

Stewardship Update

FIRST QUARTER · 2023-24 (APRIL - JUNE 2023)



Responsible Investment & Engagement:

LGPS Central's approach



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

OBJECTIVE #1

Support investment objectives

OBJECTIVE #2

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

These are met through three pillars:



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

ADDITIONAL DISCLOSURES

Responsible Investment & Engagement Framework



Annual Stewardship Report



Voting Principles



Voting Disclosure



Voting Statistics



Signatory of:



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

Key Stewardship developments

- Our Stewardship Provider, EOS at Federated Hermes, has updated their themes Taxonomy. The new Taxonomy moves towards greater granularity of theme reporting and better aligns with EOS's engagement plan. The new structure follows a meta theme (e.g., Environmental), theme (e.g., Natural Resource Stewardship), and sub-theme (e.g., Biodiversity & Sustainable Food Systems) structure. The new Taxonomy is reflected in EOS's Engagement Factsheets from this Quarter onwards.
- The long awaited Nature Action 100 (NA100) collaborative engagement group formally opened its doors to investor registration in June 2023. NA100 will publish a list of 100 companies for investor engagement, inform and support engagements between initiative investors and focus companies, detail ambitious actions the need to be undertaken by focus companies to protect and reverse nature loss, and track progress of companies against key benchmark indicators. Investors are required to register by September 2023. LGPS Central (LGPSC) have registered to be a participant in this collaborative engagement initiative. NA100 will distribute letters to 100 companies on the focus list in Q4 2023. The list of companies has been prioritised based on the following criteria: companies have a large market capitalisation, the selection of companies represents developed and emerging markets, the companies have a high potential impact on nature, the companies belong to one of the priority sectors identified by NA100. Following this, engagement teams will be established and engagements will commence in 2024. In similar fashion, the Principles for Responsible Investment (PRI) are establishing a Collaborative Stewardship Initiative on Nature. The initiative will focus on enabling policy change and implementation across geographies to help generate positive outcomes for nature. This initiative is currently developing independently of NA100. Talks are expected between the two initiatives to ensure that efforts are not being duplicated.
- Climate Action 100 launched its next phase to inspire greater corporate climate action. This second phase of the initiative seeks to shift focus from corporate climate disclosures to the implementation of corporate climate transition plans. Specifically, the core goals through to 2030 have evolved, by encouraging signatories to ask companies to:
 - Implement a strong governance framework which clearly articulates the board's accountability and oversight of climate change risk.
 - Taking action to actively reduce greenhouse gas emissions across the value chain, including engagement with stakeholders such as policy makers and other actors to address the sectoral barriers to transition.
 - Providing enhanced corporate disclosure on and implementing transition plans to deliver on robust targets.

Below is a high-level summary of key engagements and AGM votes that have taken place during Q1 of the financial year 2023-24. These and other engagements and voting examples will be covered in more detail later in this update.



ENVIRONMENTAL

LGPSC participated in award winning collaborative engagement. Australian Asset Management firm **First Sentier**, led the engagement initiative, working alongside the Marine Conservation Society and 30 institutional investors, to address the microfiber pollution problem. The engagement targeted 13 washing machine manufacturers and policy makers to encourage technological solutions to prevent synthetic microfibers from entering the marine environment. As a result of investor influence Grundig and Electrolux have developed microfibre filters for its machines and Samsung have announced plans to develop machines with filters in partnership with Patagonia. In addition, a law will come into force in France banning the sale of machines without a filter from January 2025. The award won **ESG Engagement Initiative of the Year Award** in the **Environmental Finance Sustainable Investment Awards** for 2023. On the 4th April, the UK Government published its policy paper, [Plan for Water: our integrated plan for delivering clean and plentiful water](#). The paper outlines an expectation for industry to develop low cost, effective microfiber filters on washing machines and encourage their effective use. Investor influence may be exercised to engage with UK policymakers to seek clarity around this point.

LGPSC co-signed a letter in February 2023 and attended a follow up call with BP, outlining investor concern regarding the Company's revision of its oil and gas production and emissions reduction targets. We continued to escalate our concerns in Q1 2023-24 by publicising our stance on BP's revision of its climate targets in articles published by the [Financial Times](#), [Responsible Investor](#), and [ESG Investor](#). A follow up call with BP is set to be scheduled in the near future.

