IN IT TO WIN IT

GREATER MANCHESTER / MERSEYSIDE / WEST YORKSHIRE

NORTHERN LGPS STEWARDSHIP REPORT Q4 2023

NorthernLGPS

FOCUS Q4

Headquarters building of Royal Bank of Canada in Toronto

Shareholder Proposals

As investors committed to effective stewardship, NLGPS seeks to make active use of its shareholder rights. In addition to adopting a robust approach to voting our holdings in recent years we have become increasingly active in filing shareholder proposals. The last quarter of 2024 saw the impact of our work across three separate topics.

Our work in support of tax transparency culminated in two shareholder proposals going to the vote in December, at Cisco Systems and Microsoft. Both proposals called on the companies to issue a tax transparency report in line with GRI-207, which entails public country-by-country reporting. The resolutions were co-filed with investors including Etica in Italy and AkademikerPension in Denmark.

The votes in favour were 25% at Cisco and 21% at Microsoft, despite management's recommendation to oppose in both cases. This indicates significant ongoing investor backing in a year in which support for some ESG proposals has waned. NLGPS has also filed a further tax transparency resolution for the 2024 season.

NLGPS stewardship in support of fundamental rights at work also bore fruit in Q4. Resolutions were filed in 2022 at both Apple and Starbucks calling on the companies to review the application of their policies relating to Freedom of Association and Collective Bargaining. The resolution at Apple was withdrawn on agreement and the one at Starbucks passed with a 52% vote in favour at the company's AGM in March.

Both companies subsequently commissioned reviews, which were both published in December. Our responsible investment adviser PIRC is currently working with the other proponents to analyse these reviews and respond to the companies.

Finally, during Q4 NLGPS participated in an engagement with Royal Bank of Canada, alongside SHARE and BCGEU. This included the filing of a shareholder proposal requesting that the company undertake a racial equity audit.

NLGPS has voted for proposals of this kind at numerous companies since they first appeared on ballots from 2021 onwards. However, this is the first time NLGPS has been involved in filing a proposal of this type, and the first time of co-filing in Canada.

We were therefore very pleased that the company has committed to undertake a racial equity audit, and the shareholder proposal was withdrawn on agreement with RBC.

EFFECTIVE ENGAGEMENT Q4

Huge areas of oil palm plantations, with a palm oil processing plant

WATER STEWARDSHIP

CRODA PLC

Overview: Croda plc is a speciality chemical company listed on the FTSE 100 with operations in 37 different countries. It focuses on chemicals for consumer care and life sciences (both pharma and agricultural).

Issues Arising: Croda identifies water usage as a physical climate risk within its annual reporting, stating that changes in global climate can significantly increase or decrease precipitation at a given location over time. Changes in precipitation resulting in reduced rainfall over extended periods are likely to affect water stressed locations by causing droughts. This can impact regional water supply and have financial implications for local industry.

Palm oil derivatives are an important raw material for Croda. On average, a palm oil mill is estimated to generate 2.5 metric tons of effluent for every metric ton of palm oil it produces, making water quality risks of significant importance to the company. Additionally, deforestation, often linked to the palm oil supply chain, increases soil erosion and with it the risk of flooding.

Engagement: On 11 December 2023, PIRC met with Croda to discuss water stewardship. The company explained that for the most part they do not formulate consumer products themselves. The main water demand in their direct operations was in processing, rather than water being embodied in the products. To mitigate this demand, the company's focus was on recycling and minimising the need for water. With regards to the approach to water management in the supply chain, the company explained that as a relatively small buyer and largely purchasing derivatives of raw materials rather than the raw materials themselves, Croda had limited direct leverage over the supply chain. The company considers collaboration with suppliers and customers to be a more effective approach to driving improved water stewardship practices within its supply chain. To this end, Croda co-founded the consortium Action for Sustainable Derivatives, which focuses on increasing transparency in the supply chain, including in relation to water. The company also expressed the intention to improve suppliers' disclosure of data on water usage, carbon emissions and land use change.

Outcome: Croda has in place a quantitative target to reduce water use impact by 50% by 2030 and by 25%

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by 2024. PIRC outlined its preference of targets to be context-based as well as time-bound in order to focus operations most exposed to water stress. Additionally, as the company's existing target relates to direct operations only, PIRC encouraged the company to adopt a value chain approach to water stewardship and consider guidance published by the SBTN.

