Shropshire County Pension Fund

Application to FRC for signatory status to UK Stewardship Code 2020

2025 submission covering the period 1 April 2024 to 31 March 2025



Administered by Shropshire Council

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Foreword

1.1 Responsible investment (RI) is a core part of the fund's stewardship and has been a key part of our Investment Strategy Statement for many years.

1.2 The fund's Investment Strategy Statement (ISS) states that the fund's primary long-term investment objective is to achieve and maintain a funding level at, or close to, 100% of the fund's estimated liabilities; and within this, to endeavour to maintain low and stable employers' contribution rates. The fund's investment beliefs include that a long-term approach to investment will deliver better returns, and that responsible investment (RI) can enhance long-term investment performance. As an externally managed fund, much of the day-to-day responsibilities for implementing stewardship is delegated to the fund's investment managers.

1.3 Specifically, the fund recognises that financial markets will be impacted by environmental, social, and governance (ESG) risks, and that all these factors are risks that may materially impact the value of the fund's holdings. The report provides examples of our stewardship approach to these risks. In 2024/2025, we maintained our key engagement themes with LGPS Central as climate change, natural capital, human rights and sensitive and topical Issues. These were established in collaboration with LGPS Central, as part of a tri-annual review. This allows us to reflect the increasing issues around biodiversity and allows us to maintain a flexible approach to other topical issues or companies involved in alleged controversies or deemed ESG laggards.

1.4 Risks and opportunities related to climate change are likely to be experienced across the whole of the fund's portfolio. Our current understanding of the potential risks posed by climate change, together with the development of climate-related measurements and disclosures, is still at an early stage: for example, we are aware that there is considerable variability in the quality and comparability of carbon emission estimates and recognise that it will take time for companies to adapt to the changing regulatory and market environment.

1.5 In December 2024 the fund's fifth annual Climate Risk Report was presented to the Pensions Committee, this delivered a view of the climate risk of the fund's entire asset portfolio, accompanied by proposed actions the fund could take to manage and

reduce that risk. The results were used in the fund's public-facing Climate-related Financial Disclosures for the fifth year. The fund was particularly pleased to see that our initial focus on transitioning both passive and active equity mandates into sustainable equity funds has resulted in the fund's overall carbon intensity being reduced by 62.9% since March 2020 with 63.1% reduction in normalised financed emissions over the same period. These accomplishments are shared with members through newsletters and via our website.

1.6 The fund continues to review its climate stewardship plan as a result of the climate risk report to ensure we can continue to better understand the drivers behind carbon emission data and the progress of the companies in meeting a number of metrics such as the setting of net zero targets, the percentage of CA100+ net zero indicator met and the Transition Pathway Initiative Management Quality rating. These all help give the fund a direction of travel in respect of the journey to net zero by 2050. As data quality improves the fund will look to develop milestones to monitor this transition.

1.7 The fund recognises all ESG risks, but climate is particularly relevant to our stakeholders with over 90% of our public questions to the Pensions Committee concentrating on this area. The fund met its commitment for a new climate strategy, issuing an updated strategy in September 2024, setting out our interim targets for carbon reductions on the path to being Paris aligned and the timescales to being able to report on all asset classes to give a whole fund picture rather than the current public markets approach.

1.8 To support our initiatives and work on strengthening / improving our investment and RI approach, the fund added the role of Pensions Investment and Responsible Investment Manager in 2022 to create more resource at a senior level to review future changes and ensure continued progress to achieving net zero alongside integration of material ESG risks across all asset classes. This role is now fully embedded and has allowed the fund to concentrate on its ESG reporting to both Committee and wider scheme members.

1.9 We have written this report in alignment with the UK Stewardship Code 2020, and the content reflects guidance received from the FRC on the content of the report for the 12 months from 1st March 2024 to 31st March 2025. This report has been reviewed by the fund's Pensions Committee. The report has also been reviewed by the Head of

Pensions — LGPS Senior Officer to ensure the accuracy of process descriptions and content. This review and challenge have given us confidence that our reporting is fair, accurate and balanced and most importantly informative in that it imparts critical information on our approach to stewardship to our stakeholders.

Cllr Gary Groves	**Justin Bridges**
Pensions Committee — Chair	**Head of Pensions — LGPS Senior Officer**

Purpose and governance — principle 1

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Purpose

2.1 Shropshire Council is the administering authority for the fund under the LGPS regulations. Shropshire Council delegates responsibility for the administration and management of the fund to the Pensions Committee. The fund has 265 participating employers (166 Active and 99 Ceased) and 54,330 member records of which 14,312 are pensioners; 18,358 are deferred; and 17,133 actively contributing. As the fund's two largest employers are Unitary Councils, virtually all its participating employers are associated with local government activities, and 6 of the 9 members of its Pensions Committee are Councillors, the fund's ethos is driven by a strong sense of social responsibility.

2.2 The primary purposes of the fund are to;

a) ensure that sufficient assets are available to meet liabilities as they fall due;
b) achieve and maintain a funding level at, or close to, 100% of the fund's estimated liabilities; and within this, to endeavour to maintain low and stable employers' contribution rates; and
c) maximise returns from investments within reasonable risk parameters considering the above aims.

2.3 The level of employer contribution is assessed every three years through an actuarial valuation of the fund. This valuation establishes the solvency position of the fund, that

is the extent to which the assets of the fund are sufficient to meet the fund's pension liabilities accrued to date. The objective is that the fund should be 100% funded on an ongoing basis, taking account of any additional contributions paid by employer bodies to cover any past service deficit over a 16-year time frame.

2.4 The fund achieved a 100% funding level in the March 2022 Actuarial report which took effect from 1st April 2023 demonstrating the effectiveness of the governance in place.

Strategy

2.5 The fund takes its responsibilities as a shareholder seriously. Our stewardship responsibilities extend over all assets of the fund.

2.6 The fund has published policy documents which identify how we meet our Stewardship responsibilities and these include, but are not limited to, our Investment Strategy Statement (ISS) that includes our voting policy and our Governance Compliance Statement. These documents cover the following areas.

- Monitoring of manager decisions including ESG integration.
- The exercise of voting rights.
- Risk measurement and management.
- ESG considerations in the tender, selection, retention, and realisation of investments.
- Statement of compliance with the Myners principles.
- Stock lending.
- Strategic asset allocation.

2.7 The fund's ISS and Funding Strategy Statement (FSS), the key document setting out how each fund employer's pension liabilities are to be met going forward and which all employers are consulted on prior to any changes, are taken to our Pensions Committee for input, debate and ultimate agreement. Members are therefore able to have clear input and influence on the fund's stewardship. These documents are reviewed every three years following the actuarial valuation. The FSS was agreed in March 2023 following consultation with all employers and the ISS was agreed in June 2023 following significant training to the Pensions Committee from investment advisors and our actuaries.

2.8 The fund provides regular updates to all its employers via a newsletter and updates all its members using a newsletter that in the case of deferred and contributing members accompanies their annual benefit statements. The fund also has a comprehensive and user-friendly website that provides stakeholders with a first port of call for all of their pension information needs including details about the fund's strategies, policies, investment beliefs, climate strategy, etc.

2.9 In addition to these governance policies the fund has also agreed a three-year Business Plan in December 2023 covering 2024-26. This plan provides operational overview of how the fund is progressing against key targets and projects to all stakeholders and is publicly available on our website.

2.10 In practice, the fund's policy is to apply the UK Stewardship Code 2020 (the Code) through:

- Its contractual arrangements with asset managers.
- Membership of the Local Authority Pension Fund Forum (LAPFF), whose mission is to proudly protect £300bn of local authority pensions by promoting the highest standards of corporate governance and corporate responsibility.
- Being part of the LGPS Central Limited (LGPSC) pool.

2.11 At the inception of LGPSC in April 2018, a Responsible Investment and Engagement Framework was established which builds directly on the investment beliefs of the company's eight partner funds. It is a shared belief across our pool partners that strong investment stewardship increases our ability to protect and grow shareholder value. This document was last updated in April 2024.

2.12 LGPSC has identified four themes that are given particular attention in its ongoing stewardship effort. The four themes are reviewed on a three-year basis (2024-2027). The themes for 2024-2027 cover climate change, natural capital, human rights and sensitive and topical issues. (see further detail below under Principle 4).

2.13 The partner funds and LGPSC believe that identifying core themes helps direct engagement and sends a clear signal to companies of the areas that the partner funds and LGPSC are likely to be concerned with during engagement meetings. The fund monitors closely the effectiveness of LGPSC and their work in this area to support the fund in its ongoing requirements in the following ways.

- Regular meeting of the LGPSC RI & Engagement Working Group.
- Regular stewardship updates provided to the fund's Pensions Committee.
- Quarterly voting disclosures provided to the fund's Pensions Committee.
- Monitoring of relevant RI news and LAPFF reports to Committee.

2.14 During 2024, LGPSC supported the fund in the preparation of the fund's fifth Climate-related Financial Disclosures, ensuring alignment with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). We consider this a critical stepping-stone in the Fund's ongoing management of climate risk and a direct way of translating our investment beliefs on climate change into action.

2.15 The fund's ability to invest in a responsible manner is enhanced through LGPSC due to the inherent benefits of scale, collectivism and innovation that results from being part of the pool.

2.16 In order to broaden its stewardship activities, LGPSC appointed EOS at Federated Hermes as its stewardship provider, with the remit of engaging companies on ESG issues, and executing the LGPSC voting principles which are also the principles agreed by the fund as set out in the ISS — 'shareholder voting' (see also Principle 12 - exercising rights and responsibilities).

2.17 In addition to engagement with LGPS Central the fund also engages Columbia Threadneedle Investments (CTI) to provide responsible engagement overlay on the fund's global equity portfolios. CTI enters constructive discussions with companies on the fund's behalf to propose better management of the negative impacts they might have on the environment and society in general, in order to improve financial returns. (See Principle 11 section 8 for further details).

2.18 The fund seeks to use its position as a shareholder to actively encourage good corporate governance practice in those companies in which it invests.

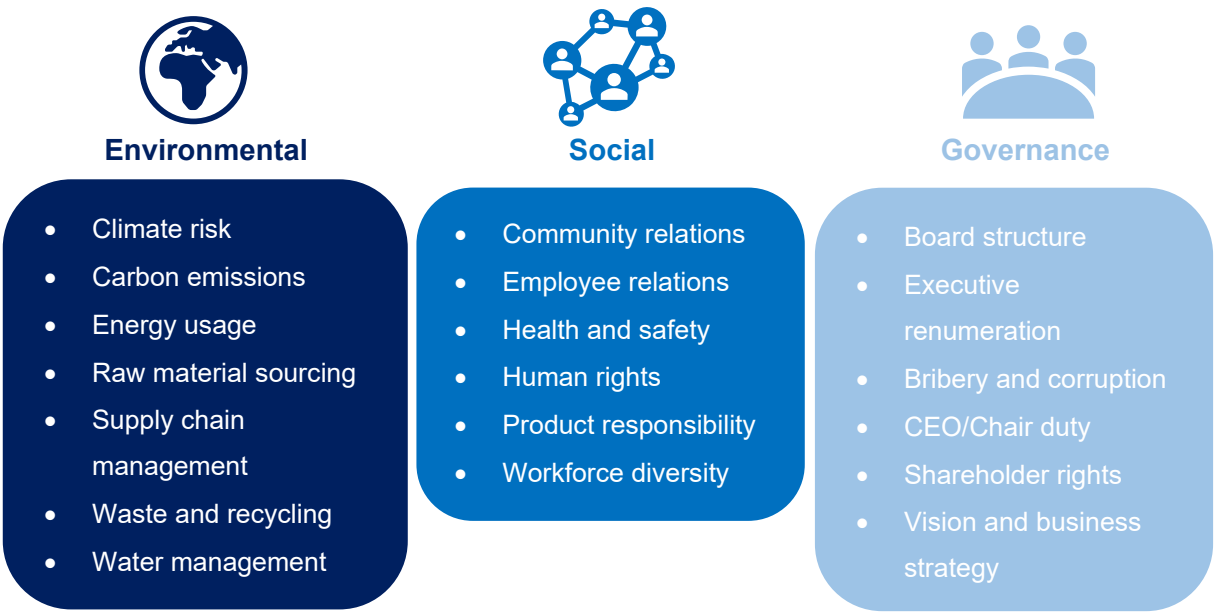
2.19 All relevant fund managers are signatories to the UN-backed Principles for Responsible Investment (PRI) as evidenced on the PRI website.

Investment beliefs

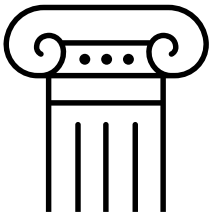
2.20 The fund's investment beliefs are included in its ISS and encompass:

- Financial market beliefs.
- Investment strategy/process beliefs.
- Organisational beliefs.
- Responsible investment (RI) beliefs.

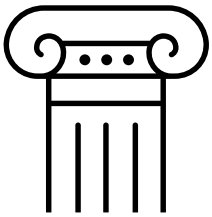
2.21 RI is a core part of the fund's fiduciary duty, and we believe that effective management of financially material ESG risks supports the requirement to protect investment returns over the long term. The fund's investment team seeks to understand relevant ESG factors alongside conventional financial considerations within the investment process, and the fund's external investment managers are expected to do the same. Non-financial factors may be considered to the extent that they are not detrimental to the investment return. ESG factors include:



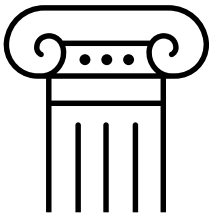
2.22 The fund's RI beliefs underpin our management of material ESG risks, including climate change, and we take a three-pillar approach to climate change as set out below.



Selection



Stewardship



Transparency and disclosure

2.23 The fund intends to realise these aims through actions taken on its three RI pillars, both before the investment decision (which we refer to as the selection of investments) and after the investment decision (the stewardship of investments). Actions will be taken with reference to an evidence base, using the best available objective data sets. We aim to be transparent to all stakeholders and accountable to our clients through regular disclosure of our RI activities, using best practice frameworks where appropriate. Some recent examples of how this has been applied are as follows.

Selection

2.24 The fund has continued to work with investment managers during the period to ensure ESG is built into to investments from the outset. The fund continues to make new investments through the LGPS Central pool which has actively built ESG considerations into product consideration. This was demonstrated by or concerns over one of the managers in the Investment Grade Credit product being classed as an SFDR 6 investment. Our concerns were taken on board and negotiation with the manager over process has seen the fund reclassified as SFDR 8. We continue to ensure that ESG considerations are given an appropriate weighting by LGPS Central in manager selection.

2.25 Whilst new investments are through LGPS Central the fund continues to work with legacy managers to ensure that ESG is built into all investment decisions even in some of the harder areas such as insurance linked securities or hedge funds. Our discussions with Securis have resulted in the company issuing its first ESG policy in

2024 and they now issue an annual report, demonstrating the impact asset owners can have on investment managers.

Stewardship

2.26 The fund has continually looked to develop and improve its approach to RI and appointed a Pensions Investment and Responsible Investment Manager in October 2022 to help drive RI reporting and engagement shortly before our first application. This post continues to develop ensuring regular liaison between ESG partners such as LGPS Central and CTI and the Pensions Committee so that all decisions have an ESG focus.

Transparency and disclosure

2.27 Starting in January 2020 the fund has continued to provide training and workshop programme on RI, sustainable, impact and ethical investment, and the spectrum of capital for all its Pension Board and Pension Committee members to enable them to make informed decisions going forward. This program is currently being reviewed following a few changes at Board and Committee level after a period of relative stability. Induction training is provided to all new members so that new members are fully appraised of the funds position. A workshop was provided to discuss and debate the fund's investment beliefs in February 2023 as part of the review of the fund's ISS which was issued in June 2023. LGPSC also provides a dedicated annual RI training event to which all members are invited. Participation is increasing and the modular format allows members to attend for specific sessions and pick up recordings of speakers if they are unable to attend on the day. LGPSC have advised that feedback to the training has been positive and that they will continue to evolve the training based on feedback received.

2.28 The fund also invites LGPS Central and CTI to attend Committee meetings during the year and provide feedback against key engagement themes. These meetings are in addition to the quarterly reports that the pensions investment and responsible investment manager provides every quarter detailing the voting actions across a number of parties, including EOS, who provide engagement for LPSS Central, Legal and General Investment Managers (LGIM), who provide engagement on the funds passive equities, as well as CTI, who provide a responsible investment overlay, and LAPFF, who engage with companies on a consolidated basis for the LGPS.

2.29 The fund has embedded the following operational processes to support RI.

- Measuring climate-related risks and opportunities through triennial economic assessment of the fund's asset allocation against plausible climate-related scenarios.
- Assessing material climate-related risks and opportunities, alongside the manager's approach to mitigating these risks as part of the selection and due diligence of new funds.
- Providing Committee and Board Members with quarterly reviews of stewardship activities including critical votes as well as overall voting statistics from all our engagement partners.
- Joining collaborations of like-minded institutional investors to collectively lobby and promote engagement through LGPS Central.
- Actively engaging with LGPS Central to determine engagement themes and working with Columbia Threadneedle Investments as the fund's overlay partner to ensure a complimentary holistic approach to engagement.

2.30 The fund held two ISS training workshops for Pensions Committee and Pension Board Members in February 2023 and a final workshop in April 2023. These workshops were extended to provide Members all the relevant data to ensure that the ISS reflects the current economic environment and the position as per the latest triannual valuation as at 31st March 2022. The training sessions were delivered by AON the fund's investment consultant with input from the fund's actuaries and independent advisor.

In addition to these training sessions the Pensions Committee and Board have received training from LGPS Central and Columbia Threadneedle covering the following areas.

- Climate risk reports/carbon footprint analysis (new features and what they mean).
- Taskforce for the Climate related Financial Disclosures (TCFD) report.
- Climate Stewardship Plan.
- Stewardship Code.
- What does "net zero" mean?
- LGPS Central Limited's net zero strategy.

- How climate risk is assessed.
- Review of carbon metrics that are being used to assess progress.
- Responsible investment and engagement.

2.31 LGPSC and the fund reviewed LGPSC's approach to monitoring and assess of the effectiveness of our stewardship efforts. Whilst there is full transparency on engagements, it was determined that additional clarity could be added for stakeholders on the outcome of engagements. 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. The table at 6.6, on page 34, sets out how we will assess effectiveness moving forwards for reporting to stakeholders.

Purpose and governance — principle 2

Signatories' governance, resources, and incentives support stewardship.

Governance

3.1 As detailed in our Governance Policy Statement accountability for all decisions is delegated to the Pensions Committee to take decisions regarding the administering authority's responsibility for the management of Shropshire County Pension Fund. This includes the management of the administration of the benefits and strategic management of fund assets. The Committee comprises of 6 voting members being 6 councillors, 2 employee representatives, and a pensioner representative.

3.2 The Committee's activities are overseen by the Pension Board which was set up because of two reviews by the Scheme Advisory Board (SAB) and the Pension Regulator looking at how to strengthen governance. The Board's role is ensuring the effective and efficient governance and administration of the fund. This includes securing compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS.

3.3 The Board is made up of three member representatives and three employer representatives.

Stewardship resourcing

3.4 The fund has an appointed investment advisors from AON who attend all the Committee meetings, supports the investment performance monitoring of all the fund's investment managers, advises on RI, supports due diligence requirements on the fund's investments, and provides a quarterly investment update to the pensions committee. AON are independent to the fund and play a crucial role in advising the fund on its investment opportunities.

3.5 The fund also appointed Phillip Hebson as an independent advisor to support the committee and provide independent strategic advice without portfolio management.

3.6 The fund's day-to-day duties are delegated to the Head of Pensions — LGPS Senior Officer who is supported by a Pensions Administration Team (35 FTE's) and a Pensions Investment Team (3 FTE's) who have many years of knowledge and experience in this area.

3.7 The fund's purpose is to deliver superior investment returns to our beneficiaries, therefore the fund's culture of inclusiveness, exemplified in The Shropshire Plan, is critical to our success. This enables to attract and retain talents in the pension industry. The Shropshire Plan has four pillars:

1. Healthy people.
2. Healthy economy.
3. Healthy environment.
4. Healthy organisation.

The healthy organisation principle is built across five key principles:

- Enabling a skilled, happy, healthy, diverse, inclusive, empowered, and proud workforce.
- Continuously develop our ability to absorb shock, adapt, and make positive changes.
- Improved communication.
- Ensuring correct resources and data to deliver priorities.
- Ensuring Councillors are supported in their roles.

The fund has adopted these principles and looks to keep its workforce and Committee/Board members well informed of how it integrates stewardship and investment decision-making via meetings/training sessions and presentations.

3.8 LGPSC's responsible investment & engagement (RI&E) function supports the fund's stewardship activities and reports regularly to the partner funds RI&E working Group (of which the fund is a representative). Their contribution has included work on ESG integration, engagement, voting, the RI&E framework, the Climate Risk Strategy, the Climate Risk 2024 report, the TCFD report and ongoing guidance on the fund's reporting against the Stewardship Code.

3.9 LGPSC has a dedicated RI&E team that sits within LGPSC's investment team and reports to the CIO. There is close collaboration between the RI&E team and asset class teams on:

a) The approach to RI when new funds are conceived and set up.
b) The selection and monitoring of fund managers.
c) Engagement and voting, as relevant to the asset class.
d) RI performance assessment and reporting.

3.10 At the LGPSC, the RI&E team is composed of an Investment Director, a Head of Stewardship, an ESG Integration 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. LGPSC 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.

3.11 LGPSC has EOS at Federated Hermes (EOS) as its stewardship provider, with the remit of engaging companies on ESG issues across all relevant asset classes, sectors, and markets, executing the LGPSC voting principles which are also the

principles agreed by the fund. EOS employs an engagement team of 45 people, which comprises of regional, experienced engagement teams, voting and engagement support, senior advisors, and a dedicated client team.

3.12 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 4 for a detailed review of EOS' services during the period). 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.

3.13 LGPSC provides quarterly reporting for all funds managed by LGPSC, detailing how votes have been cast in different markets and a publicly available vote-by-vote disclosure for full transparency. Our quarterly engagement, voting reports and policy / strategy statements are a standing item on the Pensions Committee agendas and are available to the public as part of the supporting committee papers.

3.14 The Pensions Committee delivers its oversight of stewardship by meeting four times a year, or otherwise as necessary. This is the same for the Pension Board.

3.15 To support our initiatives and work on strengthening / improving our investment and RI approach, a new role to our management structure was added in October 2022. This role is a Pensions Investment and Responsible Investment Manager to create more resource at a senior level to review future changes and ensure continued progress to achieving net zero alongside integration of material ESG risks across all asset classes.