We are active members of **Finance Sector Deforestation Action (FSDA)** group and co-signed a [letter](#) to eliminate commodity driven deforestation by 2025. To make progress against this target we participated in a collaborative engagement call with **Kellogg's** Chief Sustainability Officer, Director of Investor Relations, and Global Sustainability Business Partner for Human Rights. Discussions centred around Kellogg's approach to managing deforestation risk within its supply chain, with a specific focus on the Company's Deforestation Policy. We were pleased to learn

that Kellogg's are generally in favour of deforestation-related regulation as it helps move the industry towards standardisation. The Company outlined that current efforts are focused on making sure that all plantations are RSPO certified and have partnered with an NGO to assess their small and medium suppliers in an effort to improve business practices. Company representatives also outlined the implementation of a grievance mechanism and disclosed that the majority of 3rd party grievances are related to palm oil. Kellogg's disclosed that the Company will spin off into two entities, Kellanova and WK Kellogg Co. A follow up call is scheduled to take place later this year or early next year to understand how these entities will approach the management of deforestation within its respective supply chains.

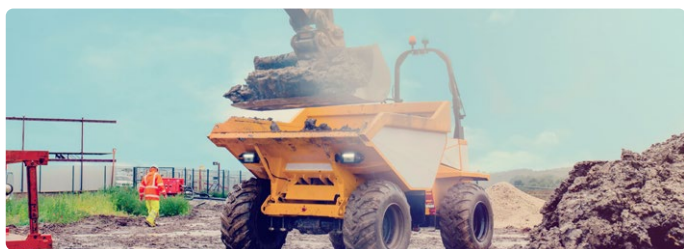
SOCIAL

Sanwa Holdings Corporation, through its subsidiaries, manufactures and sells steel construction materials for commercial and residential construction globally. We engaged with Company representatives to discuss the Japanese firms approach to gender diversity. We applaud the Company's current diversity performance such as establishing a training program for female employees to progress, implementing a flexible working system, and recently appointing a female director. We will continue to encourage the firm to develop its approach to inclusion and diversity.

GOVERNANCE

In June 2023 we responded to the Financial Conduct Authority (FCA) Primary Markets Effectiveness Review. We wrote to the FCA that we are supportive of the regulators commitment to strengthen the UK's position in global wholesale markets and support the UK being regarded as one of the leading global markets of choice for issuers, intermediaries and investors. We voiced that there may be a potential disconnect between the proposals in this consultation with the expectations set by the UK Stewardship Code, the Sustainability Disclosure Requirements and the UK Corporate Governance Reform Green Paper. We look forward to reviewing the FCA cost benefit analysis for the proposed changes which is due in Autumn along with the next consultation.

Voting highlights



CATERPILLAR

CATERPILLAR INC

We supported a shareholder proposal requesting that the Company increase its disclosure on its lobbying expenses and related policies and procedures. Caterpillar have disclosed their inaugural 2022 Lobbying Report as a result of shareholder feedback, however there is room for improvement. The provision of links to publicly available lobbying reports is not sufficient for shareholders to efficiently assess the company's lobbying spending. Shareholders would also benefit from increased disclosure of the dollar amounts given to trade associations and a list of other organisations that may be lobbying on the company's behalf. The proposal did not receive sufficient shareholder support to be approved, but sends a strong message to the management regarding shareholders' expectations. See further detail on page 14.



amazon

AMAZON.COM, INC

With respect to our Human Rights stewardship theme, we supported a shareholder proposal that requested the Board of Directors to commission an independent study of Rekognition (AI driven facial recognition technology) and report to shareholders on the extent to which the technology threatens human rights. The proposals received 38.0% shareholder support. Although the resolution did not pass, the result sent a clear message to the company of investor concern on the responsible management of AI technology. As part of the PRI Advance Group, we expect the company to address the concerns raised in the resolution supported in this year's AGM. See further detail on page 15.

