Northern LGPS Quarterly Stewardship Report: January – March 2022

The Collective Asset Pool for Greater Manchester, Merseyside and West Yorkshire Pension Funds

Water Stewardship

Water stewardship is increasingly becoming a matter of grave concern, not only environmentally, but for investors too. By failing to mitigate water waste and take into account water intensity, companies can be implicated in supply chain risks, such as droughts and the follow-on effects for farmers. A NASA hydrologist has likened the deteriorating effect to falling dominos, in which warmer temperatures lead to less precipitation, more wildfires, agricultural devastation (itself resulting in less water), and huge knockon impacts for society and companies.

In January, in one of this quarter's highlights for the Northern LGPS the Greater Manchester Pension Fund (GMPF) filed a resolution ahead of fast-food giant Chipotle's 2022 AGM. The proposal requested the company undertake an assessment to identify, in light of the growing pressures on water supply quality and quantity posed by climate change, its total water risk exposure, and policies and practices to reduce this risk and prepare for water supply uncertainties associated with climate change.

The resolution came after more than two years of engaging with the company over its approach to mitigating the physical risks associated with climate change. It was GMPF's view that without a full value chain water risk assessment, investors would be unable to gauge the extent to which Chipotle was adequately managing the associated risks.

After a period of heightened engagement during the quarter, the fund and the company reached an agreement that would see the resolution withdrawn from the ballot. The withdrawal was conditional upon strengthened commitments to water stewardship being disclosed Chipotle's 2022 sustainability update, with the headline commitments highlighted in figure 1. The commitments represent significant progress in the company's sustainability practices, the direct result of NLGPS active engagement.

In seeking action from Chipotle, the hope is that this fast-food chain, with its vast footprint and water usage worldwide, can enact changes to its water stewardship policies to mitigate against water waste. It would go some way to reducing the environmental strain, especially in places like California that are becoming increasingly drought-prone due to reliance on dwindling reservoirs in the US mid-West. In working towards a more sustainable environment in which to operate, Chipotle can also guarantee investors long-term returns, rather than endure continued supply chain risks through agricultural and environmental degradation.

We are very pleased that after engagement Chipotle agreed to such moves. The issues relating to water will only grow in time, and it is vital that companies and their investors work together constructively.

<u>Figure One: Chipotle Water Risk Assessment and Stewardship Timeline</u>

<u>Restaurants:</u>

Q1 2022 Review water usage in our operations and facilities using baseline data from previous years to track impacts of future water projects

Q2 2022 Consider potential water efficiency opportunities and partners to decrease water usage

Q3 2022 Select water impact programs and partners based on water risk assessment results

Q4 2022 Propose budget and resourcing strategies for restaurant efficiency partnerships and projects

Ingredients:

Q1 2022 Kick-off a water risk assessment at the ingredient level to determine our topmost water intensive ingredients

Q2 2022 Review water usage at ingredient level coordinating across internal teams

Q3 2022 Consider current supplier practices in conjunction with their locations, climate and water risks

Q4 2022 Finalise ingredient and sourcing strategies aimed at decreasing water risks throughout our sourcing

Supply Chain:

Q1 2022 Food supply chain team to pull country of origin and certification data to frame up what water usage looks like in our current supply chains

Q2 2022 Develop future scenario risk assessment using the WRI's (World Resources Institute) Aqueduct Tool and WWF's (World Wildlife Fund) Water Risk Filter tools

Q3 2022 Develop detailed agricultural input assessment using WRI and WWF tools in order to determine water in our upstream sourcing

Q4 2022 Complete Water Risk Mitigations Actions roadmap to determine best course of action to establish water stewardship through our operations and climate working groups

GLIL Update:

Since the start of 2021, GLIL has doubled its stake in the UK social infrastructure fund Semperian PPP Investment Partners. With the Local Government Partnership, GLIL Infrastructure has provided additional financial support that will enable Semperian to increase its investments from the already 94 holdings it has in vital UK infrastructure, such as accommodation, hospital beds and schools. GLIL has also purchased a "significant majority equity stake" in a portfolio of Irish wind farms, its first major transaction outside of the UK.

Tackling Tax

Responsible tax practices have risen up the ESG priority list in recent years. Where once tax optimisation would have been seen as desirable by investors, this is now balanced by the awareness of risks relating to aggressive tax avoidance.

