGPSC integrates RI&E into all (relevant) asset classes.[4] We have established an overarching KPI that 100% of product launches must receive our RIIS standard. The RIIS is accorded to a product if RI will be integrated into the day-to-day management of the product in a manner that meets standards agreed by the IC. The process is designed to give internal and external stakeholders comfort that RI is being integrated with the breadth and quality required.

The criteria for products to receive RIIS is formalised via an asset class specific RIIS Policy, which is reviewed and approved by the IC. The policy establishes the due diligence process that must be followed and the RI standards that must be achieved when a product is launched in that asset class. Each asset class specific RIIS policy is co-sponsored by the Director of RI&E and the relevant Investment Director for the asset class. By requiring co-sponsorship of the RIIS proposal, we ensure that RI&E is integrated into LGPSC investment processes and decision making.

The RI due diligence for subsequent fund/product launches is reviewed by the IC. Provided the Committee is satisfied that the fund manager meets LGPSC's RI expectations for the asset class, the due diligence will be approved, and the fund launched if all other aspects of due diligence are also signed off.

We provide some examples below of how the RIIS requirements differ depending on the fund and asset classes in question.

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 lot of value on the manager selection process to ensure that these beliefs are being followed by the manager. Post-investment, monitoring in active equities is primarily achieved by analysing the portfolios in Bloomberg, inspecting managers' responses to quarterly data requests, and questioning managers during quarterly calls. We expect managers to be able to justify any new positions with a detailed analysis of the ESG risks and opportunities facing that company.

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 our Partner Funds (see section 4.1.1 below).

[4] Relevance is judged case by case but only in exceptional circumstances would it be deemed not relevant to integrate RI. In one case, when considering UK Gilts, we have deemed RI and ESG integration as irrelevant.

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.

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 & disclosure. If a fund is considered high risk, either due to its sector or geographical location, a more rigorous due diligence assessment is conducted. The findings of the due diligence report are considered as part of the PMIC approval process. Following 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.

3.2.3 Monitoring of our managers' ESG integration and engagement (ESG questionnaires etc.)

Active Equities and Fixed Income

We require external Public Market Fund Managers to complete a quarterly ESG questionnaire. Some disclosure items are "by exception" (for example alerting us to changes in ESG process, personnel, or portfolio positions) and others are mandatory. LGPSC receives quarterly data from external fund managers on the number of engagements undertaken and the corresponding weights in the portfolio. We set expectations regarding the volume and quality of engagement, and we assess climate risk through metrics including portfolio carbon footprint and GHG data coverage.

The RI&E team attends quarterly monitoring meetings with external managers. The purpose of RI&E monitoring is to analyse the level of ESG risk and climate risk embedded in the portfolio and to determine whether the manager is successfully integrating ESG considerations into investment decision-making in a manner consistent with the process described during the initial due diligence including progress on their engagement activities. Monitoring is achieved through a combination of our own internal portfolio analysis, inspection of the manager's responses to quarterly data requests, and via dialogue at the quarterly meetings.

Private Equity

We are developing a new risk-based approach to monitoring our private market investments. Data collected during the due diligence process will prescribe the depth and frequency of the monitoring allocated to a manager. The monitoring framework will eventually be extended to other asset classes.

We set and track ESG-related KPIs for all our co-investments. KPIs are measured on an annual basis and revisited each year to ensure relevancy to company strategy and/or regulatory requirements. During the year, we held meetings with most of our co-investment sponsors to discuss KPI's. See Section 3.1.1 for a detailed discussion.

FIGURE 11: LGPSC RED, AMBER, YELLOW, GREEN (RAYG) RATING

LGPSC has developed a RAYG rating for manager monitoring, of which RI&E 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 role but with minor areas of concern), and green (manager shows clear strengths tailored to requirement).

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

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

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

3.2.4 Cross-team interaction in development of new LGPSC funds

Proposals for product development are discussed and challenged at the IC and the PMIC. The Director of RI&E is a voting member of IC and PMIC. These committees scrutinise investment proposals at a preliminary stage and authorise appropriate expenditure in connection with full due diligence. The RI and Stewardship implications are first discussed and scrutinised during this initial preliminary review. If a proposal is approved, a due diligence report, including due diligence by the RI&E team, is presented to the IC or PMIC for scrutiny and final approval.

CASE STUDY

Infrastructure Debt

The RI&E team worked closely with the Private Markets team during the selection of five new Private Equity managers during 2023. During an initial screening of potential managers, the Private Markets team will consider a range of factors including ESG integration and stewardship. The results of this preliminary RI review will contribute to the overall consideration of the potential manager, with findings provided in the Preliminary Investment Report. The RI&E team are provided with unrestricted access to the data room, containing data, policies and other documentation provided by the manager, allowing for a greater understanding of the ESG credentials of the managers. Following this, the RI&E team conducted an RI focused due diligence meeting with each manager, providing an opportunity for the team to probe deeper into the RI practices of the managers to identify and outline any relevant concerns. From this RI focused due diligence, the RI&E team provided written reports to the Private Markets team, highlighting the findings of the Due Diligence. These reports are ultimately incorporated into the PMIC submission for consideration.

CASE STUDY

Due diligence for a new Emerging Market Active Equity manager

In 2023 LGPSC began the search for a new Active Equity manager for its Emerging Market Multi Manager Fund. RI-related information was required at each stage of the selection process including records of their engagement activity; 20% of the standard questionnaire scoring related to the managers' approach to RI&E and 10% of the tender scoring related to the manager's stewardship and engagement activities. The RI&E team was also deeply involved in the final stage of due diligence of the three potential managers. During this process the RI&E team was given access to all the data provided by each manager, including example portfolios and company reports. A detailed review of these documents aided the team in formulating an agenda for an in-person meeting with the managers. These meetings lasted approximately three hours, with a dedicated to RI&E breakout session. During these meetings, the Director of the RI&E team, supported by the Integration Manager and an Analyst asked detailed questions relating to People, Policy, Process, Performance, and Transparency & Disclosure. In these meetings, the RI&E team attended the entire meeting and adopted a "show me" approach, whereby case studies are asked to showcase the implementation of the manager' RI policy and processes. Following the meeting, additional questions were sent to managers to ensure nothing was missed from the process. The findings were then summarised in a report and given a final score, which is given an equal weighting alongside eight other factors across LGPSC's overall process.

PRINCIPLE 8

3.3 Signatories monitor and hold to account managers and/ or service providers

3.3.1 Monitoring of external managers

Active Equities

External fund managers are monitored to ensure the ongoing application and efficacy of their approaches to RI and Stewardship. External manager reports on a quarterly basis to LGPSC in respect of how engagement activities have been discharged during previous quarter.

In 2023, LGPSC's external managers conducted 623 direct engagements with companies held in the Global Equity Active Multi-Manager Fund, Emerging Market Equity Active Multi-Manager Fund and Global Sustainable Equity Fund.

These engagement case studies are examples of activities that were followed up in our meetings with the managers.

FIGURE 12: ACTIVE EQUITY MANAGER CASE STUDY

MERCK & CO., INC, Schroders, LGPSC Global Equities Active Multi Manager Fund

OBJECTIVE:
Schroder's Global and Thematic Equities team requested clarification regarding the company's progress towards climate goals, approach to access to medicines (particularly considering US lawsuit on pricing), and antimicrobial resistance (AMR) in animal health.

SECTOR:
Pharmaceuticals

ESG TOPICS ADDRESSED:
Climate Change

ISSUE / REASON FOR ENGAGEMENT:
Concerns over the company being a laggard in achieving its 2030 climate goals.

SCOPE AND PROCESS / ACTION TAKEN:
During the first engagement, the team at Schroders met with senior members of Merck to address concerns related to its 2030 climate goals. The issues were first raised by members of Schroders' investment team in Q3 2022.

OUTCOMES AND NEXT STEPS:
At operational level Merck's approach focused on upgrades to the plant lifecycle including the commitment to a net zero goal, as well as enhanced commitments on waste and deforestation. The latter are dependent on the ongoing company risk analysis.

At product level the company commits to freeze medicine prices in the US beyond inflation and to take a 'responsible' approach to pricing. In addition, Schroders encouraged the company to engage with the Farm Animal Investment Risk and Return (FAIRR) initiative. The company was advised to better understand how it tracks usage of antimicrobials for growth promotion and disease prevention (in relation to the animal health segment of the business). Further engagement on this last matter is planned for the next year.

FIGURE 13: ACTIVE EQUITY MANAGER CASE STUDY

Meituan, UBS, LGPSC Emerging Markets Equities Active Multi Manager Fund

OBJECTIVE:
To address labour rights concerns, lack of diversity at Board level and data privacy & cybersecurity risks identified within the company.

SECTOR:
Diversified Consumer Services

ESG TOPICS ADDRESSED:
Labour rights, data privacy & cyber security, and diversity

ISSUE / REASON FOR ENGAGEMENT:
Labour rights concerns, lack of diversity at Board level and data privacy & cybersecurity risks identified.

SCOPE AND PROCESS / ACTION TAKEN:
UBS engaged in discussions with the company to address improvements in labour management and other ESG matters. The company confirmed the implementation of new pilot programs and benefits that are applicable to all delivery riders. UBS recommended that the company provides further disclosure on its delivery rider workforce, including turnover rate and accident rate distribution by age and gender.

Regarding data privacy and cybersecurity risks, while there have been advancements in data privacy, the company's cybersecurity disclosures are lacking. UBS encouraged the company to enhance its disclosures in this area.

The company mentioned its search for an independent female board director following the suggestion to diversify its Board. Additionally, UBS proposed that the company consider linking executive remuneration to accident rates and ESG metrics in the future, to which they expressed openness to consider.

OUTCOMES AND NEXT STEPS:

Engagement outcome was achieved through improvements in disclosures and enhancing algorithm procedures for the benefits of the drivers. Notably, the company piloted new mechanisms to enhance communication and extended additional benefits to all delivery riders. Additionally, the company appointed its first independent female board director at its 2023 AGM.

Moving forward, UBS plans to follow up with the company to emphasise the significance of diversity, aiming to witness further diversity at the Board and senior management level. UBS will also review progress on other ESG issues previously discussed.

Engagement undertaken by LGPSC's external managers in 2023 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.

An example of LGPSC changing the RAYG rating occurred in 2023. In Q4 of 2023, the RI&E team took the decision to downgrade the RAYG rating of one of our external managers to 'Amber'. Despite the manager demonstrating evidence of ESG integration and robust engagements, we had observed a growing discrepancy between the ESG issue priorities identified by the sustainability team, who conducted the engagements, and the ESG issues highlighted in the fundamental analysis of the company by the investment teams. This disconnect persisted over multiple quarters, leading to the eventual downgrade to 'Amber'.

The downgrade was promptly communicated to the investment teams at LGPSC and was followed up with a meeting with the manager in question. Attended by both the LGPSC investment team and RI&E team, this meeting provided an opportunity to articulate the reasons behind the downgrade and express our expectations for addressing these concerns. The manager acknowledged our concerns and highlighted that they would aim to demonstrate the alignment between their teams in more detail and more clearly in future meetings. We are eager to engage in future review meetings to assess the manager's progress in aligning with our expectations for ESG integration.

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.

We consider our fixed income managers to have conducted meaningful and effective engagement in 2023. Throughout the year, LGPSC's Fixed Income managers conducted 13,563 engagements with companies held in the Global Active Investment Grade Corporate Bond Multi Manager Fund (23%), Global Active Emerging Market Bond Multi Manager Fund (65%) and Multi Asset Credit Fund (11%). We provide below two case studies of engagements our managers have undertaken on our behalf.

FIGURE 14: FIXED INCOME MANAGER CASE STUDY

EnBW, Fidelity, LGPSC Corporate Bond Fund

OBJECTIVE:

EnBW is a German utility company, and one of the most significant emitters of carbon among European utilities. It is considered a key player in Germany's transition to a cleaner energy system. The objective is to support EnBW on its plan for carbon emission reduction and its overall ESG strategy. This will be done through encouraging the setting of these targets and SBTi validation of them.