WORKERS' RIGHTS

PETROFAC

Overview: Petrofac is a globally recognised service provider in the energy industry, known for designing and constructing various energy facilities including gas processing plants, clean fuel refineries, and offshore wind substations. Additionally, the company is committed to modernising clients' existing infrastructure to align with global environmental standards.

Issues Arising: The company has been the subject of significant media attention due to the persistent industrial relations disputes with their offshore workers. These disputes started in April 2023 and have arisen at multiple installation platforms operated by Ithaca Energy, a client of Petrofac. Although the dispute involves Petrofac employees the company's client is involved in its resolution.

Offshore workers were striking against the 'clawback policy' affecting Petrofac employees working for Ithica, which states that workers are expected to work an additional 14 days at any time for no additional remuneration. After negotiations with Unite the Union, Ithaca countered with an offer of 12 days. However, Unite members rejected the offer, highlighting that the industry norm was 7 days and that 12 days would be the financial equivalent of £6,000 lost income per person.

The failure to reach a consensus led offshore workers to take strike action at varying intervals from April 2023. Action encompassed a range of measures including 48-hour stoppages, overtime bans and 14-day strikes. As of our meeting with Petrofac on September 27th, there were upcoming plans for further action the following month.

Engagement: PIRC queried the clawback policy and the possibility of a reduction to match the industry norm. Petrofac noted that its position in the dispute was as a service provider to their client, the platform operator (Ithaca). Consequently, discussions about the concerns raised by workers primarily occur between the unions and Petrofac's clients. However, the company stated that the policy, a standard industry practice, had evolved with different client-specific terms in contracts. The strikes aimed to reconcile these terms with evolving industry norms and Petrofac was mediating discussions between employees and clients in the process.

When asked what the barriers to successful negotiation had been, Petrofac summarised the key challenges to: facilitating discussions whilst maintaining relationships with the workforce and client on opposing sides; setting a prec-

Petrofac worker on a rig in the north sea

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edent for other contracts (both Petrofac's and the clients'); and managing logistics with rotations based on the proposed change in hours.

Outcome: On 16th October 2023, , it was announced that Petrofac's offer had been made and the clawback policy had been reduced from the initial 12 days offered, to 10 days with no loss of pay. The offer was made on the eve of the scheduled strike action and led to its suspension.

An Iron Bru delivery lorry oustide shops in Lanark

A.G. BARR

Overview: A.G. Barr is a Scottish soft drink manufacturer with a broad portfolio of brands attached to its name, but it is widely known for manufacturing the popular drink, Irn Bru.

Issues Arising: The company has attracted significant media scrutiny, primarily due to prolonged industrial relations disputes based on concerns about fair pay raised by a group of A.G. Barr employees, specifically Truck and Shunter drivers. Employees initiated strikes in response to A.G. Barr's reluctance to go beyond a 5% pay increase offer for 2023. The strike action involved 24-hour stoppages and ongoing overtime bans from August 11th to October 30th.

Media attention intensified when Unite the Union reported A.G. Barr and their employment contractors, Stobbart and Streamline, to the Department for Business and Trade. Unite called for an investigation into the potential use of agency labour to replace striking employees during a prior strike. This action is deemed a criminal offense under the Conduct of Employment Agencies and Employment Businesses Regulations 2003.

Engagement: PIRC enquired about the impact of the strike on business operations, supplies, and whether the repercussions were quantifiable. A.G. Barr responded by repudiating media portrayals and highlighting that, contrary to scrutiny, it successfully fulfilled all orders promptly and legally. The company emphasised that the dissenting drivers numbered around 10, a small fraction, and that it had been offered a pay increase in line with the broader workforce. A.G. Barr also clarified that the workforce had received a one-off payment the preceding year amid the prevailing cost-of-living crisis.

Regarding the Department for Business and Trade investigation, A.G. Barr acknowledged awareness of the media coverage but was not aware that the company had yet been approached about it for an investigation.

Exacerbating the dissatisfaction among the striking workforce, who were advocating for improved compensation, there were public reports highlighting positive company performance, increased net profits, and successful product acquisitions. PIRC raised the point that the decision to strike could signal a potential disparity in understanding regarding the company's capacity to meet the workforce's compensation expectations. In light of this, A.G. Barr was asked about lessons learned and strategies to avoid such disparities in the future.

