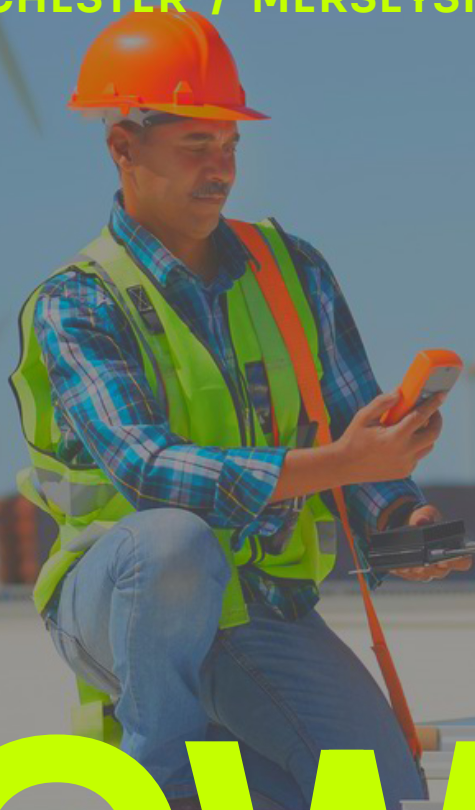


**NORTHERN LGPS
STEWARDSHIP REPORT
Q2 2022**

GREATER MANCHESTER / MERSEYSIDE / WEST YORKSHIRE



HOW WE TACKLE CLIMATE CHANGE

SAY ON CLIMATE Q2

Taking action

The climate is warming, with hotter and more prolonged heatwaves, droughts, floods and with more extreme weather events globally causing significant damage to people's health and livelihoods, to infrastructure and the economy. As such mitigating the financial risks associated with climate change continues as a key focus for investors, and many are increasingly leveraging proxy votes to hold companies accountable for their transition planning.

'Say on Climate' votes encourage investor dialogue with companies on the development of climate action transition plans. These can either be resolutions put on the proxy by management or filed by shareholders. They promote opportunities for shareholder feedback in the form of an advisory vote on the plan and pre-AGM engagement on the matter. Through membership of LAPFF we have supported the 'Say on Climate' initiative and in our own right now regularly vote on resolutions in support on meaningful progress.

'Say on Climate' votes complement existing corporate reporting frameworks, such as the Task Force on Climate-related Financial Disclosures (TCFD). The UK is the first G20 nation to mandate that large companies disclose climate related financial risks and opportunities, in line with the TCFD recommendations. Decarbonisation requires cooperation and trust between government, the private sector and investors to progress.

Including a 'Say on Climate' vote on the proxy should, in itself, not be enough to warrant investors approving the plan. Our Responsible Investment adviser PIRC's voting recommendations (see data at the end of the report) demonstrate that whilst standards for a recommendation to support are high, they are not prohibitively so. From 2022, PIRC expects that



Huge Wild Fires in farm fields Essex Ongar

“THE SAY ON CLIMATE INITIATIVE COMBINES DISCLOSURE WITH AN AGM SHAREHOLDER VOTE ... WE NEED SUSTAINED SHAREHOLDER PRESSURE THROUGH SYSTEMATIC ENGAGEMENT AND VOTING, BASED ON EVIDENCE, TO SECURE THE NECESSARY CHANGE.”

SIR CHRIS HOHN, FOUNDER OF THE SAY ON CLIMATE INITIATIVE, 9 MARCH 2021

SAY ON CLIMATE Q2

governance of climate should be fully embedded in the company’s risk management, around three key pillars across Policy, Disclosure and Governance.

Some of the criteria that PIRC assesses climate plans on include:

- Whether the chair of the board is responsible for oversight of climate strategy
- Whether there is at least one member of the Board with significant climate-related experience in the company’s sector
- Whether the company discloses absolute emission targets to curb CO2 emissions, in addition to offsetting
- Emissions reduction targets across Scopes 1, 2 and 3
- Whether the company adequately quantifies carbon emissions in its annual report (or equivalent)
- Whether the company describes climate resilience scenario planning to a 1.5°C target
- Whether the company has pledged to become net zero by 2050 or earlier

The need for a just transition is also an important aspect of how we address climate change, so it is imperative that company roadmaps include KPI’s focused on employee integration and buy in from affected communities.

That so many companies are agreeing to put their plans to shareholders, and that investors in turn support ‘Say on Climate’ resolutions, is testament to the strength of collaborative engagement, as well as the financial materiality of the climate crisis. But success cannot solely be determined by a vote outcome. Whilst these votes are advisory, their inclusion on the AGM agenda provides a mechanism for wider shareholder engagement on the issue.

When companies agree to engage with shareholders on these transition plans, there is often a request for detailed information from investors regarding their expectations. The ‘Say on Climate’ website lists IIGCC, French Sif, LAPFF and ASCI as supporters, with over £16.5 trillion in assets under management

SAY ON CLIMATE VOTES “WOULD ESTABLISH A CRITICAL LINK BETWEEN RESPONSIBILITY, ACCOUNTABILITY AND SUSTAINABILITY.”

MARK CARNEY, FORMER CENTRAL BANK HEAD IN CANADA AND THE UK, FOUNDER OF TCFD.

Shareholder resolutions supported that did not have the support of the company, unless noted

Company	Recommendation Issued by	Vote outcome
Alphabet	LAPFF	17.9% in favour
BP	PIRC	14.7% in favour
Credit Suisse	PIRC	18.5% in favour
Standard Chartered	PIRC	11.7% in favour

Management proposed resolutions opposed by PIRC/LAPFF

Company	Recommendation Issued by	Vote outcome
Barclays	LAPFF	19.2% opposed
Glencore	LAPFF	23.7% opposed
Total	PIRC	10.4% opposed
UBS Group	PIRC	14.8% opposed

between them. This strong investor buy-in can facilitate enhanced discussions with senior company leadership over their plans. Company representatives appreciate investors spelling out what they want to see in order to secure approval of the plan.

