NORTHERN LGPS
STEWARDSHIP REPORT
Q2 2021

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NLGPS NEWS Q2

NLGPS RI policy review

It's hard to believe that more than two years have passed since we launched the first iteration of the NLGPS Responsible Investment Policy at the pool stewardship day at Aintree Racecourse. Since then the world has changed dramatically, with the climate crisis growing evermore serious, the globe being ravaged by Covid-19 and gender, racial and economic inequalities demanding greater investor action.

It is time for NLGPS to increase its commitment to Responsible Investment, and the range of stewardship activity undertaken by the pool. Therefore, early in 2021 we started to review our RI policy and consider where it might need to be developed or expanded. This review includes areas where NLGPS itself might wish to be active and those where it can work effectively in collaboration with other investors.

In undertaking the review we will be looking at best practice amongst our peer group in the UK and beyond.

As you might imagine, there is considerable interest in environmental issues as a focus of ESG activities. The current RI policy already makes a number of commitments in relation to climate change as an overarching topic. Therefore, the review will consider related themes that might be added or developed.

Similarly we are looking at developing the scope of the social element of the RI policy. The 'S in ESG' has rapidly risen up the agenda for responsible investors in the past few years, with the pandemic serving to add to the urgency. In addition, both through LAPFF and in our own engagements we are devoting more time to human rights issues. Therefore, we want the RI policy to reflect this.

We will also maintain our focus on workplace ESG issues, and on seeking to promote the interests of workers and communities in the region where our beneficiaries live.

Our overall objective is for the RI policy to be meaningful document. Where we expand the scope of the policy this will be where we have an expectation that there will be stewardship activity undertaken. We want to be clear that the policy is a framework that directs action. Ultimately the most important function of the RI policy is to provide coherence to our objective of achieving both sustainable returns and real-world improvements.

We will be consulting on the policy over the summer and will report back in Q3.

SUSTAINABILITY APPOINTMENT AT GLIL

GLIL Infrastructure has bolstered its credentials with the appointment of an infrastructure and renewable investment specialist to its investment committee. Dr Patricia Rodrigues Jenner has joined as an independent member of the committee which is responsible for approving GLIL's investments.

Patricia has two decades' experience in infrastructure investing. She has recently held director and non-executive director positions at Macquarie, PSP Infrastructure, and Aquila European Renewables Income Fund plc, where she used her investment and ESG insight to provide guidance ensuring that all investment activity delivered appropriate risk-adjusted returns for shareholders. Earlier in her career, Patricia was involved in setting up the UK Green Investment Bank within the Department for Business, Energy and Industrial Strategy (BEIS), now the Green Investment Group.

Dr Patricia Rodrigues Jenner

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Engaging over human rights and community issues

As noted earlier the S in ESG has become a much more significant aspect of responsible investment over recent years, and there has been a particular focus on human rights as a field of investor engagement.

NLGPS has been an active participant in such engagement over many years through our membership of LAPFF. The Forum has been at the forefront of investor action to tackle a number of major human rights and community issues, particularly in the mining sector.

LAPFF has played a vital role in ensuring that the voices of communities affected by tailings dam collapses are heard by investors. More recently the Forum has also played a central role in bringing about governance changes at Rio Tinto following its destruction of the 46,000-year-old Aboriginal heritage site at Juukan Gorge.

In addition, LAPFF is engaging over activities relating to the Occupied Palestinian Territory (OPT). This is a complex and controversial topic and the Forum has sought to engage both companies and organisations with an interest in the OPT.

NLGPS is also engaging directly with holdings in the pool. Earlier this year PIRC undertook a mapping of equity holdings against the Corporate Human Rights Benchmark (CHRB) to identify companies for potential engagement.

The CHRB seeks to score companies across a number of high-impact sectors on their approach to human rights once a year. It attracted some criticism in 2020 as, prior to the destruction Juukan Gorge site, it had ranked Rio Tinto in one of the highest-scoring bands and as the top mining company.

NLGPS has used the CHRB scores as a factor to inform its engagements on human rights, alongside PIRC's assessment and the relative size of the holding. A focus list of companies has been drawn up and initial engagements are now underway. Our approach is to make clear and reasonable proposals to companies on improvements to their policies and practices. This gives us a baseline against which to measure progress.

