Shropshire Council Legal and Democratic Services Guildhall Frankwell Quay Shrewsbury SY3 8HQ

Date: Thursday, 13th March 2025

Committee:

Pensions Committee

Date: Friday, 21 March 2025

Time: 10.00 am

Venue: The Council Chamber, The Guildhall, Frankwell Quay, Shrewsbury, SY3 8HQ

You are requested to attend the above meeting.

The Agenda is attached.

There will be some access to the meeting room for members of the press and public, but this will be limited. If you wish to attend the meeting, please email democracy@shropshire.gov.uk to check that a seat will be available for you.

Please click here to view the livestream of the meeting on the date and time stated above.

The recording of the event will also be made available shortly after the meeting on the Shropshire Council YouTube Channel: Here

Tim Collard Assistant Director - Legal and Governance

Members of the Committee:

Thomas Biggins (Chairman) Roger Evans Simon Harris Tony Parsons

Co-opted Members (Voting):

Paul Davis Zona Hannington

Co-opted Members (Non-Voting):

Jean Smith (Pensioner Representative) Paul Griffiths (Employee Representative Shropshire Council) Byron Cooke (Employee Representative Telford & Wrekin Council)



Substitute Members of the Committee:

Rosemary Dartnall (SC)
Claire Wild (SC)
Brian Williams (SC)
Mark Williams (SC)
Fiona Doran (T&W)
Stephen Reynolds (T&W)
Vacancy (Pensioner Rep)
Vacancy (SC Employee Rep)
Vacancy (T&W Employee Rep)

Your Committee Officer is:

Sarah Townsend Committee Officer

Tel: 01743 257721

Email: sarah.townsend@shropshire.gov.uk

AGENDA

1 Apologies and Substitutions

To receive apologies for absence and notification of any substitutions.

2 Disclosable Interests

Members are reminded that they must declare their disclosable pecuniary interests and other registrable or non-registrable interests in any matter being considered at the meeting as set out in Appendix B of the Members' Code of Conduct and consider if they should leave the room prior to the item being considered. Further advice can be sought from the Monitoring Officer in advance of the meeting.

3 Minutes of the Previous Meeting (Pages 1 - 8)

The minutes of the meeting held on 6th December 2024 are attached for confirmation, marked 3.

Contact: Sarah Townsend (01743 257721)

4 Public Questions

To receive any questions or petitions from members of the public, notice of which has been given in accordance with Procedure Rule 14. The deadline for this meeting is 12 noon on Monday, 17th March 2025.

5 Audit Plan for Shropshire County Pension Fund 2024/25 (Pages 9 - 48)

The report of Grant Thornton is attached, marked 5.

Contact: Siobhan Barnard (0121 232 5121)

Pensions Administration Monitoring (Pages 49 - 86)

The report of the Pensions Administration Manager is attached, marked 6.

Contact: Vicky Jenks (01743 252192)

Pension Fund Treasury Strategy 2025/26 (Pages 87 - 98)

The report of the Head of Pensions – LGPS Senior Officer is attached, marked 7.

Contact: Justin Bridges (01743 252072)

8 Corporate Governance Monitoring (Pages 99 - 226)

The report of the Pensions Investment and Responsible Investment Manager is attached, marked 8.

Contact: Peter Chadderton (07990 086399)

9 Exclusion of Press and Public

To consider a resolution under paragraph 10.2 of the Council's Access to Information Procedure Rules that the proceedings of the Committee in relation to Agenda Items 10 to 16 shall not be conducted in public on the grounds that they involve the likely disclosure of exempt information as defined by the categories specified against them.

10 Exempt Minutes of the Previous Meeting (Exempted by Category 3) (Pages 227 - 232)

The exempt minutes of the meeting held on 6th December 2024 are attached for confirmation, marked 10.

Contact: Sarah Townsend (01743 257721)

11 GIP Infrastructure Update (Exempted by Category 3) (Pages 233 - 260)

The exempt presentation of Mr Martin Catchpole, Global Infrastructure Partners, is attached, marked 11.

12 Financial Markets Update (Including Equity Protection) (Exempted by Category 3) (Pages 261 - 278)

The exempt presentation of Mr Colin Cartwright and Mr Luke Hammond, Aon, is attached, marked 12.

13 Investment Strategy Implementation Update (Exempted by Category 3) (Pages 279 - 292)

The exempt report of the Pensions Investment and Responsible Investment Manager is attached, marked 13.

Contact: Peter Chadderton (07990 086399)

14 Investment Monitoring - Quarter to 31 December 2024 (Exempted by Category 3) (Pages 293 - 336)

The exempt report of the Head of Pensions – LGPS Senior Officer is attached, marked 14.

Contact: Justin Bridges (01743 252072)

Governance (Exempted by Category 3) (Pages 337 - 344)

The exempt report of the Pensions Administration Manager is attached, marked 15.

Contact: Vicky Jenks (01743 252192)

New Employers (Exempted by Category 3) (Pages 345 - 348)

The exempt report of the Pensions Administration Manager is attached, marked 16.

Contact: Vicky Jenks (01743 252192)

17 Mercer Training Session on Actuarial Valuation

Immediately after the meeting, there will be a training session for Members of the Pensions Committee on Actuarial Valuation, presented by Ms Michelle Doman and Mr Mark Wilson, Mercer. The presentation in relation to this will be circulated separately.





Pensions Committee

21 March 2025

10.00 a.m.

MINUTES OF THE PENSIONS COMMITTEE MEETING HELD ON 6 DECEMBER 2024 10.00 AM - 1.20 PM

Responsible Officer: Sarah Townsend

Email: sarah.townsend@shropshire.gov.uk Tel: 01743 257721

Present:

Members of the Committee:

Councillors Thomas Biggins (Chairman), Roger Evans, Simon Harris and Brian Williams

Co-Opted Members (Voting):

Councillor Paul Davis

Co-Opted Members (Non-Voting):

Jean Smith

36 Apologies and Substitutions

Apologies for absence were received from Councillor Zona Hannington, Byron Cooke and Paul Griffiths.

37 Appointment of Vice-Chairman

RESOLVED:

That Councillor Zona Hannington be appointed Vice-Chairman of the Pensions Committee for the remainder of the municipal year.

38 Disclosable Interests

None were declared.

39 Minutes of the Previous Meeting

The Committee considered the minutes of the meeting held on 13th September 2024 and in relation to minute number 35 New Employers (Exempted by Category 3), the Committee were informed that the recommendations had been noted rather than approved. It was therefore suggested that the wording in the 'Resolved' section of this minute be amended to read: 'That the recommendations as set out in the exempt report of the Pensions Administration Manager be noted'.

RESOLVED:

That with the above amendment, the minutes of the meeting held on 13th September 2024 be approved and signed by the Chairman as a correct record.

40 Public Questions

None were received.

41 Pensions Administration Monitoring

The Committee received the report of the Pensions Administration Manager which provided them with monitoring information on the performance of and issues affecting the Pensions Administration Team.

Members were informed that on 12th November 2024, Bridget Phillipson, Secretary of State for Education, made a statement which confirmed that the Department for Education (DfE) has put in assurance to the LGPS for Further Education (FE) bodies. There would be two colleges affected by this statement and in addition to the recommendations detailed within the report, delegated authority was also being sought to undertake a review of their contribution rates.

RESOLVED:

- 1. That the position as set out in the report of the Pensions Administration Manager be accepted.
- 2. That the progress for key activities from the business plan (Appendix B) be noted and the Pension Dashboard update (Appendix C) also be noted.
- 3. That designated approval be provided to the Pensions Senior Management team to undertake the rate review for colleges following the statement that had been made with the DfE guarantee.

42 Corporate Governance Monitoring

The Committee received the report of the Pensions Investment and Responsible Investment Manager which informed them of Corporate Governance and socially responsible investment issues arising in the quarter period 1st July 2024 to 30th September 2024.

Members' attention was drawn to paragraph 7.4 of the report which explained that the Fund was currently working with LGPS Central on a proposal to allow LGPS Central to vote on all the equity holdings.

A question was asked regarding a previous request for an update on the biodiversity element in terms of investment and Members were informed that formal guidance was still awaited around when Taskforce on Nature-related Financial Disclosures (TNFD) may be implemented. This had not been picked up as part of the Pensions review and had therefore been raised again by the Scheme Advisory Board who act as advisors to the government.

Given the size and detail of the report, a question was asked regarding whether it was necessary to consider the report every quarter and whether a six monthly or annually report would be better. The Pensions Investment and Responsible Investment Manager explained that from both a stewardship point of view and commitments to the Stewardship Code, it was important to provide an update to the Committee on a quarterly basis to note how engagement was progressing.

RESOLVED:

That the position as set out in the report of the Pensions Investment and Responsible Investment Manager in respect of voting and engagement activity be accepted:

- Stewardship Update at Appendix A and Manager Voting Reports from LGPS Central at Appendix A1, A2;
- Legal & General Investment Management (LGIM) at Appendix B;
- Columbia Threadneedle Investments Responsible Engagement Overlay Activity Report at Appendix C; and
- LAPFF Engagement Report at Appendix D.

43 Mansion House Proposals

The Committee received the report of the Pensions Investment and Responsible Investment Manager which provided them with an overview of a consultation paper issued by the Ministry of Housing, Communities and Local Government titled "Local Government Pension Scheme (LGPS): Fit for the future" and sought their views on the key themes. The deadline for response was 16th January 2025.

The Committee were informed that the report set out three key themes and areas of the consultation that the government were inviting views on. These areas were:

- LGPS Pooling
- UK Investment
- Governance (Fund and Pool)

The Pensions Investment and Responsible Investment Manager outlined the government's proposals as well as Officers current thoughts, including their main concerns. The importance of the government's changes and proposals to strengthen and improve efficiency, was emphasised, rather than just the creation of additional work.

Mr Colin Cartwright, Aon, commented that there were a lot of unknowns and contradictory parts within the consultation and a lot to understand and do over the next twelve months. Mr Philip Hebson, Independent Advisor to the Committee, explained that whilst the consultation presented many things to consider and challenges, if done right, it could work. However, in responding to the consultation, where there were concerns, a robust response was needed.

Comments made by Members were that 'political lending' should continue to be resisted and that the Committee's primary fiduciary duty was the financial wellbeing of the Fund in order to pay members pensions. It was felt that there was very little evidence within the proposals that the government had taken this objective into consideration.

In responding to a question regarding what opportunities or potential for positives there were to come out of the government's proposals, Mr Philip Hebson, Independent Advisor to the Committee, explained that the two criticisms that central government had with the LGPS were concerning fragmentation and inefficiencies.

Whilst it was noted that delegated authority was being asked for the LGPS Senior Officer / Head of Pensions to respond to the consultation in consultation with the Chair by the deadline of 16th January 2025, it was also requested that prior to the response being submitted, it be circulated to Committee Members in order that they could also be provided with a further opportunity to comment. The LGPS Senior Officer / Head of Pensions confirmed that whilst the timescales would be tight, this would be possible and that the proposed draft response would be circulated to Members as soon as it was available.

RESOLVED:

That the Committee:

- a) Note the government consultation titled 'Local Government Pension Scheme Fit for the Future' and comment on the main themes.
- b) Delegate authority for the LGPS Senior Officer / Head of Pensions to respond to the consultation in consultation with the Chair taking into account any comments made by the Committee by the deadline of 16th January 2025.

44 **2024 Climate Risk Management Report**

Members received a presentation from Mr Basyar Salleh and Mr Jack Yonge, LGPS Central, the purpose of which was to present the findings of the 2024 Climate Risk Management Report which analyses the Fund's approach towards climate-related risks and opportunities. Mr Yonge commented that overall, the report was encouraging and the Fund was very much on track to meet the objectives of its climate strategy.

Regarding updates to the 2024 Climate Risk Report, Members were informed that there were various enhancements including:

- Enhanced focus on company climate analysis.
- Integration of TCFD (Taskforce for Climate Related Financial Disclosures) and Climate Reports.
- Inclusion of sovereign climate analysis and private markets data.

Members were also informed of the Fund's progress against climate targets as of 31 March 2024.

A question was asked regarding Financed Emissions as these had increased since Q2, 2022. In responding, LGPS Central commented that there were several reasons that could be attributed to this and the total net asset value of the Fund investments within the scope of the analysis had also increased quite significantly from last year, which had led to an increase in Absolute Financed Emissions. Several measures (Absolute Financed Emissions, Normalised Financed Emissions and Weighted Average Carbon Intensity (WACI) were therefore reported on as each one told a slightly different but important story as to the Fund's exposure to climate risk.

A question was asked regarding what the Pensions Committee was trying to achieve with the level of reporting and analysis within the presentation. It was explained that in accordance with what the previous Government had decided, the Pensions Committee had decided to achieve Net Zero by 2050 and the analysis was essential in helping them understand what was meant by this as well as the risk and opportunities that the Fund was exposed to when it came to climate, how investments can be managed accordingly and whether Net Zero by 2050 will be achieved.

In concluding this item, the Committee heard how LGPS Central were engaging with Shell Plc on climate related issues.

45 TCFD (Taskforce for Climate Related Financial Disclosures)

The Committee received the Shropshire Pension Fund Climate-related Disclosures report, which had been prepared in alignment with the recommendations of the Taskforce for Climate Related Financial Disclosures (TCFD).

Mr Basyar Salleh and Mr Jack Yonge, LGPS Central, were in attendance to present the report. They briefly outlined what TCFD was and took the Committee through each of the four core elements of recommended climate-related financial disclosures, namely Governance, Strategy, Risk Management and Metrics and Targets as detailed within the report.

A question was asked regarding the climate change modelling and methodology.

In concluding the presentation, LGPS Central commented that whilst reporting was continually evolving, their analysis was evolving with it.

46 Exclusion of Press and Public

RESOLVED:

That under paragraph 10.2 of the Council's Access to Information Procedure Rules, the proceedings of the Committee in relation to Agenda Items 12 to 19, be not conducted in public on the grounds that they might involve the likely disclosure of exempt information as defined by the categories specified against them.

47 Exempt Minutes of the Previous Meeting (Exempted by Category 3)

RESOLVED:

That the exempt minutes of the meeting held on 13th September 2024 be approved and signed by the Chairman as a correct record.

48 2024 Climate Risk Management Report (Exempted by Category 3)

Mr Basyar Salleh and Mr Jack Yonge, LGPS Central, were in attendance to present this item.

49 HarbourVest Private Equity Update (Exempted by Category 3)

Ms Katie Braggins and Ms Emma Fox, HarbourVest, were in attendance virtually and provided the Committee with a private equity presentation.

50 Investment Portfolio and Financial Markets Update (Including Equity Protection) (Exempted by Category 3)

The Committee received a presentation from Mr Colin Cartwright and Mr Luke Hammond, Aon, which provided them with an investment portfolio and financial markets update (including equity protection).

51 Investment Strategy Implementation Update (Exempted by Category 3)

The Committee received the exempt report of the Pensions Investment and Responsible Investment Manager which provided them with an Investment Strategy Implementation update.

RESOLVED:

That the recommendations as set out in the exempt report of the Pensions Investment and Responsible Investment Manager be approved.

52 Investment Monitoring - Quarter to 30 September 2024 (Exempted by Category 3)

The Committee received the exempt report of the Head of Pensions – LGPS Senior Officer which provided them with monitoring information on investment performance and managers for the quarter period to 30 September 2024 and reported on the technical meetings held with managers since the quarter end.

RESOLVED:

That the recommendations as set out in the exempt report of the Head of Pensions – LGPS Senior Officer be approved.

53 Governance (Exempted by Category 3)

The Committee received the exempt report of the Pensions Administration Manager which informed them of regulatory breaches arising in the quarter period 1st July 2024 to 30th September 2024 and any stage one or stage two appeals that had been received under the internal dispute resolution procedure (IDRP). The updated version of the Fund's training policy and new Independently Registered Medical Practitioners were also included, as well as information on the Pensions Regulator new general code.

RESOLVED:

That the recommendations as set out in the exempt report of the Pensions Administration Manager be approved.

Minutes of Dension	o Committae hold e	n 6 December 2024

54 New Employers (Exempted by Category 3)

The Committee received the exempt report of the Pensions Administration Manager which provided them with full details regarding new school admissions to the Fund under Schedule 2, Part 1 (20.) Scheme Employers of the LGPS regulations 2013.

RESOLVED:

That the recommendations as set out in the exempt report of the Pensions Administration Manager be noted.

Signed	(Chairman)	
Date:		





The Audit Plan for Shropshire County Pension Fund

Year ending 31 March 2025

March 2025



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O1 Key developments impacting our audit approach

The Audit Plan | 3 © 2025 Grant Thornton UK LLP

Local Audit Reform

External factors

Proposals for an overhaul of the local audit system

On 18 December 2024, the Minister of State for Local Government and English Devolution, Jim McMahon OBE, wrote to local authority leaders and local audit firms to announce the launch of a strategy to overhaul the local audit system in England. The proposals were also laid in Parliament via a Written Ministerial Statement.

• The government's strategy paper sets out its intention to streamline and simplify the local audit system, bringing as many audit functions as possible into one place and also offering insights drawn from audits. A new Local Audit Office will be established, with responsibilities for:

Coordinating the system - including leading the local audit system and championing auditors' statutory reporting powers;

Contract management, procurement, commissioning and appointment of auditors to all eligible bodies;

- · Setting the Code of Audit Practice;
- · Oversight of the quality regulatory framework (inspection, enforcement and supervision) and professional bodies;
- Reporting, insights and guidance including the collation of reports made by auditors, national insights of local audit issues and guidance on the eligibility of auditors.

The Minister also advised that, building on the recommendations of Redmond, Kingman and others, the government will ensure the core underpinnings of the local audit system are fit for purpose. The strategy therefore includes a range of other measures, including:

- setting out the vision and key principles for the local audit system;
- committing to a review of the purpose and users of local accounts and audit and ensuring local accounts are fit for purpose, proportionate and relevant to account users;
- enhancing capacity and capability in the sector;
- · strengthening relationships at all levels between local bodies and auditors to aid early warning system; and
- · increased focus on the support auditors and local bodies need to rebuild assurance following the clearing of the local audit backlog.

Our Response

Grant Thornton welcomes the proposals, which we believe are much needed, and are essential to restore trust and credibility to the sector. For our part, we are proud to have signed 83% of our 2022/23 local government audit opinions without having to apply the local authority backstop. This compares with an average of less than 30% sign off for other firms in the market. We will be keen to work with the Ministry of Housing, Communities and Local Government (MHCLG), with existing sector leaders and with the Local Audit Office as it is established to support a smooth transition to the new arrangements.

All of Shropshire County Pension Fund's prior year pension fund audits have been completed ahead of backstop deadlines with unqualified opinions.

Key developments impacting our audit approach

National Context Local Context

Administration and Governance

The total membership of the Local Government Pension Scheme (LGPS) was 6.7 million people. Of this number around one third are active employees who still contribute to the scheme. 71.1% (4.8 million) of all the members of the LGPS are covered by local authorities and other connected bodies, though local authorities and connected bodies represent only 16.5% of employers (with 3,478 employers). In total, there were 21,131 employers covered by the Local Government Pension Scheme at the end of March 2024.

In respect of administration and governance some key matters impacting 2024/25:

- The Pension Regulator's (TPR) General Code of Practice came into effect on 28 March 2024. It replaces Code of
 Practice 14 for public service pension schemes and brings together ten previous codes into one. The Code
 provides an opportunity for funds to review current practices but also presents challenges during what is already
 a busy time for the LGPS.
- The Pensions Dashboards Regulations 2022 set out in law the connection to the ecosystem and that maintenance of connection is a legal requirement, it also sets out that schemes must connect to the ecosystem by the 'connection deadline' 31 October 2026. To avoid placing undue strain on all parties facilitating connection, the Department for Work & Pensions (DWP) published guidance confirming that public service pension schemes should 'connect bu' 31 October 2025.
- The regulations implementing the McCloud remedy took effect from 1 October 2023. Statutory Guidance was published in June 2024 and pension funds have, for most members, the period up until a fund's annual benefit statements for 2024/25 are issued to complete implementation i.e. by the end of August 2025.

In planning our audit, we have taken account of this national context in designing a local audit programme which is tailored to your risks and circumstances.

- Latest Investment strategy for Shropshire pension fund is published as at June 2023. The investment strategy will normally be reviewed every three years. As per the strategy, the Fund will invest 55% in Equities, 10% in investment grade corporate bonds and 7.5% each in private equity, Infrastructure, Illiquid credit and Absolute Return Funds, and 5% in Property funds over the course of 3 years.
- As per discussion with management, it has been noted that next reset of the investment strategy will be decided at the end of 2025 or in the beginning of 2026.
- The Administration System (Altair) earlier hosted by Shropshire Council has been migrated to a
 fully cloud based solution with Heywood. As this is a migration to the 'cloud' we do not consider
 this a new sustem that would require additional audit procedures to be undertaken in 2024/25.

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Key developments impacting our audit approach (continued)

National and International Context

Local Context

Investments and Funding

Triennial valuations for local government pension funds as at 31 March 2022 (the 2022 valuation) were published in March 2023. These valuations, provide updated information regarding the funding position of local government pension funds and set employer contribution rates for the period 2023/24 – 2025/26. In August 2024 the Government Actuary's Department (GAD) published its Section 13 report analysing the outcomes of the valuations. GAD noted that funding levels have improved since 2019, however not all funds were in a surplus after the 2022 valuation, with 26 out of 87 being in deficit. In addition, there continues to be considerable variation between funds, with the highest funding level at 154% and the lowest funding level at 67%. This is a wider range than previously reported in the 2019 valuation. The average primary contribution rate to cover future benefit accruals has increased from 18.6% to 19.8% following the 2022 valuations.

the end of March 2024, the market value of LGPS funds was £391.5 billion, an increase of 9.0% compared to be end of March 2023. Total LGPS income in England and Wales in 2023-24 was £20.7 billion with expenditure of £17.1 billion.

The Fund will be entering the 2025 valuation (as at 31 March 2025) process this calendar year. The valuation will be employer contribution rates for 1 April 2026 through to 31 March 2029. The national and international economic context continue to present challenges for pension funds with a consequential impact on the investments held by pension funds but investment performance and setting stable, affordable contributions for employers will be key factors.

In July 2024 the government launched a Pensions Review of workplace defined contribution pensions schemes and the Local Government Pension Scheme in England and Wales (LGPS). The focus of the review for the LGPS is to look at how tackling fragmentation and inefficiency can unlock the investment potential of the scheme, including through further consolidation. This review, Fit for the future, is being led by the Ministry of Housing, Communities and Local Government (MHCLG). Consultation on the Government's proposals sought views in three key areas; reforming the LGPS asset pools, boosting LGPS investment in their localities and regions in the UK, and strengthening the governance of both LGPS AAs and LGPS pools. The consultation closed in January 2025 and outcomes from it are now awaited.

In planning our audit, we have taken account of this national and international context in designing a local audit programme which is tailored to your risks and circumstances.

- For Shropshire Pension Fund, the 2022 triennial valuation was undertaken by Mercer, and revised contribution rates from the 2022 actuarial valuation took effect on 1st April 2023.
- We expect requests to be received from employer body auditors to undertake work on the accuracy and completeness of the information provided to the actuary as part of the 2025 valuation process. If these are received then this will be additional work outside the normal course of our audit work and will be the subject of additional fees/fee variations. We will discuss the scope and timing of this work with the Fund should it arise.
- There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. We are required to identify a significant risk in relation to management override of controls.

Key developments impacting our audit approach (continued)

Our commitments

- As a firm, we are absolutely committed to audit quality and financial reporting in local government and local government pension schemes. Our proposed work and fee, as set out further in this Audit Plan, has been agreed with the Head of Pensions.
- To ensure close work with audited bodies and an efficient audit process, our preference as a firm is
 either for our UK based staff to work on site with you and your staff or to develop a hybrid approach of
 on-site and remote working. Please confirm in writing if this is acceptable to you, and that your staff
 will make themselves available to our audit team. This is also in compliance with our delivery
 commitments in our contract with PSAA.

We would like to offer a formal meeting with the Head of Pensions quarterly as part of our commitment to keep you fully informed on the progress of the audit.

At an appropriate point within the audit, we would also like to:

<u>5</u>

- o meet informally with the Chairs of the Council's Audit Committee and Pensions Committee, to brief them on the status and progress of the audit work to date, and
- o In line with best practice, offer to meet in private with the Audit and Pensions Committees.
- We will continue to provide you, your Pensions Committee and your Audit Committee with sector
 updates providing our insight on issues from a range of sources and other sector commentators via our
 Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.



\$2 Introduction and Headlines

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Introduction and headlines



Purpose

• This document provides an overview of the planned scope and timing of the statutory audit of Shropshire County Pension Fund ('the Fund') for those charged with governance.

Respective responsibilities

 The National Audit Office ('the NAO') has issued the Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Fund.

Scope of our Audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Pension Committee); and we consider whether there are sufficient arrangements in place at the Fund.

The audit of the financial statements does not relieve management or the Audit and Pensions Committees of their responsibilities. It is the responsibility of the Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Fund's business and is risk based.

Introduction and headlines (continued)



Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control
- Valuation of Level 3 investments

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £28.14m (PY £27.9m) for the Pension Fund, which equates to 1.13% of your gross investment assets as at 31 March 2025.

We have determined a lower specific planning materiality for the Fund Account of £12.6m (PY £11.3m), which equates to 10% of prior year gross expenditure on the fund account.

Clearly trivial has been set at £1.4m (PY £1.39m).

Audit logistics

Our Planning visit will take place in February and March month and our final visit will take place between June and July. Our key deliverables are this Audit Plan, Auditor's Report and our Audit Findings Report.

Our proposed fee for the audit is £86,240 (PY: £83,094) for the Fund, subject to the Fund delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

The Custodian does not independently value the Pension Fund's Level 1 or Level 2 Investments, meaning we are not able to triangulate valuations included in the financial statements to investment manager and custodian confirmations for these investments. As a result, we carry out further audit procedures to gain assurance over the valuations of these investments. For Level 1 and Level 2 investments we will:

- independently request year end confirmations from investment managers;
- check the unit price to the market quoted price (if available) at the reporting date, or test the valuation to direct confirmation of capital balances from investment managers and, where available, to latest audited financial statements; and
- complete sample testing of purchases and sales to prime documentation across the period to support our reconciliation of the opening and closing balances.

See page 12 for further details regarding our approach to auditing the valuation of Level 3 Investments.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) and we, as a Firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

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03 Identified risks

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Management override of controls	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.	We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	 Evaluate the design effectiveness of management controls over journals Analyse the journals listing and determine the criteria for selecting high risk unusual journals Identify and test unusual journals made during the year and the accounts production stage for appropriateness and corroboration Gain an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence
Valuation of Level 3 Destments P 20	The valuations of level 3 investments are based on unobservable inputs and hence there is a risk of material misstatement due to error and/or fraud.	By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant accounting estimate by management in the financial statements due to the size of the balance and the sensitivity of the estimate to changes in key assumptions. We have therefore identified the valuation of Level 3 investments as a significant risk. Under ISA 315 significant risks often relate to significant nonroutine transactions and judgmental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers and/or custodians to estimate the fair value as at 31 March 2025. We therefore identified valuation of level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement.	 Review the nature and basis of estimated values and considered what assurance management has over the year end valuation provided for these types of investments to ensure the requirements of the code are met; Evaluate management's processes for valuing Level 3 investments; Independently request year end confirmations from investment managers Obtain and review the audited financial statements of the investment accounts, where these are at a different reporting date to the Fund's financial statements the valuations will be compared accounting for cashflows; Obtain and review the corresponding investment manager report as at the investment accounts and the Fund accounts reporting dates where appropriate; Review purchase and sale transactions of the investment near the reporting date where appropriate; Review the guidelines under which the investment has been valued at the date of the investment accounts and the Fund accounts; Review management's classification of the assets; Obtain and review investment manager service auditor report on design and operating effectiveness of internal controls where appropriate. Complete sample testing of purchases and sales to prime documentation across the period to support out reconciliation of the opening and closing balances.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Presumed risk of fraud in revenue recognition ISA (UK) 240		We have identified and completed a risk assessment of all revenue and expenditure streams for the Fund. We have rebutted the presumed risk that revenue and expenditure may be misstated due to the improper recognition of revenue/expenditure for all revenue and expenditure streams, because:	Having considered the risk factors set out in ISA 240 and nature of the revenue stream at the Fund, we have determined that the risk of fraud arising from revenue and expenditure recognition can be rebutted (see opposite).
	revenue. As external audits in the public sector, we are also required to give regard to Practice Note 10, which interprets the ISA in a public sector context and	 there is little incentive to manipulate revenue recognition; opportunities to manipulate revenue recognition are very limited; and the culture and ethical frameworks of public sector bodies, including the administration authority, Shropshire Council, and the Fund, mean that all forms of fraud are seen as unacceptable. 	Therefore, at the planning stage we do not consider this to be a significant risk for Shropshire County Pension Fund and standard audit procedures will be carried out. We will continue our risk assessment throughout the audit to identify any circumstances indicating a requirements to alter the decision.
Phe expenditure cycle	directs us to consider whether the assumption also applies to expenditure.	Therefore, we do not consider this to be a significant risk for the Pension Fund.	
Phe expenditure cycle Note	Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud	We have identified and completed a risk assessment of all expenditure streams for the Fund. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk, because: • there is little incentive to manipulate expenditure recognition; • opportunities to manipulate expenditure recognition are very limited; and • the culture and ethical frameworks of public sector bodies, including the	We do not consider this to be a significant risk for the Fund and standard audit procedures will be carried out. We will keep this consideration under review throughout the audit to ensure this judgement remains appropriate.
	related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.	Fund, mean that all forms of fraud are seen as unacceptable. Therefore, we do not consider this to be a significant risk for the Pension Fund.	

Other matters

Other work

The Pension Fund is administered by Shropshire Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

· We read any other information published alongside the Council's financial statements to check that it is Uconsistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.

• We consider our other duties under legislation and the Code, as and when required, including:

- Giving electors the opportunity to raise questions about your 2024/25 financial statements, consider and decide upon any objections received in relation to the 2024/25 financial statements;
- Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
- Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
- Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Our approach to materiality

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Our approach to materiality

whether taken individually or in aggregate and whether judged by any quantitative or qualitative

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Planned audit procedures Description Matter Determination • We determine planning materiality in order to: - establish what level of misstatement could reasonably be expected to influence the economic We have determined financial statement materiality determined at the planning stage of the audit based on professional judgement in the context of our knowledge of the Fund, including consideration decisions of users taken on the basis of the financial statements of factors such as shareholder expectations, industry developments, financial stability and reporting assist in establishing the scope of our audit engagement and audit tests requirements for the financial statements. Materiality at planning stage of our audit is £28.14m which determine sample sizes and equates to 1.13% of your gross investment assets as at 31st March 2024. assist in evaluating the effect of known and likely misstatements in the financial statements. · An item may be considered to be material by nature when it relates to instances where greater Other factors Page precision is required. An item does not necessarily have to be large to be considered to have a material effect on the financial statements Additionally, there may be items which we feel would benefit from a lower specific materiality for those account balances (e.g. the Fund Account). Details of lower specific materialities applied can be found on the next page. · We reconsider planning materiality if, during the course of our audit engagement, we become Reassessment of materiality aware of facts and circumstances that would have caused us to make a different determination Our assessment of materiality is kept under review throughout the audit process of planning materiality Matters we will report to the Pensions Committee and Audit Committee · We report to the Pensions and Audit Committees any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Pensions and Audit Committees any • In the context of the Fund, we propose that an individual difference is clearly trivial if it is less unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. than £1.41m (PY £1.39m). If management have corrected material misstatements identified during Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report the course of the audit, we will consider whether those corrections should be communicated to uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged the Pensions Committee and Audit Committee to assist them in fulfilling their governance with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, responsibilities.



criteria.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

	Amount (£)	Qualitative factors considered
Headline materiality for the Fund's financial statements	£28.1m	Headline Materiality for planning equates to 1.13% of your gross investment assets as at 31 March 2024. We deem this to be a level above which errors or omissions would alter the economic decisions of users of the accounts.
Specific Materiality for Fund Account The lower specific materiality for the fund account will be applied to the audit of all fund account transactions, except for investment transactions, for which headline materiality will be applied.	£12.6m	Materiality for the Fund Account for planning equates to 10% of gross expenditure (in the fund account) as at 31 March 2024. We deem this to be a level above which errors or omissions would alter the economic decisions of users of the accounts.



25 Progress against prior year audit recommendations

Progress against prior year audit recommendations

We identified the following issues in our 2023/24 audit of the Fund's financial statements, which resulted in 2 recommendations being reported in our 2023/24 Audit Findings Report. We are pleased to report that management have implemented all our recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
Low – Best practice improvement opportunity	IT recommendation — Lack of Change Management Controls for Batch Scheduling in Altair The IT audit uncovered a deficiency in change management controls related to batch scheduling	In September 2024, management confirmed that the only batch jobs managed by pension fund are the scheduled monthly reports. A process will be implemented to manage any change to these. It will involve the change and sign off by Senior Systems officer.
	configurations. Specifically, there is a lack of formalized	<u>Update as of Feb 2025 :</u>
	procedures for documenting, reviewing and approving changes made to batch scheduling parameters and job schedules. Risk Without adequate change management controls,	Management have confirmed that the above responses have been implemented. Management confirmed that any change to the monthly reporting is now signed off by Gareth or Neil. However, the way that the Council do this has changed as reporting is now from Insights which is a new reporting feature and creates Dashboard information rather than monthly reports.
Page	unauthorized or undocumented changes to batch scheduling configuration can lead to disruptions in critical business processes, data loss, and security vulnerabilities.	We will review this as part of our audit testing.
27	Furthermore, the absence of a structured change management process increase the likelihood of configuration errors and inconsistencies.	
Low – Best practice improvement opportunity	IT recommendation – Lack of UAT testing completed for Altair changes – We noted that for sample change obtained, testing was not conducted before promoting the change into the live environment. Additionally, no approval was given prior to	In September 2024, management mentioned that when a system release is being deployed by Heywood's there will be Systems Team Leader sign off on the test plan following the testing undertaken in the TEST environment to the release being deployed into the LIVE environment. Please note that dates to the TEST and LIVE environment are agreed before testing is undertaken.
	implementation.	<u>Update as of Feb 2025 :</u>
	However, we noted that post implementation approvals were given to confirm the change implemented had met that change request.	Management commented that the Council have had several new releases since the audit and the test plans are now checked and signed off by Cheryl before the Live system is updated.
	Risk Failure to adequately perform change management testing prior to releasing the change into the production environment could lead to a loss of data integrity, processing integrity and/or system down-time	We will review this as part of our audit testing.

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© Strategy

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach, we will perform the indicated level of assessment:

ď	Papplication	Audit area	Planned level IT audit assessment
ap)	Init 4	Financial reporting	Detailed ITGC Assessment completed by internal expert. We plan to test the design and implementations of ITGCs.
7	tair	Member Data	Detailed ITGC Assessment completed by internal expert. We plan to test the design and implementations of ITGCs.

17 Interim audit work

Interim Audit Work

Details of work to be conducted at interim:

Jage 3

Description	Work commentary		
Contribution Testing	We will:		
	 Request the GL data for 9 months as well as the closing Trial Balance (TB) at Month 9 		
	Send a sample for further testing based on interim data provided		
	Test the sample of contribution listing		
Benefit Testing	We will:		
	 Request the Gross to Net report data for 9 months as well as the closing TB at Month 9 		
	Send a sample for further testing based on interim data provided		
	Test the sample of Benefits		
Investment Purchase and	We will:		
Sales Testing	Request the Investment Purchase and sales data for 9 months		
	Send a sample for further testing based on interim data provided		
	Test the sample of Investment Purchase and Sales		

D8 Logistics

Logistics

Pensions Committee: Pensions Committee: 21 March 2025 19 September 2025 The audit timeline Year end: Sign off: Key Audit Committee: 31 03 2025 Dates 31 12 2025 26 September 2025 Audit Committee: 26 June 2025 PAudit apphases: 33 Planning – 2 week Interim – 1 week Final – 4 weeks Feb 2025 March 2025 July - August 2025

Key elements

- Planning meeting with management to set audit scope
- Planning requirements checklist to management
- Agree timetable and deliverables with management and Audit Committee

Key elements

- Document design effectiveness of systems and processes
- Any planned interim testing
- Issue the Audit Plan to management and Pensions Committee
- Present Audit Plan to Pensions
 Committee and provide opportunity
 for discussion and comment

Key elements

- Audit teams onsite to complete fieldwork and detailed testing
- Weekly update meetings with management
- Take Audit Plan to Audit Committee

Key elements

- Draft Audit Findings issued to management
- Audit Findings meeting with management
- Draft Audit Findings issued to Pensions and Audit Committees
- Audit Findings presentation to Pensions and Audit Committee

Our team and communications

Grant Thornton core team

Grant Patterson
Key Audit Partner

Key contact for senior management and Audit Committee

Overall quality assurance



Siobhan Barnard

Senior Audit Managei

- Audit planning
- · Resource management
- Performance management reporting

Sonu Jain

n-charge

- Audit team management
- Day-to-day point of contact
- Audit fieldwork

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	Client Surveys	 The Audit Plan Audit Progress and Sector Update Reports The Audit Findings Report 	Audit planning meetingsAudit clearance meetingsCommunication of issues log	Technical updates
Informal communications	Open channel for discussion		Communication of audit issues as they arise	Notification of up-coming issues

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior (In-charge) and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

99 Fees and related matters

Our fee estimate

Our estimate of the audit fees we will charge is set out in the table below, along with the fees billed in the prior uear

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2024) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2017 PSAA awarded a contract of audit for Shropshire County Pension Fund to begin with effect from 2018/19. [For existing audited bodies - This contract was re-tendered in 2023 and Grant Thornton have been reappointed as your auditors. The scale fee set out in the PSAA contract for the 2024/25 audit is £86,240.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

Production of the final auditor's annual report for the previous Audit Year (exception for new clients in 2023/24 only)
Production of the

Production of the draft audit planning report to Audited Bodu

50% of planned hours of an audit have been completed

75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here Fee Variations Overview - PSAA

Description	Audit Fee for 2023/24 (£)	Proposed fee for 2024/25 (£)
Shropshire County Pension Fund Audit	£75,564	£86,240
ISA 315	£7,530	£nil
Total Audit Fees (Excluding VAT)	£83,094	£86,240
IAS 19 letters*	£2,200	£2,200
Total (Exc. VAT)	£85,294	£88,440

^{*}Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards. Provision of IAS 19 assurances to auditors of any other type of entity remains non-Code work.

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Our fee estimate:

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are readu at the start of the audit
- · provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made while preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

Previous year

In 2023/24 the scale fee set by PSAA was £75,564. The actual fee charged for the audit was £83,094, as detailed in the table on this page.

10 Independence considerations

Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms. In this context, there are no matters that we are required to report:

We are also required to report to you details of any breaches of the requirements of the FRC Ethical Standard, and of any safeguards applied and actions we have taken to address any threats to independence. We report the that no breaches have been identified by team.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have compiled with the Financial reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statement. Further, we have compiled with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in September 2022 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit, we have made enquiries of all Grant Thornton UK LLP teams providing of the pension fund.

Fees and non-audit services

The following table below sets out the non-audit services charged from the beginning of the financial year as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the Fund's policy on the allotment of non-audit work to your auditor

None of the below services were provided on a contingent fee basis

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Shropshire Pension Fund. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees as detailed in the table below.

Grant Thornton UK LLP also acts as the statutory auditor of Shropshire Council. The fees for the audit and non-audit services charged for this entity are reported in its Audit Plan. We consider that such services and fees do not impair our independence.

Assurance Service Fees

Service	£ Threats Identified	Safeguards applied
Audit Related Assurance		
IAS 9 Assurance letters for Assurance letters for Assurance letters for Assurance letters for Assurance Details and Indiana Practice	1,100 per Self-Interest (because this is a recurring fee) letter	The level of this recurring fee taken on its own is not considered a significant threat to independence as the total fee for this work is £1,100 in comparison to the total proposed fee for the audit of £86,240 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

This covers all services provided by us and our network to the Fund, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

Communication of audit matters with those charged with governance

Communication of audit matters with those charged with governance

Respective responsibilities of auditor and management/those charged with governance Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters Planned use of internal audit Confirmation of independence and objectivity A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence In inficant matters in relation to going concern Sews about the qualitative aspects of the Fund's accounting and financial reporting practices coluding accounting policies, accounting estimates and financial statement disclosures Significant matters and issue arising during the audit and written representations that have been sought Significant difficulties encountered during the audit Significant matters arising in connection with related parties Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements	Our communication plan	Audit Plan	Audit Findings
Planned use of internal audit Confirmation of independence and objectivity A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence Inficant matters in relation to going concern We was about the qualitative aspects of the Fund's accounting and financial reporting practices cluding accounting policies, accounting estimates and financial statement disclosures Fignificant findings from the audit Significant matters and issue arising during the audit and written representations that have been sought Significant deficiencies in internal control identified during the audit Significant matters arising in connection with related parties Identification or suspicion of fraud involving management and/or which results in material	Respective responsibilities of auditor and management/those charged with governance	•	
Confirmation of independence and objectivity A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence Significant matters in relation to going concern Significant findings from the audit Significant matters and issue arising during the audit and written representations that have been sought Significant difficulties encountered during the audit Significant matters arising in connection with related parties Identification or suspicion of fraud involving management and/or which results in material		•	
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence Inificant matters in relation to going concern Inificant matters in relation to going concern Inificant findings from the audit accounting estimates and financial reporting practices Inificant findings from the audit Inificant matters and issue arising during the audit and written representations that have been sought Inificant difficulties encountered during the audit Inificant deficiencies in internal control identified during the audit Inificant matters arising in connection with related parties Identification or suspicion of fraud involving management and/or which results in material	Planned use of internal audit	•	
Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence Significant matters in relation to going concern We was about the qualitative aspects of the Fund's accounting and financial reporting practices cluding accounting policies, accounting estimates and financial statement disclosures Significant findings from the audit Significant matters and issue arising during the audit and written representations that have been sought Significant difficulties encountered during the audit Significant matters arising in connection with related parties Identification or suspicion of fraud involving management and/or which results in material	Confirmation of independence and objectivity	•	•
Giews about the qualitative aspects of the Fund's accounting and financial reporting practices Colluding accounting policies, accounting estimates and financial statement disclosures Significant findings from the audit Significant matters and issue arising during the audit and written representations that have been sought Significant difficulties encountered during the audit Significant deficiencies in internal control identified during the audit Significant matters arising in connection with related parties Identification or suspicion of fraud involving management and/or which results in material	Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees	•	•
Gews about the qualitative aspects of the Fund's accounting and financial reporting practices cluding accounting policies, accounting estimates and financial statement disclosures Significant findings from the audit Significant matters and issue arising during the audit and written representations that have been sought Significant difficulties encountered during the audit Significant deficiencies in internal control identified during the audit Significant matters arising in connection with related parties Identification or suspicion of fraud involving management and/or which results in material	nificant matters in relation to going concern	•	•
Significant matters and issue arising during the audit and written representations that have been sought Significant difficulties encountered during the audit Significant deficiencies in internal control identified during the audit Significant matters arising in connection with related parties Identification or suspicion of fraud involving management and/or which results in material	we was about the qualitative aspects of the Fund's accounting and financial reporting practices		•
Significant difficulties encountered during the audit Significant deficiencies in internal control identified during the audit Significant matters arising in connection with related parties Identification or suspicion of fraud involving management and/or which results in material	Significant findings from the audit		•
Significant deficiencies in internal control identified during the audit Significant matters arising in connection with related parties Identification or suspicion of fraud involving management and/or which results in material	Significant matters and issue arising during the audit and written representations that have been sought		•
Significant matters arising in connection with related parties Identification or suspicion of fraud involving management and/or which results in material	Significant difficulties encountered during the audit		•
Identification or suspicion of fraud involving management and/or which results in material	Significant deficiencies in internal control identified during the audit		•
	Significant matters arising in connection with related parties		•
			•
Non-compliance with laws and regulations	Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions	Unadjusted misstatements and material disclosure omissions		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Delivering audit quality

Delivering audit quality

Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:

Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Sector audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.

Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.

Working with premium clients

We work with great public sector clients that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of journals

The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service. By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting. The audit partner always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

Digital differentiation

We're a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

Oversight and control

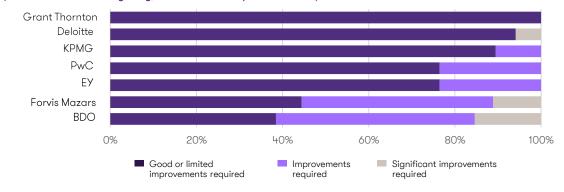
Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the time and space to deal with them effectively.

Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing clients where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.





FRC's Audit Quality Inspection and Supervision Inspection (% of files awarded in each grading, in the most recent report for each firm)



Appendices

IFRS reporters New or revised accounting standards that are in effect

First time adoption of IFRS 16
Lease liability in a sale and
leaseback

- IFRS 16 was implemented by LG bodies from 1 April 2024, with early adoption possible from 1 April 2022. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.
- This year will be the first year IFRS 16 is adopted fully within Local Government. It is not expected to have a significant impact on pension fund accounts and auditors.

Non-current liabilities with covenants

These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

Amendment to IAS 7 and IFRS 7 Supplier finance arrangements • These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

IFRS reporters Future financial reporting changes

IFRS reporters future financial reporting changes

These changes will apply to local government once adopted by the Code of practice on local authority accounting (the Code).

Amendments to IAS 21 - Lack of exchangeability

TAS 21 has been amended by the IASB to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments are expected to be adopted by the Code from 1 DApril 2025.

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Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, adds guidance on the SPPI criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the Code **in future years**.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 provides reduced disclosure requirements for eligible subsidiaries. A subsidiary is eligible if it does not have public accountability and has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is a voluntary standard for eligible subsidiaries and is expected to be adopted by the Code in future years.

IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the statement of profit or loss as well as introduce specific disclosure requirements. Some of the key changes are:

- Introducing new defined categories for the presentation of income and expenses in the income statement
- Introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal.
- Disclosure of management defined performance measures
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 is expected to be adopted by the CIPFA Code **in future years**.



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Pensions Committee, 21 March 2025 Pensions Administration Monitoring Report



Pensions Committee

Item

6

21 March 2025

Public

Pensions Administration Monitoring Report

Responsible Officer:		Vicky Jenks	
email: Vicky.jenks@shropshire.gov.u		k Tel:	01743 252192
Cabinet Member (Portfolio Holder):			

1. Synopsis

The report provides members with monitoring information on the performance of and issues affecting the pensions administration team.

2. Executive Summary

- 2.1. Detail is provided on team workloads and performance, and projects currently being undertaken, including McCloud and Pension Dashboards.
- 2.2. Information is also included regarding regulatory changes and the work undertaken by the Scheme Advisory Board.

3. Recommendations

- 3.1. Members are asked to accept the position as set out in the report.
- 3.2. Members are asked to note the progress for key activities from the business plan (Appendix B) and note the Pension Dashboard update (Appendix C).
- 3.3. The Committee is asked to approve the updates made to the Communications Policy (Appendix D) following the review that has been conducted.

Report

4. Risk Assessment and Opportunities Appraisal

4.1. Risk Management

Performance is considered and monitored to ensure regulatory timescales and key performance indicators are adhered to. Administration risks are identified and managed and are reported to committee on an annual basis.

4.2. Human Rights Act Appraisal The recommendations contained in this report are compatible with the Human Rights Act 1998.

4.3. Environmental Appraisal

There is no direct environmental, equalities or climate change consequences of this report.

5. Financial Implications

5.1. Managing team performance, collaborating with other administering authorities, and making best use of the technology that is available to use ensures costs to scheme employers for scheme administration are kept to a minimum.

6. Climate Change Appraisal

6.1. Energy and fuel consumption: No effect Renewable energy generation: No effect Carbon offsetting or mitigation: No effect Climate Change adaptation: No effect

7. Performance and Team Update

- 7.1. The team's output and performance level to 31 December 2024 (Q3) is attached at Appendix A. The chart shows that 10 of the 16 KPIs are achieving at least 95% of cases being completed by the legal timeframes. To address those that are not being achieved we are undertaking the following actions:
 - At the beginning of February, 2 new Pensions Assistants have joined the Membership and Benefits team, they have begun training and will help tackle the early leaver cases, these are the deferred benefit, refund, and aggregation cases. At the beginning of March, a 3rd new Pensions Assistant

<u> Page 50</u>

- joined the team and will be working with the Systems and Employer Relations team. This post will assist with projects across all 3 workstreams.
- We have had a resignation for 1 of our communications and governance assistant's, who will leave in April, recruitment for this post will be done alongside the recruitment for maternity cover for the other communications and governance assistant.
- The management team are also establishing a comprehensive training plan which feeds into the career path for each role. This will include an expectation to study the new qualifications that have been created by the Local Government Association:

Level 2 (GCSE) Award in Pension Essentials Level 3 (A Level) Certificate in Pension Administration

- Information about the courses has been shared with the team and we have received a lot of interest. We will now look to assess who can be put forward and enrol them on the next available intake.
- The team held a training day on 19th December, training was held on neurodiversity and a presentation from each team leader which covered the responsibilities for each team was provided. Feedback was requested from team members on a number of questions. The management team has reviewed these to assess how best we can deliver further training for the team and update processes suggested from the feedback.
- A working group has been established to look at the system tools we are not yet utilising, that can help deliver efficiencies in the processing of cases and help with the management of workloads. The group will prioritise developments and ensure that those who will be using the new tools and processes can feed into the development, so they are fit for purpose. We have so far delivered one development, bulk process for refunds, this now allows us to process several cases at the same time rather than having to do them on an individual basis.
- 7.2. **Benchmarking** we took part in the 2023-24 CIPFA benchmarking exercise and have received the results back for this. The survey indicates that we are just below the average for the cost of administering the scheme:

Pension Fund	Admin Cost per Member	Net Admin Cost per FTE	LGPS Members per FTE	% of Pensioner Members	% of Active Members	Pensioner Payroll Cost per Pensioner
Shropshire	£30.45	£68,980	1,768	27.2%	30.7%	£6.02
Average	£36.69	£199,848	3,190	28.7%	30.8%	£8.10

7.3 The results help to show that we are providing value for money to our stakeholders.

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Contact: Vicky Jenks 01743 252 192

- We are constantly looking at how we can introduce and adapt our processes to ensure we deliver the best service possible, keeping costs to a minimum where possible.
- 7.4 With changes to legislation including the McCloud remedy and Pension Dashboards we are seeing an increase in costs to software and the work of the team.

8. Communications

8.1. The following chart shows statistics on the work undertaken by the helpdesk team not covered by the workflow system and reported with the wider team statistics in Appendix A.

	November 2024	December 2024	January 2025
Telephone calls received to helpdesk team	747	426	773
% of calls answered	96%	97%	96%
Emails received to pensions@shropshire.gov.uk	832	691	971
% of emails responded to within 10 working days	100%	100%	100%
My Pension Online activation keys issued	75	42	105
Incoming post received and indexed to the pensions administration system	290	281	366
1-2-1 video appointments held with scheme members	17	9	9
Users visiting the website	4,202	3,952	3,800

- 8.2. Call numbers remain high to the helpdesk, the team have achieved at least a 96% answer rate which is above the KPI of 95%. Common queries include members investigating bringing their deferred benefits into payment early; queries relating to 'My Pension Online,' pensioners wanting their P60s for a last-minute tax return and Cash Equivalent Transfer Value (CETV) requests, for divorce proceedings. Emails and post have also been busy, and we have seen a marked increase in requests for activation keys so members can access the new 'My Pension Online' portal.
- 8.3. More of our members are starting to use the Pension Bot, Penny, which is available via our website. The knowledge base (questions) is constantly being updated/added to, based on feedback from previous month's questions and helpdesk queries.

Questions asked	October	November	December
0% score	13	10	4
0.2-100% score	102	134	63
Total asked	115	144	67

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Pensions Committee	, 21 March 2025 Pensions	Administration Monitoring Report

Accuracy %	89	94	83

- 8.4. From October to December 2024, the pensions bot answered 326 questions with an accuracy rate rising to 83%. 0 = has no reply to offer to a question. 0.2-100 is what percentage the answer is correct against a question asked based on the Q&A pairs that the team has uploaded into the answer bank.
- 8.5. Moving to the latest version of 'My Pension Online' portal has led to more engagement from members and has meant an increase in work to update the bot's answer bank. Interestingly a lot of the questions the Bot has been asked are how to get onto the online portal which shows members are seeking to self-serve which is the aim of having this facility.
- 8.6. In February 2025, the fund's website moved to a new more secure platform. Work will now be taking place to improve the site content and navigation with separate sections for members and employers.

9. Communications and Governance

- 9.1. The fund monitors member take-up of its online portal, known as 'My Pension Online.' The annual benefit statements for both active and deferred members are available to view on 'My Pension Online' unless a member has requested a paper copy.
- 9.2. As of January 31, 2025, a total of 53% active members, 45% of deferred members and 55% of pensioner members were registered to view their records on 'My Pension Online', targeted communications have been sent to our pensioner members with the aim to get more using the online service.
- 9.3. Work is now starting on our promotion campaign for active members not yet registered to access to 'My Pension Online.' The communications & governance team will be creating an engagement plan which will be looking at individual employers and their employees' take up of the portal. An employer tool kit will be produced and shared with employers to help promote My Pensions Online using their internal employer intranets.
- A survey about the InTouch publication was recently sent out to scheme pensioners. The aim of the survey was to find out what members think of the new-look magazine. 537 members took the questionnaire (compared to the last survey where 385 took the survey 44% prefer the newsletter format, 47% do not mind either way,19% prefer the magazine layout. Most comments were about it being difficult to read on a smart phone or tablet therefore a redesign is planned for the next edition to address this as we know many of our pensioner members do access our communications on a phone or tablet and this will make it easier for them.

10. Employer Performance

10.1. In line with the Shropshire County Pension Fund administration strategy, employers must pay their contributions and lump sum deficit payment by the 19th of the month. Accompanying data must also be submitted via i-Connect by this date. The below table shows the percentage of employers who have made payments by the deadline over this quarter. This table also includes information about employers who make monthly deficit lump sum payments. Information about employers who did not meet these deadlines is covered in the governance report.

	November 2024	December 2024	January 2025
i-Connect data received on time	95%	99%	99%
Monthly contributions received on time	99%	99%	99%
Monthly deficit lump sum payments received on time	96%	98%	79%

You will see that in January 2025, the payments for the deficit lump sum paid on time was quite low in comparison to previous months. This was due to several schools at the same Multi Academy Trust paying after the deadline. That month, the payment due date fell on a Sunday and the payments failed to be made on time, we expect payment on the Friday before, but payments were made on the Monday. Employers are reminded of the importance of paying on time, no interest accrues for these cases.

11. Projects

- 11.1. The fund's business plan which shows progress for key activities through the year up to the end of December 2024 is shown in **Appendix B.** There is currently only 1 item on hold, which relates to Biodiversity risk, the Government are currently consulting on Taskforce for Nature related Financial Disclosures (TNFD) in connection with this.
- 11.2. **Pensions Increase** Active pension accounts, deferred pensions and pensions in payment are adjusted each April in line with the cost of living. The increase is based on the September-to-September change in the Consumer Prices Index (CPI). The CPI increase for the year up to September 2024 was 1.7%.

The team have been updating pension in payment records so that pensioners will receive the increase from 8th April. A pensioner newsletter (Intouch) plus P60 information is due to be sent out to members in April.

- 11.3. **Year End -** Communication is going out to employers shortly reminding them of their data requirements and reconciliations needed for the year end 31 March 2025. Revised deficit schedules have also been issued for the uprated lump sum amounts due from some employers in 2025/2026.
- 11.4. **Valuation -** 2025 is a valuation year and the team have mapped out the project plan with the Fund Actuary, Mercer, for delivering the work required for this. More

information on this process will be provided in a presentation by Mercer in the committee meeting.

11.5. **Pension Dashboards** – The team have been working together with our Software provider, Heywood Pension Technologies, to implement the Integrated Service Provider (ISP). This will allow the Pension Dashboards ecosystem to send member find requests to us and show information to members about their pension held with Shropshire.

The team are also working on a data matching exercise for members who hold added voluntary contribution (AVC) accounts with our 2 AVC providers, Prudential, and Utmost. This is so that when members find their pension information on the Dashboards this will also include information for their connected AVC account.

We have now also completed the procurement of the tracing, mortality screening and bank account verification tools and will shortly commence the implementation of these tools. The tracing tool will help to keep member addresses as up to date as possible, which will improve our data quality scores and assist members to locate their pension records through the Dashboard as well as helping to make sure we write out to members at their current address when sending information about their pension benefits.

The latest project report is available at **Appendix C.**

12. Policies to be approved by Committee

- 12.1. A review of the fund's Communications Policy has been undertaken. This has considered any recommendations from the Pensions Regulator General Code which was introduced in March 2024. (Appendix D)
- 12.2. Changes made to the document include:
- Revising certain information so that it is written in 'Plain English'
- Looking at our offer for provision of in person training and amending this to virtual, unless requested to attend in person
- Looking at our offer for paper communications and reducing this as we look to make more of our communications environmentally friendly and sustainable.
- Updating the information on how we deal with complaints

13. Regulatory updates

- 13.1. HMRC released a consultation on 30th October 2024, regarding Inheritance tax on pensions. The consultation closed on 22 January 2025, an officer response has been sent, this response is in line with the response issued by the LGA/LGPC.
- 13.2. The consultation asked for views on how the taxation on death benefits could be implemented and the timescales for making payment of any tax charge that may become due. The changes are due to take effect from 6 April 2027.
- 13.3. This would be a change for the LPGS as death benefits are currently exempt from Inheritance tax.
- 13.4. Torsten Bell MP was appointed Parliamentary Under Secretary of State (Minister for Pensions) in the Department for Work and Pensions on 14 January 2025. Emma Reynolds, who previously held this role, was appointed Economic Secretary to the Treasury.
- 13.5. On 14 January 2025, the Government Actuary's Department (GAD) published a blog on the future of pensions administration. The blog focuses on three key areas:
 - increasing complexity in pensions administration
 - technical debt due to underinvestment in technology
 - talent shortages, including the challenge of recruitment.

It also looks at the challenges ahead in 2025, covering Pensions Dashboards, data management and the role of artificial intelligence in enhancing efficiency and member experience.

- 13.6. The Neonatal Care Leave and Pay (Consequential Amendments to Subordinate Legislation) Regulations 2025. On 24 February 2025, the Department for Business and Trade laid the Neonatal Care Leave and Pay (Consequential Amendments to Subordinate Legislation) Regulations 2025. The regulations come into force on 6 April 2025. Members on unpaid neonatal care leave can choose to buy back the lost pension through a shared-cost additional pension contract.
- 13.7 Normal Minimum Pension Age (NMPA) 2028 increase- Registered pension schemes, such as the LGPS, must not normally pay any benefits to members until they reach the NMPA, except on ill health grounds. The NMPA, outlined in the Finance Act 2004, will increase from age 55 to 57 on 6 April 2028

The Finance Act 2004 provides transitional protection to certain members through a protected pension age (PPA), allowing them to receive benefits after 5 April 2028 before age 57 without incurring unauthorised tax charges.

LGPS members - A member's eligibility for a PPA is relevant only if they reach age 57 after 5 April 2028. LGPS members who, immediately before 4 November 2021, were active, deferred, deferred pensioner or pension credit members qualify for a PPA of 55.

We have been communicating this change with members so they can consider this when planning their retirement, however further information is required from government on some aspects of how this will apply in certain cases. As part of the National Pension Officers Group (formerly LGPS Technical working Group) we have asked for this clarification to be treated as a priority by MHCLG.

14. Scheme Advisory Board (SAB)

- 14.1. Following the publication of the Government's <u>English Devolution White Paper</u> on 16 December 2024, an open consultation was launched setting out proposals for overhauling the local audit system in England. The consultation is called '<u>Local audit reform</u>: a strategy for overhauling the local audit system in <u>England</u>' and closed on 29 January 2025. The consultation set out a strategy which commits to a series of measures to improve the local audit system. Notably, paragraph 77 contained a proposal to decouple the pension fund accounts from the main accounts of administering authorities, which has been recommended by the Board for some time. The Board welcomes the Government's commitment set out in this proposal and has responded to the consultation. The response is limited to the decoupling proposal and is available on the Board's website.
- 14.2. The Board has received Nigel Giffin KC's updated opinion on the fiduciary duty in LGPS. This is intended as a review of, and update to, Nigel's 2014 opinion and is entitled "Local Government Pension Scheme: Investments and Non-Financial Considerations." The updated opinion can be found on the Board's website on the Legal Opinions and Summaries page. The Board's Secretariat will consider whether further advice on specific points would be helpful and will work with funds to ensure instructions cover the pertinent questions and elements of most interest.
- 14.3. The Board Chair, Cllr Roger Phillips, has written a letter addressed to chief financial officers and pension committee chairs at administering authorities. The purpose of the letter is to ensure that administering authorities provide appropriate resources for effective pension service delivery. The letter can be found on the Board's website.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Pensions Committee: Administration and Regulatory Update December 2024

Local Member:

Appendices [Please list the titles of Appendices]

Appendix A - KPI tables April 2024 to December 2024

Appendix B – Business Plan Q3 update

Appendix C – Dashboard Project update

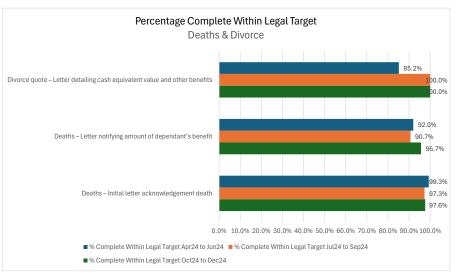
Appendix D – Communication Policy

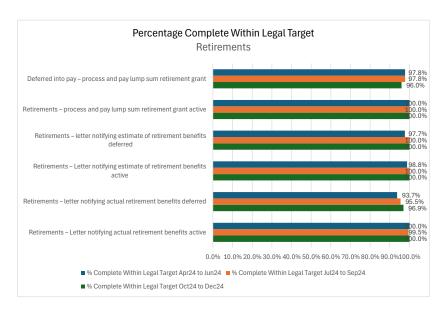
APPENDIX A

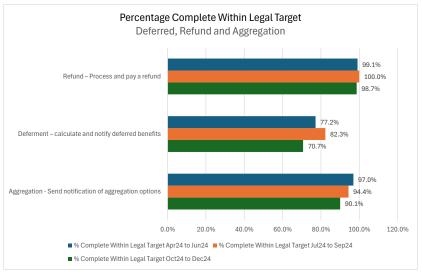
Appendix A KPI table for the period April 2024 to December 2024

Category	Q1 Complete at End of Period Apr 24 to Jun24	Q2 Complete at End of Period Jul24 to Sep24	Q3 Complete at End of Period Oct24 to Dec24	Q4 Complete at End of Period Jan25 to Mar25	Customer Target	% Complete Within Customer Target Apr24 to Jun24	% Complete Within Customer Target Jul24 to Sep24	% Complete Within Customer Target Oct24 to Dec24	% Complete Within Customer Target Jan25 to Mar25	% Complete Within KPI Target Apr24 to Jun24		% Complete Within KPI Target Oct24 to Dec24	% Complete Within KPI Target Jan25 to Mar25	Legal target	Q1 Complete Within Legal Target Apr24 to Jun24	Q2 Complete Within Legal Target Jul24 to Sep24	Q3 Complete Within Legal Target Oct24 to Dec24	% Complete Within Legal Target Jan25 to Mar25
Aggregation - Send notification of aggregation options	328	251	302		40 days	95.1%	89.6%	89.1%		95.1%	89.6%	72.6%		2 months	97.0%	94.4%	90.1%	
Deaths – Initial letter acknowledgement death	152				10 days	58.6%	66.1%	62.2%		58.6%	66.1%	55.5%		2 months	99.3%	97.3%	97.6%	
Deaths - Letter notifying amount of dependant's benefit	75				15 days	82.7%	81.4%	88.2%		82.7%	81.4%	78.5%		2 months	92.0%	90.7%	95.7%	
Deferment – calculate and notify deferred benefits	518		222		30 days	56.8%	65.0%	45.0%		56.8%	65.0%	39.3%		2 months	77.2%	82.3%	70.7%	
Deferred into pay – process and pay lump sum retirement grant	225	181	198		15 days	60.9%	61.9%	48.5%		60.9%	61.9%	53.7%		2 months	97.8%	97.8%	96.0%	
Divorce quote – Letter detailing cash equivalent value and other bene	27	17	23		15 days	63.0%	94.1%	87.0%		63.0%	94.1%	86.6%		2 months	85.2%	100.0%	100.0%	
Refund – Process and pay a refund	112	82	76		10 days	93.8%	91.5%	93.4%		93.8%	91.5%	97.0%		2 months	99.1%	100.0%	98.7%	
Retirements – Letter notifying actual retirement benefits active	109	200	116		15 days	87.2%	92.0%	91.4%		87.2%	92.0%	93.2%		2 months	100.0%	99.5%	100.0%	
Retirements – letter notifying actual retirement benefits deferred	255	266	196		15 days	31.8%	60.2%	62.8%		31.8%	60.2%	61.2%		2 months	93.7%	95.5%	96.9%	
Retirements – Letter notifying estimate of retirement benefits active	84	76	69		15 days	92.9%	97.4%	88.4%		92.9%	97.4%	93.9%		2 months	98.8%	100.0%	100.0%	
Retirements – letter notifying estimate of retirement benefits deferred	43	37	35		15 days	90.7%	97.3%	85.7%		90.7%	97.3%	91.6%		2 months	97.7%	100.0%	100.0%	
Retirements – process and pay lump sum retirement grant active	134	122	158		15 days	95.5%	98.4%	98.7%		95.5%	98.4%	97.2%		2 months	100.0%	100.0%	100.0%	
Fransfers in – Letter detailing transfer	75	89	85		15 days	22.7%	40.4%	41.2%		22.7%	40.4%	50.2%		2 months	74.7%	66.3%	70.6%	
Fransfers in – Letter detailing transfer in quote	93	132	110		15 days	59.1%	85.6%	85.5%		59.1%	85.6%	79.1%		2 months	92.5%	93.9%	94.5%	
Fransfers out – letter detailing transfer	85	67	76		15 days	56.5%	46.3%	53.9%		56.5%	46.3%	62.3%		2 months	75.3%	62.7%	71.1%	
Fransfers out – Letter detailing transfer out quote	34	42	38		15 days	29.4%	19.0%	13.2%		29.4%	19.0%	46.6%		2 months	70.6%	57.1%	63.2%	
	22.12																	
Grand Total	2349	2020	1924															









		Pensions Administration & Investmen	nt Business Plan Update					
Project Name	Context	Actions	June Update Q1		September Update Q2		December Update Q3	
Administration			Progress	Status	Progress	Status	Progress	Status
		Data cleansing to be undertaken following last i-Connect submission for March 2024.	Almost complete with a few employers submitting information late.		Now completed		Completed Q2	
V 12022/2024	All records to be checked from postings. All employer							
Year-end 2023/2024	forms to be reconciled to total of monthly postings	Reconciliation forms and communication to employers to be issued February 2024. Forms reconciled to accounts.		G - On Track		Complete		Complete
		Project to completed by 30th June 2024. Project plan to be put in place by 31st March 2024.	ABS issued to deferred benefits in July and Active		Now completed		Completed Q2	
Annual Benefit Statements (Active and	All Annual Benefit Statements issued by 31 August		members 2nd week of August. 9 statements couldn't	Complete	·	Complete		Complete
Deferred)	, ,	Statement preparation to commence following completion of year end processes.	be produced for flexible retirements.					
		Project plan to be put in place by March 2024.			Waiting for Council accounts to be signed off before		Annual report is on the fund's website but we are still	
		Review new guidance when available. This will be compulsory from 2025.			Grant Thornton information can be submitted (to be published by 30/11/24).		waiting for the Council's accounts to be signed off.	
Preparation of Pension Fund Annual Report	To produce annual report by statutory deadline of 1st December 2024.	Dueft consists and shall be alread off by Contamber 2024 and in		G - On Track		G - On Track		G - On Track
		Draft version available to be signed off by September 2024 pension committee.						
	- 1						and the state of t	
TPR One Code of Practice outcome	To demonstrate compliance with any recommendations/regulation changes put in place	Review guidance when available.	Checklist now in place and being reviewed to be completed by 30th September.	G - On Track	Action plan to be presented to December Committee	G - On Track	Action list completed and taken to committee December	Complete
612.6	To demonstrate compliance with any	Review guidance when available.	Still awaiting information from MHCLG -delayed due to		Waiting for further information when this is available	v 2	Some aspects of Good Governance are included in the	
SAB Good Governance Review Outcome	recommendations/regulation changes put in place		General Election.	G - On Track		Y - On Hold	Fit for the Future consultation. We await the outcome of this to see what gets pushed forward.	
		Ensure the system is configured to allow all calculations to perform the	Went live 8th November 2023. For members in scope		Operations team reviewing retrospective cases in		Retrospective cases will be reviewed following training	
		underpin calculation.	an indicator has been added so that the underpin check can be performed when benefits are calculated.		order to plan and complete the work on these.		in February.	
					Age 65 pay data being collected.		Reviewing follow up information from Heywood on	
		All relevant documentation to be amended.	Priority documentation updated for go live. Website updated.		LGA have update their McCloud guides.		Pension Increase.	
							Age 65 pay data collected and work to populate this	
		Disclosure requirements to be met by 31st December 2023 due to the	Pensioners notified by InTouch newsletter October 2023. Active and Deferred members were notified in		Some transfer cases are having to be calculated manually as developments in software have not yet		on records is being looked at. For records where pay has not been received, we will look to use pay	
		change in legislation.	December 2023.		caught up.		recorded on renumeration data view.	
	To implement the 1st October 2023 McCloud legislation		For past cases the underpin indicator and underpin				LGA have provided a spreadsheet for certain simple	
McCloud Remedy	and to ensure any guaranteed amounts are paid to	Rectification cases of past cases during the remedy period to be	check has been run, the team are working through	G - On Track		G - On Track	club transfers. Still waiting for information from	G - On Track
	protected members.	undertaken.	these to identify any members who may require an adjustment to pension.				system provider on how transfer in information is to be held. Part of system development on system	
			7				transfers is being undertaken (over a 2 year period).	
			The Home Office have issued guidance on the priority order for cases that should be worked through.					
			Team to review work required for retrospective cases. Number of cases have been identified and resources					
			will be allocated to this work following the review.					
		Spreadsheet created by Mercer for use by the team.	In use from November 2023. The team are creating a central repository so that employers can be tracked		Central location on SharePoint created with links to employer spreadsheets used by the team.		Completed Q2	
			more easily.					
	Creation of a central spreadsheet of employers to track		The spreadsheet from Mercer lists employers, but	G - On Track		Complete		Complete
	starters, leavers, and actuarial data.		needs to be reviewed so that details regarding					
			contract end dates, bonds and convenance can be added, processes to be delivered in order to make sure					
		As and of the solution arrange Dandon laws are actioned. The	reviews are in place.		Mark is a second in the second has a state of the bands		Week in a constitution to a constitution to the desired in a least of	
		As part of the valuation process Bond values are reviewed. The administration team need to liaise with employers to ensure bonds are	Information regarding Employers with bonds is being captured on the central Employer list. Contact is being		Work is progressing to ensure that outstanding bonds are in place.		Work is progressing to ensure that outstanding bonds are in place.	
Review of Bonds	For certain types of admitted bodies a Bond is required to		made with those employers where the Bond requires	G - On Track		G - On Track		G - On Track
	provide an assurance that contributions can be collected in the event of an employer having financial difficulties		review.	G - On Track		G - On Track		G - On Track
			Majority of bonds are now in place with a small number still outstanding.					
		Document to be finalised and presented to Heywood's	Document has been created and shared with		Document in place and meetings with Heywood Client		Completed Q2	
	Working with GMPF and Audit to produce a contract		Heywood, review meetings to be scheduled on a quarterly basis.		Manager are to be arranged going forward.			
Heywood Contract Performance Monitoring	performance monitoring document for the hosted service.			G - On Track		Complete		Complete
			Liaising with Council Audit team to ensure spreadsheet is fit for purpose.					
		Providing information required within the agreed timescales.	Meeting held with external Auditor to plan Audit work		Completed Q1		Completed Q1	
			to be completed in 2024, this will include system audit.					
External Audit of Pension Fund	Annual requirement		Audit work has been completed.	G - On Track		Complete		Complete
Si i crisioni i dilu			Draft outcome report to be presented to September	on videk		Jompiete		Jompiete
			Pensions Committee.					
		Identify the members who have breached the annual allowance.	Work is now underway to produce statements.		Completed Q1		Completed Q1	
Production of Pension Savings Statements	Comply with HMRC regulations		Flexible retirement statements to be produced	G - On Track		Complete		Complete
	To ensure pensioners and deferred are uprated with	Provide a pension saving statement by the 5th October 2024 deadline. Bulk process to update the system with the confirmed CPI increase on 8th	manually. Tested in February/March and Actual increase run in		Completed Q1		Completed Q1	
Pensions Increase 2024	annual increase amount	April 2024.	April.	Complete	·	Complete	·	Complete
		To procure an ISP provider in 2024.	Purchase of ISP complete. Procurement of data tools started. Work on AVC match-up has also started.		Tender process for Data Tools will hopefully go live 01/11/24. Work on the AVC match-up continues.		Implementation for the ISP kicks off 14/01/25 with team training the following week.	
Pensions Dashboard Implementation	Implement in line with national guidelines by October 2026.		Separate progress report will be presented to Board	G - On Track		G - On Track		G - On Track
			and Committee.		Phase 1 connection has been scheduled for January 2025.		The Data Tools contract is with Heywood to review and will then be sent to Legal for sign-off.	
Bulk Revaluation	Annual CARE uprating to be applied to active records	Bulk process to be run after year end postings are complete in May/June	Completed.	Complete	Completed Q1	Complete	Completed Q1	Complete
		2024 Following year end 2023/24 payroll processes run P60 production in end	Completed.	Complete	Completed Q1	Complete	Completed Q1	Complete
P60 to Pensioners	To produce a P60 for pensioner members by 31st May							

		Pensions Administration & Investmer	nt Business Plan Update					
Product Nov		A-11	lung Hadata O4		Contomber Undeta C2		Docombox Undata C2	
Project Name	Context	Actions The administration team will need to work with Heywood and internal IT teams in implement this change.	June Update Q1 Project has now commenced and working with Heywood to implement Engage, project plan in place.		September Update Q2 Go live date 16/10/24.		December Update Q3 Completed Q2	
Implementation of Engage to replace my pensions online	The my pensions online portal is being phased out by Heywood and replaced with Engage, the platform should provide clearer information to scheme members regarding	Communications to scheme mambers to inform them of new look online	Soft launch to pensioners with notification in the next InTouch. Will look to run a promotion during 2025 to	G - On Track		Complete		Complete
	their pension and provide tools to help plan for retirement	portal with be required.	those not registered on Engage.					
Investment		ESG monitoring is in place as part of business as usual.	As an administration will be accounted to the		To be a second and and off by 21/10/24		Analization submitted in Oatabase and sussition south	
	Stewardship is the responsible allocation, management and oversight of capital to create long-term value for	ESG MONITORING IS IN place as part of business as usual.	An updated draft application will be presented to the Pensions Committee in September 2024 for		To be approved and sent off by 31/10/24.		Application submitted in October and awaiting results.	
	clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.	Resources have been allocated to review positions with Investment Managers at end of 2022 to address any points from the 2022 application.	submission in October 2024.					
	the economy, the environment and society.		Project progressing as planned					
	The UK Stewardship Code 2020 comprises a set of 12 'apply and explain' Principles for asset owners. As part of	Lead Officer: Pensions Investment and Responsible Investment Manager						
	the Fund's desire to demonstrate its good governance and							
	stewardship of its assets, the Fund submitted its first report in October 2022. The Fund was successful in its							
	submission and is now a signatory to the UK Stewardship							
UK Stewardship Code	Code. The Fund has received feedback from the FRC on its submission and the Fund will develop its submission			G - On Track		G - On Track		G - On Track
	following this feedback.							
	The Fund will submit a report annually to the Financial							
	Reporting Council ("FRC") to maintain its status as signatory to the Code.							
	signatory to the code.							
	As part of the work on the Stewardship Code the Fund will review its approach to stewardship and engagement to							
	ensure that it continues to meet the requirements of the							
	Committee.	Regular update meetings are held with the Actuary.	All action has been taken in respect of the March 2022		Work is being carried out on the interim valuation.		Catch-up to be held with Mercer 22/01/25 to discuss	
			valuation and an indicative timeline of work is in place		Catch-up call held with Mercer to discuss preliminary results.		the plan	
	Work with Actuary to prepare and consider the Actuarial	Communications will be issued to scheme employers in 2024/25 in respect of the valuation process.	Tor the 2025 valuation.		results.			
Triannual Valuation Results	valuation results. The next valuation date is the 31st March	The Funding Strategy Statement has been updated as part of the 2022	Agreed with Mercer to undertake an interim valuation to inform funding levels prior to the employer	G - On Track		G - On Track		G - On Track
	2025 alongside the Fund's Funding Strategy Statement.	valuation and will be reviewed and issued for consultation following the	meetings and considerations to adjustments to fund					
		2025 valuation.	policies.					
		Lead Officer: Head of Pensions – LGPS Senior Officer	7		N 10 11 11 11 11 11 11 11 11 11 11 11 11			
		Meetings have been held with Actuary to discuss employers subject to review and the terms and reference of the reviews.	The covenant review for 2023/24 has been completed and no issues identified that require action.		No actions that required follow-up.		Planning for next Covenant review will commence from April 2025	
Covenant Review	Work with Actuary to review Employer covenants on an annual basis to monitor risk to fund.	Lead Officer: Pensions Investment and Responsible Investment Manager	A separate covenant review will be undertaken for	G - On Track		Complete		Complete
	dimedial beside to monitor risk to renda	content content and responsible intestinent manager	24/25 as part of the tri-annual valuation work.					
		Climate Risk reports and TCFD reports have been commissioned with LGPS			Climate Strategy agreed at September Committee.		Climate report was presented to the December	
	The Fund issues an annual climate risk report and TCFD	Central.	to Pensions Committee in December 2023.		Climate Risk & TCFD reports are being prepared.		Committee and updated Climate Stewardship Plan will go to the March Committee.	
Climate Change Risk	report as part of its commitment to net zero. In addition, the Fund supports these reports by undertaking Climate	Alternative Investment managers ESG policies and progress on Climate Risk monitoring are reviewed periodically with a view to establishing full	The draft climate strategy will be presented to the September 2024 Pensions Committee.	G - On Track		G - On Track		Ongoing
Cilitate Citalige Nok	scenario analysis on a bi-annual basis to ensure that	portfolio monitoring.	September 2024 Ferisions committee.	G - Off Huck		G - OH Hack		Oligonig
	developments in this field are fed into ongoing analysis.	Lead Officer: Pensions Investment and Responsible Investment Manager						
			0 15 1 1 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7					
		Discuss the format of TNFD reports with LGPS Central to establish what can be accurately reported.	Continue to raise TNFD monitoring with Investment Managers pending full release of guidelines expected		No guidance received yet on TNFD due to the current pensions review. Continue to raise with the		Continue to raise with the Investement Managers. No details released as yet.	
	The Government is currently consulting on TNFD	Consider integration of Biodiversity risk into climate change strategy as	in 2024.		Investement Managers.			
	(Taskforce for Nature related Financial Disclosures). The Fund is monitoring the position and discussing potential	whilst different risks there is an underlying fundamental link.						
Biodiversity Risk	data cources with investment managers and other Funds	Liaise with Investment Managers with a view to establishing full portfolio		G - On Track		Y - On Hold		Y - On Hold
	with a view to be able to report in a similar context to TCFD on climate.	monitoring.						
		Lead Officer: Pensions Investment and Responsible Investment Manager						
		Reports on the Investment transition to meet the new ISS were presented	The Investment strategy was agreed in June 2023.		Made a commitment of £90m to private credit and		Quarterly update taken to December Committee and	
	The Fund sets a triannual investment strategy which was	to Pensions Committee in September 2023.			£30m to private equity through LGPS Central. Commited £13m to ABRDN re residential property		will continue to be monitored quarterly pending the valuation results.	
	last reviewed in June 2023 and the Fund is currently working on transition plans to meet the new strategic asset allocation. The investment strategy review took place	The transition will take approx. 18 to 24 months to fully implement given			investment. Committee will be provided with quarterly			
Investment States :		some of the illiquid asset classes involved.	Transition to Investment Grade Corporate Bonds was completed in October 2023.	C 0. T	updates.	C 0-7		C On To all
Investment Strategy Statement	concurrently with the review of the Funding Strategy Statement in 2022/23. The outstanding actions now are	A full timetable is in place and Pensions Committee will be updated on a quarterly basis of major changes.		G - On Track		G - On Track		G - On Track
	implementing the agreed changes to the investment strategy. The implementation of the revised investment		Quarterly updates provided to Pensions Committee.					
	strategy. The implementation of the revised investment strategy will occur over a period to manage transition risks.	Lead Officer: Head of Pensions – LGPS Senior Officer	Due to be reviewed following the March 2025					
			valuation.					
	The Fund works directly with LGPS Central to ensure that	The Fund Continues to work with LGPS Central to ensure that appropriate investment vehicles are available to allow the transfer of the Funds	The Fund continues to transition assets as opportunities arise.		Currently working with LGP Central on concluding an advisory agreement in respect of the LGIM passive		Fit for the Future consultation issued by the Government following the Mansion House speech.	
	appropriate products are available to meet future investment requirements and allow transition from legacy	uncommitted assets.			equity investment which will take our pooling figure to		Final response is to be submitted by 16/01/25.	
	managers as investments mature.	The transition of illiquid assets will continue to be reviewed based on	In progress, from a fund perspective, we consider 70% of the fund to have been pooled.		above 70%.		Outcomes of the consultation are expected by 31/03/25.	
Pooling	Following the General Election, the new Pensions Minister	maturity profiles and investment opportunities available.		G - On Track	The Fund continue to work with LGPS Central with a	G - On Track		G - On Track
	has instigated a pensions review with phase 1 including the	The Fund has responded to the consolation on moving pooling forward.	The Fund continue to work with LGPS Central with a view to pooling legacy assets.		view to pooling legacy assets.			
	Local Government Pension Scheme, in particular the pooling of investments. The recommendations to this will	Lead Officer: Head of Pensions – LGPS Senior Officer						
	be know towards the end of 2024	Code Officer, field of reliabilis – EGF3 Selliot Officer						

Project Highlight ReportPensions Committee



Project Name:	Pensions Dashboard	Report Number:	003
Period	February 2025	Date Completed:	24/02/2025
Completed By:	Jake Glover Senior Pensions Project Officer		

TREND SINCE LAST REPORT	On Track
CURRENT STATUS	Green
EXPECTED STATUS AT NEXT REVIEW	Green

Progress so far The following activities have taken place:	Planned work for next month and beyond Activities planned for March are:
 An ISP (Integrated Service Provider) has been procured and signed off by Legal. Monthly meetings are in place for the Pensions Admin Manager, Team Leaders and Senior Pensions Project Officer. Vicky, Pensions Admin Manager and Jake, Senior Pensions Project Officer have started completed all the required invitation to tender documentation and this has been released to providers. Risks, Issues and Decisions reviewed at November project catch-up. Member Data Tools Invitation to Further Competition to run until 28th November for providers to submit bids for each lot. Review provider bids for Member Data Tools and carry out scoring. Contract to be awarded 18/12/24. Contract awarded to Heywood Pension Technologies for the data tools software. 	

Project Highlight ReportPensions Committee



Slippage and Remedial Action

• N/A - no project slippage to date

	Key Risks and Issues		
R/I	Detail	Rating	Open / Closed
R	Suitable ISP is not obtained and so can not connect to dashboard	Very Low	Closed
R	Data quality is low, leading to poor matching criteria and members having to contact the fund to find their pension (rather than finding it directly through the dashboards)	Low	Open
R	Procurement of new tracing and mortality screening provider (gap in service as current provider current ends in September)	Very Low	Closed
I	Decide on implementation dates	N/A	Open
ı	How do we resource queries from Dashboard to reduce the team being overwhelmed and to meet required timescales	N/A	Open
I	What to use for Find Data and how AVC information will be accessed	N/A	Open
R	ISP connection deadline not met	Low	Open
R	Having adequate resource to deal with any additional work created	Medium	Open

High Level Milestones

Action	Date Completed / Target Date	Status	Comments
Procure ISP	19/08/2024	Complete	ISP procured and approved.
Data Tools Procurement	February 2025	Complete	Procurement complete and contract awarded
ISP UAT	March 2025	On Track	
Data Tools Implementation	March/April 2025	onPage	64

Communications Policy Statement

Approved by the Pension Committee March 2025



Contents

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Introduction

This statement has been prepared in accordance with Regulation 61 of the Local Government Pension Scheme (Administration) Regulations 2013 by Shropshire County Pension Fund (the 'fund'). It sets out its communications approach with scheme members, employers, and other interested stakeholders.

The fund deals with more than 240 employers and over 50,000 scheme members made up of contributing members, deferred members, and retired members in relation to the Local Government Pension Scheme (LGPS).

The main aim of the Shropshire County Pension Fund is to provide members and employers with an efficient pension administration service providing secure pension benefits which have been worked out accurately and paid on time. Timely and clear communication with both members and employers plays a key role in helping employers meet their statutory obligations and helps members plan their retirement.

The fund designs and delivers communications to scheme members and employers in a way that makes sure they can understand the LGPS. Information should be clear and simple to understand, as well as being accurate and easily accessible. It is important that members can understand their pension arrangements and make informed decisions when needed and employers understand their statutory responsibilities.

The Pensions Team work to maintain a thorough knowledge of the regulations to keep the confidence of its members. The Pensions Team should always be the first-place staff members turn to for LGPS pension information during their working life and in retirement.