SECTOR:

Electric utilities

ESG TOPICS ADDRESSED:

Climate risk

ISSUE / REASON FOR ENGAGEMENT:

EnBW does not have ambitious scope 3 targets in place and was unable to align existing targets to the 1.5 degree aligned pathway, due to uncertainty around its timeline for coal exit.

SCOPE AND PROCESS / ACTION TAKEN:

Fidelity has engaged with EnBW over the past few years concerning ESG-related and fundamental credit topics. In April 2023, a meeting was conducted with EnBW, concentrating on fundamental credit matters and the company's SBTi-aligned targets. The primary focus of the engagement is on how EnBW plans to achieve its scope 3 target. The company intends to decarbonize its gas plants by transitioning them into hydrogen plants.

A follow-up meeting in July 2023 helped Fidelity to gain insight into the company's overall ESG strategy, including its carbon emission reduction initiatives. Additionally, discussions were held regarding the utilisation of carbon offsets within existing SBTi-aligned targets.

OUTCOMES AND NEXT STEPS:
EnBW pulled forward its coal exit by 7 years to 2028. The company subsequently set scope 3 targets and accelerated its scope 1 and 2 targets to be aligned with the 1.5-degree pathway, in accordance with market best practice. These targets were validated by SBTi. EnBW is re-training its workforce and reallocating employees to other parts of the business to minimize and manage job losses.

Overall, Fidelity's engagements with EnBW over the last few years have significantly and positively impacted its internal view on the company. Fidelity will continue to engage with EnBW regularly on their ESG strategy and commitment to reduce carbon emissions.

FIGURE 15: FIXED INCOME MANAGER CASE STUDY

Vale, Western Asset Management, LGPSC Multi Asset Credit Fund

OBJECTIVE:
Express concerns regarding risk of stranded assets embedded in thermal coal, alongside just transition considerations relating to the company's socioeconomic role in the region.

SECTOR:
Mining

ESG TOPICS ADDRESSED:
Climate risk and just transition

ISSUE / REASON FOR ENGAGEMENT:
Management of stranded asset risk while considering the just transition.

SCOPE AND PROCESS / ACTION TAKEN:
Western Asset met with the company on several occasions to discuss the issues outlined above.

OUTCOMES AND NEXT STEPS:
During follow-up meetings Western Asset learned that the company bought additional shares from a main shareholder to simplify the ownership structure of their coal assets. Western Asset received confirmation that Vale is looking for a responsible partner to take over their operations and honour their socioeconomic commitments to the region. A year later, the company confirmed that they had sold their thermal coal asset, concluding the two-year long engagement.

FIGURE 16: FIXED INCOME MANAGER CASE STUDY

CoStar Group Inc, Columbia Threadneedle Investments (CTI), LGPSC Multi Asset Credit Fund

OBJECTIVE:
Express concerns relating to the company's board composition. To understand the company's approach to addressing a shareholder proposal on adopting GHG emissions reductions targets.

SECTOR:
Real Estate Management & Services

ESG TOPICS ADDRESSED:
Board composition and climate risk

ISSUE / REASON FOR ENGAGEMENT:
CoStar Board members have excessive tenure (average board tenure at the company is 16 years) . To understand the approach to addressing the shareholder proposal on adopting GHG emission reduction targets.

SCOPE AND PROCESS / ACTION TAKEN:
CTI met with the company to discuss the issues outlined above. The company emphasized they are looking to add new directors as well as update the mandates of the Governance Committee by adding more responsibilities and incorporating an additional level of scrutiny. They also confirmed that they will conduct a gap analysis on board members skills when assessing the board quality to inform their board refreshment. Regarding the shareholder proposal, while the company had begun its first steps in disclosing on climate risk mitigation, CTI expressed that given their lack of reduction targets, they lag their peers. The company noted they were likely to move towards setting targets (the ask of the proposal) but also expressed hesitancies. CTI underscored that companies should improve their public disclosure and strategy setting in relation to climate change in a timely manner and signalled that CTI would likely support the proposal.

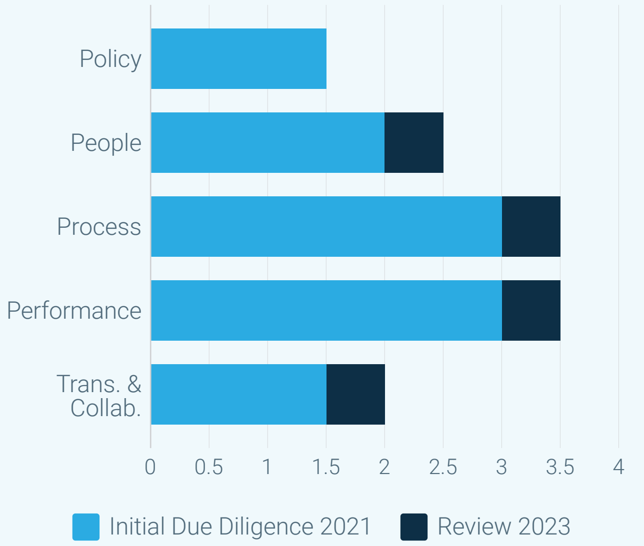
OUTCOMES AND NEXT STEPS:
Two days after the engagement, the company signed a public commitment letter to set near-term and long-term science-based greenhouse gas emission reduction targets in accordance with Science Based Targets Initiative (SBTi). CTI voted against two heavily tenured directors, one serving CoStar for 36 years and another serving CoStar for 21 years, who also lead two key committees. CTI will continue to monitor the evolution of the board composition and the mandates of the Governance Committee.

Private Markets

Monitoring of ESG issues within our private market fund 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.

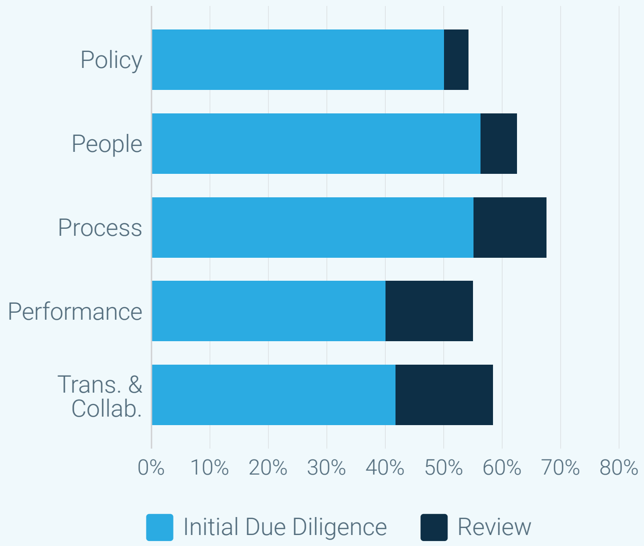
In 2023, LGPSC reviewed one manager within our 2021 infrastructure fund. This manager was found to have improved from the initial due diligence with respect to its performance against our five-pillar scoring framework, Figures 17 and 18 demonstrates the scores achieved during the initial due diligence and the subsequent review.

FIGURE 17: RI&E IMPROVEMENTS BETWEEN THE INITIAL DUE DILIGENCE AND THE MOST RECENT REVIEW OF AN INFRASTRUCTURE MANAGER



Improvements were assessed in the pillars of performance, transparency and collaboration, and people. During the review the manager showcased how ESG was considered in one of the investments made for the fund and the ESG levers identified for value creation. The manager has also improved public disclosures and has joined multiple sustainability-related industry associations since our investment into the fund. Finally, we noted that the manager has added additional resources and we found responsibilities to be more clearly defined between the different teams and roles.

FIGURE 18: RI&E IMPROVEMENTS BETWEEN THE INITIAL DUE DILIGENCE AND REVIEW OF THE 2018 PRIVATE EQUITY FUND



At a high level, we observed the following trends within our 2021 Private Equity RI&E Reviews. GPs are rapidly expanding their RI&E resource. A number of our managers are hiring dedicated ESG professionals, initiating ESG working groups and utilising external advisors to provide RI training for all staff members. In turn, we've seen an increase in the number of GPs collecting ESG data from their portfolio companies. Transparency has also improved, with more GPs offering annual ESG reports and material incident reporting to LPs. While these trends are positive, we are conscious that private markets continue to lag public markets in several aspects, so we will continue to engage with our private equity managers on these areas. A particular focus point for LGPSC going forward includes pushing for even greater transparency as we would like to see greater standardisation in the metrics reported across different private equity funds. We will also conduct a review of selected vintages within the next year.

We also held ad-hoc discussions with several private debt managers during the year. We have identified private debt as an asset class to focus on, due to the challenges associated with integrating ESG considerations in that asset class. During these meetings, we discussed how our managers utilise the ESG Integrated Disclosure Project's (IDP) template. The ESG IDP is an industry initiative with a goal to promote greater harmonisation and consistency of disclosure of key ESG indicators by borrowers in private credit and syndicated loan transactions. We also introduced some managers to Net Zero Zeal Analysis. A research and analysis tool we have been using to analyse the net zero commitments of investee companies across equity, fixed and private market mandates. One of our managers indicated that they will be registering as a B-Corp.

We have implemented a policy requiring all co-investment sponsors to establish ESG-related KPIs for their investee companies. These

KPIs should be tailored to the investee companies' specific situation and align with the Company's overall strategy. We receive progress reports on each companies' performance against their respective KPIs. The majority were on track to meet their KPIs, but we expect relevant sponsors to create an action plan where there was a shortfall. We also reviewed the relevance of the established KPIs. We will continue to receive annual updates on the dashboard and KPIs, allowing us to track the firm's progress. Additionally, we plan to meet with the GPs on an annual basis to discuss potential areas for future enhancement.

Corporate Bond mandate's review

We undertook a three-year review of our Global Investment Grade Corporate Bond Fund managers in 2023. This is a deep dive of the managers' RI processes, on top of the regular monitoring that is done across all our investments. The purpose of the review is to ensure that appointed manager's ESG integration approach is consistent with our RI&E Framework and is tracking the industry best practice. Following these reviews, we provided our managers with feedback and recommendations, as well as arranged follow up discussions where necessary.

We have previously provided our active equity managers with RAYG statuses following quarterly monitoring, determined by factors such as evidence of RI integration and engagement with portfolio companies. From Q4 2023, we extended these RAYG statuses to our fixed income managers, allowing us to formally assign and track RAYG statuses and highlight these managers' strengths and potential areas of weakness.

We provided our active managers in the listed asset classes with updated quarterly RI templates, to be provided to LGPSC on a quarterly basis. Updates made to the template include a requirement for managers to provide more granular information on the engagements conducted during the quarter, alongside their exposure to material sectors and climate solutions. For fixed income managers the new template requires net zero data and new position information to be split by corporate and sovereign debt.

3.3.2 Review of EOS services

LGPSC holds, at a minimum, one client service review meeting per year with EOS to discuss our overall satisfaction with their services, any issues over the previous period: alongside engagement and voting trends and voting policy reviews. However, we meet more frequently during the year to discuss specific votes and engagements and we find this ongoing dialogue to be extremely helpful particularly during proxy voting season. The EOS team also attend our quarterly PAF and RIWG meetings, which gives our Partner Funds the opportunity to ask specific questions about engagements and prioritisation. Further to this, there are multiple touchpoints for clients to review EOS' activities, by way of regular reporting (client portal, quarterly and annual reporting) and opportunities to provide feedback, for instance through EOS' semi-annual client conference which includes a client-only discussion forum.

The RI&E team undertakes an annual review of EOS' services to provide assurance to the IC that the stewardship provider, EOS at Federated Hermes, is delivering sufficiently against the terms of the contract. This document is issued to and approved by the IC on an annual basis.

Summary for 2023 review:

- EOS has given generally strong and value-adding services to LGPSC, including close dialogue during voting season related to LGPSC's Voting Watch List.
- EOS has given direct support to Partner Funds through participation at all PAF RIWG meetings during the year.