3.16 It has been agreed that, from the 1st April 2025, LGPS Central, through EOS at Federated Hermes, will also undertake voting on our LGIM portfolio. This will ensure a consistent approach to voting and more details will be provided in next year's submission.

3.17 In order to support good decision-making, the fund applies the Myners principles. Disclosure against the Myners principles is made annually (see Appendix A of the fund's ISS). These principles cover the arrangements for effective investment management decision-making, setting and monitoring clear investment objectives, focussing on asset allocation, arrangements to receive appropriate expert advice, explicit manager mandates, shareholder activism, use of appropriate investment benchmarks, measurement of performance, transparency in investment management arrangements and regular reporting.

3.18 It is our view that the fund's governance structure alongside internal and external resources/services facilitate effective assessments and integration of ESG factors in asset allocation and stewardship of assets.

Purpose and governance — principle 3

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

4.1 The fund manages and mitigates conflicts of interest by;

- having clear governance material to refer to, including a Funding Strategy Statement, Pension Administration Strategy, Investment Strategy Statement, Climate Change Risk Strategy, Governance Policy Statement and Training Policy & Programme, which are all publicly available on the fund's website;
- keeping the fund's budget separate to Shropshire Council's and operating a separate bank account;
- ensuring actual and potential conflicts of interest are considered during procurement processes;
- requiring all Board and Committee members to declare any interests which may cause a conflict and reaffirming this declaration at each meeting;
- requiring staff to complete declarations of interest and providing appropriate training as part of induction processes; and

- Shropshire County Pension Fund staff are not renumerated through a bonus scheme, which is a key mitigant in avoiding potential conflicts of interest.

In the event of a conflict the fund may take the following options.

- Asking the individual concerned to abstain from discussion, decision-making or providing advice relating to the relevant issue.
- Excluding the individual from the meeting(s) and any related correspondence or material in connection with the relevant issue (for example, a report for a Pensions Committee meeting).
- Advising an individual to resign due to a conflict of interest or requesting the appointing body to reconsider their appointment.

4.2 The fund expects all its asset managers to have effective policies in place to address potential conflicts of interest. The fund reviews asset managers internal control statements annually and these are subject to independent review by the fund's internal auditors.

4.3 The need to avoid conflicts of interest is also highlighted in our asset manager mandates and contracts with external parties.

4.4 When the fund appoints external managers, a thorough due diligence process is undertaken. This includes consideration of the external managers process and procedures around the management of conflicts of interest. All the fund's managers have confirmed that they have conflict of interest policies in place, and these are subject to regular review. All managers have confirmed that they have a Conflicts of Interest Board / separate Committee to monitor and investigate conflicts of interest and have a conflict-of-interest register.

4.5 A public register of interests is maintained for all Councillors and is subject to audit inspection at any time. Councillors are responsible for updating their register as and when their interests change. This is overseen by the monitoring officer at the respective council from which they are appointed.

4.6 Pensions Committee members are required to make declarations of interest at the start of all meetings. If a member declares that they have an interest at the start of a meeting, then the context would determine the action that would be taken i.e., if they declare that they have an interest that is either personal or financial to an item on the

agenda, then they would more than likely be asked to leave the room for that item and would be excluded from any voting activities.

4.7 All fund officers and Committee members are made aware of and reminded at least annually of Shropshire Council's codes of conduct. The code of conduct includes a section on conflicts of interest and the expectations placed upon council employees (the requirement to handle public funds in a responsible and lawful manner for example). Any member of staff found to be in breach of the policy may be the subject of disciplinary action and could be subject to dismissal. This includes staff who administer the investment side of the fund.

4.8 The council also has a whistleblowing policy to enable staff to raise any concerns that they may have.

4.9 LGPSC's approach to managing and mitigating risks associated with conflicts of interest is outlined in the LGPSC conflicts of interest policy. This is made available to all staff and clients of LGPSC. While this policy is intended to ensure compliance with FCA rules and regulations around conflicts management and requirements under MIFID II, the policy is also designed to ensure fair outcomes for clients and to ensure that LGPSC fulfils its stewardship responsibilities to its clients in terms of how their assets are managed.

4.10 LGPSC operates a one for eight RI service model. This ensures that LGPSC delivers a consistent level of service to all eight partner funds ensuring that no conflicts arise in terms of the level of support they get from the responsible investment team. As an example, LGPSC provided Climate Risk Reports to all eight partner funds in the course of 2024. For the 2025 provision of the same service, LGPSC will follow the same delivery order as last year. This is to ensure consistency and fairness among partner funds and timely delivery of reports.

4.11 The policy was signed off by the LGPSC Investment Committee, Executive Committee and Board when implemented. The policy is reviewed annually and changes to the policy are approved through the same governance process.

4.12 LGPSC employees, including senior management and members of the executive committee, are required to complete conflicts management training on an annual basis and confirm their adherence to its standards. This training includes guidance on what constitutes a conflict of interest. The conflicts policy is also contained within the

LGPSC Compliance Manual. It is readily available to all staff whether working from home or office based.

4.13 When LGPSC appoints external managers, a thorough due diligence process is undertaken. This includes consideration of the external managers process and procedures around the management of conflicts of interest. LGPSC expects their managers to have robust controls and procedures in place around conflict management and to demonstrate commitment to managing conflicts fairly.

4.14 LGPSC only manages client assets, and all their active portfolios are managed externally. LGPSC staff are not remunerated through a bonus scheme. These two factors are key mitigants in terms of conflict risk.

Examples of addressing possible conflicts of interest

Internal appointments at LGPS Central

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

External managers

4.16 There have been no conflicts noted in this reporting period.

Voting

4.17 Conflicts 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 where they have

pension schemes as clients whose sponsor company they engage with and provide voting recommendations on.

4.18 LGPSC expects their proxy voting agents to be transparent about conflicts of interest and to implement appropriate measures to ensure conflicts are managed such as Chinese walls, conflicts management policies and conflicts registers. The Investment Committee at LGPS Central 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.

4.19 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.

Purpose and governance — principle 4

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

5.1 Due to the membership's age profile and that membership of the fund is still open for the main scheme employers, the fund can take a long-term view of investment risks

and opportunities, including those in relation to environmental, social and governance factors. However, we also recognise the importance of risk budgeting and monitoring, scanning widely for emerging financial regulatory and operational changes on which short to medium term action will aid supporting and enhancing the longer-term value of our assets. The age profile of the fund is shown at 7.1.

5.2 The fund believes that having the best understanding of the world around us will allow us to review, prioritise, scrutinise and adapt accordingly effectively. Our risk management processes support us in achieving this goal and are subject to annual challenge through the internal audit programme set up by the fund. In addition, we review our engagement priorities on a triannual basis with LGPS Central and on an annual basis with CTI as our engagement overlay providers.

5.3 We manage risk by setting investment beliefs, funding, and investment objectives in our Investment Strategy Statement that are incorporated into our strategic asset allocation benchmark (SAAB) bands and benchmarks.

5.4 To mitigate and respond to risk, we regularly review our ISS, monitor the investment performance of our appointed managers, have a diversified portfolio, and review our qualified advisors' objectives regularly. Strategic asset allocation is reviewed quarterly by the Pension Committee. We have had various equity protection arrangements in place maturing between June 2025 and December 2025 for approximately 50% of our passive market equity funds which provides protection against a fall of up to 30% in market valuations.

5.5 The fund is exposed to investment, operational, governance and funding risks. These risks are identified, measured, monitored, and then managed using a Risk Register. The Risk Register is a living document and can be updated at any time. Formally the register is updated twice a year with full review by the Councils Risk Management section and Executive Directors.

5.6 A summary of the risk register is publicly available within the fund's Annual Report (page 9-10).

5.7 The fund has open line communications with Investment Advisors AON and Philip Hebson so that we can discuss market volatility in a timely manner. This was particularly important in the current year due to market impact of both political instability and macro-economic events. A revised governance process was agreed March 2024 in respect of equity protection to allow LGIM, the funds provider, to

process decisions quicker, subject to continued oversight by the chair of the Pensions Committee, officers, and advisors.

5.8 The principal risks affecting the fund can be broken down into three main areas; funding risks; operational risks; and responsible investment risks.

Funding risks

Funding risks include deterioration in the funding level of the fund as a result of changing demographics, systemic risk, inflation risk, insufficient actual / future investment returns (discount rate) and currency risk.

The fund manages these risks by setting a strategic asset allocation benchmark (SAAB) in consultation with the fund's investment advisors. The SAAB seeks to achieve the appropriate balance between generating the required long-term return, while taking account of market volatility and the nature of the fund's liabilities. It assesses risk relative to that benchmark by monitoring the fund's asset allocation and investment returns.

The current strategic asset allocation was set at the Pensions Committee in June 2023 as follows.

Asset class	Allocation	Control range
Total equities (global, sustainable, and passive)	55%	50% - 60%
Absolute return	7.5%	5% - 10%
Investment grade corporate bonds	10%	7.5% - 12.5%
Property	5%	2.5% - 7.5%
Illiquid growth (infrastructure and private equity)	15%	12.5% - 17.5%
Illiquid credit	7.5%	5% - 10%

The fund's investment performance report is reviewed by the fund's investment advisor and reported quarterly to the Pensions Committee. The strategic benchmark is reviewed as part of the ISS and as a minimum is reviewed every three years as part of the triennial valuation.

A transition report covering the movement from the previous allocations agreed in March 21 to the latest allocations agreed in June 2023 is received by the Pensions Committee each quarter setting out actions taken and timeline of expected assets changes moving forward.

Some examples of risks covered in performance reports are:

- **Manager underperformance** — when the fund managers fail to achieve the rate of investment return, performance targets, tracking errors, etc assumed in setting their mandates. This is managed by having robust financial planning and clear operating procedures for all significant activities including regular review and monitoring manager performance against their mandate and investment process. Continued underperformance by any single investment manager would be discussed with the fund's independent advisors to establish a recommended course of action, which may include divestment.
- **Systematic risk** — the fund mitigates systemic risk through a diversified portfolio with exposure to a wide range of asset classes, portfolio holdings and different management styles. All the fund's managers provide a detailed quarterly investment performance report, and quarterly meetings are held with the fund's investment advisor to review these.

Operational risks

Operational risks include transition of assets risk, risk of a serious operational failure, custody risk of losing economic rights to fund assets, risk of unanticipated events such as a pandemic, credit default, and cashflow management. Some examples of how we are managing some of these risks are as follows.

- **Transition risk** of incurring unexpected costs in relation to the transition of assets amongst managers. When carrying out significant transitions, the fund takes professional advice and appoints a specialist transition manager to mitigate this risk when it is cost effective to do so.
- **Risk of a serious operational failure** by asset managers and/or LGPSC. These risks are managed by having robust governance arrangements with LGPSC and by quarterly monitoring of asset managers. Monthly meetings are held with LGPSC to ensure that the company is functioning as it should. Key performance indicators and the Risk Register are reviewed at least quarterly.

- **Cyber Security** is an ever-increasing risk, not just to data held by the fund, but data held by third parties on behalf of the fund. The fund has for the first time set up a separate cyber security policy to Shropshire Council as the host Authority. The fund will continue to work with suppliers during 25/26 to ensure that it has the appropriate assurance in place in respect of cyber security arrangements and these will be reviewed on an annual basis.

Responsible investment (RI) risks

The fund actively addresses ESG risks through implementation of its RI beliefs. It also reviews this as part of the quarterly performance meetings with its fund managers and regular dialogue and support through the LGPSC RI and engagement team.

The fund receives regular reports from its stewardship partners allowing areas of concern to be raised and improvements monitored over time.

In identifying and managing ESG risks, the fund's stewardship partners are as follows.

Organisation	Remit
LGPS Central Limited	The fund is a 1/8th owner of LGPSC, which has identified four stewardship themes that are the primary focus of engagement. These themes are viewed as likely to be material to the fund's investment objectives and time horizon, likely to have broader market impact, and to be of relevance to stakeholders. See further detail immediately below. During 2024 LGPS Central has conducted 661 engagements on climate change, 295 engagements on natural capital, 601 engagements on human rights, and 51 engagements on sensitive/topical Issues. A selection of engagement cases is provided under principles 9-11.
Federated Hermes	EOS at Federated Hermes is contracted by LGPSC to expand the scope of the engagement programme, especially to reach non-UK companies. EOS takes a holistic approach to engagement and typically engages with companies on more than one topic simultaneously.

Organisation	Remit
COLUMBIA THREADNEEDLE INVESTMENTS	Columbia Threadneedle Investments (CTI) are contracted directly by the fund for engagement in respect of equity holdings. CTI had five themes in 2024 covering climate change, environmental stewardship, human rights, public health, and corporate governance and 10 projects across these themes. In 2024 they had 361 engagements with 234 companies and achieved 64 milestones. Themes are reviewed annually with the fund.
Local Authority Pension Fund Forum	The fund is a member of the Local Authority Pension Fund Forum (LAPFF). LAPFF conducts engagements with companies on behalf of local authority pension funds. across a spectrum of material ESG issues on both individual and collaborative basis.

Stewardship themes

5.9 In close collaboration with Shropshire County Pension Fund and the other partner funds, LGPSC has identified four core stewardship themes that guide the pool's engagement and voting efforts in 2024/25. These were climate change, natural capital, human rights, and sensitive and topical Issues. These themes have been chosen based on the following parameters.

- Economic relevance.
- Ability to leverage collaboration.
- Stakeholder attention.

These themes were updated in 2024 following a triannual review as described at 1.3.

5.10 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, and 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 like-minded investors, identify and express consistent expectations to companies on theme, relevant risks and opportunities, and to 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. In section 6.6, we provide information on the annual review of stewardship themes that was carried out during 2024 to determine the themes for 2025. In Appendix 2, we give examples of engagement activity for each 2024 stewardship theme.

5.11 Themes for CTI are established on an annual basis following consultation with funds. They run a number of projects across a variety of themes. In 2024 this was updated to five themes, covering 10 projects as listed below. This service complements the LGPSC/EOS approach and allows the fund to take a balanced perspective. The engagement process and examples are covered in Section 10, 11 and 12.

Theme	Project
Climate change	Coal phase out
	Deforestation
Environmental stewardship	Emissions and plastic waste
	Sustainable supply and demand of critical materials
	Responsible water stewardship
Human rights	Responsible governance of artificial intelligence
Public health	Diversity in clinical trials
	Sustainable food systems
Corporate governance	Improving board gender diversity in Asia
	Independent board evaluation

Climate Risk Monitoring Service provided by LGPSC

5.12 Climate action failure is the stand-out, long-term risk the world faces in likelihood and impact according to recent reports from the Intergovernmental Panel on Climate Change. If 'business as usual' continues, the world could suffer catastrophic environmental impacts together with profound societal damage and significant human harm. A Paris-aligned transition to a low-carbon economy would lead to lower economic damage and for long-term investors is preferable to alternative climate scenarios. We believe investors can best encourage this transition through a combination of;

a) understanding the risks to their portfolios at a granular level;
b) stress-testing portfolios against various temperature scenarios;
c) identifying tools and actions that can be taken to address and minimise risk; both the fund and LGPSC have announced commitments to achieve Net Zero across assets under stewardship by 2050. Our climate risk monitoring is a key building block in ongoing work toward this goal; and
d) the fund updated their climate strategy in September 2024 to include timelines for decarbonisation on the path to Net Zero.

5.13 LGPSC's Climate Risk Monitoring Service aims to address each of these aspects. Since 2020, LGPSC has conducted in-depth climate risk assessments for each individual partner fund and provided an annual Climate Risk Report (CRR) bespoke to each of them. The CRR 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. To facilitate TCFD disclosure, the CRR is deliberately structured to align with the four disclosure pillars of governance, strategy, risk management, and metrics and targets.

5.14 In 2024, LGPSC provided our fifth year of Climate Risk Reporting and made several enhancements to the service to ensure it remained aligned to the latest industry developments and therefore the best assessment on climate-related risk LGPSC could provide to us and partner funds. LGPSC particularly wanted to emphasise progress made against the findings of the first report to give funds a view on their direction of travel. The executive summary provides a summary of the methods we use to assess financially material climate-related risks and opportunities.

5.15 We are committed to, alongside LGPS Central, producing both public and private market figures by 2026.

5.16 We have used the findings of their CRRs to develop both our annual Climate Stewardship Plan and our Climate Strategy covering governance, beliefs, objectives, strategic actions, and reviews in relation to their climate-related risk and targets on the timeline to net zero. In addition to strategy setting, the CRRs have also been used to facilitate our TCFD disclosure, conduct training sessions on climate change, initiate governance and policy reviews, and for exploring potential investments in sustainable asset classes.

5.17 In addition to the specific individual reports, LGPSC also holds an annual Responsible Investment Summit looking at a range of ESG related topics such as climate transition, biodiversity loss, and human rights, with industry experts in attendance. The 2024 event was attended by both officers and Committee members.

Attendance and contributions to industry dialogue, partnerships, and building of standards

5.18 LGPSC is an active participant in the debate on good corporate and investor practice. Collaboration with peer investors and industry initiatives is a critical component to engagement, giving a stronger voice and more leverage. Industry initiative participation can serve several purposes; access to data, research, and tools available to members, influence further development of these initiatives, and encourage market uptake of new standards/benchmarks as appropriate.

5.19 Appendix 1 provides an overview of initiatives that LGSPC is an active member of, which includes a brief assessment of the efficiency of the initiative and outcomes during 2024.

Policy engagements and consultation responses

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

LGPSC have reviewed our ongoing participation in these initiatives to ensure that we maximise our resources effectively and align with the priorities of the partner funds.

5.21 **Statement in support of CA100+:** LGPSC signed a statement in support of CA100+ emphasising three clear messages that the investment community remains committed to:

a) Further action on addressing systemic risk.
b) Addressing significant investment risks, including climate risk, as a fiduciary imperative.
c) Collaborative engagement remains a vital tool.

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

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

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

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

exchange, to understand their position on the sustainability requirements of issuers. We attended a call with the Brazilian National Development Bank to understand their approach to addressing deforestation.

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

5.27 The fund has directly responded to DHLUC consultations on TCFD and Next Steps on Investments in the Local Government Pension Scheme.

Purpose and governance — principle 5

Signatories review their policies, assure their processes, and assess the effectiveness of their activities.

6.1 Fund officers review the fund's Investment Strategy Statement (ISS) and Funding Strategy Statement (FSS) on a minimum three yearly basis in line with the triennial valuation. The FSS is subject to formal consultation with employers before approval. The ISS review is open to input from both Pension Board members and Pensions Committee members before submission to the Pensions Committee for formal approval.

6.2 All the fund's strategies and policy statements are publicly available on the funds website for complete transparency, and a timetable is in place to ensure periodic review in line with each policy.

6.3 The fund has an agreement with Shropshire Council to provide internal audit services on an annual basis across all areas of the fund's activities. The fund received substantial assurance for 2024/2025 which is the highest assurance available under the audit framework. There were eight minor recommendations raised as a result of the work, and these have been addressed during 2024/2025 and will be reviewed by the auditors as part of the current years audit.

The audits covered the following six areas.

1. Corporate governance.
2. Risk management.
3. Investment manager internal control reports.
4. Pensions investment management.
5. Pensions administration.
6. Altair application follow up.

6.4 As part of the fund's governance processes, quarterly reports are taken to Committee on responsible investment with updates from the fund's stewardship partners. In addition to the active equity portfolios, the fund has a significant passive holding with Legal and General investment managers and quarterly ESG reports are provided to the Committee in respect of these investments. Reports are publicly available as part of the funds Committee public papers. In addition to the public reports, the Pensions Committee have also received presentations during the period from both LGPS Central and CTI on engagement. The fund has reintroduced investment manager presentations from 2024 for legacy investments that continue to sit outside the pooled structure.

Ongoing information-sharing and review of stewardship themes through LGPSC partner funds

6.5 Through our quarterly PAF (Practitioners Advisory Forum) and RIWG (Responsible Investment Working Group) meetings, information-sharing and debate/checks on LGPSC's provision of RI services against the RI&E Framework are discussed. As one of the partner funds we take a keen interest in RI and engagement, which reflects our ultimate beneficiaries' ongoing interest in climate change and broader sustainability issues.

6.6 LGPSC undertake a triannual review of the effectiveness of the stewardship themes in close collaboration with partner funds. During 2023, LGPSC conducted a review through PAF and RIWG discussions which resulted in the following adjustments for 2024.

- Climate change remains the number one theme.
- Natural capital should be reviewed separately to climate to be sure to the systematic and macro-economic risks associated.
- The S in ESG should feature more prominently, with a preference for focus on human rights.
- Topical and sensitive issues should be introduced to allow greater flexibility to respond in real time to real world events or press allegations that impact the portfolio.

Themes	Climate change	Natural capital	Human rights	Sensitive/topical activities
Challenges	Climate change risks are endemic and span from physical, transitional, to market-pricing risks Its impact is likely to be felt 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 potentially destroy shareholder value Companies that have an inadequate approach to ESG risk management 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: a) scarce resources b) regulatory tightening c) 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

Themes	Climate change	Natural capital	Human rights	Sensitive/topical activities
Number of companies directly targeted by LGPSC partner organisations	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

The review also included an overhaul of LGPS Central's approach to monitoring and the assessment 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. This will help increase transparency and allow stakeholders to clearly see the impacts of engagement.

The table below sets out the revised effectiveness framework.

Measures of success	Climate change	Natural capital	Human rights	Sensitive/ topical activities
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 controversy • 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 management 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

Measures of success	Climate change	Natural capital	Human rights	Sensitive/ topical activities
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

6.7 LGPSC carries out quarterly internal quality controls of engagement and voting data before this is shared with Partner Funds through regular Stewardship Updates. LGPSC's external stewardship provider, EOS at Federated Hermes, has its voting process independently assured on an annual basis.