No one should be in doubt as to the financial materiality of climate change and the risks of inaction. As governments around the world start to take action, further climate regulation is likely to be enacted. More countries are likely to follow the UK’s lead, with mandated disclosure likely to become more extensive and with higher punishments for non-compliance. Expectations for climate accounting and reporting have changed significantly in the past 10 years, and these will only continue rise in the years ahead. As public and private funding is unlocked for decarbonising the economy, there are likely to be benefits for those who get ahead of the curve.

There is a fundamentally intertwined relationship between pension funds and

the challenge posed by climate change. Pension funds are, by their very nature, long-term in their operation, working for the interests of their members for decades to come. But future plans are threatened not only by the aforementioned financial and regulatory matters, but by the climate crisis itself. Failure to take action now will see changing and more extreme weather patterns, as well as worsening economic output and returns, threatening the type of retirement that previous generations have enjoyed.

Collectively the NLGPS member funds have voted on dozens of both management and shareholder-proposed resolutions on climate change, with the latter group more common but management proposals growing in number. During the 2022 season LAPFF has issued voting alerts for a number of company transition plans, and aims to issue 50 climate voting alerts over the year. Below are some examples of shareholder mood on the issue.

SAY ON CLIMATE Q2 ENGAGEMENTS

CREDIT SUISSE

Overview: Credit Suisse is one of the world's foremost financial institutions, but also one that has been ridden with multiple scandals in recent years.

Engagement: In May, all three NLGPS funds backed the Share Action climate resolution filed ahead of the AGM. It called for the bank to reduce its exposure to fossil fuel assets on a timeline consistent with the 1.5°C goal of the Paris Agreement.

Merseyside, West Yorkshire and Greater Manchester joined eight other institutional investors in backing ShareAction, the Ethos Foundation and the Swiss Association for Responsible Investments. Even if not directly so, the shareholder resolution in many ways demonstrated the attributes and qualities of the 'Say on Climate' process.

It targeted one of the largest Scope 3 emitters, granting US\$82 billion to oil and gas projects since 2015 to make it Europe's fourth largest fossil fuel financier. There was coordinated shareholder action, comprised of multiple investors from a diverse range of sectors and coun-

“THIS RESOLUTION SENDS A STRONG SIGNAL TO THE BANK THAT INVESTORS EXPECT IT TO PUBLISH A SCIENCE-BASED CLIMATE STRATEGY THAT COVERS ALL ITS MAIN FINANCING ACTIVITIES”.

**JEANNE MARTIN,
SHAREACTION**



tries. There had been substantial prior engagement, with concerns explained the company committing to some change (such as an absence of capital market activities reporting from climate targets, despite almost 80% of the financing of top oil and gas expanders coming in the form of capital market financing).

Escalation to a vote against the company marked the ultimate step that shareholders can take, but is sometimes warranted to impress upon management the concerns held. 18.5% of shareholders eventually backed the resolution.

Outcome and follow-ups: The company did commit to putting an advisory vote on its sustainability report to shareholders in 2023, bringing a 'Say on Climate' vote next year. ShareAction did have doubts as to the utility of such an exercise, with Switzerland mandating binding votes from 2024 (as opposed to the advisory nature of 'Say on Climate' resolutions). But the 2023 vote will serve a purpose, fostering enhanced dialogue and preparing the company for what to expect from shareholders.

BP

Overview: BP is one of the oil and gas majors, with NLGPS funds collectively holding 0.65% of its shares.

Engagement: PIRC met with representatives of BP to discuss the company's transition plan and request for shareholder support at the upcoming AGM. Whilst BP is taking its responsibility to transition to a low carbon business seriously, there are concerns that the existing plans are overly reliant on divestment as opposed to the internal displacement of hydrocarbons to renewable energy.

BP ranks favourably relative to other European and US competitors, and the inclusion of a fair and just transition segment in the transition plan is welcome. There were, however, few specifics shared as to whether or how job levels and job quality would be maintained as part of the move away from fossil fuels and into renewables like offshore wind.

The company wanted to stress that the

SAY ON CLIMATE Q2 ENGAGEMENTS

data used in many independent reports that criticise the transition plan was out of date but it was not clear as to whether basing those same reports on the new data released by BP on 8 February 2022 would substantively change the assessment of their plans.

A major criticism from external stakeholders has been the company's overreliance on divestment of oil and gas assets rather than decommissioning them. The company stressed that whilst divestment of assets made up a significant component of their plan it was not the only way to cut emissions. It was also emphasised that divestment was sometimes the only option, as decommissioning certain oil and gas assets would require government intervention.

PIRC welcomed the inclusion of a just transition segment in the transition plan. There were however few specifics or targets outlining whether or how job levels and job quality would be maintained as part of the move away from oil and gas. The company explained that because it is not transitioning from oil and gas for at least another decade, jobs in the sector will remain, negating the need for a near term strategising regarding a just transition. But that maintenance of business as usual will rapidly deplete a limited carbon budget (a concept which BP accepts and expresses in clear terms).

Outcome and follow-ups: PIRC recommended abstaining on support for the company's climate plan, whilst LAPFF predeclared its opposition. BP acknowledged the Forum's position as a "critical friend" and committed to work over the coming months to gain a better understanding of LAPFF's position.

The lack of defined targets set for how social and workforce impacts will be managed was raised as a concern during PIRC's engagement, with the company offering to report these metrics and targets in 2023.