As part of PIRC's increased focus on tax, engagement has been undertaken with a range of companies since the end of 2022, and online retail giant Amazon is one of them. The company has been involved in numerous tax settlements in recent years, running into the hundreds of millions of dollars. It has also been singled out for criticism by President Biden. In terms of investors, Amazon was one of a handful of companies judged to be 'unresponsive' when the PRI undertook an engagement on tax a few years ago.

Amazon was not responsive to PIRC's request to engage over tax, and so it was the first company at which a shareholder resolution on tax transparency was lodged. The resolution calls for the company to produce a report in line with the Global Reporting Initiative's Tax Standard. It was filed by the US-based OIP Trust and co-filed by GMPF.

The long-term prospects of Amazon, and ensuring the company pays its 'fair share' in the locations it generates profits, are of material significance to the NLGPS. In addition to the pool members' holdings, the company has operations in our region, including a 'fulfilment centre' in Altrincham, Greater Manchester, not to mention making profits from millions of sales in the north.

Our next quarterly report will deal with the vote at the AGM and the reaction, but Q1 was when much of the groundwork for the vote was laid. There was a PIRC webinar on the importance of tax transparency and reporting in line with the GRI tax standard, and investors with a combined $3.6 trillion of assets under management wrote to the US Securities and Exchange Commission in March in support of the resolution at a time when Amazon was seeking to have it struck out.

Climate Transition:

In Q1 engagements were carried with BP and Shell respectively. The main discussion focused on transition plans and climate pledges. Climate change represents an existential threat to humanity, not in some undisclosed future time frame, but in the here and now.

Already, much of the North knows the damage that increasingly frequent and powerful flash floods can inflict upon communities. Rising ocean levels pose a significant risk in particular to much of Merseyside, whilst the period from November 2019 to February 2020 saw the highest amount of rainfall on record.

At the same time, it is imperative that the risks of a transition to net zero are managed. West Yorkshire knows the pitfalls of the pits falling into disuse without a viable economic alternative, whilst any talk of 'managed decline' is an economic and social dead-end. It is why investors have to be thoughtful in their engagement with companies and play a proactive role in the just transition to the clean technologies of the future.

This is not to 'both sides' the argument. Tackling climate change is not something that can be excused away by the current economic set-up – the two threats, environmental and social, must be dealt with in tandem. The good news is that larger companies do have the financial might to manage this transition, if they choose. Unfortunately, we need to see much faster progress on movement to net zero in order to have a realistic prospect of reaching Paris-aligned climate targets.

BP

Overview: BP plc is a British oil and gas company headquartered in London and is of the world's seven major oil and gas companies. NLGPS funds hold a combined 0.65% of the company's shares, which has 24 fuel courts in Merseyside, 38 in Greater Manchester and 39 in West Yorkshire. The company sources, develops, and produces energy to buy and sell at each stage of the hydrocarbon value chain in three main businesses: fuels, lubricants, and petrochemicals. In renewable energy, BP's activities are focused on biofuels and wind.

Issues arising: BP requested shareholder support for their transition plan at the May 2022 AGM. Whilst the inclusion of a just transition segment within the company's transition plan is welcome, there were few specifics detailed about whether or how job levels and job quality would be maintained as part of the move away from fossil fuels and into renewables.

Engagement: On 9 March 2022, PIRC met with company representatives to discuss the company's transition plan and associated social risks. PIRC outlined concerns that the job quality of oil and gas jobs will not be matched in renewables. PIRC raised the criticism from independent stakeholders that BP's plan demonstrates a reluctance to stop gas extraction in line with required carbon neutrality targets, as well as an overreliance on divestment/selling off certain assets rather than decommissioning them. This has implications for the just transition plan, as selling on assets may put jobs at risk without generating decommissioning jobs. It also does not adequately challenge climate change, as it merely offloads responsibility to the purchaser, which may lack the financial resources that BP possesses to make a successful just transition and decommissioning.

Outcomes and follow-ups: A follow up meeting was scheduled for April. PIRC requested a more in-depth discussion of the transition plan in terms of levels and conditions of new jobs being created in renewables, as well as targets for retraining and redeployment of the existing workforce. Further research and engagement will be carried out before recommending a position on BP's overall transition plan at the upcoming AGM.

