LGPS Central Limited

Stewardship Update

FIRST QUARTER · 2024–25 (APRIL – JUNE 2024)

CHESHIRE PENSION FUND

Derbyshire Pension Fund

Leicestershire County Council PENSION FUND

NOTTINGHAMSHIRE PENSION FUND

Shropshire County Pension Fund

Staffordshire Pension Fund Local Government Pension Scheme

West Midlands Pension Fund

Worcestershire Pension Fund

Responsible Investment & Engagement:

LGPS Central's approach

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

OBJECTIVE #1

Support investment objectives

OBJECTIVE #2

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

These are met through three pillars:

Our **Selection** of assets

Our **Stewardship** of assets

Our commitment to **Transparency & Disclosure**

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

ADDITIONAL DISCLOSURES

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

Signatory of:

PRI Principles for Responsible Investment

UK STEWARDSHIP CODE

employers network for equality and inclusion Member

LGPS ADVISORY BOARD CODE OF TRANSPARENCY

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

Key Stewardship developments

NEW UK GOVERNMENT

In the UK, the change of government has marked a step change in the UK's approach to climate policy. The Climate Change Committee, the UK government climate watchdog, warned "only a third of the emissions reductions required to achieve the 2030 target are currently covered by credible plans[1]". The new Labour government's have signalled that clean energy is one of the top two missions alongside economic growth which should provide investors with some confidence in a stable policy environment. Labour plans to channel capital into renewable energy and green technologies through Great British Energy and the National Wealth Fund, and reverse some of the previous governments climate policies. Other notable policies include a bill put forward on taking stronger action against polluting water companies and putting forward the employment rights bill which plans to simplify the process of statutory recognition and introduce a regulated route to ensure workers and union members have a fair opportunity to access a union within workplaces. However, the benefits of the government's ambitions will only be realised through sound execution.

AMAZON'S TRADE UNION BATTLE

It has been reported that Amazon was pressuring employees to vote against unionization and interfering with workers freedom to associate which is not compliant with the International Labour Organisations standards. Warehouse workers rejected a vote to become the first site outside the United States to force Amazon to negotiate labour terms with the GMB union[2]. Following the vote the GMB have filed a legal challenge against Amazon claiming that the company inappropriately influenced warehouse workers to vote against unionization by inappropriately quizzing workers whether they were pro-union and placed posters across the site with QR codes which allowed workers to cancel their union membership. If the Central Arbitration Committee accepts the GMB complaint, a new unionization vote could take place at the site. LGPS Central signed a letter to Amazon on this issue. See page 6 for further details.

EXXONMOBIL'S LAWSUIT

Exxon Mobil announced that it will be suing two of its shareholders, Dutch activist Follow This and the US asset manager Arjuna Capital, due to repeat shareholder resolutions requesting medium term emissions reduction targets. In January, Exxon Mobil had filed a lawsuit to block the shareholder measure from being voted on at its annual meeting. In response Follow This and Arjuna Capital withdrew the shareholder proposal, however Exxon Mobil stated that they would continue with the suit. The attack on shareholder rights was deeply concerning and raised the prospect of future lawsuits against shareholders seeking improved disclosure and practices to better manage their climate risk. Exxon Mobil argued that the proponents did not have the company's economic interests at heart and are driven by an "extreme agenda". In response, Institutional investors, Wespath Investments and Benefits and Mercy Investment Services, filed

[1] Progress in reducing emissions 2024 Report to Parliament - Climate Change Committee (theccc.org.uk)
[2] Amazon workers narrowly reject union in historic vote - BBC News

an exempt solicitation urging investors to vote against the Lead Director Hooley and CEO Woods, due to their oversight of the company's hostile treatment of shareholders, including recent legal action taken by the company against its own investors.. LGPS Central opposed all board members who had served for over a year, over concerns about the company's capital not being prudently spent with regards to the legal action against Exxon's shareholders.

Ultimately, 13% of shareholders cast votes against Lead Director Hooley and 9% voted against CEO Woods, in sharp contrast to the average director opposition which ranged from 3-4%. Lead Director Hooley's support is in the lowest 10% of all S&P 500 director candidates, based on last year's proxy season results[3]. On the 17th June 2024, the US District Judge determined that the court was unable to make a ruling because the shareholders had pledged not to submit any future greenhouse gas-related resolutions against Exxon Mobil. Consequently, the case was dismissed due to the absence of an active legal dispute[4].

NATURE ACTION 100 BENCHMARK

LGPS Central actively participates in Nature Action 100 (NA100), a collaborative investor initiative to engage with companies on nature-related risks and opportunities. Our overall objective with the companies that we engage with is to gain reassurance that that the company aligns their business models with the targets and goals of the Global Biodiversity Framework.

SPOTLIGHT ON ANIMAL TESTING

Pharmaceutical companies often shy away from disclosing their involvement in animal testing. However, evolving regulations and the rise of alternatives suggest that viewing this issue as an ethics-based issue only is flawed. Effective governance and a transition to alternatives are crucial for long-term shareholder value. Companies embracing alternatives and investing in this transition are poised to capture market share in an animal testing-free future.

