LGPS Central Limited

Stewardship Update

FOURTH QUARTER · 2023-24 (JANUARY - MARCH 2024)

CHESHIRE PENSION FUND

Derbyshire Pension Fund

Leicestershire County Council PENSION FUND

NOTTINGHAMSHIRE PENSION FUND

Shropshire County Pension Fund

Staffordshire Pension Fund Local Government Pension Scheme

West Midlands Pension Fund

Worcestershire Pension Fund

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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
- Annual Stewardship Report
- Voting Principles
- Voting Disclosure
- Voting Statistics

Signatory of: PRI Principles for Responsible Investment

UK STEWARDSHIP CODE

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

Key Stewardship developments

ENVIRONMENTAL AND SOCIAL ISSUES IN THE 2024 US PROXY SEASON:

The 2024 proxy season is expected to take on a new intensity this year. As ESG-related shareholder proposals are being perceived as a threat worthy of court battles (i.e. Exxon Mobil lawsuit). Shareholder proposals filed at US AGMs hit a record high last year and are expected to break records in 2024. Say on climate proposals, which require companies to submit their climate transition plans for shareholder approval, have been popular and will likely continue to be so. Unsurprisingly, there is a split between European and US asset managers in respect of their willingness to support environmental and social proposals. European managers are more likely to support environmental and social proposals compared to their US counterparts. (This is expected due to the politicisation of ESG in the US). We can expect continued tensions between companies and shareholders on climate and human rights issues. New notable proposals requesting companies to report on their use of AI and nature protection are increasing in prominence for the US proxy season. Shareholder resolutions filed in 2024 thus far are similar to previous years; roughly one-third on environmental topics, 30 percent on diversity and human rights, and 17 percent on corporate political influence. Anti-ESG proposals account for roughly 10 percent of total shareholder resolutions. For further details on the shareholder resolutions at the 2024 proxy season, see analysis published by Harvard Law School Forum on Corporate Governance.

SPOTLIGHT ON CORPORATE GOVERNANCE REFORMS IN ASIA:

A lack of shareholder value, conflicts of interest, limited board independence and poor internal controls have contributed to high-profile scandals in both South Korea and Japan, however regulators are now trying to boost shareholder value by addressing some longstanding corporate governance issues. The Asian financial crisis of the 1990s prompted policymakers and market participants to address the underlying weaknesses in governance structures. Policymakers, regulatory bodies, and industry stakeholders have embarked on initiatives aimed at enhancing transparency, accountability, and investor protection within Asian companies. We look at reforms in 3 Asian markets:

- **Japan:** Japanese Boards are often male dominated and characterised by combined Board Chair and CEO roles, and employees who have mostly spent their entire career at the company. The widespread practice of cross-shareholding (where companies hold shares in each other) can lead to entrenchment of management and reduced accountability to shareholders. Japan's Corporate Governance Code was established in 2015 and revised in 2018 and 2021. Board size and cross shareholdings have now significantly reduced, and board independence at prime market listed companies has increased. The appointment of at least one female director to the board is expected, and in June 2023, the government adopted a policy for women to account for over 30% of directors on the boards of Japanese companies listed on the Tokyo Stock Exchange's prime market by 2030. The regulator has also taken steps to boost shareholder value, with companies urged to achieve a price-to-book ratio of above one. This approach

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has led to a genuine drive by many companies to improve capital management practices, as evidenced by an increase in share buybacks by companies with inefficient balance sheets. EOS met with the Tokyo Stock Exchange and the Ministry of Economy, Trade, and Industry to express expectations for improved capital allocation practices, board independence and director skills. They also co-signed an open letter pushing for higher requirements on board gender diversity which was followed by a change in policy.

- South Korea: Family-controlled companies (known as chaebols) have significant influence in the economy. Complex ownership structures and interlocking business relationships can lead to conflicts of interest and undermine transparency and accountability. Continued scandals generated by chaebols have cemented concerns about corporate governance and shareholder rights in South Korea. The latest iteration of South Korea's Corporate Governance Code (issued in 2022) introduced several amendments to strengthen board independence and enhance transparency and disclosure. We have seen an increase in companies with a majority-independent board and the appointment of women to boards, which is now a requirement for large companies. Recent proposals to address the Korea discount[1] by initiating a "Corporate Value-up Programme", and a requirement for stricter disclosure obligations on a company's handling of treasury shares, demonstrates positive momentum. It is not yet clear whether regulatory initiatives in South Korea will be sufficient to drive a sustained improvement in corporate governance practices and therefore a lessening of the Korea discount.
- China: State-owned enterprises (SOEs) dominate the Chinese corporate landscape which introduces complexities in governance. State interference may compromise optimal decision making and lead to inefficiencies and opacity. The protection of shareholder rights is a key issue in China as some companies operate with a dual class share structure and shareholders are unable to vote on director elections. Changes in corporate governance practices in China and Hong Kong have been aimed at enhancing transparency and strengthening investor confidence. The Chinese Securities Regulatory Commission has identified the improvement of corporate governance as a priority, and the development and revision of Company Law in China has helped to address the issues of related-party transactions and effective board governance. The publication and revision of the Corporate Governance Code in Hong Kong has also contributed to the increase in independent board directors and women on boards, with one-third independence a requirement.