FIGURE 19: REVIEW OF EOS'S SERVICE AS OF SEPTEMBER 2023

KPI AREA	KPI REVIEW
GLOBAL ENGAGEMENT	Engaged with 645 companies with regional and thematic breakdown.
ENGAGEMENT QUALITY	In the period 1,168 objectives were linked to the engagement with 645 companies. 42% of objectives were progressed during the period.
VOTING COVERAGE	EOS voted on 39,305 ballots during the period under review. 0.6% were not voted due to share blocking market provisions, delay in the generation of the ballots. LGPSC is currently discussing with EOS mechanisms to reduce this incidence. Few votes were also rejected due to the entire holding being loaned out. The Investment Operations Team is investigating this matter as share-on-loan provisions with NT indicated that a small portion of the shares should be retained in the books.
CLIENT SERVICE	The majority of queries to EOS were dealt with within 48 hours the queries A chase was required for few queries and the new EOS Client Relationship Manager is less senior than the previous one, we expect that this will not impact the quality of the service received.
COMPLAINT HANDLING	None.
CLIENT SERVICE MEETING	Several meetings held pre, during and post voting season 2023 relating to the planning of the voting season. Overall feedback on EOS' services and hand-over meeting between previous and new client relationship manager (CRM) was also provided.
REPORTING PUNCTUALITY	Reporting on schedule.
REPORTING QUALITY	Overall good quality.
TEAM STABILITY	On staff turnover, EOS's turnover has been circa 10% on an annualised basis since March 2022, following high turnover experienced at 20-25% in 2021 and Q1 2022.

04 Engagement

PRINCIPLES
9-11

Hawkstone Park, Shropshire

PRINCIPLE 9 4.1 Engagement with issuers

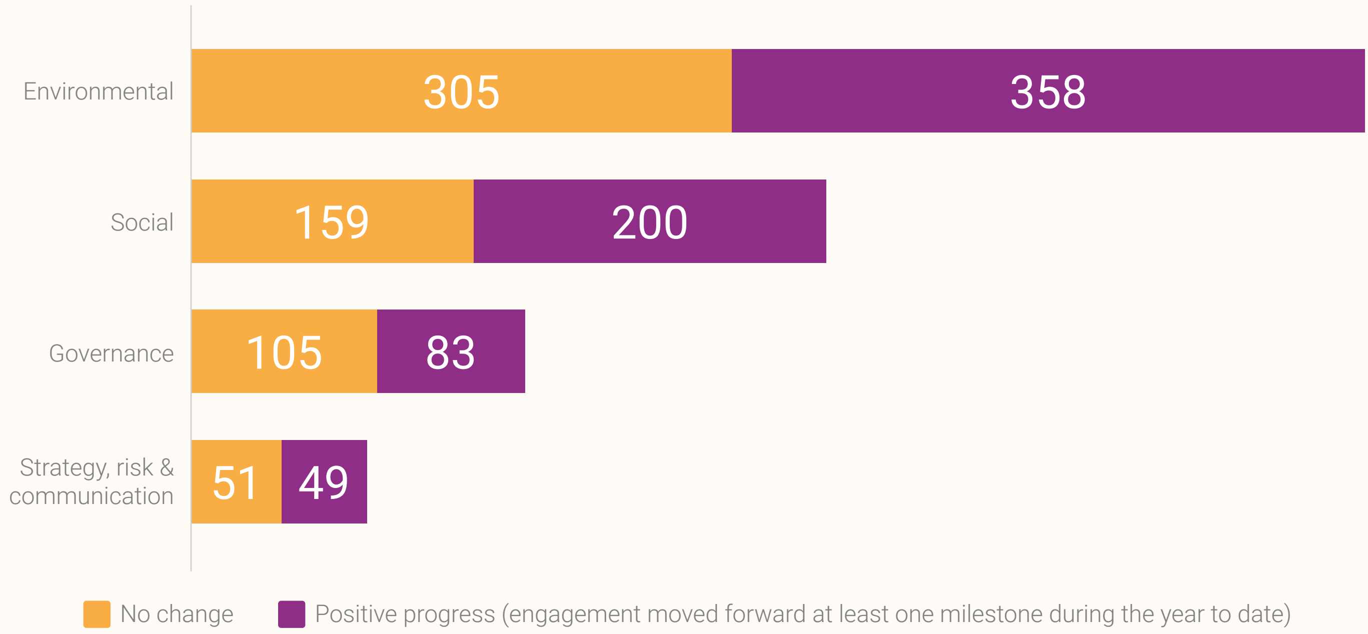
Alongside our own direct engagements, we have partners that engage with companies on our behalf: EOS and the Local Authority Pension Fund Forum (LAPFF).[5] Our appointed external managers are also expected to engage actively with their investee companies. Through these partnerships, LGPSC was able to engage more than 1000 companies on material ESG related issues in the course of 2023. Below we provide further detail on a selection of engagements.

In 2023, LGPSC conducted 873 engagements run either collaboratively or directly. 4% of the engagements were directly led and 96% were conducted collaboratively. The majority of these engagements were composed of letters sent to companies.

4.1.1 Engagement by Stewardship Provider

In 2023 EOS engaged with 775 companies on 3,542 environmental, social, governance, strategy, risk and communication issues and objectives.[6,7] EOS takes a holistic approach to engagement and typically engages with companies on more than one topic simultaneously. Over 25% of engagements centred around governance issues, and close to 35% involved discussions on environmental issues. 2,428 of the issues and objectives engaged in 2023 were linked to one or more of the UN Sustainable Development Goals (see Figure 21 below). At least one milestone[8] was moved forward for half of EOS' engagement objectives during the year. Figure 20 below describes how much progress has been made in achieving the milestones set for each engagement.

FIGURE 20: EOS PROGRESS AGAINST ENGAGEMENT OBJECTIVES IN 2023



[5] Following an update to EOS's engagement theme taxonomy in 2023, we have reflected this to align with our stewardship themes. Therefore, the engagement statistics reported in this report will differ from those reported in our Quarterly Stewardship Updates, which is available on our website.

[6] 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.

[7] 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.

[8] 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

River Dee, Chester, Cheshire

FIGURE 21: EOS ENGAGEMENT SUPPORTING THE UN SUSTAINABLE DEVELOPMENT GOALS IN 2023

Goal		%
1 NO POVERTY	No poverty	5%
2 ZERO HUNGER	Zero hunger	1%
3 GOOD HEALTH AND WELL-BEING	Good health and well-being	7%
4 QUALITY EDUCATION	Quality education	1%
5 GENDER EQUALITY	Gender equality	11%
6 CLEAN WATER AND SANITATION	Clean water and sanitation	5%
7 AFFORDABLE AND CLEAN ENERGY	Affordable and clean energy	9%
8 DECENT WORK AND ECONOMIC GROWTH	Decent work and economic growth	18%
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Industry, innovation and infrastructure	6%
10 REDUCED INEQUALITIES	Reduce inequalities	15%
11 SUSTAINABLE CITIES AND COMMUNITIES	Sustainable cities and communities	3%
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Responsible consumption and production	28%
13 CLIMATE ACTION	Climate action	40%
14 LIFE BELOW WATER	Life below water	8%
15 LIFE ON LAND	Life on land	11%
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Peace, justice and strong institutions	8%
17 PARTNERSHIPS FOR THE GOALS	Partnerships for the goals	1%

4.1.2 Engagement by LAPFF

LGPSC and all our Partner Funds are members of the LAPFF. LAPFF conducts engagements with companies on behalf of local authority pension funds. In 2023, LAPFF engaged 563 companies, sent over 609 correspondences, attended 84 meetings and 7 AGMs across a spectrum of material ESG issues. In these engagements, LAPFF saw 51 instances of improvements or change in progress.

4.1.3 Stewardship Themes

It is not feasible to engage all companies we hold through our ACS portfolios (currently c2,900 companies are held across all equity portfolios), even with the assistance of a high-calibre external stewardship specialist. Identifying core themes that are material to our investment objectives and time horizon, and that are perceived to be of relevance to stakeholders, helps prioritise and direct engagement.

In collaboration with our Partner Funds, we have continued to focus on four core engagement themes which are set for a three-year period.

- Climate Change
- Plastic Pollution
- Responsible Tax Behaviour
- Human Rights

4.1.4 Stewardship Theme engagements – progress and outcomes

4.1.4.a Climate Change

STEWARDSHIP STRATEGY:

Engagements are undertaken directly with investee companies and through key collaborative initiatives such as CA100+, IIGCC, and Finance Sector Deforestation Action Group (FSDA).

MEASURES OF SUCCESS:

We assess progress against the underlying objectives of the CA100+ engagement project, and against improvements in investee companies TPI scores for management quality and carbon performance. Our aims are:

- To lead or be in the focus group of at least five CA100+ company engagements over the next year, prioritising engagements that overlap with companies that are identified as high risk within Partner Fund CRRs.
- To see progress in the CA100+ Benchmark Framework (launched March 2021).
- To see improvements in the TPI score for management quality in key engagements.
- To see improvements in the TPI score for carbon performance in key engagements.

We rolled out our Net Zero Strategy at the end of 2023. The stewardship related activities will be finalised in 2024.

ENGAGEMENT HIGHLIGHTS DURING 2023:

- 1492 companies engaged on climate-related risks, with progress being measured on 164 specific objectives.
- The number of say on climate votes fell in comparison to the previous proxy season due to companies opting for triennial votes in addition to a loss of momentum for climate-related initiatives in the uncertain operating environment. Nonetheless, shareholder dissent on Say on Climate resolutions continued in to increase in 2023. During the 2023 proxy season there was increased opposition to directors who investors view as climate laggards. LGPSC voted against climate-related resolutions at the AGMs for Shell, TotalEnergies, and Glencore. We followed up the votes at Shell and TotalEnergies with letters to the respective Chair of the Board detailing our rationale for the vote.
- We directly engaged with Shell to discuss the company's approach to setting Scope 3 absolute emissions targets and its refreshed Energy Transition Strategy. In addition, EOS engaged with Shell's CEO to discuss how Shell could demonstrate that Capex is consistent with a 1.5C scenario.
- We participated in a collaborative engagement with BP to discuss Capex alignment with net zero and low carbon solutions. EOS is also continuing to engage with BP on developing a comprehensive plan to assess, manage and adapt to physical risks.
- LGPSC has provided input into the Investment Association (IA)'s consultation on the draft response to the Department for Energy Security and Net Zero (DESNZ). The consultation focused on Scope 3 Emissions in the UK Reporting Landscape. We will participate and contribute to future IA climate working group meetings.
- LGPSC joined the Carbon Disclosure Project on Science-Based Targets. The programme focuses on engaging with companies on science-based targets. Setting up targets to enable companies to assess their climate-related risks and opportunities as well as better understand how fast they can decarbonise when aligned with climate science. This initiative aligns with LGPSC's Net Zero Strategy especially regarding engagement targets and our expectations on companies in setting up climate targets and systematically reporting on their emissions.
- At advocacy level, LGPSC endorsed the UKSIF letter to the Prime Minister expressing strong concerns about the government's public statements (e.g., 2030 phase-out of new petrol and diesel cars and 2035 phase-out of gas boilers) and policy signals, which risks undermining the UK's leadership in clarity, certainty, and confidence of policymaking toward meeting net zero.

FIGURE 22: BREAKDOWN OF CLIMATE CHANGE ENGAGEMENT BY TYPE[9]

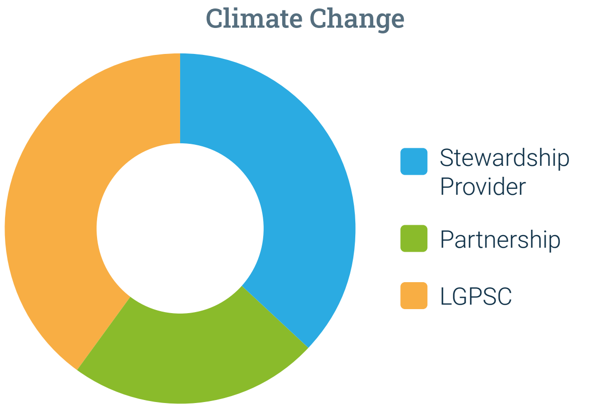


FIGURE 23: CLIMATE CHANGE ENGAGEMENT BY OUTCOME

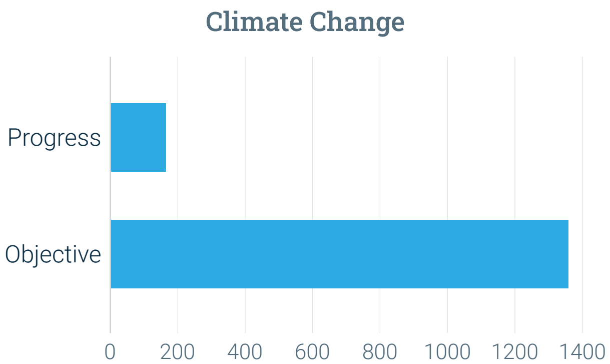


FIGURE 24: CLIMATE CHANGE CASE STUDY

Enel SpA

THEME:
Climate change

OBJECTIVE:
The objective is for the company to achieve its 2025 75GW renewable energy capacity target and maintain its targets to exit coal generation by 2027 and gas generation by 2040. It is expected that the company will demonstrate that it is on track to deliver its 2030 targets for renewable energy capacity and Scope 1, 2 and 3 emissions reductions.