In the EU and UK, alternatives in pharmaceutical research are standard practice. The European Parliament's 2021 call for an EU-wide action plan to phase out animal testing under chemicals legislation, including human and veterinary medicines, underscores this shift. North America has also seen increased legal protections and funding for alternative technologies. The 2023 FDA Modernization Act 2.0 in the US removed several longstanding animal testing requirements, incentivizing companies to reduce reliance on this practice[5]. Conversely, broadly Asian governments' approaches to laboratory animal welfare remain less stringent, leading to global inconsistencies. Recent OECD approvals of animal-free research strategies aim to improve standardization[6].

The financial risks of using non-human primates (NHPs) are evident. Prices for NHPs soared from $5,000 in 2020 to $30,000 in 2023 due to a shortage driven by China's export ban[7]. This shortage disrupted drug development pipelines and caused global study delays. Subpoenas related to an NHP smuggling investigation led to share price drops for Charles River Laboratories and Inotiv[8]. Companies violating animal welfare laws risk losing funding, facing facility shutdowns, or incurring legal penalties.

The societal backlash against pharmaceutical animal testing is stark, exemplified by the US government's 2022 seizure of thousands of beagles from Envigo due to welfare concerns. In 2024, Envigo's parent company was fined over $35 million, the largest in US history for an Animal Welfare Act case[9].

Alternatives to animal testing—biological molecules (in chemico), computational modelling (in silico), and cell-based methods (in vitro)—are more efficient, cost-effective, and relevant to human biology. Major pharmaceutical brands are partnering with innovators and investing in alternative technologies. Despite progress, the alternatives market is not yet mature enough to eliminate animal testing entirely without compromising product development integrity. Companies must work collaboratively on technology development and validation with regulators to advance this transition and drive long-term shareholder value.

LGPS Central has retained its signatory status to the UK Stewardship Code for the fourth year in a row, as confirmed by the Financial Reporting Council. As of 22 July 2024, there are 282 signatories to the Code, of which only 25% of them is represented by asset owners. LGPS Central's stewardship approach reflects our continuous efforts to exercise our fiduciary duty and to excel in stewarding the assets managed on behalf of our Partner Funds. The UK Stewardship Code sets best practice for stewardship reporting, guiding those responsible for managing investments on behalf of UK savers, pensioners, and their supportive institutions. Stewardship embodies the diligent allocation, administration, and oversight of capital with an unwavering commitment to creating lasting value for clients and beneficiaries.

[3] A look back at the 2023 Proxy Season - Georgeson
[4] EX240717_dismissal_on_mootness.01.pdf (mcusercontent.com)
[5] FDA Modernization Act 2.0 allows for alternatives to animal testing - PubMed (nih.gov)
[6] The updated OECD Guidelines and animal welfare: From recognition to reality - OECD Watch
[7] China's ban on research monkey exports hits vaccine testing (eara.eu)
[8] Animal Testing for Vaccines Relies on a Cruel Monkey Supply Chain (bloomberg.com)
[9] US dog breeder fined $35m after 4,000 beagles rescued - BBC News

Below is a high-level summary of key engagements and AGM votes that have taken place during Q2 of the financial year 2024-25. These and other engagements and voting examples will be covered in more detail later in this update. We will aim to cover companies that are included in our Engagement and Voting Priority Lists.

ENVIRONMENTAL

We engage with the banking sector with ShareAction, on fossil fuel financing. We supported a statement that was read out to Société Générale at their AGM. The statement called on the company to publish the methodology behind its green finance target, and how it represents the bank's fair share of green financing relative to the capital that needs to be allocated to climate mitigation and adaptation in a credible net zero scenario. Secondly, whether the company will set sector-based green finance targets, including a renewable energy target, as some of their European peers have done. Encouragingly, the Chair confirmed that they would be open to meeting the investor group to discuss its approach to the green finance targets. We look forward to future engagement and continuing constructive dialogue with the company.

We co-signed a letter to mining company requesting them to develop a best-practice and industry leading approach to the measurement, disclosure, and abatement of methane emissions from metallurgical coal operations. Encouragingly the company confirmed they are open to engage with investors on the topic of methane emissions.

Despite the current trends of high-profile investors leaving the Climate Action 100+ (CA100+) collaborative engagement initiative, LGPS Central remains committed to collaborative engagement, hence we co-signed a statement in support of CA100+. The statement emphasises three clear messages that the investment community remains committed to: (1) Further action to address systemic risk is essential, (2) Addressing significant investment risks, including climate risk, is a fiduciary imperative, (3) Collaborative engagement remains a vital tool.

175 nations agreed to develop a International Legally Binding Instrument (ILBI) on plastic pollution by 2024. The instrument is based on a comprehensive approach that addresses the full life cycle of plastic, including its production, design, and disposal. We alongside 159 financial institutions representing over $15.5tn in AUM signed a statement from the private financial sector to the member states negotiating the ILBI to end plastic pollution. The statement called on governments to set a clear objective to end plastic pollution that is supported by binding rules and obligations for governments to address the full life cycle of plastic.