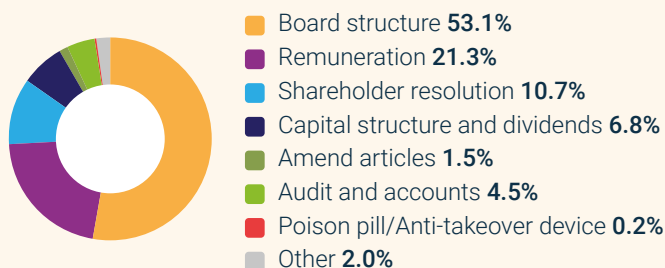
GLOBAL VOTING

We voted at **2,116** meetings (**30,032** resolutions) during the quarter under review.

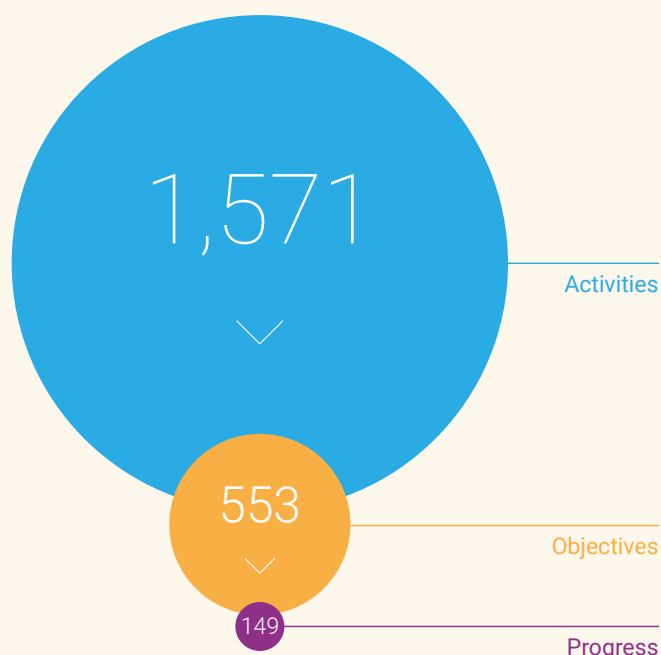


GLOBAL VOTING

We recommended voting against or abstained on **4,532** resolutions over the last quarter.



EOS-LED ENGAGEMENT ACTIVITIES DURING THE QUARTER



02 Engagement case studies



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

This quarter our engagement set¹ comprised 460 companies. There was engagement activity on 1578 engagement issues and objectives². Against 553 specific objectives, there was achievement of some or all on 149 occasions. Most engagements were conducted through letter issuance or remote company meetings, where we, our partners or our stewardship provider in a majority of cases met or wrote to the Chair, a Board member or a member of senior management.

¹ This includes engagements undertaken directly, in collaboration, and via our contracted Stewardship Provider.

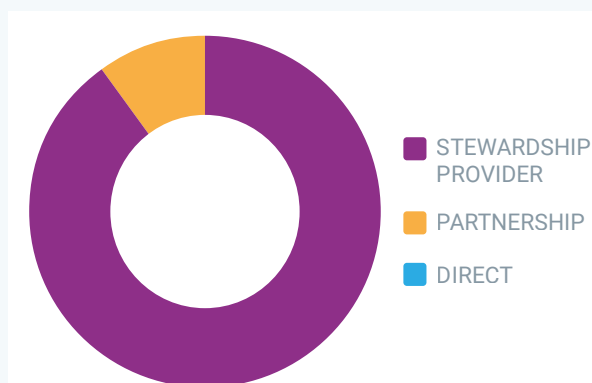
² There can be more than one engagement issue per company, for example board diversity and climate change.



CLIMATE CHANGE ENGAGEMENTS

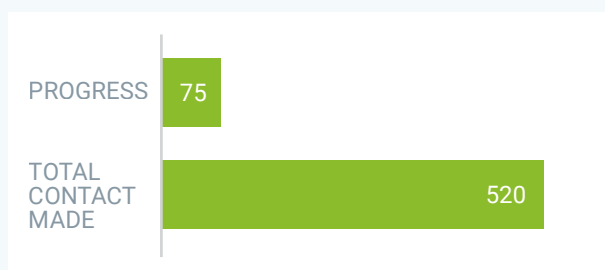
This quarter, our climate change engagement set comprised 247 companies with 520 engagement issues and objectives³. There was progress on 75 specific engagement objectives.

ENGAGEMENT VOLUME BY TYPE



- 520 engagements during the quarter.