We expect this to become a greater focus of our engagement activity going forward.

• See Barrick Gold report in Effective Engagement p6

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Building pressure on fossil fuels

The second quarter is by far the busiest for company meetings so this is a key period of the year for us to make an impact and seek to drive change at investee companies.

During 2021 climate change has continued to be the issue that has attracted most attention, and three weeks in May set the tone for this year as fossil fuel giants faced unprecedented pressure from investors.

BP's AGM came first and it saw around a fifth of its shareholders back a resolution filed by Follow This calling for the company to set and publish targets consistent with the Paris Climate Agreement.

However, it was Royal Dutch Shell's AGM on 18 May that really caught attention as it presented a major challenge for investors wanting to promote both accountability and real change.

The company had two resolutions on its ballot relating to climate change. One was a shareholder resolution filed by Follow This, like that at BP, but the board also took the welcome step of putting its own resolution forward to approve its transition plan

NLGPS supports the Say on Climate initiative and therefore we welcome companies taking this step voluntarily. However, as with any other type of resolution, the proposal has to be judged on its own merits as well being seen in the context of offering accountability.

There was significant engagement with Shell in the run-up to its AGM over the content of its plan and, it is fair to say, a significant divide between investors over the right approach.

LAPFF played a high-profile role in the process and concluded that the company's proposal should be opposed.
In reaching this decision LAPFF considered factors including:

- the focus on customers rather than Shell itself for scope 3 emissions
- use of nature-based solutions by fossil

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May 2021: investors turn up the heat

Company	NLGPS activity	Outcome
BP	Backed Follow This resolution	20% vote in favour
Shell	Opposed board resolution	11% vote against
	Backed Follow This resolution	30% vote in favour
Exxon	Opposed Exxon board slate Backed Engine No 1 slate	3 Engine No. 1 nominees elected to the board
Chevron	Backed Follow This resolution	61% vote in favour

fuel companies, when the intergovernmental position regards nature-based solutions as a matter for hard to abate sectors

- lack of clarity of the use of CCS given the competition from green hydrogen, and, also the fact that – on the basis Shell focuses on its emissions – that credit for CCS would be expected to be given to customers, not Shell itself.

LAPFF also recommended support for the shareholder resolution. NLGPS voted in line with the Forum's position on both resolutions.

Ultimately the company's resolution was approved, albeit with a 11% vote against and significant abstentions. The Follow This resolution was defeated but received a 30% vote in favour.

However, that wasn't the end of the story. Just a few days later a court in the Netherlands ruled Shell must lower its emissions by 45% by 2030 from 2019 levels; a much faster rate than the company had planned. Shell is to appeal the ruling. Coming so soon after its AGM it strengthened the position of those who has advocated pushing the company harder.

Over in the US both Exxon and Chevron were challenged by investors over their climate impact. It was Exxon that faced the most direct challenge. Hedge fund Engine No. 1 put forward its own slate of board nominees with a promise to seek to overhaul the company's climate strategy if successful.

The context for this initiative is important. Many shareholders have grown frustrated with Exxon, particularly when it has sought to block shareholder proposals on climate change. This has led to a number of investors, including LAPFF, voting against existing board members. Therefore, the ground was already prepared for a more forceful stewardship.

In line with a voting alert issued by the Forum NLGPS backed the Engine No 1 slate. Ultimately three of its four nominees were successfully elected, marking an historic breakthrough in investor activism in relation to climate change. Whilst this is the start of the attempt to change Exxon we believe that this could be a very significant development.

Finally at Chevron shareholders had the opportunity to vote on another Follow This resolution calling on the company to substantially reduce the greenhouse gas emissions of their energy products (Scope 3) in the medium- and long-term future. Once again NLGPS supported the resolution, and it received an enormous 61% vote in favour.