We are lead investors in the Glencore Climate Action 100+ (CA100+) group. A letter was sent to the company reminding them of investor expectations and encouraging the company to disclose to the CDP, provide adequate analysis of risks of stranded assets for the company's coal portfolio, and disclose emissions reduction pathways for the Elk Valley Resources assets, in line with the Climate Action Transition Plan.

During the period, we engaged with three companies through Nature Action 100 (NA100). Initial correspondence was established with the companies, to set out investor expectations under NA100. We held two calls with two companies Rio Tinto and Sherwin Williams to introduce the NA100 initiative and discuss the companies' respective approaches to natural capital. See page 11 for further details.

In April, LPGS Central joined members of PRI's investor working group on Collaborative Sovereign Engagement and met with lead officials from the Australian Department of Industry, Science and Resources (DISR). Which is responsible for the development of the country's Future Gas Strategy. The Strategy, which is largely a statement of intent, sets out the government's plan for the continued and expanding role of gas in the Australian economy. The purpose of the meeting was to better understand how this would fit with government's net zero target. Investors on the call, agreed that gas has a role to play in the transition, particularly helping to buffer the economy from future price shocks, yet a more detailed plan was needed on how the government would look to

decarbonise demand centres for gas and achieve its emission reduction goals. This meeting is part of an ongoing initiative and further engagement is planned during the course of the year.

SOCIAL

In 2023, LGPS Central revitalised its stewardship efforts to address socio-economic risks associated with modern slavery and broader human rights issues. Reaffirming its commitment, LGPS Central renewed its membership with the "Find It, Fix It and Prevent It" initiative and proudly joined the Investor Alliance for Human Rights. Whilst we are a new lead engager for a company within the "Find It, Fix It and Prevent It" program, they have expanded its modern slavery stewardship to include its UK Direct Property Fund, managed in partnership with DTZ Investors. This extension reflects our commitment to comprehensive ESG integration across different asset classes. The UK construction sector employs over 2.2 million people. The National Crime Agency reported a 134% increase in labour exploitation cases in 2022, including 141 potential cases in construction involving approximately 543 victims[10].

Following a six-month engagement between LGPS Central and DTZ Investors, which began in Q4 2023, DTZ Investors has enhanced its due diligence processes for building contractors to a level beyond the general compliance standards of the UK Modern Slavery Act. It includes whistleblowing mechanisms, a stronger commitment to preventing modern slavery within the supply chain (including agents and subcontractors), rigorous due diligence checks, and prompt reporting on breaches. DTZ Investors exemplifies best practices in addressing modern slavery. Its comprehensive due diligence and monitoring processes cover over 70 UK building contractors and over GBP 7 billion of assets under management.

Through the collaborative engagement initiative, PRI Advance, we engaged with BHP about modern slavery and ongoing compensation in the aftermath of the Samarco dam disaster. Lawyers representing claimants filed an injunction against BHP and Vale. Whilst we await the trial, due to begin in October, we engaged with the company during the quarter on its approach to managing risks associated with workplace culture. Overall BHP's practices and disclosures pertaining to workplace culture were well received relative to peers. We will continue to engage with BHP on similar issues and their latest Modern Slavery Statement once published.

We signed a letter calling on Amazon to recognise the GMB union and to cease all anti-union activities in its Coventry warehouse. See page 14 for further details.

GOVERNANCE

We have identified a number of companies to be included in our priority voting list. For these companies we write to them outlining our rationale for dissent and requesting dialogue on areas of concern. During the period we sent letters to Sherwin-Williams, Rio Tino, and Bayer.

[10] Unseen-Modern-Slavery-Exploitation-Helpline-Annual-Assessment-2022-FINAL.pdf (unseenuk.org)

Voting highlights:

TESLA INC

We voted against the proposal seeking to ratify the performance-based stock options given to the CEO. One of our main drivers for dissent was the sheer magnitude of the pay award, being the largest pay package ever in the US market. See further detail on page 17.

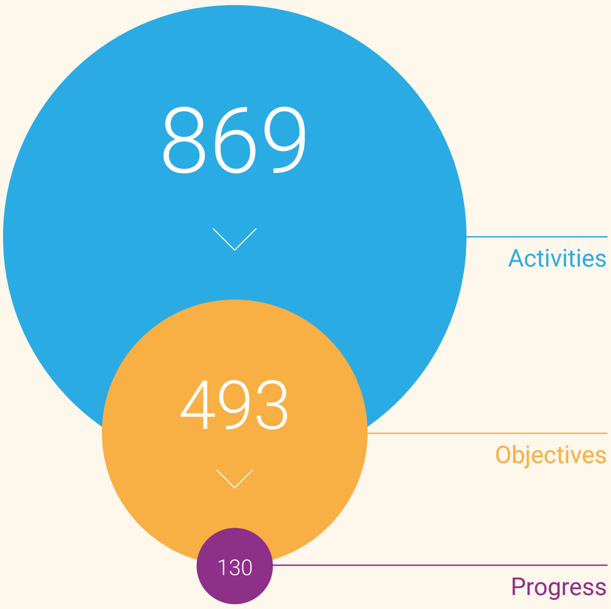
GLENCORE PLC

We abstained on voting for the Climate Action Transition Plan (CATP) due to concerns over Glencore's coal activities alignment with the goals of the Paris Agreement and the lack of adherence to any particular net zero scenario. See further detail on page 17.