TO TRULY REACH THE INTERGOVERNMENTAL PANEL ON CLIMATE CHANGE'S TARGET OF 45% EMISSIONS REDUCTION BY 2030 FROM 2010 LEVELS, SCOPE 3 FIGURES MUST BE ACCOUNTED FOR

TOTALENERGIES SE

Overview: Total is one of the oil and gas majors, with NLGPS funds collectively holding 0.1% of shares.

Engagement: Ahead of the Say on Climate vote, Total provided an overview to PIRC of its proposed pathway to net zero by 2050, which included reductions targets for consumers and a transition plan that mentioned the role it plays in climate advocacy (and the trade associations to which it belongs).

PIRC raised concerns regarding the absence of a Scope 3 target. Understandably for a company focused on direct fossil fuel production, focus has been on medium-term Scopes 1 and 2 emissions reduction targets, with 40% by 2030 against a 2015 baseline. But to truly

reach the Intergovernmental Panel on Climate Change's target of 45% emissions reduction by 2030 from 2010 levels, Scope 3 figures must be accounted for. The company's net zero scenario also accounts for 50-100MT worth of carbon sequestration via carbon capture and storage, which PIRC considers overly reliant on a technology not yet proven at scale.

Outcome and follow ups: The net zero ambition and pathway outlined by the company represents an improvement. Whilst there are credible elements to the pathway, concerns remain over some elements of the proposed pathway, particularly around carbon capture and Scope 3 emissions. PIRC withdrew support for the company's transition plan.

SAY ON CLIMATE Q2 ENGAGEMENTS

A view of the No.3 Pit mine in Fuyun or Koktokay county, Altay Prefecture, northwest China's Xinjiang Uyghur Autonomous Region,



IBERDROLA:

Overview: Iberdrola is a Spain-based global energy provider, one of the world's biggest electricity utilities in terms of market capitalisation, and one of the world's largest producers of wind power. NLGPS funds collectively hold 0.13% of its shares.

Engagement: PIRC met with Iberdrola representatives to discuss the company's climate strategy and concerns regarding the company's upcoming AGM.

PIRC began asking the company on why they chose not to have a 'Say on Climate' vote at the 2022 AGM. Iberdrola said that the way they designed their 'Say on Climate' proposal last year was to include it in the company bylaws and report annually on their progress. The climate strategy is included in the annual Sustainability Report, voted on at the AGM. Therefore, they do not think it is worth voting on their climate strategy every year.

Discussions then moved onto the CA100+ benchmark and the company stated that they felt the benchmark is

weak and full of mistakes. They do not feel it is fair to have been criticised with a lack of commitment to abate carbon as they have now closed 100% of their coal factories. They also feel they have made it clear in their current public commitments that they will reach carbon neutrality by 2050 and their gas assets will be completely finished by then. Iberdrola also mentioned they have not been able to meet with the CA100+ yet due to the high number of organisations meeting with the CA100+ but they have a meeting lined up for June 2022. They stated they will try and be positive and provide some improvements in 2022 but as they are a multinational it will take time to adjust policies across their network.

The company admitted confusion as to the concept of a just transition and ignorance as to what is expected. The company does not feel a need to produce a specific just transition report as the majority of workers are tied to collective agreements meaning they are able to bargain for their rights in any major changes.

When asked about possible human rights abuses in their renewables supply

chain, particularly in China (a near irreplaceable source of polysilicon, a vital solar panel component), the company responded that whilst it can try to implement its own policies, it will take time for the whole industry to adapt policies to meet human rights levels. Giving adequate consideration to a just transition, and all the social risks entailed with moving to renewable resources, would go a long way to improving understanding of what the company can do to alleviate investor fears in this regard.

Outcome and follow-ups: PIRC will continue the engagement with Iberdrola in the future, with particular focus on commitments regarding its capital expenditure and human rights due diligence. Other companies have not struggled with the concept of a just transition, and it is in the long-term interests of Iberdrola to formulate policies to match the need for such a plan. Iberdrola must come up with a just transition plan to provide a long-term framework in which to manage the transition to net zero in the most environmentally and socially sustainable manner possible.

SAY ON CLIMATE Q2 ENGAGEMENTS

CENTRICA:

Overview: Centrica is a British energy and service company, providing gas to industry and households under the British Gas brand. NLGPS funds collectively hold 0.26% worth of shares.

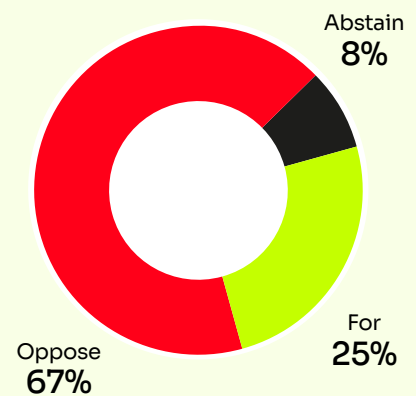
Engagement: PIRC joined an investor ESG call with the company to discuss its approach to mitigating climate risk as well as its approach to managing human rights risks within its solar supply chain. In response to the company’s commitment in achieving verification from the Science Based Targets initiative (SBTi) for its Scopes 1, 2 and 3 greenhouse gas reduction targets PIRC asked whether the Scope 3 target being based on intensity, as opposed to absolute reductions, would prevent verification. The company outlined that that the SBTi allow for Scope 3 targets to be intensity based – providing they lead to real world reduction of emission. The company outlined its larger concern, that SBTi excluded companies whose business includes the extraction of hydrocarbons from the

methodology.

PIRC also asked questions relating to the company’s human rights due diligence processes specifically within the upstream solar supply chain. The company outlined that it had robust measures in place with regards to both the onboarding of new suppliers and monitoring compliance of existing suppliers with regards ensuring compliance with ESG policies.