EXXON MOBIL LAWSUIT:

ExxonMobil announced that it will be suing 2 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 actions of the company represent a broader threat to shareholder rights amid concerns over the company's climate risk (i.e., misalignment with the goals of the Paris agreement, continued greenfield development, and lack of scope 3 emissions targets) and have opened debate on what constitutes legitimate debate between a public company and its shareholders. Recently another US investor, Wespath Benefits and Investments, has urged shareholders to vote against the re-election of the CEO and the Lead Director in response to the hostile treatment of shareholders. The CEO and Lead Director were targeted because they were deemed to have primary responsibility for the oversight of the decision to litigate.

[1] The Korea discount refers to a tendency for South Korean companies to have lower valuations compared to international peers due to factors such as low dividend payouts, and the dominance of opaque conglomerates (chaebols).

Below is a high-level summary of key engagements and AGM votes that have taken place during Q4 of the financial year 2023-24. 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

In Q1 2024, we withdrew a shareholder resolution requesting **Barclays** to disclose the risks of stranded assets associated with the financing of oil and gas infrastructure. This followed an extensive engagement with Barclays's senior leadership team. extensive engagement organised by ShareAction. Subsequently the Company updated their Oil and Gas lending policy and committed to stop directly financing new upstream expansion projects. We are pleased that escalating our concerns has resulted in the better management of climate-related risk at Barclays. In line with the new approach to measuring the effectiveness of engagements we have classified this engagement as Green (where 70%+ of the engagement KPI's have been met). We look forward to building on our constructive dialogue with the Company and plan to re-engage with Barclays in H2 2024 to gain assurances that the updated policy is being implemented effectively.

BHP is represented on our Engagement Priority List under both the Climate Change and Human Rights stewardship themes. We have set an objective for the Company to enhance disclosure in relation to the Just Transition. Through Climate Action 100+, we had a call with the company to discuss the closure of the Mt Arthur thermal coal mine which will close in 2030, putting over 2000 jobs at risk. We engaged with the company over the lack of adequate disclosure in relation to the firm's approach to the Just Transition.

We co-signed a private letter to a **Mining Company** requesting them to commit to develop a best practice aligned approach to methane emissions management. The commitment should encompass the comprehensive measurement of methane emissions, setting a robust strategy to reduce emissions, and to disclose lobbying activities in relation to methane abatement. In the firms 2023 climate report they made improvements to the transparency of their abatement approach to methane, however we would like the company to consider going further. We requested a meeting with the company in advance of its AGM to discuss the letter in further detail. At the AGM the Chairman confirmed that they had read the letter and agreed there is more they need to do. The Chairman committed to produce greater disclosure on their approach to methane measurement and abatement before the end of 2024.

Shell retracted its 2035 carbon intensity emissions reduction goal due to uncertainty around the pace of change in the energy transition. However, they are still maintaining their 2050 net zero goal. The Company is planning to keep oil production flat and grow its gas business by 30% by 2030, whilst being more selective on the type of low carbon products it sells. It effectively goes against the IEA's scenario that no new oil and gas investment is compatible with a 1.5C pathway. Even before this announcement a Dutch court ruled that Shell's original climate targets were not ambitious enough and instructed the company to cut absolute emissions (Scope 1, 2, and 3) by 45% by 2030. The Company has appealed against the ruling, and the outcome of this appeal is expected in Autumn 2024. Back in December 2023 we engaged with Shell requesting the company give LGPSC the opportunity to provide feedback on its Energy Transition Strategy before it is published. Unfortunately, this opportunity was not provided to us. We will seek to re-engage with the company in Q2 2024 on the updated Energy Transition Strategy.