ENGAGEMENT VOLUME BY OUTCOME



SMURFIT KAPPA GROUP PLC

Theme: Climate Change

Objective: The company has sought to substantially reduce its Scopes 1 and 2 emissions over the last five years by 38%, in line with its 55% goal by 2030 and its longer-term net zero ambition. As of 2021, around 6% of the company's energy mix for its pulp and paper operations is coal-fired; although this has declined from previous years, it remains a risk exposure for both corporate and investor decarbonisation. This is due to the significant boiler-fed heat requirements of pulp and paper production for which coal is still a fuel source in two locations in Europe and one in Colombia. Colombian assets are particularly challenged due to reliability problems with other energy sources, such as natural gas. Asset upgrades to biomass boilers obviates the need for coal, and the company has indicated that all remaining coal-fired operations should end in this decade. The objective for the Company is to set an external end date for reliance on coal-fired processes, and disclose the major investments and time frames for when investors can expect coal in the energy mix to decline from 6% in 2021.

Engagement: During a Q2 2023 engagement, our stewardship provider, EOS at Federated Hermes, discussed the biomass investment in Colombia at length, which we believe will notably reduce coal usage across the entire company's footprint. The Colombia biomass upgrade

³ There can be more than one climate-related engagement issue and/or objective per company.

will reduce groupwide emissions by 6% from 2025; the company indicated that this is a conservative assumption. Although this will significantly reduce remaining groupwide reliance on coal-fired energy, Colombia remains highly coal-dependent and it will take longer for the company to reduce exposure to well below 4% in its fuel mix (as of 2022). However, we do not believe the company is yet ready to set a complete end date in all operations, and so EOS suggested it may need to contemplate how to define a policy for this which is “ex-Colombia,” given the long-term reliance of this country on coal-fired energy and coal exporting. It is believed this may offer investors reassurance that a coal exit timeframe is in place for all markets where this is feasible, which we believe is the case in virtually all other operational locations. It should be noted that coal in the fuel mix has now declined to 4% from the 6% reported in 2020-21.

Outcome: This is an ongoing engagement. The company continues to achieve near-term emissions intensity reduction and provided feedback that its detailed disclosure of near-term capital investment as well as a roadmap of investments over the next several years are illustrative in how it will likely achieve its 2030, science based reductions. Coal in the fuel mix has now declined to 4% from the 6% reported in 2020-21.

PHILLIPS 66

Theme: Climate Change

Objective: We expect the company to report on how it manages its relationships with trade associations regarding their positions on climate change.

Engagement: Our stewardship provider, EOS at Federated Hermes, spoke with the company’s sustainability and ESG manager about its climate lobbying disclosures, human rights impact assessments, and greenhouse gas reductions strategies. On climate lobbying disclosure, EOS asked the company to provide reporting demonstrating alignments with trade associations, and where there were misalignments, decisions the company took to resolve it. EOS pointed to Royal Dutch Shell’s lobbying disclosures as best practice reporting.

Outcome: The company noted that it takes alignment seriously and said it will be publishing a report shortly including specific engagement examples, where the company had cut ties due to misalignment. We welcome Phillips 66’s engagement on this matter and look forward to reviewing the published report.

ANGLO AMERICAN PLC

Theme: Water Catchment

Objective: The objective is for the company to demonstrate leadership in its water catchment management.

Engagement: At the Company’s sustainability day, EOS raised concerns that, although the company has demonstrated improvement in its own water use management by demonstrating leadership in helping stakeholder in sites like Los Bronces, more work is yet to be done in streamlining best practice across all operations and managing water risks at the wider catchment level. In the time elapsed since the objective was established, the company has set a long-term goal to operate waterless mines in water-scarce catchments. It has 2020 and 2030 targets for water abstraction reduction (2020: reduce the abstraction of fresh water in water-scarce regions by 20% & increase water recycling levels to 75%; 2030: reduce the abstraction of freshwater in water-scarce regions by 50%). At the sustainability progress update in 2023 we heard water usage has decreased by 26% relative to 2015 mainly due to increase in water reuse and recycling in the Amandelbult and Venetia mines. The company is currently working on commercialising a desalination water solution in Los Bronces as a response to prolonged droughts in Chile. The company acknowledges investor concern that it should demonstrate leadership in water risk management at the catchment level.