The fund also takes part in several national groups, with the aim of sharing best communication practices. The Joint Communications Group allows the fund to work with other Local Government Authorities, giving group members the chance to share communication resources and develop joint projects, such as newsletters and member guides. This group also receives updates from the Local Government Pensions Committee (LGPC), which publishes national communication material.

Principles of communication



The law details when governing bodies must communicate with their members, the information they must provide and the timescales for providing the information. These requirements range from information provided when a member joins the scheme, on-going communications, taking benefits, and beyond. The law also sets out information that governing bodies must provide on request.

When preparing communications to members, the fund will:

- ensure all communications sent to members are accurate, clear, concise, relevant and in plain English
- regularly review member communications, taking account of member feedback, any changes to scheme design and developments in law and The Pension Regulator's General Code of Practice
- when deciding on the format of communications and information to be published, consider any technology that may be available to them and appropriate for their members
- consider using various communication methods, including accessible online content, audio, Braille, large font, and languages other than English
- consider what additional information or explanation members may need to help them make informed decisions about their benefits

The fund has adopted five key principles that supports all its communication. The fund is committed to making sure:

- Communication is factual and presented in plain, easy to understand language.
- Communication is designed in a manner appropriate to its audience.
- Communication is issued in a timely manner.
- Communication keeps up with the developments and improvements in new technology.
- Communication is planned, co-ordinated and reviewed.

The fund is 'digital by default' unless a member requires the information in a paper format. Digital communication is used by the fund to deliver scheme information, increase member engagement and to give regular updates to employers. It can help meet member demand and expectation to regularly access pension information. It can also reduce the fund's environmental footprint by decreasing paper and printing usage. When information is asked for in paper format, the fund will aim to use a sustainable printing service



The fund is working with the administering authority's climate change team to work towards reducing our carbon footprint. We are always considering how we can change process to reduce our impact on the environment...

The Local Government Pension Scheme is a desirable benefit for attracting employees to work in local government. For employers, it is a key part of their recruitment and retention package. The fund is also the last, and often the only, link between former staff members and their employers. The fund therefore has an important role in making sure effective communications continue even when members have left employment, have a deferred pension, or a pension in payment. The fund keeps in touch with all members and if contact is lost (for example, if a member has moved and not told the fund), a tracing exercise can be carried out to find the member and update their personal details.

The Pensions Team are committed to responding quickly to member requests for information. Information is given within set internal and regulatory timescales taking into consideration The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 and other overriding legislation. The turnaround time for dealing with standard requests for information is normally ten working days but may take longer depending on the request timing and the request itself.

When a request for information has been made, an acknowledgement receipt will be given, usually within three working days. If it is going to take longer than 10 days to provide the information, members will be told when they are likely to receive it.

How the fund communicates

Scheme literature

A wide range of scheme literature is produced and updated by the fund for both members and employers. Copies are available on the fund's website and can be provided in paper format on request. All paper and electronic guides are made using similar branding and include full contact details for the Pensions Team. The fund has scheme guides which cover the scheme benefits, who is eligible and retirement options. Both new and prospective members are provided with basic information about the LGPS, such as how benefits are worked out, how member and employer contributions are calculated etc via the scheme guides.

One-to-one meetings



For members who require a one-to-one meeting appointments can be made with a member of the team. Virtual meetings will be encouraged but face-to-face meetings can be arranged, depending on venue availability, and must be booked in advance. The fund will organise one-to-one meetings at employer workplaces periodically. Employers can also ask for one-to-one meetings and these requests will be considered depending on location and member interest.

Helpdesk

The fund has a dedicated helpdesk which deals with all the incoming post, emails and telephone calls. The helpdesk contact details are published on all scheme literature. The helpdesk telephone number is 01743 252130 and email address is pensions@shropshire.gov.uk

The helpdesk is open from 8.45am to 5.00pm Monday – Thursday and 8.45am to 4.00pm on Friday phones are available between 10am and 4pm on all days. During team meetings and busy periods an automated answering service will be in place.

All fund officers also have a direct telephone number and email address should they need to be contacted directly.

Website

The fund has a website, www.shropshirecountypensionfund.co.uk, which holds most of the scheme information including copies of scheme literature, policies and annual reports. There is a latest news page which is used to keep members up to date. There is also a news page on the employer's area of the website specifically aimed at employers. The website has been adapted to make sure it is accessible to view on electronic devices such as tablets and mobile phones. The website has been developed in line with accessibility standards and has a published compliance statement.

My Pension Online

A secure online portal gives members access to their pension record. The facility provides members with the opportunity to update their personal details, view annual benefit statements and run benefit projections, as well as register or update death grant nominations. Members in receipt of a pension are also able to change bank details, check their annual pension, view monthly payments and see their P60s. The online system can be accessed via the fund's website homepage.



Material changes to the scheme

The fund will inform members when any material changes are made to the LGPS via the website, email alerts or electronic newsletter, unless a paper version has been requested. This information is normally given as soon as possible after the change takes effect, but in any event within three months after the change.

Email alerts

The fund asks all members for a personal email address, so they can be contacted by the fund with the latest scheme news. Our preference for personal email addresses is so that if members leave employment, the fund can still maintain contact with them.

Presentations

The fund can deliver standard or tailored presentations on a wide range of pension topics for both employers and members These presentations are provided by fund staff at the request of employers, or organised by the fund, at geographically convenient locations or using virtual meeting technology.

Newsletters

'Pension update' is the fund's in-house newsletter for active and deferred members and is produced as a collaborative project with other funds. This newsletter is issued periodically and aims to provide topical news articles and the latest information about the scheme and pensions in general. The newsletters are usually issued via email and published on the fund's website.

InTouch is the fund's newsletter for retired members. The newsletter is a useful way of providing updates on relevant changes in legislation as well as topical news articles.

All newsletters can be easily viewed on mobile phones and tablets.

Annual report & accounts

The annual report is a statutory financial reporting document showing the fund's accounts over the previous 12 months, along with details on both investment and administration performance. Members and employers are notified when the report has been published via email and the news pages of the fund's website.



Videos

When needed, the fund uses short videos to help explain the scheme.

Annual benefit statements

It is a statutory requirement to provide annual benefit statements to both active and deferred members. Annual benefit statements are issued via My Pension Online, unless a paper copy has been requested. The statements include various pension details such as the current value of benefits, how they are calculated and when they become payable. The format of the statement is continually reviewed to provide members with the required statutory information in a clear and concise manner. Statements for all members must be issued by the 31 August each year and members are notified when statements become available to view.

Pension savings statement

A Pensions Saving Statement will be supplied to a member by the 6 October each year if their pension savings in the fund, during a pension input period, are more than the annual allowance limit.

Active members - new starters

When eligible members are enrolled into the scheme, the employer should provide basic scheme information. This should be provided by scheme employers to all new employees as part of their letter of employment, terms and conditions – some employers choose to email this to new employees. This information can be accessed via a link to the fund's website.

The fund provides a membership form to new starters following a new employment notification and a brief scheme guide on the Local Government Pension Scheme is available on the website.

Retirement process booklet

All members on reaching retirement will receive information on the retirement process.

Corporate induction courses



Officers of the fund are happy to attend employer corporate inductions, either in person or online, for prospective members. Employers need to contact the fund to make suitable arrangements.

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Promotional campaigns

The fund develops communication campaigns where needed for changes in legislation or service delivery such as the new 'My Pension Online' portal.

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P60 notification

Each member receiving a pension will have a P60 issued each year by the statutory deadline of 31 May. These are published on 'My Pension Online' and email notifications or articles in the InTouch newsletter inform pensioners where to find them.

Pension increase notification

Following the publication of a Pensions Increase (Review) order, the fund will adjust the relevant pensions in payment according to the order and make available the new annual pension amount to the member in 'My Pension Online'.

Existence checks of retired members living abroad

The fund, undertake Mortality screening for all pensioner members. This is to avoid any overpayment of pension being made.

Other employer communications

The increasing role of communication within all organisations means that more employers have staff newsletters, intranets and other communication methods. The fund actively works to provide their members with the best information regarding the scheme via the fund website and creates toolkits for employers to promote the scheme on their own intranets and websites.





Employer specific communications

New or prospective employers

Scheme information is given to all new and prospective scheme employers via information booklets or the employer's areas on the fund's website.

Employer meetings & training sessions

Meetings and training sessions are arranged for employers on a regular basis and will be delivered either in person or using virtual meeting technology. They are used to communicate issues with employers such as benefit regulation changes, administration changes, employer contribution rates and the funding level of the fund at each actuarial valuation.

Employers' guide

An employers' guide is available to all employers, explaining the processes, procedures and forms needed to effectively discharge their pension administration responsibilities. The employers' guide is held on the employers' area of the website and should be read together with the pensions administration strategy which outlines their responsibilities: www.shropshirecountypensionfund.co.uk

Employers' bulletins

Regular email bulletins are sent to all employers. These emails aim to tell employers about the latest news, issues, events and regulatory changes. The emails highlight actions employers need to take in response to any changes.

Monthly data requirements and end of year procedure

Employers must send monthly data to the Pensions Team for their scheme members to make sure their pension record is accurate. Employers in the fund must use a facility called i-Connect to ensure their submissions are received on time, minimizing the risk of fines from The Pension Regulator by ensuring data is provided by the statutory timescales. The cost of this system is met by the fund. Guides for using i-Connect are published on the employer's area on the fund's website. Employers are reminded to consult with the fund when considering a change of payroll provider as this can impact the supply of data if the i-Connect submission is not set up correctly or on time.



Each year employers must submit a year end return and compliance statement. Employers are contacted towards the end of the financial year with the year-end template, forms and instructions for completion.

Webinars

Webinars are periodically used to give information to employers. Webinar content will vary depending on feedback received from employers and target specific topics and current issues. Webinars can also be recorded and sent to employers unable to attend.

Reporting breaches

The fund has a reporting breaches policy and procedure. This makes sure anyone responsible for reporting and whistle blowing can find, assess and report (or record if not reported) a breach of pensions law. All potential breaches of the law are recorded by the fund and the scheme employer informed that it has been recorded as a breach. Each employer must choose a named individual to act as the main point of contact about the LGPS. If an employer has built up multiple recorded breaches, the main contact will be told and asked to help resolve any outstanding issues and reduce the risk of reoccurrence. The breaches policy can be found on the fund's website.

Governance and communications

Pension Committee

The Pension Committee is made up of member representatives from employing authorities, trade union representatives and a retired member The committee has an on-going training programme for members and officers to ensure that decision making is on an informed basis. Training can form part of the quarterly committee meeting and separate sessions are also arranged.

Knowledge building and training is provided via the fund's officers, advisors and external training courses. Pension Committee reports are available on the council's website www.shropshire.gov.uk and by following the link for 'Committees, meetings and decisions' and on the 'Pension Committee' page on www.shropshirecountypensionfund.co.uk



Pension Board

Under the LGPS Governance Regulations 2015, a Pension Board was introduced on 1 April 2015 to ensure effective governance and administration of the Scheme.

The Local Pension Board is responsible for assisting Shropshire Council, the Scheme Administrator, to secure compliance with:

- The Local Government Pension Scheme Regulations;
- Any other legislation relating to the governance and administration of the Scheme, and:
- Requirements imposed by The Pensions Regulator in relation to the Scheme
- to ensure the effective governance and administration of the Scheme.

The Pension Board consists of an equal number of employer and employee representatives. Training can form part of the Pension Board meeting and Board members are invited to all other LGPS related training sessions and Pension Committee meetings/training sessions.

Pension Board reports are available on the council's website www.shropshire.gov.uk and by following the link for 'Committees, meetings and decisions' and on the 'Pension Board' page on www.shropshirecountypensionfund.co.uk

Surveys and self-assessments of the knowledge and skills of both the Pension Committee and Pension Board members are regularly undertaken. More information can be found in the fund's Training Policy.

Management team

The Head of Pensions – LGPS Senior Officer is responsible for the Pensions Administration Team and the Pension Investment Team. The Pensions Management Team meets on a weekly basis to discuss items in relation to the running of the team and regulation changes. It comprises the Pensions Administration Manager and Team Leaders. A similar monthly meeting is held between the Head of Pensions - LGPS Senior Officer, the Pensions Administration Manager and the Pension investment manager.



Team meetings

Team meetings involving all staff are held monthly. Notes of all meetings and items arising from such meetings are recorded.

Training

The fund seeks to continually develop the ability of staff to communicate effectively and to understand its importance. This includes training available from the Pensions Regulator's, the council's internal training programme and other external providers. Each member of staff has a regular performance appraisal where training needs are identified.

Intranet and email

Each member of staff has access to email and a SharePoint site which contains electronic copies of all key documents required to perform their duties

Policy documents

All the fund's approved policies can be found on the website: www.shropshirecountypensionfund.co.uk

Communication with other bodies

Mercer (Pension Fund Actuary)

The fund performs an actuarial valuation as required by the regulations. The actuary also deals with interim valuations when needed and gives information and advice about a range of issues affecting the fund. These issues include dealing with new and ceasing employers, bulk transfers and regulatory changes.

Legal advice

The fund obtains legal advice from external advisors and Shropshire Council, as required.

Ministry of Housing, Communities and Local Government (MHCLG



The fund communicates with the MHCLG while in consultation on proposals for changes to the scheme regulations or any other legislation matters and via the National Pension Officer Group.

Trade unions or member representatives

The fund works with the trade unions to check the scheme is understood by all interested parties. The fund ensures that all pension-related issues are communicated effectively with the trade unions through representation on the Pension Committee or via member representatives on the Pension Board.

Press & media

The fund, in conjunction with the council's communications team, actively engages with the press and other media organisations to ensure any coverage is factual, clear and as a fair representation.

Shrewsbury Regional Pension Officer's Group (SPOG)

The Shropshire County Pension Fund (SCPF) hosts the Shrewsbury Pension Officers Group which meets on a quarterly basis. The group, comprised of several local authority funds, discuss technical queries and legislation matters of common interest.

National working groups

The fund is involved at national level in an LGPS officer group and LGPS Central Strategic Administration group.

Joint working with other pension funds

To reduce costs and share best practice, the fund works collaboratively with other pension funds. Representatives from each fund meet quarterly to discuss and create joint communications.

LGPS Central Investment Working Group/Practitioners Advisory Forum



The fund has an active involvement in the LGPS Central Investment Working Group and Practitioners Advisory Forum with the seven LGPS Funds in the West Midlands region where common investment issues between funds are discussed.

The fund also participates in the LGPS Central Pension Administration Working Group where responsible administration officers attend, on a regular basis, to discuss key LGPS issues and working practices.

Software provider group

Members of the team attend user group meetings with the pensions administration software provider, to make sure the administration system can deal with regulation changes when they happen, and to discuss how the system is used and its future developments

How communication is measured

Surveys

Surveys are issued to members periodically to gain feedback on the service received and how the fund can improve. Survey responses are collated and reviewed at regular intervals.

Employer satisfaction survey

Employers are invited to complete this survey periodically to allow the fund to review the service and methods of communication provided. The responses are collated and used to identify any employer requirements and possible areas for improvement.

Compliments, complaints and feedback

Any compliments, complaints or feedback received are recorded. The fund will investigate complaints and, where appropriate, make improvements to the service. Compliments and complaints are listed in the fund's Annual Report.

Data Protection

Data Protection Act



The fund is required to hold and keep a record of certain information on scheme members which is needed to administer the fund. The fund is a data controller under the Data Protection Act 2018 and is required to protect the information it holds about scheme members and communicate the legal basis for holding, storing and using the information. The fund has published a summary and full privacy notice for scheme members and employers. Statements on 'how we use your data' are published on documentation supplied to scheme members.

The fund is committed to keeping member data safe and uses Shropshire Council's policies on information sharing. Pension benefits information can only be provided directly to the scheme member and cannot be requested by a third party. Information shared with employers will only be supplied when necessary and via a secure portal or email encryption. Further information can be found in the fund's full privacy notice.

All fund officers are required to undertake annual 'Data Protection' and cyber security training.

Dealing with freedom of information requests

The Freedom of Information Act (FOI) means that members of the public and organisations have rights of access to information held by public bodies. Requests for information under the Freedom of Information Act or similar legislation should be sent to: information.request@shropshire.gov.uk



	Fund publications					
Document	Issued	Aimed at	Availability*	Reviewed		
Brief scheme guide	Upon notification of a new employment / when requested	All members	Website	Annually and as regulations change		
Retirement process booklet	With retirement forms	To retiring active members	Website	Annually and as regulations change		
Thinking of retiring- guide for active members	To active members when required	Active members	Website	Annually and as regulations change		
Thinking of retiring- guide for deferred members	To deferred members when required	Deferred members	Website	Annually and as regulations change		
Leaving before retirement booklet	As required	Prospective Deferred Members	Website	Annually and as regulations change		
Topping up your pension guide	As required	Active members	Website	Annually and as regulations change		
Internal Dispute Resolution Procedure (IDRP) booklet	As required	All members and employers	Website	Annually and as regulations change		
Divorce booklet	As required	All members	Website	Annually and as regulations change		
Annual benefit statements	Annually by 31 August	Active/deferred/pension credit	My Pension Online	Annually		
P60	Annually by 31 May	Pensioner members/dependents	My Pension Online	Annually		
Pensions increase notification	Annually	Pensioner members	My Pension Online	Annually		
Monthly pension payment confirmation	Monthly	Pensioner members/dependents	My Pension Online	Monthly		

Shropshire County Pension Fund

Annual report	Annually in line	All stakeholders	Website	Annually
	with regulations			
Members newsletter	As required	Active/deferred members	Website	As regulations
				change / when required
InTouch - pensioner newsletter	As required	Retired members	Website	As required
Valuation report	Every three years	Employers/ all stakeholders	Website	Every three years
Investment strategy statement	Continuously	All members/ stakeholders	Website	As required*
Governance compliance statement	Continuously	All members/ stakeholders	Website	As required*
Administration strategy statement	Continuously	Scheme employers	Website	As required*
Funding strategy statement	Continuously	Employers	Website	Every three years
Climate Change Strategy/Climate Risk Reports	Annually	All members/stakeholders	Website	Annually
Reporting breaches policy	Continuously	All stakeholders	Website	As required*
Training policy	Continuously	All stakeholders	Website	As required*
Employer events policy	Continuously	All employers	Website	As required*
Communications policy statement	Continuously	All stakeholders	Website	As required*

^{*}At least every three years

Shropshire County Pension Fund

Fund meetings, presentations, and training							
Event	Frequency	Available to	Availability	Reviewed			
Workplace presentations	As required	Prospective/active members	Face-to-face or virtual meeting	As required			
Induction presentations	When requested by employer	Prospective members	Face-to-face or virtual meeting	As required			
Employer meetings and training	As required	Scheme employers	Face-to-face / webinars / videos on website	As regulations change/as required			

	Other fund communications					
Method	Frequency	Available to	Availability	Reviewed		
Website	Continually	All stakeholders	Online	Continuously		
Help desk	Within office hours	All members / employers and all other stakeholders	Face-to-face (if available) or virtual meeting appointment/ telephone / paper correspondence /email	continuously		
Email alerts	As required, when there is a significant website update / event / regulation change	All members/ employers	Email	As required		
Pension consultations	As required	Active members	Face to face (if available) or virtual meeting	As required		
New starter letter	Monthly	Active members	Paper	As regulations change/as required		
Encouraging new members campaign	When required	Prospective eligible members	When required	When required		
Existence checks of pensioners living abroad	As required	Pensioner members	As required	As required		



Shropshire County Pension Fund

Service quality	Continually	Active/ deferred/ retired members	Paper / email	As required
survey				
Employers guide	As required	Employers	Website	As regulations
including forms				change/ as
				required
Employers email	As required	Employers	Email alerts	As regulations
bulletin				change/ as
				required
Employer	As required	Employers	Online survey	As required
satisfaction				
survey				

^{*}All our communications can be provided in paper format if requested by members.



Contact details

The Shropshire County Pension Fund is a data controller under data-protection law. This means we store, hold and manage your personal information in line with statutory requirements to enable us to provide you with pension administration services. To enable us to carry out our statutory duty, we must share your information with certain bodies but will only do so in limited circumstances. For more information about how we hold your information, who we share it with and what rights you have, you can ask for this information from the fund, please visit www.shropshirecountypensionfund.co.uk.

If you can read this but know someone who cannot, please contact us on 01743 252130 so we can provide this information in a more suitable format.

Office hours

Monday to Thursday 8.45am to 5.00pm (helpdesk phone lines 10am to 4pm)

Friday 8.45am to 4.00pm (helpdesk phone lines 10am to 4pm)

Contact details

Email: pensions@shropshire.gov.uk

Website: www.shropshirecountypensionfund.co.uk

Tel: 01743 252130

Write: Pensions, PO Box 4826, Shrewsbury, SY1 9LJ

Administered by



Agenda Item 7



Committee and Date

Pensions Committee

21 March 2025

10.00am

<u>Item</u>	
Public	

PENSION FUND TREASURY STRATEGY 2025/26

Responsible Officer Justin Bridges

e-mail: <u>Justin.bridges@shropshire.gov</u>.uk Tel: (01743) 252072

1. Synopsis

1.1 Shropshire Council as the Administering Authority maintains a small working cash balance for the Pension Fund that is invested separately to the Council's own cash and is managed under the defined Treasury Strategy set out in this report.

2 Executive Summary

2.1 This report proposes the Pension Fund Treasury Strategy for 2025/26 for the small cash balances that the Administrating Authority maintains to manage the daily transactions of the Fund. These transactions include the payment of pensions and transfers out together with the receipt of contributions from employers and transfers into the Fund. From the 1 April 2010 these balances have been invested separately in accordance with the Pension Fund Treasury Strategy.

3 Recommendations

- 2.1 Members are asked to delegate authority to the LGPS Senior Officer to manage the Pension Funds day to day cash balances.
- 2.2 Members are asked to approve, with any comments, the Pension Fund Treasury Strategy.
- 2.3 Members are asked to authorise the LGPS Senior Officer to place deposits in accordance with the Pension Fund's Treasury Strategy.
- 2.4 Members are also asked to delegate authority to the LGPS Senior Officer to add or remove institutions from the approved lending list and amend cash and period limits as necessary in line with the Administering Authority's creditworthiness policy.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 Risk Management is part of the Pension Fund's structured decisionmaking process by ensuring that investment decisions are taken by those best qualified to take them.
- 3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.
- 3.3 Compliance with the CIPFA Code of Practice on Treasury
 Management, adhering to the Council's Treasury Policy Statement
 and Treasury Management Practices together with the rigorous
 internal controls will enable the Fund to manage the risk associated
 with Treasury Management activities and the potential for financial
 loss
- 3.4 There are no direct environmental, equalities or climate change consequences arising from this report.

4. Financial Implications

4.1 There are no direct financial implications arising from this report.

5. Climate Change Appraisal

5.1 The Fund takes Responsible Investment very seriously; it is a key process the investment managers go through before investing where thorough due diligence is undertaken considering all risks including climate change. The investment managers vote on the Fund's behalf, CTI engage with companies on the Fund's behalf and the Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and is a signatory to the UK Stewardship Code. The Pension Committee have also agreed a net zero target by 2050 or before as part of its climate strategy.

6. Background

- 6.1 The Fund has assets of £2.632 billion which are managed by the Funds Global Custodian, Northern Trust. Shropshire Council as the Administering Authority maintains a small working cash balance (currently around £7 million). This Treasury Strategy relates solely to the Pension Fund cash managed by Shropshire Council as the Administering Authority.
- 6.2 The Administering Authority aims to keep the Pension Fund cash held for day-to-day transactions to a minimum level. Fund cash is currently managed separately and invested on the money markets in accordance with Shropshire Council's Treasury Strategy. A separate Pension Fund account is credited with investment income.

6.3 Investment regulations issued by the DLUHC (now MHCLG) in December 2009 no longer permit pension fund cash to be pooled with the cash balances of Shropshire Council from 1st April 2010. In view of these changes a separate Pension Fund Treasury Strategy must be approved each year.

7. Investment Policy

- 7.1 The Fund's investment policy is based on the Treasury Strategy adopted by Shropshire Council. The investment policy will have regard to the Department for Levelling Up, Housing and Communities (DLUHC) Guidance on Local Government Investments, and the CIPFA Treasury Management Code of Practice.
- 7.2 The investment priorities for the management of Pension Fund cash balances are the security of capital and the liquidity of its investments. The Fund will also aim to achieve the optimum return on its cash investments commensurate with proper levels of security and liquidity.
- 7.3 The DLUHC guidance requires Shropshire Council to categorise their investments as either "specified" or "non specified" investments. Shropshire Council as Administering Authority for the Pension Fund will adopt these same categorisations for the investment of Pension Fund cash. Specified investments are deemed as "safer" investments and must meet the following conditions:-
 - be denominated in Sterling
 - have less than 12 months duration
 - not constitute the acquisition of share or loan capital
 - be invested in the government or a local authority or a body or investment scheme with a "high" credit quality.
- 7.4 The Fund is required to specify its creditworthiness policy and how frequently credit ratings should be monitored. It must also specify the minimum level of such investments.
- 7.5 The Fund is required to look at non specified investments in more detail. It must set out:
 - Procedures for determining which categories of non-specified investments should be used
 - The categories deemed to be prudent
 - The maximum amount deemed to be held in each category
 - The maximum period for committing funds
- 7.6 As all of the Funds' investments will be placed in sterling for periods up to 12 months with highly credit rated institutions all investments Page 89

will be classified as specified investments. It is recommended that the maximum limit of £4 million is set for institutions which are part nationalised and for institutions which meet the minimum credit ratings but are not supported by the Government and a limit of £5m for AAA rated Money Market Funds. Any changes to the minimum credit ratings or maximum limits must be approved by the LGPS Senior Officer.

- 7.7 The Fund may use for the prudent management of its cash balances any of the specified investments detailed on Appendix A.
- 7.8 In order not to reply solely on institutions credit ratings there have also been a number of other developments since the credit crunch crisis which require separate consideration and approval. Part Nationalised Banks in the UK effectively take on the creditworthiness of the Government itself i.e. deposits made with them are effectively being made to the Government. This is because the Government owns significant stakes in the banks and this ownership is set to continue. Link Asset Services are still supportive of the Fund using these institutions with a maximum 12 month duration. For this reason National Westminster Bank which are part of the RBS group are included on the approved counterparty list.

8. Creditworthiness Policy

- 8.1 It is proposed that the Fund will adopt the same methodology as Shropshire Council when determining the minimum credit ratings to be used. The Creditworthiness policy has been adopted from Shropshire Council's Treasury Strategy who use information provided by their treasury advisor, Link Asset Services. This service has been progressively enhanced following the problems with Icelandic Banks in 2008. Link use a sophisticated modelling approach with credit ratings from all three rating agencies Fitch, Moody's and Standard and Poor's. In accordance with the revised Treasury Management Code of Practice they do not rely solely on the current credit ratings of counterparties but also use the following as overlays:-
 - Credit watches and credit outlooks from credit rating agencies
 - Credit Default Swap (CDS) spreads to give an early warning of likely changes in credit ratings
 - Soveriegn ratings to select counterparties from only the most creditworthy countries
- 8.2 This modelling approach combines credit ratings, credit watches, credit outlooks and CDS spreads in a weighted scoring system for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are also used to determine the duration of investments and

<u>Page 90</u>

are therefore referred to as durational bands. The Fund is satisfied that this service gives a much improved level of security for its investments. It is also a service which would not be able to replicate using in-house resources.

- 8.3 The selection of counterparties with a high level of creditworthiness will be achieved by a selection of institutions down to a minimum durational band with Link's weekly list of worldwide potential counterparties. The Fund will therefore use counterparties within the following durational colour bands:-
 - Yellow 5yrs e.g. AAA rated Government debt, UK Gilts, Collateralised Deposits
 - Dark Pink 5 years for Enhanced Money Market Funds with a credit score of 1.25 (Not currently used)
 - Light Pink 5 years for Enhanced Money Market Funds with a credit score of 1.5 (Not currently used)
 - Purple 2yrs (Council & Pension Fund currently has maximum of 1 year)
 - Blue 1 year (only applies to nationalised or part nationalised UK Banks)
 - Orange 1 year
 - Red 6 months
 - Green 100 days
 - No colour not to be used
- 8.4 Although the maximum period limit is currently 5 years the Fund will take a more prudent approach and not invest for any longer than 12 months.
- 8.5 All credit ratings are monitored continuously and formally updated as and when changes are required by the Administering Authority. The Administering Authority is alerted to changes to ratings of all three agencies through its use of the Link's creditworthiness service. The Fund will use the same policy when constructing its approved lending list. If a counterparty's or investment scheme's rating is downgraded with the result that it no longer meets the Funds minimum criteria, the further use of that counterparty will be withdrawn immediately.
- 8.6 Sole reliance will not be placed on the use of this external service.

 Officers also use market data and information and regularly monitor the financial press.

9. Country Limits

9.1 It is recommended that the Fund will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch Ratings (or equivalent from other agencies).

It is recommended that UK institutions continue to be used unless the sovereign credit rating falls below A. Lending is currently restricted to the UK which currently has a sovereign credit rating of AA and Sweden which has the highest possible sovereign rating of AAA. The LGPS Senior Officer has delegated authority to revert back to placing investments in countries with a minimum sovereign credit rating of AA- in line with Link's revised creditworthiness policy if required.

10. Investment Strategy

- 10.1 At the November meeting the Monetary Policy Committee (MPC) reduced interest rates from 5% to 4.75% and at its December meeting the MPC voted to maintain interest rates at 4.75%. It is felt that the bank rate could potentially reduce further to 4.5% by March 2025, 4.25% in June 2025, 4% by September 2025 and to 3.75% by March 2026. This view is based on the latest forecasts obtained by the Authority's treasury advisor, Link Asset Services.
- 10.2 It is anticipated that balances available for investment will be between £1 12 million which will be invested short term in accordance with the approved lending list. Separate lending and period limits have been approved for investment of Pension Fund cash.
- 10.3 Short term cash flow requirements limit the scope for longer term investments. For cash flow generated balances we will seek to utilise the instant access account with Svenska Handelsbanken and Natwest, the Money Market Fund with Insight and short dated deposits (overnight 3 months) in order to benefit from the compounding of interest.
- 10.4 All investments will be made in accordance with the Funds treasury strategy and in accordance with the DLUHC investment regulations.

11. Short Term Borrowing

11.1 The current banking and investment arrangements mean the Fund has not needed to borrow on the money markets to fund day to day transactions. The investment regulations give the Administering Authority an explicit power to borrow for up to 90 days, for the purpose of the pension fund. This will enable borrowing for cash flow purposes such as to ensure that scheme benefits can be made on time. Any borrowing needs to have an identifiable income from which repayment of the borrowed amount and related interest can be funded.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Pension Fund Treasury Strategy 2024/25, Pensions Committee 15 March 2024

Cabinet Member

N/A

Local Member

N/A

Appendices

A. Specified Investment Schedule



Appendix A

SPECIFIED INVESTMENTS

All investments listed below must be sterling-denominated.

Investment	Share/ Loan Capital?	Repayable/ Redeemable within 12 months?	Security / Minimum Credit Rating	Capital Expenditure?	Circumstance of use	Maximum period
Term deposits with the UK government (e.g. DMO Account) or with English local authorities (i.e. local Authorities as defined under Section 23 of the 2003 Act) With maturities up to 1 year	No	Yes	High security although LAs not credit rated.	NO	In-house	1 year
Term deposits with creditrated deposit takers (banks and building societies), including callable deposits, with maturities up to 1 year	No	Yes	Yes – Minimum colour band Green	NO	In-house	1 year
Certificates of Deposit issued by credit-rated deposit takers (banks and building societies) up to 1 year.	No	Yes	Yes – Minimum colour band Green	NO	In house buy and hold	1 year
Custodial arrangement						

Contact: Justin Bridges on (01743) 252072

required prior to purchase						
Banks nationalised by high credit rated (sovereign rating) countries	No	Yes	Minimum Sovereign Rating AA-	No	In house	1 year
UK Part Nationalised banks	No	Yes	Yes – Minimum colour band green	No	In house	1 Year
Page (
Government guarantee on all deposits by high credit rated (sovereign rating) countries	No	Yes	Yes – Minimum Sovereign Rating AA-	No	In house	1 year
Bonds issued by multilateral development banks (Euro Sterling Bonds as defined in SI 2004 No 534) or issued by a financial institution guaranteed by UK government with maturities under 12 months.	No	Yes	AAA	NO	In-House on a buy and hold basis after consultation/advice from Capita&	1 year
Custodial arrangement required prior to purchase	No	Yes	AAA	NO		1 year

Contact: Justin Bridges on (01743) 252072

Gilt Funds and Bond Funds (including Ultra-Short Dated Bond Funds)					In House	
Gilts: up to 1 year Custodial arrangement required prior to purchase	No	Yes	Govt-backed UK Sovereign Rating	NO	In House on a buy and hold basis	1 year
Money Market Funds (&NAV) & Government Ciquidity Funds (including CCLA Fund) & Enhanced Money Market Funds (LVNAV & VNAV)	No	Yes	Yes AAA rated & UK sovereign rating. Enhanced MMFs minimum colour Dark Pink/Light Pink & AAA rated	NO	In-house	the period of investment may not be determined at the outset but would be subject to cash flow and liquidity requirements. Deposits are repayable at call.
Treasury bills [Government debt security	No	Yes	Govt-backed UK Sovereign	NO	In House	1 year

Contact: Justin Bridges on (01743) 252072

with a maturity less than one year and issued through a competitive bidding process at a discount to par value]	Rating	
Custodial arrangement required prior to purchase		

Monitoring of credit ratings:

All credit ratings will be monitored continuously. If a counterparty or investment scheme is downgraded with the result that it no longer meets the Pension Fund's minimum credit criteria, the use of that counterparty / investment scheme will be withdrawn.

Any intra-month credit rating downgrade which the Pension Fund has identified that affects the Pension Fund pre-set criteria laborate by also be similarly dealt with.

Agenda Item 8



Committee and Date

Pensions Committee

21 March 2025

10.00am

<u>Item</u>	
Public	

CORPORATE GOVERNANCE MONITORING

Responsible Pe

Peter Chadderton

Officer

e-mail: peter.chadderton@shropshire.gov.uk Tel:(07990) 086399

1. Synopsis

1.1 The report is to inform members of Corporate Governance and socially responsible investment issues arising in the quarter, 1st October 2024 to 31st December 2024.

2. Recommendations

- 2.1 Members are asked to accept the position as set out in the report in respect of voting and engagement activity.
 - LGPS Central at Appendix A
 - Legal & General Investment Management (LGIM) at Appendix B,
 - Columbia Threadneedle Investments Responsible Engagement Overlay Activity Report at Appendix C and
 - LAPFF Engagement Report at Appendix D.
- 2.2 Members are asked to note and accept with or without comment the changes to the Climate Stewardship Plan as a result of the Climate Risk Report presented in December 2024. The revised plan is attached as Appendix E.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 Risk Management is part of the Pension Fund's structured decisionmaking process by ensuring that investment decisions are taken by those best qualified to take them.
- 3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.

- 3.3 The Fund's Corporate Governance Policy enables it to influence the environmental policies of the companies in which it invests.
- 3.4 There are no direct Equalities or Community consequences.

4. Financial Implications

4.1 There are no direct financial implications arising from this report.

5. Climate Change Appraisal

- 5.1 The Fund takes responsible investment very seriously and has a Climate Change Strategy (updated in September 2024) in place committing to net zero by 2050 in line with the Paris accord on climate change adopted in 2015 and setting out interim targets to that goal.
- 5.2 Responsible investment is a key process the investment managers go through before investing and something the fund considers as part of investment opportunities. Thorough due diligence is undertaken considering all risks including climate change. The investment managers vote where applicable on the Fund's behalf, Columbia Threadneedle Investments engage with companies on the Fund's behalf and the Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which undertakes engagements on behalf of all LGPS members.
- 5.3 Shropshire County Pension Fund is a signatory to the UK stewardship code.
- 5.4 Shropshire County Pension Fund has also received and published Climate Risk Reports and TCFD reports since December 2020. The latest report from December 2024 is publicly available on our website.

6. Background

- 6.1 The Shropshire County Pension Fund has been actively voting for over sixteen years at the Annual General Meetings and Extraordinary General Meetings of the companies in which it invests. Voting is carried out by individual Fund Managers on all equity portfolios.
- 6.2 The Fund is also addressing its social responsibility through a strategy of responsible engagement with companies. Columbia Threadneedle Investments provides this responsible engagement overlay on the Fund's global equities portfolios.

7. Manager Voting Activity

- 7.1 Details of managers voting activity during the quarter relating to equity portfolios are attached:
 - Appendix A LGPS Central Voting statistics Appendix B LGIM – Voting summary and key examples.
- 7.2 Both the LGPS Central and Legal and General Investment Management (LGIM) reports are generic report across all their investment activity and not specific to the funds in which the Fund is invested. As with previous years LGPS Central do not provide a quarterly report for this quarter as they concentrate on the Climate Risk reports for clients and their year-end report. Examples that relate to the Fund's portfolio as at 31st December 2024 in the LGIM Report include Volvo and Colgate Palmolive as well as voting examples from BHP, Westpac Banking Corporation and Microsoft.
- 7.4 The Fund has completed arrangements with LGPS Central to allow LGPS Central to vote on all the equity holdings. This will have two benefits to the Fund The LGIM portfolio would then be classed as an advisory portfolio and allow both LGPS Central and the Fund to include it as under pooled management and more importantly it will allow a more streamlined and consistent approach to voting on shares. At the moment voting decisions are made by LGIM and LGPS Central separately and where shares fall in both portfolios can lead to conflicts. This revised approach will lead to a consistent approach to voting whilst retaining the discounted management fees agreed with LGIM under the Shires Framework when the passive portfolio was established.
- 7.5 We will continue to provide the Committee with Quarterly updates from LGIM as these demonstrate their wider stewardship beliefs as well as voting information.

8. Responsible Engagement Activity

- 8.1 During the last quarter Columbia Threadneedle Investments have continued to actively engage with companies on the Fund's behalf. An update on the engagement activities for 2024 is attached at Appendix C in the REO Activity report. This report covers companies across all the Fund's equity portfolio's.
- 8.2 In addition to the public overview Columbia Threadneedle Investments also produce a confidential report on an ongoing engagement which can be shared with Committee members on request.
- 8.3 As part of the service provide by Columbia Threadneedle they screen holdings against breaches and controversies around the UN Global Compact which is a voluntary initiative to get CEO's to adopt sustainable and socially responsible practices. There were no reported breaches in the last quarter.

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- 8.4 In addition to the service provided by Columbia Threadneedle Investments, the Fund is also a member of the LAPFF (Local Authority Pension Fund Forum). The LAPFF use the combined power of LGPS Members to engage with companies on behalf of the LGPS. An update on the engagement activities of the LAPFF for the quarter is attached at Appendix D.
- 8.5 As with the earlier reports at Appendix A & B, the LAPFF engagement is not specific to companies in the Fund's portfolio. The LAPFF use Pension Fund share holdings at an aggregate level to determine engagement companies and they often engage at a sector level as well as with specific companies. Examples of some of the companies within the Shropshire portfolio on 31st December 2024 include an article on the transition to electric cars which covers a number of motor manufactures in our portfolio. London Stock Exchange is included in an article on governance. Shell and BP where both engaged re on going commitments and Chipotle for water stewardship.

9. LGPS Central Stewardship Themes

- 9.1 There have been no changes to the LGPS Central engagement themes for 2024 to 2027, which are:
 - Climate Change
 - Natural Capital
 - Human Rights Risk
 - Sensitive and Topical Issues
 - 9.2 As reported in December in addition to revising the stewardship themes LGPS Central have devised revised measures of engagement that will assist transparency in the success and impacts of engagement.

The engagement response will be measured across 4 levels:

- Level 0 No progress has been made as a result of engagement.
- Level 1 Minimum expectations have been met.
- Level 2 Moderate progress.
- Level 3 Successful outcome.
- 9.3 LGPS Central are continuing to work on the definitions for success across the four themes but as an example the following would apply to climate change:
 - Level 0 No progress or a failure by the company to engage.
 - Level 1 Companies disclosing data to facilitate carbon performance assessment. Page 102

Level 2 Progress observed in Climate Action100+ Benchmark Framework,

Companies improving on TPI (Transition Pathway Initiative) quality ladder,

Companies partly aligning with LGPS Central Net Zero Strategy.

- Level 3 Complete and demonstratable alignment to LGPS Central Net Zero Strategy.
- 9.4 LGPS Central have confirmed the revised strategy will be brought in for the period from 2024 to 2027 and we should start to see enhanced reporting in 2024. The updates are expected in the first report for 2025 which will be presented to the June Committee.

10. DLUHC TCFD Consultation

- 10.1 As reported in December 2022, the Fund has formally responded to this consultation alongside our pooling company LGPS Central. This consultation was issued under the previous Government and we still expect formal guidance to be issued on TCFD reporting and we continue to adapt our reports each year to ensure we take advantage of the latest data. The Scheme Advisory Board (SAB) continue to raise the matter with Government. The Fund is supportive of transparency and consistency in this area.
- 10.2 This issue was not considered as part of the Pensions review so the Fund will voluntarily continue to disclose data until formal guidance is received.
- 10.3 We have also through LGPS Central fed into the TNFD discussion paper on nature transition plans, and as above we will continue to keep an ete on this area to ensure that we can meet any future reporting requirements that may be required.

11. Stewardship Code

- 11.1 Under delegated authority from the Committee in September 2024 the Fund sent its renewal application to retain its status as a signatory to the code.
- 11.2 The application covered the original twelve principles which can be sub divided into the following four categories:
 - Principles 1 to 5 cover the Funds purpose and governance.
 - Principles 6 to 8 cover the Funds investment approach.
 - Principles 9-11 cover engagement.
 - Principle 12 covers exercising rights and responsibilities.

- 11.3 In February 2025 the FRC confirmed that the Fund had been successful in retaining its signatory status, which is great result as only approximately a third of LGPS schemes have attained this status.
- 11.4 Status requires an annual submission, and we shall shortly start pulling the evidence together for 2024 to allow submission of our renewal application in October 2025. A draft copy of the application will be presented to the Committee in September.
- 11.5 A copy of the final application is available on the Funds website for public review.

12. Mansion House Proposals – "Fit for the Future"

- 12.1 In December the Fund agreed to provide delegated authority to the Head of Pensions in consultation with the Chair of the committee to submit a response to the consultation by the deadline of the 16th January 2025. A copy of that response is attached at **Appendix F** and this was circulated to the rest of the Committee for any comments before final submission.
- 12.2 The consultation response to the 30 questions raised covers the following three areas:
 - 1) LGPS Pooling
 - 2) UK Investment
 - 3) Governance (Fund and Pool)

LGPS Pooling

- 12.3 All Pools must be FCA Regulated LGPS Central already meet this criteria and the decision to set up on this basis puts them in a strong position in respect of the proposals
- 12.4 The requirement for administering authorities to delegate the implementation of their investment strategy to the pool. Whilst the Fund accepts and supports the rationale for pooling investments, it is the Fund and its Scheme employers that are responsible for meeting their individual long-term liabilities. We therefore don't believe the proposals as they stand allow the Fund to fully meet its fiduciary duty.
- 12.5 The Pool should provide investment advice to partner Funds. We believe this proposal runs the risk of significant conflicts of interest and whilst we appreciate the governments proposal is aimed at reducing costs we believe that in its current form it is adding additional risk into processes that have seen the LGPS develop into one of the best funded public sector pension schemes.

