PREPARED BY LGPS CENTRAL LIMITED

Nottinghamshire Pension Fund

Climate Stewardship Plan 2022 Engagement Update

MARCH 2023

FOR PROFESSIONAL CLIENTS ONLY

Climate Stewardship Plan Scope

Based on the findings of its previous Climate Risk Reports the Fund has developed a Climate Stewardship Plan (CSP). The CSP identifies the areas in which stewardship techniques can be leveraged to further understand and manage climate-related risks within the Fund.

The CSP identifies a focus list of nine companies for prioritised engagement, with one addition from previous year's focus list. Reflecting the externally managed nature of NPF, the Fund's portfolio managers and suppliers are engaging with these companies on behalf of the Fund.

We have reviewed ongoing engagements with these companies and provide below a progress update on the outcomes of the engagement. The Climate Action 100+ Net Zero Benchmark and Transition Pathway Initiative are used as key tools to monitor progress within the Fund's CSP.

TRANSITION PATHWAY INITIATIVE

The Transition Pathway Initiative (TPI) framework evaluates companies based on their climate risk management quality and their carbon performance. The former includes an assessment of policies, strategy, risk management and targets. There are six management quality levels a company can be assigned to:

- **Level 0** – Unaware of (or not Acknowledging) Climate Change as a Business Issue
- **Level 1** – Acknowledging Climate Change as a Business Issue
- **Level 2** – Building Capacity
- **Level 3** – Integrated into Operational Decision-making
- **Level 4** – Strategic Assessment
- **Level 4*** – Satisfies all management quality criteria

Companies expected future emissions intensity pathways – labelled carbon performance – is assessed against international targets and national pledges made as part of the 2015 Paris Agreement. Alignment is tested on different timeframes, including 2030 and 2050. There are eight carbon performance trajectories:

- No or unsuitable disclosure
- Not aligned
- International pledges
- National pledges
- Paris pledges
- 2 Degrees
- Below 2 Degrees
- 1.5 Degrees

CLIMATE ACTION 100+ NET ZERO BENCHMARK

The CA100+ Net Zero benchmark is designed to assess the performance of the world's 166 largest corporate greenhouse gas emitters against ten key indicators. These indicators are all measures of success for business alignment with a net zero emissions future and with the goals of the Paris Agreement. The ten indicators are:

1) Net Zero GHG Emissions by 2050 (or sooner) ambition
2) Long-term (2036-2050) GHG reduction target(s)
3) Medium-term (2026-2035) GHG reduction target(s)
4) Short-term (up to 2025) GHG reduction target(s)
5) Decarbonisation Strategy (Target Delivery)
6) Capital Alignment
7) Climate Policy Engagement
8) Climate Governance
9) Just Transition
10) TCFD Disclosure

The first assessments for each CA100+ company against the ten indicators were published on 22nd March 2021 and the latest refresh was done in October 2022. These assessments offer comparative assessments of individual focus company performance against the goals of the initiative.

TABLE 1 COMPANIES INCLUDED IN THE CLIMATE STEWARDSHIP PLAN

COMPANY	SECTOR	INVESTMENT PORTFOLIO	CA100+ NET ZERO BENCHMARK	TPI MANAGEMENT QUALITY	TPI CARBON PERFORMANCE		
					SHORT TERM 2025	MEDIUM TERM 2035	LONG TERM 2050
Anglo American	Materials	• LGIM UK Equity Index • Schroders UK Direct Holdings • LGPS Central EMEAMMF: UBS		4*	1.5 DEGREES	1.5 DEGREES	NATIONAL PLEDGES
BHP	Materials	• LGIM Asia-Pacific Ex-Japan Developed Equity Index • Schroders Institutional Pacific • Schroders UK Direct Holdings • LGPS Central Global Ex-UK Fund • LGPS Central GEAMMF: Schroders		4	1.5 DEGREES	1.5 DEGREES	1.5 DEGREES
BP	Energy	• Schroders UK Direct Holdings • LGIM UK Equity Index		4*	NOT ALIGNED	NATIONAL PLEDGES	1.5 DEGREES
CRH	Materials	• LGIM UK Equity Index • LGPS Central GEAMMF: Union		4	BELOW 2 DEGREES	1.5 DEGREES	1.5 DEGREES
ExxonMobil	Energy	• LGIM North America Equity Index • LGPS Central Global Ex-UK Fund		4	NOT ALIGNED	NOT ALIGNED	NOT ALIGNED