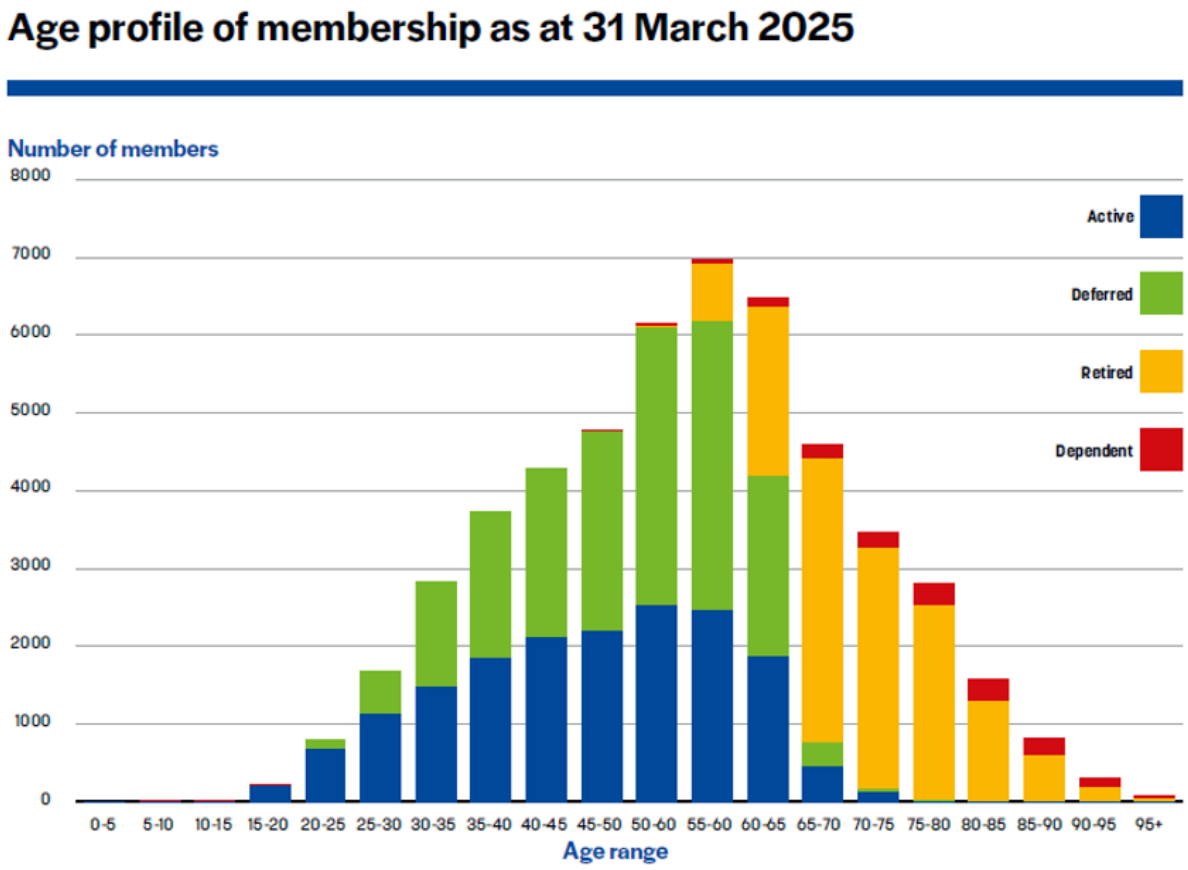
Examples of LGPSC engagement by theme

6.8 Examples of LGPSC engagement across the themes in place for the period can be found in Appendix 2 to Principle 9.

Investment approach — principle 6

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

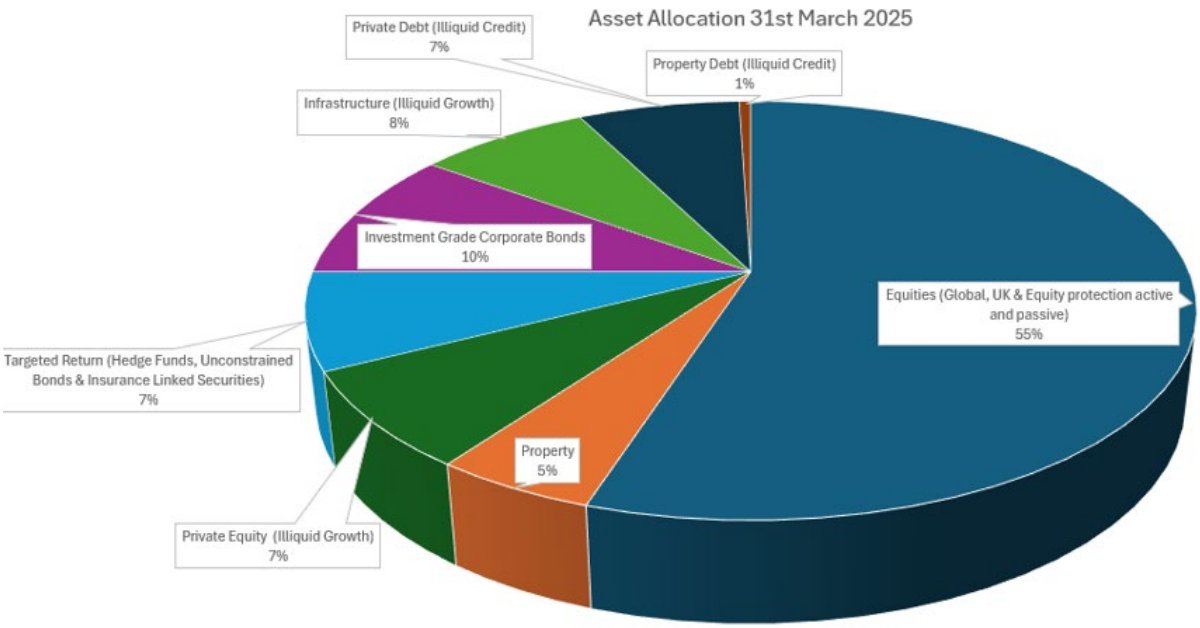
7.1 The fund has been established to pay LGPS defined benefit promises as they become due. The fund has 265 participating employers (166 Active and 99 Ceased) and 54,330 member records, of which 14,312 are pensioners; 18,358 are deferred; and 17,133 actively contributing. The fund is an open fund, and the age profile of the membership is shown below.



7.2 The fund is equally split between equity investments (55%) with (45%) diversification across other asset classes. The covenants of its employers, its net cashflow, the age profile of its members, and the fact that it has a steady stream of new members mean that it can take a long-term investment horizon of at least 15 to 20 years taking on board the need of meeting the immediate and future member benefit liabilities.

Cashflow management	2024/2025 £m	2023/2024 £m	2022/2023 £m	2021/2022 £m	2020/2021 £m
Contributions receivable	105.6	91.2	85.8	69.5	91.7
Benefits payable	118.6	104.8	94.4	84.1	96.8
Other expenses	23.9	21.1	18.8	17.5	17.8
Surplus/ deficit (-)	-36.9	-34.7	-27.4	-32.1	-22.9
Investment income	160.2	293.9	-67.8	177.4	385.5
Net cashflow	**123.2**	**259.2**	**-95.2**	**145.3**	**362.6**

7.3 The fund's Strategic Asset Allocation Benchmark (SAAB) agreed in June 2023 is as follows.



Asset class	Value	Control range
Equity	**55%**	**50 – 60%**
Active		
LGPS Central global sustainable equity	10%	
LGPS Central global equities	15%	
Passive		
L&G low carbon transition developed markets	30%	
Investment grade credit	**10%**	**7.5% – 12.5%**
LGPS Central investment grade corporate bonds	10%	
Absolute return	**7.5%**	**5% – 10%**
T Rowe Price dynamic global bond fund	2.25%	
Blackrock appreciation strategy hedge fund	3.75%	
Securis non-life fund	1.5%	
Illiquid alternatives	**27.5%**	**25% – 30%**
HarbourVest private equity	6.0%	
LGPS Central private equity	1.5%	
Global infrastructure partners	4%	
LGPS Central core/value added infrastructure	3.5%	
LGPS Central private credit	6.5%	
DRC Savills UK whole loan fund (property debt)	1%	
Aberdeen UK property	5%	
Total	**100%**	

7.4 In terms of geographical asset allocation, the majority of the fund's investments are invested on a global basis with managers allowed to actively manage geographical risk as part of the portfolio. The exceptions to this are the Aberdeen property fund and the property debt fund through DRC Savills which are both UK only funds. At the 31st March 2025 the fund had 11% of assets in the UK.

7.5 The fund considers the views of employers through annual employer meetings, employer representatives on the board, issuing regular employer updates and offering employer one to one meetings with the fund's actuary as part of the triannual valuation process.

7.6 The fund provides an annual update to all members together with the Annual Report which is available on the fund's website. In addition to this the fund has several newsletters that are tailored to either our active, deferred, and retired members. Full details of the fund's communication methods are detailed in our Communication Strategy which is available on the fund's website. Since Covid the fund has moved more to utilising technology to deliver updates in a blended approach with face-to-face meetings. The following is an example article issued in the Autumn 2024 retired members newsletter.

Jean Talking



I do hope you have enjoyed the summer even though it has been too hot at times and then too wet. I am sure all the gardeners among you will have had some successes with whatever you were growing this year.

I have been kept busy attending many Pensions Committee meetings and training sessions and have another training day coming up shortly.

I know that with the change in government, many of you have been concerned about the safety of your pension payment each month. I can confidently reassure you that your pension is completely safe, regardless of any plans that the government may have, so please do not worry. For pensioners, it's important to know that the performance and value of the Shropshire County Pension Fund's investments doesn't affect your pension or monthly pension payments, which are guaranteed and not performance dependent.

The pension team are kept very busy with phone calls to the helpdesk, emails and incoming post. However, we're seeing more members logging on to 'My Pension Online' each month to 'self-serve', which is certainly helping the team's workload. The platform has been updated and is now more user friendly. There has been changes to logging on, accessing your payslips and navigating the system, but you should find it much easier to do everything yourself. The helpdesk team will still be on hand if you have any queries or concerns, so don't let that put you off using it. Please take a moment to register, become familiar with it, and any feedback is always welcome.

Hoping you stay safe and well this winter. Please don't forget your flu and covid vaccinations.

Regards,

Jean

Jean Smith
Pensioner Representative for the Shropshire County Pension Fund

The newsletters contain a wide variety of updates including comments from the Pensions Investment and Responsible Investment Manager and are available to each member class via our website. Corresponding with the funds 50,000 members by defined status is cost effective and allows us to tailor information to the relevant group as demonstrated by the views of the Pensioner Representative in the pensioner newsletter shown above.

7.7 The fund delivers periodic updates to employers on any changes that may impact them and has a separate section on the website for employer information including a full section on the website dedicated to “McCloud”. The fund issued 4 specific updates to employers between April 2024 and March 2025 covering a range of operational updates and information of interest. An example is shown below of some updates and the date to which they were issued.

Feb 27 2025

Pensions increase

Pensions are increased annually from April each year, in line with the cost of living. Pensions increase is determined by the HM Treasury and approved by Parliament then published in a government order. It is usually based on the annual increase in the Consumer Price Index (CPI) to the previous September.

Read more

Nov 8 2024

Devastated pension fraud victim tells her story of being scammed out of £45,000

Pauline Padden, a critical care nurse from Merseyside, was one of 245 victims defrauded in a £13.5 million scam that saw fraudsters Alan Barratt and Susan Dalton put behind bars for their criminal actions in April 2022.

Read more

Oct 3 2024

Climate Change Strategy updated for 2024

Shropshire County Pension Fund agreed its latest Climate Change Strategy at Pensions Committee on 13 September 2024....

Read more

Jun 6 2024

The Government launches digital service to help boost state pension.

The UK government launched "Check your State Pension forecast" on 29 April 2024. This new digital service helps indiv...

Read more

7.8 The fund consults with its employers on its Funding Strategy Statement as part of each triennial actuarial valuation, taking on board employers’ views before agreeing any changes to the strategy at Pensions Committee. It will also consult on any proposed changes due to legislation or policy in between valuations, for example on new employer flexibilities like deferred debt arrangements.

7.9 The fund’s employer and member stakeholders are represented on the fund’s Pensions Committee and Pension Board as detailed in the fund’s policy statement on communications.

7.10 Our training programme for members of our Pensions Committee and Pension Board ensures that members can challenge and contribute meaningfully on stewardship issues. All members are invited to our Investment Strategy reviews to provide input before any strategy is taken to Committee for agreement. Strategy workshops were held in in February and April 2023 with a new ISS going to Committee in June 2023 following review after the 2022 triannual valuation. This process will be repeated at the end of 2025/2026 following the 2025 valuation report.

7.11 Our Annual Report and financial statements are available from our website, which also provides up to date information about our governance, funding, investments, finances, and operations. In addition, we also have a specific section on the website for investment, and we are currently taking feedback from both employers and members on enhancements we can make to this section.

7.12 A review of investment management agreements found no breaches in the reporting period. (Also see comments in Principal 8)

7.13 The policies and strategies of the fund are all publicly available for scrutiny by stakeholders on the funds website and all uphold the fund's fiduciary duty in respect of our approach to engagement and stewardship activities.

7.14 The fund also replies to all Freedom of Information requests as and when they arise and have responded to all requests in the statutory timescales.

Investment approach — principle 7

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

8.1 The following investment beliefs are considered when agreeing an asset allocation policy.

- A long-term approach to investment will deliver better returns.
- The long-term nature of the fund's liabilities is well suited to a long-term approach to investment.
- Asset allocation policy is the most important driver of long-term return.

- Risk premiums exist for certain types of assets and taking advantage of these can help to improve investment returns.
- Markets can be inefficient, and sometimes ‘mispriced’ for long periods of time, and there is a place for both active and passive investment management.
- Diversification across investments with low correlation improves the risk/return profile, but over-diversification is both costly and adds little value.
- The fund should be flexible enough in its asset allocation policy to take advantage of opportunities that arise because of market inefficiencies, and flexible enough to protect against identifiable short-term risks when this is both practical and cost effective.
- Responsible investment can enhance long term investment performance, and the fund expects responsible investment integration to be a key part of the selection criteria for appointing new managers.
- Investment management fees are important and should be minimised wherever possible, but it is ultimately the net return to investors (i.e. the return after all fees and costs) that is the most important factor.

Social, environmental, and corporate governance considerations

8.2 The Committee believes that acting as a responsible investor of the fund's assets should be fully integrated into investment decision-making. The Committee therefore seeks to ensure that the fund considers all aspects of responsible investment. This includes investment manager appointments and monitoring, through to discharging the rights and responsibilities of asset ownership, to encourage and promote high standards of governance and corporate responsibility, in the underlying companies and assets in which the fund invests. The Committee believes that ultimately, high standards of governance and corporate responsibility create long-term value for the fund and its beneficiaries. These beliefs under pin the Investment Strategy and the Funding Strategy. In addition, given the risks posed by climate change and the member interest in this area, the Committee has developed a Climate Change Strategy and Stewardship Plan. The Committee also reports in line with the Task Force on Climate-Related Financial Disclosures (TCFD) on an annual basis, outlining climate related metrics, risks and opportunities and works with our partners at LGPS Central to ensure that the fund maintains the highest standards of disclosure.

Climate Change Strategy

8.3 The fund's Climate Change Strategy aims to identify, understand and assess climate change risks and opportunities across regions and sectors that are material to the fund. This includes relevant climate-related transition and physical risks and opportunities that are likely to impact the fund's Investment and Funding Strategies. Strategic actions include but are not limited to:

- Measuring climate-related risks and opportunities through triennial economic assessment of the fund's asset allocation against plausible climate-related scenarios.
- Assessing material climate-related risks and opportunities, alongside the manager's approach to mitigating these risks as part of the selection and due diligence of new funds — see pages 14-17 of the fund's Investment Strategy Statement.
- Joining collaborations of like-minded institutional investors to collectively lobby for Paris-aligned climate policies and promote engagement through LGPS Central. This Climate Change Strategy has been established to run for three years, from September 2024 to September 2027, but will be reviewed annually.
- The Climate Strategy was updated in September 2024 to take account of the increased quality of data, allowing the fund to set targets and timescales to map out its pathway to net zero and to set targets on private market disclosures.

Climate Stewardship Plan

8.4 Whilst the pooling company, LGPS Central, will report to the fund on engagement activity, the fund itself plays an active role in monitoring engagements and engaging with LGPS Central for further information if needed. As a result, the Committee focuses on identifying specific investee companies and portfolio managers in which stewardship techniques can be leveraged to further understand and manage climate-related risks within the fund. In addition, Columbia Threadneedle Investments (CTI) provides a responsible engagement overlay on the fund's global equity portfolios. CTI enters constructive discussions with companies on the fund's behalf to propose better management of the negative impacts they might have on the environment and society in general, in order to improve financial returns. Throughout the engagement activities carried out by and on behalf of the fund, coupled with the climate risk analysis as part

of TCFD reporting, the fund has identified investment managers to ensure climate-related risk is fully integrated into their investment processes. The fund will engage its managers on the following issues.

Asset class	Topic
Equities	• Stewardship activities with companies identified in the Climate Risk Report. • The influence of climate factors on sector positioning.
Fixed income	• Approach to assessing climate risk in the absence of reported GHG emissions data. • Engagement with the most intensive carbon issuers. • Extent of investment in green bonds.
Real assets	• Physical risk resilience. • GRESB participation.

Industry initiatives

8.5 The fund is a member of the Local Authority Pension Fund Forum. This is a special interest group of the Local Government Association that exists to promote the investment interests of local authority pension funds. The Forum aims to maximise their influence as shareholders to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they invest. The Forum issues research and guidance relating to climate change and employment standards and promotes best investment practice for the Local Government Pension Scheme nationally. The Forum regularly engages directly with large companies in this regard and has been effective in improving companies understanding of the requirements of investors.

The LAPFF issue a weekly newsletter on engagement activity and a quarterly report.

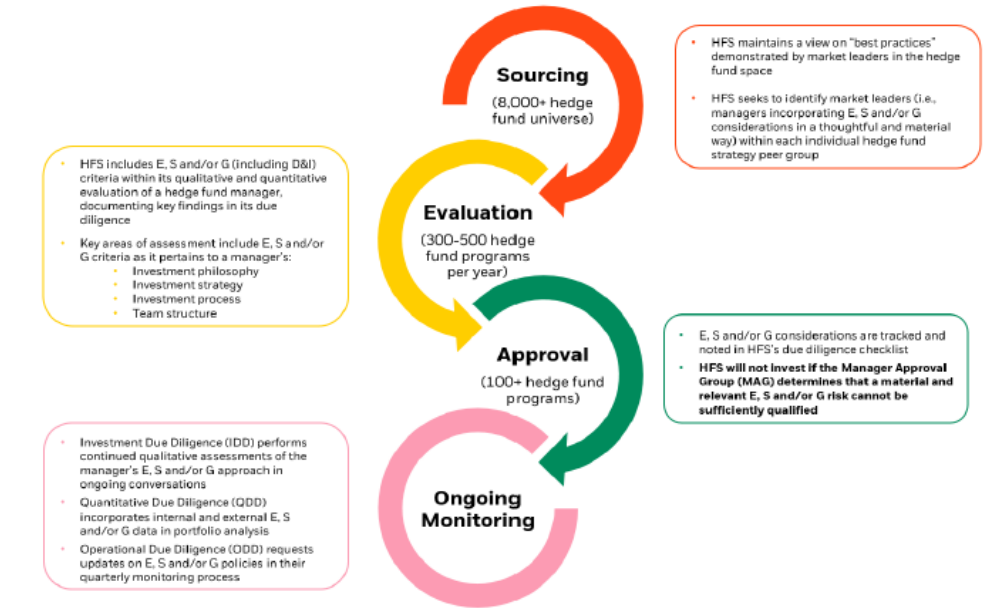
An example of LAPFF Engagement with a company in the fund's active equity portfolio is shown under principle 9 at 10.2.

Examples of LGPS Central engagement on the funds behalf in promoting corporate and investor best practices are shown in Appendix 1.

8.6 During the period 2024/2025 there have been no further transitions to meet the strategy set out in the June 2023 ISS. The liquid elements of the transition have been completed in 2023/2024 with two absolute bond mangers terminated to fund investments in investment grade corporate bonds and an increase in sustainable equity. The fund continues to work with LGPS Central on illiquid transition from legacy managers to LGPS Central and the corresponding commitments, but these events will take longer as it will be based on asset maturities.

8.7 We therefore continue to ensure that legacy managers continue to operate to the highest standards in private markets. An example of this would be with Blackrock Hedge Funds. In general hedge funds typically do not hold direct equity in companies. Rather, hedge funds often use equity-related securities such as futures or swaps, which do not provide voting rights or means of direct engagement with companies. Furthermore, as a fund of hedge funds, Blackrock's exposure to companies is primarily through the investments into said hedge fund strategies, and as such voting power or means of engagement is limited. Therefore, to get assurance the fund has to consider how Blackrock build ESG into their investment criteria by examining their Sustainable Investment Statement for hedge fund solutions. The extract illustrated is of the type of assurance that the fund can receive from investment manager documentation.

Incorporating ESG into HFS's Investment Process:



Effective as of March 2024. For illustrative purposes only.
Current investment process is subject to change and based on market conditions, managers' opinions and other factors.

The chart sets out how ESG considerations are weaved into each stage of the investment process before making an investment and post-investment with each manager. Engagement with managers is a core pillar of Blackrock's ESG integration efforts and they have a standard process to engage with each manager. The same process and rigour is applied to new managers. Managers are asked to complete a questionnaire at the outset and on a quarterly basis (with very few exceptions) on an ongoing basis.

LGPSC's RI integrated status tool

8.8 Our pooling company has established a system whereby any new fund that is launched and made available to partner funds will have Responsible Investment Integrated Status (RIIS) from concept and through lifespan of the fund. The LGPSC Investment Committee needs to approve a particular product's (or set of products') RIIS status(es). The proposal for RIIS within some particular investment product is communicated via a RIIS Document, which is co-sponsored by the director of responsible investment & engagement and the relevant investment director for the product(s) put to approval.

8.9 By requiring co-sponsoring of the RIIS documents, LGPSC ensures that RI&E is an integrated process, not a siloed affair. The RIIS proposal will be approved by the Investment Committee if, and only if, the Committee is satisfied that the combination of processes, techniques, activities, and reporting achieve, in a manner suitable to the asset class, product, or mandate in question, the Company's agreed responsible investment aims. These are: (1) primarily, to support investment objectives; (2) secondarily, to be an exemplar for RI within the financial services industry. Promote collaboration and raise standards across the marketplace. RIIS criteria to be met will typically include:

- RI beliefs relevant to the asset class or mandate in question.
- Relevant RI related documentation that supports the decision to invest, e.g., policies and procedures at external managers or co-investors.
- Fund managers factor RI and ESG into their selection of portfolio assets;
- RI reviews are carried out by the fund managers at regular intervals (usually quarterly).
- Stewardship responsibilities are carried out thoroughly (engaging with companies, shareholder voting, manager monitoring, industry participation).

- Fund managers are transparent in their reporting to clients and the wider public.

Manager selection

8.10 An assessment of RI&E is a core part of LGPSC's manager selection process. Typically, manager selection processes are done in three broad stages; standard questionnaire; request for proposal; and manager meetings, of which RI&E assessments feature in all three. In stages one and two, the RI&E Team draft questions for insertion and then score the managers 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 full ESG integration. A representative from the RI&E team then attends all the manager meetings. 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.

Case study: infrastructure debt portfolio

8.11 The transition agreed in 2023 involved several new commitments to LGPS Central private markets, so we have provided an example of the process they used to ensure ESG was integrated into the private markets arena. 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.