SHELL

Overview: Shell is one of the oil and gas majors, and recently moved headquarters from the Netherlands to the UK. Northern funds hold over 1% of the company's shares, a large financially material holding that makes the company's performance all the more important for Northern funds. It has 34 petrol stations in Merseyside, 60 in Greater Manchester and over 40 in West Yorkshire.

Issues arising: LAPFF has expressed scepticism about Shell's climate change plans, both in the targets set and how Shell is going about in achieving them. Shell does not have a plan that would keep global warming below 1.5°C, requiring both time dependent actions and a carbon budget (the total future emissions over time). Shell instead has vague aspirations of 'net zero' by 2050 which doesn't cover the necessary emissions reductions prior to 2050, and which is: i) dependent on customers, and ii) relies on vague offsets, such as Carbon Capture and Storage (CCS) and tree planting.

Engagement: In a joint meeting with CA100+ members and Shell's CEO held in March 2021, there was no discernible shift in either the strategy or the path to limiting global warming to 1.5°C. But there now appears to be more scepticism in line with the LAPFF position from asset managers and owners that had previously been supportive of the Shell plans in 2021. It was the first such meeting since a Dutch court had ruled Shell's climate plans insufficient.

Outcomes and follow-ups: The war in Ukraine has highlighted that in addition to climate change problems oil and gas also carry problems with the security of supply, the ethics of supply and the volatile price (as opposed to cost) of oil and gas. These matters will be built into future LAPFF engagements. High fossil fuel costs also make already unviable CCS-type projects even less viable.

In a joint meeting with CA100+ members and Shell's CEO held in March 2021, there was no discernible shift in either the strategy or the path to limiting global warming to 1.5°C. But there now appears to be more scepticism in line with the LAPFF position from asset managers and owners that had previously been supportive of the Shell plans in 2021.

ARCELORMITTAL

Overview: ArcelorMittal is a multinational steel manufacturing corporation, in which NLGPS member funds hold 0.26% of shares. The company also has a processing plant in Manchester that creates steel for the automotive industry. Issues arising: CA100+ investors have been seeking the publication of a more granular report on climate lobbying.

Engagement: In January 2022, ArcelorMittal issued a new Climate Advocacy Alignment Report. Continued engagement on lobbying disclosure. Of particular note is disclosure on the action the company will take where misalignment is found between climate policy positions taken by membership associations, and ArcelorMittal's own policy priorities and the Paris agreement. Potential escalation measures include direct communication requesting further alignment with company policy priorities and the Paris agreement, ensuring ArcelorMittal's financial contribution is ringfenced for non-lobbying activities (for example, standard setting only) and ArcelorMittal ceasing membership of the respective association.

Outcomes and follow-ups: In January, as part of further collaborative engagement, a letter was sent to Karen Ovelmen, the audit committee chair, commending improvements in ArcelorMittal's accounting disclosure for Paris-aligned accounts, pressing for further relevant disclosure and seeking a meeting.

DECENT WORK

The Covid pandemic demonstrated the importance of paid sick leave to both employees and employers. If workers felt they would be disadvantaged financially by taking time off sick, this created a perverse incentive to either not get tested or not reveal a positive test. It now appears that workplaces in certain sectors, such as care, food processing and so on, saw high levels of workplace cases. Therefore, it was in all parties' interests that workers did not turn up to work when sick.

Whilst Covid is a particularly dangerous example, the point holds more generally. As a result a number of investors have supported the introduction or extension of paid leave at companies where provision is limited.

In January 2022 a group of investors and their representatives, coordinated by ICCR, sent a letter to over 40 companies making the business case for a permanent paid sick leave benefit for all workers. The focus was on the US, where sick pay policies are particularly poor, but PIRC, representing the Northern LGPS, was part of a collaborative group that engaged companies with operations relevant to the UK.

One such engagement was with McDonald's, as part of an ICCR organised call that included the company's chief sustainability officer. There are McDonald's restaurants around the world, including 32 in Merseyside, 63 in Greater Manchester and 30 in West Yorkshire. All restaurants are operated either by the company, by independent entrepreneurs under the terms of franchise arrangements (franchisees) or by affiliates and developmental licensees operating under license agreements.