CA100+ Benchmark Assessment No, does not meet any criteria | Partial, meets some criteria | Yes, meets all criteria | Not currently assessed

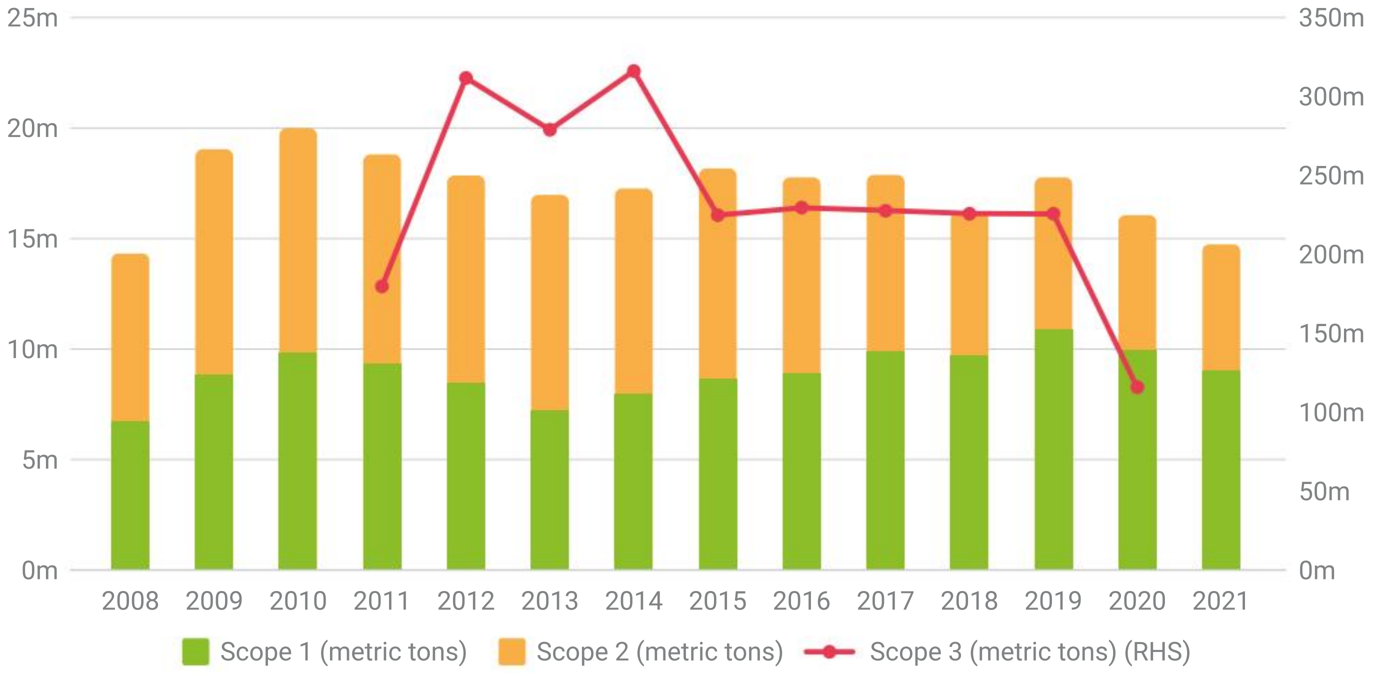
COMPANY	SECTOR	INVESTMENT PORTFOLIO	CA100+ NET ZERO BENCHMARK	TPI MANAGEMENT QUALITY	TPI CARBON PERFORMANCE		
					SHORT TERM 2025	MEDIUM TERM 2035	LONG TERM 2050
Glencore	Materials	• LGIM UK Equity Index • GEAMMF: Harris		4	1.5 DEGREES	BELOW 2 DEGREES	NATIONAL PLEDGES
Rio Tinto	Diversified Mining	• LGIM UK Equity Index • Schroders Institutional Pacific • LGIM Asia-Pacific Ex-Japan Developed Equity • LGPS Central Global Ex-UK Fund		4	NOT ALIGNED	NOT ALIGNED	NOT ALIGNED
Shell	Energy	• Schroders UK Direct Holdings • LGIM UK Equity Index • LGPS Central GEAMMF: Schroders		4	NOT ALIGNED	BELOW 2 DEGREES	1.5 DEGREES
TotalEnergies	Energy	• LGIM Europe (Ex-UK) Equity Index • LGPS Central UK Passive Equities		4*	NOT ALIGNED	NATIONAL PLEDGES	1.5 DEGREES