12.6 The transfer of legacy assets to pool control by 31st March 2026. Our concerns here is that we see very little benefit to this approach which added significant cost and resourcing commitments to LGPS Central. The Fund has demonstrated through its actions a commitment to placing new private market commitments with LGPS Central where suitable products exist. In respect of the Funds absolute return product managers (T Rowe Price, Blackrock and Securis) the Pool does not have suitable investment products at this time. We agree that a close working relationship is required to ensure the cost-effective development of new products. There are a number of options as to how this might be achieved in practice and we await the consultation response on this matter.

Local Investment

- 12.7 The Government's proposals set out that growth is their number one mission. Through this it is recognised that the LGPS already invests approximately 30% of its assets in the UK (SCPF 12%). The government believes that the LGPS can make a distinctive contribution to UK and local growth, building on its local role and networks, through increasing its long-term investment in local communities.
- 12.8 The Fund are not supportive of centrally driven targets for local investment as we believe that investment must always be on a risk driven basis. The Fund believes the Government's ambitions would be better achieved by reverting to the outcome of the 2023 pooling consultation and defining local as being within the UK. It would then be up for the pools and their partner Administering Authorities to decide on the balance of any allocation between UK-wide investments and investments within the locality of their pool.
- 12.9 There are a number of areas in respect of local investments that require clarification following the consultation.

Governance (Fund and Pool)

- 12.10The final key area relates to the governance of funds and pools. The government is largely proposing bringing in recommendations from the Scheme Advisory Board (SAB) Good Governance Review. These are recommendations which the Fund has followed for a number of years, including training and conflicts of interest. These areas will need to be reviewed in line with any final guidance.
- 12.11The Fund is happy with the inclusion of an independent person being on the Committee as an advisor and have long supported this approach and have already appointed an LGPS Senior Officer as per the proposals.
- 12.12The Fund has confirmed its agreement in principle to independent reviews but we would prefer to see a risk based approach following

- the initial review so that depending upon the level of compliance the next review would not always be at a fixed interval.
- 12.13The Fund agrees that company boards should include one or two shareholder representatives should the decision of the consultation be to expand the remit of the pooling companies. It would then be imperative that Partner Funds have a greater role in the oversight and governance of the pooling company in fulfilling their role as shareholders alongside their Fiduciary Duty.
- 12.14The consultation response was originally expected to be in the spring but the latest advice is that due to the number of responses received that this is now likely to be in the summer.

LGPS Central Transition Plan

- 12.15As part of the "Fit for the Future" consultation pooling companies were required to submit a transition plan to government outlining how they would meet the objectives of the consultation. A summary of the LGPS response is attached at **Appendix G.**
- 12.16The company have set out their plan to meet the governments five minimum standards:
 - Administering Authorities would remain responsible for setting a high-level investment strategy and would be required to use the pool as the principal source of advice on their investment strategy.
 - 2) Administering Authorities would be required to fully delegate the implementation of their investment strategy to the pool.
 - 3) Pools would be required to be established as FCA authorised entities with FCA permissions to provide advice and implement investment strategies.
 - 4) Administering Authorities would be required to transfer all assets to the management of the pool.
 - 5) Pools would be required to develop the capacity to carry out due diligence on local investments and to manage such investments.
- 12.17In respect of standard one the company have acknowledged that it will take time and will involve them developing strategic partnerships whilst in house expertise is established. They have also acknowledged that primary legislation will also be required if this approach is chosen following the consultation.
- 12.18In respect of standard two the Company are proposing the creation of a new Investment solutions team. To some extent we have already delegated authority on the LGPS products we invest in, our concerns relate to the costs and time frame for LGPS assuming this responsibility for legacy assets.

- 12.19In respect of standard three, the Company is already established with the full range of FCA permissions necessary to run and operate collective investment vehicles and to provide the full range of investment services including implementation of investment strategies and the provision of advice.
- 12.20 In respect of standard four the company have acknowledged the issues and are looking to ensure all decisions make economic sense in consultation with Funds.
- 12.21In respect of standard five the pool are defining local investment as within the footprint of the pool and are looking to build expertise by working with Funds to develop opportunities.
- 12.22The plan from the company is from a slightly different perspective than the consultation response from the Fund being based around minimum standards given the open nature of the consultation. The company have been open and transparent throughout the process and are committed to working with partners to meet whatever the final consultation response and legislation require.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

DLUHC Consultation Update, Pensions Committee 15 September 2023

TCFD Report, Pensions Committee 6 December 2024

Climate Risk Report, Pensions Committee 6 December 2024

Mansion House Proposal Report, Pensions Committee 6 December 2024

Corporate Governance Monitoring report, Pensions Committee 15 March 2024

Corporate Governance Monitoring report, Pensions Committee 21 June 2024

Corporate Governance Monitoring report, Pensions Committee 13 September 2024

Corporate Governance Monitoring report, Pensions Committee 6 December 2024 Pensions Committee, 21 March 2025: Corporate Governance Monitoring

Cabinet Member

N/A

Local Member

N/A

Appendices

- A. LGPS Central Manager Voting Activity Reports
- B. LGIM Manager Voting Activity Report
- C. Columbia Threadneedle Responsible Engagement Overlay Reports
- D. LAPFF Quarterly Engagement Report
- E. Climate Stewardship Plan
- F. Final response to Pensions review "Future Fit" consultation
- G. LGPS Central "Fit for the Future" Transition plan summary





Q4 2024

LGPS Central - ACS

EOS at Federated Hermes

Engagement by region

We engaged with 292 companies held in the LGPS Central - ACS portfolio on a range of 963 environmental, social and governance issues and objectives

Global

We engaged with 292 companies



Environmental 51.9%

Governance 16.1%

Social 24.9%

Strategy, Risk & Comm 7.1%

Australia & New Zealand

We engaged with 20 companies



Social 6.0%

Strategy, Risk & Comm 7.5%

Environmental 56.7%

Governance 29.9%

Europe

We engaged with 70 companies



Environmental 59.3%

Governance 12.3%

Social 21.9%

Strategy, Risk & Comm 6.6%

Developed Asia

We engaged with 44 companies



Environmental 41.2%

Governance 29.8%

Social 23.7%

Strategy, Risk & Comm 5.3%

North America

We engaged with 104 companies



Environmental 46.4%

Governance 15.6%

Social 30.2%

Strategy, Risk & Comm 7.8%

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Emerging & Developing Markets

We engaged with 27 companies



Environmental 59.1%

Governance 10.2%

Social 27.3%

Strategy, Risk & Comm 3.4%

United Kingdom

We engaged with 27 companies



Environmental 49.3%

Governance 7.0%

Social 31.0%

Strategy, Risk & Comm 12.7%

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LGPS Central - ACS **Engagement Report**

Engagement by Meta theme

We engaged with 292 companies held in the LGPS Central - ACS portfolio on a range of 963 environmental, social and governance issues and objectives

Environmental

Environmental topics featured in 51.9% of our engagements



- Circular Economy & Zero Pollution 16.0%
- Climate Change 65.6%
- Natural Resource Stewardship 18.4%

Social

Social topics featured in 24.9% of our engagements



- Human & Labour Rights 47.5%
- Human Capital 39.6%
- Wider Societal Impacts 12.9%

Governance

Governance topics featured in 16.1% of our engagements



- Board Effectiveness 47.7%
- Executive Remuneration 41.9%
- Investor Protection & Rights 10.3%

Strategy, Risk & Communication topics



- Corporate Reporting 38.2%

featured in 7.1% of our engagements



- Purpose, Strategy & Policies 36.8%
- Risk Management 25.0%





Q4 2024

LGPS Central - ACS

EOS at Federated Hermes

Over the last quarter we made voting recommendations at 369 meetings (2,856 resolutions). At 182 meetings we recommended opposing one or more resolutions. We recommended voting with management by exception at five meetings and abstaining at four meetings. We supported management on all resolutions at the remaining 178 meetings.

Global

We made voting recommendations at 369 meetings (2,856 resolutions) over the last quarter.



Total meetings in favour

Meetings against (or against AND abstain) 49.3%

Meetings abstained 1.1%

Meetings with management by exception 1.4%

Australia & New Zealand

We made voting recommendations at 89 meetings (549 resolutions) over the last quarter.



Total meetings in favour 23.6%

Meetings against (or against AND abstain) 76.4%

Developed Asia

We made voting recommendations at 38 meetings (239 resolutions) over the last quarter.



Total meetings in favour 65.8%

Meetings against (or against AND abstain) 34.2%

Emerging & Developing Markets

We made voting recommendations at 124 meetings (837 resolutions) over the last quarter.



Total meetings in favour 63.7%

Meetings against (or against AND abstain) 33.9%

Meetings abstained 1.6%

Meetings with management by exception 0.8%

United Kingdom

We made voting recommendations at 59 meetings (659 resolutions) over the last quarter.



Total meetings in favour 66.1%

Meetings against (or against AND abstain) 30.5%

Meetings abstained 3.4%

Europe

We made voting recommendations at 24 meetings (159 resolutions) over the last quarter.



Total meetings in favour 45.8%

Meetings against (or against AND abstain) 54.2%

North America

We made voting recommendations at 35 meetings (413 resolutions) over the last quarter.

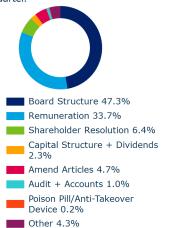


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The issues on which we recommended voting against management or abstaining on resolutions are shown below.

Global

We recommended voting against or abstaining on 486 resolutions over the last quarter.



Australia & New Zealand

We recommended voting against or abstaining on 153 resolutions over the last quarter.



Developed Asia

We recommended voting against or abstaining on 35 resolutions over the last quarter.



Emerging & Developing Markets

We recommended voting against or abstaining on 166 resolutions over the last quarter.



Europe

We recommended voting against or abstaining on 29 resolutions over the last quarter.



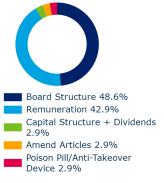
North America

We recommended voting against or abstaining on 68 resolutions over the last quarter.



United Kingdom

We recommended voting against or abstaining on 35 resolutions over the last quarter.



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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
23/10/2024	Sino Land Company Limited	Annual	Against	3.1	Concerns related to approach to board gender diversityConcerns related to succession
				3.4	planningOverboarded/Too many other time commitments
				3.2	Concerns related to inappropriate membership of committeesLack of independence on board
				5.2,5.3	Concerns related to succession planning
07/11/2024	Sun Hung Kai Properties Limited	Annual	 Against	3.1a,3.1b,3.1d,3.1e,3.1f,6,7	Issue of equity raises concerns about excessive dilution of existing shareholders Lack of independence on board
21/11/2024	New World Development Company Limited	Annual	·ē	5. 14,5. 10,5. 10,5. 1e,5. 11,6,7	Concerns to protect shareholder value
21/11/2024	New World Development Company Limited	Annuai	Against	2e	Lack of independence on board
				6	Pay is misaligned with EOS remuneration principles
17/12/2024	BYD Electronic (International) Co., Ltd.	Extraordinary Shareholders	All For		
25/10/2024	Industrial & Infrastructure Fund Investment Corp.	Special	All For		
21/11/2024	Bic Camera, Inc.	Annual	Against	3.2	Concerns related to succession planning
				2.1,2.5,2.8,2.10,3.3	Lack of independence on board
2361/2024	Ryohin Keikaku Co., Ltd.	Annual	Against	2.5	Lack of independence on board
259 11/2024	Mani, Inc.	Annual	Against	2.4	Concerns related to approach to board gender diversity
2 <u>8/1</u> 1/2024	FAST RETAILING CO., LTD.	Annual	Against	2.1	Concerns related to approach to board gender diversity
2 6/1 1/2024	OLUET I			2.2,2.3,3.1	Concerns related to succession planning
2 8/1 1/2024	SHIFT, Inc.	Annual	Against	1.1	Concerns about overall performance Concerns related to succession planning
29/11/2024	FANCL Corp.	Special	All For		Concerns related to succession planning
09/12/2024	Noevir Holdings Co., Ltd.	Annual	All For		
11/12/2024	Japan Real Estate Investment Corp.	Special	All For		
13/12/2024	CyberAgent, Inc.	Annual	Against	2.1	Concerns related to approach to board gender diversity
			. ·9	2.4	Lack of independence on board
15/12/2024	GMO Payment Gateway, Inc.	Annual	Against	2.2	Lack of independence on board
19/12/2024	Invincible Investment Corp.	Special	All For		
20/12/2024	Amvis Holdings, Inc.	Annual	All For		
20/12/2024	Hamamatsu Photonics KK	Annual	Against	3.3	Concerns about overall board structure
25/12/2024	Descente Ltd.	Special	All For		
25/12/2024	Open House Group Co., Ltd.	Annual	All For		
26/12/2024	FOOD & LIFE COMPANIES LTD.	Annual	All For		
10/10/2024	Singapore Exchange Limited	Annual	All For		
29/10/2024	CapitaLand Integrated Commercial Trust	Extraordinary Shareholders	All For		
18/11/2024	CapitaLand Ascott Trust	Extraordinary Shareholders	All For		
20/12/2024	KEPPEL DC REIT	Extraordinary Shareholders	All For		
18/10/2024	Hanwha Ocean Co., Ltd.	Special	All For		
23/10/2024	GS Retail Co., Ltd.	Special	All For		
31/10/2024	KEPCO Plant Service & Engineering Co. Ltd.	Special	All For		
28/11/2024	Hanmi Science Co., Ltd.	Special	All For		
28/11/2024	NCsoft Corp.	Special	All For		
12/12/2024	KEPCO Plant Service & Engineering Co. Ltd.	Special	All For		
13/12/2024	Hanwha Industrial Solutions Co., Ltd.	Special	All For		

Meeting Date	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
19/12/2024	Hanmi Pharmaceutical Co., Ltd.	Special	All For	0	
26/12/2024	Alteogen, Inc.	Special	Against	1	Poison pill/anti-takeover measure not in investors interests
09/10/2024	Shin Kong Financial Holding Co. Ltd.	Special	All For		
09/10/2024	Taishin Financial Holdings Co., Ltd.	Special	All For		
11/10/2024	CTBC Financial Holding Co., Ltd.	Special	All For		
14/11/2024	Radiant Opto-Electronics Corp.	Special	Against	1	Concerns to protect shareholder value
01/10/2024	The Lottery Corporation Limited	Annual	Against	3	Pay is misaligned with EOS remuneration principles
09/10/2024	REA Group Ltd	Annual	Against	3b	Lack of independence on board Overboarded/Too many other time commitments
10/10/2024	Aurizon Holdings Limited	Annual	All For		
15/10/2024	IDP Education Limited	Annual	Against	3,4a,4b	Pay is misaligned with EOS remuneration principles
15/10/2024	Region Group	Annual	Against	1,5	Pay is misaligned with EOS remuneration principles
15/10/2024	Telstra Group Limited	Annual	Against	5	Pay is misaligned with EOS remuneration principles
			A II C	4b	Pay is misaligned with EOS remuneration principles
16/10/2024	Commonwealth Bank of Australia	Annual	All For		
16/10/2024	Origin Energy Limited	Annual	All For	4	
16/10/2024	Orora Limited	Annual	Against	4	Pay is misaligned with EOS remuneration principles
17/10/2024	Perpetual Limited	Annual	Against	2	Concerns about remuneration committee performance Concerns regarding Auditor tenure
				1,6	Pay is misaligned with EOS remuneration principles
17/10/2024	Treasury Wine Estates Limited	Annual	Against	2b	Concerns related to inappropriate membership of committees
				2e	Overboarded/Too many other time commitments
21/10/2024	Stockland	Annual	Against	5,6,7	Pay is misaligned with EOS remuneration principles
22/10/2024	Magellan Financial Group Limited	Annual	Against	2,4	Pay is misaligned with EOS remuneration principles
22/10/2024	Suncorp Group Limited	Annual	Against	7,8	Pay is misaligned with EOS remuneration principles
22/10/2024	Transurban Group Ltd.	Annual	Against	3	Pay is misaligned with EOS remuneration principles
236 0/2024	Tabcorp Holdings Limited	Annual	Against	3,4	Pay is misaligned with EOS remuneration principles
2 (2 10/2024	APA Group	Annual	Against	3	Concerns related to inappropriate membership of committees Pay is misaligned with EOS remuneration principles
<u> </u>				7c	SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes better
4					management of ESG opportunities and risks
24/10/2024	Brambles Limited	Annual	All For		
24/10/2024	Challenger Limited	Annual	Against	3,4	Pay is misaligned with EOS remuneration principles
24/10/2024	Deterra Royalties Ltd.	Annual	Against	2	Lack of independence on board
24/10/2024	Insurance Australia Group Limited	Annual	Against	1,4	Pay is misaligned with EOS remuneration principles Pay is misaligned with EOS remuneration principles
24/10/2024	Reece Limited	Annual	Against Against	J 1	Concerns related to inappropriate membership of committees
24/10/2024	Neece Lillineu	Ailliuai	Against	2	Lack of independence on board
				5,6,8	Pay is misaligned with EOS remuneration principles
24/10/2024	South32 Ltd.	Annual	Against	2	Concerns about remuneration committee performance
25/10/2024	CAR Group Limited	Annual	All For	4,5	Pay is misaligned with EOS remuneration principles
25/10/2024	Cleanaway Waste Management Limited	Annual	Against		Pay is misaligned with EOS remuneration principles
25/10/2024	Cochlear Limited	Annual	All For		r ay is misanghed with LOO remaneration principles
25/10/2024	Qantas Airways Limited	Annual	Against	2a,2c,3,4	Pay is misaligned with EOS remuneration principles
28/10/2024	ASX Limited	Annual	Against	3	Pay is misaligned with EOS remuneration principles
29/10/2024	Ansell Limited	Annual	All For	<u> </u>	ay is inisaligned with EGO formulation principles
29/10/2024	CSL Limited	Annual	Against	3	Pay is misaligned with EOS remuneration principles
29/10/2024	Vicinity Centres	Annual	Against	2	Pay is misaligned with EOS remuneration principles
30/10/2024	BHP Group Limited	Annual	Against	13	Inadequate management of climate-related risks
30/ 10/LULT	S.II Group Ellinou	, uniqui	, iguillot	11,12	Pay is misaligned with EOS remuneration principles
30/10/2024	Dexus	Annual	Against	1	Pay is misaligned with EOS remuneration principles
30/10/2024	Whitehaven Coal Limited	Annual	Against	3,4	Pay is misaligned with EOS remuneration principles
31/10/2024	JB Hi-Fi Limited	Annual	Against	4a,4b	Pay is misaligned with EOS remuneration principles
31/10/2024	Wesfarmers Limited	Annual	Against	4,5	Pay is misaligned with EOS remuneration principles
31/10/2024	Woolworths Group Limited	Annual	Against	6b	Shareholder proposal promotes better management of SEE opportunities and risks

Meeting Date	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
01/11/2024	Steadfast Group Limited	Annual	All For		
06/11/2024	Domain Holdings Australia Ltd.	Annual	Against	1,5	Pay is misaligned with EOS remuneration principles
06/11/2024	Domino's Pizza Enterprises Limited	Annual	Against	1	Pay is misaligned with EOS remuneration principles
06/11/2024	Fortescue Ltd.	Annual	Against	1,7,8	Pay is misaligned with EOS remuneration principles
06/11/2024	IGO Ltd.	Annual	Against	2,5,6,7	Pay is misaligned with EOS remuneration principles
07/11/2024	Bendigo and Adelaide Bank Limited	Annual	Against	6	Pay is misaligned with EOS remuneration principles
12/11/2024	Coles Group Limited	Annual	Against	3	Pay is misaligned with EOS remuneration principles
				7.2	Shareholder proposal promotes better management of SEE opportunities and risks
13/11/2024	Beach Energy Limited	Annual	Against	1,3	Pay is misaligned with EOS remuneration principles
13/11/2024	Endeavour Group Ltd. (Australia)	Annual	All For		
13/11/2024	Medibank Private Limited	Annual	Against	[4 	Pay is misaligned with EOS remuneration principles
13/11/2024	Sims Limited	Annual	Against	3	Pay is misaligned with EOS remuneration principles
14/11/2024	Computershare Limited	Annual	Against	6	Pay is misaligned with EOS remuneration principles
14/11/2024	Flight CentreTravel Group Limited	Annual	All For		
14/11/2024	Goodman Group	Annual	Against	1,4,5,6,7	Pay is misaligned with EOS remuneration principles
14/11/2024	SGH Limited	Annual	Against	6	Concerns to protect shareholder value
15/11/2024	Lendlease Group	Annual	Against	3,4	Pay is misaligned with EOS remuneration principles Pay is misaligned with EOS remuneration principles
15/11/2024	Mirvac Group	Annual	Against		Pay is misaligned with EOS remuneration principles
19/11/2024	Bluescope Steel Limited	Annual	All For		Fay is misalighed with EOS remuneration principles
19/11/2024	Seek Limited	Annual	: 	2 2h 4 5	Pay is misaligned with EOS remuneration principles
19/11/2024	Sonic Healthcare Limited	: 	Against	2,3b,4,5	Concerns related to inappropriate membership of committees
19/11/2024	Sonic Healthcare Limited	Annual	Against	4,5	Pay is misaligned with EOS remuneration principles
20/11/2024	Charter Hall Group	Annual	All For	;-1,0 	ay to missing fee with 200 femaniciation principles
20 1/2024	Downer EDI Limited	Annual	Against	3	Pay is misaligned with EOS remuneration principles
	Northern Star Resources Ltd.	Annual	Against	1,2	Pay is misaligned with EOS remuneration principles
2 9 11/2024 2 <u>1/1</u> 1/2024	Evolution Mining Limited	Annual	Against	1,4,5	Pay is misaligned with EOS remuneration principles
2 1/1 1/2024	Insignia Financial Ltd.	Annual	Against	3,4a,4b	Pay is misaligned with EOS remuneration principles
21/11/2024	Mineral Resources Limited	Annual	Against	2	Inadequate management of climate-related risks
				1	Pay is misaligned with EOS remuneration principles
21/11/2024	New Hope Corporation Limited	Annual	Against	2	Concerns related to approach to board gender diversity Concerns related to inappropriate membership of
				1,5	committees Lack of independence on board Inadequate management of climate-related risks Inadequate management of climate-related risks from exposure to coal
					Pay is misaligned with EOS remuneration principles
21/11/2024	Qube Holdings Limited	Annual	All For		
21/11/2024	Worley Limited	Annual	Against	2a,2b,2c	Concerns related to approach to board gender diversity
				7	Concerns related to shareholder rights
				3,4,5	Pay is misaligned with EOS remuneration principles
22/11/2024	NextDC Ltd.	Annual	Against	1,5	Pay is misaligned with EOS remuneration principles
22/11/2024	Washington H. Soul Pattinson and Company Limited	Annual	All For		
22/11/2024	WiseTech Global Limited	Annual	All For		
25/11/2024	Pro Medicus Limited	Annual	Against	3.2	Concerns related to inappropriate membership of committeesConcerns related to approach to board gender
26/11/2024	Pilbara Minerals Ltd.	Annual	Against	1,3,4,5	diversity Pay is misaligned with EOS remuneration principles
26/11/2024	Ramsay Health Care Limited	Annual	Against	1,0,-,0	Pay is misaligned with EOS remuneration principles
27/11/2024	Harvey Norman Holdings Ltd.	Annual	Against	3,4,5	Lack of independence on board
27/11/2024	Liontown Resources Limited	Annual	Against	1,6	Pay is misaligned with EOS remuneration principles
27/11/2024	Lynas Rare Earths Limited	Annual	All For		ay io miodingriou with EOO tomanoration principles
28/11/2024	The Star Entertainment Group Limited	Annual	Against	2	Concerns about remuneration committee performance
ZUI 1 1/ZUZ4	The Star Entertainment Group Limited	Aillual	Ayallist	3,4,5	Pay is misaligned with EOS remuneration principles
03/12/2024	Bank of Queensland Limited	Annual	Against	2,5	Pay is misaligned with EOS remuneration principles
13/12/2024	Westpac Banking Corporation	Annual	Against	6b	SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes better
	·		•	3	management of ESG opportunities and risks
					Pay is misaligned with EOS remuneration principles
17/12/2024	Orica Limited	Annual	All For		

Meeting Date	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
18/12/2024	National Australia Bank Limited	Annual	Against	5b	SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes better
				2	management of ESG opportunities and risks
19/12/2024	ANZ Group Holdings Limited	Annual	Againat	<u>.</u> 	Pay is misaligned with EOS remuneration principles
19/12/2024	ANZ Group Holdings Limited	Annual	Against	0	SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks
19/12/2024	Incitec Pivot Limited	Annual	Against	3,4	Concerns related to approach to board gender diversity
				5,6,7	Pay is misaligned with EOS remuneration principles
15/10/2024		Annual	All For		
17/10/2024	Auckland International Airport Limited	Annual	Against	5	Concerns regarding Auditor tenure
23/10/2024	EBOS Group Limited	Annual	Against	<u>3</u>	Overboarded/Too many other time commitments Concerns regarding Auditor tenure Concerns regarding Auditor tenure
23/10/2024	EBOS Group Elitilled	Alliudi	Against	3	Concerns regarding Auditor tenure Concerns related to inappropriate membership of committees
				4	Pay is misaligned with EOS remuneration principles
23/10/2024	Fletcher Building Limited	Annual	All For		
01/11/2024	Spark New Zealand Ltd.	Annual	All For		
13/11/2024	Contact Energy Ltd	Annual	All For		
22/11/2024	The a2 Milk Company Limited	Annual	Against	1	Concerns regarding Auditor tenure
25/10/2024	Liberty Global Ltd.	Special	All For		
22/11/2024	NWS Holdings Limited	Annual	Against	3d	Concerns related to approach to board gender diversity Concerns related to succession planning
				5,7	Issue of equity raises concerns about excessive dilution of existing shareholders
				3b	Overboarded/Too many other time commitments
05/12/2024	KunLun Energy Company Limited	Special	All For		
21/10/2024	Multiplan Empreendimentos Imobiliarios SA	Extraordinary Shareholders	All For		
25/10/2024	PRIO SA	Extraordinary Shareholders	All For		
28/10/2024	Companhia de Saneamento Basico do Estado de Sao Paulo	:	Against	1,2	Concerns related to shareholder rights
06/11/2024	Raia Drogasil SA	Extraordinary Shareholders	Against	1	Pay is misaligned with EOS remuneration principles
1 4(j 1/2024	Embraer SA	Extraordinary Shareholders	All For		
12024	Vale SA	Extraordinary Shareholders	All For		
1 17 12/2024	Lojas Renner SA	Extraordinary Shareholders	All For		
1 <u>87</u> 2/2024	Telefonica Brasil SA	Extraordinary Shareholders	All For		
2 97 12/2024	PRIO SA	Extraordinary Shareholders	All For		
17/10/2024	CK Hutchison Holdings Limited	Extraordinary Shareholders	All For		
06/12/2024	WH Group Limited	Extraordinary Shareholders	All For		
16/12/2024	Haitian International Holdings Limited	Extraordinary Shareholders	All For		
20/12/2024	PDD Holdings Inc.	Annual	Against	6	Lack of independence on board Concerns related to approach to board gender diversity Combined CEO/Chair
16/10/2024	Shandong Weigao Group Medical Polymer Company Limited	Extraordinary Shareholders	All For		
25/10/2024	China Minsheng Banking Corp., Ltd.	Extraordinary Shareholders	Against	4	Concerns related to shareholder rights
29/10/2024	PICC Property and Casualty Company Limited	Extraordinary Shareholders	Against	2	Concerns related to approach to board gender diversity
29/10/2024	Sinotrans Limited	Extraordinary Shareholders	All For		
05/11/2024	BYD Company Limited	Extraordinary Shareholders	All For		
06/11/2024	Shenzhen Transsion Holding Co., Ltd.	Special	Against	3,4,5	Insufficient/poor disclosure
13/11/2024	COSCO SHIPPING Holdings Co., Ltd.	Extraordinary Shareholders	Against	1	Lack of independence on board
14/11/2024	China National Nuclear Power Co., Ltd.	Special	All For		
14/11/2024	PetroChina Company Limited	Extraordinary Shareholders	All For		
15/11/2024	China State Construction Engineering Corp. Ltd.	Special	All For		
15/11/2024	Sinotrans Limited	Extraordinary Shareholders	All For		
15/11/2024	Sinotrans Limited	Special	All For		
19/11/2024	Midea Group Co. Ltd.	- '	All For		
20/11/2024	China CITIC Bank Corporation Limited	Extraordinary Shareholders	All For		
22/11/2024	Weichai Power Co., Ltd.	Extraordinary Shareholders	All For		
26/11/2024	Jiangsu King's Luck Brewery Joint-stock Co., Ltd.	Special	All For		
26/11/2024	The People's Insurance Company (Group) of China Limited	Extraordinary Shareholders	All For		
27/11/2024	Kweichow Moutai Co., Ltd.	Special	All For		
	TATOLON WORLD OO., LIG.		; ui i Oi		

Meeting Date	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
28/11/2024	China Construction Bank Corporation	Extraordinary Shareholders	All For		
29/11/2024	Agricultural Bank of China Limited	Extraordinary Shareholders	Against	1 2	Concerns related to approach to board gender diversity Inadequate management of climate-related risks
02/12/2024	Industrial and Commercial Bank of China Limited	Extraordinary Shareholders	All For		
11/12/2024	ZhongAn Online P&C Insurance Co., Ltd.	Extraordinary Shareholders	All For		
12/12/2024	Hua Xia Bank Co., Ltd.	Special	Against	5.4	Concerns related to approach to board gender diversity
				2.1	Concerns related to inappropriate membership of committees
13/12/2024	Listena Convition Co. Ltd.	Extraordinary Shareholders	All For	2.10,2.11	Lack of independence on board
13/12/2024	Haitong Securities Co., Ltd. Haitong Securities Co., Ltd.	Special	All For		
19/12/2024	Shenzhen Transsion Holding Co., Ltd.	Special	: 		Concerns related to shareholder rights
20/12/2024	Bank of China Limited	Extraordinary Shareholders	Against	<u> </u>	Concerns related to shareholder rights Concerns related to approach to board gender diversity Inadequate management of climate-related risks
20/12/2024	Dank of China Limited	Extraordinary Shareholders	Against	3	Inadequate management of deforestation risks
20/12/2024	Haier Smart Home Co., Ltd.	Extraordinary Shareholders	All For		
20/12/2024	PICC Property and Casualty Company Limited	Extraordinary Shareholders	All For		
23/12/2024	CGN Power Co., Ltd.	Extraordinary Shareholders	All For		
23/12/2024	China Tower Corporation Limited	Extraordinary Shareholders	All For		
23/12/2024	China Tower Corporation Limited	Special	All For		
24/12/2024	China State Construction Engineering Corp. Ltd.	Special	Against	5	Concerns to protect shareholder value
26/12/2024	China National Nuclear Power Co., Ltd.	Special	Against	2	Insufficient/poor disclosure
26/12/2024	Contemporary Amperex Technology Co., Ltd.	Special	Against	2.2	Concerns related to approach to board gender diversity
				1.4	Concerns related to inappropriate membership of committees
27/12/2024	Bank of Communications Co., Ltd.	Extraordinary Shareholders	Against	1.3,1.5,1.6	Lack of independence on board Concerns related to inappropriate membership of committees Concerns related to approach to board gender
			Agamst		diversity
27 /1 2/2024	Bank of Communications Co., Ltd.	Extraordinary Shareholders	Against	5	Concerns related to inappropriate membership of committees Concerns related to approach to board gender diversity
2 10 12/2024	China Jushi Co. Ltd.	Special	Against	1	Concerns related to approach to board gender diversity
3 <u>0/1</u> 2/2024	China Yangtze Power Co., Ltd.	Special	All For		
19 /1 1/2024	MONETA Money Bank, a.s.	Special	All For		
03/10/2024	ABB India Limited	Special	All For		
03/10/2024	Alkem Laboratories Ltd.	Special	All For		
10/10/2024	Vodafone Idea Limited	Special	Against	1,2	Pay is misaligned with EOS remuneration principles
13/10/2024	Cipla Limited	Special	All For		
15/10/2024	Reliance Industries Ltd.	Special	All For		
16/10/2024	Asian Paints Limited	Special	All For		
17/10/2024	Cummins India Limited	Special	All For		
02/11/2024	Adani Ports & Special Economic Zone Ltd.	Special	All For		
21/11/2024	Voltas Limited	Special	All For		
21/11/2024	Wipro Limited	Special	All For		
22/11/2024	Zomato Ltd.	Special	All For		
23/11/2024	Petronet Lng Limited	Special	Against	<u>1</u>	Lack of independence on board Concerns related to approach to board gender diversity
26/11/2024	Infosys Limited	Special	All For		
29/11/2024	ICICI Bank Limited	Special	All For		
30/11/2024	Tech Mahindra Limited	Special	Against	1	Concerns related to inappropriate membership of committees
02/12/2024	Siemens Limited	Court	All For		
18/12/2024	Exide Industries Limited	Special	All For		
18/12/2024	Motilal Oswal Financial Services Limited	Special	All For		
18/12/2024	United Spirits Limited	Special	Against	1	Concerns related to inappropriate membership of committees
20/12/2024	Shriram Finance Limited	Special	All For		
21/12/2024	Bajaj Finance Limited	Special	All For		
22/12/2024	Britannia Industries Limited	Special	Against	1	Concerns related to approach to board gender diversity
25/12/2024	Tata Steel Limited	Special	All For		
30/12/2024	Siemens Limited	Special	All For		

Meeting Date	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
08/10/2024	Bank Leumi Le-Israel B.M.	Annual	Abstain	5	Considering that only two directors may be elected to serve on the board, and without providing a negative
				6	assessment of the candidate's skills and qualifications, or her ability to effectively serve as a director, a vote
			Against	B1,B2,B3	ABSTAIN the election of Lea Shwartz (item 5) is warranted.
				A	Considering that only two directors may be elected to serve on the board, and without providing a negative
					assessment of the candidate's skills and qualifications, or his ability to effectively serve as a director, a vote ABSTAIN the election of Ram Belnikov (item 6) is warranted.
					If such an item is included in the proxy card, shareholders must classify themselves according to the following
					categories: Interest Holder as defined in Section 1 of the Securities Law, 1968; Senior Officer as defined in
					Section 37(D) of the Securities Law, 1968; Institutional Investor as defined in Regulation 1 of the Supervision
					Financial Services Regulations 2009 or a Manager of a Joint Investment Trust Fund as defined in the Joint
					Investment Trust Law, 1994; Shareholders can classify themselves by voting FOR or AGAINST on any of these
					Items. Shareholders must indicate whether they are controlling shareholders or have a personal interest related to
					these agenda items, or else their ballots will not be counted.
31/10/2024	Check Point Software Technologies Ltd.	Annual	All For		
20/11/2024	Bank Hapoalim BM	Annual	Abstain	7	Considering that only one candidate may be elected to serve on the board, and without providing a negative
				4	assessment of the candidate's' skills and qualifications, or his ability to effectively serve as a director, a vote
			Against	B1,B2,B3	ABSTAIN the election of Amir Kushilevitz (item 7) is warranted. Considering that only two directors may be elected to serve on the board, and without providing a negative
				A	assessment of the candidate's skills and qualifications, or his ability to effectively serve as a director, a vote
					ABSTAIN the election of Eran Yaacov (item 4) is warranted.
					If such an item is included in the proxy card, shareholders must classify themselves according to the following
					categories: Interest Holder as defined in Section 1 of the Securities Law, 1968; Senior Officer as defined in
					Section 37(D) of the Securities Law, 1968; Institutional Investor as defined in Regulation 1 of the Supervision
					Financial Services Regulations 2009 or a Manager of a Joint Investment Trust Fund as defined in the Joint Investment Trust Law, 1994; Shareholders can classify themselves by voting FOR or AGAINST on any of these
					items.
					Shareholders must indicate whether they are controlling shareholders or have a personal interest related to
					these agenda items, or else their ballots will not be counted.
2861/2024	Israel Discount Bank Ltd.	Annual	Abstain	3.2	Considering that only one of the two candidates may be elected to serve on the board, and without providing a
ge			Against	4.2 B1,B2,B3	negative assessment of the candidate's skills and qualifications, or her ability to effectively serve as a director, a
<u> </u>			Against	A	vote ABSTAIN the election of Sabina Biran (item 3.2) is warranted. Considering that only three of the four candidates may be elected to serve on the board, and without providing a
1 8					negative assessment of the candidate's skills and qualifications, or his ability to effectively serve as a director, a
					vote ABSTAIN the election of Reuven Adler (item 4.2) is warranted.
					If such an item is included in the proxy card, shareholders must classify themselves according to the following
					categories: Interest Holder as defined in Section 1 of the Securities Law, 1968; Senior Officer as defined in
					Section 37(D) of the Securities Law, 1968; Institutional Investor as defined in Regulation 1 of the Supervision Financial Services Regulations 2009 or a Manager of a Joint Investment Trust Fund as defined in the Joint
					Investment Trust Law, 1994; Shareholders can classify themselves by voting FOR or AGAINST on any of these
					items.
					Shareholders must indicate whether they are controlling shareholders or have a personal interest related to
03/12/2024	Mizrahi Tefahot Bank Ltd.	Annual	All For		these agenda items, or else their ballots will not be counted.
14/11/2024	Sime Darby Berhad	Annual	Against	7	Concerns related to approach to board gender diversity
28/11/2024	Public Bank Berhad	Extraordinary Shareholders	All For		
05/12/2024	Gamuda Berhad	Annual	All For		
05/12/2024	Gamuda Berhad	Extraordinary Shareholders	All For		
04/10/2024	Promotora y Operadora de Infraestructura SA	Ordinary Shareholders	All For		
08/11/2024	America Movil SAB de CV	Extraordinary Shareholders	All For		
08/11/2024	America Movil SAB de CV	Ordinary Shareholders	All For		
11/11/2024	Terrafina	<u> </u>	Against	1,2.1,2.2,3.1,3.2,3.3,4	Insufficient/poor disclosure
20/11/2024	Grupo Financiero Banorte SAB de CV	Ordinary Shareholders	All For		
22/11/2024	Grupo Financiero Inbursa SAB de CV		Against	1,2,3	Insufficient/poor disclosure
09/12/2024	Grupo Financiero Banorte SAB de CV	Ordinary Shareholders	All For		
13/12/2024	Promotora y Operadora de Infraestructura SA	Ordinary Shareholders	All For		
15/11/2024	LPP SA	Special	Against	5	A vote AGAINST is warranted due to the lack of disclosure of the nominee's name in the draft resolution.
28/11/2024	BANK POLSKA KASA OPIEKI SA	Special	All For		

Meeting Date	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
28/11/2024	CD Projekt SA	Special	Against	5,6,7,8,9,10	A vote AGAINST Item 13 is warranted because the company has failed to disclose the sufficiently compelling
				13	rationale to grant the right to appoint auditor for sustainability reporting to the supervisory board. The proposa may diminish the rights of the shareholders.
02/12/2024	ORLEN SA	Special	Against	7,8	Votes AGAINST 7-8 are warranted because the proposal to grant the right to appoint auditor for sustainable reporting to the supervisory board may limit the rights of the shareholders.
09/12/2024	PKO Bank Polski SA	Special	Against	5	A vote AGAINST is warranted because the proposed amendment may limit the rights of shareholders.
19/12/2024	BANK POLSKA KASA OPIEKI SA	Special	All For		
18/12/2024	Banca Transilvania SA	Extraordinary Shareholders	All For		
04/11/2024	Elm Co. (Saudi Arabia)	Ordinary Shareholders	Abstain	1.1,1.2,1.3,1.4,1.5,1.6,1.7,1. 8,1.9,1.10,1.11,1.12,1.13,1.1 4,1.15,1.16,1.17,1.18,1.19,1. 20,1.21,1.22,1.23,1.24,1.25, 1.26,1.27,1.28,1.29,1.30,1.3 1,1.32	
06/11/2024	Saudi Telecom Co.	Ordinary Shareholders	All For		
28/11/2024	Etihad Etisalat Co.	Ordinary Shareholders	Abstain	1.1,1.2,1.3,1.4,1.5,1.6,1.7,1. 8,1.9,1.10,1.11,1.12,1.13,1.1 4,1.15,1.16,1.17,1.18,1.19,1. 20,1.21,1.22,1.23,1.24,1.25, 1.26,1.27,1.28,1.29,1.30,1.3 1,1.32,1.33,1.34,1.35,1.36,1.	
12/12/2024	Savola Group	Extraordinary Shareholders	All For		
14/10/2024	MTN Group Ltd.	Special	All For		
31/10/2024	Bid Corp. Ltd.	Annual	All For		
11/11/2024	Shoprite Holdings Ltd.	Annual	Against	1.1,7.1,7.2	Pay is misaligned with EOS remuneration principles
1 210 1/2024	AVI Ltd.	Annual	All For		
2 6 11/2024	Discovery Ltd.	Annual	Against	1	Pay is misaligned with EOS remuneration principles
25711/2024	Woolworths Holdings Ltd.	Annual	Against	1.1 5.1	Concerns about remuneration committee performance Pay is misaligned with EOS remuneration principles
2 65 1/2024	Growthpoint Properties Ltd.	Annual	Against	1.1.1 1.4.1	Concerns related to approach to board gender diversity Pay is misaligned with EOS remuneration principles
28/11/2024	Remgro Ltd.	Annual	Against	4,5,7 6	Lack of independence on board Lack of independence on board Concerns related to inappropriate membership of committees Concerns related to approach to board gender diversity
29/11/2024	The Bidvest Group Ltd.	Annual	All For		
05/12/2024	Aspen Pharmacare Holdings Ltd.	Annual	Against	3.1,3.4	Lack of independence on board
06/11/2024	Turk Traktor ve Ziraat Makineleri AS	Special	Against	3	A vote AGAINST this item is warranted as the company has failed to comply with the board independence requirement.
20/11/2024	Ford Otomotiv Sanayi AS	Special	Against	2	A vote AGAINST this item is warranted as the company has failed to comply with the board independence requirement.
25/11/2024	Gubre Fabrikalari TAS	Special	Against	3	This item warrants a vote AGAINST due to insufficient disclosure on the terms of transaction.
18/12/2024	Odas Elektrik Uretim Sanayi Ticaret AS	Annual	Against	19 12	A vote AGAINST is warranted as the company did not disclose the proposed board fees, which prevents shareholders from making an informed voting decision. This item warrants a vote AGAINST due to a lack of disclosure on the resolution.
29/12/2024	Ulker Biskuvi Sanayi AS	Special	All For		
30/12/2024	Aldar Properties PJSC	Special	All For		
06/12/2024	D'leteren Group	Special	Against	1,3.1,3.2,4	Concerns to protect shareholder value
05/12/2024	Coloplast A/S	Annual	Abstain Against	7.1 4	EOS manual override Pay is misaligned with EOS remuneration principles
08/11/2024	Pernod Ricard SA	Annual/Special	Against	6 9,10	Concerns related to succession planning Inadequate management of climate-related risks Pay is misaligned with EOS remuneration principles
09/12/2024	Vivendi SE	Extraordinary Shareholders			
17/12/2024	Sodexo SA	Annual/Special	Against	5	Concerns related to inappropriate membership of committees
23/10/2024	GEK Terna SA	Extraordinary Shareholders			
04/11/2024	Public Power Corp. SA	Extraordinary Shareholders	All For		