There are risks from a lack of direct control over its franchised operations, with the sheer size of the company magnifying any concerns. The company said that during the pandemic the company offered three paid sick days to all employees aside from Covid leave, with this becoming permanent. These days become immediately available and are renewed on an annual basis. McDonald's encouraged franchisees to pay paid sick leave in the pandemic and encourages them to do so on an ongoing basis. The company provides a range of tools, such as a sample policy, to make it easier for franchisees to implement.

In addition to paid sick leave, employees are provided with additional paid time off (PTO). The company said that it had listened to employees when they had expressed desire for this. At least 2% of each paycheque goes into a PTO bank which accrues to a maximum equivalent of five days which employees can use for any purpose. If employees don't take the time by November, they are offered a payout as an alternative.

Provision of paid leave amongst franchisees, which account for a much larger number of workers, is both different and varies. McDonald's corporate is not specifically tracking how franchisees approach this issue and the company said that therefore it had no level of data. Based on interactions with franchisees there was a strong indication that most provide some degree of paid time off.

Later that month, PIRC met InterContinental Hotels Group, operator of seventeen hotel brands including Crowne Plaza, Holiday Inn and Kimpton Hotels. It operates seventeen hotel brands including: Crowne Plaza, Holiday Inn, and Kimpton Hotels & Restaurants. There are several such hotels across the north of England, whilst NLGPS funds hold 0.227% of total shares in the company.

PIRC began by asking the company for the size of the workforce including direct, indirect, and contracted workers. The company stated that they have a total of 325,000 direct employees (350,000 before the pandemic) in their managed hotels, but that they do not record the number of employees within their franchised hotels – which make up 71% of the brand's total hotel rooms and therefore the majority of the overall workforce.

The company explicitly does not monitor employment indicators in franchised hotels and has no access to their employment systems. Despite labour shortages being a risk area for hospitality internationally, IHG does not monitor attrition and retention rates from franchised hotels. Instead, the company stated it would expect the owners and franchisee managers to flag serious risks in these areas upwards to IHG, via committee meetings.

PIRC asked the company to give an overview of their sick pay policy. The company said that they give employees 'personal time' (PT) and that this is accrued based on years of service: the longer an employee works there, the more PT they are entitled to. PIRC questioned whether the high attrition rate in the sector means that a large portion of the workforce do not qualify for paid leave. The company said they do have other measures in place which, dependent on the situation, some employees will qualify for.

In response to a question on whether the company has considered enhancing their sick pay policies the company said they are always looking for ways to make their staff benefits competitive but are currently not aware of appetite from the workforce to improve this. They were however interested that this was an area investors are concerned about.

Outcomes and follow ups: PIRC is developing a framework for risk assessing the employment models of companies: those with large contingent workforces in franchised branches are of particular concern. This is in part due to the lack of data, covering risk areas like safety, pay and turnover, being gathered or disclosed. PIRC will carry out further engagements with companies using this model.

The ICCR-led collaborative engagement on paid sick leave will continue, with policies and indicators being monitored. A subset of the investor group also filed related shareholder proposals at four of these companies. The letter was signed by 150 institutional investors that collectively represent $3.6 trillion in assets. The companies are from a range of sectors but there was a large cohort of retail and restaurant companies – sectors in which workers are more customer-facing and thus more susceptible to contracting transmissible illnesses.

In the specific case of McDonald's, it is clear that there is a policy gap between company owned and franchised stores. This will inform our wider work on company responsibility for employment standards across entire workforces, not just those that are directly employed.

Pay and ESG

Overview: Lloyds Bank PLC is a British based retail and commercial bank, traditionally considered as one of the 'Big Four' clearing banks and has branches across England and Wales. The performance and health of this bank is of particular importance to the Northern LGPS, with the three funds holding a combined 0.609% stake. The bank operates 15 branches in Merseyside, 24 in Greater Manchester and 17 in West Yorkshire.

Issues Arising: Executive remuneration policy and ESG issues such climate change, diversity & inclusion, and employee engagement. The issue of executive remuneration policy also feeds into the topic of the pay gap between the top-earning executives and the average 'shop-floor' worker's wage, particularly as wages in the north are on average lower than in the south. This disparity will only intensify the issues around the pay gap, including low morale amongst the workforce, a lack of accountability, and further disassociation between those at the top and the bottom of the bank.