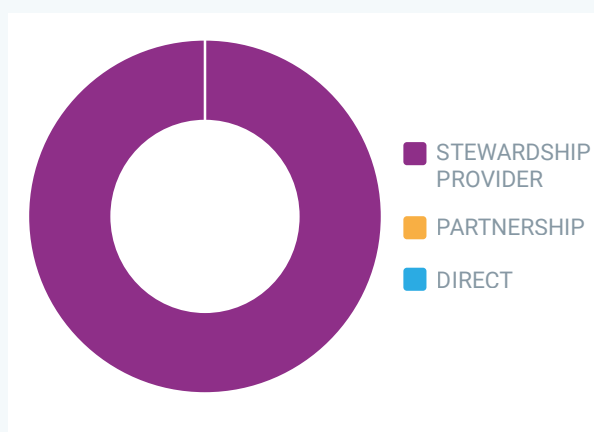
Outcome: At the sustainability day the Company outlined that water usage has decreased by 26% relative to 2015 mainly due to increase in water reuse and recycling in the Amandelbult and Venetia mines. The company is currently working on commercialising a desalination water solution in Los Bronces as a response to prolonged droughts in Chile. The company acknowledges investor concern that it should demonstrate leadership in water risk management at the catchment level.



PLASTIC ENGAGEMENTS

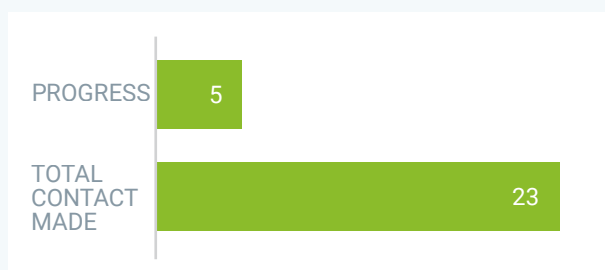
This quarter our plastic-related engagement set comprised 20 companies with 23 engagement issues and objectives. There was progress on 5 specific engagement objectives.

ENGAGEMENT VOLUME BY TYPE



- 23 engagements during the quarter

ENGAGEMENT VOLUME BY OUTCOME



3M CO

Theme: Plastics

Objective: We seek to engage with companies that are directly or indirectly involved in plastic pollution or with companies that could contribute to the path of a circular economy. The objective is for the company to become a signatory to the global commitment on plastics and make a quantitative and time-based commitment to eliminate problematic and unnecessary plastics.

Engagement: In the most recent engagement, held in Q2 2023, the company confirmed to our Stewardship Provider EOS at Federated Hermes, that it was one of 85 global businesses, financial institutions, and NGOs to endorse the Business Coalition for a Global Plastics Treaty last year. The Global Plastics Treaty is a common vision that will guide policy engagements with governments in an effort to end plastic pollution and accelerate progress toward a circular economy. The company reported that it has reduced its use of virgin fossil-based plastic by 54.2 million pounds not quite 50% of its 2021 goal to reduce its dependence on virgin fossil-based plastic by 125 million pounds by the end of 2025.

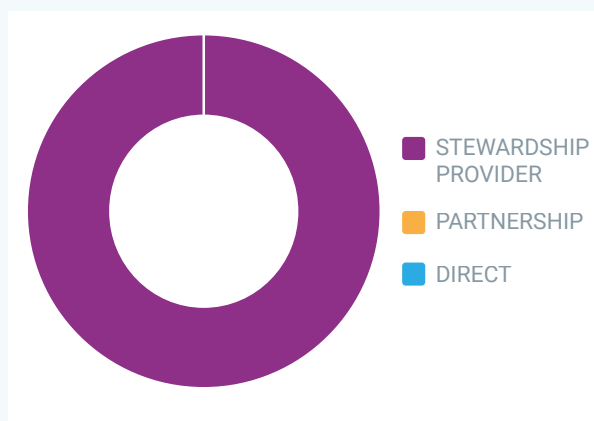
Outcome: We consider the progress the company is making to eliminate dependence on virgin fossil fuel plastics combined with a commitment to the Global Plastics Treaty to meet our expectations on creating a circular economy and targeting zero pollution.