Meeting Date	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
06/11/2024	Terna Energy SA	Extraordinary Shareholders	Against	1	A vote AGAINST this item is warranted because the proposed operation is instrumental to the sale of some
					assets to the related-party GEK Terna, and the company has failed to provide sufficient information on the sale
47/40/0004	i Mankania				consideration.
17/10/2024	Medtronic Plc	Annual	Against	3	Concerns about remuneration committee performance arySave to Library Options/PSUs vest in less than 36 months High variable pay ratio
19/10/2024	Seagate Technology Holdings Plc	Annual	All For		aryoave to Library Options/1 303 vest in less than 30 months riight variable pay fatto
19/12/2024	Kerry Group Plc	Special	All For		
21/10/2024	Unipol Gruppo SpA	Extraordinary Shareholders	Against	2a,1.2	Concerns related to shareholder rights
28/10/2024	Mediobanca Banca di Credito Finanziario SpA	Annual/Special	Against	3a	Pay is misaligned with EOS remuneration principles
12/12/2024	Pirelli & C. SpA	Extraordinary Shareholders	Against	1.a,1	Concerns related to shareholder rights
19/12/2024	BPER Banca SpA	Extraordinary Shareholders	Against	1	
10/10/2024	InPost SA	Extraordinary Shareholders	Against	2	Concerns related to inappropriate membership of committees
01/10/2024	Royal KPN NV	Extraordinary Shareholders		<u>-</u>	
22/10/2024	OCI NV	Extraordinary Shareholders	All For		
23/10/2024	Adyen NV	Extraordinary Shareholders			
	Wolters Kluwer NV		All For		
28/10/2024	<u></u>	Extraordinary Shareholders		Ĭ.	
18/12/2024	Pluxee NV	Annual	Against	4b 2b	Concerns to protect shareholder value Pay is misaligned with EOS remuneration principles
19/11/2024	Mowi ASA	Extraordinary Shareholders	All For		r dy is misdigried with LOO remaneration principles
11/12/2024	Swedish Orphan Biovitrum AB	Extraordinary Shareholders	All For		
04/12/2024	Barry Callebaut AG	Annual	Against	4.1.3,4.4.1	Concerns related to approach to board gender diversity
04/12/2024	Barry Gallesdate AG	, and a	, tguiriot	4.1.1,4.3	Inadequate management of climate-related risks
				6	Insufficient/poor disclosure
				4.2.2	Overboarded/Too many other time commitments
00/40/0004	The December 9 Country 10 Country			1.2	Pay is misaligned with EOS remuneration principles
08/10/2024 U	The Procter & Gamble Company	Annual	Against	1i,2	Concerns regarding Auditor tenure SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes better
ac					management of ESG opportunities and risks
1 0 P10/2024	Paychex, Inc.	Annual	Against	1f	Concerns related to approach to board gender diversity Concerns related to approach to board diversity
1770/2024	International Paper Company	Special	All For		
2570/2024	Parker-Hannifin Corporation	Annual	Against	1g	Concerns about remuneration committee performance
	· ·			2	Options/PSUs vest in less than 36 monthsExcessive severanceHigh variable pay ratio
24/10/2024	Bio-Techne Corporation	Annual	Against	2b	Concerns about remuneration committee performance
				2f	Concerns related to approach to board diversity
29/10/2024	Cintas Corporation	Annual	Against	3 1g	Low shareholding requirement Concerns related to approach to board diversity Concerns about remuneration committee performance
23/10/2024	Offices Corporation	Aillidai	Agamst	3	Pay is misaligned with EOS remuneration principles
				6	SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes better
				5	management of ESG opportunities and risks
				7	Shareholder proposal promotes better management of SEE opportunities and risks
01/11/2024	Kellanova	Special	Against	2	Shareholder proposal promotes transparency Pay is misaligned with EOS remuneration principles
05/11/2024	Lam Research Corporation	Annual		1;	Concerns about remuneration committee performance
05/11/2024	Lam Research Corporation	Alliuai	Against	1j 1e	Concerns about remaineration committee performance Concerns related to approach to board gender diversity
				2	Options/PSUs vest in less than 36 monthsExcessive CEO payHigh variable pay ratioHigh CEO to average NEO
					pay
06/11/2024	Automatic Data Processing, Inc.	Annual	All For		
06/11/2024	Cardinal Health, Inc.	Annual	Against	1i	Concerns about remuneration committee performance
00/44/0004	1/1 A Commonstitut	- A		2	Excessive CEO payHigh variable pay ratioHigh CEO to average NEO pay
06/11/2024	KLA Corporation	Annual	Against	1.6	Concerns about remuneration committee performance Concerns related to approach to board gender diversity Concerns related to approach to board diversity
				3	Low shareholding requirement. High variable pay ratio
07/11/2024	Coty Inc.	Annual	Against	1a	Lack of independence on boardLack of independent representation at board committees
08/11/2024	Texas Pacific Land Corporation	Annual	Against	1e	Concerns related to approach to board diversity Concerns about overall board structure
	·			5	Shareholder proposal promotes appropriate accountability or incentivisation

Meeting Date	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
08/11/2024	The Estee Lauder Companies, Inc.	Annual	Against	1a	Concerns about remuneration committee performance
				1d	Lack of independent representation at board committees Concerns related to succession planning Concerns
				[3	about overall board structure Concerns related to shareholder value Overboarded/Too many other time
				4	commitments
					No hedging policy Options/PSUs vest in less than 36 months Excessive CEO pay High variable pay ratio
40/44/2004	leak Henry O Accesistes Inc		АН Гор		Pay is misaligned with EOS remuneration principles
12/11/2024	Jack Henry & Associates, Inc.	Annual	All For		
14/11/2024	Broadridge Financial Solutions, Inc.	Annual	Against	1g	Concerns about remuneration committee performance
				2	Options/PSUs vest in less than 36 monthsExcessive CEO payHigh variable pay ratioHigh CEO to average
14/11/2024	Oracle Corporation	Annual	Against		pay SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes b
14/11/2024	Oracle Corporation	Ailluai	Ayamst	4	management of ESG opportunities and risks
14/11/2024	The Trade Desk, Inc.	Special	Against	1,2	Concerns related to shareholder rights
15/11/2024	Sysco Corporation	Annual	Against		Concerns about remuneration committee performance
13/11/2024	Sysco Corporation	Ailluai	Ayamst	1 J	Options/PSUs vest in less than 36 monthsHigh variable pay ratioHigh CEO to average NEO pay
				5	Shareholder proposal promotes better management of SEE opportunities and risks
19/11/2024	Fox Corporation	Annual	Against	1g	Concerns related to approach to board gender diversity Concerns related to shareholder value
19/11/2024	The Campbell's Company	Annual	Against	5	Shareholder proposal promotes better management of SEE opportunities and risks
20/11/2024	News Corporation	Proxy Contest	Against	1d 1a	Concerns about reducing shareholder rights Concerns about remuneration committee performance
				1 a	Low shareholding requirement 2- Pay is in top quartile and not aligned with performance 3- Total pay targ
			No Action Taken	1a,1b,1d,1e,1f,1g,2,3,4	range above peer median
20/11/2024	ResMed Inc.	Annual	Against	1d	Concerns about remuneration committee performance
			9	1i	Concerns related to approach to board gender diversity
				3	Options/PSUs vest in less than 36 months High CEO to average NEO pay
20/11/2024	The Clorox Company	Annual	All For		
20/11/2024	Western Digital Corporation	Annual	Against	1c	Concerns about remuneration committee performance
P	, , , , , , , , , , , , , , , , , , ,		ŭ	1g	Concerns related to approach to board diversity
ag				2	Low shareholding requirement
0 5P 12/2024	Ferguson Enterprises Inc.	Annual	Against	[1j	Concerns related to approach to board diversity
0 5 (3)2/2024	Paylocity Holding Corporation	Annual	Against	1.5	Concerns about remuneration committee performance
13				1.6	Concerns related to approach to board gender diversity
				[3	Low shareholding requirementHigh variable pay ratio
06/12/2024	Copart, Inc.	Annual	Against	1.8	Concerns related to board gender diversity 2- Concerns related to succession planning 3- Concerns related
				1.4	approach to board diversity
00/40/0004			A	140	Concerns with director's independence
06/12/2024	Viatris Inc.	Annual	Against	1B	Concerns related to approach to board gender diversity
09/12/2024	Cisco Systems, Inc.	Annual	Against	1h,2	Excessive CEO payHigh variable pay ratio
10/12/2024	Microsoft Corporation	Annual	Against	8	We support the resolution as this would enable shareholders to evaluate the company's risk associated wit
				6	rights.
				2	We support the resolution as this would enable shareholders to evaluate the company's risk associated with
					human rights.
10/12/2024	Palo Alto Networks, Inc.	Annual	Agoingt	10	Excessive CEO payHigh variable pay ratio Concerns about overall board structure
10/12/2024	Palo Allo Networks, Inc.	Ailluai	Against	1c	Insufficient action taken on low say-on-pay results
11/12/2024	Atlassian Corporation	Annual	Against	<u>:</u>	Concerns related to approach to board gender diversity Concerns related to shareholder value Concerns re
11/12/2024	Audosian Gorporation	, unidai	riganiot	, ,	to shareholder rights
18/12/2024	AutoZone, Inc.	Annual	Against	5	Shareholder proposal promotes appropriate accountability or incentivisation
19/12/2024	FactSet Research Systems Inc.	Annual	Against	1a	Concerns about overall board structure Concerns about remuneration committee performance
. J L. L. U.L. T	. detect i testation eyetemo mo.	, unida	, iganiot	3	Low shareholding requirement
				4	Shareholder proposal promotes appropriate accountability or incentivisation
25/10/2024	Balanced Commercial Property Trust Ltd	Court	All For		
25/10/2024	Balanced Commercial Property Trust Ltd	Special	All For		
03/12/2024	Schroder Oriental Income Fund Limited	Annual	All For		
		<u>:</u>	<u>:</u>		
04/12/2024	VinaCapital Vietnam Opportunity Fund Limited	Annual	All For		
06/12/2024	Bluefield Solar Income Fund Ltd	Annual	Against	6	Failure to provide DEI disclosures in line with UK listing rules
10/12/2024	Fidelity Emerging Markets Limited	Annual	All For		
	D # 1 10 10 11 11 11	Annual	Against	6	Failure to provide DEI disclosures in line with UK listing rules
10/12/2024	Ruffer Investment Company Limited	Annual	Ayanısı	U	Failure to provide DEI disclosures in line with OK listing rules

Meeting Date	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
28/10/2024	Centamin Plc	Court	All For	8	
28/10/2024	Centamin Plc	Special	All For		
07/11/2024	Amcor Plc	Annual	All For		
02/12/2024	Aptiv Plc	Court	All For		
02/12/2024	Aptiv Plc	Extraordinary Shareholders	All For		
01/10/2024	Alliance Witan PLC	Special	All For		
02/10/2024	Henderson Smaller Companies Investment Trust PLC	Annual	All For		
07/10/2024	DS Smith Plc	Court	All For		
07/10/2024	DS Smith Plc	Special	All For		
09/10/2024	Witan Investment Trust PLC	Special	All For		
10/10/2024	JPMorgan Japanese Investment Trust PLC	Special	All For		
14/10/2024	Hargreaves Lansdown Plc	Court	All For		
14/10/2024	Hargreaves Lansdown Plc	Special	All For		
16/10/2024	Pantheon International PLC	Annual	All For		
23/10/2024	Barratt Redrow Plc	Annual	All For		
24/10/2024	Tritax Eurobox Plc	Court	Abstain	1	Concerns to protect shareholder value
24/10/2024	Tritax Eurobox Plc	Special	Abstain	1	
31/10/2024	The City of London Investment Trust PLC	Annual	All For		
05/11/2024	Murray Income Trust PLC	Annual	All For		
06/11/2024	Ashmore Group Plc	Annual	All For		
07/11/2024	JPMorgan Emerging Markets Investment Trust PLC	Annual	All For		
13/11/2024	European Opportunities Trust plc	Annual	Against	4	Failure to provide DEI disclosures in line with UK listing rules
13/11/2024	Smiths Group Plc	Annual	Against	5	Pay is misaligned with EOS remuneration principles
4.4.7.4.7.0.0.4		A 1		3,4	Pay is misaligned with EOS remuneration principles
145 1/2024	JPMORGAN GLOBAL GROWTH & INCOME PLC	Annual	All For		
1 42 11/2024	Kier Group Plc	Annual	Against	3	Failure to provide DEI disclosures in line with UK listing rules Pay is misaligned with EOS remuneration principles
2011/2024	Genus Plc	Annual	Against	2	Pay is misaligned with EOS remuneration principles
20/11/2024	Hays plc	Annual	Against	2	Pay is misaligned with EOS remuneration principles
20/11/2024	Tritax Eurobox Plc	Court	All For		
20/11/2024	Tritax Eurobox Plc	Special	All For		
21/11/2024	Close Brothers Group Plc	Annual	All For		
21/11/2024	Dunelm Group Plc	Annual	All For		
21/11/2024	JD Wetherspoon Plc	Annual	Against	7,8	Concerns related to inappropriate membership of committees
				4	Failure to provide DEI disclosures in line with UK listing rules
21/11/2024	Pacific Horizon Investment Trust PLC	Annual	All For	2	Pay is misaligned with EOS remuneration principles
21/11/2024	PZ Cussons Plc	Annual	Against	Ω	Concerns about overall board structure
21/11/2024	FZ 00550115 FIC	Allilual	Against	8	Lack of independent representation at board committees
				2	Pay is misaligned with EOS remuneration principles
25/11/2024	The European Smaller Companies Trust PLC	Annual	Against	7	Failure to provide DEI disclosures in line with UK listing rules
27/11/2024	Renishaw Plc	Annual	Against	10	Failure to provide DEI disclosures in line with UK listing rules Concerns related to below-board gender diversity
				2	Pay is misaligned with EOS remuneration principles
03/12/2024	THE PRS REIT PLC	Annual	Against	4	Failure to provide DEI disclosures in line with UK listing rules
				8,9	Overboarded/Too many other time commitments
06/12/2024	Associated British Foods Plc	Annual	All For		
06/12/2024	Hargreaves Lansdown Plc	Annual	Against	2	Pay is misaligned with EOS remuneration principles
09/12/2024	Softcat Plc	Annual	All For		
09/12/2024	Target Healthcare REIT Plc	Annual	Against	9	Failure to provide DEI disclosures in line with UK listing rules
10/12/2024	BlackRock Greater Europe Investment Trust PLC	Annual	All For		
11/12/2024	Baillie Gifford Japan Trust PLC	Annual	All For		
11/12/2024	Volution Group Plc	Annual	Against	4	Failure to provide DEI disclosures in line with UK listing rules
12/12/2024	Bellway Plc	Annual	All For		

Meeting Date	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
12/12/2024	Fidelity Special Values PLC	Annual	All For		
16/12/2024	Supermarket Income REIT Plc	Annual	All For		
18/12/2024	Caledonia Investments PLC	Special	Against	2	Concerns to protect shareholder value
18/12/2024	Edinburgh Worldwide Investment Trust PLC	Special	All For		
19/12/2024	AVI Global Trust PLC	Annual	Against	6	Failure to provide DEI disclosures in line with UK listing rules
19/12/2024	Bellevue Healthcare Trust plc	Special	All For		
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Any securities mentioned in the report are for illustrative purposes only. Reference to a particular security is on a historic basis and does not mean that the security is currently held or will be held within an LGIM portfolio. The above information does not constitute a recommendation to buy or sell any security.



Our mission

We aim to use our influence to ensure:



1. Companies integrate environmental, social and governance (ESG) factors into their culture and everyday thinking



2. Markets and regulators create an environment in which good management of ESG factors is valued and supported





Our focus

Holding boards to account

To be successful, companies need to have people at the helm who are well-equipped to create resilient long-term growth. By voting and engaging directly with companies, we encourage management to control risks while seeking to benefit from emerging opportunities. We aim to safeguard and enhance our clients' assets by engaging with companies and holding management to account for their decisions. We believe voting is an important tool in this process, and one which we use extensively.

Creating sustainable value

We believe it is in the interest of all stakeholders for companies to build sustainable business models that are also beneficial to society. We work to ensure companies are well-positioned for sustainable growth, and to prevent market behaviour that destroys long-term value. Our investment process includes an assessment of how well companies incorporate relevant ESG factors into their everyday thinking. We engage directly and collaboratively with companies to highlight key challenges and opportunities, and support strategies that can deliver long-term success.

Promoting market resilience

As a long-term investor for our clients, it is essential that markets are able to generate sustainable value. In doing so, we believe companies should become more resilient to change and therefore seek to benefit the whole market. We use our influence and scale to ensure that issues impacting the value of our clients' investments are recognised and appropriately managed. This includes working with key policymakers, such as governments and regulators, and collaborating with asset owners to bring about positive change.









Global Investment Stewardship themes

Our Investment Stewardship activity is structured around six core themes:

- Climate: Keeping 1.5°C alive
- **Nature:** Supporting a world that lives in harmony with nature, recognising the economic value of natural capital
- **People:** Improving human capital across the corporate value chain
- **Health:** Safeguarding global health to limit negative consequences for the global economy
- Governance: Strengthening accountability to deliver stakeholder value
- **Digitisation:** Establishing minimum standards for how companies manage digitisation-related risks

We believe these themes are financially material to our clients' portfolios, often pose systemic risks and opportunities, and cover areas where we believe LGIM as an asset manager can influence change.

Action and impact

In this edition, we highlight key engagements across our global stewardship themes, with a focus on climate policy engagements, an update on our human rights campaign, and governance in Japan.















ESG: Environment: Climate and Nature



Improving corporate climate and nature disclosure through CDP's campaign

For the fourth year in a row, LGIM has been a signatory of CDP's annual campaign to encourage companies to disclose climate (and now, nature) information. CDP is a highly respected and widely used global disclosure programme and dataset for environmental information.¹

The results

'age

Having signed onto CDP's 'non discloser campaign' once again for 2023-2024, we are pleased to see that, according to CDP:

- Around 2,000 companies were targeted through this campaign
- Some 350 now disclose via CDP: c.160 for climate change, c.50 for forests and c.200 for water security

Why is disclosure important?

As a large investor, we believe that good disclosure is important for providing investors with financially material information that is used in decision making and engagement activity. While disclosures of climate-related information have been steadily improving, many less mature areas of risk and opportunity related to nature, in particular, still present challenges in terms of companies' lack of awareness, willingness or ability to disclose decision-useful information.

By adding our voice to the CDP campaign, alongside our peers, we demonstrate to companies how important this information is to long-term investors. The increase in company disclosures demonstrates the progress of this campaign, driven by the collective efforts of like-minded investors, and co-ordinated by CDP.

1. About us - CDP

'Green steel': Arcelor Mittal* site visit

Background: our engagement with Arcelor Mittal

We have been engaging with Arcelor Mittal on climate change since 2020 and have been in regular contact with the company, regarding the steps they are taking to decarbonise their business.

Site visit

A member of our Investment Stewardship team was invited, alongside other investors, to attend a site visit to Arcelor Mittal's Sestao steel plant, to learn about and observe their decarbonisation technologies, and gain a deeper understanding of the steps they are taking, and the challenges they face as a company and as part of the steel industry as a whole in reaching net zero. The plant produces low-carbon-emissions steel, which has a significantly lower CO2 footprint than traditional steelmaking and uses the Electric Arc Furnace processes. In addition to seeing these processes in action, including the thin slab direct casting process, the company representatives enabled insightful discussions among the investor attendees.

Our observations and next steps

It was an incredibly insightful trip. Seeing this scale of engineering in person really puts a company's decarbonisation efforts, and the challenges they face, into perspective. One of our key 'take-aways' was the role of policy and demand creation in shaping decarbonisation efforts, which emphasises for us the importance of continuing to broaden our engagement across value chains, and of continuing to use our influence as an asset manager to encourage effective decarbonisation at the policy level.









Climate Impact Pledge: our next cycle of engagements

Over the quarter, we have begun our next cycle of engagements with our c.100 'dial mover' companies under our Climate Impact Pledge.

Across 20 'climate critical sectors', we have selected these companies for in-depth engagement on account of their scale and influence across their sectors and value chains, and their potential to drive market-wide improvements. In our engagements for the 2024-2025 cycle, we will be increasingly focused on outcome-driven objectives, reflecting the progress over time from commitments and targets to climate transition plans, actions and investments, and to interrelated nature dependencies. We will report on the results of our next engagement cycle in June 2025.

Climate policy engagement in Japan

Policy statements on Japan's Nationally Determined Contribution (NDC) and the 7th Strategic Energy Plan

We contributed to the formation of the Japan Climate Leaders Partnership's ('JCLP') updated policy statement which makes three core proposals on greenhouse gas emission reduction, renewable energy expansion, and the policymaking process. Following the release of this statement in November, we joined a discussion with the Japan's Minister of Environment, Keiichiro Asao, to discuss the urgency of bold policy action. We also attended a meeting with the Bipartisan Group for Realizing Carbon Neutrality (a crossparty group composed of members from both the ruling and opposition parties in Japan's Diet) and have held meetings with other relevant ministries (Japan Ministry of Economy, Trade and Industry (METI) and Ministry of Environment (MOE)).

Meanwhile, we contributed to the Asian Investors Group on Climate Change's ('AIGCC') Position Paper on Japan's Strategic Energy Plan, which was published in October. We were also given the opportunity to present the paper's 10 investor recommendations in a closed-door workshop and spoke on a panel alongside a policymaker and academic.



Policy roundtable

Early in the quarter, though our membership of the 'AIGCC, we participated in a roundtable discussion on "Enabling Higher Private Sector Finance Through Japan's Energy Plan." Attendees included, in addition to our asset management peers, representatives from METI, MOE, as well as the Japan FSA.

Some of LGIM's key points contributed during the session included:

- Emphasising the importance of enhanced grid decarbonisation
- Calling for stronger public policies to restrict coal
- -The importance of transparent forward-looking policies aligned with a 1.5°C trajectory to enable companies to manage their energy transition adjustments

2024 has been a pivotal year for climate policy in Japan, as the changes made to the Strategic Energy Plan will shape the country's future trajectory towards net zero. Our increased participation this year, through both policy engagement (including our work through the JCLP and the AIGCC) and, on the corporate side, on climate lobbying (for example, our shareholder resolution at Nippon Steel), have been targeted at using our influence as an asset manager to help shape that future journey towards net zero.







Background: who are the IIGCC?

LGIM has been a member of the Institutional Investors Group on Climate Change ('IIGCC') since 2011; a collaborative initiative for European investors, the IIGCC brings together over 400 members in its aim of driving progress towards net zero and a sustainable future, in line with the Paris Agreement. Initiatives co-founded by the IIGCC include the CA100+, Nature Action 100 and the Net Zero Asset Managers Initiative, of which LGIM is also a member.² The IIGCC also engages with policymakers on successful implementation of the Paris Agreement and on how to decarbonise the real economy.

What did LGIM do?

As a member of the IIGCC Transition Working Group, we provide feedback on the IIGCC's draft methodologies, including its assessments for carbon measurement and benchmarking. In the final quarter of 2024, we participated in the latest Group meeting. Feedback from asset managers who may in future engage with this data is essential in terms of determining robustness and applicability, and discussing challenges, particularly regarding Scope 3 emissions. Alongside our peers, we provide important input into these methodologies.

At the Transition Working Group meeting, the IIGCC also presented its guidance on assessing targets for gas from utility companies, which has since been released.

Next steps

On account of the IIGCC's influence and links to both the corporate sphere and policy dialogue, we will continue our collaboration. Future areas where we will input into guidance will include nature and carbon 'lock-in' (where infrastructure investment choices prolong or even perpetuate fossil fuel dependency).













European Chemicals decarbonisation; collaborative engagement with ShareAction

LGIM has been a member of the ShareAction's Chemical Decarbonisation Investor Coalition since 2021, a collaboration aiming to engage with 13 leading European chemical companies, to encourage them to align their decarbonisation strategies with the goal of limiting global warming to 1.5°C. The chemicals sector is responsible for over 6% of global greenhouse gas (GHG) emissions and is crucial to a multitude of manufactured goods and industrial processes with 95% of manufactured products relying on this sector.

Objectives

The collaborative engagement has been focused on the following objectives:

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- 1. Set out and disclose a plan over the short, medium, and long term, with time-bound targets, to:
 - a. phase in electrified chemical production processes
 - b. increase energy consumption from renewable energy sources
 - c. transition to emissions-neutral feedstocks
 - d. phase out woody biomass from energy generation
- 2. Set Scope 3 emissions targets that are aligned with 1.5°C (covering all relevant upstream and downstream emissions)
- 3. Explicitly commit to align capital expenditure plans with the objective of limiting global warming to 1.5°C; and disclose future capital spending on new and existing assets

Engagement has been through a combination of letters outlining key requests from the coalition (which we have co-signed over the years), followed by direct engagements with selected companies. As part of this coalition, we have also provided a joint submission to the Science Based Targets initiative (SBTi) on their consultation for draft guidance for the chemical industry contributing to the development of the Chemicals Sector Target-Setting Criteria.

Engagement focus: Yara International*

Following a three-year engagement, in December 2024, we met (as part of the coalition) with Yara International's CEO for the first time to discuss their upcoming transition plan and capex strategy. This engagement was in response to a shareholder resolution filed by ShareAction and four coalition investors, which LGIM voted in favour of at Yara's 2024 AGM. The objective of the engagement was to continue dialogue with the company to include ambitious Scope 3 targets and implementation plans in its upcoming Transition Plan, which is due to be published in 2025. The aim was to clearly convey the coalition's expectations to Yara's leading executive during a pivotal period of planning.

In terms of next steps, we will monitor Yara's progress in this regard and analyse their forthcoming Transition Plan. This will determine the future direction and objectives of our engagement.











GREGs case study: Volvo Car AB* Identify

We 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.

Engage

We 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.

Next steps

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. Our 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

GREGs case study: Solvay SA* Identify

We engaged with this company as a non-European competitor flagged legislative adjustments to the EU Emission Trading System (coming into place on 01 January 2025) that they expect to favour domestic producers over non-EU producers. We wanted to confirm that the conclusions this competitor came to were in line with Solvay's thinking, whilst gaining a deeper understanding of the legislative changes and their implications.

Engage

We approached the topic during a face-to-face meeting with the company's management (CEO/CFO) in December 2024. We now understand that under the proposed changes, for emissions to be in scope of the ETS its no longer necessary for CO2 to be actually emitted into the atmosphere. Instead, if CO2 is incorporated into the finished product, related emissions should be considered in scope of the EU ETS (unless the CO2 is permanently bound in the product). The change applies to the production of glass, which is the key end market for soda ash. Currently, EU glass producers are responsible for paying for soda ash-related emissions that occur during glass production. Under the changes, the soda ash producers will be responsible for these downstream emissions. Therefore, EU glass producers that choose to source soda ash produced in the EU would no longer need to pay, but if they import the soda ash, this payment remains an obligation. Solvay agreed with competitor's comments that the changes will incentivise customers to use soda ash produced in the EU. The company also noted that as they will now have to bear the cost for these downstream emissions, whilst the EU will provide more free allowances, decarbonisation becomes ever more important.

Next steps

The engagement has helped inform our understanding of the new legislation and the implications. We will arrange a meeting in future to clarify some outstanding points, along with discussing the actual impact seen on the industry (i.e. any supply implications) once the changes come into place. We will continue to engage with Solvay on the progress of their energy transition as this is important for reducing their carbon-associated costs.









Company name	BHP Group Ltd*
ISIN	AU000000BHP4
Market Cap	US\$135.3 billion (Source: ISS, 18 December 2024)
Sector	Basic materials: mining
Issue identified	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 LGIM, can support these companies as they decarbonise. Earlier this year, we <u>published our updated assessment framework for mining companies'</u> climate transition plans.
Summary of the resolution	Resolution 13: Approve Climate Transition Action Plan AGM, 30 October 2024
How LGIM voted	In favour of Resolution 13 (in line with management recommendation)
Rationale for the vote decision	We have been engaging with BHP for a number of years on the topic of climate change and, most recently, on their Climate Action Transition Plan. We note that BHP has made significant strides in carrying out its core role in the transition in a sustainable manner and has demonstrated this through the substantial alignment of its Climate Transition Action Plan (CTAP) with our framework for assessing mining company transition plans. Therefore, LGIM voted in favour of Resolution 13.
Outcome	92.2% voted in favour of Resolution 13 Going forwards, we will assess the disclosure of progress on BHP's plans for the development of a more targeted methane measurement, management and mitigation strategy, as well as the plans it is executing to support the decarbonisation of steelmaking. We will also continue to engage with BHP to ensure resilience whilst navigating the dynamic market for metallurgical coal.
Why is this vote 'significant'?	The mining and diversified metals sector is an essential part of the energy transition. In order to support its transition plans, we want companies within the sector to meet our minimum expectations.









Nature

COP16: Reflections

Two members of our Investment Stewardship team attended the COP16 Global Biodiversity Summit in Colombia, alongside our peers, global leaders, and stakeholders across multiple industries, and policymaking and regulatory representatives. Engagement across the multilateral system helps address nature-related risk and changes how we understand the value we derive from nature. We were at COP15 for the negotiations for the Global Biodiversity Framework ('GBF'), and following a somewhat challenging but positive COP16 in Colombia, it is clear that we need to continue to accelerate public and private action. Below, we highlight three main areas of agreement, consideration and development:

- **Resource mobilisation** meeting the targets of the GBF (US\$200 billion p.a. by 2030³). Whilst agreement could not be reached in Colombia, there were two relevant topics: 1) reform of government subsidy programmes in a way that does not degrade nature (we have been working on this topic for several years, including engagement with the G20⁴); and 2) how the public and private sector can work more closely together to protect and restore nature
- **Digital sequencing information** Parties advanced the operation of the mechanism (the 'Cali Fund') to ensure fair and equitable benefit-sharing from 'Digital Sequencing Information' of genetic resources from plants and animals. This demonstrates a different policy step that pushes companies to improve their understanding of the value nature provides us, and to change their relationship with nature
- Multilateral and domestic coordination agreement to enhance multilateral and domestic policy coordination, particularly between the interrelated topics of nature, climate, and health

Agriculture

A continuous thread throughout these areas is the topic of agriculture, and particularly government subsidy programmes. One primary challenge is agreeing the definition of "regenerative agriculture", which can lead to conflicting aims and outcomes, and hinder progress. We have addressed this topic in our blog, here: <u>LGIM Blog: Regenerative</u> agriculture: But what do you mean?

We believe that an "outcomes"-focused approach may yield more productive results and while COP16 did not supply an agreed definition, the role of agriculture in protecting and restoring nature, and the necessity of ensuring stability of global food supplies, was a recurrent theme. In our Nature Framework, we set out our approach to agriculture which permeates each of our nature "sub-themes" (deforestation, circular economy, water and natural capital management).

Climate, nature and food transformation

At COP16, we joined over 70 global leaders from across civil society, indigenous peoples, business and finance in signing an open letter to Presidents Gustavo Petro (Colombia) and Luiz Inàcio Lula da Silva (Brazil), requesting that they take the following actions:

- i) Strengthen national climate plans to deliver a triple win for people, nature and food security
- ii) Scale up investment for nature and food system transformation
- iii) Support the full and effective participation of farmers, indigenous peoples, and local communities across climate, food system and nature policy development, decision-making and monitoring

By recognising the role of the Presidents of Colombia and Brazil in climate and nature leadership and the interconnectedness of these challenges with global food systems, we are adding our voice to the weight of global stakeholders emphasising the importance of action and our support for the positive steps taken on these issues demonstrates our public commitment to collaborative engagement at the highest level. The full letter and list of signatories can be found here: Letter: United action on climate, nature and food transformation

- 3. Target 19
- 4. See for example How can Europe reap the environmental rewards from subsidy reform and align with the Paris Agreement?









Deforestation case study: Colgate-Palmolive* Identify

As part of our commitment to using best efforts to tackle commodity-driven deforestation impacts in our investment portfolios by 2025, our deforestation campaign aims to engage with portfolio companies⁵ on deforestation as risk management approach and is linked to voting outcomes. We outline to companies our deforestation expectations (to have both a deforestation policy and programme in place),⁶ 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.

Engage

We 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.



Next steps

We 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.









^{5.} In deforestation-critical sectors for which we have data. 'Deforestation-critical' sectors or 'high-risk' sectors are defined using Ceres' Investor Guide to Deforestation and Climate Change. We also follow Deforestation-Free Finance guidance on which GICS sub-industries to cover.

^{6.} Further detail can be found in our deforestation policy: LGIM Deforestation policy









People and Health

People: Our human rights campaign: summary of results so far

Regular readers will recall that in our <u>O3 Quarterly Engagement Report</u>, we introduced our first human rights campaign. Being now at a stage to begin to collate the results, the graphic below summarises the campaign outline and next steps:





- 6 sectors
- Top 20-30 large and medium companies by geography and by sector
- LGIM equity holdings
- 400+ companies
- 43 countries
- 6 sectors: 55% labour intensive, 45% extractive and utility
- 8 FWPL UNGC violators
- ~ 15% response rate
- 17 countries, half from emerging markets
- · 20 follow up direct engagements
- 30% in labour-intensive industries, 40% in extractive, and 30% in utilities
- Follow up engagements
- · Progress tracking and objective evaluation









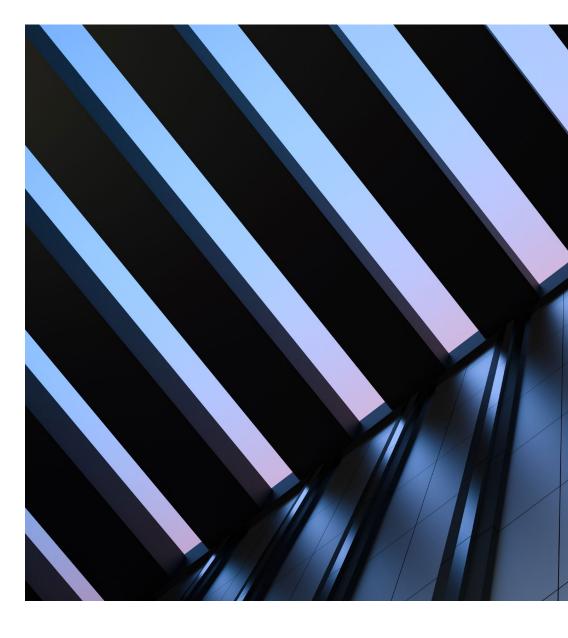
What have we learned so far?

In analysing the engagement responses so far, we would draw out the following observations:

- Companies that responded to our survey have been receptive to engaging on human rights. Through our engagement so far, we have seen some confirmation of a disconnect in many cases between a company's policy commitments and the efficacy of their human rights risk management
- Companies that demonstrated the most comprehensive human rights management showed a holistic understanding of their operation and supply chain risks, and took a granular, often bottom-up, approach to addressing these risks
- 95% of respondents reported strong awareness of human rights issues demonstrated through published policies and board oversight
- When asked to demonstrate effective human rights management beyond policy commitments through risk identification, remedy access, and preventive actions, the percentage of companies acknowledging those measures to be in place dropped to 75% – compared to a 98% confidence rate of overall awareness of human rights
- In our survey as part of our human rights campaign, we sought to understand how
 companies manage secondary impacts. Climate impact emerged as the top concern
 for about 50% of the respondents, especially within the auto, utilities, and extractive
 industries. Artificial intelligence was also cited as a key challenge from 16% of
 responded companies to manage

Our next steps

As we draw the first stage of our human rights engagement campaign to a close, we will continue to assess what we can learn from our survey responses, and to select a smaller number of companies for future engagement, using our broader research to drive meaningful dialogue with companies whose positive practices and developments have the potential to improve human rights standards across their industries and supply chains.











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Health: AMR around the world

How do we approach AMR?

In comparison to many of our other global Investment Stewardship themes, antimicrobial resistance ('AMR') is at a more nascent stage This means that a significant part of our focus is dedicated to raising awareness with national and global institutions that can take the necessary steps to mitigate the systemic risk posed by AMR.

The final quarter of 2024 was a busy quarter for AMR and in this summary, we describe the events in which we participated to evidence how LGIM is using its position as a global asset manager to work on raising awareness about AMR risk and the urgency of taking action among global stakeholders and policymakers.

Recent developments

Regular readers of our <u>Quarterly engagement reports</u> will recall that LGIM, through the <u>Investor Action on AMR</u>, had called on government officials and policymakers to take concrete steps to mitigate AMR at UN General Assembly's ('UNGA') second high-level meeting on antimicrobial resistance, which took place in September 2024.

We view the UNGA Declaration as a positive step forward and welcome the establishment of an independent scientific panel by 2025. However, we were disappointed that the target of a 30% reduction of antimicrobials used in livestock was diluted in the final declaration to a 'meaningful reduction'.

AMR in the Middle East

Following the UNGA Declaration, November saw a flurry of AMR policy activity. We were delighted to be invited to speak during the Fourth Global High-Level Ministerial. Conference on AMR in Jeddah, Saudi Arabia, discussing The Future Economic Impact of AMR & Sustainable Financing Initiatives in Containing AMR for the Health of our Ecosystem. Other attendees included representatives from Ministry of Health, Kingdom of Saudi Arabia, AMR Action Fund, Carb-X, the World Bank and the Center for Global Development. During the panel discussion, we were able to emphasise the role







institutional investors can play in combatting the rise of AMR. Our corporate holdings which span multiple sectors that (i) can contribute to the rise of AMR, (ii) are negatively impacted by AMR or (iii) can stem the rise of AMR.

AMR online: annual World AMR Awareness Week

The annual World AMR Awareness Week took place in the following week. LGIM was invited to speak alongside representatives from World Health Organisation (WHO), Sandoz and mPharma on a webinar organised by the Access to Medicine Foundation (ATMF) and WHO on Mobilising pharma to act on the AMR Political Declaration.

AMR in Europe

Pag

LGIM, together with FAIRR, was invited to participate in and present at the UK-Northern Europe AMR Workshop organised by the UK Science Innovation Network at the UK Embassy in Stockholm. Government representatives from Sweden, Finland, Norway, Denmark, Latvia, Estonia and The Netherlands participated as well as representatives from GSK, Pfizer, Novo Nordisk Foundation, Trill Impact, ReAct, Pharmadanmark, Innovate UK, ARMOR and World Bank. Dame Sally Davies, UK Special Envoy on AMR and Otto Cars, Professor and Founder of ReAct, chaired sessions.

During these events, we were again able to underscore and discuss the important role we as institutional investors can play in stemming the rise of AMR. Meaningful connections were also made.

What does our participation in policy meeting settings bring?

Our participation in these various events and meetings has two aims:

 To raise and improve the awareness of policymakers and government officials that the asset management industry considers AMR to be a systemic and financially material risk



ii) To work with a broad set of stakeholders to identify how asset managers can best use their influences as effective partner in the global battle against the rise of AMR

Development of national and international strategies to combat AMR is vital in order to provide the impetus for effective actions to be taken. While policy engagement remains a core focus of our work on AMR, it is also supported by our corporate engagement and our voting activity, including our collaborative work in the restaurant sector with FAIRR,7 our co-filing of shareholder resolutions at McDonald's*,8 and our voting in support of AMR-related shareholder resolutions at other companies.9

Our approach will continue to be grounded on these two strategies of raising awareness among policymakers and international stakeholders with the power to drive change, and on supporting these activities through our voting and company engagement. Further details on our health theme can be found in our <u>Health Policy</u>.









^{7.} As detailed in our Q4 2023 report

^{8.} As detailed in our Q2 2024 report

^{9.} For example, Darden Restaurants, as detailed in our Q3 2024 report

	Company name	Westpac Banking Corp*				
	ISIN	AU000000WBC1				
	Market Cap	US\$71.1 billion (source: ISS, 19 December 2024)				
	Sector	Financial: banks				
	Issue identified	The specific issue here was gender diversity at board level. We believe a diverse mix of skills, experience and perspectives is essential for a company and its board to function and perform optimally. LGIM has long been an advocate of the importance of diversity on corporate boards, within both executive leadership teams and management teams, as well as across the wider workforce. We consider this issue is sector agnostic, in that it is financially material across all sectors.				
	Summary of the resolution	Resolution 5b – Elect Margaret Seale as Director AGM, 13 December 2024				
Page 1	How LGIM voted	For Resolution 5b (in line with management recommendation)				
	Rationale for the vote decision	Our <u>diversity policy</u> sets out our expectations regarding gender and ethnic diversity, and where we will apply vote sanctions against companies. A vote in favour was applied, despite the proportion of women on the Board having fallen below one-third of board members as at the 2024 AGM. However, support was warranted, given the Company exceeded its goal of 40% female directors by the 2024 year-end, with some recent board changes at the AGM throwing it out of kilter.				
43	Outcome	94.2% voted in favour of Resolution 5b. We expect companies to increase female participation both on the board and in leadership positions over time and will monitor Westpac's performance in this regard.				
	Why is this vote 'significant'?	This vote is significant because it relates directly to one of our sub-themes (diversity), within our Investment Stewardship 'People' theme. It is also an example of where, after a manual review, we overrode our policy vote decision due to the reasons outlined in the rationale above.				













ESG: Governance

Corporate governance in Japan

Background: what is the issue?

In terms of corporate governance, Japan operates within distinct parameters that differ in many respects from other regions and countries. While acknowledging certain features unique to Japan, we believe nevertheless that there are improvements that could be made, reflective of developments elsewhere in the world, that would strengthen the governance of Japanese companies.

Areas of focus for LGIM's Investment Stewardship team have included gender diversity, board independence and cross-shareholdings, to name but a few. In addition to addressing these topics in our individual company engagements, we believe in the power of collaborative initiatives in driving the nationwide developments we seek, and therefore place great emphasis on our targeted regulatory and stakeholder engagement on these themes. Our local presence in Japan is vital in attending these collaborative meetings and demonstrating our commitment.

LGIM's recent actions

As a member of the <u>Asian Corporate Governance Association</u> ('ACGA'), we attended a delegation in late September 2024 in Japan at which, amongst other topics, diversity was an area of focus with the Cabinet Office Gender Bureau Department and the Tokyo Stock Exchange ('TSE').

Subsequently in the fourth quarter, we were pleased to be named in <u>an open letter to regulators</u>, sent specifically to the TSE, Japan FSA, METI, the Cabinet Office, and the Keidanren (the Japanese Business Federation).