A.G. Barr's representatives reiterated the company's active engagement with the workforce on the cost-of-living crisis. The company pointed out that the ongoing strike was the first in around two decades, underscoring the company's historical commitment to staff and the positive sentiments of the workforce towards their workplace.

GOOD WORK COALITION

Company engagements in collaboration with Share Action on the Good Work Coalition Campaign continued into the final quarter of the year, this time with a focus on remuneration and related to issues around the Living Wage, Third Party Contractors, and Ethnicity Pay Gap Reporting.

Boohoo acknowledged concerns raised by the campaign and conducted an assessment last year on meeting the real Living Wage. The company found that implementing it would cost an additional £6 million, impacting its ability to maintain differentials. Due to current profitability constraints, Boohoo noted that it could not absorb this cost and was a barrier to Living Wage accreditation. The company highlighted the need to balance support for colleagues with business sustainability. Boohoo are exploring alternative ways to reward employees such as bonuses and plans to prioritise wage increases for lowest-paid staff during end of financial year planning.

Currys was also reluctant to becoming Living Wage accredited. As an organisation, it has explored this internally but noted when considering affordability that large future increases in the real Living Wage rate would prevent them from being able to commit to matching the rates for the coming years. Currys committed to considering Living Wage accreditation

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once rate increases stabilise and, in the meantime, committed to providing oversight of their third-party contracted staff and their pay rates.

Sainsbury's discussed their approach to on-site third-party contractors and aligning their pay with that of direct employees. The company explained that a significant portion of their third-party contracted staff were paid at least the real Living Wage. The company increased security staff's pay to improve store safety but maintained differentials for cleaners, keeping them below the threshold. Furthermore, as the first supermarket to pay the real Living Wage to direct employees, investors asked if Sainsbury's would extend this to pay the new increased rate. Sainsbury's mentioned the need to evaluate the impact of inflation in the spring before deciding.

Regarding the ethnicity pay gap, PIRC engaged with Cranswick, Greencore, Standard Chartered and Mitie. Cranswick currently lacks a comprehensive report on its ethnicity pay gap and only has a small amount of existing ethnicity data, which does not cover the entire business. However, the forthcoming implementation of a new HR system is expected to facilitate this reporting process. Greencore, despite having a relatively high employee disclosure rate, does not presently report its ethnicity pay gap. However, the company is actively committed to rectifying this and is engaged in educating its executive committee and management on the significance of ethnicity pay gap reporting.

Standard Chartered was in similar position in terms of reporting. However, this year the company has gathered sufficient ethnicity data for meaningful analysis. It has expressed a commitment to reporting their ethnicity pay gap in 2024.

Contrastingly, Mitie has been reporting on their ethnicity pay gap since 2021, but has recently come under media scrutiny for low pay, anti-competitive practices, and unethical business. To maintain a line of communication, the working group will continue to engage with Mitie in Q1 of 2024.

Former BP CEO Bernard Looney

EXECUTIVE REMUNERATION

BP

Overview: BP finds, develops, and produces sources of energy, turns them into products, and buys and sells at each stage of the hydrocarbon value chain. This operates in three main businesses - fuels, lubricants, and petrochemicals. In renewable energy, BP's activities are focused on biofuels and wind.

Issues Arising: In September 2023, CEO Bernard Looney stepped down following allegations that he failed to fully disclose relationships with female colleagues, some of whom he later promoted. This led to concerns about whether his outstanding bonuses would vest and questions over a possible broader cultural issue at the company. Fears that the CEO's succession would result in a watering down of BP's climate commitments also emerged, as some media coverage speculated. Finally, there were concerns over the appropriateness of BP's incorporation and implementation of health and safety KPIs in its executive remuneration system.

Engagement: PIRC raised the issue of Looney's variable remuneration, questioning whether it would vest considering the former CEO's misconduct. The company explained that investigations into the former CEO were still ongoing and the outcome of this would determine his 'good leaver' status and thus whether he would be eligible for vesting of share awards. PIRC asked about the company's broader investigation and response to Looney's misconduct. The company explained that it had established a temporary board committee to consider HR data and carry out listening sessions with employees to identify trends in the culture. However, considering their strong employee pulse survey results, they did not consider the allegations against Looney to be emblematic of a systemic culture issue at the company.