LGPS Central joined PRI and investor members of the Collaborative Sovereign Engagement Federal Government Working Group with lead officials from **Australia's Department of Industry, Science and Resources (DISR)**. The purpose of the meeting was to discuss the group's response to the Australian government's consultation on its Future Gas Strategy, which lays out plans to continue exploring new gas fields as a near to medium term "crutch" for the economy as it transitions towards net zero. Investor members highlighted that the viability of this strategy and its compatibility with the Paris Agreement would hinge on new policy measures

to reduce Australian demand for gas and scale up clean energy solutions. The importance of monitoring and reducing methane emissions was also raised. We were pleased that the Australian government plans are largely aligned to investor expectations. This was the second time the Working Group had met with DISR and further engagement with the government is planned pending the publication of the Australian government's future gas strategy.

SOCIAL

Following the AGM of **Apple** we sent a letter to the company outlining our rationale for dissenting against management recommendations. We supported two shareholder resolutions (1) requesting the company to report on Median Gender and Racial Pay Gap, (2) requesting the company to report on the use of Artificial Intelligence. Investors would benefit from having a view of how discrimination may affect differences in opportunities. The reports would provide investors with transparency and comparability across time and organisations and promotes the better management of ESG risks and opportunities. Investors would also benefit from transparency on the use of AI as it would help to better evaluate the risks associated with it. We welcomed the opportunity to engage with Apple on these issues.

We have an engagement objective with a **Telecommunications Company** to fully adopt the UNGPs in their business practices. In Q1 2024, we sent the company a letter following up on a previous engagement with the firm in 2023. We were unable 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). We have escalated our 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. We will also raise this matter with our external managers holding the stock on our behalf.

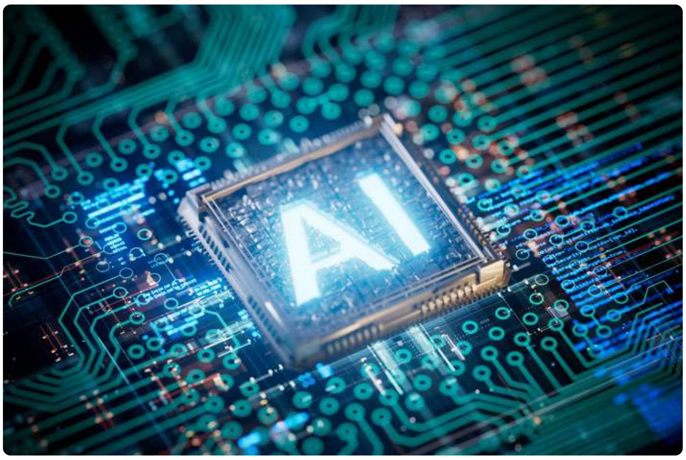
Following an explosion in a mine in Kazakhstan in 2023 which resulted in 46 fatalities we sent a letter to **Arcelor Mittal** raising our concerns regarding the effective implementation of their Health and Safety policy. We welcome the opportunity to engage with Arcelor Mittal on this matter.

GOVERNANCE

We have committed to sharing our rationale behind dissenting from LAPFF's voting recommendations with Partner Funds. In Q1 2024 we shared our rationale behind dissenting from LAPFF voting recommendations at **Apple Inc's** and **Bayer AG's** AGM.

As responsible investors we continue to be vocal on the need for fair remuneration. In Q1 2024, we also voted against roughly 40% (19 out of 47) resolutions requesting shareholders to approve remuneration policies. We also voted against roughly 33% (109 out of 332) of the remuneration reports that companies put forward during the period. For example, we voted against an advisory vote to ratify the executive officer's compensation at **Fair Isaac Corporation (FICO)** due to a pay-for-performance misalignment for the year in review.

Voting highlights:



metro

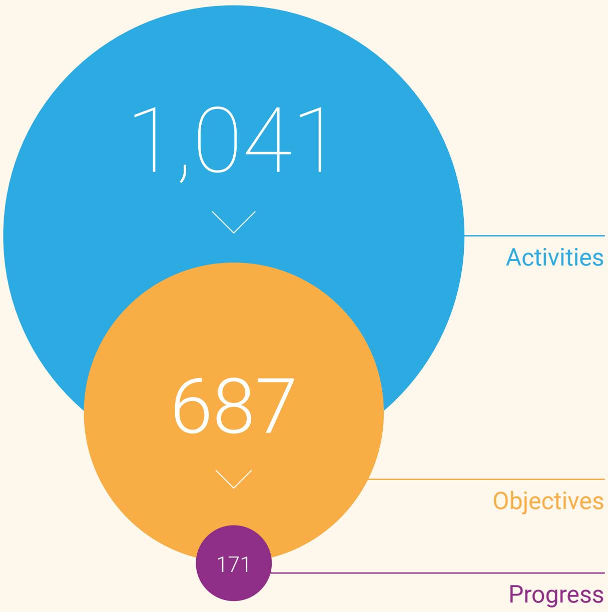
METRO INC

We supported a shareholder proposal, which passed, requesting the company to hold hybrid style (In-person and virtual) AGMs. Whilst virtual meetings enable potentially greater participation there are also concerns about eroding shareholder rights as it makes it easier for management to marginalise investors and avoid difficult questions. Due to the end of the COVID-19 public health emergency and the absence of any other compelling reason to continue holding virtual AGMs, we decided to support this resolution. See further detail on page 15.

APPLE, INC:

We supported a shareholder resolution filed at Apple's AGM requesting the company prepare a transparency report on its use of artificial intelligence (AI) in its business operations and to disclose any ethical guidelines that the company has adopted regarding AI technology. The adoption of AI into business operations raises significant risks including human resourcing decisions, automation of jobs, and the dissemination of false information. Investors would benefit from increased transparency which would enable the proper evaluation of the risks associated with Apple's use of AI. See further detail on page 15.