Active equities

8.12 Once appointed, LGPSC 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 or personnel) and others are mandatory. LGPSC receives quarterly data from external fund managers on the number of engagements undertaken and the weight in portfolio. LGPSC set expectations regarding the volume and quality of engagement, and we assess climate risk including portfolio carbon footprint, and exposure to oil, gas and coal producers. To send a unique voting signal to investee companies LGPSC votes 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 intelligence and recommendations from external fund managers.

8.13 The RI&E team attend quarterly monitoring meetings with external managers. The purposes of RI&E monitoring are to analyse the level of ESG risk and climate risk in the portfolio, determine whether the manager is successfully applying the ESG process that was pitched, and assess whether that ESG process is proving successful. 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.

8.14 LGPSC has developed a red, amber, yellow, green (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;

a) philosophy, people and process;
b) evidence of integration;
c) engagement with portfolio companies; and

d) climate risk management.

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

Cross-team interaction in development of new LGPSC funds

8.15 Proposals for product development are discussed and challenged at the Investment Committee (IC) and the Private Markets Investment Committee (PMIC), which derives its authority from the IC and the Board. The director of RI&E is a voting member of IC and PMIC.

8.16 These committees scrutinise investment proposals at a preliminary stage and authorise appropriate expenditure in connection with full due diligence and negotiation of investments. The RI and stewardship implications are first discussed and scrutinised during this initial preliminary review. A due diligence report, including due diligence by the RI&E Team, is presented to the IC or PMIC for scrutiny and final approval.

Integration of climate change risk through climate risk monitoring project

8.17 In 2020, LGPSC conducted in-depth climate risk assessments for Shropshire County Pension Fund and the other LGPSC partner funds and provided a Climate Risk Report (CRR) bespoke to each of them. This process created a base year for ongoing monitoring of changes. This process has continued and developed with our fifth CRR being received in November 2024.

8.18 The CRR 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. In the analysis, LGPSC uses two approaches, bottom up & top-down analysis. The top-down work is at the asset-allocation level and considers the financial consequences to the individual partner fund given plausible climate change scenarios. The bottom-up analysis is at the company/asset level and considers carbon risk metrics such as portfolio carbon foot printing, exposure to fossil fuel reserves, carbon risk management, financed emissions, and investments in clean technology. In each type of analysis, LGPSC is not addressing

the impact of the partner fund on the climate, but rather the impact of a changing climate, and changing climate policies, on the fund.

8.19 To facilitate TCFD disclosure, the CRR is deliberately structured to align with the four disclosure pillars. Below is a summary of the methods used to assess financially material climate-related risks and opportunities.

Section	Analysis
Governance	The purpose of this section is to identify areas in which the fund's governance and policies can further embed and normalise the management of climate risk. We provide a review of the fund's documentation from the perspective of climate strategy setting and issue recommendations on how the fund could improve its governance of climate-related risk.
Strategy	Using the services of Mercer, LGPSC assesses the extent to which the fund's risk and return characteristics could come to be affected by a set of plausible climate scenarios. This includes an estimation of the annual climate-related impact on returns (at fund and asset class level), and climate stress tests (to explore the potential impact of a sudden climate-related price movement).
Risk management	Based on the report findings LGPSC provides a Climate Stewardship Plan which identifies the areas in which stewardship techniques could be leveraged to further understand and manage climate-related risks within the portfolio. The Plan includes plans to engage both individual companies and fund managers.
Metrics and targets	LGPSC conducts a bottom-up carbon risk metrics analysis at the company and portfolio level. For the most part, five types of carbon risk metric are utilised: portfolio carbon footprint, financed emissions, fossil fuel exposure, weight in clean technology and climate risk management (via the Transition Pathway Initiative).

8.20 As per our reporting against Principle 1, we consider this Climate Risk Monitoring project a critical stepping-stone in the Fund's ongoing management of climate risk and a direct way of translating our investment beliefs on climate change into action.

8.21 LGPSC have provided the Fund a bespoke CRRs on an annual basis for the past four years. Future iterations of the report will show progress against the baseline of data collected in 2020. The 2024 report explored 1) how the results have changed since the baseline 2) What recommendations have been achieved and 3) How our Partner Funds can continue to develop in this space.

8.22 The following are examples of the how ESG is integrated across the portfolio by asset class.

Equity (active and passive)

8.23 The fund has two equity managers; LGPS Central for active equities; and LGIM for passive equities. Together equities make up 55% of the fund benchmark as set out under principle 6. Examples of engagement activities by LGIM are shown under principle 8 at 9.22. Examples of engagement by LGPS Central are shown in appendix 2.

Absolute return

8.24 As noted under principle 6, the absolute return section of the portfolio was reduced from 25% to 7.5% as a result of the ISS agreed in June 2023.

The funds remaining investments in this area are held in three areas.

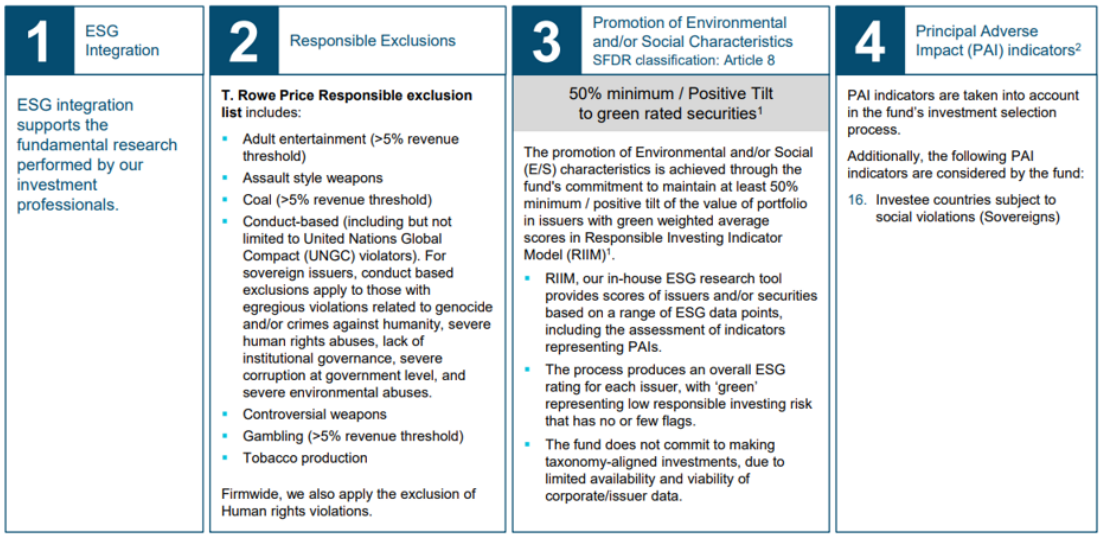
1. Hedge funds — Blackrock fund of funds.
2. Securis — insurance linked securities.
3. T Rowe Price — global dynamic bonds.

Depending upon the nature of the investment there is not always clear engagement evidence as the investments do not hold direct equity and so have no direct voting rights. However, the fund works closely with managers to ensure ESG is built into the investment processes. An example of the Blackrock approach was shown at 8.7.

8.25 In respect of Securis, whilst this forms only 1.5% of the fund, the fund has been discussing the position with the manager for several years, with Securis joining a peer group to review the position in 2022. Securis have made great progress being recognised as an SFDR article 8 fund in 2024 and issuing their first annual responsible investment report in July 2024. In 2025 the firm merged to become Twelve Securis, and they are currently developing a group wide framework based on the Securis ESG framework.

Dynamic global bond fund

8.26 The ESG process operated by T Rowe Price in a selection of investments is shown below. There are no voting rights associated with this investment. The fund receives quarterly engagement updates from this manager.



8.27 An example of a recent engagement with Vistra (global data centre and administrative business support).

Objective: We engaged with Vistra on emissions and green data centres.

Activity: T Rowe Price met with Vistra to discuss the data centre opportunity and convey our view on relevant environmental considerations. In our meeting, the company emphasized the improving efficiency of gas peakers, the strategic use of combined cycle gas plants, and the importance of nuclear assets.

Vistra noted the significant water requirements for certain types of power generation, particularly for combined cycle gas plants. The company mentioned that newer gas turbines, such as those used in peakers, are designed to be more efficient and consume less water compared with older technologies. The expectation is that, although demand for power may increase (and subsequently increase water consumption), advancements in energy efficiency and the strategic use of renewables and peakers may limit the overall increase in water consumption from combined cycle plants.

Outcome: The engagement allowed us to provide our views on the importance of mitigating excess water consumption and the continual strides toward energy efficiency improvements.

Investment grade corporate bonds

8.28 The fund transitioned 10% of assets under management (AUM) into investment grade corporate bonds in October 2023, in line with the ISS agreed in June 2023. This was a new investment for the fund, but through our pooling company LGPS Central, so we had full transparency of their responsible investment practices. The fund was an existing investment within the pool and already utilised by other pool members, so no new manager appointments were required because of this change.

8.29 An example of engagement is shown below for Thames Water, Neuberger Berman, and the LGPSC investment grade corporate bond fund.

Objective: To mitigate concerns regarding the management of Thames Water (TW).

Sector: Utilities

ESG topics addressed: Governance

Issue / reason for engagement: Mitigate concerns regarding the management of Thames Water, to discuss disclosure and turnaround strategy and waste management, including the Thames Tideway Tunnel progress, pollution incidents, and storm overflows.

Scope and process / action taken: The manager engaged with TW to discuss disclosure and turnaround strategy and waste management, including the Thames Tideway Tunnel progress, pollution incidents, and storm overflows. The manager's diligence process included an environmental-focused engagement with the company's head of sustainability and investor relations team, and a governance-focused engagement with TW's management.

The discussion covered key topics such as wastewater discharge, the Thames Tideway Tunnel project, and storm overflow impacts. The company highlighted transparency efforts through the launch of a live storm discharge map, which reports real-time overflows and their durations. Regarding governance, the manager

questioned the company on its recapitalisation plan, ahead of the new regulatory period and its significant increase in capital investments.

The company provided updates on the tunnel, which is designed to reduce sewage discharge into rivers. Expected to be completed by 2025, the tunnel will capture 95% of sewage by volume, reducing annual sewage discharge durations by 50% across the Thames Valley by 2030 and by 80% in sensitive catchments.

The company launched a live storm discharge map in January 2023, the first of its kind in the sector, which reports real-time overflows and their durations. This initiative set a new standard for transparency, potentially influencing government regulation to mandate similar disclosures across the sector.

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

Outcomes and next steps: The manager's ESG view of TW modestly improved from an environmental perspective due to the following reasons.

a) Additional information on Thames Tideway Tunnel to reduce sewage discharge proportion.
b) Improved transparency of storm discharge from live spills.

However, the company's environmental performance and management of environmental risks continues to lag peers. Following the lack of recapitalisation, the manager reduced their exposure to the name because of significant concerns related to risk management. The position was exited before the Draft Determination in July 2024.

Illiquid alternatives

8.30 As noted under principle 6, the illiquid alternatives section of the portfolio equates to 27.5% of the portfolio, in benchmarking terms under the ISS agreed in June 2023. Depending upon the nature of the investment there is not always clear engagement evidence, as the investments do not hold direct equity and so have no direct voting

rights. We have set out examples of a managers approach to ESG and engagement examples as applicable.

Private equity

8.31 The fund has a mixture of investments in this area through HarbourVest and through LGPS Central.

In respect of HarbourVest, the manager's main objective regarding stewardship is to use its influence to foster general partner adoption and support of ESG principles, thereby increasing awareness of ESG risks and opportunities to maximize the overall value to its investors and beneficiaries such as the fund. In general, the manager seeks to accomplish this from three angles:

a) GP (general partner) engagement

As an indirect investor in private markets, the manager's primary engagement approach is to use its influence to engage with GPs and lead deal sponsors when relevant and appropriate to; drive progress more broadly and demonstrate their value-add as a partner; and address issues at portfolio level more specifically for their own and their LPs' (limited partners) assurances.

b) Company engagement

For certain direct co-investments, the manager may hold a company board or observer seat, and it seeks to increase discussion around ESG topics and monitoring where relevant or material.

c) Industry engagement

Industry engagement is complementary to GP and company-level engagements by promoting structural industry progress and coalescence around common ESG approaches, which in turn supports better ESG practices and accountability.

GP and industry engagement

8.32 The following section describes how the manager provides feedback to GPs and offers GPs best-practice sharing opportunities to improve practices at the GP level.

The manager utilises a proprietary ESG manager scorecard to evaluate a GP's approach and capabilities on ESG. The evaluation criteria are aligned with industry standards; the resulting assessment is generated by proprietary weightings and provides an overall ESG rating for the GP, and individual scores for efforts on climate change and diversity and inclusion. The manager's scorecard serves as a mechanism for both researching and engaging with GPs on ESG issues.

ESG Data Convergence Initiative (EDCI)

8.33 The manager has recently been focused on encouraging its GPs to support EDCI, collect standardized KPIs across portfolio companies, and report the data to the EDCI and their investors. During each of the past two years, the manager has leveraged its support of the EDCI as an LP member to request ESG metrics at the asset/portfolio company level from its GPs. This initiative has made a significant difference as comparable, consistent ESG metrics were previously unavailable in the private equity industry.

In 2023, the manager reached out to nearly 60 GPs that were publicly signed up to the EDCI to request portfolio company-level data and received responses from approximately 75% of GPs. As part of this inaugural exercise, the manager held calls with several GPs to discuss peer practices on sharing EDCI data and subsequently engaged with the EDCI Steering Committee to request further clarification for GPs disclosing data to LPs. In 2024, the manager conducted its second annual EDCI outreach exercise and made two enhancements to its data collection process.

Firstly, the manager expanded its outreach to include GPs that are not EDCI members. This included its largest GP exposures and several co-investment / private credit sponsors outside of the original list. The manager believed this was an important engagement step to express support of the EDCI and increase GP awareness of the initiative.

In total, this more than tripled the manager's outreach to over 200 GPs. As of August 2024, the manager has received data from over 120 GPs and is still accepting submissions.

Private markets decarbonisation roadmap (PMDR)

8.34 The manager has also been engaging with GPs regarding awareness and adoption of the PMDR, an initiative launched in 2023 by the Initiative Climate International (iCI) with the support of Bain & Company. The PMDR provides a common language for GPs to assess and communicate progress of assets on their decarbonization journey. By gathering industry traction behind a common framework, the objective is to gain insight on portfolio alignment with the low carbon transition and to support effective progress.

The manager was a co-developer of the framework through its engagement roles in the iCI and the CEO Taskforce of the Sustainable Markets Initiative. An April 2024 survey of the iCI membership by Bain & Company found “although a large majority of investors (95%) have begun to collect decarbonization data from their portfolio companies, only 65% say they are driving action with portfolio companies (and 58% with deal teams)”. The manager recognizes the importance of consistent, comparable information, and has used its influence with GPs to encourage them to begin using the framework.

As part of its outreach effort for the EDCI, the manager asked GPs whether they are aware and open to engagement on the PMDR; are planning to use the PMDR or another framework; or are already using the PMDR. As of August 2024, the manager has held approximately 50 engagement calls with managers regarding the PMDR and has been advocating for a standard data sharing template through its role with the iCI.

Company engagement

8.35 The following section describes how the manager identifies and engages on portfolio company risks and incidents using a third-party monitoring software, and how the manager can engage directly with portfolio companies on either ESG risks or opportunities.

8.36 The manager utilises a third-party ESG controversy monitoring tool to proactively scan for negative ESG incidents across their portfolio. ESG and investment team members participate in bi-weekly meetings to discuss reported incidents and determine next steps. When reported incidents are considered to be potentially

material, the manager has protocols in place to reach out to the GP for more information and to record the outcome of that engagement.

8.37 **Theme:** Human rights / environmental

Reason for engagement: Through their standard RepRisk incident monitoring process the manager was made aware of an NGO report making allegations against, amongst others, a portfolio company which is a European sustainable agricultural solutions provider. The report claimed the portfolio company owns a plot of land near, and therefore is potentially infringing upon, large areas of indigenous territory in South American rainforests. The manager reached out to the GP to understand more about these allegations and the GP's view on the portfolio company's potential link to adverse human rights and environmental impacts.

Outcome: Upon the manager's engagement, the company's internal audit and risk team conducted a thorough investigation, supported by external advice. The investigation concluded that the allegations are misleading and that there is no evidence of wrongdoing or land infringement by the portfolio company. The GP confirmed that the plot of land in question is not in fact owned by the portfolio company but has instead been kept by former shareholders of an acquired subsidiary. Furthermore, the investigation confirmed that the plot of land is close to two indigenous reserves, but that the land is duly licensed and authorized by public bodies, is not subject to any agricultural exploitation, and is 8 km away from the area declared of interest by a Brazilian governmental protection agency for the rights of indigenous people. The manager appreciated the detailed investigation conducted by the GP and portfolio company and accepted the conclusions of the investigation that there is no evidence of irregularity, which is also consistent with the initial due diligence performed at the time of the subsidiary acquisition.

Board-level engagement

8.38 Due to its role as an indirect investor, the manager's engagement activity is centred on the GPs and lead deal sponsors it invests with. Occasionally, and at the invitation of the lead sponsor, the manager will engage directly with underlying assets to discuss how ESG factors are being approached.

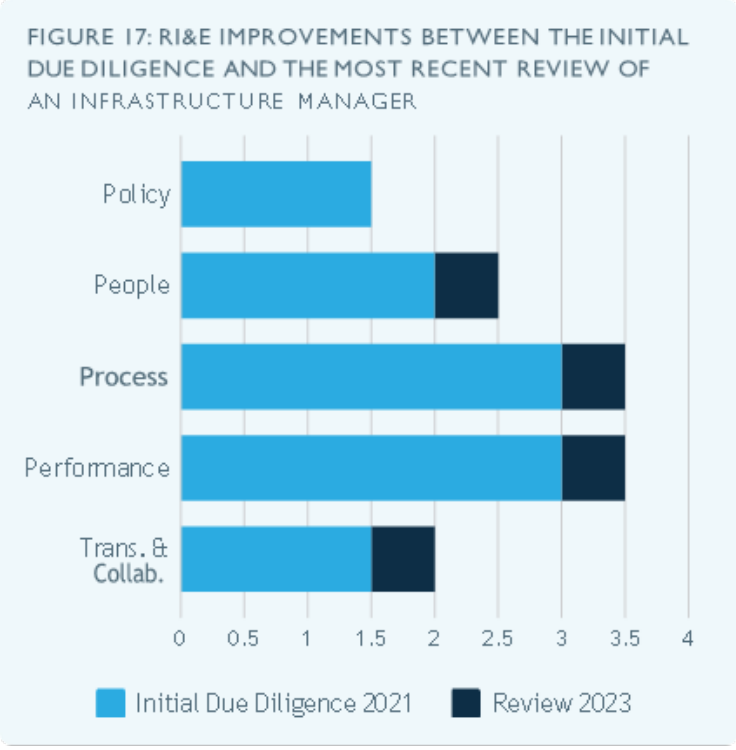
8.39 As one example, the manager was approached by a lead sponsor to advise a financial services portfolio company on ESG best practices as part of the investment

value creation plan and preparation for IPO. The manager's head of ESG met with the company management team and shared notes on relevant ESG regulation, how to approach GHG accounting for financial services software companies, and provided peer recommendations on ESG data and consultancy services.

LGPS Central private markets

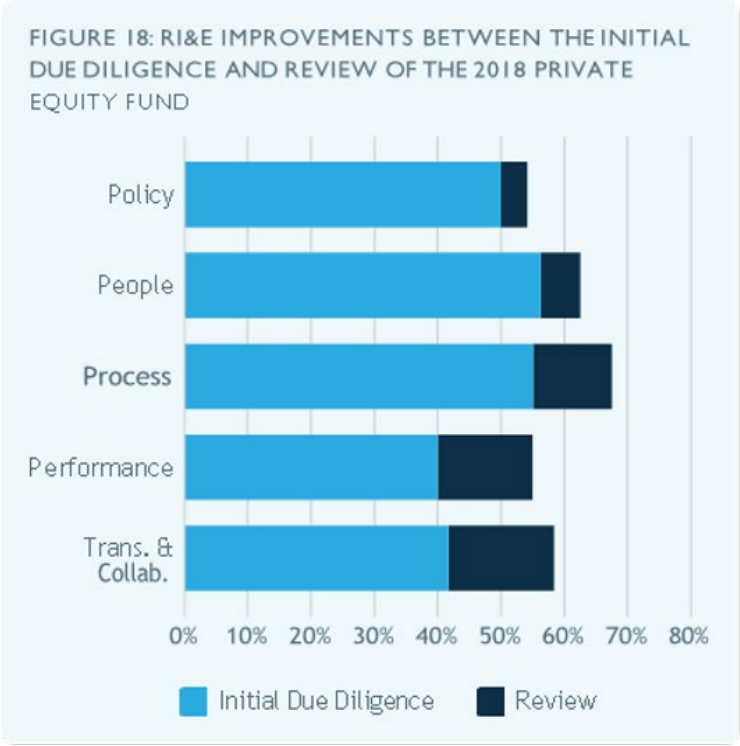
8.40 Monitoring of ESG issues within their private market fund investments is integrated into the general monitoring process that is established internally. From time to time, they conduct deep dive reviews of the practices of our fund managers. The frequency of the review is approximately 3 years, or more frequently depending on the risk level. In 2023, LGPSC reviewed one manager within the 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, it was noted that the manager has added additional resources and responsibilities were found 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



8.41 At a high level, they observed the following trends within our 2021 private equity RI&E reviews.

- GPs are rapidly expanding their RI&E resource — a number of the 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, private markets continue to lag public markets in several aspects. LGPSC 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 and greater standardisation in the metrics reported across different private equity funds. They will also conduct a review of selected vintages within 2024.

8.42 LGPSC also held ad-hoc discussions with several private debt managers during the year. They 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.