PIRC also queried the potential influence of the new CEO appointment on the company's climate strategy, given recent media speculation suggesting a potential regression. The company said that it remained steadfast in its commitments, notwithstanding an unforeseen dramatic economic or geopolitical change. BP added that commitment to the company's strategy was a key attribute, alongside skills, experience, and diversity, in hiring the new CEO. On remuneration, PIRC raised concerns about using ESG metrics, arguing that protecting workers' health and safety should instead be considered a core contractual duty not deserving additional incentivisation. BP emphasised that it recognised PIRC's concerns and placed a very strong emphasis on safety, but did not see an adequate alternative method of promoting ESG performance.

Outcome: In a move welcomed by PIRC, the company later confirmed that the former CEO would not be treated as a "good leaver" and as such forfeit compensation worth up to £32 million, £25 million of which being unvested share awards.

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BOUYGUES

Overview: Bouygues is a diversified French multinational operating in construction, media, telecoms and energies and services. It operates in over 80 countries with approximately 200,000 employees.

Issues arising: Bouygues' most recent remuneration report received significant shareholder opposition (21.6%). PIRC had concerns over the granting of an additional special award for integration of the company's recently acquired Equans business. PIRC views the undertaking of M&A activity as part & parcel of implementing company strategy and as such a core duty for executives. Additional remuneration for such undertakings is considered inappropriate.

Engagement: PIRC asked about the company's understanding of the significant shareholder dissent to the most recent remuneration report. The company said it believed the significant opposition votes to the most recent remuneration payments to the CEO and Deputy CEO were a result of the disclosure levels on the long-term incentive targets, as well as concerns over the additional share award issued as a result of the Equans acquisition. The company explained that it did not want to increase disclosure on the LTIP targets due to potential commercial sensitivity in disclosing the business plan. On the additional award, it explained that it considered the award necessary to incentivise the swift and successful acquisition of Equans, especially given the scale of the transaction and the resulting material change in the company structure. PIRC reasserted its view of providing additional compensation for what is considered standard business activity.

Outcome: PIRC will assess the company's remuneration practices ahead of the 2024 AGM and will provide a voting recommendation accordingly. The engagement undertaken during Q3 2023 will feed into this process.

PLUS 500

Overview: Plus 500 is an Israel-based online trading platform that emerged as an early tech start up in 2008. It provides software for trading facilities including shares, forex, commodities and cryptocurrencies.

Issues Arising: PIRC reached out to the company following significant shareholder dissent to the remuneration report (75%). Shareholder concern over remuneration practices has been a reoccurring issue with significant dissent recorded in both 2022 (55%) and 2021 (20%). During 2022, the company awarded an increase of 67% to CEO pay, with 73% being in the form of a bonus. The average CEO pay ratio is 74:1. All the annual bonus and LTIP metrics vested at maximum. The company does not sufficiently disclose KPIs as they relate to variable compensation nor the associated peer groups. This makes it impossible to assess the extent to which compensation schemes are sufficiently challenging.

Engagement: The company noted that it is incorporated by the laws of the State of Israel, resulting in differences with UK compliance.

PIRC queried whether the company had considered developing ESG metrics to link to the bonus, given currently 100% are financial and operational based. The company noted that as a fintech company it had limited environmental impact. However, the company added that it may look to developing a metric linked to sustainability in future compensation schemes. PIRC asked about the relatively low turnout in voting (60.87%). The company noted the low turnout was from passive index holdings and it was the institutional voters which were more pronounced in this vote.

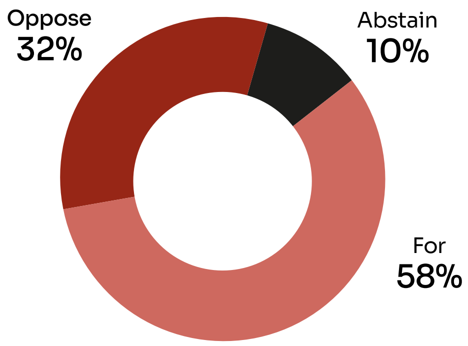
PIRC inquired about the speculation surrounding the company's delisting from the UK. The company confirmed it was not delisting from the UK and simply applying for a dual listing in the US since this geographical space would give them access to a bigger shareholding market that better understand their product offering.

PIRC noted that employee attrition rates under the operations metric in the bonus do not incorporate the employee retention rate and asked whether the company would consider disclosing this. Notably, Plus 500 does not list this as a principal risk given it has approximately 500 employees. PIRC reiterated the disclosure of more workforce data would be welcomed by investors given the materiality of retaining talent at an organisation such as Plus500.