ENGAGEMENT ACTIVITIES DURING THE QUARTER

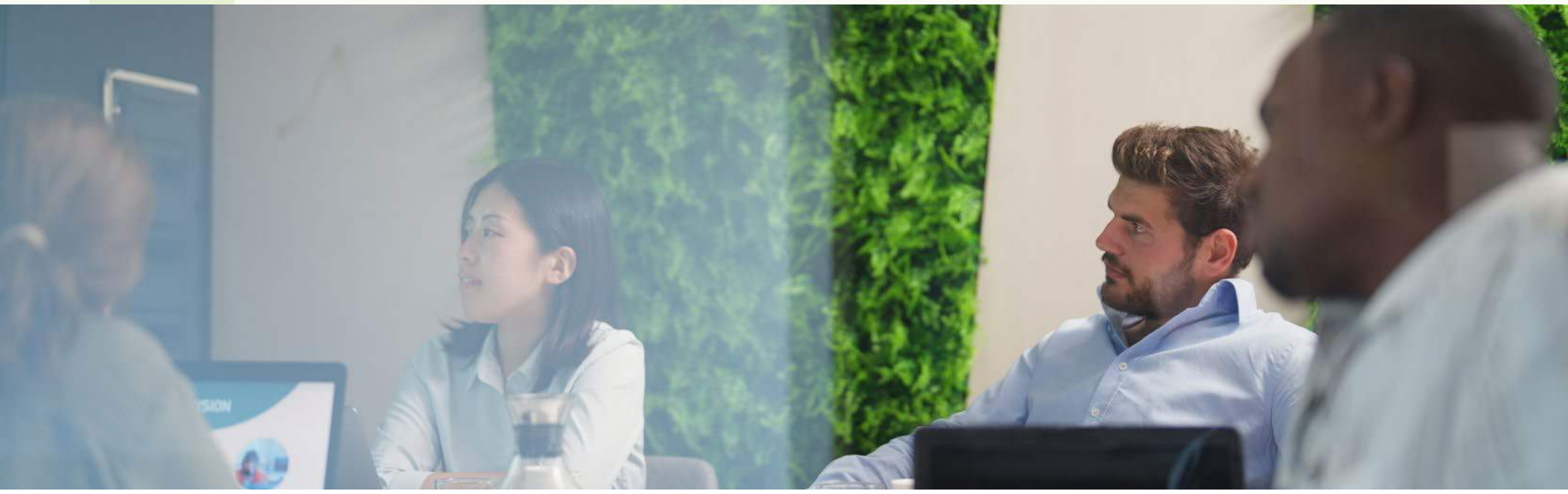


GLOBAL VOTING

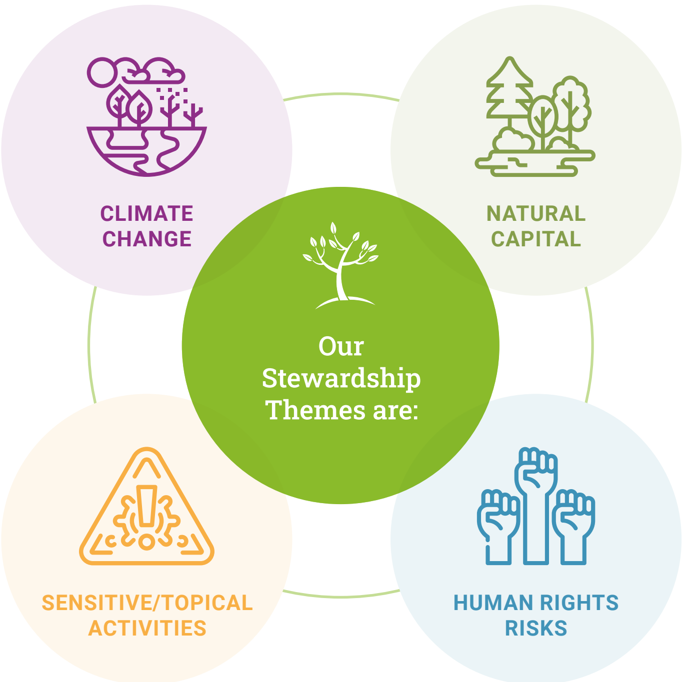
We voted at **394** meetings during the quarter under review

- Meetings with one or more votes against management
- Meetings voted with management

02 Engagement case studies



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



ENGAGEMENT SET[2] COMPRISED **745** COMPANIES	ENGAGEMENT ACTIVITY ON **1041** ISSUES AND OBJECTIVES[3]
THERE WERE **687** OBJECTIVES	ACHIEVEMENT OF SOME OR ALL ON **171** OBJECTIVES

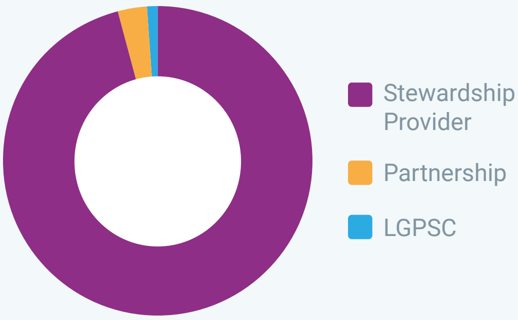
This quarter our engagement set[2] comprised 745 companies. There was engagement activity on 1041 engagement issues and objectives.[3] Against 687 specific objectives, there was achievement of some or all on 171 occasions. Most engagements were conducted through letter issuance or remote company meetings, 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.

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

CLIMATE CHANGE ENGAGEMENTS

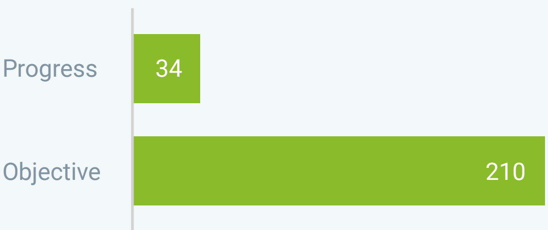
This quarter, our climate change engagement set comprised 212 companies with 322 engagement issues and objectives.[4] There was progress on 34 specific engagement objectives.

ENGAGEMENT VOLUME BY TYPE



- 322 engagements during the quarter

ENGAGEMENT VOLUME BY OUTCOME



BHP

Theme: Climate Change (Just Transition)

RAG Status: RED

Objective: Enhanced disclosure on Just Transition

Engagement: Through CA100+ LGPSC met with BHP regarding the closure of the Mt Arthur thermal coal mine which was due to close in 2045 but will now close in 2030. There are roughly 2,200 employees at risk of job loss. Although BHP have committed to the responsible closure of the mine in 2030 we wanted reassurances from the company about how they intend to meet this commitment.

The company confirmed that they have setup the Tomorrow, Together initiative which aims to support BHP employees to identify a pathway post closure most appropriate for each individual's circumstances. When we questioned the company regarding progress of the Tomorrow, Together initiative the company confirmed that they have assigned costs to re-training and re-deployment. However, the company has not disclosed these costs outside of the usual rehabilitation costs. BHP explained that consultations have taken place with

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

employees to consider appropriate levels of re-training and re-deployment. While considerations regarding contract workers are being managed from their agencies. The company confirmed that they want to give workers the opportunity to think and change their mind over where they want to move after the mine closure. The company redirected us to review their disclosures on the Just Transition, however it lacked adequate transparency outside of the usual rehabilitation costs.

Outcome: The company admitted that they saw the point on public disclosures not including specific measures of the Tomorrow, Together initiative. We plan on re-engaging with the company on the further disclosures regarding their approach to the Just Transition.