Outcome and follow ups: The ‘Say on Climate’ is just one facet of broader climate engagement. Sustainability and viable decarbonisation plans should be embedded throughout companies’ structures, year-round, with transparency for shareholders. The initiative does not immediately race to passing judgement at AGMs, but rather seeks to build collaboration and dialogue with companies, only pushing to vote against a company’s record when it appears that no further action can be taken. So whilst no further action was taken regarding voting recommendations, PIRC hopes to resolve issues surrounding SBTi in future engagements.

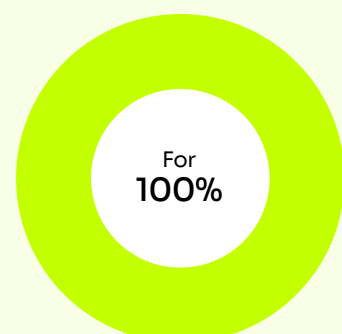
Management Proposed Say on Climate



Shareholder Proposed Environmental Issues



Shareholder Proposed Climate Change Target



LAPFF

LAPFF undertook several engagements and issued multiple voting alerts throughout the quarter.

Company	NLGPS Holding	Engagement	Say on Climate vote
Anglo American	0.785%	Yes	N/A
Alphabet	0.015%	No	Support Shareholder Resolution
Arcelor Mittal	0.257%	Yes	N/A
Barclays	1.119%	Yes	Oppose Management Resolution
BMW	0.036%	Yes	N/A
Caterpillar	0.018%	No	Support Shareholder Resolution
Dollar Tree	0.026%	No	Support Shareholder Resolution
Glencore	0.786%	No	Oppose Management Resolution
HSBC	0.374%	Yes	N/A
London Stock Exchange Group	0.186%	Yes	N/A
Monster Beverages	0.016%	No	Support Shareholder Resolution
Mercedes Benz	0.118%	Yes	N/A
National Grid	0.209%	Yes	N/A
Severn Trent	0.21%	Yes	N/A
Standard Chartered	0.441%	Yes	Oppose Management Resolution
Suzano	0.114%	Yes	N/A
United Utilities	0.283%	Yes	N/A

EFFECTIVE ENGAGEMENT

Q2

“TAX IS CENTRAL TO A COMPANY’S SUSTAINABILITY APPROACH AND IS OFTEN A GOOD INDICATOR OF GOVERNANCE PRACTICES TOO. NO COMPANY EXISTS INDEPENDENTLY OF THE SOCIETY IN WHICH IT OPERATES, AND THE TAXES THAT THEY PAY CONTRIBUTE TO THE MAINTENANCE OF INFRASTRUCTURE AND SOCIAL SERVICES ON WHICH THEY AND OTHERS RELY.”
TOM HARRINGTON, LEAD OFFICER, GMPF



TAX

NLGPS has been closely involved in PIRC’s efforts to promote tax transparency. GMPF has co-filed shareholder proposals at Amazon, Microsoft and Cisco, and has supported engagement companies identified as lacking transparency regarding their tax affairs. Along with partners CICTAR, GMPF has been providing support for PIRC’s efforts to ensure companies report on a country-by-country basis and provide greater detail on their approaches to tax.

At Amazon’s AGM in May, the tax transparency resolution saw a historic 21% of independent shareholders vote in favour. The unprecedented vote is only likely to act as a precursor to stronger investor opposition to tax opacity. It was the first such vote to be upheld by the US Securities and Exchange Commission

against appeal, and sets a precedent for other companies – with Microsoft recently confirming that the shareholder proposal filed at the company will be put to a vote at their AGM this year.

Speaking ahead of the Microsoft filing, GMPF Vice Chair Cllr Gerald Cooney said: **“This filing is yet another breakthrough for stewardship and good governance. Just as with Amazon, this filing should make Microsoft heed the message from its investors and commit to real transparency in its tax practices. Tax is key to company’s sustainability approach, being of significant financial materiality and often acting as an indicator of wider governance practices.”**

There is growing investor interest in tax as a stewardship theme. With the OECD agreeing a minimum 15% corporation tax across over 130 nations representing more than 90% of the

world’s GDP, companies will no longer have their pick of low-tax jurisdictions to channel their profits through. The UK has already released their draft legislation to implement the global minimum tax rate, and the US is set to follow in the global crackdown on tax avoidance. Shareholders deserve transparency regarding the impact that these legislative changes will have on their investments.

Local authorities know only too well the pressures on services caused by declining tax revenues, or ‘base erosion’ as it is known in tax circles. While tax avoidance might on the surface appear beneficial to investors it stores up longer-term risks if regulators look to shut down loopholes or even seek restitution. Failure by large, multinational corporations to adopt responsible tax practices poses a reputational and increasingly financial risk.

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Beyond the direct issues of tax transparency, how a company handles its taxes is often symptomatic of its wider attitudes to fiduciary duties and good governance. If a company is unwilling to divulge its tax details and oversight mechanisms to its investors, this may raise questions as to its governance and risk management more generally.

In addition to the filings, PIRC had engagements with Cisco and Microsoft. Amazon did not respond to PIRC's request for a follow-up meeting following the AGM. PIRC also engaged with Novartis, a pharmaceutical company operating in a sector renowned for tax avoidance. As this issue grows in prominence and investors increasingly demonstrate their displeasure, more and more companies may be expected to agree to the GRI Tax Standard, the gold standard for tax transparency metrics.

MICROSOFT:

Overview: Microsoft is a US-based multinational technology company, operating cloud systems with government contracts around the world.