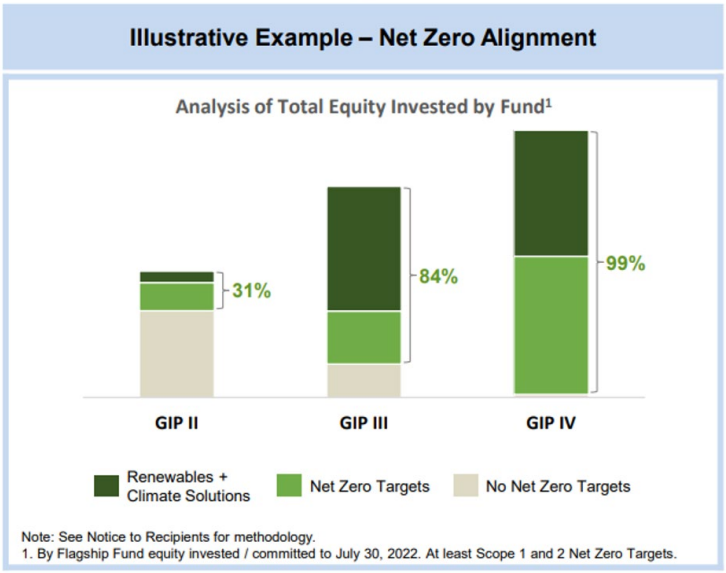
One of our managers indicated that they will be registering as a B-Corp. LGPSC have implemented a policy requiring all co-investment sponsors to establish ESG-related KPIs for their investee companies. These KPIs should be tailored to the investee companies' specific situation and align with the company's overall strategy. LGPSC receive progress reports on each companies' performance against their respective KPIs. The majority were on track to meet their KPIs, but relevant sponsors will be required to create an action plan where there was a shortfall. LGPSC will continue to receive annual updates on the dashboard and KPIs, allowing us to track the firm's progress. Additionally, they plan to meet with the GPs on an annual basis to discuss potential areas for future enhancement.

Infrastructure

8.43 The fund has two infrastructure investments; one with Global Infrastructure Partners (GIP), and one with LGPS Central. These equate to 7.5% of the fund's benchmark as laid out in the strategic asset allocation under Principle 6.

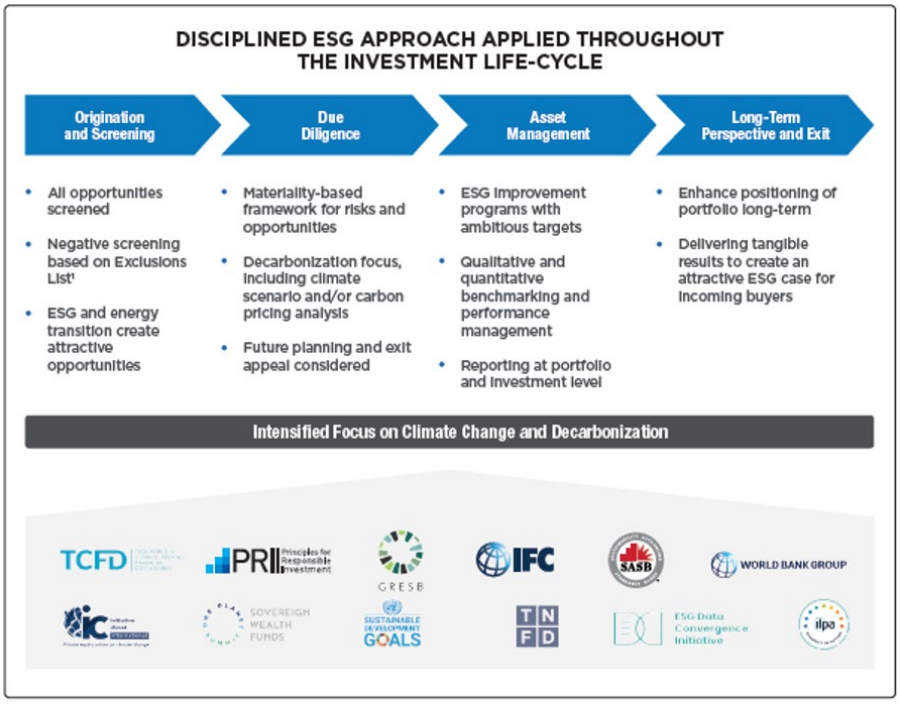
8.44 GIP was selected as a manager due to its strong ESG focus on infrastructure assets. GIP believes ESG is key to operating businesses in a safe and responsible manner,

and that it leads to better investment outcomes. The manager has demonstrated intensified ESG focus because of the strategic opportunities and risks from climate change and changes in wider ESG expectations. This has resulted in much improved net zero alignments as investments have matured as shown below.



Please note: the fund has nearly exited GIP II with only one investment remaining in this fund.

8.45 The GIP approach is set out in the extract below showing both the process adopted and the bodies that GIP works in partnership with to drive ESG reporting.



8.46 An example of the ESG approach at GIP is provided for two companies in our portfolio in respect of social engagement on safety.

Social-safety culture through leadership and technology: GIP's portfolio companies

Given the importance of safety to GIP, we track portfolio company performance through environmental, health, and safety (EHS) KPIs as part of our ESG monitoring and reporting, as well as monitor results through regular management and board reports, and engage with leaders regularly on their priorities and progress. GIP uses safety performance as a leading indicator for operational excellence. We engage with the company's leadership team to foster a sector leading safety culture with a proactive, preventive and behaviour-based approach. GIP incorporates safety for contracted workforces, including through monitoring and reporting of contractor safety KPIs given the materiality to GIP's portfolio companies who rely on contracted workforce, such as engineering, procurement, and construction (EPC) companies, to complete critical construction and maintenance activities in their organizations. In 2024, several of GIP's portfolio companies re-assessed opportunities to make step changes in safety performance through focusing on leadership and technology.

- **VTG — safety leadership.** VTG's new leadership team identified safety as a key engagement topic across the organization, with VTG viewing safety as critical to culture; in offices as well as in wagon manufacturing, service, and repair shops where railway hazards are ever-present. This focus, combined with an active performance measurement process which holds operating leaders accountable for engaging on safety, have contributed to VTG's injury rates reducing an average of 45%.
- **Peel Ports Group — human interactions and AI.** Peel Ports Group (Peel Ports) is the UK's second largest port operator, handling around 70 million tonnes of diversified cargo each year. As part of operating a landlord port and moving cargo between land and marine operations, Peel Ports operates different types of large mobile units (e.g., cranes, reach stackers) in varying types of environments. In addition, third-party drivers and equipment operators interact in areas where cargoes are stored. Peel Ports is experimenting with AI as an overlay to its extensive network of closed-circuit television (CCTV) footage to identify locations where moving equipment and individuals might

interact at an unsafe distance. Peel Ports is working to identify locations of frequent interaction for additional equipment / personnel segregation efforts, warnings, or controls to continue to operate its ports in a safe manner.

8.47 In addition to specific examples, the GIP annual ESG report also provides data across a number of ESG metrics for each investment. These cover:

- Decarbonisation action.
- Resource management.
- Social employment.
- Community impact.
- Governance.

8.48 The LGPS Central investment is a relatively new investment — funds are still being drawn down in 2024 with full deployment of capital expected over the next 12 months. The fund involves multiple managers all selected by LGPSC. The integration of ESG principles into manager selection has been covered earlier in sections 8.41 – 8.43.

Private credit

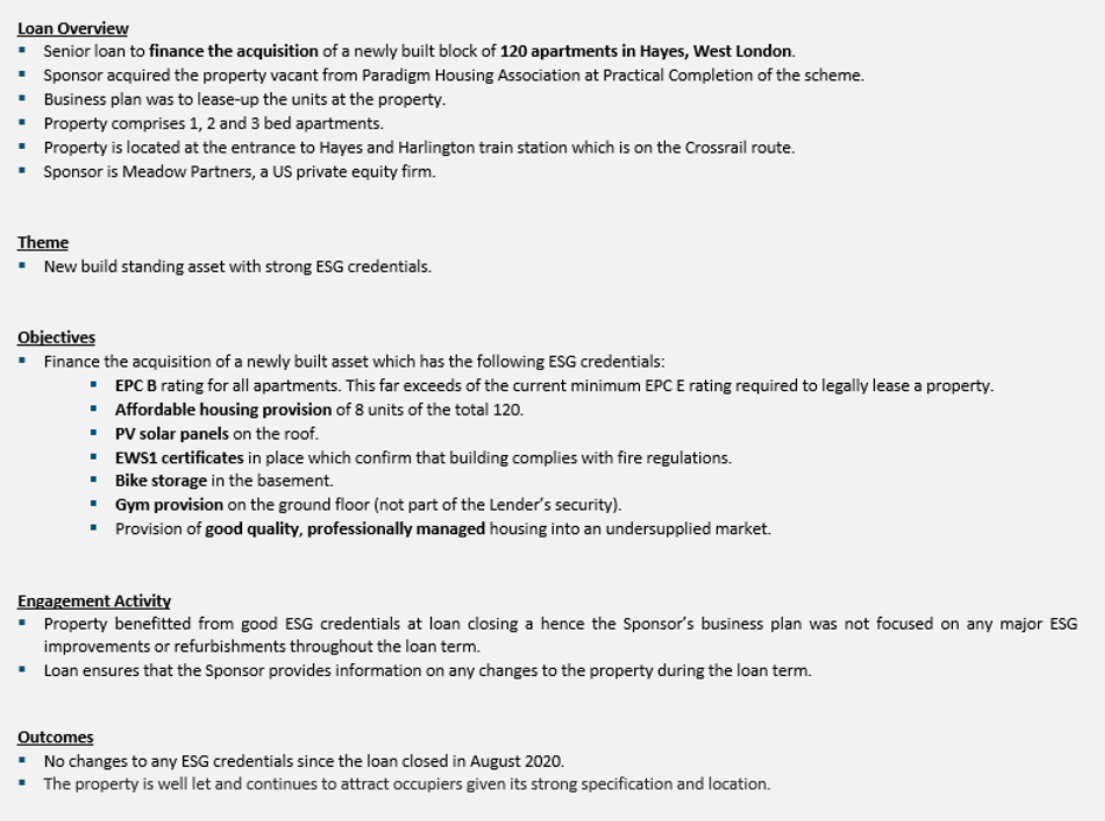
8.49 The LGPS Central investment is a relatively new investment — funds are still being drawn down in 2024 with full deployment of capital expected over the next 12 months. The fund involves multiple managers all selected by LGPSC. The integration of ESG principles into manager selection has been covered earlier in sections 8.41 – 8.43.

Property debt

8.50 The funds property debt investments are a legacy investment and will be moved into the private debt investment as they mature throughout 2024/2025. This fund is about managing UK property debt, and the fund manager looks for properties either with strong ESG foundations at the outset or a commitment to improve ESG credentials as a result of investment.

8.51 An example of improved ESG credentials because of investment is shown below.

Project London Residential: maturity April 2025



Loan Overview

- Senior loan to **finance the acquisition** of a newly built block of **120 apartments in Hayes, West London**.
- Sponsor acquired the property vacant from Paradigm Housing Association at Practical Completion of the scheme.
- Business plan was to lease-up the units at the property.
- Property comprises 1, 2 and 3 bed apartments.
- Property is located at the entrance to Hayes and Harlington train station which is on the Crossrail route.
- Sponsor is Meadow Partners, a US private equity firm.

Theme

- New build standing asset with strong ESG credentials.

Objectives

- Finance the acquisition of a newly built asset which has the following ESG credentials:
  - **EPC B** rating for all apartments. This far exceeds of the current minimum EPC E rating required to legally lease a property.
  - **Affordable housing provision** of 8 units of the total 120.
  - **PV solar panels** on the roof.
  - **EWS1 certificates** in place which confirm that building complies with fire regulations.
  - **Bike storage** in the basement.
  - **Gym provision** on the ground floor (not part of the Lender's security).
  - Provision of **good quality, professionally managed** housing into an undersupplied market.

Engagement Activity

- Property benefitted from good ESG credentials at loan closing a hence the Sponsor's business plan was not focused on any major ESG improvements or refurbishments throughout the loan term.
- Loan ensures that the Sponsor provides information on any changes to the property during the loan term.

Outcomes

- No changes to any ESG credentials since the loan closed in August 2020.
- The property is well let and continues to attract occupiers given its strong specification and location.

Property: Abrdn UK Property

8.52 The fund's UK property investments have a 5% benchmark as set out in the Strategic Asset Allocation under principle 6. This fund is about indirect property investment. An example of how ESG criteria are applied as part of the investment criteria is shown below, together with an example of an actual investment.

Real Estate Multi-Manager Investment Process

Theme: Governance: ongoing, constructive, engagement leads to better client outcomes.

Objectives:

a) Use Aberdeen's corporate influence and the real estate multi-manager (REMM) team's reputation to push for transparency and clear communication from all underlying investments, especially those experiencing difficulties.
b) Provide client with ongoing updates via monthly and quarterly reporting, in-person (Teams) meetings, and ad hoc emails as and when matters arose.

Engagement activity: Three of Shropshire's property funds — Lothbury Property Trust, Nuveen UK Property Fund, and Federated Hermes Property Unit Trust — have experienced significant redemption pressures at various points. While Lothbury and Nuveen initially encountered these challenges in 2023, Federated Hermes faced similar issues more recently in 2024. These pressures led to the suspension of dealing across all three funds, with Lothbury ultimately entering liquidation.

Throughout 2024 and the 2025 calendar year to date, the REMM team has actively engaged with all three fund managers, with particular emphasis on Nuveen and Federated Hermes due to their respective merger processes. During this period, the team also held discussions with the proposed merger partners to assess the implications of the transactions, including the identification of assets to be sold and those to be retained or transferred.

Several aspects of these transactions required investor approval, prompting the team to conduct detailed analysis and present findings and recommendations to the REMM Investment Committee

Outcomes: Lothbury Property Trust entered liquidation in May 2024, and at the time of writing four assets remained within the portfolio, all of which are currently under offer. As indicated in Shropshire's 2024 FRC application, this was the outcome Aberdeen was ultimately seeking as we believed it to be best outcome for all investors.

Nuveen UK Property Fund merger with Columbia Threadneedle Property Unit Trust completed in February 2025.

Federated Hermes Property Unit Trust merger with L&G Managed Property Fund completed in August 2025.

Investment approach — principle 8

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

9.1 The fund expects its appointed investment managers to ensure that our needs have been met by taking account of financially material social, environmental, and ethical considerations in the selection, retention and realisation of investments and believes

that this forms part of the manager's fiduciary duty to protect long term shareholder value.

9.2 This reflects the fund's commitment to ensuring that companies that it invests in adopt a responsible attitude toward the environment, adopt high ethical standards and behave in a socially responsible manner by considering the interests of all stakeholders. The fund seeks to achieve this objective by raising issues with companies in which it invests and to raise standards in a way that is consistent with long term shareholder value and our fiduciary duty.

9.3 The fund understands that regardless of this delegation, we retain overall responsibility for the stewardship and responsible investment of the fund's assets.

9.4 Specifically, managers are tasked with appropriately selecting the companies held in their portfolios based on mandates, intervening where necessary and reporting back regularly on engagement activities.

9.5 The reports from our asset managers detailing engagement activities are a key monitoring tool used by our Pensions Committee on a quarterly basis.

9.6 These are reviewed by both our independent investment advisor, Philip Hebson, and our investment Advisors, AON, who attend all Pension Committee meetings. Our advisor's objectives were reviewed at the December 2023 Pension Committee and include; assisting the fund in the monitoring of its managers; and producing a quarterly performance update for Committee, which provides an overview of manager performance and raises any corporate, social, or governance issues for consideration by the Committee. The fund also monitors the performance of its investment advisors in compliance with CMA regulations.

9.7 Each of the managers meets with officers of the fund on a quarterly basis and the Pension Committee can call mangers to appear as required. LGPS Central, as the fund's pooling manager, has attended Committee in 2024/2025, together with Columbia Threadneedle Investments, the funds engagement and overlay advisors. Going forward the expectation is that, where possible, all new investments will be placed through the pool and existing assets transferred as appropriate. Due the delay in transitioning private market assets to LGPS Central, the fund has agreed that legacy managers will now attend the Pensions Committee on a quarterly basis by invite to update directly. Performance is also reported publicly annually in the fund's

annual report, which is published on the fund's website and made widely available to stakeholders.

9.8 ESG factors are built into all the fund's performance updates with managers, and as part of the quarterly presentation pack we receive.

9.9 The fund receives internal control reports from managers and our custodian every year, and these are reviewed by officers of the fund annually and subject to a second review as part of our internal audit agreement with Shropshire Council. Regular performance meetings are also held with our actuary on a monthly/6 weekly basis.

9.10 The fund is a member of the Local Authority Pension Fund Forum (LAPFF) which has enabled us to develop our approach to shareholder engagement and responsible investment. Collective engagement through LAPFF enables us to maximise our influence.

9.11 Officers of the fund regularly attend LAPFF business meetings, which include presentations from expert speakers and detailed updates on engagement and policy work. Furthermore, our membership of LAPFF enables us to benefit from their voting alerts service which highlights companies with material corporate governance failings. Full details of the alerts can be viewed on the LAPFF website in the members' area. An example of LAPFF engagement is provided under principle 9 at 10.2.

9.12 We participate in LGPS Central Limited for our active equity mandates. It is our ESG adviser, and its approach is detailed in its Responsible Investment and Engagement Framework.

9.13 LGPS Central Limited does quarterly ESG update reports which can be found on its website, and these are shared directly with the Pensions Committee as part of our quarterly governance updates. We also monitor investments through Columbia Threadneedle's responsible engagement overlay services. These reports, together with the reports from our passive Equity Manager LGIM (covered below), are presented to the Pensions Committee every quarter.

9.14 We have appointed Legal & General Investment Management to manage our passive equity mandates. It believes in using its scale and influence to bring about real, positive change to create sustainable investor and produces an LGIM quarterly ESG Impact Report.

9.15 From a fund perspective, ESG strategies are considered as part of the investment process and not solely as a stand-alone.

Further detail of LGPSC and LGIM monitoring of managers' ESG integration and stewardship

9.16 External fund managers are monitored to ensure the ongoing application and efficacy of their approaches to RI and stewardship. Managers' report on a regular basis to LGPSC in respect of how engagement activities have been discharged during the period.

9.17 Engagement undertaken by LGPSC's external managers in 2024 has been comprehensive and robust. These managers are all long-term investors with sizeable positions in their highest conviction portfolio holdings, giving them excellent access to company management which they used effectively to drive company change. There were a few occasions where the level of engagement disclosure was unsatisfactory, or where the link between an engagement and subsequent investment decision-making was not clear. In these instances, fund managers were marked down during our RAYG rating (red – amber – yellow – green) review and LGPSC discussed its concerns in the quarterly meetings.

9.18 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).

LGPS Central score managers on four components of their RI&E approach;

a) philosophy, people, and process;
b) evidence of integration;
c) engagement with portfolio companies; and
d) climate risk management

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

9.19 Examples of engagements by LGPS Central during the year on the active equity portfolios are shown in Appendix 2 under the themes of engagement.

Passive equity

9.20 The fund's passive equity manager is LGIM. They believe that stewardship encompasses all aspects of ESG, and that none of the areas are static. The LGIM mission is as follows.

a) Companies integrate environmental, social, and governance (ESG) factors into their culture and everyday thinking.
b) Markets and regulators create an environment in which good management of ESG factors is valued and supported.

9.21 Passive equity is the largest single investment in the fund with a benchmark of 30%. The fund has quarterly engagement with LGIM to review engagement performance and the fund's equity protection strategy.

9.22 Some examples of engagements by LGIM are as follows.

Example 1: McDonalds

Sector and theme: Retail, public health — antimicrobial resistance

Issue identified: Antimicrobial resistance (AMR) is the damaging effect of disease-causing microorganisms (e.g. bacteria, viruses, fungi, and parasites) increasing their resistance to antibiotics. AMR is one of our global systemic engagement themes. The World Health Organization (WHO) describes AMR as one of the top 10 global public health threats facing humanity today. The World Bank estimated in 2016 that AMR could result in a 3.8% loss in global GDP, an impact comparable to that of the 2008 financial crisis. McDonald's is one of the largest beef purchasers and a major buyer of pork; we believe that animal husbandry standards across their supply chain have the potential not only to mitigate AMR directly across large sections of the value chain, but also to have a 'knock-on' impact upon the food sector more broadly, on account of the company's scale and influence.

Engagement and escalation: LGIM co-filed a shareholder resolution at the company in 2023, under the umbrella of the Shareholder Commons, asking McDonald's to comply with World Health Organization (WHO) guidelines on the use of medically important antimicrobials in food-producing animals throughout its supply chain. The resolution sought adherence to the WHO guidelines throughout the full supply chain, including beef, chicken, and pork. This resolution gained 18% support from shareholders.

Following a lack of action by McDonald's, LGIM co-filed the same resolution in their 2024 AGM, together with our industry peer Amundi and The Shareholder Commons. However, our 2024 resolution was subject to a 'no-action' ruling by the SEC, a mechanism by which the company is allowed to unilaterally remove proposals from its proxy statement if they are judged to have already substantially implemented the resolution demand. We were disappointed by both the step taken and the decision announced, as we believe that McDonald's should be adhering to the WHO Guidelines on use of antibiotics across all the meat that they produce, not just certain types of meat.

Outcome: The Benedictine Sisters of Boerne, Texas, successfully filed their AMR-related resolution calling upon the company to adopt an enterprise-wise policy to phase out the use of medically important antibiotics for disease prevention purposes in its beef and pork supply chains. LGIM voted in favour of this resolution, which received 15% votes in favour. LGIM have broadened their collaborative engagement by joining FAIRR's collaborative investor engagement on Antibiotic Use in the Quick-Service Restaurant Sector in North America. This engagement stream covers fast-food restaurant companies, including McDonald's, Yum! Brands (owner of KFC and Pizza Hut), and Restaurant Brands International (owner of Burger King). By working with like-minded peers and stakeholders, we aim to broaden our engagement on the issue of antimicrobial resistance with companies that, we believe, could have a substantial effect in mitigating AMR by changing their supply chain practices. LGIM will continue to exercise our votes on AMR-related shareholder resolutions in line with our Health Policy — the significant vote on Restaurant Brands International highlighted in this report is an example.

Example 2: Colgate-Palmolive

Sector and theme: Manufacturing — deforestation

Issue identified: As part of our commitment to using best efforts to tackle commodity-driven deforestation impacts in our investment portfolios by 2025, LGIM's deforestation campaign aims to engage with portfolio companies on deforestation as risk management approach and is linked to voting outcomes. LGIM outline to companies our deforestation expectations (to have both a deforestation policy and programme in place), we assess their performance annually against these and apply vote sanctions to laggard companies. In addition, we engage with companies identified as having high deforestation exposure, but that stand out as strategically prioritising and managing this topic. We have selected Colgate-Palmolive for engagement, due to its potential to galvanize action in its sector, as well as for its significant exposure to forest-risk commodities such as palm oil, paper, cattle, and soy.

Engagement and escalation: LGIM have been engaging with Colgate-Palmolive since November 2022, just after the initial publication of our deforestation policy. In addition to written communications, we have met with company representatives twice (in 2022 and 2024). Our engagements have been focused on their deforestation approach as well as challenges and opportunities in meeting their deforestation commitments. We have engaged with the Chief Sustainability Officer and explored how the company is ensuring supplier compliance and increased traceability across commodities as well as grievance mechanisms robustness and key escalations for non-compliance. We have also sought to encourage increased board oversight of deforestation and prioritisation of this issue within the company's risk management agenda.