Racial equity audits

Company	NLGPS activity	Outcome
Bank of America	Backed resolution	26% vote in favour
Citigroup	Backed resolution	37.8% vote in favour
Wells Fargo	Backed resolution	12.9% vote in favour
Goldman Sachs	Backed resolution	28.8% vote in favour
JP Morgan Chase	Backed resolution	39.8% vote in favour
State Street	Backed resolution	36.2% vote in favour

Finance pressured over racial equity

Another area where shareholders have stepped up their activism is in relation to racial justice. As the Black Lives Matter protests spread around the world in response to ongoing inequality so investors in turn have sought to support change at investee companies.

Notably the finance sector has been a particular focus for investors and shareholder resolutions were filed at some of the largest American banks calling for racial equity audits. We supported all resolutions on this topic and, whilst none of them passed, those at Citigroup, JP Morgan Chase and State Street all received votes in favour in the high 30s. Given that this is the first year in which these resolutions have been filed these are very strong results and we will be looking for a positive response from companies.

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Employee voice in corporate governance

Company	NLGPS activity	Outcome
Citigroup	Backed resolution	5.9% vote in favour
Edwards Lifesciences Corporation	Backed resolution	6% vote in favour
Stryker Corporation	Backed resolution	4% vote in favour
Amazon	Backed resolution	17.4% vote in favour
Walmart	Backed resolution	11.3% vote in favour
Boston Scientific Corporation	Backed resolution	4.6% vote in favour

Backing employee voice

As we've reported previously, NLGPS has supported initiatives to give employees a voice in corporate governance. This includes voting in favour of shareholder resolutions in support of employee voice.

Once again in 2021 a string of resolutions has been filed at US companies on this topic, with one at Amazon filed by Oxfam probably the most high-profile. NLGPS has voted in favour of all resolutions on this topic. However, none of the resolutions passed and most failed to attract significant support.

It also appears that the bulk of the asset management industry continues to oppose them. PIRC looked at votes cast by 25 asset managers on 16 resolutions at US companies in 2019 and 2020 asking companies to consider employee representation at board level. Overall, 84% of asset manager votes were against. But more troubling was that 16 of the 25 opposed every single resolution on the topic, with a further 6 opposing the large majority.

Human rights resolutions in Canada

A large majority of external investors, including NLGPS, supported a human rights resolution at Canadian company Thomson Reuters, successfully drawing attention to governments outsourcing their civic responsibilities to business.

Shareholders, led by the BC Government and Service Employees Union Pension Fund, object to Thomson Reuters expansion into software provision to the US Department of Homeland Security's Immigration and Customs Enforcement (ICE) agency which allows it track and deport migrants and asylum seekers. The resolution asking the company to provide a report on human rights, received 19% of the vote, double last year's tally and representing over 71% of minority shareholders. Thomson's CLEAR program delivers customised data collection systems and in-house specialists trained to filter and improve the data tailored to ICE's enforcement and monitoring needs. By using private companies, governments do not need to meet with basic civil and human rights obligations that would otherwise prevent them from collecting this personal information directly.

We also supported a resolution filed at Canadian retailer Dollarama seeking to address human rights risks in its distribution centre. Though the resolution did not pass it did provide the spur for an engagement with the company which is detailed below.

Barrick Gold

Overview: Barrick Gold Corporation is a Canadian mining company head-quarter in Toronto, Canada. It is considered to be the largest gold mining company in the world, but also has operations for silver and copper.

Issues arising: Barrick operate a gold mine in Papua New Guinea. In 2017, an operational grievance mechanism (OGM) was created in response to accounts of systemic sexual violence committed by the mine's security. The OGM was intended to adjudicate sexual violence claims and determine individual remedies. In 2018, a report found that, while some claimants had received remedies, the majority were not protected and leaving them 'disaffected, stigmatized and abused'.

Engagement: In June, representatives of NLGPS met with the company to discuss its human rights monitoring and implementation mechanisms, including it approach to ensuring adequate remedial action is undertaken when required. Questions also centered on the human rights due diligence processes in relation to the acquisition of assets. The company identified that a full human rights impact assessment was undertaken as a result of the acquisition of Randgold in 2018 and that significant improvements had been made as a result of the impact assessment including voluntarily aligning with some of the global frameworks on human rights and updating policy and training.