Engagement: PIRC met with Microsoft's Engagement Director to discuss the company's tax practices. No representatives from the company's tax department were on the call. The company outlined that it does publish a UK Tax Strategy that largely applies to its global operations. The Microsoft representative could not answer substantive questions on tax. As such the focus of the call was on PIRC's expectations for companies. PIRC's position on the issue is that tax should be paid where economic value is generated that company tax arrangements are a board responsibility, and that public country-by-country reporting is a core element of transparent corporate tax disclosure. Furthermore, to ensure auditor independence, there should be a threshold for non-audit services provided by the auditor. No guarantees were provided to assuage PIRC's concerns.

Outcome and follow-ups: PIRC supported the filing of a shareholder proposal at Microsoft in June 2022. Investors with over \$350 billion in assets under management filed the proposal, including the Greater Manchester Pension Fund.

The proposal requests that the company produce a tax transparency report aligned with the GRI Tax Standard. At the time of writing, the company has confirmed that they will not be contesting the shareholder proposal and it will be included in the company's Notice of Meeting.

CISCO SYSTEMS INC.

Overview: Cisco Systems Inc is a US-based multinational technology company. NLGPS funds collectively hold 0.014% worth of shares.

Engagement: PIRC has sent a number of engagement requests to the company since December 2021. In May 2022, PIRC informed Cisco that it was considering filing a shareholder proposal at the company. In June, PIRC met with the company to discuss the proposed tax transparency shareholder proposal. Its Global Tax Strategy document is not fit-for-purpose, insofar as it does not provide investors with the information to undertake an appraisal of the company's tax risk appetite. Cisco fails to provide disaggregated profits or tax payments in non-US markets, with its approach to taxation has been repeatedly challenged by tax authorities globally.

PIRC asked whether the company would commit to providing additional tax disclosures, thereby allowing for the withdrawal of the proposal. As it transpired, Cisco could not or would not provide those guarantees.

Outcome and follow ups: The company declined to commit to providing additional tax reporting, so PIRC coordinated the filing of a shareholder proposal, with lead filer GMPF and co-filers Etica Funds and the Missionary Oblates. The company has not responded to the shareholder proposal, and PIRC is awaiting the publication of the company's notice of meeting, including the response to our proposal. PIRC will be coordinating activity with GMPF and other co-filers, engaging with Cisco investors and encouraging them to vote for the proposal.



NOVARTIS

Overview: Novartis AG is a multinational group of companies specialising in the research, development, manufacturing and marketing of a broad range of innovative pharmaceuticals and cost-saving generic medicines. NLGPS funds collectively hold 0.1% of its shares. Novartis currently provides reporting against two of the four reporting areas under the GRI Tax Standard. Significantly however, it does not publish country-by-country tax and financial information.

Engagement: PIRC with the Investor Relations ESG Director to discuss the company's overall approach to tax. The focus of the meeting was on alignment of their tax strategy with the company's business and sustainability strategies and their approach to tax risks and their tax governance frameworks.

The company states that it reports in line with the GRI Tax standard 207-1 and 207-2. But it does not publish country-by-country reporting (GRI 207-4). This has been discussed at a board level but there is no intention or timeline to release the data at this stage.

The company's tax strategy states that they do not have subsidiaries in tax havens purely for tax optimisation purposes, and that their tax planning approach is aligned to their business and operational strategy. However, the company's list of subsidiaries shows subsidiaries located in known tax havens, even though the company's website does

EFFECTIVE ENGAGEMENT Q2

not include these countries in their areas of operation. For example, their 20-F statement shows Bermuda subsidiaries, but no Bermuda operations. Questions were taken on notice regarding their presence in havens despite explicit policies to the contrary.

Outcome and follow ups: PIRC highlighted that, according to our tax brief regarding our expectations for companies regarding tax practices and disclosures, the publication of country-by-country reporting will be taken into account when deciding whether to recommend voting for or against a company's financial statement.

EDF

Overview: Électricité de France is a French energy company, with operations in the UK that include a large stake in the newly approved Sizewell C nuclear power station. NLGPS funds collectively hold 0.008% worth of shares, but the French government has announced plans to fully nationalise the company.

Engagement: A meeting was held with the Global Head of Tax and two representatives from Investor Relations. The meeting focused on plans to implement the GRI Tax Standard, specifically the introduction of public country-by-country reporting. They confirmed that there was no intention to publish on a country-by-country basis before the EU requirements came into force in 2025. In response to questions about whether they would publish country-by-country reporting in full, or only the limited reporting required by the EU they stated that they would provide full reporting. The company provided a detailed overview of their tax governance framework and how tax controls are managed within the organisation including escalation to the audit committee and board. They confirmed that under French law auditors were not able to provide tax planning services and these were therefore wholly independent.

Outcome and follow ups: PIRC will seek further engagements with energy companies, both because of their profits in recent months following the rise in global energy prices, and the reliance on government contracts and infrastructure.

HUMAN RIGHTS & SUPPLY CHAINS:

ANSELL

Overview: Ansell is an Australian procurer and manufacturer of rubber gloves. The company has around 12,000 employees in manufacturing, covering particular segments such as medical equipment in Malaysia, industrial gloves in Sri Lanka, bodysuits in China and chemical protection equipment in Thailand. It also has a large network of providers in Asia from which it sources PPE. NLGPS funds collectively hold 0.2% worth of shares.

Engagement: As part of our ongoing work on human and labour rights we have continued to monitor the rubber glove industry in Malaysia. This is a sector where forced labour has been a particular problem, leading to import bans that have had a significant impact on affected companies. Ansell has relationships with a number of the manufacturers and was previously engaged in early 2021.

PIRC met with Ansell for an update on its work in relation to labour standards. In supply chains Ansell is confident there is no evidence of modern slavery in any of its direct workforce. The company has a supply management framework in place

to help them manage and assess risks, to determine what audits are done and what approaches they can take. In common with others, Ansell feels that breaking away from suppliers doesn't always lead to change. It is assessing the level of non-compliance and working with the suppliers to bring about change. Where improvement is not achieved, it will look at terminating the relationship. The company has a labour rights committee that make the final call on whether to end the relationship after their assessment has been done.