In the letter, LGIM is called out specifically in the sections providing recommendations on strategic shareholdings, timely provision of information during AGM season, board effectiveness, diversity targets, and board structure. Regular readers of this report and of the LGIM blog will identify the continued thread of our observations and recommendations which we have published over the years. 10

We also continue to work closely with the ICGN, with a recent example being our input into the ICGN statement that was shared at the Japan FSA's Expert Panel on the Stewardship Code meetings, held in October and November 2024. In addition to our remarks on the universal ownership perspective of stewardship and the need to remove barriers to collaborative engagement, our input included governance-related calls for companies to:

- Provide timely disclosures of company information ahead of the AGM and allow better board access (and board training where needed) to help engagement discussions become more effective
- Publicly disclose investor relations email addresses
- Make AGMs more accessible and inclusive

Next steps

Nationwide changes in corporate governance require time, consideration and support from a broad set of stakeholders. We have seen progress over the years, which encourages us in terms of future developments. Our collaborative work with these stakeholders will remain pivotal to our efforts in this field. On the corporate engagement side, in addition to meeting with companies directly to encourage improvements, we will continue to publish our expectations of Japanese companies, and to vote in line with these at their AGMs.

10. For example, our blog post on the 2024 AGM season in Japan LGIM Blog: Reflecting on the 2024 Japan AGM Season and p.22 of our Q1 2024 Quarterly Engagement Report Q1 2024 Quarterly engagement report







Case study: Qantas Airways* Identify

Our 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)

- age
- Succession
- Remuneration

Engage and escalate

We 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. As a consequence, 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.¹¹ 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.

Next steps

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.

11. Qantas cuts Alan Joyce final pay packet by \$9.3m after review finds 'considerable harm' to brand | Qantas | The Guardian









Company na	me Microsoft Corp*
ISIN	US5949181045
Market Cap	US\$3.26 trillion (source: ISS, 02 January 2025)
Sector	Information technology: software and services
Issue identif	We believe that the governance of risks and opportunities relating to the development and use of artificial intelligence ('Al') is financially material for companies. Al 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 resolution	Resolution 7: Report on Risks of Using Artificial Intelligence and Machine Learning Tools for Oil and Gas Development and Production Resolution 8: Report on Risks Related to AI Generated Misinformation and Disinformation Resolution 9: Report on AI Data Sourcing Accountability AGM: 10 December 2024
How LGIM vo	Against Resolutions 7 and 8 (in line with management recommendation) For Resolution 9 (against management recommendation)
Rationale for vote decision	Degarding Decolution 8 we consider at the present time that the company is a leader in its disclosures, governance processes and mitigation stone it is taking on risks
Outcome	Resolution 7: 9.7% voted "for" Resolution 8: 18.7% voted "for" Resolution 9: 36.2% voted "for"
Why is this v 'significant'?	These three votes are significant due to their relevance to our Investment Stewardship theme of 'Digitisation', relating to the governance of artificial intelligence and the expectations that we have published of companies: LGIM Blog: How we'll press for safe Al

















Regional updates

Global - Q4 2024 voting summary

Management-proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Management	8977	2583	493	74%	21%	4%
Routine Business	805	83	0	91%	9%	0%
Capitalization	1440	108	0	93%	7%	0%
Director Election	2747	972	491	65%	23%	12%
Audit Related	703	97	1	88%	12%	0%
Non-Routine Business	384	62	0	86%	14%	0%
Director Related	494	125	0	80%	20%	0%
Company Articles	429	94	0	82%	18%	0%
Miscellaneous	124	31	0	80%	20%	0%
Takeover Related	137	8	0	94%	6%	0%
Compensation	835	707	0	54%	46%	0%
Strategic Transactions	831	161	1	84%	16%	0%
Mutual Funds	16	0	0	100%	0%	0%
No Research	4	132	0	2%	80%	0%
Social	24	3	0	89%	11%	0%
E&S Blended	3	0	0	100%	0%	0%
Environmental	1	0	0	100%	0%	0%







Global - Q4 2024 voting summary

Shareholder-proposed resolutions:							
	Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
	Shareholder	370	110	0	77%	23%	0%
	Director Election	214	65	0	76%	23%	0%
	Director Related	6	5	0	55%	45%	0%
	Audit Related	70	2	0	97%	3%	0%
	Miscellaneous	53	19	0	74%	26%	0%
	Non-Routine Business	1	2	0	33%	67%	0%
J	Compensation	1	1	0	50%	50%	0%
2	Company Articles	8	6	0	57%	43%	0%
, _	Corporate Governance	3	0	0	100%	0%	0%
7	Environmental	6	6	0	50%	50%	0%
	E&S Blended	1	0	0	100%	0%	0%
	Social	7	4	0	64%	36%	0%

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations		
For	9347	99.70%		
Against	2693	10%		
Abstain	493	97.40%		

Number of	Values
Resolutions	12576
AGM Resolutions	6676
EGM Resolutions	5900
AGM	718
EGM	1457
Meetings	2175

Most Popular Resolutions	Number of Resolutions
Elect Director	3205
Elect Director (Cumulative Voting or More Nominees Than Board Seats)	1037
Ratify Auditors	551
Advisory Vote to Ratify Named Executive Officers' Compensation	449
Approve Transaction with a Related Party	407

Number of companies where LGIM voted:	Values		
In Total	1813		
For in all resolutions	802		
Against or Abstain in at least one resolution	1005		









UK - Q4 2024 voting summary

Management-proposed	resolutions:					
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Management	1128	73	1	94%	6%	0%
Mutual Funds	15	0	0	100%	0%	0%
Miscellaneous	7	0	0	100%	0%	0%
Company Articles	12	1	0	92%	8%	0%
Capitalization	226	25	0	90%	10%	0%
Strategic Transactions	25	4	0	86%	14%	0%
Routine Business	139	3	0	98%	2%	0%
Compensation	95	14	0	87%	13%	0%
Director Election	406	26	1	94%	6%	0%
Audit Related	140	0	0	100%	0%	0%
Takeover Related	50	0	0	100%	0%	0%
Social	13	0	0	100%	0%	0%
No Research	0	0	0	0%	0%	0%







UK - Q4 2024 voting summary

Shareholder-proposed resolutions:								
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %		
Shareholder	0	2	0	0%	100%	0%		
Director Election	0	2	0	0%	100%	0%		

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	1128	100%
Against	75	4%
Abstain	1	0%

Number of	Values
Resolutions	1207
AGM Resolutions	1141
EGM Resolutions	66
AGM	76
EGM	42
Meetings	118

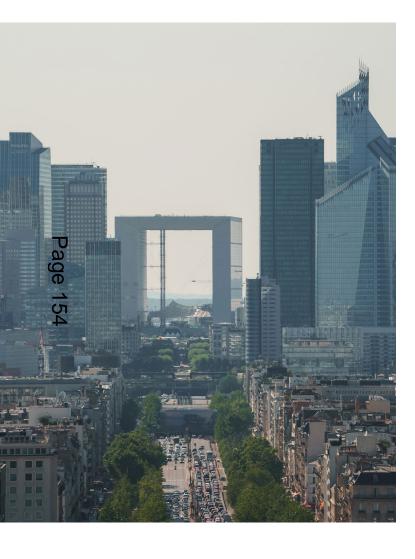
Most Popular Resolutions	Number of Resolutions
Elect Director	433
Approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights	96
Accept Financial Statements and Statutory Reports	76
Advisory Vote to Ratify Named Executive Officers' Compensation	73
Authorize Share Repurchase Program	71

Number of companies where LGIM voted:	Values
In Total	105
For in all resolutions	61
Against or Abstain in at least one resolution	43









Europe ex UK - Q4 2024 voting summary

Management-proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Management	882	390	10	68%	30%	1%
Company Articles	29	9	0	76%	24%	0%
Miscellaneous	42	6	0	88%	12%	0%
Director Election	239	94	9	70%	27%	3%
Audit Related	102	27	1	78%	21%	1%
Compensation	66	66	0	50%	50%	0%
Director Related	95	13	0	88%	12%	0%
No Research	0	132	0	0%	90%	0%
Non-Routine Business	14	1	0	93%	7%	0%
Routine Business	220	21	0	91%	9%	0%
Capitalization	43	9	0	83%	17%	0%
Strategic Transactions	28	6	0	82%	18%	0%
Takeover Related	1	3	0	25%	75%	0%
E&S Blended	2	0	0	100%	0%	0%
Social	0	3	0	0%	100%	0%
Mutual Funds	1	0	0	100%	0%	0%







Europe ex UK - Q4 2024 voting summary

Shareholder-proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Shareholder	29	33	0	47%	53%	0%
Director Election	10	17	0	37%	63%	0%
Miscellaneous	10	6	0	62%	38%	0%
Non-Routine Business	0	2	0	0%	100%	0%
Compensation	0	1	0	0%	100%	0%
Director Related	4	4	0	50%	50%	0%
Audit Related	4	1	0	80%	20%	0%
Company Articles	1	2	0	33%	67%	0%

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	911	99.80%
Against	423	39.50%
Abstain	10	0%

Number of	Values
Resolutions	1359
AGM Resolutions	842
EGM Resolutions	517
AGM	103
EGM	109
Meetings	212

Most Popular Resolutions	Number of Resolutions
Elect Director	276
Ratify Auditors	69
Authorize Board to Fix Remuneration of External Auditor(s)	38
Elect Chairman of Meeting	36
Miscellaneous Proposal: Company- Specific	34

Number of companies where LGIM voted:	Values
In Total	198
For in all resolutions	70
Against or Abstain in at least one resolution	127











North America - Q4 2024 voting summary

Management-proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Management	1054	693	1	60%	39%	0%
Capitalization	34	5	0	87%	13%	0%
Company Articles	6	4	0	60%	40%	0%
Takeover Related	55	4	0	93%	7%	0%
Miscellaneous	5	0	0	100%	0%	0%
Strategic Transactions	47	5	1	89%	9%	2%
Compensation	40	208	0	16%	84%	0%
Director Election	717	406	0	63%	36%	0%
Audit Related	127	55	0	69%	30%	0%
Routine Business	13	2	0	87%	13%	0%
Director Related	10	4	0	71%	29%	0%









North America - Q4 2024 voting summary

Shareholder-proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Shareholder	18	8	0	62%	28%	0%
Compensation	1	0	0	100%	0%	0%
Corporate Governance	3	0	0	100%	0%	0%
Director Related	1	0	0	100%	0%	0%
Environmental	2	2	0	50%	50%	0%
Company Articles	0	1	0	0%	100%	0%
E&S Blended	1	0	0	100%	0%	0%
Social	7	4	0	64%	36%	0%
Non-Routine Business	1	0	0	100%	0%	0%
Director Election	2	1	0	33%	17%	0%

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	1072	98.60%
Against	701	1.40%
Abstain	1	0%

Number of	Values
Resolutions	1789
AGM Resolutions	1582
EGM Resolutions	207
AGM	185
EGM	68
Meetings	253

Most Popular Resolutions	Number of Resolutions
Elect Director	1110
Ratify Auditors	170
Advisory Vote to Ratify Named Executive Officers' Compensation	143
Adjourn Meeting	49
Amend Omnibus Stock Plan	37

Number of companies where LGIM voted:	Values
In Total	250
For in all resolutions	32
Against or Abstain in at least one resolution	217









Japan - Q4 2024 voting summary

Management-proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Management	362	76	0	83%	17%	0%
Routine Business	29	1	0	97%	3%	0%
Director Election	265	61	0	81%	19%	0%
Director Related	37	13	0	74%	26%	0%
Company Articles	15	0	0	100%	0%	0%
Compensation	8	1	0	89%	11%	0%
Capitalization	2	0	0	100%	0%	0%
Strategic Transactions	3	0	0	100%	0%	0%
Audit Related	2	0	0	100%	0%	0%
Miscellaneous	1	0	0	100%	0%	0%









Japan - Q4 2024 voting summary

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	362	100%
Against	76	0%
Abstain	0	0%

Number of	Values
Resolutions	438
AGM Resolutions	395
EGM Resolutions	43
AGM	42
EGM	9
Meetings	51

Most Popular Resolutions	Number of Resolutions
Elect Director	326
Appoint Internal Statutory Auditor(s) [and Approve Auditor's/Auditors' Remuneration]	34
Approve Allocation of Income and Dividends	29
Amend Articles to: (Japan)	15
Elect Alternate/Deputy Directors	14

Number of companies where LGIM voted:	Values
In Total	51
For in all resolutions	11
Against or Abstain in at least one resolution	40











Asia Pacific ex Japan - Q4 2024 voting summary

Management-proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Management	4623	1204	1	79%	21%	0%
Audit Related	291	14	0	95%	5%	0%
Non-Routine Business	326	61	0	84%	16%	0%
Capitalization	1043	65	0	94%	6%	0%
Company Articles	222	64	0	78%	22%	0%
Director Election	1028	342	1	75%	25%	0%
Miscellaneous	58	17	0	77%	23%	0%
Director Related	218	75	0	74%	26%	0%
Compensation	437	373	0	54%	46%	0%
Routine Business	293	49	0	86%	14%	0%
Strategic Transactions	667	144	0	82%	18%	0%
No Research	4	0	0	29%	0%	0%
Takeover Related	31	0	0	100%	0%	0%
Social	4	0	0	100%	0%	0%
Environmental	1	0	0	100%	0%	0%







Asia Pacific ex Japan - Q4 2024 voting summary

Shareholder-proposed	resolutions:					
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Shareholder	323	65	0	83%	17%	0%
Director Election	202	43	0	82%	18%	0%
Director Related	1	1	0	50%	50%	0%
Audit Related	66	1	0	99%	1%	0%
Miscellaneous	43	13	0	77%	23%	0%
Company Articles	7	3	0	70%	30%	0%
Environmental	4	4	0	50%	50%	0%

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	4946	99.80%
Against	1269	6.80%
Abstain	1	0%

Number of	Values
Resolutions	6226
AGM Resolutions	1635
EGM Resolutions	4591
AGM	249
EGM	1161
Meetings	1410

Most Popular Resolutions	Number of Resolutions
Elect Director	941
Elect Director (Cumulative Voting or More Nominees Than Board Seats)	544
Approve Transaction with a Related Party	385
Authorize Share Repurchase Program	275
Approve Share Plan Grant	235

Number of companies where LGIM voted:	Values
In Total	1090
For in all resolutions	583
Against or Abstain in at least one resolution	504











Rest of World - Q4 2024 voting summary

Management-proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Management	928	147	480	60%	9%	31%
Routine Business	111	7	0	94%	6%	0%
Capitalization	92	4	0	96%	4%	0%
Director Election	92	43	480	15%	7%	78%
Strategic Transactions	61	2	0	97%	3%	0%
Non-Routine Business	44	0	0	100%	0%	0%
Company Articles	145	16	0	90%	10%	0%
Director Related	134	20	0	87%	13%	0%
Compensation	189	45	0	81%	19%	0%
Miscellaneous	11	8	0	58%	42%	0%
Audit Related	41	1	0	98%	2%	0%
Social	7	0	0	100%	0%	0%
E&S Blended	1	0	0	100%	0%	0%
Takeover Related	0	1	0	0%	100%	0%









Rest of World - Q4 2024 voting summary

Shareholder-proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Shareholder	0	2	0	0%	100%	0%
Director Election	0	2	0	0%	100%	0%

Resolutions	1557
AGM Resolutions	1081
EGM Resolutions	476
AGM	63
EGM	68
Meetings	131

Values

Number of

How LGIM Voted	Number of Votes
For	928
Against	149
Abstain	480

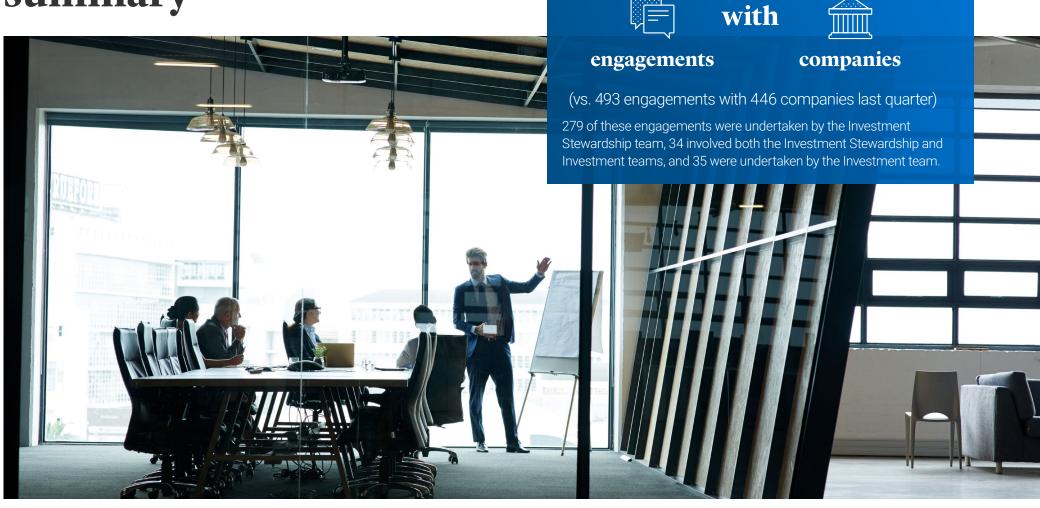
Most Popular Resolutions	Number of Resolutions
Elect Director (Cumulative Voting or More Nominees Than Board Seats)	493
Approve Remuneration of Directors and/or Committee Members	160
Elect Director	119
Elect Member of Audit Committee	109
Amend Articles/Bylaws/Charter Routine	54

Number of companies where LGIM voted:	Values
In Total	119
For in all resolutions	45
Against or Abstain in at least one resolution	74









In Q4 2024, we held

348

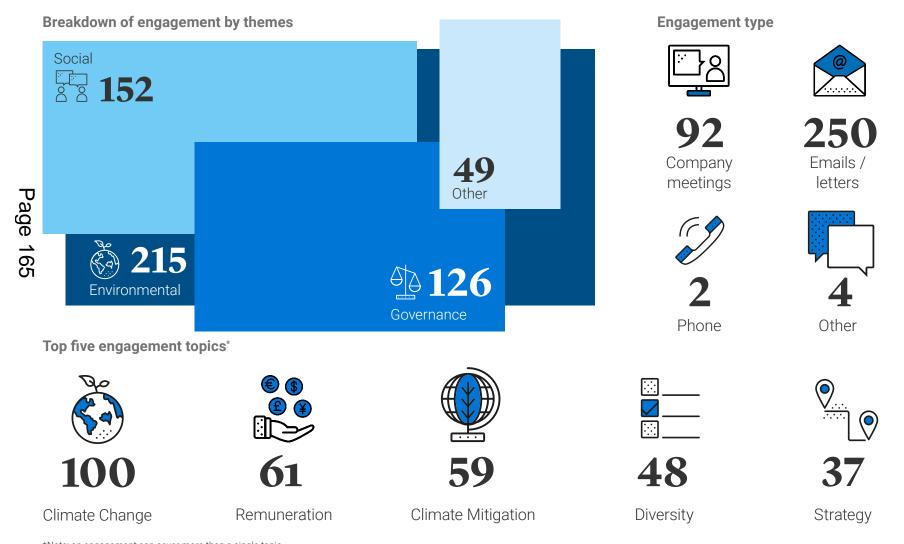


284





Breaking down the engagement numbers - Q4 2024



^{*}Note: an engagement can cover more than a single topic

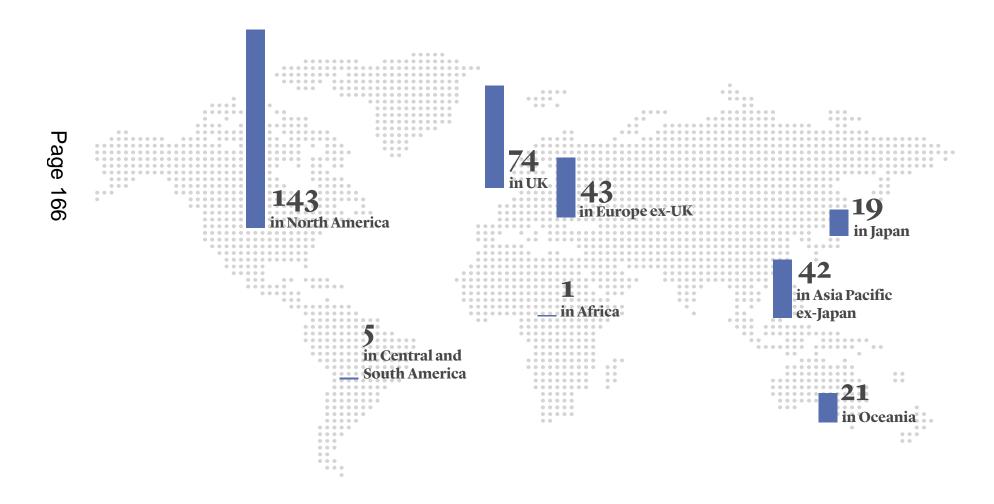








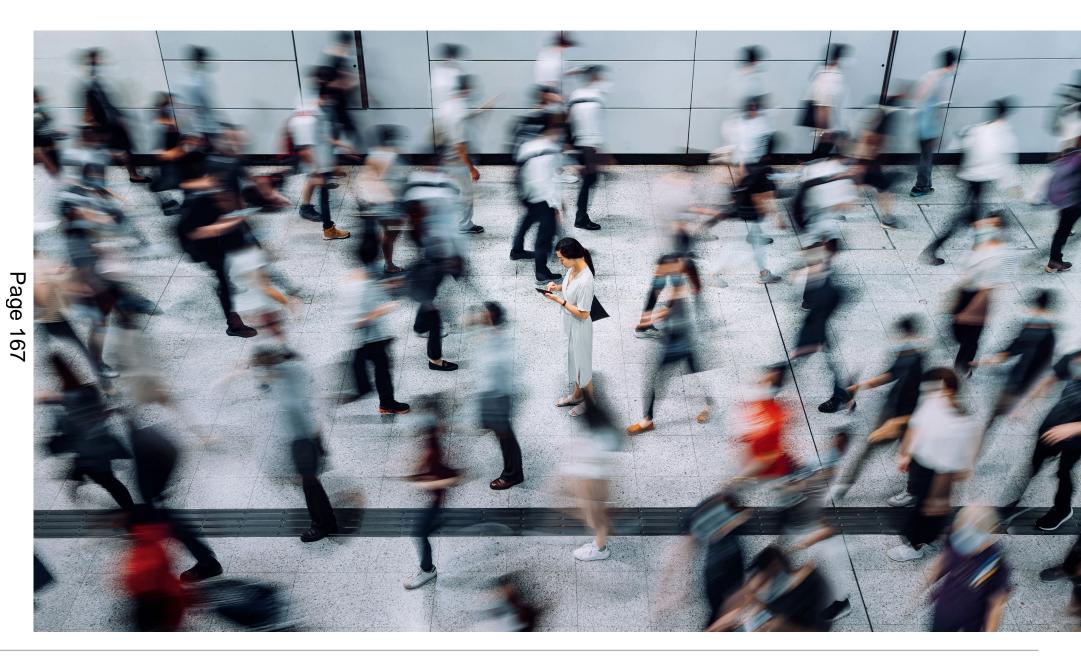
Regional breakdown of engagements

















Contact us

For further information about LGIM, please visit lgim.com or contact your usual LGIM representative











*For illustrative purposes only. Reference to a particular security is on a historic basis and does not mean that the security is currently held or will be held within an LGIM particular. The above information does not constitute a recommendation to buy or sell any security.

ູດ K@y Risks

The value of an investment and any income taken from it is not guaranteed and can go down as well as up, you may not get back the amount you originally invested.

Assumptions, opinions and estimates are provided for illustrative purposes only. There is no quarantee that any forecasts made will come to pass.

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LGIM Global

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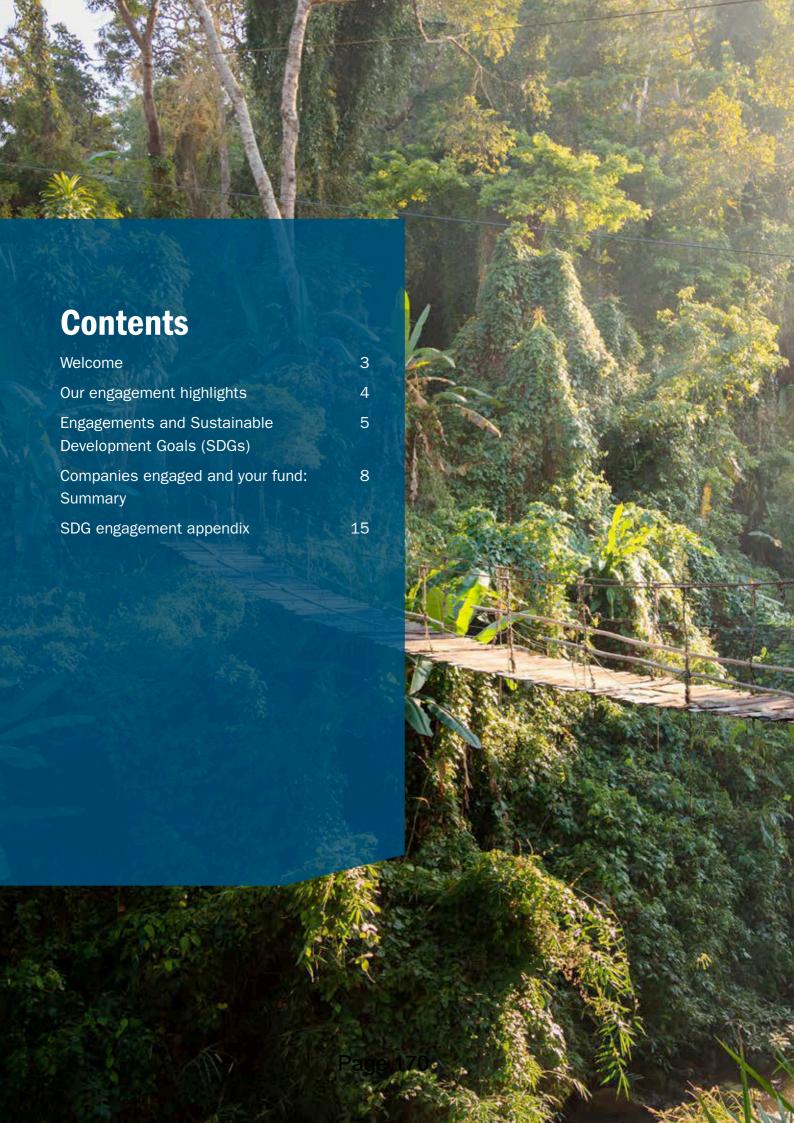
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The LGIM Stewardship Team acts on behalf of all such locally authorized entities.









Welcome

Welcome to our 2024 Responsible Ownership Activity Report, which outlines the engagement, public policy and proxy voting, if applicable, carried out by **reo**°.

The purpose of our **reo**° (responsible engagement overlay) service is to engage with companies held in portfolios with a view to promoting the adoption of better environmental, social and governance (ESG) practices.

The team does this through engaging with investee companies and voting proxies, if applicable on behalf of clients. We also work with the wider investment and policy community to address the systemic sustainability risks facing the economy and financial system. Ultimately, we view engagement not only as a tool to identify and manage ESG risks, but also as a mechanism to create positive impact for the environment and society.

This report sets out detailed information about how we have engaged with companies on your behalf over the past year.

Our engagement highlights



361 Engagements



R 234 Companies engaged



64 Milestones achieved



213

101

66

101

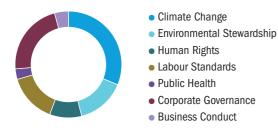
22

151

29

26 Countries covered

Engagements by theme *

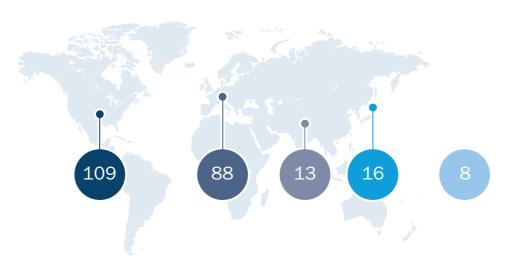


Milestones achieved by theme



Companies engaged by region **

- North America
- Europe
- Asia (ex Japan)
- Japan
- Other



Source: CTI Asset Management, 31-Dec-24

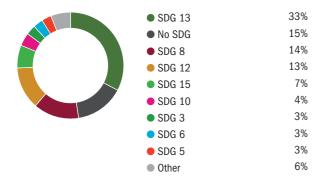
- *Companies may have been engaged on more than one issue.
- **Corporate actions may cause slight variance in annual engagement activity reporting when compared to quarterly reporting.

Engagements and Sustainable Development Goals (SDGs)

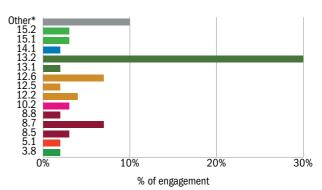
The 17 Sustainable Development Goals (SDGs) were developed by the UN and cross-industry stakeholders with a view to providing a roadmap towards a more sustainable world.

We use the detailed underlying SDG targets to frame company engagement objectives, where relevant, as well as to articulate the positive societal and environmental impacts of engagement. Engagements are systematically captured at a target level, to enable greater accuracy and achieve higher impact.

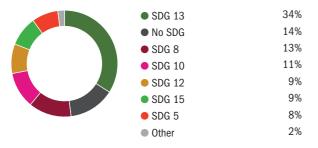
Engagement: SDG level



Engagement: SDG target level

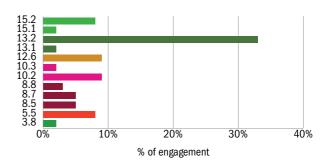


Milestone: SDG level



^{*}Other represents SDG targets less than 2% of the relevant SDG Goal.

Milestone: SDG target level



Engagements and the Sustainable Development Goals (SDGs)

We use the detailed underlying SDG targets to frame company engagement objectives, where relevant, as well as to articulate the positive societal and environmental impacts of engagement. Engagements are systematically captured at a target level, to enable greater accuracy and achieve higher impact.

Top 5 SDGs and targets by engagement



165 engagements

Target 13.2 | 150 engagements

Integrate climate change plans into policies and strategies



70 engagements

Target 8.7 | 33 engagements

Eradicate forced labour, modern slavery & human trafficking



67 engagements

Target 12.6 | 35 engagements

Encourage companies to adopt sustainable practices and enhance ESG reporting



33 engagements

Target 15.2 | 16 engagements

Promote the implementation of sustainable management of forests



20 engagements

Target 10.2 | 14 engagements

Empower and promote inclusivity for all

Top 5 SDGs and targets by milestones



22 milestones

Target 13.2 | 21 milestones

Integrate climate change plans into policies and strategies



8 milestones

Target 8.5 | 3 milestones

Achieve full and productive employment for all



7 milestones

Target 10.2 | 6 milestones

Empower and promote inclusivity for all



6 milestones

Target 12.6 | 6 milestones

Encourage companies to adopt sustainable practices and enhance ESG reporting



6 milestones

Target 15.2 | 5 milestones

Promote the implementation of sustainable management of forests

This is not an exhaustive list of all engagements had and milestones achieved. Please see our SDG engagement appendix page for a full list of targets we engaged on this quarter.



Companies engaged and your fund: Summary

The table below highlights the companies with which we have engaged on your behalf and how responsive they have been to our engagement over the past 12 months. For full details of our engagements with companies please refer to the online **reo**° client portal.

	I	1	ı	ı		Th	emes enga	ged		
				Climate Change	Environmental Stewardship	Human Rights	Labour Standards	Public Health	Corporate Governance	Business Conduct
Name	Sector	ESG Rating	Response to engagement	5	<u>а</u> 2	Ŧ	2	4	ŏ ŏ	<u> </u>
3M Co	Industrials		Good							
A O Smith Corp	Industrials		Poor							
Abbott Laboratories	Health Care		Good							
Accenture PLC	Information Technology		Adequate							
Adobe Inc	Information Technology		Good							
Advanced Micro Devices Inc	Information Technology		Adequate							
Aflac Inc	Financials		Good							
AIA Group Ltd	Financials		Adequate							
Air Liquide SA	Materials		Good							
Airbus SE	Industrials		Adequate							
Albemarle Corp	Materials		Good							
Alibaba Group Holding Ltd	Information Technology		Good							
Align Technology Inc	Health Care		Good							
Alimentation Couche-Tard Inc	Consumer Staples		Poor							
Amazon.com Inc	Consumer Discretionary		Good							
American Water Works Co Inc	Utilities									
Americold Realty Trust Inc	Real Estate									
Amgen Inc	Health Care		Adequate							
Amphenol Corp	Information Technology		Adequate							
Amprion GmbH	Utilities		Good							
Analog Devices Inc	Information Technology		Good							
Apple Inc	Information Technology		Good							
Applied Materials Inc	Information Technology		Good							
Arcadium Lithium PLC	Materials		Adequate							

				Themes engaged						
No.	S. M.	FCC Paties	Power to a residence t	Climate Change	Environmental Stewardship	Human Rights	Labour Standards	Public Health	Corporate Governance	Business Conduct
Name ArcelorMittal SA	Sector Materials	ESG Rating	Response to engagement Adequate	0	ш ю				0 0	
Astellas Pharma Inc	Health Care		Poor							
AT&T Inc	Communication Services									
Atlas Copco AB	Industrials		Adequate							
AvalonBay Communities Inc	Real Estate		Adequate							
AXA SA	Financials		Good							
Bank Mandiri Persero Tbk PT	Financials		Good							
Bank of America Corp	Financials		Good							
Bank Rakyat Indonesia Persero Tbk PT	Financials		Adequate							
Barclays PLC	Financials		Good							
Barrick Gold Corp	Materials		Good							
Bayer AG	Health Care		Adequate							
Bayerische Motoren Werke AG	Consumer Discretionary		Good	-						
Becton Dickinson & Co	Health Care		Good						•	
Beiersdorf AG	Consumer Staples		Adequate							
BHP Group Ltd	Materials		Good							
Bridgestone Corp	Consumer Discretionary		Poor							
Broadcom Inc	Information Technology		Good							
BT Group PLC	Communication Services		Adequate							
Burberry Group PLC	Consumer Discretionary		Good							
BYD Co Ltd	Consumer Discretionary		Adequate	•						
Centrica PLC	Utilities									
Cheniere Energy Inc	Energy		Good	•						
Chevron Corp	Energy		Good							
Cie de Saint-Gobain SA	Industrials			•						
Cigna Group/The	Health Care		Adequate							
Cisco Systems Inc/California	Information Technology		Good							
Citibank NA	Financials		Good							
Citigroup Inc	Financials		Good							
Cloudflare Inc	Information Technology		Poor							
CNH Industrial NV	Industrials		Poor							
Colgate-Palmolive Co	Consumer Staples									
ConocoPhillips	Energy									
Consolidated Edison Inc	Utilities									
Constellation Brands Inc	Consumer Staples		Good							
Contemporary Amperex Technology Co Ltd	Industrials		Good							
Continental AG	Consumer Discretionary		Adequate							
Corebridge Financial Inc	Financials		Poor							
Costco Wholesale Corp	Consumer Staples		Adequate							

		1	1	Themes engaged						
				Climate Change	Environmental Stewardship	Human Rights	Labour Standards	Public Health	Corporate Governance	Business Conduct
Name Colorer Francis Inc.	Sector	ESG Rating	Response to engagement	5	<u> </u>	<u> </u>	La	2	ပိ ဖိ	
Coterra Energy Inc	Energy		Adequate							
Coty Inc	Consumer Staples		Poor							
CRH PLC	Materials		Good							
Daikin Industries Ltd	Industrials		Adequate							
Danone SA	Consumer Staples		Good							
Darden Restaurants Inc	Consumer Discretionary		Good							
DBS Group Holdings Ltd	Financials		Good	•						
Deutsche Bank AG	Financials		Good							
Deutsche Boerse AG	Financials		Adequate							
Deutsche Post AG	Industrials		Adequate							
Devon Energy Corp	Energy		Adequate							
Diageo PLC	Consumer Staples		Adequate							
Dollar General Corp	Consumer Discretionary		Good							
Dominion Energy Inc	Utilities									
Dover Corp	Industrials		Poor							
Duke Energy Corp	Utilities		Adequate							
DuPont de Nemours Inc	Materials		Adequate							
Edenred SE	Information Technology		Adequate							
Electricite de France SA	Utilities		Good							
Electronic Arts Inc	Information Technology		Adequate							
EnBW Energie Baden-Wuerttemberg AG	Utilities		Good							
Enel SpA	Utilities		Good							
EOG Resources Inc	Energy		Good							
Equinor ASA	Energy		Good							
Equity Residential	Real Estate		Good							
Essex Property Trust Inc	Real Estate		Good							
EssilorLuxottica SA	Health Care		Adequate							
Essity AB	Consumer Staples		Poor							
Fast Retailing Co Ltd	Consumer Discretionary									
FinecoBank Banca Fineco SpA	Financials		Good							
Fortescue Ltd	Materials		Good							
Freeport-McMoRan Inc	Materials		Good							
Fresenius SE & Co KGaA	Health Care		Adequate						•	
General Mills Inc	Consumer Staples		Good							
General Motors Co	Consumer Discretionary		Good		•					
Glencore PLC	Materials		Adequate							
GSK PLC	Health Care		Good							
H & M Hennes & Mauritz AB	Consumer Discretionary		Adequate							
Halma PLC	Information Technology		Good							

Name Name Name Name Name Name Name Name							Th	emes enga	ged		
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	RWE AG	Utilities		Good							

				Themes engaged						
Name	Sector	ESG Rating	Response to engagement	Climate Change	Environmental Stewardship	Human Rights	Labour Standards	Public Health	Corporate Governance	Business Conduct
Samsung Electronics Co Ltd	Information Technology		Good							
Sanofi SA	Health Care		Poor							
SAP SE	Information Technology		Adequate							
Schaeffler AG	Consumer Discretionary		Adequate							
Schneider Electric SE	Industrials									
Severn Trent PLC	Utilities		Good							
Shell PLC	Energy		Good							
Shimadzu Corp	Information Technology									
Siemens AG	Industrials									
Siemens Energy AG	Industrials		Adequate							
Skyworks Solutions Inc	Information Technology		Good							
Smurfit WestRock PLC	Materials		Good							
Southern Co/The	Utilities									
Spotify Technology SA	Information Technology		Poor						•	
SSE PLC	Utilities		Good							
Starbucks Corp	Consumer Discretionary		Adequate							
Stellantis NV	Consumer Discretionary		Good							
STERIS PLC	Health Care		Adequate							
Sumitomo Mitsui Financial Group Inc	Financials		Adequate						•	
Synopsys Inc	Information Technology		Poor							
Taiwan Semiconductor Manufacturing Co Ltd	Information Technology		Adequate							
Take-Two Interactive Software Inc	Information Technology		Good							
TE Connectivity Ltd	Information Technology		Adequate							
Techtronic Industries Co Ltd	Consumer Discretionary		Adequate							
Telstra Corp Ltd	Communication Services									
Tesco PLC	Consumer Staples		Good							
Tesla Inc	Consumer Discretionary		Adequate							
Teva Pharmaceutical Industries Ltd	Health Care		Good							
TJX Cos Inc/The	Consumer Discretionary		Good							
TotalEnergies SE	Energy		Good							
Toyota Motor Corp	Consumer Discretionary		Good							
Tractor Supply Co	Consumer Discretionary		Poor							
Treasury Wine Estates Ltd	Consumer Staples		Good							
Tryg A/S	Financials		Good							
Uber Technologies Inc	Industrials		Good							
UBS Group AG	Financials		Good							
Unilever PLC	Consumer Staples		Good							
United Overseas Bank Ltd	Financials		Good							
United Utilities Group PLC	Utilities		Good	•						

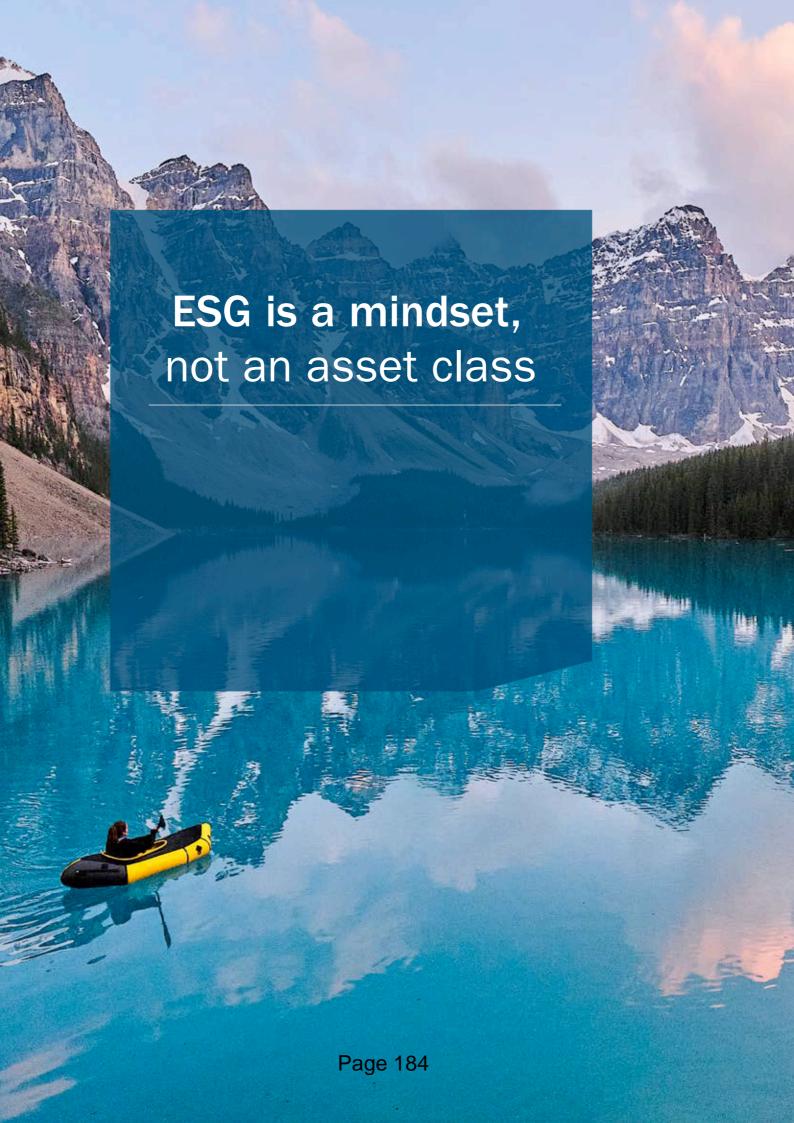
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Name	Sector	ESG Rating	Response to engagement	Climate Change	Environmental Stewardship	Human Rights	Labour Standards	Public Health	Corporate Governance	Business Conduct
UnitedHealth Group Inc	Health Care		Adequate						•	
Verizon Communications Inc	Communication Services		Adequate							
Vertex Pharmaceuticals Inc	Health Care		Adequate							
Vinci SA	Industrials		Good							
Visa Inc	Information Technology		Good							
Vodafone Group PLC	Communication Services		Good							
Volkswagen AG	Consumer Discretionary		Good							
Vonovia SE	Real Estate		Good							
Walmart Inc	Consumer Staples		Good							
Waste Connections Inc	Industrials		Adequate							
Wells Fargo & Co	Financials		Good							
Wolters Kluwer NV	Industrials									
Xylem Inc/NY	Industrials		Good							
Yum! Brands Inc	Consumer Discretionary		Adequate							
Zebra Technologies Corp	Information Technology		Good							

SDG engagement appendix

Discover the full list of SDG targets that we engaged on during 2024.