SHELL PLC

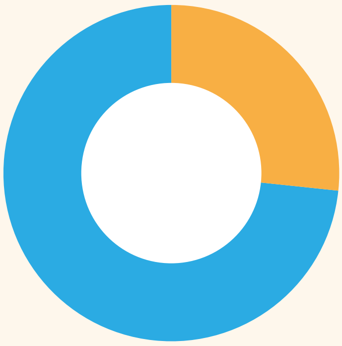
We voted against the Climate Transition plan. A key driver for our dissent vote was the lack of clarity around the company's medium-term targets, between 2030 – 2050. We are seeking to engage with the company on its climate transition plan. See further detail on page 18.

OVERVIEW OF ENGAGEMENTS DURING THE QUARTER

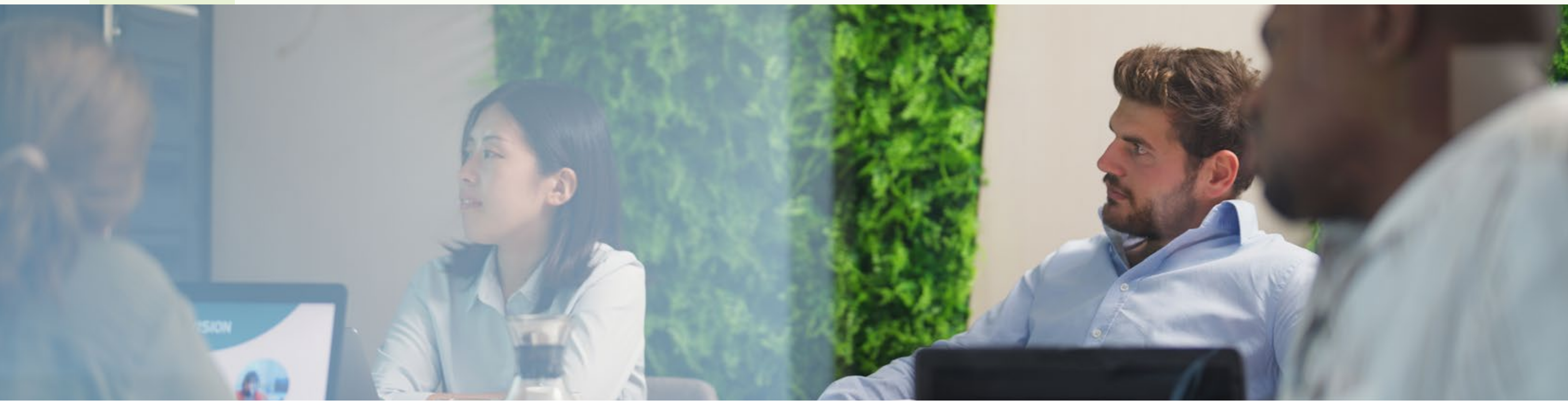


GLOBAL VOTING

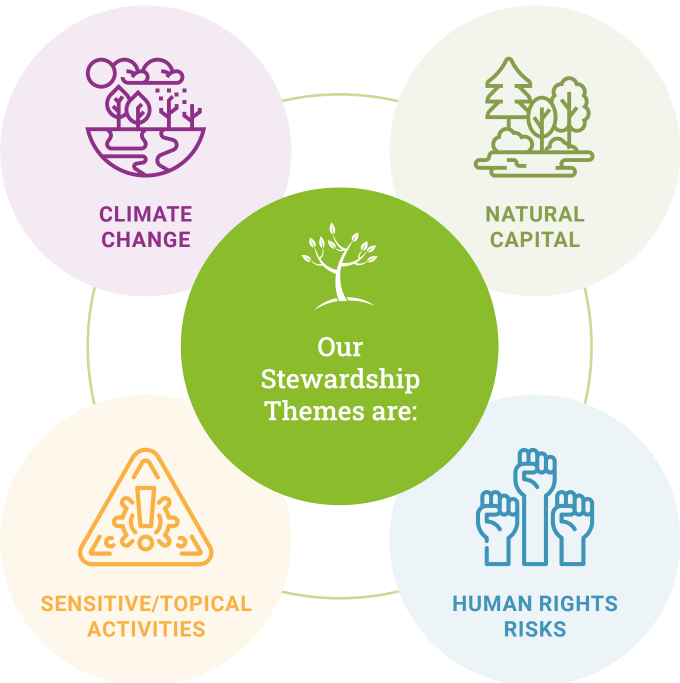
We voted at **2,099** meetings (**28,813** resolutions) during the quarter under review



02 Engagement case studies



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



ENGAGEMENT SET[11] COMPRISED 589 COMPANIES

869 ENGAGEMENT ISSUES AND OBJECTIVES[12] TOOK PLACE

THERE WERE 493 OBJECTIVES

POSITIVE PROGRESS WAS MEASURED ON 130 OCCASIONS

This quarter our engagement set[11] comprised 589 companies. 869 engagement issues and objectives[12] took place. Against 493 specific objectives, positive progress was measured on 130 occasions. Most engagements were conducted through letter issuance or remote company meetings, where we, our partners or our stewardship provider in a majority of cases met or wrote to the Chair, a Board member or a member of senior management.