ENGAGEMENT:
During Q3 2023, EOS, our engagement partner, conducted a meeting with the company to gain insights into the perspectives of the new management team regarding the current climate change strategy and any potential adjustments. The company reiterated its dedication to the climate change strategy and expressed its willingness to consider our feedback. Although there is a possibility of not achieving a short-term (2023) target embedded in a sustainability-linked bond, the company provided reassurance regarding its enhanced confidence in achieving longer-term targets.

OUTCOME:
In Q4 2023, EOS held a meeting with the company after its strategy update presented at the capital markets day. The company affirmed that the majority of the key elements of its climate change strategy will be retained. However, there has been a slight reduction in the ambition of its renewable energy capacity target, from 75GW by 2025 to 73GW by 2026, with a heightened emphasis on investment in grid infrastructure. EOS intends to seek clarification regarding this adjustment and plans to maintain engagement with the company to support the achievement of its climate change targets. However, there has been a slight reduction in the ambition of its renewable energy capacity target, from 75GW by 2025 to 73GW by 2026, with a heightened emphasis on investment in grid infrastructure and battery storage. EOS intends to maintain engagement with the company to support the achievement of its climate change targets and alignment with the Paris Agreement.

[9] This chart shows how LGPS Central carried out each of its engagements on climate change.
"Stewardship Provider" relates to engagements carried out by EOS, LGPS Central's Stewardship Provider
"Partnership" relates to engagements carried out in partnership with other companies or organisations, including CA100+, LAPFF, and PRI.
"Direct" relates to bilateral engagements carried out directly by LGPS Central.

4.1.4b Plastic pollution

STEWARDSHIP STRATEGY:

To leverage investor collaboration opportunities for instance through the PRI Plastics Working Group and Investor Forum's Marine Plastic Pollution project. Voting will be engagement led, and we will consider co-filing or supporting shareholder resolutions that relate to better risk management (reduce plastic use, reduce plastic waste, increase recycling, invest in relevant R&D).

MEASURES OF SUCCESS:

- We aim for positive interactions at senior levels of target companies and acknowledgement of plastic pollution as a business risk, along with commitments to strategies or targets to manage those risks.
- We aim to lead or be part of at least five plastics-related company engagements over the next financial year.
- We aim to support investor expectations – e.g., as expressed by the PRI Working Group – in dialogue with companies.

ENGAGEMENT HIGHLIGHTS DURING 2023:

- 137 companies engaged on 92 plastics and circular economy related issues and objectives, with progress on 29 specific objectives.
- Participated in an award winning collaborative engagement on microfibre. The engagement targeted washing machine manufacturers and policy makers to encourage technological solutions to prevent synthetic microfibers from entering the marine environment. As a result of investor influence several manufacturers have implemented or are planning to implement microfibre filters for machines.
- LGPSC signed a joint statement from the Dutch Association of Investors for Sustainable Development, requesting intensive users of plastic packaging to act more rapidly to address the plastics crisis.
- EOS engaged with 3M CO on becoming a signatory to the global commitment on plastics and to commit to eliminate problematic and unnecessary plastics. The company made significant progress to eliminate dependence on virgin fossil fuel plastics and committed to the Global Plastics Treaty.

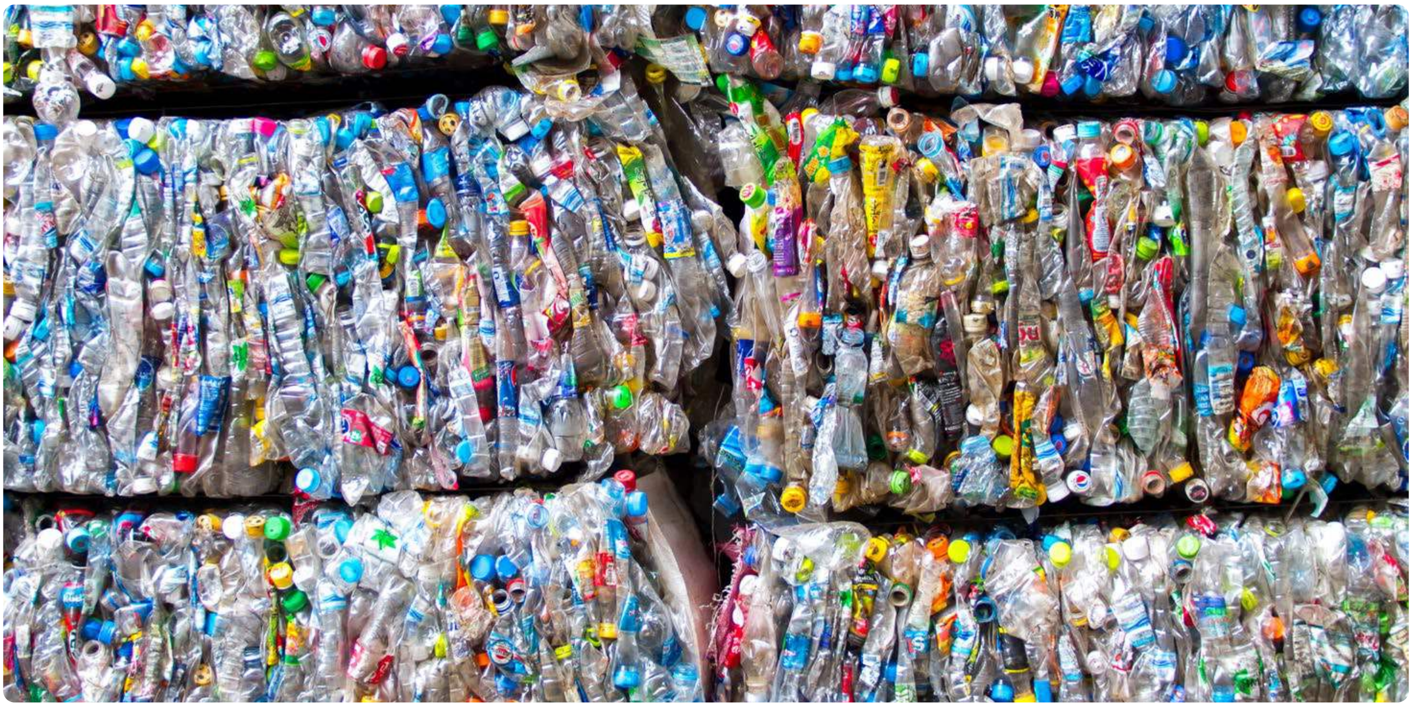


FIGURE 25: BREAKDOWN OF PLASTIC ENGAGEMENT BY TYPE

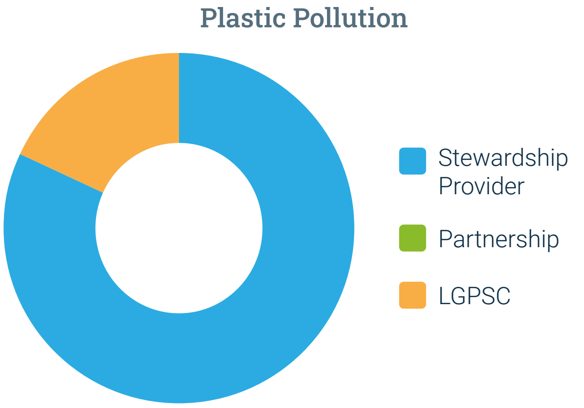


FIGURE 26: PLASTIC ENGAGEMENT BY OUTCOME

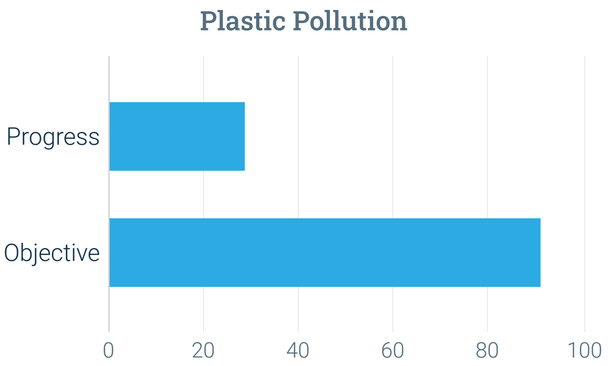


FIGURE 27: PLASTIC POLLUTION CASE STUDY

Ansell Ltd

THEME:
Plastic pollution

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

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

OUTCOME:
The engagement will continue until the company has developed and published a robust circular economy strategy as outlined in the engagement objective.

4.1.4c Responsible Tax Behaviour

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

MEASURES OF SUCCESS:

- We aim for positive interactions at senior levels of target companies and acknowledgement of lack of tax transparency as a business risk, along with commitments to strategies or targets to manage those risks.
- From 2024 tax corporate engagement is no longer a priority for LGPSC, but up to December 2023 our objective was to lead or be part of at least five tax-related company engagements over the next financial year.
- We aimed to support investor expectations – e.g., as expressed by the Global Reporting Initiative (GRI) Tax Standard and the UK Fair Tax Mark – in dialogue with companies.

ENGAGEMENT HIGHLIGHTS DURING 2023:

- 26 companies engaged on 9 tax related issues and objectives, with progress on 6 specific objectives.
- EOS engaged with Marathon Oil Corp requesting the company to publish a responsible taxation policy in line with the Global Reporting Initiative.
- LGPSC supported a shareholder resolution at Brookfield requesting the company issue a tax transparency report in line with the Global Reporting Initiative.

FIGURE 28: BREAKDOWN OF TAX ENGAGEMENT BY TYPE

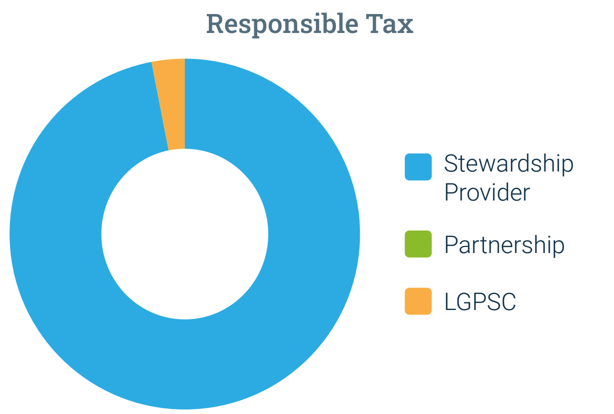


FIGURE 29: TAX ENGAGEMENT BY OUTCOME

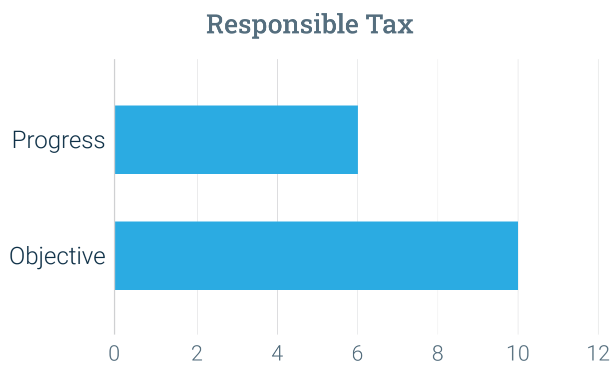


FIGURE 30: RESPONSIBLE TAX CASE STUDY

Exxon Mobil Corp

THEME:

Responsible Tax Policy

OBJECTIVE:

We recognise the importance of companies being accountable for and transparent about their tax practices. We expect the company to publish a responsible taxation policy in line with the Global Reporting Initiative Tax Fairness Standard, and disclose itemised payments to governments at the national, state, and local levels. Through our engagement with companies on tax, we aim to support investor expectations – e.g., as expressed by the GRI Tax Standard and the UK Fair Tax Mark – in dialogue with companies.