Engagement: On behalf of NLGPS, PIRC met with members of Lloyd's investor relations and ESG/Sustainability teams to discuss the changes to the company's remuneration policy and ESG issues such as climate change. The changes to the remuneration policy included a new ESG measure referred to as the sustainable finance and investment measure, accounting for 5% of the bonus. This increased the weight of ESG in remuneration to 17.5% and maintained the 50:50 balance between financial and non-financial metrics.

Lloyds claimed that his metric was added because the company's strategy is to help segments that they work with to transition to a low carbon economy, and that this is a better approach than a general emissions reduction targets.

PIRC also asked the company about another ESG metric, titled Culture and Colleague Engagement, and how they have ensured a robust recording methodology for it. Lloyds said that it is based on their annual ‘full colleague survey’ which is done directly by the company – last year there was a six point drop in their engagement score. There was also discussion based around the D&I metric, and PIRC’s concerns around these types of metrics. Lloyds stated that there is no easy ride, that it is a very challenging metric to hit, and denied the company was rewarding executives for ‘following the direction of travel’. The fact that the company was unable to provide meaningful metrics means the system is rife for miscalculation, further entrenching that divide.

Financial inclusion is a huge part of their business approach, and they work through their academies and charity partners to do this. Lloyds feel that the targets they set on D&I are ambitious and challenging and have found that unless they embed specific strategies and targets, they won’t get the level of progress they are aspiring to hit.

Outcomes and follow-ups: PIRC will continue to engage with Lloyds over its approach to climate change and diversity and inclusion.

Human Rights

Of particular note has been engagement with companies over human rights concerns in East Turkestan. Various governments, parliaments and international organisations have labelled China’s actions against the Uyghur people “crimes against humanity” or “genocide.” There are multiple accounts of forced labour, with a number of large companies found to have such forced labour used in their supply chains.

Both LAPFF and PIRC undertook engagements with companies on this issue on behalf of NLGPS. When PIRC collaborated with interest group Stop Uyghur Genocide, their solar slavery briefing called on councils to “make it a condition of future solar procurement that suppliers will not source from the high-risk Xinjiang Uyghur Autonomous Region.” This is something that could be considered by authorities both in terms of commissioning and as investors.

LAPFF engaged with both Dell and Cisco as two of the first eight companies written to over this issue (future engagements with Tesco and Microsoft are planned). Dell is held by Merseyside, whilst the latter is held by all three NLGPS funds, and has operated its Mi-IDEA ‘innovation centre’ in Manchester since 2015. Both Dell and Cisco provided similar responses during the meeting, noting that they had not found any instances of Uyghur forced labour in their due diligence processes.

Both companies are members of the Responsible Business Alliance and conduct audits with its assistance. Given the complexity of technological supply chains, it was unclear how far down the audit process went for either company. Both Dell and Cisco appeared to take on board feedback from LAPFF, encouraging for better transparency around reporting, particularly on the topics of modern slavery, grievance mechanisms on whistleblowing, and more examples of precisely what serious findings they find in their audits, and how they remedy this.

LAPFF has since joined around 60 investors in a working group, coordinated by the Investor Alliance for Human Rights. This provides the opportunity to collaborate going forward and corroborate notes and engagement strategies with a host of other investors.

PIRC undertook engagements with two companies over the particular social risks of using Uyghur labour in the production of solar panels. As mentioned earlier, the issue of a just transition is of particular pertinence to the north, but the pressing need to decarbonise cannot blind societies to the very real issue of forced labour. As the need for solar grows, reliance on what China calls the

Xinjiang Uyghur Autonomous Region for polysilicon (a vital component of solar panels) will only grow. This province produces 45% of the world's supply, making it difficult to work around now, let alone in the future when demand increases further.

United Utilities

Overview: United Utilities plc is the United Kingdom's largest listed water company. Floating solar is one part of United Utilities' strategy to embrace renewable energy, coming under the auspices of its subsidiary, United Utilities Renewable Energy Ltd. The company already has over 40 land-based renewable systems across the north-west of England. The majority are solar arrays on roofs and open ground at its treatment sites across the north-west, whilst Northern funds have a combined 0.283% stake in the firm.