Outcome and follow ups: As part of the questioning NLGPS pressed the company to commit to more granular disclosure around the reporting of grievances, preferably at the individual asset level. The pool outlined that this would enable investors and the company to identify site issues and take the necessary action more effectively. The company outlined that it would be able to break grievance data down by geography and timeline and this is something it would consider for future reporting.

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PIRC ENGAGEMENTS

In its role as stewardship advisor to NLGPS, PIRC engaged with companies in respect of 325 meetings held during the quarter, in addition to engagements that were not related to meetings. Some notable engagements from the quarter are included below.

DOLLARAMA

Overview: Dollarama is a chain of over 900 dollar stores across Canada. The company is headquartered in Montreal and, since 2009, is Canada's largest retailer of items for three dollars or less. As noted above, a resolution was filed at the company's June AGM requesting that a report be prepared outlining how it assesses and mitigates the human rights risks arising from the use of third-party staffing agencies for its distribution centre. This provided a spur for engaging with the company.

Issues arising: Concerns have been raised over working conditions, use of temporary contracts and poor wages at warehouse and distribution facilities impacting migrant workers in particular. Cases have made national headlines and intensified during the COVID-19 pandemic. Despite a health and safety policy being adequately disclosed within the company's reporting, there are concerns over its effectiveness. Human rights and labour rights risks can have significant reputational and financial consequences and it is in the best interests of shareholders to be informed of the company's exposure to and management of such risks.

Engagement: The conversation was focused primarily on the company's response to COVID-19 and its working practices. PIRC sought information on conditions in stores versus those in the distribution centre in Quebec, and in particular, the reliance on agency labour. The company defended the use of agency contracts arguing that the agencies with whom they partner are diligently selected. Their justification is that the agencies have developed an expertise in recruiting and training workers for the types of positions to be filled in warehouse facilities and understand the particular staffing needs of the business. They stated that employment agencies are commonly used in both the public and private sector and are governed by the same laws and regulations as all Québec employers. The company relies on the agencies to staff operations which are part automated and as such the tasks tend to be repetitive and strenuous meaning staff turnover is high.

They acknowledged that the warehouse workers do not want to stay in the role for long, hence requiring a frequent re-supply of labour. Some staff in the facility are directly employed and these tend to be in the management or higher skilled roles such as forklift truck driving. Legislation in Québec, where Dollarama's logistics operations are located, requires the Corporation to (i) apply the same health and safety standards for every individual working in its facilities, regardless of their status as employee of the Corporation or agency worker, and (ii) maintain wage rate parity between employees and agency workers accomplishing the same work in the same facility. The company maintained that it is meeting these requirements and that warehouse workers are compensated adequately for their time, and more generously than store employees.

Outcomes and follow ups: NLGPS voted in support of the shareholder resolution, but it did not garner enough support to pass. While the company indicates that it is committed to applying the same conditions for employees and workers recruited via third-party agencies alike, it does not disclose or acknowledge the risks to which the company might be exposed regarding additional violations of labour or human rights deriving from recruitment via temporary agencies.

CRANSWICK

Overview: Cranswick plc is engaged in the production and supply of food products including fresh pork, sausages, bacon and cooked meats for sale to the food retailers. Through PIRC we are supporting collaborative engagement with food processing companies as part of the FAIRR Initiative's work on labour conditions in the meat supply chain. Cranswick Plc was the first company engaged.

Issues arising: The engagement was focused on working conditions in food processing plants, low hourly pay, use of agency contracts and health and safety risks that have intensified during the COVID-19 pandemic.

Engagement: The company reported that it has a robust due diligence process to ensure the safe treatment of its workforces. It operates a whistleblowing hotline available to contracted and agency workers, and these workers also have the opportunity to report issues to the Gangmasters and Labour Agency Association. There are Works Committees and trade union representatives on site, as well as staff surveys biannually to gauge whether employees feel comfortable raising grievances. The company meets the legal minimum requirement for statutory sick pay (SSP), however given the low rates of SSP in the UK this is not deemed adequate to compensate workers requiring time off to isolate.