NUMBER OF ENGAGEMENTS CONDUCTED BY:		
LGPS CENTRAL	STEWARDSHIP PROVIDER	LAPFF[13]
28	786	55

[11] This includes engagements undertaken directly, in collaboration, and via our contracted Stewardship Provider.

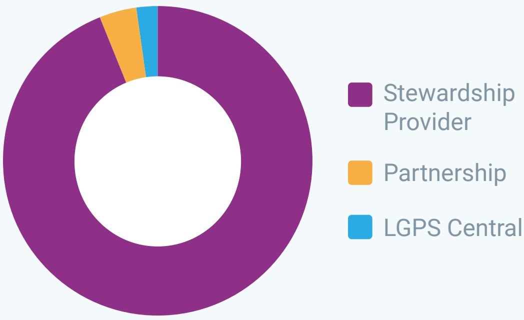
[12] There can be more than one engagement issue per company, for example board diversity and climate change.

[13] LAPFF voting alerts are not included in the engagement dataset.

CLIMATE CHANGE ENGAGEMENTS

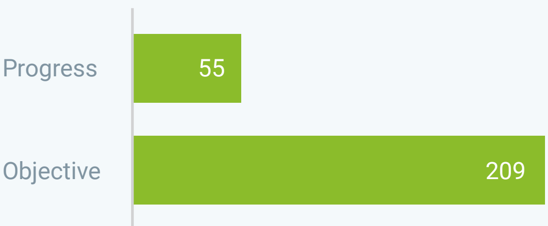
This quarter, our climate change engagement set comprised 219 companies with 321 engagement issues and objectives[14]. There was progress on 55 specific engagement objectives.

ENGAGEMENT VOLUME BY TYPE



- 321 engagements during the quarter

ENGAGEMENT VOLUME BY OUTCOME



SHELL PLC

Progress: Amber

Objective: To encourage the company to align its decarbonisation strategy with the goals of the Paris Agreement.

Engagement: LGPS Central, alongside 20% of shareholders, voted against Shell's updated Energy Transition Strategy at the 2024 AGM. While we welcome the inclusion of a scope 3 target focussed on the upstream emissions associated with the company's oil production, the removal of the company's 2035 intensity target leaves too much uncertainty regarding how the company will meet its long-term target of net zero by 2050. We reached out to the company to discuss these concerns in advance of the AGM but were unable to schedule a meeting.

Outcome: Following the outcome of the vote, which received more than the 20% threshold required to elicit a response from management, we reached out to the company again. We hope to meet with management to discuss the company's climate strategy during Q3/Q4 of 2024.

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

CRH PLC

Objective: To increase the ambition of medium-term targets from a 2°C trajectory to a well-below two or 1.5°C trajectory.

Engagement: EOS has been engaging with CRH on adopting medium-term targets that align with well-below two or a 1.5°C trajectory since 2021. The company acknowledged EOS's concerns and in its 2021 Annual Report CRH confirmed that SBTi's Target Validation Team has classified its scope 1 and 2 target ambition and determined that it is in line with a well-below 2°C trajectory. They have also set an ambition to be net zero by 2050. In addition they published details of complete scope 1, 2 and 3 emissions including targets.

Outcome: In April 2024, EOS met with the Chair and company secretary. Encouragingly, the company confirmed that its near-term emissions targets for scope 1 and 2 are aligned with a 1.5°C scenario, for both cement and non-cement operations. It also has SBTi verified scope 3 emissions reduction targets for purchased clinker and cement, which align with a 1.5°C scenario. However, the company cautioned that the impact of transitioning its primary listing to the US may influence how quickly it can set medium and long-term ambitions for emissions reduction. Following a successful outcome this engagement is now complete.

HSBC HOLDINGS PLC

Objective: To better manage the risk of stranded assets.

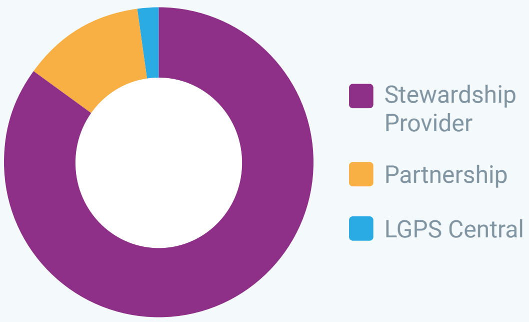
Engagement: During Q2 LAPFF met with HSBC's Group Head of Sustainability and the Senior Non-Executive Director and also attended the bank's 2024 AGM. LAPFF were reassured that the outgoing CEO, Noel Quinn, takes climate risk seriously and has assembled a team accordingly. LAPFF found it particularly interesting when Quinn mentioned his preference for appointing someone with extensive experience in climate change. LAPFF also inquired whether HSBC assesses risk on a group basis or for individual subsidiaries and was pleased to learn that the bank focuses on the latter.