Issues arising: Similarly to Foresight, concerns have been raised about United Utilities's links to forced Uyhgur labour. Industry data suggested that up to 40% of the UK's solar farms were built using panels manufactured by China's biggest solar panel companies, including Jinko Solar, JA Solar and Trina Solar.

Engagement: During Q1 PIRC met with United Utilities to discuss a number of issues, including: the approach to managing human rights related risks within their solar supply chain, country-bycountry risk assessments, and terminating deals.

The company provided a breakdown of how their 'United Supply Chain' works, introduced by the company to help manage ESG risks within the supplier base. The programme, introduced in 2019 after they undertook their own assessments, now has 2,200 suppliers. The company provides training sessions for these suppliers, monitoring how many sessions each has undergone and providing free resources to them on issues such as Modern Slavery, working to eradicate it in all its forms.

PIRC asked whether the company had considered undertaking a country-by-country risk assessment that could be used to reduce the overall human rights risks facing the company. United Utilities outlined the rules relating to procurement meant it was unable to exclude suppliers based on geography. The company also outlined the limited availability of solar products from outside of China. They must instead give an outline of the risks and why they buy from other areas.

In response to a question regarding any examples where they have terminated a relationship with a supplier to due to concerning human and/or labour rights issues, the company said that this has not happened yet, and they continue to encourage suppliers to improve their scores. The company requires suppliers to show their management and training approach and sustainability measures.

Outcomes and follow-ups: Given the evident human rights risks, PIRC has encouraged United Utilities to integrate the United Supply Chain framework into its procurement practices, explore approaches to diversification of the solar supply chain, and engage with NGOs carrying out independent research into the risks. NGOs are asking that companies shift supplier base from China but as the vast majority of producers of solar panels are China-based, companies are reporting that alternatives are inadequate.

For the end-users of solar products, it is critical that a process in place that provides visibility throughout the supply chain and that escalation strategies are in place that form part of a broader approach to due diligence and human rights risk mitigation.

Foresight Solar Fund

Overview: Foresight Solar Fund is an investment company with a diversified portfolio of ground-based solar PV and battery storage assets in the UK and internationally. The company is the largest UK-listed dedicated solar energy investment company by installed capacity and market capitalisation. #

Issues arising: Whilst scaling up the development of renewable infrastructure is needed to be able to displace fossil fuels, concerns are increasingly being raised over the social impact the huge demand for renewable products is having. Foresight Solar Fund was identified by Stop Uyghur Genocide as an organisation with holdings in Chinese companies found to have used forced Uyghur labour, implicating the fund as both a funder of that particular company and China's wider crimes against humanity in the area.

Engagement: During Q1 PIRC met with Foresight Solar Fund to discuss how to address the risks of human rights abuses taking place within the solar supply chain. The fund outlined it had appointed a third-party consultant that specialises in ethical trading to conduct a review of its supplier base. Foresight highlighted that the specialist consultancy maintained the capability to carry out on-site social audits to ensure compliance with ethical standards and expectations. Concerns were raised as to the effectiveness of conventional due diligence processes, such as social audits, given the pervasive nature of forced labour across the region. As opposed to attempting to address the structural challenges of sourcing from this region PIRC asked if the fund had considered shifting its supply chain in order to mitigate human rights-related risks. The fund outlined that nine of the top ten panel manufacturers are based in China, significantly reducing scope for shifting the supplier base. The company further outlined that it had signed onto Solar Energy UK's pledge as well as the UN's Ten Principles on Human Rights, Labour Rights, the Environment and Anti-Corruption with the latter including a commitment to respect and support the protection of internationally proclaimed human rights and ensure the fund is not complicit in human rights abuses. Outcome and follow ups: The fund expects that the framework adopted to undertake human rights due diligence will be shared across the industry in order to drive better performance and outcomes in this area. The fund also outlined that the results of the review, when finalised, will absolutely affect the supplier onboarding process moving forwards.

Covid Response

Overview: AstraZeneca is an Anglo-Swedish pharmaceutical company, rising to public consciousness during the Covid pandemic with its Vaxzevria vaccine. NLGPS funds have a combined 0.46% holding in the company, whilst millions of citizens were inoculated with its vaccine across the North. Issues arising: AstraZeneca previously did not specialise in vaccine research and manufacturing, and investors are keen to understand how the company's experience during the Covid pandemic and any lessons will be applied in the future – particularly given the diplomatic wranglings during the beginning of 2021 and lack of recognition afforded to its decision to sell at break-even prices.