PIRC asked for detail on health and safety and working hours as these were categories of non-compliance with standards most cited in the Ansell's reporting. It was reported that many instances of safety non-compliance relate to fire exits and bathrooms. On working hours, the company seeks to comply with the applicable working hours of the country, and not the ILO's 60-hour week standard.

PIRC asked about union relations in Sri Lanka. In 2013 there was a strike that led to the termination of around 1,300 employees, subsequently found to be lawful. Ansell agreed to pay employees a redundancy payment as part of a settlement. Issues arose again in 2019 and they have recently settled the issue with the union and paid over the required payments to the affected employees. The issue still standing relates to 11 employees that led the strike, with Ansell yet to settle with these individuals and a court case upcoming.

PIRC also asked if the production employee turnover rate was high for

EFFECTIVE ENGAGEMENT Q2

the industry. The company said it has recently been higher than it would like, which was put down to the ease with which workers can change companies to work more hours. Ansell doesn't have a specific target.

Outcomes and follow-ups: PIRC will continue its focus on the sector, including undertaking stakeholder engagement, and seek to engage other members of the Responsible Glove Alliance.

SINGAPORE TELECOMMS

Overview: Singapore Telecommunications is a telecommunications conglomerate, a dominant force in Singapore. Singtel fully owns Australia's Optus and has a 32.15% in India's second largest carrier, Bharti Airtel.

Engagement: PIRC met with Singapore Telecommunications to discuss the company's due diligence processes for both semiconductors and renewable projects.

The company began by discussing the 2021 Proxy Report produced by PIRC and some questions regarding details in the report. Some of the wording on the questions in the best practice questions was found to be slightly confusing to understand. PIRC said it will discuss this with the research team for clarification.

The discussion then moved onto the company's supply chain with PIRC asking what visibility the company has in their supply chain. The company stated that the supply chain risks are classed as material for them and any action taken on the supply chain must go through the Board. In the past few years the company has increased analysis of its supply chain by hiring a supply chain auditor to help identify macro risks and key areas to focus on. The company has made sure its human rights statement is fully comprehensive across both Singapore and Australia and it is currently in the process of another round of salient human rights assessments. There have never had any major human rights issues within the supply chain, but have in the past terminated the contract of a cleaning contractor in Australia due to the underpayment of staff.

PIRC followed up by asking if the

company recognises these human right risks on a regional basis. The company said that its first hotspot analysis of the supply chain gave, an idea of the specific human right risk and the location where that risk may be higher. Where higher risks have been found, the company has looked at engaging with the contractor. However, the contractors don't always reply. There has been consideration to subscribing to one of the global human rights databased but have not done so yet as they want to finish their own risk assessments first.

Finally PIRC asked what the company's approach would be if they found a contractor breaching human rights policies. They said that they do not feel like termination of contract is always the best outcome after the experience with the cleaning contractor in Australia. Many global vendors are more advanced in supply chain processes than Singtel, and it tries to learn from these companies and see where they can improve.

Outcome and follow ups: PIRC will continue to engage with companies around the world on their human rights risks in supply chains.

DECENT WORK: HEALTH AND SAFETY

In June the International Labour Organisation's ratified occupational safety as a Fundamental Right at Work. PIRC believes that engaging on health and safety presents an opportunity for investors to have a meaningful real-world impact in the area of decent work. PIRC carried out a review of occupational safety indicators and outcomes for FTSE350 companies, seeking to engage all companies found to be subject to enforcement activity by the UK's Health and Safety Executive (HSE). In this quarter PIRC met with housebuilders Bellway and Persimmon to discuss these concerns, as well as with Diageo.

BELLWAY

Overview: Bellway PLC is a UK-based housebuilder, constructing and selling homes. This includes the provision of social housing within developments. Bellway does not currently disaggregate

safety data in its reporting, meaning it is not possible to monitor the rate of incidents and risks by employment type. NLGPs funds collectively hold 0.6% of its shares.