Outcome: LAPFF is in the process of writing out to HSBC to organise a meeting with the new CEO. The Forum continues to look in depth at the implementation of the climate transition plan.

NATURAL CAPITAL

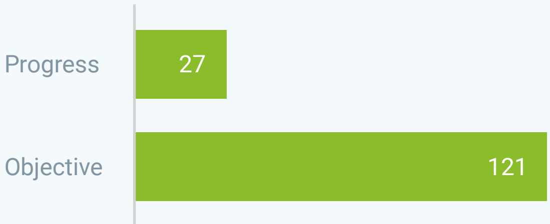
This quarter our natural capital-related engagement set comprised 118 companies with 186 engagement issues and objectives. There was progress on 27 specific engagement objectives.

ENGAGEMENT VOLUME BY TYPE



- 186 engagements during the quarter

ENGAGEMENT VOLUME BY OUTCOME



THE SHERWIN-WILLIAMS COMPANY

Progress: Red

Objective: Seeking reassurance that the company aligns its business models with the targets and goals of the global biodiversity framework.

Engagement: LGPS Central are co-leads in the NA100 Sherwin-Williams group. We had an introductory call with the company to introduce NA100 and the investor expectations arising from the initiative. The company's approach to managing nature-related risks were discussed with the Vice President for Global Sustainability and the Senior Vice President of Investor Relations. The nature of the call was largely information gathering.

Outcome: It was encouraging to learn that the company is planning to map its impacts and dependencies on nature and that they have a large suite of products with sustainability attributes. The investor group is planning further engagement with Sherwin-Williams on this topic.

CARREFOUR SA

Objective: To identify, assess, measure and disclose its impacts and dependencies on biodiversity, including the associated risks and opportunities.

Engagement: In Q2 2022, EOS sent a letter to Carrefour articulating its expectations on biodiversity, which included identifying, assessing, and measuring impacts and dependencies on biodiversity, committing to having a net-positive impact, establishing a strategy to address the company's most material impacts and dependencies, and articulating a plan with milestones to deliver this strategy. In Q3 2022, EOS met with the CSR manager to discuss its approach to biodiversity. EOS challenged the company to commit to eliminating deforestation, to strengthen its approach to regenerative agriculture, and to increase disclosure on its water goals. The company was receptive to EOS's requests and outlined the positive progress it had made, including the publication of an action plan in which it extended previous deforestation commitments to commodities like textiles and cocoa. The company confirmed that it intends to be a leader in organic produce; to respond to increasing consumer demand for healthy foods.

Outcome: In 2024 the company confirmed that it plans to report against the Taskforce on Nature-related Financial Disclosures recommendations and is working on implementing Science-based Targets for Nature (SBTN). The company also published its 2023 universal registration document, which outlines its biodiversity impacts and dependencies, and related risks and opportunities. The company assessed its entire value chain, in line with EOS's recommendations. It provided a representation of the group's biodiversity footprint by country and type of pressure, showing that its most significant impacts are in Brazil and France due to land use change. It also shows the pressures exerted on biodiversity by several raw materials identified as high impact by SBTN, including palm oil, beef, cocoa, soy, fishery products, aquaculture products and cotton.

The report also provided a narrative on pollution-related risks and opportunities, including on pollution of living organisms and food resources, air, water and soil pollution, elimination of substances with controversial health and environmental effects, and microplastics. Carrefour outlined an action plan to promote responsible consumption and sustainable agriculture. The company also followed EOS's suggestions on water disclosures, and reports that it seeks to limit the water footprint of its products in the procurement process. For example, it helps suppliers manage water by helping them set up efficient irrigation systems. The company identified textile supply chains as being a major water pollution risk and developed a programme to raise awareness, train and audit textile suppliers in the management and efficiency of water and chemical consuming processes. Following a successful outcome, this engagement is now complete.

CHIPOTLE MEXICAN GRILL, INC.

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

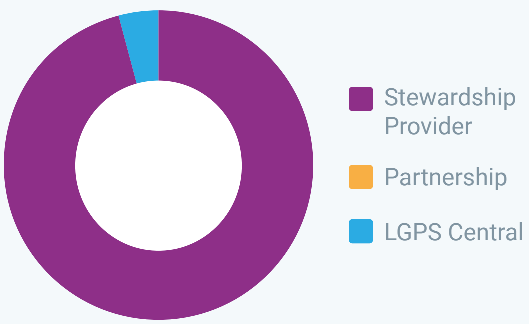
Engagement: During Q2 LAPFF met with Chipotle in advance of the publication of its sustainability report. The company had requested the opportunity to provide an update on the work it had undertaken as it relates to managing water risk across the business. The discussion was relatively high-level given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

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

SENSITIVE AND TOPICAL ACTIVITIES

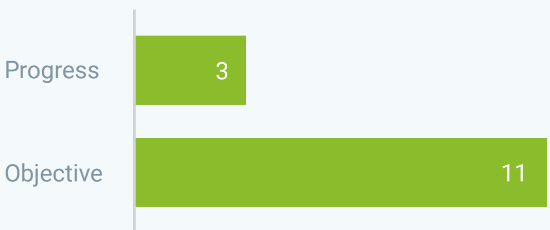
This quarter, our sensitive and topical activities engagement set comprised of 22 companies with 26 engagement objectives and issues. There was progress on 3 specific engagement objectives.