Outcome: LGIM note that the company meets our minimum expectations on deforestation, as set out above. They have also demonstrated further progress. In addition to appreciating responsible sourcing as a critical issue, they have been building relationships and furthering engagement with their suppliers, including ending relationships with those found to be non-compliant. In terms of monitoring, they have introduced satellite imaging and are undertaking the complex process of mapping palm oil derivatives. Additionally, the company has a 'grievance log' for palm oil for 2023. In terms of oversight, we note that the frequency of board-level updates on

deforestation has increased. In our next engagement with the company in 2025, we will focus on traceability progress across key commodities, collaborations and work done with their peers to eliminate deforestation. We will also continue to discuss the company's work on mapping and addressing deforestation risks across their supply chain.

Example 3: Quantas Airways

Sector and theme: Aviation — governance

Issue identified: LGIM engagement with Qantas dates back to 2020, since which time the Australian airline has faced a number of controversies over its treatment of both customers and staff during the COVID-19 pandemic (for both of which the company has been ordered, through legal action, to provide redress). These controversies highlighted governance issues that have been a staple ingredient of our engagement with the company (alongside climate change). On governance, the specific issues we addressed in 2024 were;

- over-boarding (time commitment of directors);
- succession; and
- remunerations.

Engagement and escalation: LGIM met with Qantas four times during 2024, including discussions with the new Chair. Since the controversies mentioned above, both the Board Chair and the Chair of the Remuneration Committee have been replaced and the board has undergone a degree of refreshment, bringing average tenure down to three years. Our discussions with the company helped us to gain a closer understanding of stability of the board, the timeframes over which over-boarding of the chair can reasonably be corrected, and the steps taken by the remuneration committee to hold relevant directors and executives accountable for their actions.

This was reflected in our voting decisions at the company's AGM at the end of October. While over-boarding was a concern for the new board chair, we understand that he cannot abruptly end his tenure at the other companies where he has board seats. Consequently, we voted for the re-election of Chair at Qantas (but note that we vote against his re-election at other companies where he serves on the board).

The other director election that became a focus for us was of a Non-Executive Director (NED) who was serving on the board at the time of the COVID controversies. Failure to provide oversight of the board at that time, in addition to the mishandling of executive compensation were the prime considerations in assessing our vote. However, given the significant refreshment of the board since that time, the departure of many culpable directors, and the actions of the new remuneration committee chair (discussed below), we voted for the re-election on account of the need for some stability on the board at a turbulent time. We would note that this NED also brings significant industry experience.

The final vote of significance was regarding the remuneration report which, after consideration, we supported. The new remuneration committee chair has taken what we consider to be sufficient action against the directors responsible for previous misconduct at the company, including a notable and highly publicised clawback of over AU$9 million from the former CEO. Despite some concerns, we considered, in light of the steps taken and the explanations we received during our engagements with the company, that support for these actions by the remuneration committee was warranted.

Outcome: The significant changes to the board and the new steps being taken at Qantas are encouraging. While there are a number of areas that we will continue to monitor, we take a positive view of the changes the company has made. In addition to our focus on governance, we will also continue our engagements on climate change with the company, under our Climate Impact Pledge, and monitor progress.

Example 4: Volvo

Sector and theme: Manufacturing — climate

Issue identified: LGIM selected Volvo Car for engagement as we view the company as a technology leader within the European automotive landscape. We have commenced an engagement with a view to understanding the nuances of the regulatory backdrop and how it influences product strategy decisions. We would also like to understand the ability of Volvo and other companies in the automotive sector to provide more detailed disclosure on plug-in hybrid emissions, which would approve transparency around the technology, which is a critical tool in the objective of cutting vehicle emissions in Europe.

Engagement and escalation: LGIM have begun an engagement with Volvo, making initial contact with the company with a view to arranging a more detailed walk through of their views on the regulations around plug-in hybrid technology. We have submitted questions to the company regarding this engagement and are awaiting the company's response.

Outcome: This engagement is at the early stages so the next steps will be to discuss with the company their responses to the questions we have submitted to date. LGIMs objectives from this engagement are:

- To ensure we understand the current regulatory framework in a manner consistent with how it is viewed by the industry.
- To understand the limitations around disclosure of plug-in hybrid electric vehicle (PHEV) emissions data currently held by Volvo and other original equipment manufacturers (OEMs).
- Depending on the other responses, to discuss a framework for more proactive disclosure of real-world PHEV emissions to provide greater transparency to stakeholders.

Engagement — principle 9

Signatories engage with issuers to maintain or enhance the value of assets.

10.1 Alongside LGPSC's direct engagements, we have several partners that engage with companies on our behalf; Columbia Threadneedle Investments (CTI), the funds responsible engagement overlay partner; EOS at Federated Hermes (stewardship provider to LGPSC); and LAPFF. Through these partnerships, our fund was able to engage more than 1200 companies on material ESG related issues in the course of 2024.

10.2 An example of LAPFF engagement with a company in the fund's active equity portfolio is shown below.

Barclays

Theme: Climate — decarbonising energy supply

Objective: The role the banking industry plays in addressing the climate crisis is significant. It influences corporate behaviour in both public and private markets (including supporting client businesses to develop transition plans) and is vital to ensuring capital is readily available for the energy transition. Conversely, its lending to the fossil fuel sector carries with it transition risks and the possibility of stranded assets. As such, LAPFF's engagement objectives have sought to reduce exposure to such risks and while also encouraging the banking sector to take advantage of the opportunities that the green transition presents.

Achieved: Barclays was identified by LAPFF as facing considerable risks. Indeed, Barclays was the biggest funder of the fossil fuel sector in Europe between 2016 and 2021. Given this and material exposure to the bank, LAPFF has been engaging Barclays on climate finance since early 2020, when the Forum supported the filing of a climate-related shareholder resolution. The resolution requested the bank set targets to phase out the provision of financial services to electric and gas utility companies that are not aligned Paris Agreement. Ahead of the 2020 AGM, LAPFF met with the Barclays chair to discuss the proposal before issuing a voting alert to members recommending support. Between 2020 and 2024, LAPFF held six meetings with Barclays relating to climate change, two of which were with the chair. In February 2024, with prospect of a further shareholder resolution, Barclays issued an updated climate statement, which included the following commitments.

- No project finance, or other direct finance, for expansion projects in upstream oil and gas or related infrastructure.
- Restrictions lending re oil exploration and production engaged in "long lead" expansion.
- Additional restrictions on unconventional oil and gas, including Amazon and extra heavy oil.
- Requirements for oil and gas clients to have 2030 methane reduction targets, a commitment to end all routine/non-essential venting and flaring by 2030, and near-term net zero aligned Scope 1 and 2 targets by January 2026.

As a result of this statement ShareAction, who were facilitating the proposal, agreed to withdraw the resolution. The statement was a major step forward and helps to address some of the major concerns that LAPFF has been raising for several years. This includes greater alignment with their lending positions with the International

Energy Authority position that new oil and gas infrastructure is not compatible with net zero.

In progress: Despite improvements, ShareAction, along with other investors including LAPFF, felt the statement could and should go further, particularly as it relates to financing of fracking businesses in the US. LAPFF signed onto a letter to the company requesting the bank to broaden its commitment relating to the financing of fossil fuels to include lending to the US fracking industry. LAPFF will be continuing to engage the company to further improve its lending practices and reduce its exposure to climate risks.

10.3 During 2024 LGPSC engaged on four core stewardship themes; climate risk; natural capital; human rights; and topical and sensitive issues. These themes have been updated for 2024-2026 as noted in section 1. See Principle 5 for further detail on how these themes have been identified. Appendix 2 provides details of the Stewardship Strategy, measures of success, engagement highlights, and case studies for each of the 4 themes in place in 2024.

Engagement on themes and issues outside of stewardship themes by LGPSC

EOS engagements

10.4 Nationwide Building Society

Theme: Climate change

Objective: Our stewardship provider, EOS at Federated Hermes (EOS), has been engaging with Nationwide since 2020 to disclose impacts of climate change and the energy transition on its mortgage portfolio, detailing the impacts over short, medium, and long-term timeframes, and the measures taken to mitigate these risks. To complete this analysis to show the distribution of risk within a two-year timeframe.

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

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

10.5 Vale SA

Theme: TNFD

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

Engagement: As part of NA100, EOS sent the company a letter introducing the group's expectations on nature. The letter explains that the aim is to support companies to reverse nature loss and help achieve the goals of the Global Biodiversity Framework. EOS highlight the risk that nature and biodiversity loss poses to companies, for example by impacting business operations, supply chain resiliency, and financial returns. EOS asked the company to consider including nature in its business model, strategy, and climate transition plan. In Q1 2024, EOS acknowledged the company's leadership in Brazil and in the wider mining sector by committing to the early adoption of the TNFD recommendations, and to publishing its first TNFD-aligned disclosures alongside financial statements for the 2025 financial year

Outcome: In Q3 2024, the company published its first TNFD report, detailing its LEAP (locate, evaluate, assess, prepare) methodology, as part of the integration of nature risks into the risk management framework, and explaining the next steps towards the implementation of the TNFD recommendations into the company's integrated report.

Further example of LGIM engagement

10.6 An example of a recent engagement through LGIM relating to climate is cited below which is part of their Q1 ESG Impact Report 2025.

Issue: The mining and diversified metals sector produces minerals that are essential to the energy transition. As such, we believe that long-term, responsible investors, such as L&G, can support these companies as they decarbonise and realise the associated financial opportunities. In August 2024, we published our updated assessment framework for mining companies' climate transition plans, which sets out our expectations for the sector and has formed the framework for our ongoing engagements with mining companies. Having voted in favour of BHP Group's Climate Transition Action Plan in October 2024, we are encouraged to see some of the world's largest mining companies making progress on their climate commitments and playing a foundational role in the global journey to net zero.

Engagement: We have been engaging in detailed and constructive discussions with Rio Tinto since voting against their previous Climate Action Plan in 2022. At the time, while recognising that the company had strengthened its operational emissions reduction targets by 2030, together with making a commitment for substantial capital allocation linked to the company's decarbonisation efforts, we were concerned by the absence of quantifiable targets for Scope 3 emissions, and the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner. Our climate-related engagement since then has aimed to bridge the remaining gaps against our expectations, particularly regarding the company's approach to Scope 3 emissions and customer decarbonisation.

Outcome: Following what we view as substantive progress by Rio Tinto in this area, primarily through enhanced disclosure of its plans to decarbonise its value chains, as well as the clear and quantified actions set out to meet its emission reduction targets, we believe the company's enhanced strategy closely aligns with our framework and should support its decarbonisation journey and the creation of long-term value as the climate transition unfolds. We therefore voted in support of the company's Climate Action Plan (Resolution 19) and pre-declared our voting intention. We will continue our engagement with the company on the implementation of this plan and monitor their progress.

10.7 LGIM is also a formal member of Nature Action 100, a global investor initiative co-led by Ceres and the IIGCC (with support from Finance for Biodiversity and Planet Tracker). Focused on corporate engagement, NA100 aims to encourage greater corporate ambition and action on nature and biodiversity loss, by setting a common agenda and clear set of expectations for companies. 190 institutional investor participants — representing US$23.6 trillion in assets under management or advice — have joined NA100 and will be participating in direct engagement with 100 companies through the initiative.

As corporate disclosure and assessments of companies' interactions with nature continue to evolve rapidly, we would hope that LGIM's NA100 membership will provide both resources and insights that will help us develop our expectations and understanding in this area.

Examples of engagement by Columbia Threadneedle Investments

10.8 **Waste Connections Inc.**

Background: Waste Connections (WCN) is the third-largest waste manager in the US, with a large presence in rural America. It has a key role in enabling a circular economy and mitigating environmental impacts like emissions and plastic pollution. In light of these environmental risks, we engaged with the VP of Engineering & Sustainability to discuss Waste Connections' net zero strategy, recycling initiatives, and approach to managing PFAS exposure.

Action: We were keen to assess the company's emissions management strategy, including their view on expanding their Renewable Natural Gas (RNG) processing capabilities. We were interested to discover that the company is exploring technologies to better model and capture fugitive emissions from landfills. It is also spending aggressively on RNG facilities for enhanced biogas generation. Additionally, we discussed earnings opportunities available from recycling, as well as PFAS related regulations which are expected to be enforced in the US. While WCN's lack of ambition on recycling may prove to be a missed earnings opportunity, we still expect some focus here with enhanced recycling goals due to previous targets having not factored in the increased use of recycling robots or developments at new recycling facilities. In light of this, more quantitative data on its emissions reduction roadmap as well as recycling efforts would be welcome. Finally, WCN intends to process at least

50% of its leachate (i.e. contaminated water in solid waste landfills) on site which is likely to position them well given pending legislation on wastewater and the Comprehensive Environmental Response Compensation and Liability Act. It is encouraging to note that they are also partnering with wastewater treatment plants and vendors on the use of foam fractionation technology in order to improve PFAS management. We believe this is a potential commercial opportunity for the company and will monitor its progress.

Verdict: In our view, an ambitious environmental strategy could benefit WCN in meeting their public climate and recycling commitments as well as developing new revenue streams. WCN expects to achieve its climate targets through enhanced modelling, the capturing of fugitive emissions, and the electrification of their fleet. RNG facilities are also expected to enhance revenues and generate carbon offsets. Their expansion of their recycling offering is currently muted, but we will continue to encourage greater ambition, especially once US Extended Producer Responsibility regulations are enforced. WCN is unique in setting targets on leachate treatment on-site — we will monitor progress on this with great interest.

Engagement — principle 10

Signatories, where necessary, participate in collaborative engagement to influence issuers.

11.1 We have worked with organisation detailed in Appendix 1 in collaborative engagement to influence issuers to maximise the influence that the Fund can have on individual companies.

11.2 LGPSC has continued active involvement in several strong investor collaborations that pursue better corporate standards across ESG issues, including for several Stewardship Themes, during 2024. The pool has also supported theme-relevant 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 Appendix 1.

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

Example 1: BHP

Theme: Climate change

Objective: Enhanced disclosure on Just Transition.

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

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

Example 2: Repsol SA

Theme: Natural capital

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

Engagement: In the run-up to the UN-led Plastics Treaty negotiations, we co-signed a letter drafted by Planet Tracker to 22 companies, including Repsol, requesting petrochemical companies to take stronger actions towards plastics circularity. The

statement outlines five expectations for companies, including the disclosure of strategies and setting targets to transition to sustainable plastic production. Following the company's AGM, we wrote to them detailing our rationale for voting against their Energy Transition Strategy and requested a call to discuss the petrochemical statement.

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

Example 3: Amazon

Theme: Human rights

Objective: The company to recognise labour rights in UK facilities.

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

Outcome: The GMB narrowly lost its bid for union recognition at the Amazon warehouse in Coventry. The GMB has submitted a complaint to Britain's labour law

regulator, outlining the anti-unionisation tactics that Amazon has employed. We will continue to monitor the situation's progress.

Example 4: Tencent Holdings

Theme: Sensitive/topical

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

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

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

Other fund collaboration

11.4 The fund also works closely with its asset managers, engaging with them on a regular basis and with other organisations, such as the Pensions & Lifetime Savings Association (PLSA). All our managers work closely with other organisations as part of their collaborative engagements, advocacy and research activities, details of which are given in their quarterly and annual reports which are reported to Committee.

11.5 Each year, various officers and members of the Pension Committee attend LAPFF business meetings which include presentations from expert speakers and detailed updates on engagement and policy work.

11.6 Representatives from the fund regularly attend various other pension forums and conferences to stay abreast with the latest developments affecting LGPS pensions and investment markets and to use opportunities to network and collaborate with others.

Examples of LAPFF collaborative engagement

11.7 In addition to the support provided directly via LGPSC there are examples provided through LAPFF of the supported engagement activities undertaken. A few recent examples are detailed below with extracts from LAPFF 2024 annual report.

Valuing Water Finance Task Force — Chipotle

Objective: In 2022, LAPFF was named co-chair of the Valuing Water Finance Task Force, a leadership initiative made up of some of the world's largest and most influential asset owners and financial institutions. Despite taking on the lead investor position in 2022, LAPFF has been engaging with Chipotle on its approach to water stewardship since 2019. The initial engagement objective was met during 2022, with the company undertaking an ingredient level water risk assessment to identify areas of water stress within its supply chain. The mapping exercise identified suppliers operating in regions of water stress. Having identified priority regions, LAPFF's expectation is for the company to set measurable and time-bound targets to reduce negative impacts on freshwater.

Achieved: During 2024, 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 on 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.

In progress: 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, it is also not timebound and does not provide a framework of accountability. As such, LAPFF will continue to work with the company to develop robust and ambitious water goals.

Board diversity engagements

Objective: It is well-documented at this point, both in academic literature and in the corporate governance world, that board diversity improves corporate performance. Diversity covers a range of areas, including gender, cultural, and economic (for example, workers on boards). LAPFF aims to enhance corporate performance and governance by promoting board diversity across various dimensions, including gender, cultural, and economic backgrounds. Recognising that diverse boards can contribute to better decision-making and improved financial returns, the Forum seeks to engage with companies to encourage the appointment of diverse board members and the integration of diverse perspectives into corporate strategies and practices.

Achieved: LAPFF continued membership in the 30% Club Investor Group, focusing on increasing gender diversity on corporate boards worldwide. As part of the Group's Global Workstream, LAPFF met with KKR & Co., an American global investment company, to discuss its approach to gender diversity and potential targets. Despite the challenging environment in the USA, where there's mounting pressure on companies to reduce diversity, equity, and inclusion (DE&I) programmes, LAPFF navigated sensitivities by encouraging disclosures such as pay gap reports and fostering progress where possible. The Forum also engaged with Glencore, questioning whether the company's smaller board size allows for sufficient diversity of views and expertise, particularly in areas like climate change and human rights. LAPFF advocated for broader diversity to enhance board effectiveness and oversight. To address the issue of all-male boards in Japan, LAPFF wrote to five Japanese companies, including Toyota Industries, who responded positively, indicating plans to appoint a female director at its AGM. LAPFF subsequently met with representatives from the company and discussed various initiatives on supporting women in the company, as well as diversity across all levels.

In progress: LAPFF continues to pursue dialogues with companies to promote board diversity and will pay close attention to pushback on issues of diversity in areas like the US.

Columbia Threadneedle Investments (CTI) collaborative engagement example

11.8 Project: Sustainable food system

Objective: The food and beverage industry is facing a number of social and environmental risks, while needing to provide food for a growing population. We aim to take a system approach to challenges, including addressing plastic pollution, reducing GHG emissions, managing water stress and soil depletion, securing working conditions in operations and supply chains, and eliminating deforestation in raw material sourcing.

Project summary: Agricultural supply chains such as cocoa, coffee, and palm oil face persistent sustainability challenges concerning working conditions, deforestation, and climate risk. As part of the Sustainable Food Systems project, we engaged with major food companies specifically to understand how they assess the effectiveness of sustainability interventions aimed to strengthen these agricultural supply chains. In particular we focused on cocoa sourcing, given the recent instances of black pod disease affecting cocoa trees, and poor weather — including excessive rainfall in the key producing countries Cote d'Ivoire and Ghana — leading to a supply reduction of 20% and 11%, respectively. We engaged Mondelez on its programs focused on addressing root causes of child labour, such as poverty. The company stated it is making progress toward its 2025 targets of sourcing all cocoa within its responsible sourcing programme Cocoa Life, addressing environmental and social issues, but acknowledged quantifying impact remains challenging. We also encouraged more disclosure on how policies are operationalised, especially in high-risk areas, as it would support investors in assessing their effectiveness and impact. At Nestle, we explored efforts to increase cocoa sourcing resilience amid climate change impacts like volatile weather. The company is developing environmental metrics to assess intervention effectiveness related to biodiversity, emissions, and income levels. Nestle aims to scale up environmental and social programs to support a healthy supplier base. Hershey, in contrast, pointed to the need to preserve and strengthen biodiversity in cocoa sourcing to increase resilience to the black pod disease. Kraft Heinz stated that climate change is their biggest single driver of commodity risk, and

that coffee and tomatoes are most exposed. As a result, the company is exploring financial support to growers as they transition to more sustainable practices and develop resilience. Measuring effectiveness of interventions is a priority, but appropriate metrics is still a challenge. Finally, from a social risk perspective, it was useful to learn that Kroger's recent human rights impact assessments highlighted the importance of addressing social and environmental challenges in combination, with the need for heat protection for workers being a key learning. In engagements we have made the case for more detailed disclosure of environmental and social metrics to evaluate whether farmer income programs, deforestation policies, and climate resilience efforts are achieving the intended results. We believe that enhancing supply chain traceability and due diligence, particularly in high-risk regions, is also essential to improve resilience. As the importance of supply chain resiliency to climate change increases, the effectiveness of sustainability programs in mitigating climate, community, and nature risks become even more important. On the positive side, there is a wealth of data available to companies and investors. The challenge remains in finding the right metrics to monitor and disclose, which is key to effectively allocate finite financial resources.

Engagement — principle 11

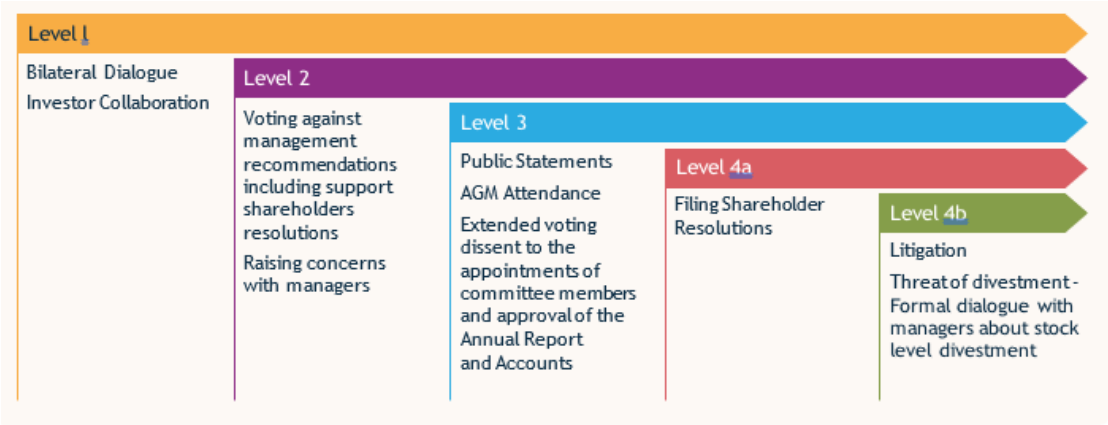
Signatories, where necessary, escalate stewardship activities to influence issuers.