2.1 End hunger and ensure access to safe and nutritious food; 3.4 Reduce mortality from non-communicable diseases and promote mental health; 3.8 Access to medicines and health-care; 3.9 Reduce deaths and illnesses from pollution and contamination; 3.a Strengthen the WHO's framework convention on Tobacco Control; 5.1 End all forms of discrimination against women and girls; 5.5 Ensure full equality of opportunity for women, including at leadership levels; 6.1 Achieve universal access to safe & affordable drinking water; 6.3 Improve water quality by reducing pollution; 6.4 Increase water-use efficiency to address water scarcity; 6.5 Implement water resource management at all levels; 6.6 Protect and restore water-related ecosystems; 7.2 Substantially increase the global share of renewable energy; 7.3 Double the global rate of improvement in energy efficiency; 8.2 Achieve greater productivity through innovation.; 8.3 Promote development-oriented policies; 8.5 Achieve full and productive employment for all; 8.6 Reduce the proportion of youth not in employment or education; 8.7 Eradicate forced labour, modern slavery & human trafficking; 8.8 Protect and promote safe working environments for all workers; 8.10 Increase access to finance; 9.1 Develop resilient and sustainable infrastructure; 9.3 Increase access to finance for SME's; 9.4 Upgrade and retrofit industries to increase sustainability; 9.5 Encourage technological innovation and scientific research; 10.2 Empower and promote inclusivity for all; 10.3 Ensure equal opportunity and legislation for all; 10.4 Adopt policies to progressively achieve greater equality; 11.2 Provide access to safe and affordable transport systems; 11.5 Reduce social and economic losses caused by disasters; 11.6 Reduce the negative environmental externalities of cities; 12.2 Sustainably manage and make efficient use of natural resources; 12.4 Manage chemical usage and waste throughout their life cycle; 12.5 Reduce waste through prevention, reduction, recycling and reuse; 12.6 Encourage companies to adopt sustainable practices and enhance ESG reporting; 13.1 Strengthen adaptive capacity to climate-related events; 13.2 Integrate climate change plans into policies and strategies; 13.3 Improve education & the capacity for climate change mitigation; 13.a Address climate change mitigation for developing countries; 14.1 Prevent and reduce marine pollution of all kinds; 14.4 Regulate harvesting and end overfishing to restore fish stocks; 15.1 Ensure sustainable usage of terrestrial freshwater ecosystems; 15.2 Promote the implementation of sustainable management of forests; 15.5 Take urgent action to reduce degradation of natural habitats; 15.8 Reduce impact of invasive species on land and water ecosystems; 16.1 Reduce all forms of violentrelated death rates; 16.5 Reduce corruption and bribery in all their forms; 16.6 Develop effective, accountable and transparent institutions; 16.7 Ensure responsive and inclusive decision-making at all levels; 16.b Promote nondiscrimination laws for sustainable development.





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Quarterly Engagement Report

October-December 2024



Electric Vehicles, Conflict Areas, Decent Work, Airlines, Capital Markets



Kyiv, Ukraine

CONFLICT-AFFECTED AND HIGH-RISK AREAS (CAHRAS)

Letter to the FTSE 100

Objective: There has been an increase in geopolitical tensions and conflict in recent years. This has covered Russia-Ukraine war, Sudanese civil war, the ongoing conflict in Myanmar and the Israel-Gaza war. Alongside conflicts, there are a number of regions which are classified as high-risk (of conflict or widespread or serious abuses).

Such conflict-affected and high-risk areas (CAHRAs) pose serious legal, financial and reputational risks for companies. However, understanding the nature and exposure that investee companies face can be difficult to ascertain because of the geographical spread of CAHRAs and because associated risks are not only the direct footprints of company operations but also complex supply chains

and a nexus of sold goods and services. Furthermore, the exposure investors face will be shaped by the ways in which companies mitigate and manage CAHRA-related risks. LAPFF therefore wanted to better understand company exposure and practices towards such risks.

Achieved: In December LAPFF wrote to all FTSE 100 companies (excluding investment trusts) requesting they provide the Forum with details about their approach to operating in, or having operations or funds linked to, CAHRAs.

The letter noted the human rights risks and potential negative impacts on financial performance. It also set out the legal, operational and reputational risks and the emerging mandatory laws on human rights and environmental due diligence.

LAPFF requested companies provide $\begin{array}{c} \text{Page 188} \end{array}$

information on their approach to risk mitigation in relation to CAHRAs. The Forum outlined considerations to do so that were aligned to LAPFF's policy on CAHRAs, including the process of heightened human rights and environmental due diligence (hHRDD).

In Progress: LAPFF will monitor the responses to the letter to better understand and identify the most material reputational, legal and financial risks. This will in turn inform the engagement work that LAPFF undertakes for its members. In addition, LAPFF will follow up with companies, continue to monitor ongoing global conflicts, and engage with companies more broadly operating in conflict-affected and highrisk areas to assess their implementation of heightened human rights due diligence (hHRDD).



Armed guard at Coblat mine, Democratic Republic of Congo, Africa

Electric Vehicles

Objective: Decarbonising the automotive industry is contingent on the rollout of battery electric vehicles at scale. However, the transition from internal combustion engines to battery electric vehicles has significantly increased demand for key battery minerals including lithium, cobalt and nickel, along with other rare earth elements.

The International Energy Agency (IEA) forecasts that demand for critical minerals could increase sixfold by 2040. This demand has placed pressure on already fragile supply chains, many of which originate in CAHRAs. These regions are often characterised by weak governance, poor labour protections, and environmental degradation. One such area is the Democratic Republic of Congo (DRC) which supplies over 70% of the world's cobalt and where mining Page 189

operations are frequently linked to severe human rights violations, including child labour and unsafe working conditions.

The increasing regulatory focus on human rights and supply chain transparency further amplifies the materiality of these issues for investors and issuers. The EU Corporate Sustainability Due Diligence Directive (CSDDD) adopted in 2024, mandates that companies identify and mitigate adverse human rights and environmental impacts within their operations and supply chains. Failure to comply can result in significant financial penalties.

Undertaking hHRDD is crucial in the context of CAHRAs, where weak governance and conflict exacerbate the potential for abuse. These heightened risk areas demonstrate a necessity to take the just transition seriously and require companies to ensure that the benefits of EV production do not come at the expense of vulnerable communities. This means implementing robust mechanisms to assess, address, and manage risks across all tiers of the supply chain, from extraction to processing. In this context, LAPFF's engagement with EV manufacturers aims to encourage companies to identify, address, and mitigate salient human rights risks both in their direct operations, and throughout their supply chains.

Achieved: During Q4, LAPFF met with a total of five automobile manufacturers. The meetings were useful and provided the opportunity to discuss and press the companies on how they were mitigating and managing human rights risks in supply chains and often associated with CAHRAs. All the companies met were able to demonstrate progress in their respective approaches to managing human rights risks in their battery mineral supply chain.

Mercedes

Since LAPFF first began engaging the company on the issue over three years ago, Mercedes has increased the number of raw materials it provides information around human rights due diligence on on from six to fifteen. Mercedes is now providing enhanced disclosures on how it drives effective due diligence, detailing comprehensive breakdowns on individual minerals, as well as stakeholder engagement that it is involved in.

Ford

LAPFF met with Ford for the third time on the issue of managing human rights risks within its battery mineral supply chain. Ford has developed a supply chain mapping initiative, which includes tracing battery materials to the point of extraction for several high-risk minerals, including cobalt and lithium. Whilst vehicle supply chains are incredibly complex, through partnerships with third parties, Ford has completed 30 supplier audits across four select battery supply chains to a raw material level. It has also further demonstrated commitments to addressing potential human rights abuses across its supply chain by integrating Free, Prior, and Informed Consent (FPIC) requirements into its supplier code of conduct to protect indigenous communities impacted by raw material extraction.

Volkswagen

VW has been facing investor pressure on the issue of human rights due diligence following reports of Uyghur forced labour in vehicle supply chains. LAPFF had previously raised concerns on the ability of the company to undertake meaningful due diligence in the Xinjiang region given the limited visibility. During Q4 LAPFF met with VW to discuss managing human rights risks throughout its supply chain. During the engagement the company announced it had taken the decision to exit its joint venture in Xinjiang. This follows reports surfacing that an audit conducted the previous year had not met Social Accountability International's SA8000 Standard.

BMW

BMW has been advancing responsible sourcing practices, with a focus on the ethical procurement of cobalt and lithium. The company has shifted its cobalt sourcing exclusively to certified mines in Australia, eliminating higherrisk sourcing from the Democratic Republic of Congo (DRC). Reshoring or nearshoring the supply chain for higher risk commodities is considered a meaningful approach to managing human rights risks.

General Motors

Since LAPFF last met with General Motors the company has continued to focus on expanding its supplier



An electric car at the DRC mining conference

education and ethical sourcing programmes, including expanding the number of direct agreements it has with mines. The company now also requires suppliers to cascade the requirements of GM's human rights policy throughout their supply chains. LAPFF has also noted improvements in the approach the company is taking in mapping its supply chain, increasing the number of suppliers that it is screening for risk using EcoVadis' survey, with 1,334 suppliers participating, representing 88% of its logistics and direct suppliers (by budgeted annual purchase revenue). Alongside this, GM has been using an in-house supply chain visibility tool to map tier 1 and 2 suppliers.

In Progress: Progress has been demonstrated in addressing human rights and environmental risks within critical mineral supply chains by the companies LAPFF engaged during Q4. However, challenges remain. The sector has yet to fully align with international standards relating to hHRDD and comprehensive supply chain transparency. Companies continue to face difficulties in verifying supplier compliance deeper within their supply chains, particularly in CAHRAS, where risks of labour exploitation persist. LAPFF will continue to engage with EV manufacturers on the issue of operating in or sourcing from CAHRAs and expect companies to be able to demonstrate heightened human rights due diligence for high-risk minerals.

UNOHCHR List of Enterprises in Relation to Occupied Palestinian Territory (OTP)

Objective: LAPFF's approach to engaging with companies operating in conflict zones is to ensure these companies undertake robust and hHRDD. This includes companies listed in the UN Office of the High Commissioner for Human Rights database (UN OHCHR) in relation to the Occupied Palestinian Territory (OPT). LAPFF's approach is informed by the principles set out in the UN Guiding Principles on Business and Human Rights (UNGPs), which outline corporate responsibility to respect human rights. The principles include an emphasis on companies to identify the extent to which operations contribute to or exacerbate human rights abuses. Guidelines for companies to undertake meaningful human rights impact assessments specific to conflict contexts is also included.

Achieved:

Booking Holdings

LAPFF engaged with Booking Holdings to discuss its approach to hHRDD in CAHRAS, including Israel and Palestine. The discussion also covered its processes for exiting, entering, or remaining in high-risk areas. LAPFF requested the company update its human rights statement.

Motorola Solutions

In a meeting with Motorola Solutions, LAPFF queried the company's approach to hHRDD in conflict zones, including Israel and Palestine, its processes for assessing risks associated with customers and products, and the company's inclusion on the UNOHCHR database.

GOVERNANCE

London Stock Exchange Group

Objective: LAPFF has been concerned about the weakening of standards relating to new entrants to the London listed companies' market, which has included, Aston Martin Lagonda, NMC Health, Finablr and Quindell, the former of which has lost >90% of its value since listing, the other three being 100% losses.

The LAPFF Executive convened a 'Capital Markets Working Group' in the light of a recent concerted campaign by some interests to further weaken the standards of the listing regime. That campaign has included the Capital Markets Industry Taskforce a coalition of "fee earning" interests rather than those of shareholders, such as issues of investor protection. It is chaired by the CEO of the London Stock Exchange.

Achieved: Further to an open letter sent in May 2024 to the Chair of London Stock Exchange Group (LSEG), two follow up letters have been required.

LAPFF requested an evidence-based approach, and to supply the evidence for assertions made to date. Because the response did not sufficiently address the issues, LAPFF wrote again in August 2024 and then again in October 2024. Each letter had made clear that LAPFF expected the May letter to be answered with evidence and accuracy. It was stressed that like any other listed company, LSEG should be making accurate representations to shareholders and the market about its own business.

As open letters, the correspondence achieved positive coverage in UK national, regional as well as international press.

To date, in LAPFF engagements with companies where the question about listings have been asked, none have said that over-regulation is a problem.



Nikhil Rathi, CEO of the Financial Conduct Authority

A Freedom of Information Request was undertaken with regards to the Financial Conduct Authority and replies have been received.

A session was run on the subject at the annual LAPFF conference in December 2024 and it is clear that the LAPFF position is widely held amongst significant asset owners as well as representative bodies such as the International Corporate Governance Network (ICGN).

In a session of the Treasury Select Committee in December 2024, the CEO of the FCA Nikhil Rathi said that linking growth objectives to capital markets regulation will mean that 'more things will go wrong over time'. Mr Rathi also said: "If we allow more risk into the system, sadly in the financial services industry-not just here, but around the world-it does sometimes attract people who do not have the best of intentions and we will not be able to stop everything." And that "The test will come when those things do happen and what the tolerance is, here in Parliament, for some of those situations when they crystallise."

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In Progress: A meeting with the Senior Non-Executive Director of LSEG is pending. The Capital Markets Working Group plans survey LAPFF members on these issues. The position of asset owners versus fund managers is particularly relevant to this area.

Housebuilders

Objective: As we drew closer to the target implementation year for the Future Homes Standard (2025), LAPFF continues to engaged with the UK's largest housebuilders across a range of environmental and governance topics. The sector remains responsible for significant emissions in both the building of houses as well as from homes in use. LAPFF also continues to monitor and challenge housebuilders on their governance standards and regulatory compliance within the sector. This is particularly relevant at the moment, as the industry is under scrutiny due to a Competition and Markets Authority (CMA) investigation into the alleged sharing of commercially sensitive information by eight housebuilders.

Achieved: LAPFF met with the Chair of Persimmon to discuss governance updates following significant changes in board composition and the ongoing CMA investigation. Climate strategy was also addressed, with plans for further follow-up on this topic in Q1 next year.

Persimmon acknowledged changes in its board governance, noting positive steps taken to address issues raised in a 2018 LAPFF meeting regarding executive pay. A key improvement since the board refresh has been Persimmon's upgrade in the National Home Builders Federation (HBF) rating, from 3-Star to 5-Star, as well as successfully recovering from its remuneration crisis. While Persimmon was unable to share specifics about the ongoing CMA investigation, it assured LAPFF of its full cooperation with the authority.

Persimmon highlighted its efforts to integrate sustainable innovations, such as air source heat pumps, into recent net-zero home developments in York and Malmesbury. The company acknowledged the ongoing challenge of balancing market demand, climate strategy, and the high costs of sustainable housing development with the need to maintain profitability. Persimmon also noted its anticipation of government guidance on the Future Homes Standard.

In Progress: LAPFF will continue its engagement with Persimmon, with a meeting scheduled with the company's Director of Sustainability in early 2025 to discuss climate strategy. LAPFF will also continue to monitor the outcomes of the CMA investigation and ongoing oversight of Persimmon's board governance to ensure alignment with governance standards.

HUMAN RIGHTS

Vale

Objective: LAPFF is a lead investor on the PRI Advance Vale engagement, along with Regia Capital (part of JGP Asset Management). The engagement objective with Vale is focused on managing grievances appropriately, governance as it relates to managing human rights risks, and employee and community feedback and engagement.

Achieved: During Q4 LAPFF met with Vale's Chief Sustainability Officer, Malu Paiva. The meeting focused on the company's ongoing efforts to strengthen safety measures and enhance community engagement practices. Vale shared progress on developing their grievance mechanisms, acknowledging that further work is needed. Vale also provided updates on initiatives aimed at improving safety for both employees and local communities, and efforts to enhance engagement and communication with communities. The company spoke on the introduction of community WhatsApp groups for sharing updates and news. It also acknowledged the challenges of previous approaches, such as leaflet campaigns, which were discontinued after being misinterpreted as marketing efforts.

Results from Vale's first community perception survey in 2022 indicated gaps in engagement with indigenous groups. Vale addressed this and spoke of the impact of COVID-19 restrictions, which had limited the company's ability to engage effectively with these groups.

Vale expects to have results from the latest community perception survey by February 2025 and expressed a willingness to discuss the findings with the PRI Advance engagement group.

The group also spoke briefly on the announcement of the new CEO Gustavo Piment, who replaced Eduardo Bartolomeo in October 2024.

In Progress: LAPFF has refined its engagement strategy with Vale to focus on key themes of grievances mechanisms, human rights governance, and employee and community feedback and engagement.

LAPFF also continues to participate as a support investor in the Anglo American PRI Advance engagement group.

Separate to the Advance initiative, LAPFF has also written to the Chair of Rio Tinto, Dominic Barton, with the aim of continuing discussion on Rio Tinto's approach to water issues.

Mining Council Australia (MCA)

Objective: The Minerals Council of Australia (MCA) is an advocate for Australia's minerals industry. The MCA initiated engagement with LAPFF to Page 192



Minerals Council of Australia chief executive officer Tania Constable

discuss environmental and social standards of mining companies operating in Australia.

Achieved: During the quarter, LAPFF met with Tania Constable, Chief Executive of the Minerals Council of Australia, whose members include several major mining companies that LAPFF engages with, including Anglo American, BHP, Glencore, and Rio Tinto. During the meeting LAPFF set out its expectations and heard from MCA about its approach to human rights, water stewardship, and climate change as they relate to the mining industry. LAPFF also raised the issue of lobbying practices and outlined expectations regarding corporate governance.

DECENT WORK

Objective: LAPFF has initiated a series of engagements to explore the ongoing use of zero-hours contracts (ZHCs) in the UK, focusing on implications for workers and company performance, and the potential impacts of proposed restrictions under the incoming 2024 Employment Rights

The Bill seeks to enhance employment rights by prohibiting exploitative ZHCs, granting 'guaranteed hours' contracts based on average hours worked over a reference period, as well as mandating compensation for last-minute shift cancellations. These measures are likely to pose challenges for companies which have become overly reliant on the use of ZHCs.



A housekeeper at a Holiday Inn Express Merida IHG hotel

During the quarter, LAPFF broadened its focus in engagements to include companies with exposure to low-hours contracts and third-party organisations which provide agency staff, many of whom may also be on ZHCs. This approach aims to raise with companies the issue of precarious employment arrangements, the associated risks, and the steps being taken to adapt to potential regulatory changes.

Achieved: During Q4, LAPFF Vice-Chair John Gray held meetings with the Chief People Officer and Chief Finance Officer of Hollywood Bowl, along with senior representatives at InterContinental Hotels Group (IHG) to discuss the issue of precarious work and implications of the

Hollywood Bowl

Hollywood Bowl outlined progress in transitioning away from the use of zero-hour contracts (ZHCs). Previously, the company reported to LAPFF that a small percentage of its hourly workforce, primarily university students, were on ZHCs. However, the company confirmed that these contracts would be phased out and replaced with fixed-term contracts.

The company expressed concerns over the impact the Bill would have on

providing flexibility for student workers. The company also outlined potential challenges in implementing guaranteed hours policies, particularly when the reference period coincides with busy seasons such as Christmas or school holidays. Hollywood Bowl confirmed that it was engaging with the government consultation on the Bill.

LAPFF met with IHG, whose business includes franchised, managed, and owned/leased hotels. IHG confirmed that hotels where it directly employs staff represent a small fraction of its brand, and that IHG phased out ZHCs before the proposed legislation. The decision behind phasing out ZHCs was made to enhance the hospitality sector's appeal to workers post-pandemic, show commitment to value employs and foster strong brand affinity amongst staff. While IHG could not comment on the number of or extent to which ZHCs are utilised elsewhere in its business, it assumes ZHCs may be used in franchise properties and managed hotels. IHG confirmed it engages with property owners through an owner association group and the upcoming legislation on ZHCs remains a key discussion point for this group.

IHG highlighted its ethics hotline for Page 193

employees across managed, leased, or owned properties, allowing complaints to be escalated through IHG operations, though resolution ultimately rests with property owners and franchisees. While IHG expressed general confidence about adapting to the Employment Rights Bill, LAPFF acknowledged the need for ongoing dialogue to monitor both the practical and financial implications of the legislation over time. IHG confirmed its openness to ongoing dialogue.

In Progress: As the Bill comes into effect, LAPFF plans to engage further with companies exposed to the ban on 'exploitative' ZHCs.

LAPFF maintains the view that, on balance, there is no clear evidence to suggest that business models relying on zero-hour contracts and precarious work outperform those with more inclusive human capital strategies. Where relevant, LAPFF continues to request enhanced disclosure from companies regarding their use of employment contracts.

CLIMATE CHANGE

Drax Group plc

Objective: Drax's Yorkshire power station is the UK's largest single emitter of carbon dioxide. LAPFF has focused for several years, from its own research as well as public coverage of the company, on Drax's business model which faces considerable challenges. These challenges include the continuation of government subsidy which is in excess of £500m a year. That subsidy runs out in 2027. There is now the additional proposition, so far not approved by HM Government, to add carbon capture and storage to Drax for what is called BioEnergy Carbon Capture and Storage (BECCS) which would require further subsidy, locked in for the duration of at least 25 years.

On the environmental side there are significant issues with claims of net zero as well as continuity of supply of imported wood pellets.

Achieved: LAPFF met with the Senior Non-Executive Director in December 2024. LAPFF had identified that Drax has been cutting down rare forest wood in Canada, and also reported that during the energy

crisis Drax had closed a plant as it was more profitable to sell the pellets than to use the pellets for power generation thus casting doubt on Drax's role in energy security.

The BBC reported in 2022 that Drax was sourcing pellets from whole trees from primary forests in Canada-as opposed to waste wood and sawdust. The BBC then identified that Drax took more than 40,000 tonnes of wood from so-called "old-growth" forests in 2023. Old-growth is some of the oldest forest, which the provincial government says provides "unique habitats, structures and ecological functions".

The BBC investigation broadly aligned with LAPFF research but the company defended the claims from the BBC publicly. However, in August 2024 Drax agreed to settle to the sum of £25m with Ofgem its regulator after its investigation which concluded:

"there was an absence of adequate data governance and controls in place that had contributed to: (i) Drax misreporting data in relation to their annual profiling submission to Ofgem for compliance period 1 April 2021 to 31 March 2022 ("CP20"); and (ii) Drax being unable to provide Ofgem with sufficient evidence demonstrating how its CP20 annual profiling submission had been arrived at and unable to support the reliability of its profiling data reporting of forestry type and sawlogs for Canadian consignments for that same period."

"Ofgem takes the importance of accurate data reporting very seriously, in this case by a company of significant size and a major scheme participant. Accurate information is important for a number of reasons, including helping to improve statistics on biomass use and to monitor the effects of biomass use on the areas of origin. This information is intended to enable the Secretary of State to understand and monitor the extent to which both primary forests and sawlogs are used in woody biomass, which has consequences for carbon emissions and biodiversity."

LAPFF notes that that the video on the Drax website from Drax's CEO rebutting the BBC position is now a dead-link.

LAPFF's original research also identified that the "catchment area" surveys Drax cites as showing that trees grow to match emissions by offset absorption don't actually do that. The



Cooling towers at Drax power station

surveys merely ask the question whether there has been a reduction in absorption capacity. That question doesn't address the needed increase in absorption capacity.

The one catchment area report that says that there may have been an increase in absorption capacity put that down to replacing indigenous hardwood with (mono-culture) pine. That is an ecological problem for biodiversity.

One of the outcomes of the meeting with the company was that the 'contracts for difference' scheme essentially sets a fixed price for power output. That meant that during the energy crisis (caused by the Ukraine war) the revenue from energy for Drax did not rise but the price of pellets in the open market did, thus it was revenue beneficial to sell pellets to other (uncapped) power producers rather than self-consume.

The extension of the current subsidy arrangements, and any progress to CCS (the former not necessarily dependent on the latter) is as yet undecided. However, it is of note that the position of the Official Opposition has changed and is now negative towards Drax and BECCs.

Also of note is this statement from the $\begin{array}{c} \text{new Secretary of State for Energy and Net} \\ Page \ 194 \end{array}$ Zero, Ed Miliband made on Monday 8th July 2024.

"In an unstable world, the only way to guarantee our energy security and cut bills permanently is to speed up the transition away from fossil fuels and towards homegrown clean energy."

Given that Drax supplies wood pellets from overseas, and UK forests do not have the capacity to make any appreciable alternative supply, there may be a problem with the term "homegrown".

In Progress: The issues LAPFF has raised are central to the business model and demonstrates the importance of good research and a depth of understanding of the investment risks.

The argument for the government to continue to support Drax is the claim that "the UK can't be carbon net-zero by 2050 without it" thus Drax with carbon capture and storage (CCS) would result in "negative emissions". The problem with that is several fold:

- 1) security of supply of pellets
- 2) ecological issues
- 3) water supply as CCS is very water intensive
- 4) ammonia is a toxic chemical used in large quantities in the process

5) the cost of government support for CCS on top of the existing subsidy, which has an effect on electricity prices – which as well as affecting domestic consumers also raises the cost of power for electricity intensive new industries e.g. steel from electric arc furnaces

6) the fact that all that CCS would do – if it were to work – would be to remove the carbon dioxide from burning the woody biomass that wouldn't have been emitted if the wood were not burned. Drax with CCS would only be "negative" if counteracting tree growth due to the cutting of trees also matched emissions, which due to the long growth cycle is not the case and something that is not currently proven.

Airlines

Objective: Following the "Aviation, decarbonisation and synthetic fuels ('synfuel')" paper which was produced for LAPFF and shared at the October LAPFF Business Meeting, LAPFF continues to engage with airlines and aviation fuel suppliers, who as an industry, account for approximately 2% of global CO2 emissions.

Achieved: During the quarter, LAPFF met with Wizz Air and IAG, gaining insights and reaffirming its understanding of the aviation industry's approach to decarbonisation, building on similar discussions with Ryanair in Q₃.

At the time of the meeting, Wizz Air had not yet committed to a net-zero target but plans to publish one by April 2025. The company is reassessing its approach in light of evolving Science Based Targets initiative (SBTi) guidance and will complete internal evaluations by the end of this year to establish a roadmap for 2030-2035 targets. IAG has already committed to achieving net-zero emissions by 2050, aligning with global aviation bodies such as IATA and ICAO. Its strategy includes interim goals, such as a 10% use of Sustainable Aviation Fuel (SAF) by 2030 and reducing overall emissions by 20% by 2030 compared to 2019 levels. Both Wizz Air and IAG noted their short, medium and long term goals with regards emissions reductions.

For the short term, Wizz Air is investing in Airbus A321 NEO aircraft with advanced engines, enhancing

fuel efficiency and reducing emissions per seat. Its goal is to lower emissions intensity to 42 grams of CO2 per passenger kilometre by 2030. Similarly, IAG is focusing on operational efficiency and fleet upgrades to achieve near-term reductions in carbon intensity.

In the medium term, both airlines are advancing SAF as a cornerstone of their decarbonisation strategies. Wizz Air has secured long-term SAF supply agreements, while IAG is targeting 10% SAF use by 2030 and 70% by 2050. IAG is also actively advocating for SAF mandates and incentives, partnering with producers like 12 Power Liquid to accelerate SAF technology development.

With regards long term approach, both Wizz Air and IAG are exploring hydrogen-powered aircraft, both similarly acknowledging infrastructure and cost hurdles that make adoption unlikely before the mid-2030s for smaller aircraft and before 2040/50 for larger planes. IAG is investing in disruptive technologies like hydrogen fuel cells and carbon removal solutions, including direct air capture, to address residual emissions. It emphasises the need for regulatory support to scale these technologies.

IAG supports carbon pricing mechanisms, such as the UK and EU emissions trading schemes and the global CORSIA framework, while advocating for enhancements to include all emissions and extend timelines to 2050. Additionally, IAG integrates carbon efficiency into its operational practices, tying 10% of managers' bonuses to carbon reduction targets. The company continues to engage with policymakers to promote SAF production and ensure regulatory frameworks align with industry goals.

In Progress: Airlines highlighted additional operational challenges in improving emissions intensity, including idling on runways and circling over airports while waiting to land. Both companies noted stricter climate-related regulation requirements for flights within the EU compared to longer-haul flights outside the EU. LAPFF recognises these challenges and may explore future engagement with airport authorities and regulatory bodies to gain their perspective on these issues. Additionally, LAPFF continues its engagement with Shell and BP, two key suppliers of aircraft fuel.

BP & Shell

Objective: During the quarter LAPFF continued engagement with Shell and BP. LAPFF's approach has remained to test oil and gas companies beyond claims of decarbonisation based on existing business models to challenge the viability of the current business. This expectation, based on LAPFF policy, is that the demand for hydrocarbons will



Shell oil jet-a1 refuelling tanker Page 195

1) reduce in aggregate terms; and 2) that demand will be met by lowest cost producers. BP has been regarded as at the better end of the sector in recognising climate change as an issue but faces the same competitive and structural pressures above from what is a disruptive transition due to disruptive alternative technologies. The war in Ukraine has increased governments' focus on reducing reliance on fossil fuels on energy security and price volatility grounds.

What seems to be an inevitable shrinkage in the sector, not matched by growth from elsewhere, supports the argument for more cash returns to shareholders instead.

Achieved Shell: From meeting the then new Chair of Shell in 2023, LAPFF believes that the position holds that the company is better run from the top, as the Chair has a more realistic grasp of the issues at stake regarding decarbonisation and is a plainer communicator.

As an example, there is less emphasis on "nature based solutions" (i.e. planting trees) as the IPCC regards that as necessary for hard to abate sectors, not fossil fuel companies.

LAPFF has previously questioned the extent to which its climate change strategy has been sufficiently integrated into business planning and financing. LAPFF was therefore pleased that there has been restructuring and the energy transition work and corporate strategy now reports to the CFO.

Achieved BP: The new CEO Murray Auchincloss appeared at the LAPFF Annual Conference in December. He set out the focus on the business going forward. The intent is to increase investment in non-fossil capital items from 30% of cash flows to 50% by 2030. He also set out that initial approval has been given for "Net Zero Teesside" which includes a gas based hydrogen plant as part of a CCS cluster which will include decarbonising adjacent Teesside chemical industries.

LAPFF had noted some rowing back from the company's 2023 carbon reduction targets. Although BP has made some commitment to investment in renewables, and is stating the supply of power for electric vehicles is a growth area, it does appear that the company

has substantial threats to its business model regarding the scope of no-carbon products that would fully replace the scale of the fossil fuel business, and that expectation of more cash returns to shareholders should be more clearly set out.

After the conference BP announced that it will be transferring all of its offshore wind assets into a joint venture with Japanese power generator Jera. That has been reported in the press as rowing back from its commitment to offshore renewables. However, it does achieve – an unstated – outcome of separating (hence ring fencing) legacy fossil fuel assets from renewable – non-legacy – assets.

In Progress Shell: LAPFF continues to challenge whether CCS can be made to work as a line of business, given that the costs involved make it a last resort if cheaper substitute energy sources are not possible. Developments in aviation fuels and biofuels need to be examined in more detail, particularly as the mode of synthetic aviation fuel Shell refers to is to take CO2 resulting from combustion by carbon capture from elsewhere and converting it – by an energy intensive process – into a hydrocarbon. That is not a contribution to net zero. That is merely using the same emission twice, whilst still resulting in an emission.

CCS has been given prominence for, inter alia, gas (methane) for power, hydrogen for home heating, hydrogen for ammonia production and hydrogen for steel making. All of these have non-fossil hydrogen alternatives. It should be noted that CCS for coal was heavily promoted as a way of maintaining coal demand, but never materialised with the phase out of coal on economic as well as emissions grounds. There is the same risk with gas.

In this quarter Shell has announced that it will be placing its North Sea oil and gas assets into a joint venture with Equinor.

In Progress BP: Monitoring of the net zero progress – or lack of – continues.

Energy utilities

Objective: LAPFF has engaged National Grid for several years. During 2024 the focus has been on the company's approach to lobbying, following a low Page 196

InfluenceMap score, and the potential for the use of gas in home heating/cooling to undermine the company's approach to decarbonisation.

Achieved: With regards corporate lobbying, National Grid expressed frustration with some aspects of the methodology applied by the InfluenceMap's evaluations, emphasising that the company's continued participation in trade and industry associations allows them to influence climate policies from within. The company acknowledged LAPFF's concern however and confirmed it would assess the drivers behind the low score.

LAPFF supported National Grid's transition plan presented at the 2024 AGM, but differing views on the role of gas in heating were highlighted in the meeting. National Grid confirmed it has modelled various scenarios involving gas heating, highlighting that cost implications for customers remain a key concern. The company also stressed that meaningful progress requires collaboration and support from regulators and other key stakeholders. In the US, National Grid reported seeing growing state support for electrification in the regions where it operates. However, it noted that current efforts to electrify the network do not yet match the ambition required, particularly in terms of affordability. The company re-emphasised that affordability will ultimately shape the options available to customers.

Since meeting with National Grid, the company has announced proposals to invest up to £35 billion in its UK electricity transmission network between 2026 and 2031. The plan includes upgrading 3,500 kilometers of overhead lines which will nearly double energy transport capacity, and also develop and deliver major network reinforcement and expansion projects. Chief Executive John Pettigrew described it as "the most significant step forward in the electricity network in a generation."

In Progress: LAPFF will continue to engage National Grid with a focus on corporate lobbying and the use of gas.

Asia Research and **Engagement's Energy Transition Platform**

Objective: A focus area for LAPFF is the significant role that banks play in the energy transition, both in continuing to support fossil fuel energy and in financing low carbon alternatives. As part of LAPFF's involvement with Asia Research and Engagement investor group, the Forum seeks to engage with major financial institutions in Asia to improve their alignment with a 1.5°C pathway. This seeks enhanced disclosure, strengthened transition finance frameworks, and the adoption of clearer policies relating to the financing of more emissions intensive energy sources such as coal and oil sands.

Achieved: In the quarter LAPFF met with three Japanese banks to discuss their approach to financing the transition.

Mizuho Financial Group

Mizuho Financial Group has improved its approach to environmental and social governance by expanding its E&S Policy to include wood-based biomass as a monitored sector. Furthermore, the bank introduced a 1.5°C criteria within its FY2024 transition risk control framework.

Sumitomo Mitsui Banking Corporation (SMBC)

SMBC has developed a Transition Finance Playbook relative to its transition financing strategy. This playbook not only provides guidelines for transactions but also incorporates annual client progress assessments to ensure alignment with its sustainability goals. Using this, SMBC is taking steps to align its financing activities with climate transition requirements while managing its own financed emissions.

Mitsubishi UFJ Financial Group

Mitsubishi UFJ Financial Group has introduced a 'transition evaluation framework' launched in April 2024, which evaluates projects and corporate financing against its 1.5°C pathway criteria. Each project undergoes a rigorous E&S checklist review by the relationship manager and HQ approval. This approach reflects MUFG's effort to institutionalise climate considerations within its decision-making processes.

Although still in its early stages, the framework lays the foundation for scaling up sustainable financing while ensuring that funded activities align with climate transition goals.

In Progress: While notable progress has been achieved there remain significant gaps in transparency, sectoral exclusions, and clear escalation pathways. As regulations like the Corporate Sustainability Due Diligence Directive (CSDDD) and Net Zero Banking Alliance guidelines evolve, LAPFF expects financial institutions to enhance their disclosures and actions, ensuring alignment with a 1.5°C pathway.

WATER STEWARDSHIP

Chipotle

Objective: 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 timebound targets to reduce negative impacts on freshwater.

Achieved: In April 2024 Chipotle published its sustainability report which included a goal to support water stewardship efforts to conserve and restore watersheds in priority regions. Whilst the setting of the goal was welcomed by LAPFF, the target itself lacked specificity, making it difficult to assess the extent to which the goal is effective in reducing water stress within the company's value chain.

In Progress: In December 2024 LAPFF met again with Chipotle to discuss the previously established water goal. The company indicated it was working to develop a more focussed target, including a potential incentive for agricultural farming practices.
Page 197 suppliers to adopt additional regenerative

ENVIRONMENTAL

Nature Action 100

Objective: Nature Action 100 (NA100) is a global investor-led initiative designed to assess and promote corporate actions aimed at reversing nature and biodiversity loss. Its primary objective is to mitigate financial risks and protect the long-term economic interests of investors by supporting greater corporate ambition and action.

Launched in October 2024 during the United Nations Biodiversity Conference (COP16) in Cali, Colombia, the initiative includes a benchmark which evaluates companies across six high-level indicators: Ambition, Assessment, Targets, Implementation, Governance, and Engagement. These indicators are aligned with the initiative's 'Investor Expectations for Companies', providing a comprehensive framework for assessing corporate progress toward nature-positive outcomes.

Achieved: During Q4 LAPFF engaged with Zoetis, Novo Nordisk and Merck & Co as part of the NA100 initiative. The engagement with Zoetis, focussed on action the company was planning following the conclusion of double materiality assessments undertaken during 2025. The company was further asked to explore alignment with the Taskforce on Nature-related Financial Disclosures (TNFD) and the Science Based Targets Network (SBTN). Discussions highlighted the company's progress in evaluating the environmental impact of its value chain and transitioning towards preventative healthcare solutions.

The focus of the Novo Nordisk engagement related to the extent to which the company aligned with the NA100 benchmark. Novo outlined initial steps in addressing nature and biodiversity challenges, including integrating these topics into its double materiality assessments and expanding its focus on water and raw materials impacts.

In a second collaborative meeting with Merck & Co, LAPFF focused on the company's response to the NA100 benchmark being published, with an emphasis on the governance and assessment pillars. Merck referenced the potential for enhanced disclosures on the issue of nature and biodiversity,

alongside assessing its up and downstream supply chains.

In Progress: LAPFF will continue its engagements with companies under the NA100 initiative, focusing on encouraging these companies to develop measurable targets and timelines for addressing biodiversity and nature-related risks. The Forum aims to support companies in aligning their approach to managing biodiversity risks with established best practice frameworks.

In Progress: Follow-up discussions will seek further clarity on how these companies integrate nature-positive actions into their value chains and ensure enhanced public disclosures, particularly as regulatory requirements such as the CSRD come into effect.

Tobacco

Objective: There is mounting global pressure on companies to address single-use plastics in their product ranges. This affects the tobacco industry producing cigarette butts, which are the most littered item globally and made predominantly of plastic. LAPFF has been engaging the tobacco industry throughout 2024 to understand how companies are assessing risk areas as it relates to plastic pollution, and modelling for potential needs to adapt their business models to a changing regulatory environment, as well as how they are looking at plastic alternatives.

Achieved: LAPFF engaged with British American Tobacco (BAT) to discuss its approach to addressing plastic waste,

including cigarette filters and single-use plastics in its product range. BAT outlined its ongoing pilots and initiatives, such as the use of recycled and bio-based plastics in its Velo products and takeback schemes for vaping devices. The company also highlighted its circularity strategy and efforts to innovate within its product design and supply chain to meet regulatory requirements like the EU Single-Use Plastics Directive.

In Progress: As the regulatory environment develops, LAPFF will monitor cigarette companies to assess the scalability of projects incorporating circular economy principles into their business models. Despite projects on next generation or alternative products, the tobacco industry appears too slow to address the issue of cigarette filters.



Cigarette filters are considered a major environmental problem Page 198

COMPANY PROGRESS REPORT

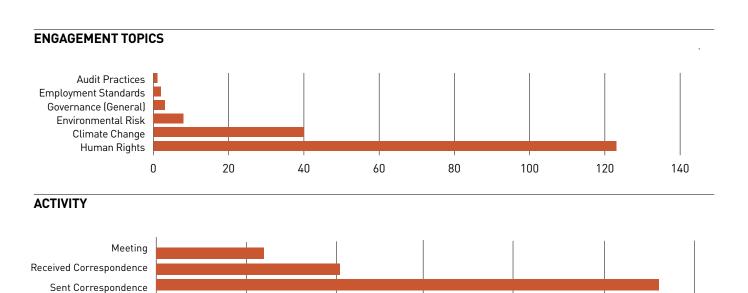
LAPFF held 24 meetings with companies during Q4. In addition, LAPFF received 38 responses from companies regarding their climate transition plans. LAPFF also sent a letter to 94 constituents of the FTSE100 regarding CAHRAs.