ENGAGEMENT VOLUME BY TYPE



- 26 engagements during the quarter

ENGAGEMENT VOLUME BY OUTCOME



TENCENT HOLDINGS LIMITED

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

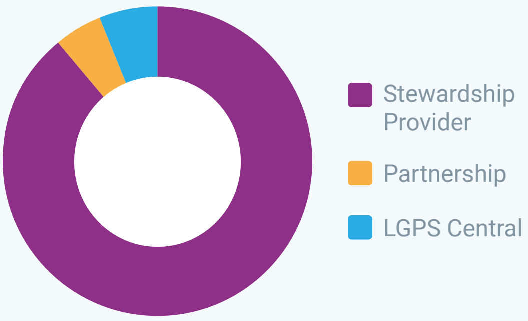
Engagement: Tencent has been accused of an indirect role in the infringement of civil liberties through surveillance of users, including ethnic minorities, by the Chinese government. In Q2 2022, EOS emailed the company its Digital Rights Principles. They highlighted that its objective is for the company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

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

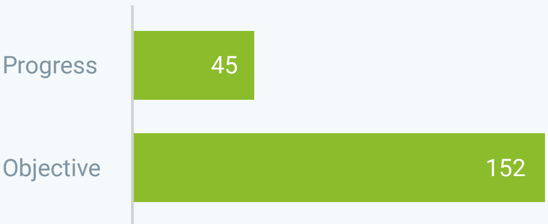
HUMAN RIGHTS

This quarter our human rights-related engagements comprised 230 companies with 336 engagement issues and objectives. There was progress on 45 specific engagement objectives.

ENGAGEMENT VOLUME BY TYPE



- 336 engagements during the quarter



AMAZON INC

Progress: Red

Objective: To recognise labour rights in the UK facilities.

Engagement: We co-signed a public investor letter, calling on Amazon to recognise the GMB union in the UK and to cease all anti-union communications in Coventry. Over the last eighteen months, there have been reports of activity by Amazon in response to workers organising at its Coventry facility in the UK that contradicts the company's Global Principles on Human Rights. The Central Arbitration Committee has ruled in favour of the GMB's application for a union recognition vote, however Amazon has refused to voluntarily recognise the union. Recently the GMB union have filed an inducement claim, that includes allegations that Amazon has used a range of anti-union communications including QR codes generating emails to the union's membership department requesting membership is cancelled, anti-union seminars and displaying anti-union messages on billboards.

Outcome: The GMB narrowly lost its bid for union recognition at the Amazon warehouse in Coventry. The GMB has reportedly submitted a complaint to Britain's labour law regulator which outlined the anti-unionisation tactics that Amazon had employed. If the Central Arbitration Committee accepts GMB's complaint, the body could order a fresh unionisation vote. We will monitor how this situation progresses.

TELECOMMUNICATIONS COMPANY

Progress: Red

Objective: The adoption of the United Nations Guiding principles on Business and Humans Rights across its business operations.

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

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

AGNICO EAGLE MINES LTD

Objective: To aggregate, disclose, and demonstrate growth in support for indigenous business or suppliers.

Engagement: EOS commenced engagement with the company challenging them to aggregate, disclose, and demonstrate growth of support for indigenous-led suppliers, as it currently does for operations payments to local suppliers. The company acknowledged EOS's request. The company enhanced its human capital management disclosure, including diversity data on female representation and turnover rates. EOS supported continued focus on diversity and recommended a gender pay gap analysis as well as targets for indigenous peoples' representation within its existing local hiring and local content commitments.

Outcome: In Q2 2024, the company confirmed that it currently tracks its support for the Indigenous economy in three ways: spending on Indigenous suppliers (reported at $800 million in 2022); spending on community investments (reported at $16 million in 2022); and payments made via royalties and benefits agreements (not yet reported). The company plans to publish a reconciliation plan later this year. It believes it is among the largest payers of benefits to Indigenous peoples in Canada and plans to highlight this more in its upcoming disclosure. EOS look forward to future disclosures and will continue to engage on this topic with Agnico Eagle Mines.

03 Voting

POLICY

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

COMMENTARY

Between April – June 2024, we:

VOTED AT	OPPOSED ONE OR MORE RESOLUTIONS AT	SUPPORTED
2,099 MEETINGS (28,813 resolutions) globally	**1,533** MEETINGS	**54.6%** OF SHAREHOLDER PROPOSALS (524 out of 959 resolutions)

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

EXAMPLES OF VOTING DECISIONS

GLENCORE

Company: Glencore Plc

Theme: Climate Change

Rationale: We abstained on a resolution requesting shareholder approval of the 2024 – 2026 Climate Action Transition Plan (CATP). Whilst there are positive elements to the plan, we are cognisant of recurrent concerns. We are encouraged by the inclusion of all scopes being covered, the inclusion of short, medium and long-term targets, and the emphasis on absolute emissions targets. However, there is difficulty in reconciling Glencore's activities around coal with the goals of the Paris Agreement, the lack of adherence to any particular net zero scenario, and a cap on coal production featured in the 2021 iteration being discontinued. We also note that, at the time of voting, the Elk Valley Resources assets were omitted from the Transition plan.