KINDER MORGAN INC

Theme: Climate Change

Objective: To report on how it manages its relationships with trade associations regarding their positions on climate change.

Engagement: In early 2019, EOS began engaging with US pipeline operator Kinder Morgan on climate lobbying. EOS shared a climate lobbying report best practice example and asked the company to demonstrate that it is governing its membership of trade associations robustly. Through EOS's co-lead role of the Kinder Morgan Climate Action 100+ collaborative engagement, they laid out their top priorities consistent with achieving a goal of net-zero emissions by 2050, which included trade association alignment. In response to the feedback, the company included information on political contributions and lobbying expenses in its 2020 ESG report. In 2021, we urged the company to build on its recent lobbying disclosure by adding how it manages its relationships with trade associations, particularly when they do not align with the company's position on climate change. EOS followed up on this in 2022, asking the company to disclose trade association public policy actions related to the US Environmental Protection Agency (EPA) proposed methane rule.

Outcome: In a recent engagement with a director, the company clarified that it does not have a public position on the goals of the Paris Agreement, but its trade associations reflect its positions and do not oppose the Paris Agreement or methane regulations. The director added that the company leaves trade associations that do not align with its positions and that it chairs the Interstate Natural Gas Association of America. This has an aspirational industry commitment to net zero by 2050 for Scopes 1 and 2 emissions. We will continue engaging with the company on enhancing its climate lobbying disclosures to include its recent improvements on trade association alignment.

DRAX GROUP PLC

Objective: To understand the company's business model, associated risk and sustainability of the supply chain for wooden pellets for combustion at Drax Power Station.

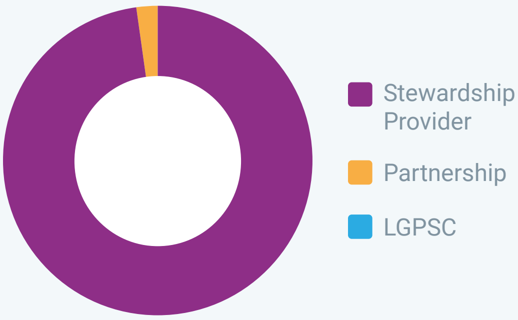
Engagement: Since the last AGM the Chair has been replaced as expected given the tenure. LAPFF is arranging to meet the new Chair. LAPFF had responses to the consultation from the Department of Energy Security and Net Zero on prolonging the subsidies to Drax. LAPFFs response covered the evidence that Drax supplies of wood are not carbon neutral or sustainable as a supply source, due it being dependent on US imports. Drax claims to source wood pellets from sustainable sources however a BBC investigation has shown that Drax has been cutting Canadian trees located in rare forests rather than from managed plantations.

Outcome: LAPFF is awaiting a meeting with the new Chair and is following government policy in this area closely. In March 2024, the government announced that new gas plants will be needed for intermittent supply of energy when there is insufficient generation from renewables. This is relevant to the medium to long-term future of Drax. We expect that LAPFF will raise this issue with the company in future engagements.

NATURAL CAPITAL

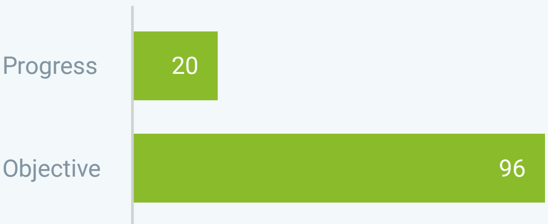
This quarter our natural capital-related engagement set comprised 105 companies with 188 engagement issues and objectives. There was progress on 20 specific engagement objectives.

ENGAGEMENT VOLUME BY TYPE



- 192 engagements during the quarter

ENGAGEMENT VOLUME BY OUTCOME



UNITED UTILITIES

Theme: Natural Capital

Objective: To reduce sewage overflows and increase overall financial resilience of the company.

Engagement: LAPFF met with the chief financial officer at United Utilities to discuss the company's plans for reducing storm overflows. In October, water utility companies set out their plans under Ofwat's price review process. These plans include investment strategies for improving environmental performance (regulated by the Environment Agency) such as overflow reductions. The meeting therefore spent some time discussing United Utilities' investment plans under the price review. LAPFF wanted to discuss delivering value for money and ensuring affordability for customers given the additional investment and higher prices needed. The meeting discussed adaptive planning, supply chain capacity, consultation, and support for the plans from their customers, and financial assistance for lower income households. The meeting also discussed gearing levels and implications for United Utilities. This covered the definition of gearing: the traditional debt to equity versus debt to assets, which is used by the regulator, and that the Ofwat definition is less sensitive to increasing debt than the traditional one. The situation at Thames Water was also discussed as was the differences between publicly listed and private equity run firms.