12.1 The responsibility for day-to-day interaction with companies is delegated to fund managers and LGPSC, including the escalation of engagement. Their guidelines for such activities are anticipated to be disclosed in their own statement of adherence to the Stewardship Code and may include the following activities.

- 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.)
- Intervening jointly with other institutions — e.g., fund managers have shown support for LAPFF alerts by publishing their voting intention online prior to AGMs.
- Public statement.

- Voting against management, e.g., against the annual report, the appointment of directors or the auditors.
- Attendance and raising questions at the AGM.
- Divestment of shares.

12.2 The LGPS Central escalation strategy was updated in 2023, to take effect from 2024, and remained unchanged in the period.



Examples of LGPS Central 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. We met with the company to discuss our concerns and provided a detailed review of the company's human rights approach compared with the practices adopted by its competitors. We were not able to secure a follow-up meeting with the company. The company deems its own human rights approach to be satisfactory (although not compliant with the UNGPs).

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

Barclays

Theme: Climate change

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

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

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

12.3 Occasionally, the fund may choose to escalate activity directly, principally through engagement activity by the LAPFF (see escalation example above in Principle 10) or via LGPSC. When this happens, the Chairman of the Pensions Committee, in communication with the head of the pension fund, will decide whether to participate in the proposed activity.

12.4 The fund employs the services of AON as both an investment consultant and as an independent investment advisor, who, along with officers of the fund, closely monitors the performance of the fund's managers. The investment advisors will attend

Committee meetings and assist the Committee in the questioning of the managers and in the discussions that follow, helping the Committee by providing any guidance they need to help them to make the right decisions for the fund's interests. Further details are contained within the ISS which is available on the fund's website.

12.5 Our advisor's objectives are reviewed at the Pensions Committee annually. Please see note at 9.6.

12.6 The fund has only divested from shares in the past on the grounds of investment performance and has principally used engagement to influence companies through fund managers to escalate activity. Divestment is not currently the fund's policy — it could be considered in the future if a particular manager or company was not making any attempt to comply with our fund's stated policies, or a particular company was making no effort with engagement partners.

12.7 A large proportion of the fund's assets[1] are invested in passive pooled products managed by Legal & General Investment Management (LGIM) and are voted according to the voting policies of LGIM. An escalation example is detailed below.

LGIM escalation example

LGIM's longstanding climate engagement programme, the Climate Impact Pledge, is linked to tangible voting and engagement sanctions which were introduced in 2016. Details of LGIM's Climate Impact Pledge can be accessed here. This outlines key areas of focus and a sanction list of companies that have persistently fallen short of our minimum standards or have been included due to a lack of response to our engagement requests.

LGIM's approach covers 5000 plus companies in climate critical sectors, with exclusions applied to 15 companies covering around £224 billion of assets. Their approach also includes a new engagement model — focused on large companies with poor scores relative to their scale — to help raise standards across the market. LGIM disinvested from two companies in 2024 for failure to respond to engagement approaches.

[1] Passive investment benchmark in 2024/2025 was 30% of fund assets.

Columbia Threadneedle Investments (CTI) escalation

12.8 The Responsible Engagement Overlay service (reo®) allows investors to receive market leading corporate engagement on equity and corporate bond holdings and proxy voting services. CTI had 310 engagements with 461 companies across 19 countries in 2024/2025 on the fund's behalf, achieving 55 milestones. Targets and milestones are linked to the UN Sustainable Development Goals (SDG's), and an example of the engagements and milestone is shown below.



12.9 CTI directly engage with companies in the SCPF Climate Stewardship Plan, and are an active participant in Climate Action 100+, leading on eight engagements and supporting a further 38.

Case study: Amazon

Background: Amazon is a technology company engaged in e-commerce, cloud computing, online advertising, digital streaming, and artificial intelligence. The company has continued to face numerous shareholder proposals, receiving 14 shareholder proposals on its ballot across the environmental, social and governance spectrum during the 2024 AGM. These covered topics such as Scope 3 emissions and plastic use to repeated shareholder proposals on freedom of association and working conditions. Half of the proposals had also been filed in previous ballots.

Action: Ahead of the AGM, we had a constructive dialogue with the Head of ESG Engagement, regarding pertinent proposals on the ballot. On working conditions, we were pleased to see the improvements in injury rates and increased investments in health and safety. However, the company continues to face allegations around the misrepresentation of its injury data. The company clarified that prior to data submission to the regulator, it conducts audits to reduce the risk of false reporting. Given continued allegations and investigations, shareholders would benefit from independent audits to ensure the integrity of the data. On customer due diligence, the company reiterated its robust human rights due diligence programme and its compliance with the UN Guiding Principles. Amazon states that it conducts risk assessments at both a product and enterprise level. But while we note that the company enforced a ban of the sale of its facial recognition technology to police departments, Amazon is still exposed to reputational and regulatory risks from the potential misuse of the software. We believe shareholders would benefit from further disclosure of how it conducts customer due diligence for its facial recognition software. On plastics, we are encouraged by the company’s improved disclosure and did not support the proposal to report on efforts to reduce plastics this year. While we think it could be beneficial to publish time-bound goals for plastics reduction, we understand that customers and other stakeholders are able to monitor the company’s improvements through its disclosure on the percentage of its plastic packaging in its annual reporting.

Verdict: The company's stance remains unchanged that independent reviews for freedom of association and working conditions would not be beneficial given that its current standards are very high, and the company would not place itself at risk of penalties by reporting incorrect data in an SEC filing. Nonetheless, given the continued high-profile controversies related to this, we reiterated that independent

reviews would help to alleviate investors' concerns on these material labour issues which impact its c1.5 million employees and appear annually on the ballot. As a result, we supported the shareholder proposals on freedom of association, working conditions and customer due diligence. Despite these proposals not passing, these topics will continue to be focus areas for engagement with the company going forward.

Engagement — principle 12

Signatories actively exercise their rights and responsibilities.

13.1 The Pensions Committee has agreed that LGPSC will, via Hermes EOS, vote shares in certain discretionary and all pooled funds on the fund's behalf. These votes are executed in line with LGPSC's published voting principles. The fund believes that the advantage of a consistent signal and working collectively through the pool will have a positive influence on company behaviour. LGPSC also provides regular updates on our targeted stewardship themes.

13.2 As described in Principle 10 we monitor our engagement with companies and how the proxy voting of these investments is cast, reporting this to Pensions Committee meetings using geographical and company name analyses. Over the year EOS voted at 561 meetings on 28,946 resolutions. EOS voted against management on one or more resolution at over 65% of meetings. An example of the voting and engagement statistics provided is detailed below for quarter 2 of 2024.

LGPS Central Limited

Federated Hermes EOS

Q2 2024

LGPS Central - ACS

EOS at Federated Hermes

Engagement by region

We engaged with 497 companies held in the LGPS Central - ACS portfolio on a range of 1757 environmental, social and governance issues and objectives

Global

We engaged with 497 companies



Environmental 35.6%
Governance 36.5%
Social 21.2%
Strategy, Risk & Comm 6.7%

Australia & New Zealand

We engaged with 16 companies



Environmental 78.9%
Governance 13.2%
Social 5.3%
Strategy, Risk & Comm 2.6%

Developed Asia

We engaged with 52 companies



Environmental 30.7%
Governance 39.9%
Social 22.9%
Strategy, Risk & Comm 6.4%

Emerging & Developing Markets

We engaged with 46 companies



Environmental 32.6%
Governance 40.1%
Social 23.3%
Strategy, Risk & Comm 4.1%

Europe

We engaged with 120 companies



Environmental 39.8%
Governance 37.7%
Social 15.7%
Strategy, Risk & Comm 6.8%

North America

We engaged with 226 companies



Environmental 33.6%
Governance 35.9%
Social 23.8%
Strategy, Risk & Comm 6.7%

United Kingdom

We engaged with 37 companies



Environmental 36.0%
Governance 32.5%
Social 20.2%
Strategy, Risk & Comm 11.4%

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Example of LGPSC themes

Engagement Report LGPS Central - ACS

Engagement by Meta theme

We engaged with 497 companies held in the LGPS Central - ACS portfolio on a range of 1757 environmental, social and governance issues and objectives

Environmental

Environmental topics featured in 35.6% of our engagements



- Circular Economy & Zero Pollution 7.8%
- Climate Change 74.0%
- Natural Resource Stewardship 18.2%

Social

Social topics featured in 21.2% of our engagements



- Human & Labour Rights 44.5%
- Human Capital 43.2%
- Wider Societal Impacts 12.3%

Governance

Governance topics featured in 36.5% of our engagements



- Board Effectiveness 40.7%
- Executive Remuneration 45.7%
- Investor Protection & Rights 13.6%

Strategy, Risk & Communication

Strategy, Risk & Communication topics featured in 6.7% of our engagements



- Corporate Reporting 41.0%
- Purpose, Strategy & Policies 32.5%
- Risk Management 26.5%

Example LGPSC voting report

Federated Hermes
EOS

Voting Report
Q2 2024

LGPS Central - ACS

EOS at Federated Hermes

Over the last quarter we made voting recommendations at 2,019 meetings (28,096 resolutions). At 1,433 meetings we recommended opposing one or more resolutions. We recommended voting with management by exception at 94 meetings and abstaining at three meetings. We supported management on all resolutions at the remaining 489 meetings.

Global

We made voting recommendations at 2,019 meetings (28,096 resolutions) over the last quarter.



- Total meetings in favour 24.2%
- Meetings against (or against AND abstain) 71.0%
- Meetings abstained 0.1%
- Meetings with management by exception 4.7%

Australia & New Zealand

We made voting recommendations at 16 meetings (119 resolutions) over the last quarter.



- Total meetings in favour 25.0%
- Meetings against (or against AND abstain) 75.0%

Developed Asia

We made voting recommendations at 530 meetings (6,079 resolutions) over the last quarter.



- Total meetings in favour 29.6%
- Meetings against (or against AND abstain) 68.1%
- Meetings with management by exception 2.3%

Emerging & Developing Markets

We made voting recommendations at 375 meetings (4,454 resolutions) over the last quarter.



- Total meetings in favour 30.9%
- Meetings against (or against AND abstain) 66.4%
- Meetings abstained 0.3%
- Meetings with management by exception 2.4%

Europe

We made voting recommendations at 372 meetings (7,089 resolutions) over the last quarter.



- Total meetings in favour 18.3%
- Meetings against (or against AND abstain) 78.8%
- Meetings with management by exception 3.0%

North America

We made voting recommendations at 525 meetings (6,850 resolutions) over the last quarter.



- Total meetings in favour 12.4%
- Meetings against (or against AND abstain) 76.8%
- Meetings with management by exception 10.9%

United Kingdom

We made voting recommendations at 201 meetings (3,505 resolutions) over the last quarter.



- Total meetings in favour 39.3%
- Meetings against (or against AND abstain) 57.2%
- Meetings abstained 1.0%
- Meetings with management by exception 2.5%

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Example LGPSC company engagement

LGPS Central Limited

Notices:
LGPS Central Limited is committed to disclosing its voting record on a vote-by-vote basis, including where practicable the provision of a rationale for votes cast against management.
The data presented here relate to voting decisions for securities held in portfolios within the company's Authorised Contractual Scheme (ACS).

Meeting Date	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
24/04/2024	Hong Kong Exchanges and Clearing Limited	Annual	All For		
26/04/2024	Hang Lung Group Limited	Annual	Against	3a 3b 5,7	Concerns related to approach to board gender diversity Concerns related to inappropriate membership of committees Issue of equity raises concerns about excessive dilution of existing shareholders
26/04/2024	Hang Lung Properties Limited	Annual	Against	5,7	Issue of equity raises concerns about excessive dilution of existing shareholders
03/05/2024	CLP Holdings Limited	Annual	All For		
07/05/2024	Swire Properties Limited	Annual	Against	1b 4 1a	Concerns related to inappropriate membership of committees Issue of equity raises concerns about excessive dilution of existing shareholders Lack of independence on board
08/05/2024	Cathay Pacific Airways Limited	Annual	Against	4	Issue of equity raises concerns about excessive dilution of existing shareholders
08/05/2024	Hang Seng Bank Limited	Annual	Against	2 5	Concerns related to succession planning Issue of equity raises concerns about excessive dilution of existing shareholders
09/05/2024	Hua Hong Semiconductor Limited	Annual	Against	8 9 12,13	Concerns related to inappropriate membership of committees Concerns related to inappropriate membership of committees Concerns related to approach to board gender diversity Issue of equity raises concerns about excessive dilution of existing shareholders
09/05/2024	Swire Pacific Limited	Annual	Against	4 1a,1b	Issue of equity raises concerns about excessive dilution of existing shareholders Lack of independence on board
09/05/2024	The Wharf (Holdings) Ltd.	Annual	Against	2b,2d 5,7	Concerns related to succession planning Issue of equity raises concerns about excessive dilution of existing shareholders
10/05/2024	Techtronic Industries Company Limited	Annual	All For		
10/05/2024	The Bank of East Asia, Limited	Annual	Against	3c,3d 4 5	Concerns related to approach to board gender diversity Insufficient/poor disclosure Issue of equity raises concerns about excessive dilution of existing shareholders
14/05/2024	Galaxy Entertainment Group Limited	Annual	Against	4 9 7.2,7.3 2	Concerns related to inappropriate membership of committees Concerns related to succession planning Issue of equity raises concerns about excessive dilution of existing shareholders Lack of independence on board Concerns related to inappropriate membership of committees Concerns related to approach to board gender diversity
20/05/2024	Champion Real Estate Investment Trust	Annual	Against	3	Concerns related to succession planning
20/05/2024	China Resources Beer (Holdings) Co. Ltd.	Annual	Against	3.7 3.8 5,7	Concerns related to approach to board gender diversityConcerns related to succession planning Concerns related to succession planning Issue of equity raises concerns about excessive dilution of existing shareholders
20/05/2024	China Travel International Investment Hong Kong Limited	Annual	Against	3b,3c 3d 5,7 3a	Concerns related to approach to board gender diversity Concerns related to approach to board gender diversityConcerns related to attendance at board or committee meetings Issue of equity raises concerns about excessive dilution of existing shareholders Lack of independence on boardConcerns related to attendance at board or committee meetings
22/05/2024	MTR Corporation Limited	Annual	Against	3a	Concerns related to inappropriate membership of committees Concerns related to attendance at board or committee meetings
22/05/2024	Power Assets Holdings Limited	Annual	Against	3c	Overboarded/Too many other time commitments
23/05/2024	MMG Limited	Annual	Against	2c 2b 5,7 9a,9b	Concerns related to succession planning Concerns related to succession planning Concerns related to approach to board gender diversity Issue of equity raises concerns about excessive dilution of existing shareholders Pay is misaligned with EOS remuneration principles
24/05/2024	AIA Group Limited	Annual	All For		

13.3 We ask LGPSC to utilise all levers to influence corporate behaviour across our equity investments. Voting is a core part of our overall stewardship effort as a shareholder in investee companies.

Voting approach and objectives

13.4 **High-level objectives:** LGPSC and ourselves view voting as a core component of stewardship and all voting activities we undertake aim to;

- support the long-term economic interests of our stakeholders;
- ensure boards of directors are accountable to shareholders; and
- encourage sustainable market behaviour across companies and sectors.

13.5 **Principles-based approach:** We take a principles-based approach to voting and are guided by LGPSC's established Voting Principles. At high level, we expect companies to;

- adhere to essential standards of good governance for board composition and oversight;
- be transparent in their communication with shareholders;
- remunerate executives fairly;
- protect shareholder rights and align interests with shareholders; and
- promote sustainable business practices and consider the interests of other stakeholders.

13.6 In situations where companies are faced with a market-wide crisis that causes unprecedented disruption, uncertainty, and challenges to their business models, operations, workforce, and finances — such as global conflict — we will consider applying a more flexible voting approach. We would in these situations explain to our partner funds and other stakeholders, including external managers, how we may deviate from our voting principles, on what issues and relative to which sectors (if different sectors are affected differently).

13.7 **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 intelligence and recommendations from external fund managers.

13.8 **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 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. The graphic below shows a summary of voting in 2024.



13.9 **Transparency:** LGPSC's disclosure of its voting principles and outcomes, supports our ambition of full transparency. With regards to voting outcomes, disclosures are made in three formats. Firstly, a report summarising voting activities is provided in stewardship updates three times a year (covering the first three quarters of the calendar year). Secondly, LGPSC provides an annual summary of voting activities, as part of the Annual Stewardship Report, and thirdly, discloses voting decisions for every resolution at every eligible company meeting via an online portal (example at 13.2). Each of these disclosures is available to the public.

Voting strategy

13.10 **Ensuring that voting principles are applied:** LGPSC have set up a structure whereby EOS at Federated Hermes provides voting recommendations, based on our voting principles, which are input on the ISS voting platform prior to the vote deadline. The voting recommendations are then cast as voting instructions if there is no further intervention, except in the case of share-blocking votes. With this voting structure, we have confidence that votes are cast according to our voting principles across a voting universe that under no circumstance could be checked manually at each individual company level. In minority cases where a company we are engaging and/or that the Local Authority Pension Fund Forum has issued a voting alert for falls outside EOS' main engagement, we often consult ISS research directly.

13.11 **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 cover larger holdings and/or core engagements in and outside of our stewardship themes. 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.

13.12 **Interaction with EOS at Federated Hermes:** 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.

13.13 **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. To achieve this:

- 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 an explicit incentive to communicate their views on companies on this list that are held in their portfolio.
- We 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 views from EOS.

Voting highlights and outcomes 2024

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

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

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

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

Climate change and biodiversity

- In 2024 we supported 116 environmental-related shareholder resolutions. Topics included GHG emissions, climate lobbying, fossil fuel financing, Just Transition, plastic pollution, deforestation, and pesticide use.
- On 136 instances we voted against director elections due to environmental concerns.
- At Shell Plc's AGM, we voted against the climate transition plan due to concerns over the opacity of the energy transition plan, especially the company's long-term net zero commitment for 2030-2050, the inadequate level of capex allocated to alternative fuels, the overreliance on liquefied petroleum gas as a transition fuel, and the departure from the previous commitment to restraining new oil and gas projects. We wrote to the company prior to the AGM outlining our rationale for dissent and sought a meeting to discuss our concerns further.
- At Quest Diagnostics Inc, we supported a shareholder resolution which called on the company to set science-based emissions reductions targets. With several climate regulations on the horizon, the company could benefit from adopting a science-based GHG reduction target to better navigate these changes. This sentiment was reflected by the proposal recording roughly 42%.

Social issues

In 2024 we supported 121 shareholder resolutions, the majority of which were filed against US companies, including many on social issues such as animal welfare, artificial intelligence, child safety, modern slavery, health & safety, human capital

management, human rights, and political spending. Only two of these won majority support — DSV and DexCom Inc.

At Alphabet, we supported several shareholder resolutions, including requests for increased disclosure on child safety policies, AI misinformation, and AI-driven targeted advertising policies.

At BNY Mellon, we supported a shareholder resolution requesting increased disclosure on its political lobbying activities. It is encouraging that the company provides disclosure around board oversight of its direct lobbying and provides rationale for participation in the political process. However, we supported the resolution as there are gaps in its disclosure pertaining to indirect lobbying, trade association participation, or state-level lobbying. The resolution received roughly 38% support from shareholders, sending a strong signal of investor concern over lobbying disclosures

Diversity and inclusion

We voted in favour of 12 shareholder resolutions seeking further oversight and disclosure around diversity and inclusion. We voted against 595 director elections due to concerns over diversity and inclusion. In the UK, 17% of these resolutions received significant dissent from shareholders, compared to 14% in the USA.

Diversity is a key consideration in LGPSC's voting guidelines and an intention to vote against the nomination committee members has been communicated in 2024, when female board representation is below standard practices and there is no recognised plan for improving the board's female representation (FTSE 100).

We voted against the re-election of the Chair of Mitchells & Butlers Plc due to the board and key committee members falling short of the FCA expectations to have 40% of women on the board. Dissent was significant at 29.6% which sends a clear signal to the company around investor expectations regarding board composition.

Renumeration

We continue to voice concerns over executive pay. We voted against 44% of Say on Pay proposals, of which 78% were directed at resolutions requesting approval for

annual executive remuneration and 22% of resolutions were directed at resolutions approving remuneration policy.

As shown by our dissent level, globally we note that almost half of the Say on Pay proposals are misaligned with our principles. In the UK, we opposed 40% of remuneration Say on Pay proposals. In the USA, we opposed 49% of executive pay proposals.

At software company Palo Alto Networks Inc, we voted against an advisory vote to ratify the executive officers' compensation. We were concerned that total CEO pay was valued at nearly double the total median CEO pay of peers. It was unclear whether the company adequately addressed shareholder concerns from last years failed Say on Pay vote. The proposal recorded a significant level of dissent at 49.6%. We would expect the company to continue to engage with shareholders on executive compensation.

Voting outcomes

13.15 Case study: The TJX companies

Theme: Supply chain due diligence and executive renumeration

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

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

13.16 Case study: Tesla Inc.

Theme: Executive pay

Vote decision and 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.

Outcome: 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.

13.17 Case study: Apple Inc.

Theme: Artificial intelligence

Vote decision and rationale: LGPSC supported a shareholder resolution filed at Apple's AGM requesting the company prepare a transparency report on its use of AI in its business operations and to disclose any ethical guidelines that the company has adopted regarding AI technology. The Board asserts that they already provide transparency on the company's approach to AI and that existing guidelines, policies, and procedures sufficiently address the concerns raised. Whilst we agree that the existing guidelines and practices broadly address topics mentioned in the shareholder proposal, they do not specifically identify potential risks resulting from the use of AI. Apple's peers have committed to mitigate risks posed by AI, and given the company's lack of disclosure, especially regarding AI's potential adverse effects on labour related issues and the spread of misinformation, there are concerns regarding shareholders' ability to properly evaluate the risks associated with the use of AI or the actions the company is potentially taking to mitigate those risks. This is of particular concern given these issues have become increasingly contentious and may pose significant reputational and social risks. Improved transparency surrounding the company's use of AI within its business operations and the disclosure of an ethical guideline specifically related to AI will help to alleviate our concerns surrounding Apple's use of AI.

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

13.18 Case study: Exxon

Theme: Corporate governance shareholder rights

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

Outcome: Thirteen percent of shareholders voted against Lead Director Hooley, while nine percent voted against CEO Woods. This is notably higher than the average

director dissent for similar companies. A U.S. District Judge ruled that the court could not make a decision because the shareholders had agreed not to submit any future resolutions related to greenhouse gases against the company. As a result, the case was dismissed due to the lack of an active legal dispute.