Company/Index	Activity	Торіс	Outcome
BAYERISCHE MOTOREN WERKE AG	Meeting	Human Rights	Small Improvement
BHP GROUP LIMITED (AUS)	Meeting	Environmental Risk	Dialogue
BOOKING HOLDINGS INC.	Meeting	Human Rights	Dialogue
BRITISH AMERICAN TOBACCO PLC	Meeting	Environmental Risk	Dialogue
CHIPOTLE MEXICAN GRILL INC	Meeting	Environmental Risk	Small Improvement
DRAX GROUP PLC	Meeting	Environmental Risk	Dialogue
FORD MOTOR COMPANY	Meeting	Human Rights	Small Improvement
GENERAL MOTORS COMPANY	Meeting	Human Rights	Small Improvement
HOLLYWOOD BOWL GROUP PLC	Meeting	Employment Standards	Dialogue
INTERCONTINENTAL HOTELS GROUP PLC	Meeting	Employment Standards	Dialogue
INTERNATIONAL CONSOLIDATED AIRLINES GROUP SA	Meeting	Climate Change	Dialogue
MERCEDES-BENZ GROUP AG	Meeting	Human Rights	Moderate Improvement
MERCK & CO. INC.	Meeting	Environmental Risk	Change in Process
MITSUBISHI UFJ FINANCIAL GRP	Meeting	Climate Change	Moderate Improvement
MIZUHO FINANCIAL GROUP INC	Meeting	Climate Change	Moderate Improvement
MOTOROLA SOLUTIONS INC.	Meeting	Human Rights	Dialogue
NATIONAL GRID PLC	Meeting	Environmental Risk	Change in Process
NOVO NORDISK A/S	Meeting	Environmental Risk	Change in Process
PERSIMMON PLC	Meeting	Audit Practices	Moderate Improvement
SUMITOMO MITSUI FINANCIAL GROUP	Meeting	Climate Change	Dialogue
TBC BANK GROUP PLC	Meeting	Governance (General)	Dialogue
VOLKSWAGEN AG	Meeting	Human Rights	Small Improvement
WIZZ AIR HOLDINGS PLC	Meeting	Climate Change	Change in Process
ZOETIS INC.	Meeting	Environmental Risk	Dialogue
BAYERISCHE MOTOREN WERKE AG	Meeting	Human Rights	Small Improvement
BHP GROUP LIMITED (AUS)	Meeting	Environmental Risk	Dialogue
BOOKING HOLDINGS INC.	Meeting	Human Rights	Dialogue
BRITISH AMERICAN TOBACCO PLC	Meeting	Environmental Risk	Dialogue
CHIPOTLE MEXICAN GRILL INC	Meeting	Environmental Risk	Small Improvement
DRAX GROUP PLC	Meeting	Environmental Risk	Dialogue
FORD MOTOR COMPANY	Meeting	Human Rights	Small Improvement
GENERAL MOTORS COMPANY	Meeting	Human Rights	Small Improvement
HOLLYWOOD BOWL GROUP PLC	Meeting	Employment Standards	Dialogue
INTERCONTINENTAL HOTELS GROUP PLC	Meeting	Employment Standards	Dialogue
INTERNATIONAL CONSOLIDATED AIRLINES GROUP SA	Meeting	Climate Change	Dialogue
MERCEDES-BENZ GROUP AG	Meeting	Human Rights	Moderate Improvement
MERCK & CO. INC.	Meeting	Environmental Risk	Change in Process
MITSUBISHI UFJ FINANCIAL GRP	Meeting	Climate Change	Moderate Improvement
MIZUHO FINANCIAL GROUP INC	Meeting	Climate Change	Moderate Improvement
MOTOROLA SOLUTIONS INC.	Meeting	Human Rights	Dialogue
NATIONAL GRID PLC	Meeting	Environmental Risk	Change in Process
NOVO NORDISK A/S	Meeting	Environmental Risk	Change in Process
PERSIMMON PLC	Meeting	Audit Practices	Moderate Improvement
SUMITOMO MITSUI FINANCIAL GROUP	Meeting	Climate Change	Dialogue
TBC BANK GROUP PLC	Meeting	Governance (General)	Dialogue
VOLKSWAGEN AG	Meeting	Human Rights	Small Improvement
WIZZ AIR HOLDINGS PLC	Meeting	Climate Change	Change in Process
ZOETIS INC.	Meeting	Environmental Risk	Dialogue
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ENGAGEMENT DATA



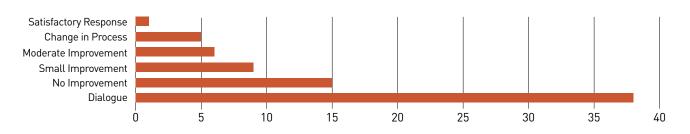
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MEETING ENGAGEMENT OUTCOMES*

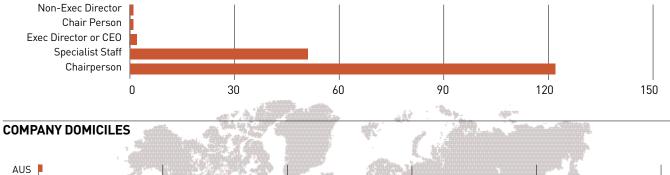
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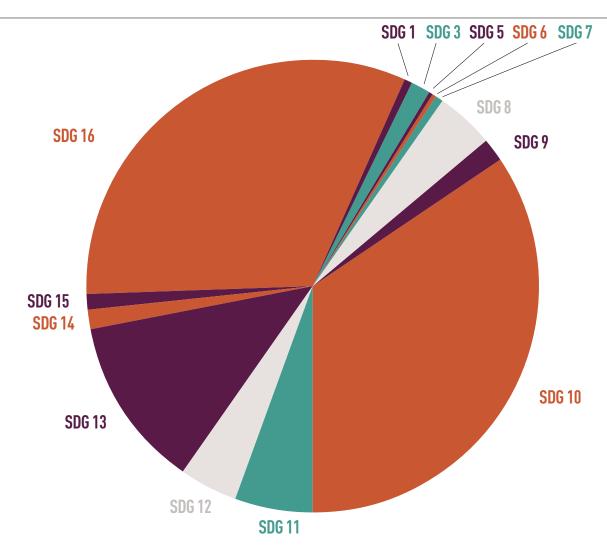
 $[\]ensuremath{^{*}\text{Outcomes}}$ data is taken from 'Meetings', 'AGMs' and 'Received Correspondence' only







ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS	
SDG 1: No Poverty	2
SDG 2: Zero Hunger	0
SDG 3: Good Health and Well-Being	5
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SDG 5: Gender Equality	1
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LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Avon Pension Fund Barking and Dagenham Pension Fund Barnet Pension Fund Bedfordshire Pension Fund Berkshire Pension Fund Bexley (London Borough of) Brent (London Borough of) Cambridgeshire Pension Fund Camden Pension Fund Cardiff & Glamorgan Pension Fund Cheshire Pension Fund City of London Corporation Pension Fund Clwyd Pension Fund (Flintshire CC) Cornwall Pension Fund Croydon Pension Fund Cumbria Pension Fund Derbyshire Pension Fund Devon Pension Fund Dorset Pension Fund Durham Pension Fund Dyfed Pension Fund Ealing Pension Fund East Riding Pension Fund East Sussex Pension Fund Enfield Pension Fund

Environment Agency Pension Fund Essex Pension Fund Falkirk Pension Fund Gloucestershire Pension Fund Greater Gwent Pension Fund Greater Manchester Pension Fund Greenwich Pension Fund Gwynedd Pension Fund Hackney Pension Fund Hammersmith and Fulham Pension Fund Haringey Pension Fund Harrow Pension Fund Havering Pension Fund Hertfordshire Pension Fund Hillingdon Pension Fund Hounslow Pension Fund Isle of Wight Pension Fund Islington Pension Fund Kensington and Chelsea (Royal Borough of) Kent Pension Fund Kingston upon Thames Pension Fund Lambeth Pension Fund Lancashire County Pension Fund Leicestershire Pension Fund Lewisham Pension Fund

Lincolnshire Pension Fund London Pension Fund Authority Lothian Pension Fund Merseyside Pension Fund Merton Pension Fund Newham Pension Fund Norfolk Pension Fund North East Scotland Pension Fund North Yorkshire Pension Fund Northamptonshire Pension Fund Nottinghamshire Pension Fund Oxfordshire Pension Fund Powys Pension Fund Redbridge Pension Fund Rhondda Cynon Taf Pension Fund Scottish Borders Pension Fund Shropshire Pension Fund Somerset Pension Fund South Yorkshire Pension Authority Southwark Pension Fund Staffordshire Pension Fund Strathclyde Pension Fund Suffolk Pension Fund Surrey Pension Fund Sutton Pension Fund

Swansea Pension Fund
Teesside Pension Fund
Tower Hamlets Pension Fund
Tyne and Wear Pension Fund
Waltham Forest Pension Fund
Wandsworth Borough Council Pension
Fund
Warwickshire Pension Fund
West Midlands Pension Fund
West Yorkshire Pension Fund
Westminster Pension Fund
Wiltshire Pension Fund
Wittshire Pension Fund
Worcestershire Pension Fund

Pool Company Members ACCESS Pool Border to Coast Pensions Partnership LGPS Central Local Pensions Partnership London CIV

Northern LGPS Wales Pension Partnership

Shropshire County Pension Fund Climate Stewardship Plan



1. Introduction

In August 2020 Shropshire County Pension Fund ("The Fund") received an in-depth Climate Risk Report from its pooling company, LGPS Central Limited. One of the key recommendations from this report was for the Fund to develop a Climate Stewardship Plan. The Climate Stewardship Plan identifies specific investee companies and portfolio managers in which stewardship techniques can be leveraged to further understand and manage climate-related risks within the Fund. The Climate Stewardship Plan aligns with and is supportive of the Task Force on Climate-related Financial Disclosures (TCFD) and relates to the third pillar — Risk Management.

The Climate Stewardship Plan focuses specifically on climate change and complements ongoing stewardship activities on other environmental, social and governance factors.

The Climate Stewardship Plan operates alongside the wider context, that for investments outside of LGPS Central, corporate engagements are also carried out through the appointed asset managers. In addition to LGPS Central the Fund also invest in equities through Legal and General Investment Management (LGIM). The Fund also engages Columbia Threadneedle Investments to carry out further engagement work with invested companies globally and is a member of the Local Authority Pension Fund Forum (LAPFF). The Fund has regular oversight of and discussions with LGIM and Columbia Threadneedle Investments on their stewardship activity.

2. Scope

The Fund's Climate Risk Report included a bottom-up Carbon Risk Metrics analysis of its equity portfolios. The Carbon Risk Metrics utilised included: portfolio carbon footprint (weighted average carbon intensity), exposure to fossil fuel reserves, weight in clean technology, carbon risk management (via the Transition Pathway Initiative) and financed emissions. The companies recommended for engagement were identified based on the following factors:

- Perceived level of climate risk, considering carbon risk metrics
- Weight of the company in the Fund
- Ability to leverage investor partnerships

The fund managers recommended for engagement were identified based on the following factors:

- Perceived level of climate risk, considering carbon risk metrics and climate scenario analysis
- Size (by AUM) of the portfolio
- Whether the mandate is expected to be long-term

3. Climate Stewardship Plan

The Fund will monitor engagements with a focus list of investee companies that face a high level of climate risk and are of particular significance to the Fund's portfolio. Six companies¹ are captured by the Climate Action 100+ (CA100+) engagement project², in which our pooling company LGPS Central is an active participant.

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.

Officers meet with Investment Managers on a quarterly basis to challenge and hold them to account on the companies they hold within their portfolios which have been identified within the stewardship plan. Updates on engagement and voting activities are provided on a quarterly basis to Pension Committee as part of the Corporate Governance report.

In leveraging this investor initiative, the Fund is able to engage and monitor progress for the focus list companies against a newly established CA100+ Net Zero benchmark Framework. All companies have been asked to set a 2050 net zero emissions ambition and to provide verifiable evidence of how that will be achieved in the short, medium and long-term. The first company assessments have been released by the IIGCC and the results are publicly available.

Company response and engagement progress will feed into voting decisions undertaken by the Fund. The Fund will engage these investee companies on all elements of the CA100+ framework but with particular emphasis on:

Company	Sector	Portfolio	Issue/ Objective
Lafargeholcim	Materials	LGPS Central Global Equity Active Multi Manager Fund	 Paris-aligned accounts in line with IIGCC's Investor Expectations Continued improvement in achievement of CA100+ high level objectives Concerns over Scope 3 emissions
NextEra Energy	Utilities	 LGPS Central Global Equity Active Multi Manager Fund LGPS Central Global Sustainable Equities 	 Net Zero GHG emissions by 2050 or sooner ambition Capital allocation alignment with Paris Agreement Commitment Science Based Targets

-

¹ TSMC and Linde PLC are not part of the Climate Action 100+ engagement project.

² Climate Action 100+ (CA100+) was initiated in December 2017 and is supported by more than 500 investors with 47 trillion USD in AUM. The project builds on a relatively simple but powerful logic: Engage and influence the highest emitters (80% of global industrial emissions) and you influence whole sectors, markets and the global economy with a view to assisting an orderly transition to a low-carbon economy.

Royal Dutch Shell	Energy	 LGIM Solactive Portfolio LGPS Central Global Equity Active Multi Manager Fund 	 To set and publish targets that are aligned with the goal of the Paris Agreement To fully reflect net zero ambition in its operational plans and budgets To set a transparent strategy on achieving net zero emissions by 2050
CRH PLC	Materials	LGPS Central Global Equity Active Multi Manager Fund	 New addition as per the 2022 Climate Risk report Achievement of CA100+ high level objectives To duly account for climate risks in financial reporting
Taiwan Semiconductor Manufacturing Company Ltd (TSMC)	Technology	LGPS Central Global Equity Active Multi Manager Fund	 New addition as per the 2023 Climate Risk report Not part of CA100+ engagement To duly account for climate risks in financial reporting
Linde PLC	Industrials	LGPS Central Global Equity Active Multi Manager Fund	 New addition as per the 2023 Climate Risk report Not part of CA100+ engagement Development Net Zero Transition Plan
L'Air Liquide	Industrials	LGIM Solactive Portfolio	 New addition as per the 2023 Climate Risk report Achievement of CA100+ high level objectives
BP	Energy	LGIM Solactive Portfolio	 New addition as per the 2024 Climate Risk report Capital Expenditure aligned with net zero Revision of Climate Targets
Glencore	Mining	LGPS Central Global Equity Active Multi Manager Fund	 New addition as per the 2024 Climate Risk report Coal production pathways and emissions targets Capitalisation plans re materials required for energy transition

The Fund will monitor 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

4. Timeline

The Climate Stewardship Plan sets stewardship objectives over several years, and the Fund will report on progress annually through its public facing Climate Risk Report. The next progress update is expected in Q4 2025. During the annual refresh of the Carbon Risk Metrics analysis, the focus list of investee companies and Fund Managers will be reviewed and amended if required.



By email to: LGPensions@communities.gov.uk

In consultation with the Pensions Committee of the Shropshire Pension Fund we welcome the opportunity to respond to the Open consultation - LGPS: Fit for the future.

The Shropshire County Pension Fund (the Fund) is part of the LGPS Central pool (the pool). The Fund remains committed to work collaboratively alongside other Partner Fund colleagues in the pool to ensure the future success of our pooling company LGPS Central Limited (LGPSC).

LGPS pooling

Question 1: Do you agree that all pools should be required to meet the minimum standards of pooling set out above?

The Fund agrees that all LGPS pools should be required to establish themselves as investment management companies authorised and regulated by the FCA. However, the Fund has concerns about the other minimum standards listed (implementation, investment advice, transfer of legacy assets and due diligence on local investments) which are covered in the Fund's responses to the following questions.

Question 2: Do you agree that the investment strategy set by the administering authority should include high-level investment objectives, and optionally, a high-level strategic asset allocation, with all implementation activity delegated to the pool?

The Fund believes that Administering Authorities (AAs) and Funds should continue to set their own detailed Strategic Asset Allocation (SAA) criteria for LGPSC to implement (i.e. at a sub asset class level and covering core areas of risk e.g., active versus passive). Whilst the Fund accepts and supports the rationale for pooling investments, it is the Fund and its Scheme employers that are responsible for meeting their individual long-term liabilities. Therefore, to fully meet their Fiduciary Duty, the AA / Fund, through the Pensions Committee requires a greater degree of influence over the Fund's investment strategy than the Government is setting out in the consultation.

The Fund is concerned about the separation of responsibility for managing the investments from managing the liabilities of the Fund. The Fund governance structure includes elected members and representatives of employers and scheme

members. Assuming the Pools are able to take on the proposed roles, they will make all the decisions, but take none of the risk. The consequences of their actions will fall back on the employers of the Pension Fund creating a misalignment of power and risk that we feel is inappropriate.

Question 3: Do you agree that an investment strategy on this basis would be sufficient to meet the administering authority's fiduciary duty?

No, we do not believe that the proposed arrangements allow the AA / Fund to fully meet its Fiduciary Duty.

Question 4: What are your views on the proposed template for strategic asset allocation in the investment strategy statement?

For the Fund to set a SAA that is aligned with its own liability profile, funding strategy, risk appetite and cashflow requirements whilst also fully meeting its Fiduciary Duty then we suggest a greater level of detail is required to assist LGPSC to implement the Fund's investment strategy to meet the Fund's objectives. This includes the following key points:

- The strategic asset allocation should be set by the AA and not the pool.
- Listed equities is a very broad asset class and takes no account of the
 requirement for active / passive management or style factors e.g growth,
 value. These are key factors in achieving diversification within an equity
 portfolio and delivering the required risk adjusted returns. As a minimum we
 would expect AA to be able to select management style, regional allocation
 and specific ESG/Net Zero implications.
- We don't believe that the proposed template for strategic asset allocation contains sufficient granularity for an AA to retain adequate control of their investment strategy, or capture fund specific circumstances, given the fact that AAs, employers and admitted bodies will ultimately be required to increase contributions should there be adverse funding level outcomes.

Question 5: Do you agree that the pool should provide investment advice on the investment strategies of its partner AAs? Do you see that further advice or input would be necessary to be able to consider advice provided by the pool – if so, what form do you envisage this taking?

Whilst there may be some merit in LGPSC providing advice to those Partner Funds that require such on certain matters, the Fund believes that there is a clear conflict of interest with LGPSC being the principal, and potentially sole adviser to a Partner Fund, whilst also being responsible for implementing that Fund's investment strategy. The Fund strongly believes that external independent advice is more effective and will continue to utilise such to challenge the decisions of LGPSC. Our key concerns are listed below:

 Combining the provision of strategic investment advice with the investment management function runs the risk of introducing a significant potential conflict of interest and eroding clear accountability for investment outcomes.
 We believe that the two functions should be kept separate and that pools should continue to work collaboratively with partner funds to understand their investment strategy requirements and consider the most effective implementation options. We do not agree that pools providing investment advice would subsequently ensure that advice was free from competing interests.

- We have concerns regarding the expertise that pools have to provide strategic investment advice. Investment strategy for the LGPS requires careful consideration, knowledge and expertise in pension liabilities and specialist areas of advice, which can only be built up over time and with significant resource.
- From a governance perspective, independent advice, scrutiny and oversight of the investment decisions taken by the pool is essential, therefore external consultancy support / advice would be required.

Question 6: Do you agree that all pools should be established as investment management companies authorised by the FCA, and authorised to provide relevant advice?

We believe that the pools are best placed to respond to this question. We are already part of an FCA authorised pool.

Question 7: Do you agree that administering authorities should be required to transfer all listed assets into pooled vehicles managed by their pool company?

The Fund agrees that all public market listed assets should be transferred into pooled vehicles where this provides value for money and / or added value. It should not be mandatory where assets, such as passive assets, already well managed in relatively cheap unit linked life policies, can be managed outside of an Authorised Contractual Scheme (ACS) under advisory agreements with the pool company.

Question 8: Do you agree that administering authorities should be required to transfer legacy illiquid investments to the management of the pool?

The Fund does not agree that it should be mandated to transfer legacy illiquid assets to LGPSC to manage.

- Our key concern is that we see very little benefit of transferring legacy illiquid investments to the pool. There are no buy and sell decisions to be made with these assets. To transfer ownership would create enormous legal and ongoing management fees and to transfer purely the administration of cashflows on legacy assets would introduce a layer of costs with no added value.
- This requirement is likely to lead to pools managing a significant number of legacy illiquid investments e.g. although we only have one legacy private equity manager, they currently manage a total of 18 sub-funds covering approximately 12,000 companies. This would require a significant amount of resource for the pool to manage.
- We agree that future commitments to private markets strategies should be done via the pool, providing the pool has a viable investment option for the asset class, including alignment with an AA's responsible investment policy.

 The setting of an arbitrary deadline would be very unhelpful and in no way cost effective.

Question 9: What capacity and expertise would the pools need to develop to take on management of legacy assets of the partner funds and when could this be delivered?

The pools would be required to significantly increase their expertise and level of resources to be able to take on the oversight and management of all legacy assets. This would potentially be at a significant extra cost to Partner Fund's with limited ability to add real value in the case of long-term illiquid legacy assets. The Fund believes that the Government should not dictate the timescale for legacy assets to be transferred to the pool but allow Partner Funds and pool companies to work together to manage the run-off of legacy assets with any new allocations being reinvested via pooled products where suitable products are available. The setting of an arbitrary deadline would be very unhelpful and in no way cost effective.

Question 10: Do you have views on the indicative timeline for implementation, with pools adopting the proposed characteristics and pooling being complete by March 2026?

The Fund believes the indicative timeline is unrealistic given the breadth and depth of services the pool will be required to provide, as set out in the consultation. We do not believe that a fixed deadline provides funds with the most efficient or costeffective solution for transferring fund assets. We believe that LGPS funds and their pools are best placed to determine a reasonable, appropriate and deliverable timetable for the transition of assets, with due regard for the Government's wider investment objectives. The proposed deadline creates a real risk of a disorderly and costly transition to the new arrangements, which may lead to reactive decisions being taken that result in sub-optimal outcomes for Funds and their members. Instead of arbitrary deadlines, the Fund suggests that pools should be given a longer timeframe to comply with the sentiment of the consultation and routinely report on progress to MHCLG.

Question 11: What scope is there to increase collaboration between pools, including the sharing of specialisms or specific local expertise? Are there any barriers to such collaboration?

The Fund would encourage wider collaboration between pool companies where this adds value across the product range and increases the number of investment opportunities. The Fund also views this as a means of providing additional experience, support and resilience across a pooling companies resource, particularly in the private market asset classes, where it may reduce potential competition for deals between pools. However, collaboration needs to be a measured approach with proper governance arrangements in place, which may be complex to set up. It should also be cost effective with appropriate charging mechanisms.

Question 12: What potential is there for collaboration between partner funds in the same pool on issues such as administration and training? Are there other areas where greater collaboration could be beneficial?

Partner Funds within pools already collaborate across several areas of mutual benefit which include responsible investment, governance, training, administration and audit; these have developed organically over several years and we see no reason why they will not continue to do so. The Fund wants to make it absolutely clear that it sees no role for LGPSC in the administration of the LGPS and for the reasons stated in previous consultation responses to Government the Fund is not supportive of forced Fund mergers.

The following are areas where wider collaboration could be beneficial:

- There are greater opportunities to standardise training in the LGPS for all Committee and Board Members, along with officers.
- All knowledge and understanding required for those working in the LGPS is set out in CIPFA guidance and so there are clear opportunities to produce standard training materials, or even a standard qualification.
- LGA are developing a standard qualification for administration staff at the moment. There is no reason why a similar approach cannot be taken for all knowledge and skills needs and requirements, rather than individual funds having to organise induction and ongoing training themselves.
- There may be scope to increase collaboration across private markets investments, with particular regard to due diligence over any new mandates or offerings. This includes, but is not limited to, local investments.

Local investment

Question 13: What are your views on the appropriate definition of 'local investment' for reporting purposes?

We are broadly supportive of the definition of local investment being used to include investments local to any of a pool's partner AAs, or investments in their region, as we feel this broadens the scope for investment opportunities. We also believe that this can be achieved by UK Investments and that a wider UK approach avoids a post code lottery in terms of investment opportunities.

We believe the Government's ambitions would be better achieved by reverting to the outcome of the 2023 pooling consultation and defining local as being within the UK. It would then be up for the pools and their partner AAs to decide on the balance of any allocation between UK-wide investments and investments within the locality of their pool.

We would not be supportive of centrally driven targets for local investment as we believe that investment must always be on a risk driven basis.

Question 14: Do you agree that administering authorities should work with their Combined Authority, Mayoral Combined Authority, Combined County Authority, Corporate Joint Committee or with local authorities in areas where these do not exist, to identify suitable local investment opportunities, and to have regard to local growth plans and local growth priorities in setting their investment strategy? How would you envisage your pool would seek to achieve this?

The Fund has reservations regarding the Government's proposals on local investment. Whilst acknowledging the role the LGPS plays in the public sector and the likelihood that Scheme members would be pleased to see more investment in their local area, there seems to be an assumption by Government that AAs / Funds have the requisite expertise and resources to work pan-agency to deliver projects for the pools to undertake due diligence and opine on. Mandating AAs / Funds to undertake this complex additional work (e.g. local growth plans) across multiple agencies, that they may not be equipped or resourced for, will not be the most efficient use of resources. The proposal is also contradictory because Government is expecting a large expansion of local investment involvement for AAs / Fund's whilst removing their involvement in more routine investments where the Fund would argue they do have the experience and expertise.

The Fund believes that implementation of any local investment allocation, including the discovery of the opportunity set, should be for the AAs / Funds and their pooling company to agree upon by working in partnership with local organisations; this has happened successfully for several years. This would satisfy the method outlined by the Government in the consultation (i.e., the AAs / Funds work with local bodies). Alternatively, at the other end of the spectrum, local investment could be outsourced to the pooling company to implement via external management.

There should be a clear process for potential investment opportunities to be suggested to the pool for evaluation for funding. Involving the pools in this role

solves many of the conflict of interest issues at a local fund. However, while aligning investments with local growth plans has merit, administering authorities must retain the flexibility to prioritise fiduciary responsibilities. Overemphasis on local investment risks compromising diversification and long-term returns.

Question 15: Do you agree that administering authorities should set out their objectives on local investment, including a target range in their investment strategy statement?

Whilst the Fund is not averse to AAs / Funds being asked to set a target allocation and high-level objectives regarding local investments, it would only be prepared to do so where it was able to ensure such investments allowed it to continue to fulfil its Fiduciary Duty and invest in line with the primary objectives of its investment strategy. Government must recognise that fulfilment of local investment targets may be difficult if the availability of local investment opportunities is limited, and the cost and risk and return profiles are prohibitive.

Question 16: Do you agree that pools should be required to develop the capability to carry out due diligence on local investment opportunities and to manage such investments?

The Fund believes it will be very difficult for pooling companies to fulfil this requirement in the short to medium term and longer term as the amount of resource needed to undertake the level of due diligence required may not be cost effective. Pool companies and their Partner Funds should therefore agree on the best implementation method (i.e. internal, or external) for local investment allocations, based on the local opportunity set, value for money considerations and the potential for acceptable risk adjusted returns for the Partner Funds.

Question 17: Do you agree that administering authorities should report on their local investments and their impact in their annual reports? What should be included in this reporting?

Whilst the Fund considers transparency on local investments is important and, subject to the level of detail required, would be supportive of reporting on such in the Fund's annual report, the issue of 'impact' is very subjective. It would be helpful if Government could provide guidance on how they would like 'impact' defined and also how it should be measured. This would enable a consistent approach to be taken across pools and in Fund's annual reports to provide meaningful information to a range of stakeholders.

We believe quantitative reporting should be provided by asset class on a UK basis.

Governance of funds and pools

Question 18: Do you agree with the overall approach to governance, which builds on the SAB's Good Governance recommendations?

The Fund agrees with the overall approach to governance and welcomes the introduction of the Good Governance recommendations.

Question 19: Do you agree that administering authorities should be required to prepare and publish a governance and training strategy, including a conflict of interest policy?

The Fund agrees that administering authorities should ensure Funds prepare and publish a governance and training strategy, including a conflict-of-interest policy.

Question 20: Do you agree with the proposals regarding the appointment of a senior LGPS officer?

The Fund agrees with the proposals regarding the appointment of a senior LGPS officer.

Question 21: Do you agree that administering authorities should be required to prepare and publish an administration strategy?

The Fund agrees that administering authorities should ensure Fund's prepare and publish an administration strategy.

Question 22: Do you agree with the proposal to change the way in which strategies on governance and training, funding, administration and investments are published?

The Fund agrees with the proposal to change the way in which strategies on governance and training, funding, administration and investments are published.

Question 23: Do you agree with the proposals regarding biennial independent governance reviews? What are your views on the format and assessment criteria?

Whilst the Fund agrees with the principal of independent governance reviews, the Fund feels that a biennial programme of reviews would be too frequent and quickly become an inefficient and burdensome process for all involved in undertaking and resourcing the review. The Fund suggests the following:

- A triennial review would be more practical, to be scheduled as part of the triennial review cycle, at a time when valuation activities are at their least demanding.
- Clarity is needed on the role of SAB, the role of independent third party assessors, the procedure for appointment and rotation, etc.
- Assessment criteria need to be unambiguous. Using the General Code of Practice as the assessment standard, with those requirements deemed mandatory to LGPS funds being at the core of the assessment – this needs to be set out clearly to avoid confusion, as currently there is limited guidance on

- precisely how the GCoP relates to LGPS funds. "Good practice" requirements should be treated as optional, at least for the first review cycle.
- That following the initial review, the period for the next review could be flexed depending upon the level of compliance or improvement needed so that the review period follows a risk-based approach.

Question 24: Do you agree with the proposal to require pension committee members to have appropriate knowledge and understanding?

Whilst the Fund agrees with the proposal to require pension committee members to have appropriate knowledge and understanding, there should be some allowance for turnover of members, due to election cycles, and therefore the focus should be on the collective knowledge of the members on the pension committee.

Question 25: Do you agree with the proposal to require AAs to set out in their governance and training strategy how they will ensure that the new requirements on knowledge and understanding are met?

Subject to the previous comment regarding the collective knowledge and understanding of the pensions committee, the Fund agrees with the proposal to require AAs / Funds to set out in their governance and training strategy how they will ensure that the new requirements on knowledge and understanding are met.

The emphasis on structured training strategies is a positive step towards enhancing transparency, accountability, and the overall quality of governance. Providing consistent and accessible training will support councilors and other members of pension fund committees in navigating complex regulatory frameworks, financial management, and community engagement effectively.

Question 26: What are your views on whether to require administering authorities to appoint an independent person as adviser or member of the pension committee, or other ways to achieve the aim?

The Fund has already appointed an Independent Adviser to advise and challenge the Investment Consultant on investments and utilises the services offered by the Scheme Actuary when considered appropriate. Given each AA / Fund will have a different level of experienced resource, the Fund believes this approach should be optional for AAs / Funds based on their own circumstances. The approach should be set out in the Fund's Governance Policy.

Question 27: Do you agree that pool company boards should include one or two shareholder representatives?

The Fund agrees absolutely that pool company boards should include one or two shareholder representatives. Given the intention of Government proposals is to give greater decision-making powers to the pooling companies over Partner Fund investments then it is imperative that Partner Funds have a greater role in the oversight and governance of the pooling company in fulfilling their role as shareholders alongside their Fiduciary Duty.

Question 28: What are your views on the best way to ensure that members' views and interests are taken into account by the pools?

The Fund believes that Scheme members' views must be directed to their local Partner Funds in the first instance. Issues that then relate to the pool and / or the Fund's investments can be communicated to the pools via the usual collaborative working and communication channels.

New local investing expectations will also be of direct interest to members, who will want to know how pooling companies are identifying / evaluating / deciding to invest in opportunities in their local (ie Fund level) area. This is likely again to place a further burden on pools to respond to requests or produce regular member focused material for inclusion in Fund newsletters and on Fund websites.

The Central Pool has a Trade Union representative on its Joint Committee, which is another mechanism to ensure Fund members are represented.

Question 29: Do you agree that pools should report consistently and with greater transparency including on performance and costs? What metrics do you think would be beneficial to include in this reporting?

The Fund agrees that pools should report consistently and with greater transparency including on performance and costs; this would make it easier for stakeholders to assess the comparative performance and value for money being provided by their pool company. The Fund is aware that CEM Benchmarking Ltd is developing pool level reporting in this area, and it would be helpful if Government could encourage all pools to participate in this benchmarking service.

If Pension Fund Committees are to hold their pooling companies to account, even in the absence of available "sanctions" for poor performance, full transparent and consistent reporting of investment performance and relative cost must be made available. This will support onward communications to employers, should contribution rates be impacted by poor pooled investment outcomes.

We would expect the following metrics as a minimum:

Objective:

- Performance stated net and gross of fees
- Performance of individual investment funds, against benchmark and target, since inception and on a rolling basis over 12 months, 3 years, 5 years
- Impact of portfolio turnover on performance
- Overall cost of service in basis points per £bn invested
- Total assets invested per Fund by asset class distinguishing if relevant between shareholder clients and non-shareholder clients

Subjective

- On the assumption that comparable metrics become available across all Pools, relative performance may also be helpful, eg quartile of performance outcomes relative to equivalent funds in other pools and elsewhere – with the risk of subjectivity being introduced – funds may not be directly comparable.
- Cost of investments in particular asset classes, eg public markets, private markets, property, etc – introduces subjectivity in terms of how costs are allocated to funds and assets.

Equality impacts

Question 30: Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so please provide relevant data or evidence.

The Fund is not aware that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals.

Justin Bridges Councillor Tom Biggins

LGPS Senior Officer Chair of the Shropshire Pensions Committee

15 January 2025





LGPS CENTRAL LIMITED

Fit for the Future

EXECUTIVE SUMMARY

February 2025



Preface by Chair of the Shareholders Forum



Cllr Carol GahanChair of the LGPS Central Shareholders' Forum

On behalf of my fellow Shareholders from the eight Partner Funds in the Central Pool, I am pleased to introduce LGPS Central Limited's "Fit for the Future" transition plan.

Our pooling journey began almost a decade ago. Collectively we have already made huge progress in entrusting a large proportion of our members' assets to our pooling company, who manage and invest these on our behalf to generate returns which support the payment of pension benefits to our members. We made the decision to establish LGPS Central as a full scope FCA authorised investment manager, which put our pool and pooling company in a strong position for the future. Through our established governance arrangements, we had already developed plans to transition the majority of our assets to management by our pool company by 2028.

However, we recognise the Government's ambition to move further and faster as set out in their "LGPS: Fit for the Future" consultation. We have prepared a plan which seeks to accelerate the 2028 transition, while being mindful of the fiduciary duty to our members and employers (and ultimately our council tax payers), as well as complying with the increased level of delegation to our pooling company proposed in the consultation, and the requirements for local investing.

The LGPS is one of the world's largest funded pension schemes, managing assets worth nearly £400bn. We recognise the Government's appetite for pension funds to play a part in supporting economic growth in the UK. Where this can be aligned with our fundamental duty to protect and pay pensions, we will support our pooling company in building the capabilities required to achieve this goal.

Developing this high-level plan in the timescales required by Government has been demanding. We offer our sincere thanks to the Officers of LGPS Central Limited who have led on the production of this plan, and also to Officers of our Partner Funds, who have engaged closely with the company to develop an ambitious but realistic plan as to how our pool can best to respond to the Government's proposals and associated challenging timescales, while always seeking to achieve value for money. I would also like to thank my fellow shareholders for the insight and challenge which has been demonstrated in our own dialogue with LGPS Central colleagues during the development of this plan.

The process has been highly collaborative, and we know this will continue throughout 2025 and beyond, as we finalise our plans for the next stage of investment pooling. The Partner Funds in their role as both Shareholders and clients are committed to supporting our pool and pooling company on our continuing collective asset pooling journey.

















TOGETHER IN PARTNERSHIP WITH:



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Foreword by Company



Joanne Segars
Chair



Richard Law-Deeks

The Local Government Pension Scheme has seen many reforms since its creation in 1972, including the Hutton reforms and the creation of the asset pools themselves. The Fit for the Future proposals, arising out the Chancellor's Mansion House speech are no less significant.

LGPS Central Limited welcomes the *Fit for the Future* proposals which sets out the Government's ambitions for the next phase of LGPS pooling which we share. By providing clarity, *Fit for the Future* will enable the pool company and our Partner Funds to deliver the full potential of pooling, accelerating the journey we were already on.

However, we are under no illusions of the significance of these reforms. Once realised they will mean big changes for Administering Authorities in terms of their responsibilities and for the Company, in terms not just of *how* we operate and the scope of our activities but also the *scale* at which we operate. We do not underestimate the scale of the challenge ahead – working to a tight timescale and with additional cost and resource implications. But because of the foresight of our Partner Funds in setting up the Company as they did – with FCA authorisation, internal management capability and a strong regional focus – we are well positioned to build off these strong foundations to deliver the next stage of pooling and to be *Fit for the Future*. With the Company and Partner Funds working in partnership, which has been the hallmark of our success to date, we are confident we can meet the Government's minimum standards for pooling.

The Plan presented here developed with Partner Funds following a period of extensive consultation, is the start of a process not the end point and at this stage we cannot have all the answers as there is much still to be clarified. We will continue to iterate and refine our proposals together with our Partner Funds and as Government's policy objectives become clearer once the response to the consultation is known and legislation finalised.

To support us in this endeavour, we will also require support from Government to provide certainty over the direction of travel and to help facilitate collective ambitions for local investment.

We look forward to working together to develop and deliver our plans to support our Partner Funds to become Fit for the Future.

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LGPS CENTRAL LIMITED 3

Executive Summary

We are pleased to present this summary of the Company's Plan for becoming Fit for the Future.

The Plan sets out how we will meet and deliver the Government's minimum standards for pooling, recognising the scale of the changes contained within the Government's proposals and the specificities of the Pool's Partner Funds.

The Plan was developed collaboratively between the Company and its Partner Funds through a process of detailed consultation. Given the scale of ambition set out in the Mansion House agenda there inevitably remain details to be finalised. Where there is not yet consensus, we will continue to work together to find solutions that work for Partner Funds and their members.

The Plan included detailed timelines, mapping of legacy assets, options analyses and a proposed future operating model. We assessed the major risks associated with the Plan for the Company and for Partner Funds as both clients and shareholders (and their mitigants) as well as anticipating budget implications. We considered the possible impacts of the Government's devolution proposals, which could have both positive and negative effects for the delivery of the plan.

We view the Plan as the start of a process, not its end point and will work together to further refine its details.

Summary of proposed approaches to meeting the minimum standards for pooling

1 Administering Authorities would remain responsible for setting a high-level investment strategy and would be required to use the pool as the principal source of advice on their investment strategy.

We plan to meet this minimum standard by creating a client-focused Investment Solutions Team, building on the existing experience and expertise within the Company. To guard against any potential conflicts of interest, this would sit outside the Investment Management Team. To ensure that Partner Funds receive the high levels of service they require, and are used to, we will invest in a small number of additional colleagues and procure appropriate systems and information sources. To help us build the necessary knowledge of Partner Funds' needs and processes, the Company intends to 'parallel run' with Partner Funds' existing advisory processes over the period to 31 March 2026. This will also help ensure the Company can fully meet Partner Funds' needs. We will work with strategic partnerships where appropriate to mitigate any challenges around scale and ensure Partner Funds have access to expertise and best practice.

2 Administering Authorities would be required to fully delegate the implementation of their investment strategy to the pool.

We are proposing that Partner Funds would retain responsibility for setting the high-level strategic asset allocation and that the Company would be responsible for the implementation of those strategies. We will deliver this by building the necessary internal capacity, leveraging our existing capabilities, including through the Investment Solutions Team we propose to create.

Pools would be required to be established as FCA authorised entities with FCA permissions to provide advice and implement investment strategies.

The Company is already established with the full range of FCA permissions necessary to run and operate collective investment vehicles and to provide the full range of investment services including implementation of investment strategies and the provision of advice. As the Company and its assets under management grow, we will likely become an Enhanced Firm for regulatory purposes, and we are already considering what that will mean, although it is several years away. Collectively with Partner Funds we will use this opportunity to review the governance arrangements of the LGPS Central Pool which were put in place at the outset of our activities and may no longer be appropriate for the new environment.

4 Administering Authorities would be required to transfer all assets to the management of the pool.

Our approach will be that the delegated management of all listed assets should be transferred to the Company and managed through its pooled vehicles, unless that does not make economic sense in which case the Company should be able to determine the best solution for such assets in consultation with Partner Funds. A significant amount of listed assets outside the pool can be accommodated in our existing suite of funds. In the case of illiquid assets, our approach will be to transition assets via discretionary agreements which grant the Company full delegated authority, with title remaining with the Partner Fund to avoid unnecessary tax and legal costs. We will recruit a small number of additional colleagues to manage the additional volume of assets and invest in technology solutions to support fund reporting and other services to Partner Funds.

4



Pools would be required to develop the capacity to carry out due diligence on local investments and to manage such investments.

Local investing, which we have defined as being primarily within the footprint of the LGPS Central Pool region, will be implemented principally through private markets. We will build on our existing capability to deliver this. We will build expertise to support local investment and will work closely with Partner Funds and Combined Authorities across the region as well as with other relevant partners, including other pool companies.

Collaboration with other Pools

The Company is committed to strengthening the LGPS pooling ecosystem. We are not actively seeking immediate Pool mergers. However, we are open to welcoming new Partner Funds that align with our strategic goals. We embrace collaboration and innovation to unlock long-term value, support UK economic growth, and share best practices across the sector.

Conclusions

We are committed to working together to deliver the Plan, working to the tight and challenging timescales set by Government whilst we also focus on our business-as-usual activities – providing pensions for almost one million people across our region and managing and stewarding the £45 billion that already sits with the Company and against a backdrop of local government reorganisation. We will also, therefore, need Government to work with us to deliver the certainty we require, including through legislation, if delay is to be avoided.

About LGPS Central Limited

LGPS Central Limited (The Company) is the pool company operating as investment manager and steward for eight local authority pension funds across the Midlands.

LGPS CENTRAL LIMITED AT A GLANCE



£45hn

Assets under our stewardship at 31 January 2025

Internally managed public market assets

£108m

Gross savings generated to 31 December 2024

£360.7m

Projected gross savings by 2033/34



28 Funds

Including two newly launched credit vintages

1st Ouartile

Flagship Global Equity fund performance since inception at 31 January 2025

£6bn

In private market commitments by Partner Funds

87

Colleagues



100%

Responsible Investment Integrated Status

40%

25%

Colleagues with non-white ethnic background

775

Companies engaged with on ESG matters in 2023/24

2050

Net Zero commitment on assets under our stewardship



Stewardship

Signatory

Of private market deployed investment is in the UK

£5.2bn

Pooled assets invested in the UK

£30m

Invested in local NHS facilities

Our Partner Funds are Cheshire Pension Fund, Derbyshire Pension Fund, Leicestershire County Council Pension Fund, Nottinghamshire Pension Fund, Shropshire County Pension Fund, Staffordshire Pension Fund, West Midlands Pension Fund and Worcestershire Pension Fund. We believe the contiguousness of our Partner Funds is a strength and will be an asset as we step up our local investment activity. We are jointly owned on an equalshares basis by those Partner Funds. We are one of eight Local Government Pension Scheme (LGPS) asset pools in England and Wales.

The Company opened for business in April 2018 and, since the outset, we have been authorised by the Financial Conduct Authority (FCA) as a 'full scope' firm and operate as an Alternative Investment Fund Manager (AIFM) holding a full range of permissions to run and operate one or more collective investment vehicles, including Authorised Contractual Schemes (ACSs). We are also authorised to provide additional investment services (known as MIFID top-up permissions) to our Partner Funds. As a result, we are classified as a collective portfolio management investment firm (CPMI firm) by the FCA, which enables us to provide Partner Funds with the full range of investment services (as distinct from other pools with more limited or no permissions), including investment advice and portfolio management. We believe this positions the Company well to embrace the new responsibilities the Government intends for pool companies, including being the primary provider of investment advice to Administering Authorities (AAs), and which we view as a natural extension of pooling to date.

As of January 2025, we are responsible for over £45bn of Partner Funds' assets. The Company offers funds across a wide range of investments including a £6bn plus private markets programme and a public markets programme that includes almost £12bn in funds managed by our internal passive equities and fixed income teams. Over £5bn of our pooled assets, including nearly a quarter of our deployed private markets investments, are invested in the UK including through our UK residential property fund.

Through our scale, investment expertise and commitment to good investment governance we have already delivered to our Partner Funds £108.0m in gross savings as at 31 December 2024. We are on track to deliver £360.7m of gross savings for Partner Funds by 2033/34. We have also placed an emphasis on providing our Partner Funds with value for money; our operating costs are around 5 basis points (bps), which is comparable to other well run asset owners. We would expect costs to fall as assets under management and stewardship grow.

We have just under 90 colleagues based in Wolverhampton, where we are committed to building a centre of regional and global expertise. As the home of the Company, Wolverhampton sits at the heart of a Midlands region that has long been a driver of UK economic growth, evolving from its manufacturing heritage into a hub for advanced engineering, green tech, and innovation. With excellent connectivity, a diverse and highly skilled workforce, and a strong commitment to sustainable investment, the region reflects our ambition to generate long-term value for our Partner Funds while supporting economic growth across the UK.

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Guide to Abbreviations and Terms Used in this Document:

AAs	Administering Authorities
ACS	Authorised Contractual Scheme
AUM	Assets under Management
FCA	Financial Conduct Authority
Fit for the Future	Fit for the Future Transition Plan
LGPS	the Local Government Pension Scheme
Partner Funds / PFs	the eight LGPS Administering Authorities that founded and own the Company
The Company	LGPS Central Limited
The Plan	LGPS Central Limited's plan to be Fit for the Future as submitted to Government on February 2025
The Pool	the LGPS Central Pool (the Company and the Partner Funds)
UK	United Kingdom



LGPS Central Limited

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.



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