ENGAGEMENT:

In February 2023, EOS encouraged the company to publish a responsible taxation policy in line with the Global Reporting Initiative Tax Fairness Standard, and disclose itemised payments to governments at the national, state, and local levels. In response, the company said it was preparing to increase disclosure on the topic in line with emerging EU country-by-country disclosure requirements and US Dodd-Frank regulation 1504, that requires extraction companies to report payments to foreign governments.

OUTCOME:

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

4.1.4d 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 also collaborated with LAPFF to engage with companies that operate in areas of conflict/ high risk such as the Occupied Palestinian Territories. 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 aim for positive interactions at senior levels of target companies and acknowledgement of relevant risk factors.
- We seek Board oversight of human rights risk; policy 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 expect strategies for responsible business conduct to follow the UN Guiding Principles for Business and Human Rights, where applicable.
- We encourage improvements in benchmarks such as Ranking Digital Rights and the Workforce Disclosure Initiative (WDI).

ENGAGEMENT HIGHLIGHTS DURING 2023

- 376 companies engaged on a range of 1063 broader human rights risks. Progress was seen in 151 cases against specific objectives.
- LGPSC engaged with an Information Technology company on their approach to conducting human rights due diligence within a high conflict region, e.g. the Occupied Palestinian Territories.
- LGPSC have signed up to the Investor Alliance for Human Rights. Which focuses on the investor responsibility of investors to respect human rights, corporate engagements that drive responsible business conduct, and standard setting activities that push for robust business and human rights policies. A selection of companies highlighted as laggards in Benchmarking Human Rights Performance were selected as engagement priority companies for 2024-2027 engagement plans.
- EOS engaged with Duke Energy Corp to set out a timebound plan on how human rights issues will be assessed in operations and supply chain mapping / due diligence processes, along with the provision of remedy.
- Through the collaborative engagement initiative, PRI Advance, LGPSC engaged with BHP about modern slavery and ongoing compensation in the aftermath of the Samarco dam disaster.

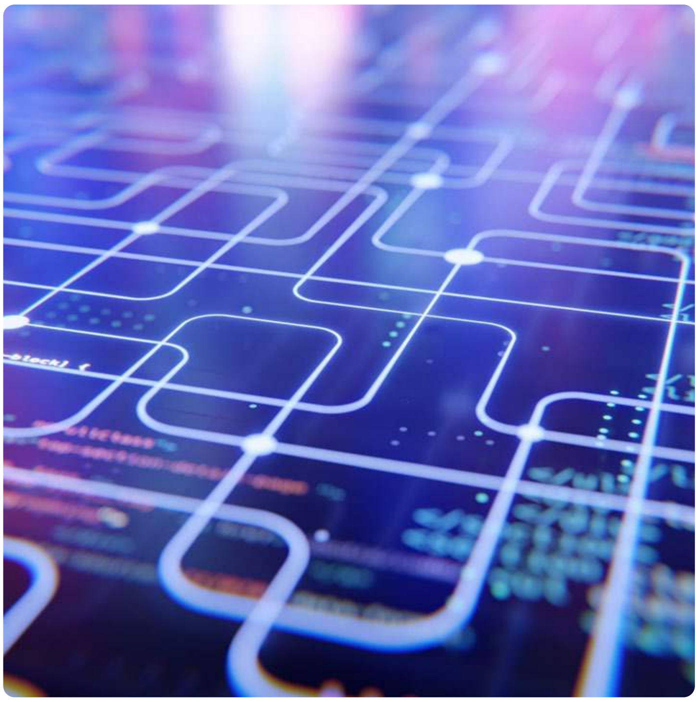


FIGURE 31: BREAKDOWN OF HUMAN RIGHTS ENGAGEMENT BY TYPE

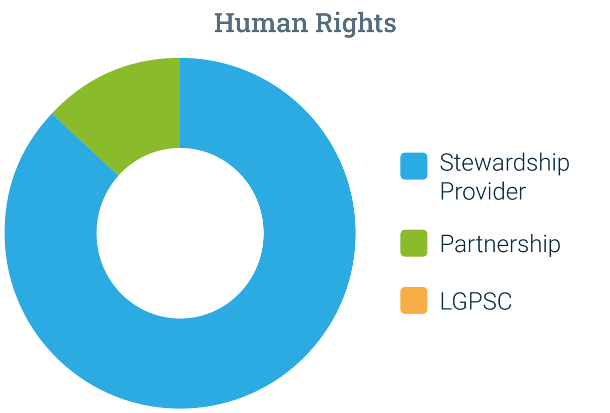


FIGURE 32: HUMAN RIGHTS ENGAGEMENT BY OUTCOME

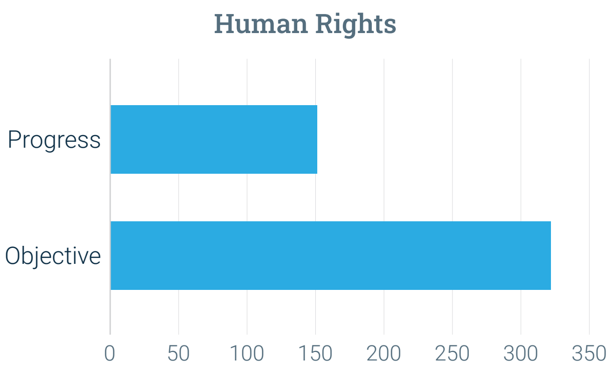


FIGURE 33: HUMAN RIGHTS CASE STUDY

Royal Bank of Canada

THEME:
Responsible AI

OBJECTIVE:
To ensure the ethical implementation of AI across the business, the company should establish senior management level responsibility for AI.

ENGAGEMENT:
Our Stewardship provider, EOS at Federated Hermes, met with the corporate secretary, interim head of Borealis AI, RBC's research institute and the global head of market and counterparty risk, to discuss ethical artificial intelligence (AI) implementation. Discussions centred around the shareholder proposal which asked for enhancing the mandates of the governance committee and the risk management committee to include an ethics component regarding the use of artificial intelligence. The proposal was withdrawn as the company had met the requests in the proposal. We were pleased that the company has ethical AI principles. EOS encouraged the company to disclose its alignment with the principles more clearly on its website. The company clarified that no single board member had AI oversight, as the board relies on the expertise of multiple individuals. The management team provides an annual review on the progress of AI to the full board. It was noted that the bank had ranked highly against the Evident AI benchmark, which assesses the various approaches banks are taking towards AI readiness. The company said it was satisfied with the ranking but did not believe it accurately reflects its progress. It believes it is a leader in AI, and has made more contributions than the benchmark reflects, including creating materials on bias and fairness testing as an open source. In terms of AI model adoption, the predominant use cases have been in the fraud and risk areas. Regarding eliminating diversity bias in AI, the bank said that it is committed to maintaining a diverse talent pipeline, and that its model validation process specifically addresses bias. When asked about the role of AI tools like ChatGPT, the company outlined that it has not authorised its use within the bank.

OUTCOME:
Royal Bank of Canada has demonstrated clear progress and has engaged with investors on the ethical implementation of AI across the business. This has been demonstrated by acknowledging investor concerns and board level oversight on the topic of AI and guiding ethical AI principles.

PRINCIPLE 10

4.2 Participation in collaborative engagement to influence issuers

In 2023 LGPSC continued active involvement in several investor collaborations across numerous ESG issues and covering our Stewardship Themes.[10] LGPSC also supported stewardship theme-related industry standards and benchmarks, which clarify investor expectations of companies and provide a mechanism for measurement of progress. For a list of initiatives that LGPSC actively supports and engages with, please refer to Section 2.4 above.

Examples of collaborative initiatives of particular importance to LGPSC's stewardship effort in 2023:

FIGURE 34: DEFORESTATION CASE STUDY

Kellanova[11]

THEME:
Deforestation risk

OBJECTIVE:
We are concerned about the financial impact that deforestation may have on our portfolio and investee companies as a result of potentially increasing reputational, operational, and regulatory risks. We are active participants in the collaborative engagement that specifically focuses on commodity-driven deforestation, Finance Sector Deforestation Action Group.

ENGAGEMENT:
We co-signed a letter asking to eliminate commodity-driven deforestation by 2025. To make progress against this target we participated in a collaborative engagement call with Senior Management including the Chief Sustainability Officer and Global Sustainability Business Partner for Human Rights to engage in constructive dialogue and to discuss Kellanova's approach to managing deforestation risk within its supply chain, with a specific focus on the company's Deforestation Policy.

OUTCOME:
We were pleased to learn that Kellanova is supporting deforestation-related regulation, however they did not discuss their deforestation-related lobbying activities. The company outlined that current efforts are focused on making sure that all plantations are RSPO certified and have partnered with an NGO to assess their small and medium size suppliers in an effort to improve business practices. Company representatives also outlined the implementation of a grievance mechanism and disclosed that most third-party grievances are related to palm oil. Kellogg's disclosed that the company will spin off into two entities, Kellanova and WK Kellogg Co. A follow up call will be held to better understand how these entities will approach the management of deforestation within their respective supply chains.

FIGURE 35: CLIMATE CHANGE CASE STUDY

Société Générale

THEME:
Climate change

OBJECTIVE:
The impacts of climate change pose material risks to LGPSC's portfolio and the wider economy. We engage with companies to manage climate-related risks and opportunities. We participate in ShareAction's banking sector engagement program and engaged with Société Générale, the 5th largest European provider of financing to 50 upstream oil and gas expanders between 2016 and 2021.[12]

ENGAGEMENT:
In February 2023, LGPSC co-signed a letter to Société Générale's Chief Executive Officer and Chairman of the Board of Directors, requesting that the company commit to stopping direct financing for new Oil & Gas fields. We attended an engagement call with the firm's Chief Sustainability Officer in September 2023 to discuss their firm's updated climate targets.

OUTCOME:
As responsible investors we were pleased to learn that the company committed to cease financing upstream oil and gas pure players and new green field projects from 1st January 2024. The firm also unveiled its refreshed Oil and Gas policy with several new net zero targets. There is potential to re-engage with the company in H1 2024 to discuss extending the commitment to cease financing new oil and gas fields and its green finance targets.

[10] Refer to Section 4.1.2 above for further detail on LPGS Central Stewardship Themes

[11] In Q4 2023 the Kellogg's spun off into Kellanova and WK Kellogg Co.

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

FIGURE 36: HUMAN RIGHTS CASE STUDY

Duke Energy Corp

THEME:
Human Rights

OBJECTIVE:
We believe that institutional investors have a responsibility to respect human rights which is reflected in our commitment to the UNGPs and the OECD Guidelines for Multinational Enterprises. EOS had set an objective for the company to set out a timebound plan on how human rights issues will be assessed in operations and supply chain mapping / due diligence processes, along with the provision of remedy.

ENGAGEMENT:
The company acknowledged the request to set out a timebound plan and the need to disclose its process for enforcing its supply chain worker rights policy. During the PRI Advance collaborative engagement that EOS at Federated Hermes attended, the Company clarified that its due diligence of suppliers involves a desktop audit, sustainability assessments, scoring survey results and providing continuous improvement training. The company said it is in the early stages of supply chain mapping. It has good oversight of its tier one suppliers but not its tier two or three suppliers. We were pleased to hear that in response to forced labour risks in the Xinjiang region, the company had conducted supplier due diligence and taken action to reduce its solar supply chain to only two suppliers to monitor for supplier human rights risks more easily. Our expectations for addressing human rights issues include disclosures on types of grievances raised, how companies addressed them, measurement of the effectiveness of remedies, and inclusion of participants' concerns and how companies worked with affected stakeholders to arrive at an effective remedy.