FAIR TAX PAYMENT AND TAX TRANSPARENCY ENGAGEMENTS

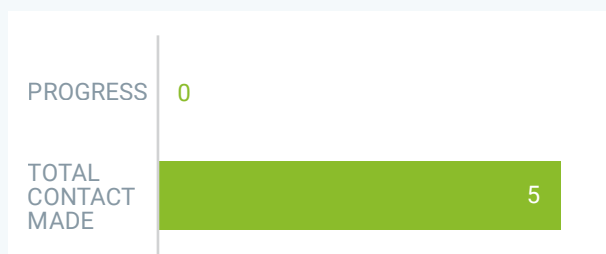
This quarter, our tax transparency engagement set comprised 4 companies with 5 engagement issues and objectives. There was progress on three specific engagement objectives.

ENGAGEMENT VOLUME BY TYPE



- 5 engagements during the quarter

ENGAGEMENT VOLUME BY OUTCOME



MARATHON OIL CORP

Theme: Responsible Tax Engagement

Objective: Our objective is for the company to publish a responsible taxation policy in line with the Global Reporting Initiative Tax Fairness Standard, and disclose itemised payments to governments at the national, state, and local levels.

Engagement: In January 2023, our Stewardship Provider, EOS at Federated Hermes, requested the company to publish a responsible taxation policy in line with the Global Reporting Initiative (GRI) Tax Standard, and disclose itemised payments to governments at the national, state, and local levels.

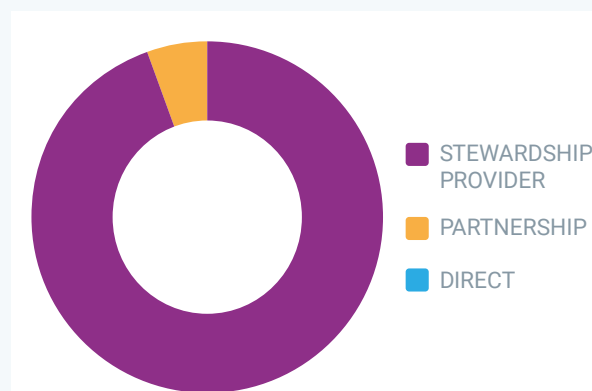
Outcome: The company suggested that it would publish a responsible taxation policy in line with the GRI Tax Standard, and disclose itemised payments to governments at the national, state, and local levels.



HUMAN RIGHTS

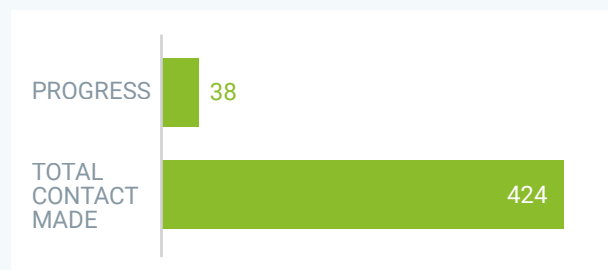
This quarter our human rights related engagements comprised 220 companies with 424 engagements issues and objectives. There was progress on 38 specific engagement objectives.

ENGAGEMENT VOLUME BY TYPE



- 424 engagements during the quarter

ENGAGEMENT VOLUME BY OUTCOME



DUKE ENERGY CORP

Objective: The objective is for the company to set out a timebound plan on how human rights issues will be assessed in operations and supply chain mapping / due diligence processes, along with the provision of remedy. The company discloses its process for enforcing its supply chain worker rights policy including information about the audit process (frequency, scope, etc).

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

Outcome: Engagement with Duke Energy Corp to set out a timebound plan on how human rights issues will be assessed in operations and supply chain mapping / due diligence processes, along with the provision of remedy. Future engagement will also focus on the disclosure of its process for enforcing its supply chain workers' rights policy including information about the audit process.