Outcome: As additional funding comes into the sector to address storm overflows, LAPFF will engage with water utilities to ensure that plans are being delivered, overflows are being reduced, and the investment represents value for money for shareholders and stakeholders.

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SENSITIVE AND TOPICAL ACTIVITIES

This quarter, our sensitive and topical activities engagement set comprised 1 company with 1 engagement objectives.

- **1** engagement during the quarter

ARCELOR MITTAL

Theme: Health and Safety

Objective: To raise our concerns about the methane explosion in a coal mine in Kazakhstan.

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

Outcome: We have proposed to schedule a call with the company to further discuss our concerns. We await the company's response.

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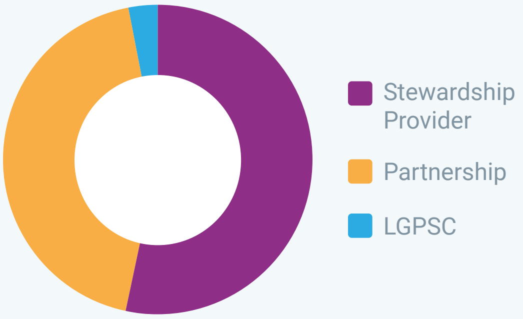
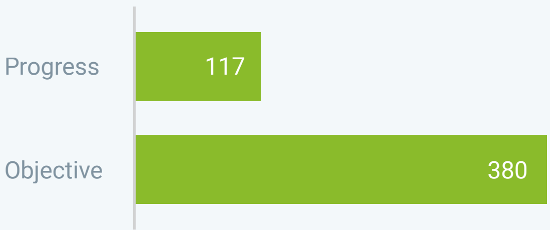
HUMAN RIGHTS

This quarter our human rights related engagements comprised 321 companies with 526 engagement issues and objectives. There was progress on 117 specific engagement objectives.

ENGAGEMENT VOLUME BY TYPE



- 526 engagements during the quarter



VOTES AGAINST SLAVERY (VAS)

(Lancashire Holdings Limited, J D Weatherspoon Plc, Apax Global Alpha Limited, Big Yellow Group Plc, Bytes Technology Group Plc, Personal Assets Trust Public Limited Company, Wizz Air Holdings Plc, Ascential Plc, Aston Martin Lagonda Global Plc, Discoverie Group Plc, Empiric Student Property Plc, Octopus Renewables Infrastructure Trust Plc, ME Group International Plc, TUI AG, Petershill Partners Plc, Pagegroup Plc, Petershill Partners Plc, Fresnillo Plc)

Progress: Red

Objective: To publish updated modern slavery statements annually on their UK websites.

Engagement: Rathbones has taken the lead on addressing modern slavery through Votes Against Slavery (VAS) initiative. The initiative focuses on addressing and reducing modern slavery practices by targeting non-compliant companies within the UK's FTSE 350, and starting from 2024, the FTSE AIM markets. This expansion reflects an effort to encompass a broader range of companies, especially considering the significant impact FTSE AIM companies can have through a variety of supply chains. LGPSC has endorsed this initiative by signing letters to 18 companies.

Outcome: We will continue to monitor the progress of the companies closely.

LUXURY GOODS COMPANIES

Objective: To address the risks associated with human rights violations such as forced labour, child labour, unsafe working conditions, and inadequate wages.

Engagement: During the quarter, LAPFF engaged with five luxury goods companies, several of which were new engagements for the Forum. Meetings were held with key industry players: Richemont SA, Kering SA, and Louis Vuitton Moet Hennessy. Prior to these meetings, it was recognised that LAPFF's requests would need to be varied due to the differing levels of disclosure and transparency regarding human rights programmes, risk management, and supply chain due diligence among the companies. These engagements provided LAPFF with valuable opportunities to initiate dialogues, aiming to establish good relationships and gain a deeper understanding of the companies' current practices. Moreover, these discussions allowed LAPFF to present an investor's perspective on why enhanced disclosures are critical, demonstrating a company's commitment to mitigating legal and reputational risks associated with human rights issues.