OUTCOME:
Engagement with Duke Energy Corp to set out a timebound plan on how human rights issues will be assessed in operations and supply chain mapping / due diligence processes, along with the provision of remedy. We will monitor how the company discloses the supply chain workers' rights policy including information about the audit process.

FIGURE 37: HUMAN RIGHTS CASE STUDY

Meta Platforms Inc

THEME:
Human Rights

OBJECTIVE:
We believe that institutional investors have a responsibility to respect human rights which is reflected in our commitment to the UNGPs and the OECD Guidelines for Multinational Enterprises.

ENGAGEMENT:
We engaged with Meta along with the Swedish Council on Ethics. The call focused on understanding how the company considers human rights' saliency, undertakes human rights due diligence, and addresses mental health risks for young users.

OUTCOME:
The company confirmed that they rely on independent auditors for assessing saliency and human rights due diligence in high-risk countries. In addition, extensive algorithms have been implemented for ensuring teenagers have access to age-appropriate content (full profiles are disabled for minors). The company also runs content moderation programs and there are procedures for informing carers about critical internet activities from supervised minors.

FIGURE 38: HUMAN RIGHTS CASE STUDY

FTSE 350 and AIM-listed companies

OBJECTIVE:
FTSE 350 and AIM-listed companies whose modern slavery reporting failed to meet the requirements of Section 54.

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 letter requesting for 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 2023, the initiative targeted 32 FTSE 350 companies and 126 AIM companies. 81% of FTSE 350 companies (which were part of target list) are now either fully compliant with s54 or committed to make changes to their reporting; 61% of AIM listed are now either fully compliant with s54 or committed to make changes to their reporting.


Dove Dale, Derbyshire/Staffordshire Border

PRINCIPLE 11 4.3 Escalation of stewardship activities to influence issuers

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 tactics 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
- Attendance and raising questions at the AGM

We have 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 39: UPDATED 2023 LGPSC ESCALATION STRATEGY

Level 1
- Bilateral Dialogue
- Investor Collaboration

Level 2
- Voting against management recommendations including support shareholders resolutions
- Raising concerns with managers

Level 3
- Public Statements
- AGM Attendance
- Extended voting dissent to the appointments of committee members and approval of the Annual Report and Accounts

Level 4a
- Filing Shareholder Resolutions

Level 4b
- Litigation
- Threat of divestment — Formal dialogue with managers about stock level divestment

Through our involvement in collaborative engagement projects, like CA100+, we are continuously assessing the need for escalation depending on individual companies' investors' expectations. 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.

Malvern Hills, Worcestershire

FIGURE 40: CLIMATE CHANGE CASE STUDY (ESCALATION)

Barclays

THEME:
Climate Change

OBJECTIVE:
The impacts of climate change pose a material risk to LGPSC's portfolio and the wider economy. We engage with companies to manage climate-related risks and opportunities. We have a long-standing history of engagement with Barclays. In 2023, through a collaborative engagement organised by ShareAction we engaged with the company on its approach to fossil fuel financing.

ENGAGEMENT:
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 risks associated with stranded assets due associated with financing oil and gas infrastructure.

OUTCOME:
Following extensive engagement with Barclay's senior leadership, the shareholder resolution was withdrawn as a result of the positive outcome regarding the climate strategy and commitment to continuing engagement, including an annual meeting between the co-filing group and Barclays CEO. In Q1 2024 Barclays announced they will stop financing new oil and gas fields and restrict lending more broadly to energy companies expanding fossil fuel production. We remain committed to ensuring that Barclays follows through with its newly established commitments.

FIGURE 41: CLIMATE CHANGE CASE STUDY (ESCALATION)

Telecommunications company

THEME:
Human Rights

OBJECTIVE:
The company operates in countries with disputed territories and concerns around human rights. The company, unlike its peers, does not adopt the UNGPs in its business practices.

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. LGPSC initially sent a letter to the company asking for further disclosure on its human rights approach. LGPSC secured a meeting with the company after sending a second letter to the company. LGPSC met with the company's investor relations team and two members of the compliance team. The company and LGPSC agreed to continue a positive dialogue following LGPSC's provision of a detailed review of the company's human rights approach compared with the practices adopted by its competitors.

OUTCOME:
LGPSC was not able to secure a follow-up meeting with the company. The company deems its own human rights approach as satisfactory (although not compliant with the UNGPs). LGPSC has escalated its concerns by informing the company that it is likely that a dissent vote will be cast against the chair of the company at the next AGM due to inadequate engagement progress. LGPSC will also raise this matter with LGPSC external managers holding the stock on behalf of LGPSC.

Expectations on external managers to escalate on our behalf

We expect managers to escalate an engagement (on any material ESG topic) where there is lack a of progress relative to the engagement's objectives. During 2023, we have asked managers to give particular attention to companies' climate transition, or lack thereof, in line with the Paris Accord. This is part of a broader discussion with external managers around the implementation of our net zero targets.

FIGURE 42: CORPORATE GOVERNANCE CASE STUDY (EXTERNAL MANAGER ESCALATION)

Electronic Equipment, Instruments & Components Manufacturer, UBS, LGPSC Emerging Markets Equity Active Multi Manager Fund

OBJECTIVE:

To address various corporate governance concerns.

SECTOR:

Steel

ESG TOPICS ADDRESSED:

Corporate Governance

ISSUE / REASON FOR ENGAGEMENT:

In April 2022, UBS' proprietary ESG Risk Dashboard started flagging a misalignment with minority shareholder interests, questions surrounding board independence, board effectiveness in oversight, board skillset, share pledging, CEO remuneration, CEO focus and controversies.

SCOPE AND PROCESS / ACTION TAKEN:

The internal research UBS undertook to review the ESG Risk Flag sparked an insightful debate between the equities and sustainable investment teams. The respective equities analyst covering the company and the sustainable investment analyst initially disagreed on the materiality of the concerns mentioned above. UBS escalated this debate to their internal review forum where the sustainable investment analyst and equities investment team combined to review the materiality of these governance factors.

The conclusion was reached that further due diligence on these factors was necessary and an engagement meeting with the chair of the board was requested.

ESCALATION STRATEGY:

Engagement attempts with the company

OUTCOMES AND NEXT STEPS:

UBS' efforts to arrange a meeting with the company were unsuccessful as the company did not respond. Subsequent news flow and share price pressure resulted in a growing convergence of views over the reputational impact of the CEO's actions and the lack of board oversight, resulting in an agreement to designate the issue as a 'Severe ESG Risk', removing the company from the investable universe for some sustainable portfolios.

This engagement case exemplifies the strength of combining independent sustainable analyst research with traditional equity analyst investment research. While illustrating the limits of engagement, this case does highlight some of the potential benefits of stewardship and a focus on ESG risks. UBS will continue to monitor the status of the company on various corporate governance issues.

05 Exercise of rights and responsibilities

PRINCIPLE 12

Peak District National Park, Derbyshire

It remains critical to LGPSC that we utilise all levers to influence corporate behaviour across our equity and fixed-income investments. Voting is a core part of our overall Stewardship effort as a shareholder (see sections 5.1 – 5.3 below). Equally, exercising rights and responsibilities as bondholders is of key importance (see section 5.4 below). With regards to private markets, we have increased our exposure to private markets. We have worked with private market partners to identify KPIs that are relevant for the underlying asset, and which we would request reporting against (see section 5.5 below).

5.1 Voting approach and objectives

High-level objectives:

LGPSC views voting as a core component of our Stewardship efforts. We take a long-term perspective, all voting activities we undertake aim to:

- Support the long-term economic interests of our stakeholders
- Ensure boards of directors are accountable to shareholders
- Encourage sustainable market behaviour across companies and sectors

Principles-based approach:

We take a principles-based approach to voting and are guided by LGPSC's established Voting Principles.

Broadly we expect companies to:

- Adhere to essential standards of good governance for board composition and oversight
- Be transparent in their communication with shareholders
- Avoid excessive remuneration packages
- Protect shareholder rights and align interests with shareholders
- Promote sustainable business practices and consider the interests of other stakeholders

Scope of voting:

To send a unique voting signal to investee companies LGPSC votes all its shares - whether externally or internally managed - according to one set of Voting Principles. While the ultimate voting decision rests with LGPSC, we have a procedure through which we capture information and recommendations from our external fund managers.

Voting reinforcing engagement:

As far as possible, we aim to use voting to reinforce and promote ongoing engagements, whether carried out directly through LGPSC, through collaborative initiatives or through our external stewardship provider EOS at Federated Hermes. This means that we regularly raise issues concerning environmental sustainability, including climate change, and broader social issues like human rights risk oversight and management through our voting. Many votes against management concern good governance (board composition, board oversight and skill sets, remuneration, etc.) – these votes are often an expression of underlying concerns with lack of expertise and or/oversight at the board level on issues like climate change or human rights. We also know that strong governance increases the likelihood of companies dealing well with environmental and social risks.

Transparency:

LGPSC's disclosure of its Voting Principles, and its voting outcomes, supports the Company's ambition of full transparency. With regards to voting outcomes, disclosures are made publicly in three formats. Firstly, a report summarising our voting activities is provided in Stewardship Updates three times a year (covering the first three quarters of the calendar year). Secondly, we provide an annual summary of our voting activities, as part of the Annual Stewardship Report, and thirdly, we disclose our voting decision for every resolution at every eligible company meeting via an online portal.

5.2 Voting strategy

Ensuring that Voting Principles are applied:

We have set up a structure whereby EOS at Federated Hermes 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. We currently hold just under 3,000 companies through our ACS equities funds. With this voting structure, we have confidence that votes are cast according to LGPSC Voting Principles across our voting universe. We regularly monitor the adoption of the LGPSC Voting Principles by monitoring our previous quarter's votes against expected voting recommendations.[13] In addition, when we engage with a company and LAPFF issues a voting alert for falls outside EOS' main engagement, we often consult ISS research directly.

Voting Watch List:

It is not feasible to do in-depth research into all proxies that will be voted at each of the companies we hold through our ACS equity funds. To prioritise, we establish a "Voting Watch List" annually that consists of approximately 50 companies which carry material ESG risks, cover larger holdings and/or are captured by collaborative engagement initiatives in and outside of our Stewardship Themes, such as the CA100+. Votes at these companies will be given particular scrutiny ahead of the AGM. While it is not feasible to attend all these companies' AGMs, we would aim to attend AGMs virtually (if permissible) for core Climate Action 100+ engagements and for any company with which we have filed a shareholder resolution. The Voting Watch List serves a further purpose, in allowing us to test whether our votes are generally cast in alignment with our Voting Principles.

Interaction with EOS:

Ahead of each voting season, we share our Voting Watch List with EOS to ensure that 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:

It is our intention to capture intelligence and recommendations from active equity fund managers relative to key holdings and/or contentious voting issues, as well as influence managers' wider voting on key issues like climate risk management:

- LGPSC meets with each external manager annually ahead of the voting season for a dedicated voting-related discussion.
- External managers will be kept up to date on any changes to LGPSC Voting Principles, and vice-versa.
- We will share with each external manager our Voting Watch List with an explicit incentive to communicate their views on companies on this list that are held in their portfolio.
- The RI&E team may reach out on an ad-hoc basis in cases where we would like to elicit views on contentious issues in core holdings or key engagements that can supplement our own views and those of our external stewardship provider.

Following engagement with the company and positive updates to its oil and gas policy the resolution was withdrawn. In this case, we did not engage with our external managers informing them of the resolution due to the withdrawal.

Stock-lending:

LGPSC has an active securities lending programme. During 2021, we considered options for restricting securities lending to maximise our overall stewardship and voting impact on key votes. Based on dialogue with our Partner Funds, alongside discussions in-house at our IC and ORCA, we initially revised the securities lending policy with effect from 2022.

Following an in-depth discussion with our custodian (i.e. Northern Trust), in 2023 we reviewed our approach to stock-lending considering how voting rights are managed throughout different jurisdictions. We no longer restrict a selection of securities for lending at the start of the voting season but restrict according to voting provisions in the jurisdictions where the securities have their primary listing (e.g. securities incorporated in the United States are restricted at their record date). This is to ensure that we maximise our voting impact, e.g., in relation to critical, ongoing engagements that we expect to escalate through shareholder resolutions or other forms of voting (e.g., votes against Board members).