ROYAL BANK OF CANADA

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

Engagement: Our stewardship provider, EOS at Federated Hermes, met with the corporate secretary, interim head of Borealis AI, RBC's research institute and the global head of market and counterparty risk, to discuss ethical artificial intelligence (AI) implementation. Discussions centred around the shareholder proposal which asked for enhancing the mandates of the governance committee and the risk management committee to include an ethics component regarding the use of artificial intelligence. The proposal was withdrawn as the company had met the requests in the proposal but had not explicitly disclosed around this. We were pleased that the company has ethical AI principles. The company was encouraged to disclose its alignment with the principles more clearly on its website. The company clarified that no single board member had AI oversight, as the board relies on the expertise of multiple individuals. However, one of the Directors is considered the board expert on AI oversight and strategy. The management team provides an annual review on the progress of AI to the full board. It was noted that

the bank had ranked highly against the Evident AI benchmark, which assesses the various approaches businesses are taking towards AI readiness. The company said it was satisfied with the ranking but did not believe it accurately reflects its progress. It believes it is a leader in AI, and has made more contributions than the benchmark reflects, including creating materials on bias and fairness testing as an open source. In terms of AI model adoption, the predominant use cases have been in the fraud and risk areas. Regarding eliminating diversity bias in AI, the bank said that it is committed to maintaining a diverse talent pipeline, and that its model validation process specifically addresses bias. The company does not currently use a third-party auditor to assess algorithmic bias in its AI work, but is open to pursuing it in the future. When asked about the role of AI tools like ChatGPT, the company outlined that it has not authorised its use within the bank.

Outcome: Royal Bank of Canada has demonstrated clear progress and has engaged with investors on the ethical implementation of AI across the business. This has been demonstrated by acknowledging investor concerns and appointing board members with expertise on the topic of AI.

03 Voting



POLICY

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

COMMENTARY

Between April – June 2023, we:

- Voted at 2,116 meetings (30,032 resolutions) globally
- Opposed one or more resolutions at 1,527 meetings
- Supported 55.4% of shareholder proposals (505 out of 912 resolutions)

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

EXAMPLES OF VOTING DECISIONS

CATERPILLAR

Company: Caterpillar Inc

Theme: Lobbying Payments and Policy

Rationale: We supported a shareholder proposal requesting that the Company increase its disclosure on its lobbying expenses and related policies and procedures. The proposal specifically request Caterpillar to disclose its Company policy and procedures governing lobbying and grassroots lobbying communications, payments by Caterpillar used for lobbying, Caterpillars membership in and payments to tax-exempt organisations that endorses model legislation, and description of management's and Board's decision-making process and oversight for making payments. It is deemed that Caterpillar provides insufficient transparency in its lobbying-related disclosure.

Caterpillar have disclosed their inaugural 2022 Lobbying Report as a result of shareholder feedback, however there is room for improvement, especially on its disclosure of direct and indirect lobbying payments. The provision of links to publicly available lobbying reports is not sufficient for shareholders to efficiently assess the company's lobbying spending. Shareholders would also benefit from increased disclosure of the dollar amounts given to trade association and a list of other organizations that may lobbying on the company's behalf.

Result: The proposal did not receive sufficient shareholder support to be approved (50% shareholder support is required to pass), but the level of support – 28.9% of shareholders supported the resolution – signals shareholder expectations on increased transparency on the topic of lobbying. We noted the Company has not made any comment on this vote outcome, but we expect them to address this in the near future.

GLENCORE

Company: Glencore PLC

Theme: Climate Change

Rationale: We expect companies' carbon reduction targets to be underpinned by a robust Climate Transition Plan. It is our belief that companies with a strong implementation plan to achieve its carbon reduction goals demonstrate to investors that they are better placed to manage the risks and opportunities associated with climate change.

We voted in favour of a shareholder resolution that requested Glencore's Climate Transition Plan that is to be presented at the 2024 Annual General Meeting includes disclosures of how the Company's projected thermal coal production, and the associated capital expenditure, aligns with the Paris Agreement, and the extent to which there are any inconsistencies between the Company's projected thermal coal production and the IEA Net

Zero Scenario timelines for the phase out of unabated thermal coal for electricity generation, in both advanced and developing economies. Glencore's investment in the transition has not grown in 2022, despite record EBITDA on the back of coal which we find concerning. Therefore, the provision of the requested information would make the Company's plan more transparent, and better equips shareholders to evaluate the effectiveness of Glencore's management of climate risks.

Result: The proposal received 29.2% support from shareholders. Although the proposal did not pass, (over 50% support required), it can be regarded as a significant vote and sends a strong signal to the Company about shareholder expectations in relation to its Climate Transition Plan. Glencore have stated that they will publish an update on this engagement in accordance with the UK Corporate Governance Code within six months of the 2023 AGM.