Outcome: LAPFF has calls scheduled with Moncler and Burberry for Q2 of 2024 and will also aim to build upon the initial engagements held with companies in Q1 in the upcoming months to ensure robust human rights risk management is viewed as a company responsibility, but also a key factor in safeguarding the companies' long-term value and reputation. LAPFF will continue to monitor these companies' practices and disclosures, providing feedback and recommendations as necessary to ensure that human rights considerations are being adequately addressed and integrated into their business models and supply chain operations.

03 Voting

POLICY

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

COMMENTARY

Between January – March 2024, we:

VOTED AT	OPPOSED ONE OR MORE RESOLUTIONS AT	SUPPORTED
517 MEETINGS (5,570 resolutions) globally	313 MEETINGS	44.8% OF SHAREHOLDER PROPOSALS (43 out of 96 resolutions)

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

EXAMPLES OF VOTING DECISIONS

Company: Apple Inc

Theme: Artificial Intelligence (AI)

Rationale: LGPSC supported a shareholder resolution filed at Apple's AGM requesting the company prepare a transparency report on the its use of artificial intelligence (AI) in its business operations and to disclose any ethical guidelines that the company has adopted regarding AI technology. The adoption of AI into business operations raises significant risks including human resourcing decisions, automation of jobs, and the dissemination of false information. We support the proponent's notion that the adoption of an ethical framework for the use of AI technology will strengthen Apple's position as a leading responsible user of AI, improve the firm's financial position, and build trust amongst stakeholders.

The Board asserts that they already provide transparency on the company's approach to AI and that existing guidelines, policies, and procedures sufficiently address the concerns raised.

Whilst we agree that the existing guidelines and practices broadly address topics mentioned in the shareholder proposal, they do not specifically identify potential risks resulting from the use of AI. Apple's peers have committed to mitigate risks posed by AI, and given the company's lack of disclosure, especially regarding AI's potential adverse effects on labour-related issues and the spread of misinformation, there are concerns regarding shareholders' ability to properly evaluate the risks associated with the use of AI or the actions the company is potentially taking to mitigate those risks. This is of particular concern given these issues have become increasingly contentious and may pose significant reputational and social risks. Improved transparency surrounding the company's use of AI within its business operations and the disclosure of an ethical guideline specifically related to AI will help to alleviate our concerns surrounding Apple's use of AI.

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

Company: Metro Inc

Theme: In-person AGMs

Rationale: We supported a shareholder proposal requesting the company to hold hybrid style (In-person and virtual) AGMs. Whilst conducting shareholder meetings via electronic means provides shareholders with potential benefits of enabling shareholder participation, there are also concerns about moves to eliminate physical shareholder meetings, arguing that virtual-only meetings may hinder meaningful exchanges between management and shareholders and enable management to avoid uncomfortable questions and therefore marginalising shareholders resulting in an erosion of shareholder rights. In light of the fact that the COVID-19 public health emergency was declared to have ended in May 2023, the company has not provided a compelling reason for continuing to hold virtual-only AGMs. In the absence of other extenuating circumstances preventing the company from holding an in-person meeting we decided to support this resolution.

Result: The proposal passed and received 53.8% support.

Company: Walgreens Boots Alliance Inc

Theme: Corporate Governance

Rationale: We voted for a shareholder proposal requesting the company appoint an independent Board Chair. Shareholders would benefit from more independent board oversight in the form of an independent Chair. The company has underperformed peers by a significant margin over the short and long term. Moreover, whilst we take comfort from the fact that there is a lead independent director role, the lead independent director must effectively act as a counterweight to both a CEO and an executive chairman. In this case, an independent Chair policy would simplify the current board leadership structure, which could promote more effective independent oversight and streamline responsibilities. In consideration of these factors, support for this non-binding proposal is warranted.

Result: The proposal received 31.5% support which is considered a significant vote. Whilst the resolution failed to pass, we expect the company to take note of investor concerns on this matter and expect the company to address the issue identified.

Company: Mitchells & Butlers Plc

Theme: Board Diversity

Rationale: We voted against the re-election of Bob Ivell, the Board Chair. The Board Chair is ultimately responsible for corporate governance standards on the Board. The composition of the Board and key committees falls short of the FCA's expectations to have 40% of women on the Board, currently Mitchells & Butlers Plc has 22% female representation.

The UK Corporate Governance Code's recommends a tenure limit for the Chair of 9 years. Bob Ivell has served on the Board for 12 years with no indication of succession planning coming from the company.

Result: Dissent against management's recommendation was significant at 29.6%, which sends a clear signal to the company on investor expectations with regards to Board composition and succession planning.

LGPS CENTRAL LIMITED'S

Partner Organisations

LGPSC actively contributes to the following investor groups

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