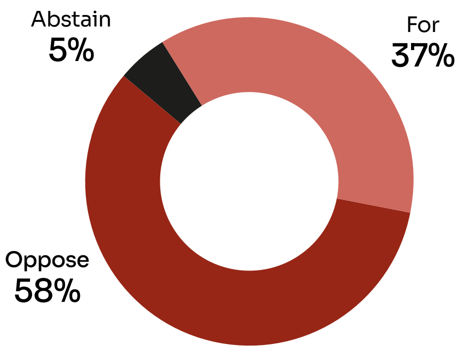
Outcomes: In response to the high shareholder response, the remuneration committee excluded special, one-off bonuses in future executive remuneration plans in the company's updated remuneration policy.

VOTING Q4

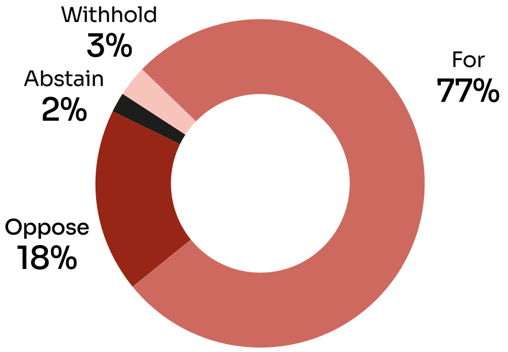
Votes on remuneration advisory, Q4 2024



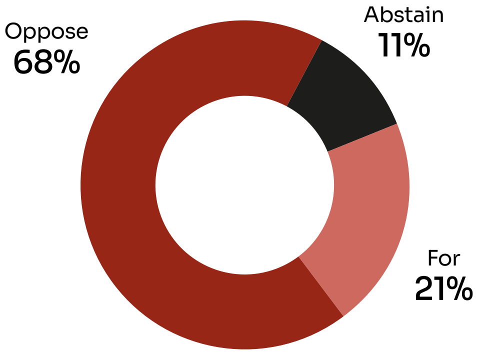
Votes on remuneration binding, Q4 2024



Director elections, Q4 2024



Auditor appointments, Q4 2024



Q4 Engagements

Company	Domiscile	Topic
BOUYGUES SA	FRA	Remuneration
MEDIOBANCA SPA	ITA	Governance (General)
SOUTH32 LTD	AUS	Climate Change
HENNES & MAURITZ AB (H&M)	SWE	Employment Standards
BOOHOO.COM PLC	GBR	Employment Standards
JERONIMO MARTINS SGPS SA	PRT	Remuneration
PLUS500 LTD	ISR	Remuneration
PUBLICIS GROUPE SA	FRA	Remuneration
A G BARR PLC	GBR	Remuneration
BOOHOO.COM PLC	GBR	Employment Standards
CHIPOTLE MEXICAN GRILL INC	USA	Employment Standards
PUMA SE	DEU	Employment Standards
SAVILLS PLC	GBR	Employment Standards
J SAINSBURY PLC	GBR	Remuneration
CRODA INTERNATIONAL PLC	GBR	Environmental Risk
INFINEON TECHNOLOGIES AG	DEU	Environmental Risk
NOVOZYMES AS	DNK	Environmental Risk
ROYAL BANK OF CANADA	CAN	Diversity Equity and Inclusion
TRANE TECHNOLOGIES PLC	IRL	Environmental Risk
XINYI SOLAR HOLDINGS LTD	HKG	Environmental Risk
STANDARD CHARTERED PLC	GBR	Diversity Equity and Inclusion
CURRYS PLC	GBR	Employment Standards
INDITEX (INDUSTRIA DE DISENO TEXTIL) SA	ESP	Employment Standards
NIKE INC.	USA	Employment Standards
ADMIRAL GROUP PLC	GBR	Remuneration
NEXT PLC	GBR	Employment Standards
BP PLC	GBR	Climate Change
FERRARI NV	NLD	Remuneration
GREENCORE GROUP PLC	IRL	Diversity Equity and Inclusion
TRANE TECHNOLOGIES PLC	IRL	Climate Change
CRANSWICK PLC	GBR	Diversity Equity and Inclusion
ANHEUSER-BUSCH INBEV SA	BEL	Remuneration
BASF SE	DEU	Climate Change
WHITBREAD PLC	GBR	Remuneration
APPLE INC	USA	Employment Standards
ASOS PLC	GBR	Employment Standards