Criteria used for the identification of high-risk companies includes carbon intensity as flagged by our climate risk reports and the Climate Action 100+. We consider the cost implications (in respect of stock lending revenues) of excluding companies from lending and take a considered and proportionate approach to arrive at a list of companies that we view as critical engagements, where we must be able to vote all our shares at the AGM.

Ahead of voting season 2023, 14 companies on our Voting Watch List (of 50 companies) were restricted from lending. The restriction will be lifted at the end of the AGM season. The new provisions are applicable during AGM 2024.

[13] Under exceptional circumstances, LGPSC may decide not to follow our Voting Principles. These circumstances may include situations where the company presents a credible plan to meet the required threshold, where LGPSC wants to acknowledge the progress made by the company.

5.3 Voting highlights and outcomes 2023

Proportion of shares voted during 2023

Based on our voting set-up with EOS at Federated Hermes – 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 for instance share blocking or a non-standard voting procedure. However, these are very limited instances. Further information is provided in the "Voting Statistics" box below.

5.3.1 Voting highlights

The 2023 proxy season has seen nuanced investor voting decisions, volatile market dynamics, and stakeholder pressures. A continued influx of environmental and social shareholder proposals drew lower votes and say-on-pay proposals received a boost after years of declining support. Further, incumbent director nominees — including committee chairs and board leaders — received a higher percentage of dissent votes than recent trends would have suggested. These developments are unfolding at a time when new universal proxy rules have sharpened stakeholder focus on individual director qualifications and whether boards are fit for purpose, and when investors are under scrutiny regarding how far they will go in their stewardship related to corporate sustainability. This complexity can make it more difficult for companies to assess voting outcomes, underscoring the value of shareholder engagement to gain a deeper understanding of their perspectives. To help directors understand the evolving proxy landscape and keep pace with changing stakeholder expectations, we examine four key takeaways from the 2023 season and actions for boards to consider.

2023 Voting Statistics

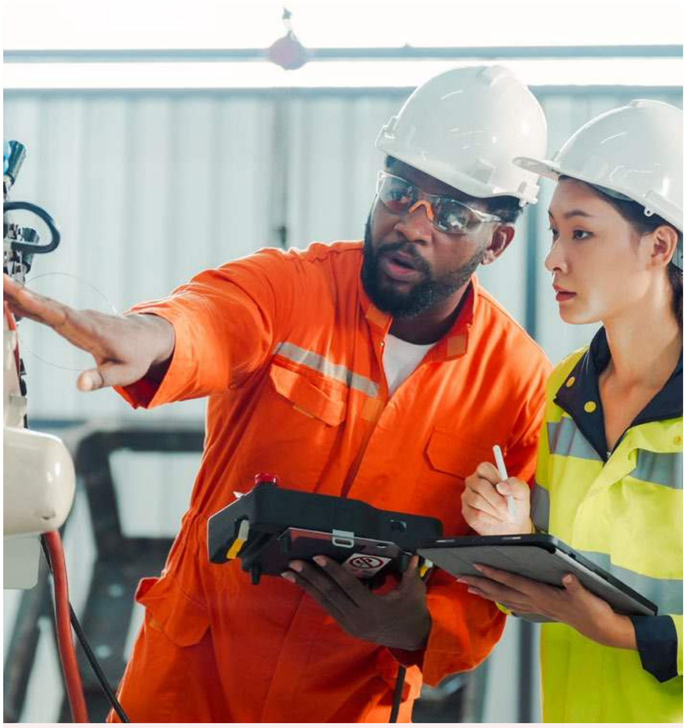
- Voted at 3,353 meetings and on 42,082 resolutions.
- We voted against management recommendation on one or more resolutions at 65.8% of meetings and our dissent level was 14.41% (i.e. number of times we voted against management recommendations).
- Supported 316 shareholder proposals. LGPSC co-filed a shareholder resolution at Barclays and later withdrew in Q1 2024.
- In 2023 EOS attended 3 AGMs; Siemens Energy AG, BMW AG and The Bank of Nova Scotia. One shareholder proposal was filed at Daewon Sanup. The proposal requested the company to pay out a higher cash dividend which, would raise the return on equity of the company and allow shareholders to participate more fully in the success of the company.

We witnessed continued momentum for investor engagement and voting on climate change and diversity, and increased emphasis on natural capital as evidenced by the developments below:

- 12 Say-on-climate resolutions asking investors to approve transition plans or providing an annual update on already-approved plans. We note that 24% of the resolutions passed and only one of them was proposed by independent shareholders (i.e. Coterra Energy Inc.).
- LGPSC continues to take a robust approach to the assessment of transition plans and voted against a number, which we considered to be not fully aligned to a 1.5°C pathway, including plans proposed by **Shell**, **Glencore**, **Pennon Group**, and **Incitec Pivot**.
- Companies that clearly indicated that alignment with 1.5C was the goal, with a more developed plan to be put to a further vote, such as at **Amundi** and **Ninety One**, received our support.
- We voted against directors or other relevant proposals at 95 companies due to concerns about insufficient management of climate-related risks.

Social issues proposals on the rise

- In 2023 there were 152 shareholder proposals, the majority were filed against US companies, including many on social issues such as human rights, civil rights, racial pay gap, reproductive rights, unionisation, and animal welfare. Only eight of them won majority support, these were Carl Zeiss Meditec, Cenovus Energy, Dollar General Corporation, Expeditors International of Washington, Haier Smart Home Co, Starbucks Corporation, The Kroger Co, and Wells Fargo & Company.
- At **Starbucks'** AGM, we supported a shareholder proposal to commission a third-party assessment on the company's commitment to freedom of association and collective bargaining rights. The proposal asks for an assessment across Starbucks's company-owned and licensed stores. The proposal received 52% support showing that shareholders increasingly view collective bargaining rights as a key driver of long-term value creation.
- At **Alphabet**, we supported several shareholder resolutions including requests for a report on the risks of doing business in countries with significant human rights concerns, publishing an independent human rights impact assessment of targeted advertising technology, and reporting on alignment of YouTube's policies with online safety regulations.
- More Civil Rights Audit (CRA) and Racial Equity Audit (REA) shareholder proposals were filed, including at **Coco-Cola**, **The Travelers Companies** and **The Royal Bank of Canada**. In general, such proposals urged boards to oversee a third-party audit analysing the adverse impacts of companies' policies and practices on the civil rights of stakeholders.
- We opposed directors on human rights grounds, including companies' being in clear breach of applicable regulatory human rights responsibilities or those outlined in the UNGPs. At **Amazon.com, Inc** we opposed the re-election of the Lead Director and members of the Nominating and Corporate Governance Committee due to concerns about insufficient management of human rights risks.



Diversity and inclusion

- We voted against **586 proposals on diversity and inclusion matters**. Along with this, we encouraged greater representation of **women and ethnic minorities on boards and leadership positions. 69% of them were supported by LGPSC, and 45% won majority support by shareholders.**
- We also withdrew support from 709 director appointment resolutions due to concerns on gender diversity. Although we believe these votes sent a signal to companies about our expectations on diversity, we note that those resolutions passed. Diversity is a key consideration in LGPSC's Voting Guidelines and a vote against the Nomination Committee's members will be put in place 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).
- Although there is a high-level dissent in the US, the high volume of director election resolutions impacts the number.
- In **Europe**, we opposed the nomination committee chair for poor board gender diversity at mining companies like **Antofagasta** and **Fresnillo**.
- We were pleased to see significant **progress by FTSE 100** companies in meeting minimum standards of **ethnic representation** on UK boards.
- In **Japan**, there was progress on gender diversity in companies like **Chubu Electric Power** and **Seven & i**. However, other companies like **Toyota Industries**, and **Canon** are lagging, and we voted against the responsible directors and EOS are engaging with them on the same issue on our behalf.
- Legal requirements are tightening in **South Korea**, **Malaysia** and **Hong Kong**.
  - We were pleased to see progress at companies such as **Geely Automobile**, where board gender diversity reached 30% after several years of engagement on this topic.
  - At **AIA Group** and **Ping An Insurance**, we supported directors by exception to recognise their progress in reaching a level of diversity that is just below our minimum expectations. However, we voted against **Beijing Enterprises**, **China Mengniu Dairy**, and **China Resources Beer**.

Remuneration

- We continue to voice concerns over executive pay, we **voted against 45% of Say on Pay proposals**, of which 74% were composed by resolutions directed at approving of annual executive remuneration reports and 26% of resolutions directed at 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 35% of executive pay proposals. In the USA, we opposed 52% of executive pay proposals.
- At retailer **The Foschini Group**, we voted against the remuneration policy, alongside 71% of shareholders who rejected this pay proposal.
- At **AstraZeneca** we were not supportive of their remuneration report. Although we were cognisant of the strong performance of the company, we were concerned about the lack of disclosure of the peer group for the Long-Term Incentive (LTI) performance targets and LTI award being paid at the maximum level for consecutive years.
- We **opposed pay at ASML Holding, BNP Paribas, Mondi, JPMorgan Chase**, and others where we viewed the quantum of pay to be too high, without adequate disclosure of additional value for long-term shareholders when paying the CEO significantly above the labour-market median.

5.3.2 Voting outcomes

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

FIGURE 43: VOTING CASE STUDY (HUMAN RIGHTS)

Wells Fargo

THEME:
Human Rights

VOTE DECISION AND RATIONALE:
We expect companies to manage human rights risks, within their own operations but also across the wider supply chain. We expect Companies to disclose how they manage their human rights risks as it allows investors to better evaluate ESG risks and opportunities. We supported a shareholder proposal requesting that the company prepares an annual public report describing and quantifying the effectiveness and outcomes of company efforts to prevent harassment and discrimination against protected classes of employees. The proponents suggested including the following disclosures:

- the total number and aggregate dollar amount of disputes settled by the company related to abuse, harassment, or discrimination in the previous three years- the total number of pending harassment or discrimination complaints the company is seeking to resolve through internal processes, arbitration or litigation.
- the number of enforceable contracts which include concealment clauses that restrict discussions of harassment or discrimination.
- the aggregate dollar amount associated with the enforcement of arbitration clauses.
- the aggregate dollar amount associated with agreements which contain concealment clauses.

Wells Fargo has policies in place that prohibit harassment and discrimination and prohibit retaliation against employees who raise concerns. The company has diversity training for all managers to increase inclusion skills and behaviours and discloses board and workforce diversity statistics. However, the company has faced multiple allegations of discrimination in its hiring and human capital management practices. Investors could benefit from a report on the effectiveness and outcomes of the company's efforts to prevent discrimination against protected classes of employees.

OUTCOME:
The proposal passed and received 52.3% support. Although the proposal was non-binding, it is expected that Wells Fargo will produce the requested report.

FIGURE 44: VOTING CASE STUDY (CLIMATE CHANGE/SIGNIFICANT VOTE)

Constellation Brands

THEME:
Climate Change

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

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

FIGURE 45: VOTING CASE STUDY (RESPONSIBLE TAX/SIGNIFICANT VOTE)

Brookfield Corporation

THEME:

Responsible tax behaviour and tax transparency

VOTE DECISION AND RATIONALE:

We supported a shareholder resolution at the 2023 AGM requesting Brookfield's Board of Directors issue a tax transparency report, at reasonable expense and excluding confidential information, prepared in consideration of the indicators and guidelines set forth in the Global Reporting Initiative's (GRI) Tax Standard. According to the proponents Brookfield topped a list of Canadian companies that avoided paying the largest amount of income tax from 2017 – 2021. Brookfield's limited tax disclosure challenges investors' ability to evaluate the risks of taxation reforms or whether the company is engaged in responsible tax practices that ensure long-term value creation for the company. The proposal would bring Brookfield's disclosures in line with leading companies who already report using the Tax Standard. The company already report BEPS Action 13 CvC information with the Canada Revenue Agency privately, so any increased reporting burden is negligible.