WELLS FARGO

Company: Wells Fargo & Company

Theme: Human Rights

Rationale: We expect companies to manage human rights risks, within their own operations but also across the wider supply chain. We expect Companies to disclose how they manage their human rights risks as it allows investors to better evaluate ESG risks and opportunities.

We supported a shareholder proposal requesting that the Company prepare an annual public report describing and quantifying the effectiveness and outcomes of company efforts to prevent harassment and discrimination against protected classes of employees. The proponents suggested including the following disclosures:

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

Wells Fargo has policies in place that prohibit harassment and discrimination and prohibit retaliation against employees that raise concerns. The Company has diversity training for all managers to increase inclusion skills and behaviours and

discloses board and workforce diversity statistics. However, the Company has faced multiple allegations of discrimination in its hiring and human capital management practices. Investors could benefit from a report on the effectiveness and outcomes of the company's efforts to prevent discrimination against protected classes of employees.

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



Company: Amazon.com, Inc

Theme: Human Rights

Rationale: We supported a shareholder proposal that requested the Board of Directors to commission an independent study of Rekognition (AI driven facial recognition technology) and report to shareholders regarding:

- The extent to which such technology may endanger, threaten or violate privacy and/or civil rights, and unfairly or disproportionately target or surveil people of colour, immigrants and activists in the US.
- The extent to which such technologies may be marketed and sold to authoritarian or repressive governments, including those identified by the US Department of State Country Reports on Human Rights Practices.
- The potential loss of good will and other financial risks associated with these human rights issues.

We are concerned with the system's reported inbuilt biases and the sale of this technology to governments that may abuse individual civil rights. Big tech companies like Facebook, Microsoft, and IBM have restricted the sale of their facial recognition technology or have altogether ceased using the technology. The Board states that it believes the concerns over potential misuse of Rekognition are being addressed through its existing policies and procedures and pointed to the implementation of a global moratorium on police use of Amazon Rekognition's facial comparison feature for criminal investigations. However, we believe that shareholders, and the Company, would benefit from an independent report exploring whether customers' use of its products or services contributes to human rights violations.

This is the fourth consecutive year that Amazon has received this proposal filed by the same proponent. In 2020, 2021, and 2022 the proposal received 32 percent, 34.3 percent, 40.7 percent shareholder support, respectively.

Result: The proposals received 38.0% shareholder support. However, the level of support received for this resolution continues to send a strong message to the Board that investors are cognisant of the emerging risks that Artificial Intelligence poses.



Company: ENGIE SA

Theme: Climate Change

Rationale: We supported a shareholder proposal requesting the amendment of two articles of the Company's bylaws due to the proponent identifying improvements to ENGIE's climate-related practices, as follows:

- The lack of transparency over its alignment of its commitment to decarbonise its Capex to align with the EU taxonomy.
- The Company's scope 3 targets, although validated by the Science Based Targets initiative only represents a small minority of the Company's upstream scope 3 emissions.
- The company relies on infrastructure conversion from fossil gas to renewable gas by 2045, without indicating what regulatory and market changes are needed to achieve it.
- The company indicates that carbon capture and storage (CCS) plays a role in achieving its objective of 100% decarbonized gas by 2045, without any indication about CCS contribution to its 2025 and 2030 targets, or R&D and greenfield investments planned to match its objectives.

Consequently, we supported the proponents view that shareholders would appreciate being consulted every three years on the transition plan and to vote annually on the implementation of the strategy. The Company would be required to explain how the strategy is being implemented and to share relevant information about its transition outlook.

Result: Following discussions with the proponents, the Board had agreed to add a formal debate about its climate transition plan and progress to the agenda of the Company's AGM's. The Board has further agreed to propose a shareholder vote on its climate transition strategy every three years or when significantly modified. Engie has also offered to publish an addendum to its TCFD report to include some of the additional information requested by the proponents. However, the Company remains reluctant on an annual vote on the implementation of the strategy due to circumstantial changes from one year to the next such as temperature and the availability of various methods of generating electricity which makes analysis difficult.

The vote, which would be binding if passed, received 25.5% support and it is encouraging to see the Company respond to elements of the shareholder proposal, although further scrutiny is warranted in relation to its climate strategy.

LGPS CENTRAL LIMITED'S

Partner Organisations

LGPS Central Limited actively contributes to the following investor groups





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