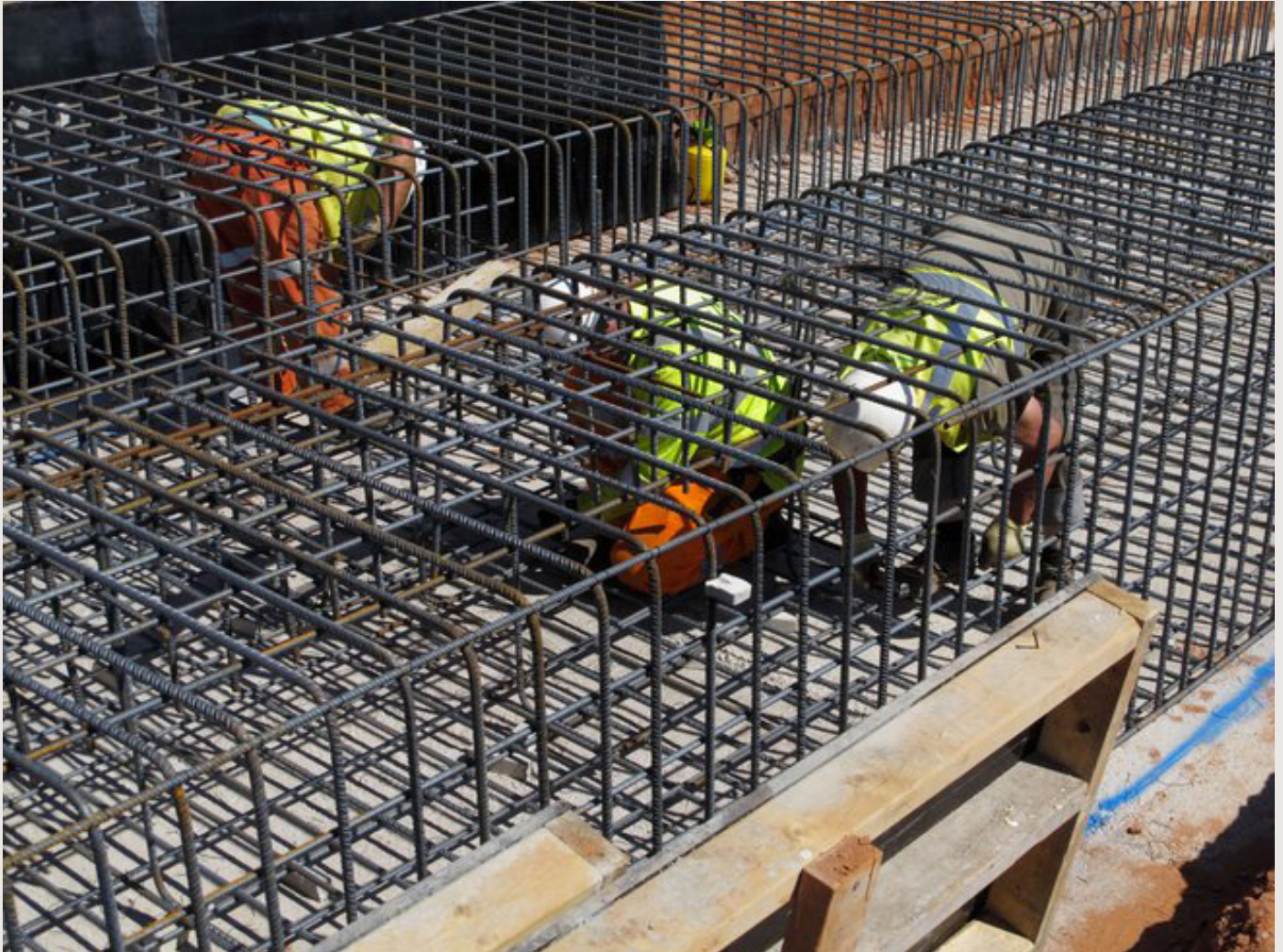
Engagement: It is PIRC's expectation that companies in high-risk sectors, such as construction, provide disaggregated data that references outcomes for their sizeable contingent workforce. PIRC met with Bellway to discuss health and safety standards in the company following enforcement notices and fines from the HSE within the last five years. Bellway does not currently disaggregate safety data by employment type, against PIRC's expectation that companies in high-risk sectors such as construction do so. Agency workers and contractors tend to face additional risks compared to their directly employed counterparts, such as insecurity over hours and pay and less training. For this reason safety incidents involving them should be closely monitored. This would allow swifter rectifying action to be taken, reducing the likelihood of further HSE objections and all the regulatory and financial consequences that brings.

Bellway welcomed this suggestion and shared its ambition to improve granularity of disclosures in the year ahead supported by the company's new safety monitoring system initiated in 2021. Bellway shared that reward systems for site managers and executives are designed in such a way that there is no perverse incentive for either to overlook safety risks in pursuit of improved statistics and rewards.

Impacts of the hanged IR35 "off payroll" rules were also discussed. Bellway shared that the main IR35 compliance risk area for the company was in relation to agency hires. As such they have been working with a restricted number of recruitment agencies and ensuring that the supply of labour through these firms to Bellway are directly employed workers, not self-employed contractors. Bellway agreed to share information with PIRC on the composition of their workforce across employment types. It also agreed to reconsider participation in the Workforce Disclosure Initiative which the company has up to now not participated in due to resource constraints. Bellway agreed to share information on ESG factors relevant

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to their new contract with Ilke homes creating factory-built housing part-funded by Homes England; as well as information on the status of their liability for remaining Bellway properties effected by unsafe cladding.

Outcome and follow up: The company welcomed the suggestion of disaggregating workforce data disclosures and informed us of its ambition to improve the granularity of data in the year ahead, supported by a new safety monitoring system initiated in 2021. In the meantime, Bellway agreed to share data by employment type with us.

It was also agreed to reconsider participation in the Workforce Disclosure Initiative which the company has up to now not participated in due to resource constraints. Finally, Bellway agreed to share information on ESG factors relevant to its new contract with Ilke homes – creating factory-built housing,

part-funded by Homes England; as well as information on the liability status of remaining Bellway properties affected by unsafe cladding.

PERSIMMON:

Overview: Persimmon Group is housebuilding business based in the UK, with three main areas of operation: the Persimmon Homes business is the core operation of the Group, which builds residential properties; the Charles Church business provides a range of premium homes; the Westbury Partnerships business focuses on social housing. NLGPS funds collectively hold 0.359% worth of shares.

Engagement: PIRC met with Persimmon representatives to discuss the company's approach to Health and Safety (H&S). In 2021, the company received one

HSE prohibition notice, having previously received one in 2017. Prior to it had two improvement notices in 2020, and one in 2019. The company was keen to put the HSE activities into context. In 2021 it had reportedly received 47 HSE in person site checks, which resulted in one notice. As housebuilders operate in a high-risk sector, they have more regular HSE checks than other companies, and whilst Persimmon would like to avoid any notices, one notice out of 47 is deemed manageable. So far in 2022, they have had zero notices or fines from HSE.

PIRC then asked Persimmon to detail their thinking behind listing Health and Safety (H&S) as a Principal Risk. They said that they have a robust reporting procedure and every H&S incident is reported on and investigated including "near misses". If the company has a notice enforced then there a full-scale investigation takes place that goes right through to Board level for assessment.