Result: The CATP received 90.1% support from shareholders. However, it should be noted that following the AGM the company has confirmed that it revised a plan to combine the coal business with the steelmaking division of Teck Resources. This revision raises questions about how the emissions associated with Teck Resources fit with the CATP.

TESLA

Company: Tesla Inc

Theme: Executive Pay

Rationale: We voted against a management proposal that sought to ratify the performance-based stock options for CEO Elon Musk. In re-ratifying the 2018 performance option grant, shareholders have been given a unique opportunity to opine on a granted pay package for a second time. The magnitude of the award is the largest pay package ever in the US market, with the potential for the award value to peak above $55bn. We voted against the resolution due to the excessive size of the grant even given the company's success and growth during the performance period. The grant failed to achieve the board's other original objective of focusing the CEO on the interests of Tesla shareholders, as opposed to other business endeavours. The CEO is involved in multiple private companies that have significantly grown. There is a lack of clarity on the board's plan for the CEO's future compensation program. Finally, there are concerns of potential dilutive effects of the CEO exercising the roughly 304 million stock options from the 2018 award (there are roughly 3.2 billion shares outstanding as of April 2024). The CEO's current ownership is 20.5% of common shares outstanding and the exercise of these options would further widen the ownership gap between the CEO and institutional shareholders. It should be noted that the pledging of shares which is practiced by the CEO poses a risk to ordinary shareholders. The prior 2018 mega-grant of options to Elon Musk, all of which have vested but have not yet been exercised and remain subject to litigation and shareholder ratification at the 2024 AGM, means that the number of pledged shares could increase in coming years.

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

BNY MELLON

Company: The Bank of New York Mellon Corporation (BNY Mellon)

Theme: Lobbying

Rationale: We supported a shareholder resolution requesting the company disclose:

- policies and procedures governing direct, indirect and grassroots lobbying,
- payments used for direct, indirect, and grassroots lobbying,
- memberships in and payments towards any tax-exempt organisations that write and endorse model legislation,
- description of management and the board's decision-making process and oversight for making payments for lobbying.

It is encouraging that BNY Mellon provides disclosure around board oversight of its direct lobbying and federal lobbying expenditures and discloses its rationale for participating in the political process. However, the company does not disclose state lobbying expenses or the company's memberships in tax-exempt organisations. It also does not provide information concerning board oversight of indirect lobbying and does not clarify that management monitoring and oversight of political activity includes lobbying. While the company states that it regularly reviews trade association memberships for policy alignment, it does not specify responsibility for the review. BNY Mellon does not list its dues paid to trade associations, or the amount of trade association dues used for lobbying. Additional disclosure around its indirect lobbying activities and expenditures would allow shareholders to better assess BNY Mellon's use of corporate funds for lobbying and its management of related risks.

Result: The proposal received roughly 38% support from shareholders. Although the proposal did not pass (as 50% support is required for a shareholder resolution to pass in the US), it did send a strong signal to the company of investors' concerns over lobbying disclosure.

Company: Shell Plc

Theme: Climate Transition Plan

Rationale: Support was not warranted for Shell's climate transition plan. Whilst we welcomed the introduction of scope 3 targets for oil-based products, we are concerned about the opacity of the energy transition plan especially the long-term company's net zero commitment for 2030-2050, the inadequate level of capex allocated to alternative fuels, the overreliance on liquefied petroleum gas growth as a transition fuel, and the departure from the previous commitment in restraining from new oil and gas projects.

Result: The resolution recorded 22% dissent which sends a strong signal to the company of investor concern regarding Shell's transition plan. We wrote to the company prior to the AGM outlining our concerns with the transition plan and are seeking a meeting with the company to discuss our concerns further.

Company: Quest Diagnostics Incorporated

Theme: GHG reduction targets

Rationale: We supported a shareholder resolution which called for the company to set short- and long-term science-based GHG reduction targets aligned with limiting warming to 1.5°C and issue plans to achieve them. It is encouraging that the company discloses that board oversight of its environmental sustainability efforts is provided by the Governance Committee, and that ESG matters are overseen by the ESG Leadership Council. The company has also set scope 1, 2, and 3 emissions reduction targets and has established various sustainability goals that will contribute to emissions reductions, for example setting a target to reach 50% hybrid or electric vehicles by 2026.

However, the company does lag its peers in setting a science-based emissions reduction target. There are a number of climate regulations on the horizon that are likely going to impact the company and the adoption of the science-based GHG reduction target would help the company better prepare for regulatory changes.

Result: This proposal recorded roughly 42% dissent which sends a strong signal to the company on investor concern over the company's management of climate risk.

LGPS CENTRAL LIMITED'S

Partner Organisations

LGPS Central actively contributes to the following investor groups

All information is prepared as of **20/08/2024**.

This document is intended for **PROFESSIONAL CLIENTS** only.

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