Outcomes and follow ups: The meeting was followed up with written questions and recommendations to improve disclosure including ensuring the legitimacy of grievance mechanisms by disclosing metrics of reported grievances by category, in order to indicate whether workers trust the channels. The group also requested disclosure of metrics on employees by contract type for all plants

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and a full breakdown of union representation. Finally, the group requested commentary on the company's strategy to assess the impact of broader industry trends on its workforce.

FRESENIUS

Overview: As we noted in the last quarter's report, the care sector is attracting increased scrutiny over ESG issues. Fresenius Medical Care is a German company specialising in products and services for individuals with renal diseases. We are supporting a collaborative engagement initiated by UNI Global Union with companies in the care sector and this

Issues arising: The impact of the COVID-19 pandemic has exacerbated long-standing employment risks in the nursing home sector including understaffing, poor sick pay provision and low pay which inhibits retention. A large number of COVID-19 deaths have occurred among employees in the sector, others face long lasting aftereffects following occupational exposure to the virus.

Engagement: Investor participants in the engagement laid out expectations for robust health and safety provisions regarding COVID-19 – including in terms of employment conditions, staffing levels, sick pay provision and workforce engagement.

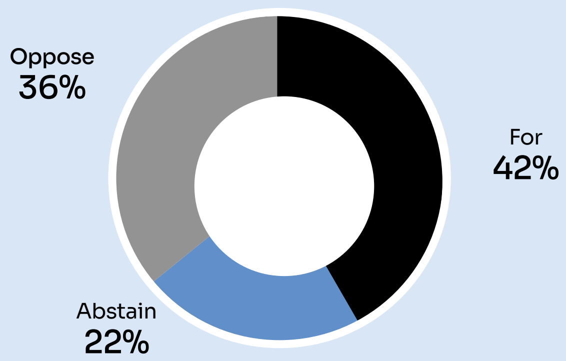
The company was not able to speak in any detail about its subsidiary Vamed and emphasised that care homes make up a small part of the business. We discussed instead some of the Group-wide employee indicators. The company reported that 77% of entities are covered by collective bargaining in Europe. The company agreed to disclose a global figure but would require a 2 to 3-year timeline.

Participants laid out expectations for the company to consider a global agreement with a union to formalise its commitment to collective bargaining and ensure workers in sites and regions without a union footprint were still represented. The company reported they have an agreement to meet once a year with global unions. The company was unable to disclose any specific metrics on how its care home workforces had been impacted by the COVID-19 virus nor on the employment model or workforce composition in care homes.

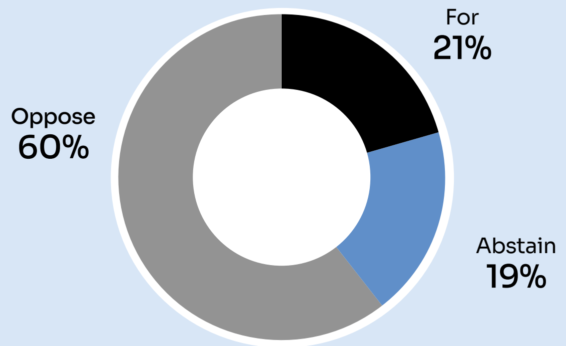
Outcomes and follow ups: The investor group is coordinating follow up engagement including submitting a series of detailed questions about Vamed operations and a subsequent meeting. Meetings with other care home operators are upcoming.

VOTING Q2

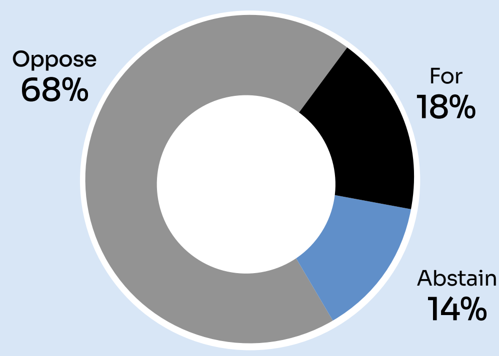
Votes on remuneration advisory, Q2 2021



Votes on remuneration binding, Q2 2021



Auditor appointments, Q2 2021



Director elections, Q2 2021