Engagement: LAPFF met with AstraZeneca Chair, Leif Johannson, to discuss the company's pandemic experiences and whether it will change its business strategy or business model in light of its learnings.

Thanks were expressed to AstraZeneca on behalf of LAPFF for the role the company has played in its vaccine development and rollout. In particular, it was appreciated that AstraZeneca had not sought to profit from its vaccine in the same way that Pfizer and Moderna have and sought instead to distribute the medication as widely as possible around the world. There was a discussion around the misinformation of the vaccine's risks as presented in the press that arguably compromised an even more effective rollout process.

Again, the developments surrounding the war in Ukraine were discussed, which prompted a discussion about supply chain security. Interestingly, the last time LAPFF met with Mr. Johansson, there was a similar discussion about supply chain security stemming from the impacts of Brexit. The importance of diversity and inclusion in all aspects of the company's operations was also discussed.

Outcomes and follow-ups: AstraZeneca faced significant operational problems as a result of the media reporting around the rare blood clots said to be associated with the company's Covid vaccine. It is hoped that the company will be able to reflect on this challenge over time to ensure that it can help as many people as possible and push back on any unwarranted reputational concerns in future.

Voting

During Q1 NLGPS funds voted at dozens of meetings. In the following tables we show the breakdown of votes on some of the main types of resolution and votes on some of the shareholder resolutions filed during the quarter.

Companies receiving votes of over 20% against remuneration resolutions during the quarter included Liontrust, Compass Group, Britvic, Safestore, easyJet and Mitchells & Butlers. In all cases we opposed or abstained on the resolution. Future Plc saw a majority of shareholders oppose its remuneration report. NLGPS had opposed.

Future Plc also saw an almost 39% vote against the re-election of the chair of its remuneration committee. NLGPS had opposed due to serious concerns regarding remuneration policy.

Similarly, as well as facing a challenge over remuneration, Mitchells & Butlers saw several board members receive votes against their re-election of over 20%. NLGPS opposed due to concerns about a lack of board independence.

Other companies that received large votes against directors where NLGPS had opposed include D R Horton Inc, Walgreens Boots and Svenska Handelsbanken.

Significant votes against auditor appointments are rare, but two companies that received votes against of over 10% were Infineon Technologies, where the auditor is KPMG, and PTC Inc where the auditor is PwC. In the first case NLGPS opposed due to concerns about length of tenure. In the second case, this was due to high level of non-audit work undertaken. In both cases these are issues that are considered to affect auditor independence.

Looking at shareholder resolutions, Apple Inc saw strong votes for a number of resolutions, particularly the proposal requesting a civil rights audit, which was backed by a majority of shareholders. Elsewhere the strong support for the proposal at Starbucks on harassment and discrimination in the workplace is notable given ongoing activism on the part of Starbucks workers themselves. In both cases NLGPS had supported the proposals.

Shareholder Resolutions

Company	Proposal	NLGPS Vote	Percentage Vote For
Amerisource Bergen Corporation	Performance Metrics for Executive Remuneration	For	35.5%
Apple Inc	Civil Rights Audit	For	52.8%
Apple Inc	Report on Concealment Clauses	For	49.3%
Apple Inc	Report on Forced Labour	For	33.2%
Apple Inc	Transparency Reports on app removal and freedom of expression or access to information	For	31.4%
Costco Wholesale Corporation	Report on Racial Justice and Food Equity	For	16.5%
Starbucks Corporation	Annual Reports regarding the Prevention of Harassment and Discrimination in the Workplace	For	31.7%
The Walt Disney Company	Request a diligence report evaluating human rights impacts	For	34.9%
Tyson Foods Inc	Report on Sustainable Packaging Efforts	For	13.6%
Walgreens Boot Alliance	Report on Public Health Costs Due to Tobacco Products Sales and the Impact on Overall Market Returns	For	11.3%

Votes by Percentages

Vote Type	For	Oppose	Abstain	Withhold
Remuneration (advisory)	51%	23%	26%	N/A
Remuneration (binding)	14%	45%	40%	N/A
Auditor appointments	24%	55%	21%	N/A
Director elections	74%	17%	7%	2%