OUTCOME:

The proposal failed to pass but received a significant 26.9% support from shareholders. This is a positive result considering that this is the first time that the resolution has been voted on at any Canadian-headquartered company. Brookfield expects to comply with the EU public country-by-country reporting requirements by 2024 or 2025.

FIGURE 46: VOTING CASE STUDY (PLASTIC POLLUTION/SIGNIFICANT VOTE)

Amazon.com, Inc

THEME:

Plastic Pollution

VOTE DECISION AND RATIONALE:

LGPSC supported a shareholder proposal requesting Amazon issue a report, at reasonable expense and excluding proprietary information, describing how the company could reduce its plastics use in alignment with the one-third reduction findings of the Pew Report,[14] or other authoritative sources, designed to significantly reduce ocean plastic pollution.

The proponent argues that the plastic pollution crisis poses financial, operational, and reputational risks to the company. The proponent argues that corporations around the world could face a cost of $100 billion if governments were to require that they pay the waste management costs of the packaging they produce. It cites a Pew Charitable Trusts study called Breaking the Plastic Wave, which concluded that if all current industry and government commitments were met, ocean plastic deposition would be reduced by only 7%. The proponent contends that, despite likely being one of the largest corporate users of non-recyclable plastic packaging, Amazon does not disclose the amount it uses.

While the company discusses the impact in terms of plastic waste reduction, it does not provide an overall baseline amount of plastic used throughout its supply chain and does not provide competing data that allows investors to assess its progress. Several of the company's peers have announced goals specifically around single-use plastic reduction. Concern over the environmental damage caused by plastics is rising and regulations are likely to go into force in several jurisdictions that would limit the amount of single-use plastic packaging that can be used. Additional disclosure would help gauge whether the company is appropriately managing risks related to the creation of plastic waste.

OUTCOME:

Whilst the resolution did not pass it encouragingly received 31.8% support. Following the AGM, we sent a letter to Amazon explaining our rationale for supporting the shareholder resolution. We did not receive a response from the company. However, considering the strong support for the shareholder resolution we expect the company to provide disclosure about how it can reduce its plastic use.

[14] breakingtheplasticwave_report.pdf (pewtrusts.org)

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 47: EXERCISE OF RIGHTS AND RESPONSIBILITIES CASE STUDY (FIXED INCOME)

NextEra Energy Inc, Neuberger Berman, LGPSC Global Active Investment Grade Corporate Bond Multi Manager Fund

OBJECTIVE:
To improve disclosure of political donations and lobbying practices.

SECTOR:
Utilities

ESG TOPICS ADDRESSED:
Social; conduct, culture and ethics

ISSUE / REASON FOR ENGAGEMENT:
To lower lobbying risk and encourage NextEra to increase lobbying disclosure.

SCOPE AND PROCESS / ACTION TAKEN:
The Neuberger Berman (NB) Fixed Income team collaborated with the Equity and ESG investing teams to engage with the issuer on increasing lobbying disclosures. This has been an area of focus NB have prioritized with the company over several years given the materiality for the Utilities sector.

The issuer had historically been a laggard on political spending disclosure compared to peers in the sector and one of its subsidiaries faced an investigation over potentially violating the Federal Election Campaign Act after allegedly providing financial support for political campaigns.

Quarterly discussions were held with the issuer's management team, a special meeting with the issuer's ESG team to discuss political activity took place, and periodic discussions with the issuer's Treasury team were held. These engagements were led by the credit analyst covering NextEra.

OUTCOMES AND NEXT STEPS:
The issuer's subsidiary was cleared of wrongdoing by third-party investigations and the local utility commission, although there is still potential to face an investigation by the Federal Election Commission (FEC).

Through NB's engagement they learned that the CEO and the Board determine and have oversight of political spending activities, which NB view as a positive governance practice. NextEra's political spending and lobbying disclosures have improved, along with their third-party CPA Zicklin political disclosure score.

NB will continue to engage with the issuer on increasing transparency of political spending, along with ensuring proper governance of spending and lobbying policies.

FIGURE 48: EXERCISE OF RIGHTS AND RESPONSIBILITIES CASE STUDY (FIXED INCOME)

HDFC Bank Ltd, M&G

OBJECTIVE:
Clear disclosure of the groups climate commitment, clarity on the group's strategy, and to commit to publishing Science Based Targets.

SECTOR:
Financial Services

ESG TOPICS ADDRESSED:
Net Zero/Decarbonisation

ISSUE / REASON FOR ENGAGEMENT:
Indian mortgage provider HDFC was set to merge with HDFC Bank. Amundi wanted comfort that the newly formed group would continue with existing climate pledges and disclosures.

SCOPE AND PROCESS / ACTION TAKEN:
M&G met with the company's Head of ESG, Head of Corporate Social Responsibility, and members of its investor relations team.

OUTCOMES AND NEXT STEPS:
The Bank confirmed that their 2032 carbon neutrality target would be extrapolated and combined for the new entity after the merger. The new entity will also be working towards net zero, with targets currently under discussion and portfolios being tagged, allowing it to engage with clients and be in a better position to set targets. The company confirmed that there are no concrete plans to set science-based targets.. The bank also confirmed that emissions are being calculated using agencies, with ongoing portfolio analysis. Regarding sectoral approaches, including high polluting industries, the bank confirmed that it plans to have a strategy and policy to address this by 2025/26. Following the meeting with the company M&G had gained comfort that the company had a thoughtful approach to its climate plans following the merger. M&G will continue to engage with the company on this topic.

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 they invest in. We provide below an example of how our external managers approach this.

FIGURE 49: EXERCISE OF RIGHTS AND RESPONSIBILITIES CASE STUDY (PRIVATE MARKETS)

Paraguay Government, Barings, Private Credit Fund

OBJECTIVE:
To understand the country's approach to issuing sustainable debt.

ISSUE / REASON FOR ENGAGEMENT:
Barings have identified Paraguay as a strong contender for a Sustainability-Linked Bond (SLB) issuance.

SCOPE AND PROCESS / ACTION TAKEN:
In November 2023, Barings' analysts continued engagement with the Paraguay authorities that started in Q2 2023, when ESG-oriented analysis led analysts to find Paraguay as a strong contender for a Sustainability-Linked Bond (SLB) issuance. After discussions with the Inter-American Development Bank and the IMF, the Barings team met with the Debt Management Office (DMO) of Paraguay to discuss their strategy around issuing sustainable debt. After hearing their perspective and understanding capacity limitations, Barings continued to encourage them to consider the benefits of issuing SLBs, rather than the use of thematic proceeds bonds. Barings also advised the Office on potential relevant indicators for Paraguay, including fiscal revenue/GDP, reforestation, and reducing informality in the economy.

OUTCOMES AND NEXT STEPS:
Further conversations included enhancing government capacity and communications between agencies. The Emerging Markets Sovereign team then connected the DMO with a working group on Sovereign SLB for further capacity development.

FIGURE 50: EXERCISE OF RIGHTS AND RESPONSIBILITIES CASE STUDY (PRIVATE MARKETS)

3P Biopharmaceuticals, Keensight Capital, Private Equity Fund

OBJECTIVE:
To define and implement a robust corporate sustainability policy that aligns with industry best practices.

ISSUE / REASON FOR ENGAGEMENT:
A robust sustainability policy that aligns with best practice will help ensure that the company manages its ESG risks and opportunities effectively.

SCOPE AND PROCESS / ACTION TAKEN:
Frequent and constructive meetings and written communications to guide the company in refining their sustainability policy. Keensight actively engaged with the C-suite (Compliance Director, HR Director), ensuring a comprehensive understanding of the strategic imperatives.

Keensights dedicated ESG team led this engagement, leveraging expertise to provide examples of best practices, offer structural guidance, and conduct thorough policy reviews.

OUTCOMES AND NEXT STEPS:
The engagement has successfully met the stated objective with the establishment, approval, and communication of the corporate sustainability policy.

The established corporate sustainability policy has delivered a transformative outcome, significantly enhancing the structure of the company's priorities and commitments. By codifying sustainable practices and principles, the policy provides a clear roadmap for the organisation, outlining key priorities and commitments that align with ESG imperatives. This structured approach serves as a guiding framework, influencing decision-making processes and daily operations.

FIGURE 51: EXERCISE OF RIGHTS AND RESPONSIBILITIES CASE STUDY (PRIVATE MARKETS)

El Paso Electric, JP Morgan Infrastructure Investments Fund

OBJECTIVE:
To set emissions reduction goals supported by an action plan.

SECTOR:
Utilities

ISSUE / REASON FOR ENGAGEMENT:
El Paso Electric (EPE) face transition risks in the form of climate-related regulatory and policy changes, technological evolution, and customer demands.

SCOPE AND PROCESS / ACTION TAKEN:
Through IIF's ownership (100%), asset management and governance structure, the team worked together with management to set specific carbon reduction goals with action plans in place.

As a result, goals have been set and published:

- 80% carbon-free energy by 2035
- 100% pursuit of decarbonization of generation portfolio by 2045

EPE is working directly with its regulators on approval for energy transition and climate adaption projects. In 2023, EPE received regulatory approval to expand its Texas Community Solar Program with an additional 10 MW solar facility. This new solar facility will add to EPE's existing, fully subscribed, Texas Community Solar Program and offer a discounted rate for income-qualified customers. The expansion will bring the program's total capacity to 15 MW of community solar energy. This project will be the second expansion of its community solar program since its initial launch, giving even more customers the option of receiving their energy from a local, renewable energy resource without having to install their own distributed generation system.

OUTCOMES AND NEXT STEPS:
EPE plans to meet the 2035 goal through 1) the continued deployment of renewable energy resources, 2) storage solutions, 3) the use of new fuels and technologies and 4) increased efficiency. 5) EPE plans to continuously evaluate alternative energy technologies, fuels, and efficiency strategies as those solutions develop over the next decade.

EPE recognizes that climate risks are best addressed through long term resource and portfolio transitions but also identifies and implements nearer term projects and strategies to help mitigate these impacts, including: dedicated renewable energy, battery storage and microgrid resources to government and large commercial customers; voluntary renewable energy subscriptions for residential and small commercial customers; transportation electrification plans; and demand response programs. EPE also has a similar community solar program in New Mexico that has been submitted for regulatory approval.

06 Appendix

Three Shire Heads Waterfall, Cheshire/Derbyshire/Staffordshire Border

6.1 List of acronyms

ACS	Authorised Contractual Scheme
AIM	Alternative Investment Market
BVCA	British Private Equity and Venture Capital Association
CA100+	Climate Action 100+
CDP	Carbon Disclosure Project
CIO	Chief Investment Officer
COP28	United Nations Climate Change Conference 28
CRM	Client Relationship Manager
CRMS	Climate Risk Monitoring Service
ESG	Environment, Social, Governance
EXCO	Executive Committee
FAIRR	Farm Animal Investment Risk and Return Initiative
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
FSDA	Finance Sector Deforestation Action Group
FTSE	Financial Times Stock Exchange
GAIN	Girls are Investors Network
IAHR	Investor Alliance for Human Rights
IC	Investment Committee
ICCR	Interfaith Center on Corporate Responsibility
ICGN	International Corporate Governance Network
IIGCC	Institutional Investors Group on Climate Change
IOC	Investment Oversight Committee
IPD	Integrated Disclosure Project
IPDD	Investor Policy Dialogue on Deforestation
ISC	ISS Corporate Solution
JC	Client Joint Committee
LAPFF	Local Authority Pension Fund Forum
LGPSC	LGPS Central
ORCA	Operational, Risk and Compliance Committee
PAF	Practioners' Advisory Forum
PMIC	Private Markets Investment Committee
PRI	Principles for Responsible Investment
RI&E	Responsible Investment & Engagement
RIWG	Responsible Investment Working Group
SAB	Local Government Pension Scheme Advisory Board
SDG	Strategy Development Group
SDGs	Sustainable Development Goals
TCFD	Task Force on Climate-related Financial Disclosures
TNFD	Taskforce on Nature-related Financial Disclosures
TPI	Transitional Pathway Initiative
UKSIF	UK Sustainable Investment and Finance Association
UNGPs	United Nations Guiding Principles

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