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They state that they are on a committee with other housebuilders in the UK where their RIDDOR H&S data is shared anonymously. In recent years they have had a lower average injury rate than their peers. They also collect live data throughout the year on what is going on at their sites and this allows them to be reactive. PIRC also asked how they report contractor injuries and they stated that they are reported in the same way a direct employee injury would be reported.

They provide 2 sets of data RIDDOR which is their legal requirement and only involves direct employees and then other data which encompasses their contractors. Contractor fatalities/injuries are reported alongside direct employees, but the company stated that it is unable to disclose the types of contingent workers or the overall composition of the workforce. It is not clear why the company is unable to disclose such breakdowns, as these figures are, by law, being collated in order to provide averages in the safety data. The reason provided is that contractor employment is short term by nature and that subcontracting firms are hired to complete tasks and determine their own workforce sizes. However, given that housebuilders are required to record the number of people on site quarterly as it is an audited number required for regulators, and usually for the auditing of client contracts, these figures will be at Persimmon's disposal.

The workforce engagement model includes an employee panel that meets four times a year. There are 12 members, including the Designated NED Joanna Place, and feedback from the panel is supplemented by an employee engagement survey. However, both the panel and survey are for direct employees only.

Outcomes and follow up: Given that the majority of the company's overall workforce consists of contingent workers (an estimated 6,000, compared to 5,300 direct employees), we would expect better disclosure of data for this group. We will continue to engage the company, and other housebuilders, on this point.



DIAGEO

Overview: Diageo is a premium drinks business, operating globally across spirits and beer with a collection of brands include Johnnie Walker, Smirnoff, Captain Morgan, Baileys, Tanqueray and Guinness. NLGPS funds collectively hold 0.3% of its shares.

Engagement: PIRC engaged the company to discuss the enforcement notices and progress reports by the HSE since 2018. PIRC met with six representatives for the meeting, including the company secretary and senior IR and HR personnel. This indicated that workforce safety is a priority area for the company.

PIRC began the discussion by asking what percentage of Diageo's workforce is indirect. They said that the vast majority of their workforce is employed but they do have a small contingent workforce (less than 5% of the total 27,650-strong workforce). These contingent workers tend to be hired on a short-term basis during busier periods where they need to fill higher demand. They also mentioned that they do not see much value in reporting their contingent workforce figures due to the short-term nature of the employment.

PIRC asked about Diageo's approach to their turnover of workforce. Diageo said that best practice turnover for them is around 10% and they are currently very comfortable with their turnover rate and are constantly monitoring it. They also mentioned that they are currently not

feeling the effects of any labour shortages and feel very competitive in the market for attracting workers.

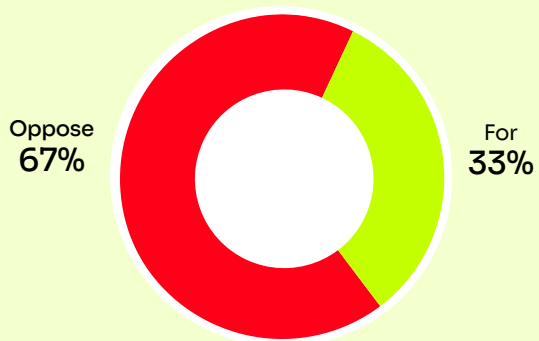
PIRC then asked what Diageo thought the value was of having a designated Non-Executive Director (NED). They said that it has had a very positive impact and it has not just been the designated NED who has engaged with the workforce all NEDs have taken part in engagement with workers. They feel the employees and the Board both value the opportunity to hear from workers and the Board then use this information to help their decision making and discussions with the relevant teams at the company. In 2021 the designated NED met around 900 employees and in 2022 they want this figure to be higher. They did consider using other employee engagement models but ultimately decided on that and continue to monitor the effectiveness of the model today.

With regards to their HSE notices and fines all of these have now been closed out by the HSE and have been dealt with.

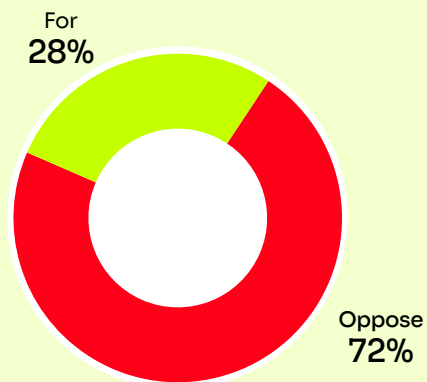
Outcome and follow up: PIRC challenged the assumption that disclosures on the small numbers of contingent workers are not needed and expressed the expectation for all companies to begin disclosing data on this group. Looking ahead, the company has laid out just transition targets for 2030. To meet them they intend to continuously reskill their workforce. Covid has already led to a reskilling of some roles and having seen the benefits, the company wishes to continue its focus on training.

VOTING Q2

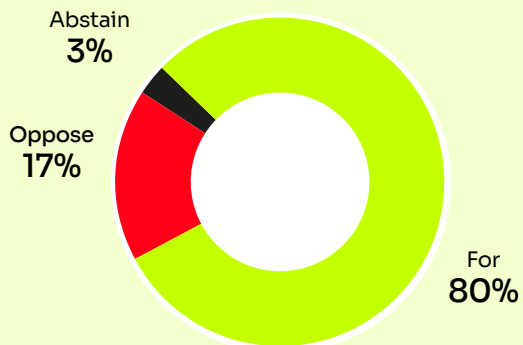
Votes on remuneration advisory, Q2 2022



Votes on remuneration binding, Q2 2022



Auditor appointments, Q2 2022



Director elections, Q2 2022