13.19 Our passive pooled products managed by LGIM are voted according to the voting policies of LGIM. LGIM believes in using its scale and influence to bring about real, positive change to create sustainable investor and produces a quarterly ESG impact report that includes a voting summary (see example below) The report also includes a breakdown by geographical area if required

Global - Q1 2025 voting summary

Shareholder-proposed resolutions:						
Proponent/Category	For	Against	Abstain	For %	Against %	Abstain %
Shareholder	**281**	**307**	**1**	**48%**	**52%**	**0%**
Miscellaneous	5	25	0	17%	83%	0%
Director Election	191	195	1	49%	50%	0%
Audit Related	49	6	0	89%	11%	0%
Compensation	6	6	0	50%	50%	0%
Director Related	6	7	0	46%	54%	0%
Non-Routine Business	9	4	0	69%	31%	0%
Social	4	8	0	33%	67%	0%
E&S Blended	0	11	0	0%	100%	0%
Corporate Governance	5	0	0	100%	0%	0%
Company Articles	3	39	0	7%	93%	0%
Capitalization	2	0	0	100%	0%	0%
Environmental	0	4	0	0%	100%	0%
Routine Business	1	2	0	33%	67%	0%
Miscellaneous	120	25	0	83%	17%	0%
E&S Blended	24	0	0	100%	0%	0%
Environmental	0	1	0	0%	100%	0%

How LGIM Voted	Number of Votes	% Aligned Management Recommendations
For	12378	99.4%
Against	3728	11.5%
Abstain	500	89.4%

Number of	Values
Resolutions	16606
AGM Resolutions	12755
EGM Resolutions	3851
AGM	1165
EGM	1065
Meetings	2230

Most Popular Resolutions	Number of Resolutions
Elect Director	5017
Elect Director (Cumulative Voting or More Nominees Than Board Seats)	1049
Amend Articles/Bylaws/Charter -- Non-Routine	500
Approve Remuneration of Executive Directors and/or Non-Executive Directors	494
Accept Financial Statements and Statutory Reports	451

Number of Companies where LGIM voted:	Value
In Total	1985
For in all resolutions	666
Against or Abstain in at least one resolution	1319

LGIM received a 5* ranking from the UN PRI for investment stewardship and policy. The Pensions Committee is satisfied that LGIM's approach to shareholder voting is sufficiently robust and aids in the delivery of the fund's RI objectives. LGIM's voting policy is based on a set of corporate governance principles. Previous engagement with an investee company also determines the manner in which voting decisions are made and cast. Voting activity is combined with direct engagement with the investee company to ensure that the investee company fully understands any issues and concerns that LGIM may have and to encourage improvement. LGIM utilises the voting information services of the ISS and the Institutional Voting Information Services (IVIS) to conduct thorough analysis and research on investee companies. Examples of the voting undertaken by LGIM in 2024/2025 across the ESG environment are detailed below.

Environment:

Company name	Pigeon Corp.
ISIN	JP3951600000
Market cap	US$1.5 billion (source: ISS, as at 03.04.2025)
Sector	Consumer staples
Issue identified	Deforestation is a systemic risk that permeates different economic sectors and markets on a global scale, on account of the vital ecosystem services forests provide to the real economy. Deforestation is a material risk for investors as it may have indirect and/or direct financial implications for investee companies and, consequently, the returns for our clients. In our deforestation policy, we set out our expectation that companies in deforestation critical sectors should have both a public deforestation policy and a programme of actions to deliver on that policy.
Summary of the resolution	Resolution 2.3: Elect Director Yano, Ryo AGM 27 March 2025
How LGIM voted	AGAINST resolution 1.1 (against management recommendation)
Rationale for the vote decision	A vote against was applied as the company is deemed to not meet minimum standards with regard to our deforestation policy. We had written to Pigeon Corp twice as part of our deforestation campaign to inform them of our deforestation expectations, our deforestation policy, and that they had been identified as not meeting our minimum expectations and therefore as subject to a vote against the re-election of the Chair at their next AGM.
Outcome	At the time of drafting, meeting results are not yet available.
Why is this vote 'significant'?	This vote is significant as it relates to our deforestation campaign and expectations, an area of focus for engagement, both collaboratively and individually for our investment stewardship team. It is an example of action taken in line with our expectations of companies as set out in our deforestation policy.

Company name	Chevron Corporation
ISIN	US1667641005
Market cap	US$287.4 billion (source: ISS, 28 June 2024)
Sector	Energy: oil, gas, and consumable fuels
Issue identified	Chevron and Phillips 66 jointly own Chevron Phillips Chemical Co. (CP Chem), one of the top 20 producers of plastic resins bound for single-use applications (4.6 million tons), which results in 1.8 million tons of plastic waste, according to a recent analysis by Minderoo Foundation. Recent reports concur that that the current rate of expansion of virgin plastic production is unsustainable, and production cuts in plastic use are necessary. Brands that use resins manufactured by companies like CP Chem are calling for reductions, notable through the Business Coalition for a Global Plastics Treaty.
Summary of the resolution	Resolution 5 — report on reduced plastics impact on financial assumptions AGM 29 May 2024
How LGIM voted	FOR resolution 5 (against management recommendation)
Rationale for the vote decision	While we acknowledge the company's disclosure on this topic within its Climate Risk Report, we believe that additional transparency would allow shareholders to better assess the company's management of its plastics-related financial risks. We therefore voted in favour of resolution 5.
Outcome	22.2% voted in favour of the proposal.
Why is this vote 'significant'?	The circular economy is a key component of LGIM's approach to nature, as set out in our nature framework, and we believe solving plastic pollution is critical in a 'just transition' to net zero and to creating nature-positive economies.

Social:

Company name	Restaurant Brands International Inc.
ISIN	CA76131D1033
Market cap	US$22 billion (source: ISS, 01 July 2024)
Sector	Retail: restaurants
Issue identified	Antimicrobial resistance (AMR) is a key area of focus within LGIM's approach to health, as set out in our Health Policy. We consider AMR to be a systemic risk.
Summary of the resolution	Resolution 7 — comply with World Health Organisation (WHO) guidelines on antimicrobial use throughout supply chains AGM 06 June 2024
How LGIM voted	FOR resolution 7 (against management recommendation)
Rationale for the vote decision	Resolution 7 asks the company to comply with WHO guidelines on the use of medically important antimicrobials in food-producing animals throughout companies' supply chains. Our Health Policy states our expectation that companies within the restaurant/out-of-home sector (e.g. fast food companies) should require all their meat suppliers to comply with the WHO guidelines. Globally, most antibiotics are used not for humans, but for animals. The overuse of antibiotics is known to exacerbate AMR. We expect them to be transparent about their AMR strategy, the actions taken to implement it, and steps taken to monitor implementation. We are therefore supporting this resolution.
Outcome	11.6% shareholders voted in favour
Why is this vote 'significant'?	This vote is significant as it relates to a key component of our 'Health' theme, antimicrobial resistance. Our Health Policy sets out our expectations and provides further detail on the financial materiality of this issue.

Company name	Deere & Company
ISIN	244199105
Market cap	US$127.4 billion (source: ISS, 03 April 2025)
Sector	Industrials: capital goods, machinery
Issue identified	We believe a diverse mix of skills, experience, and perspectives is essential for a company and its board to function and perform optimally. Studies demonstrate that a good level of diversity can improve business resilience and decision-making, minimise risks, and improve the sustainability of profit growth which can maximise long-term returns for investors. Our approach to diversity and expectations of companies are set out in our diversity policy.
Summary of the resolution	Resolution 4 — report on statistical differences in hiring across race and gender Resolution 5 — report on effectiveness of efforts to create a meritocratic workplace Resolution 7 — report on a civil rights audit AGM 26 February 2025
How LGIM voted	AGAINST resolutions 4 and 5 (in line with management recommendations) FOR resolution 7 (against management recommendation)
Rationale for the vote decision	We voted against resolution 4 because the company already discloses data that breaks down its workforce based on race and gender. Furthermore, the code of conduct ensures that all employees are treated fairly and that its workforce should represent the communities they serve. Investors can determine hiring practices from the data the company already provides. Therefore, we considered the proposal request as unnecessary. We instructed a vote against resolution 5 but please note, this resolution was withdrawn. We engaged with the company and were informed they have not walked back from their policies on equal opportunities, which are reinforced by their code of conduct. In addition, the company's 2024 sustainability disclosures and metrics document provide information on its hiring practices and mentoring programmes for different types of workers, along with workforce data and retention rates. Finally, the company's engagement score shows an improvement in employee sentiment towards the company. We voted in favour of resolution 7 because we believe such an audit to be a transparent way in which the company can demonstrate that its code of conduct is operating as it should, and that there are no inequalities based on gender or ethnicity, which may cause potential legal and/or financial risks to the company, This is also consistent with our previous voting stance on this topic.
Outcome	Resolution 4 — 97.5% voted against Resolution 5 was withdrawn at a late stage by the proponent, following their own engagement with the company, which they felt reconfirmed the company's commitment to the issues being raised. Our vote rationale (which would have been applied had the resolution stood) expresses similar findings.
Why is this vote 'significant'?	These votes are considered significant due to their relation to our longstanding engagement and published policy positions and expectations regarding diversity.

Governance:

Company name	easyJet Plc.
ISIN	GB00B7KR2P84
Market cap	US$4.6 billion (source: ISS, 04 April 2025)
Sector	Industrials: transportation, passenger airlines
Issue identified	We expect company boards to ensure executive directors' pay is fair, balanced and aligned with the strategy and long-term growth and performance of the business. In line with our long-term investment horizon, we expect executive directors' pay to reflect financial performance, operational and strategic measures and to be achieved within a long-term, sustainable framework. Our expectations regarding executive pay at UK companies are published on our website.
Summary of the resolution	Resolution 2 — approve renumeration policy AGM 13 February 2025
How LGIM voted	AGAINST resolution 2 (against management recommendation)
Rationale for the vote decision	After internal discussions and correspondence with the company, we voted against the renumeration policy based on the following rationale. Shareholder alignment: a vote against was applied because a sufficient proportion of the bonus is not deferred into shares for a period of time. The new policy allows for bonus deferral to be reduced, including to zero, once directors have achieved their shareholding guidelines. Given management is new and have yet to build up a substantial holding, with shareholding guidelines in line with normal market practice, we did not consider the company's rationale to be compelling, nor is the need apparent within this policy cycle.
Outcome	8.4% voted against
Why is this vote 'significant'?	This vote is significant as it relates both to an increasing area of interest in terms of UK renumeration structures and competitiveness, and to our expectations on renumeration, as published in our UK renumeration policy.

Company name	Apple, Inc.
ISIN	037833100
Market cap	US$3.4 trillion (source: ISS, 04 April 2025)
Sector	Information technology
Issue identified	We believe that the governance of risks and opportunities relating to the development and use of artificial intelligence (AI) is financially material for companies, AI should drive long-term innovation, productivity and value creation. To secure these gains, we believe investors must engage with companies and policymakers on baseline expectations for governance, risk management and transparency.
Summary of the resolution	Resolution 4 — report on ethical AI data acquisition and usage AGM 25 February 2025
How LGIM voted	AGAINST resolution 4 (in line with management recommendation)
Rationale for the vote decision	A vote against was applied as the company takes sufficient measures to protect users' data in the development and training of its artificial intelligence (AI) models. However, concerns remain regarding the company's lack of transparency of its risk management processes to ensure safe applications of AI, such as identifying high-risk inputs in its models and mitigation measures to prevent harmful content generation. We felt these concerns were not addressed in this resolution and therefore have voted against, but we have communicated our views to the company via dialogue.
Outcome	88.4% voted against
Why is this vote 'significant'?	This vote is significant as it relates to our investment stewardship expectations and engagement on the governance of artificial intelligence and the expectations that we have published of companies.

Investment grade corporate bonds — exercise of rights and responsibilities

13.20 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. An example in respect of T Rowe Price is shown at 8.27.

13.21 **Case Study: Citigroup Inc** — LGPS Central Investment Grade Credit Fund — Manager Neuberger Berman

Objective: To increase disclosure of investments in fossil fuels and provide intermediate and long-term emissions targets for more sectors within its loan portfolio.

Sector: Financial

ESG topics addressed: Climate change

Scope and process: The manager's diligence process included 11 engagements with the company's treasurer, chief sustainability officer, and investor relations team over the past three years. Citigroup is committed to achieving net zero emissions by 2050 for financed emissions (scope 3), and by 2030 for emissions generated within their operations (scope 1 and 2). The manager encouraged the company to increase their disclosure of investments in fossil fuels and provide intermediate and long-term targets for more sectors within its loan portfolio.

Outcome: Citigroup has accelerated 2030 targets for scope 1 and 2 emissions as well as scope 3 for financed emissions within high emitting sectors (auto manufacturing, CRE, steel, thermal coal mining, oil and gas). The company has also added aluminium, agriculture, aviation, cement, and shipping to its 2030 target. They have committed to disclosing its green financing ratio, the ratio financing directed to low carbon energy supply vs fossil fuel energy supply. This action complements the bank's commitment to provide $1tr in sustainable financing. Citigroup continues to actively engage with fossil fuel companies to better understand how they can reduce emissions. Moving forward, the manager plans to monitor Citigroup's plan to improve its ESG reporting as well as its efforts to ensure accurate attestation of environmental disclosures. The manager also wants to monitor Citigroup's target setting for the four remaining priority sectors; aluminium; aviation; cement; and shipping. Target setting will entail selecting appropriate emissions for inclusion in each sector followed by identifying possible decarbonisation pathways and establishing intermediate targets.

Private markets — exercise of rights and responsibilities

13.22 Engagement by our legacy manager is covered under HarbourVest, GIP and DRC are under article seven, and process and engagement examples can be found here for the following managers.

- HarbourVest — private equity (8.31 – 8.37), engagement example at 8.37
- GIP — infrastructure (8.44 – 8.47), engagement example at 8.46
- DRC — property debt (8.50 – 8.51), engagement example at 8.51
- Abrdn — UK property, engagement example at 8.52

13.23 The following are examples of how LGPS Central engage and exercise their rights and responsibilities across private market investments.

Case study: PEI Group — LGPS Central PE Primary Partnership 2023 LP (Bridgepoint Europe VII)

Sector: Media

ESG topics addressed: Climate change

Reason for engagement: PEI — an established provider of global private equity news and analysis focused exclusively on the LP/GP nexus — joined Bridgepoint's BE VII fund in early 2024 from Bridgepoint's BDC fund with an existing ESG policy but recognised the need for a more comprehensive and forward-looking approach.

Scope and process: Although PEI had measured its GHG footprint for several years, the company had not yet implemented a formal reduction plan or adopted science-based targets. In partnership with a sustainability consulting firm, PEI developed a new ESG policy and strategic framework aligned with Bridgepoint's ESG priorities. This process involved redefining key focus areas (e.g., employee engagement and supply chain management) and setting ambitious targets, notably a 42% reduction in absolute scope 1 and 2 emissions, with the goal of achieving net zero by 2040. Throughout the drafting phase, Bridgepoint's sustainability team provided ongoing support and strategic input, ensuring that the resulting plan addressed the most material ESG topics and are ambitious yet achievable for the company.

Outcome: Following this collaborative effort, PEI's board approved the new ESG strategy and GHG reduction plan. By aligning PEI's enhanced ESG commitments with Bridgepoint's broader sustainability expectations, this engagement underscores the shared goal of delivering measurable, long-term value for investors while contributing to a more sustainable future.

Case Study: Next Energy (NPUK) — LGPS Central Core/Core Plus Infrastructure Partnership LP

Sector: Energy

ESG topics addressed: Supply chain resilience

Reason for engagement:

a) To perform in-country due diligence in key supply chain locations.
b) To represent the current and future NPUK supply chain requirements to potential supply chain partners.
c) To maintain and develop commercial relationships with suppliers of key components in which NPUK invests.

Scope and process: The NPUK investment manager carries out regular engagement with its supply chain to ensure that it is at the forefront of industry knowledge and best practice, and that it is driving continuous improvement. For example, in June 2024, representatives of its ESG and procurement teams conducted an extensive supplier visit to China. The visit, which included the commissioning of a third-party comparative audit of potential supply chain partners, involved multiple factory site visits and comprehensive discussions on responsible sourcing, which provided the opportunity to reinforce NPUK's commitment to ESG principles and procurement requirements. The investment manager's staff meet on a regular basis with auditors, suppliers, investors, and commercial and legal representatives of the industry in the UK, Europe, Asia, and the US to discuss supply chain risk management, and are directly involved in two specific industry programmes on responsible sourcing: the Solar Stewardship Initiative (SSI) and the Solar Energy UK (SEUK) Responsible Sourcing Steering Group. The investment manager head of ESG is a member of the board of the SSI and the senior ESG associate chairs the SEUK Steering Group.

Outcome: The supplier engagement visit was highly successful and included and supported the continued strengthening of contractual and other safeguards. In 2024 the investment manager concluded new solar module supply agreements that will cover NPUK and for the first time include a requirement for manufacturers to facilitate the third-party auditing of key material origins to the source of raw material extraction. This is a significant development and will help ensure, for example, that NPUK does not procure from regions at risk of human rights abuses.

Appendix 1

Principle 4: Overview of initiatives that LGSPC is an active member of, which includes a brief assessment of the efficiency of the initiative and outcomes during 2024/2025.

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.	As we focus on Europe now, plans may extend to Canada. UK group members can opt-in to support international engagement.
British Private Equity and Venture Capital Association (BVCA)	UK trade body for private equity.	The BVCA organises ESG-related roundtables and events promoting ESG in the asset class.
Climate Action 100+	Engagement collaboration with more than 600 investors. Engaging with 168 companies that are responsible for roughly 80% of global corporate greenhouse gas (GHG) emissions. LGPSC head of stewardship is a member of the Mining and Metals Sector Group.	CA100+'s key company engagement priorities are the implementation of strong governance frameworks, garnering commitments to reduce GHG emissions throughout the value chain, the provision of enhanced disclosure and the implementation of transition plans.
CDP	CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.	We signed up to the CDP's 2023/24 Science-Based Targets (SBTi) Campaign. The SBTi's goal is to accelerate companies worldwide in their support of the global economy, aiming to halve emissions by 2030 and achieve net zero by 2050.

Organisation/initiative name	About the organisation/initiative	Efficiency and outcomes
Cross-pool RI group within LGPS	Collaboration group across the LGPS pools and funds.	A cross-fund group set up for advising UK local pension schemes on responsible investment and infrastructure.
International Corporate Governance Network (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; and guiding stewardship and corporate governance.
Institutional Investor Group on Climate Change (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 COP29.
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 2024, the initiative continued to collaborate with investors and civil society organisations to mobilise collective and coordinated investor leverage, thereby embedding and promoting corporate responsibility to respect human rights.
Local Authority Pension Fund Forum (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.

Organisation/initiative name	About the organisation/initiative	Efficiency and outcomes
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.
Principles for Responsible Investment (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.
The Investment Association	The Investment Association is a trade body representing UK investment managers.	The group continued to work on supporting the development of climate-related disclosure, improving how firms communicate sustainability matters, and supporting the Race to Zero and the Net Zero Asset Managers Initiative.
Investor Forum	High-quality collaborative engagement platform set up by institutional investors in UK equities. LGPSC has been a member since inception.	In 2024, LGPSC continued to utilise the resources made available by the Investor Forum for the benefit of its members.

Organisation/initiative name	About the organisation/initiative	Efficiency and outcomes
The Local Government Pension Scheme Advisory Board (LGPS SAB)	LGPSC head of stewardship is a member of an RI advisory group to SAB that was formed at the start of 2021. Discussions are held on RI relevant policies and standards that will have direct or indirect implications for LGPS funds and pools	Discussions during 2024 have centred around themes such as impact investing, plans to introduce mandatory TFCD reporting, and the discussion around fiduciary duty for LGPS funds.
Transition Pathway Initiative (TPI)	TPI is a research and data centre focusing 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).
UK Sustainable Investment and Finance Association (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. UKFSIF responded to more than 10 consultations, including a number relating to the SDR. They broadened their focus in 2024 with submissions on planning policy, the UK's Industrial Strategy, and the government's pensions investment review.

Appendix 2

Principle 9: The four core stewardship themes that applied in 2024/2025 are; climate risk, natural capital, human rights, and sensitive and topical issues. Details are shown below, including the Stewardship Strategy, measures of success, engagement highlights and case study for each.

Climate change — case study: Shell PLC

Objective:

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

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

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

Natural capital — case study: Repsol SA

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

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

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

Human rights — case study: OCP Group

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

Engagement: OCP Group operates in territories with potentially conflicting boundary claims and concerns indicated by the UN Special Rapporteur in the field of cultural rights. OCP Group's policy upholds the International Bill of Human Rights and clearly refers to the United Nations Guiding Principles. The company also makes public reference to grievances as well as its due diligence plan across the supply chain. We sought further reassurance that the company's human rights policy was implemented beyond the company level (e.g. supply chain) and is fully integrated within its business practices for the long term. LGPSC sought such clarifications due to the company's corporate structure, the regulatory regime in which the company is headquartered and the company's closed business relationship with the European Union (CSRD).

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

Sensitive and topical issues — case study: Arcelor Mittal

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

Engagement: Following a methane explosion in a coal mine in Kazakhstan in 2023, which resulted in 46 fatalities, we sent the company a letter raising our concerns. In the letter, we outlined several concerns, including;

a) the limited availability of published data relating to lessons learned from Arcelor Mittal's past incidents. We proposed targeted efforts aimed at enhancing safety protocols and mitigating potential risks;
b) a lack of adequate emergency response plans and post-incident medical care protocols. Additional information on this would be welcomed;
c) a lack of effective implementation of the H&S policy within the operations in Kazakhstan; and
d) a decrease in incentives relating to the H&S component in the company's executive pay package. We met with the company to discuss our concerns.

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

Use of AI tools

We have tried to make the information in this document as simple and accessible as possible. You may be tempted to use AI tools to help explain it, but we strongly discourage this. AI tools may provide misleading, incorrect or confusing information, and their responses will not be tailored to your circumstances, the fund's rules and regulations, or the fund's administrative practices.

Publicly available AI tools can also create a risk that private or confidential information is shared unlawfully by mistake. If you choose to use these tools, we recommend checking the sources used to produce any response and not entering any personal data into OpenAI tools.

If you rely on misleading information from an AI tool and suffer a loss as a result, it is unlikely you would be able to recover compensation from the AI provider. We cannot accept liability for any loss caused by a member's misuse of AI. For this reason, we also recommend that you do not rely solely on AI when making decisions about your pension with the fund.

Contact details

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Monday, Tuesday and Thursday	10am to 4pm
Wednesday and Friday	10am to 1pm

Contact details

Email: www.shropshirecountypensionfund.co.uk/contact-us/
Website: www.shropshirecountypensionfund.co.uk
Tel: 01743 252130
Write: Pensions, PO Box 4826, Shrewsbury, SY1 9LJ

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