CA100+ Benchmark Assessment No, does not meet any criteria · Partial, meets some criteria · Yes, meets all criteria · Not currently assessed

AngloAmerican

COMPANY	GEOGRAPHY	SECTOR
Anglo American plc	United Kingdom	Materials

REPORTED EMISSIONS (TCO_2E)



COMPANY CONTEXT

Anglo American has a portfolio of mining operations and undeveloped resources with a focus on diamonds, copper, platinum group metals, iron ore, nickel and manganese. Although the company has transitioned away from thermal coal, its carbon footprint, especially its Scope 3 emissions, remains substantial.

ENGAGEMENT RATIONALE

The company is one of the largest contributors to the Fund's financed emissions and carbon intensity. It accounts for 5.0% and 4.1% of equity holdings' financed emissions and weighted average carbon intensity, respectively.

ENGAGEMENT OBJECTIVES

1) Achievement of the high-level objectives of the CA100+ initiative.

ENGAGEMENT STRATEGY

CA100+ collaborative engagement with EOS as co-lead and direct engagement by LGIM and Schroders.

MEASURES OF SUCCESS

Anglo American's Climate Change Report 2021 was approved by 94.2% of shareholders when proposed by management at the 2022 annual general meeting. The Fund voted against the report due to a lack of Scope 3 net zero target. However, its Scope 1 & 2 net zero target, which it aims to achieve by 2040, is ahead of most companies' schedule. It also aims to halve Scope 3 emissions by the same date. It is working to develop a pathway to reach these ambitions. The company also has a Sustainable Mining Plan which supports its innovation and delivery of step change results across the entire mining value chain. In 2020 the company announced that it will divest away from all of its thermal coal assets. This was achieved by two major transactions: 1) the spinoff of Thungela; and 2) sale of Cerrejón to Glencore.

AngloAmerican

COMPANY	GEOGRAPHY	SECTOR
Anglo American plc	United Kingdom	Materials

ENGAGEMENT CASE STUDY

OBJECTIVE

Public commitment to phase out coal in the short-term. Clear reduction path to reach the 5% limit by the end of 2020.

ESG TOPICS

Climate change / Coal exposure.

ISSUE/REASON FOR ENGAGEMENT

Anglo American was among the fifth-largest exporters of thermal coal in 2019; thermal coal accounted for around 7.9% of the group's sales. The external manager held about 1% of the company's outstanding shares. As part of the firm-wide exclusion of coal producers with more than 5% turnover, Anglo American was placed on the exclusion list for all of the external manager's funds.

SCOPE AND PROCESS/ACTION TAKEN

Intensive engagement since 2015, especially discussions with the Board of Directors, IR and annual AGM votes.

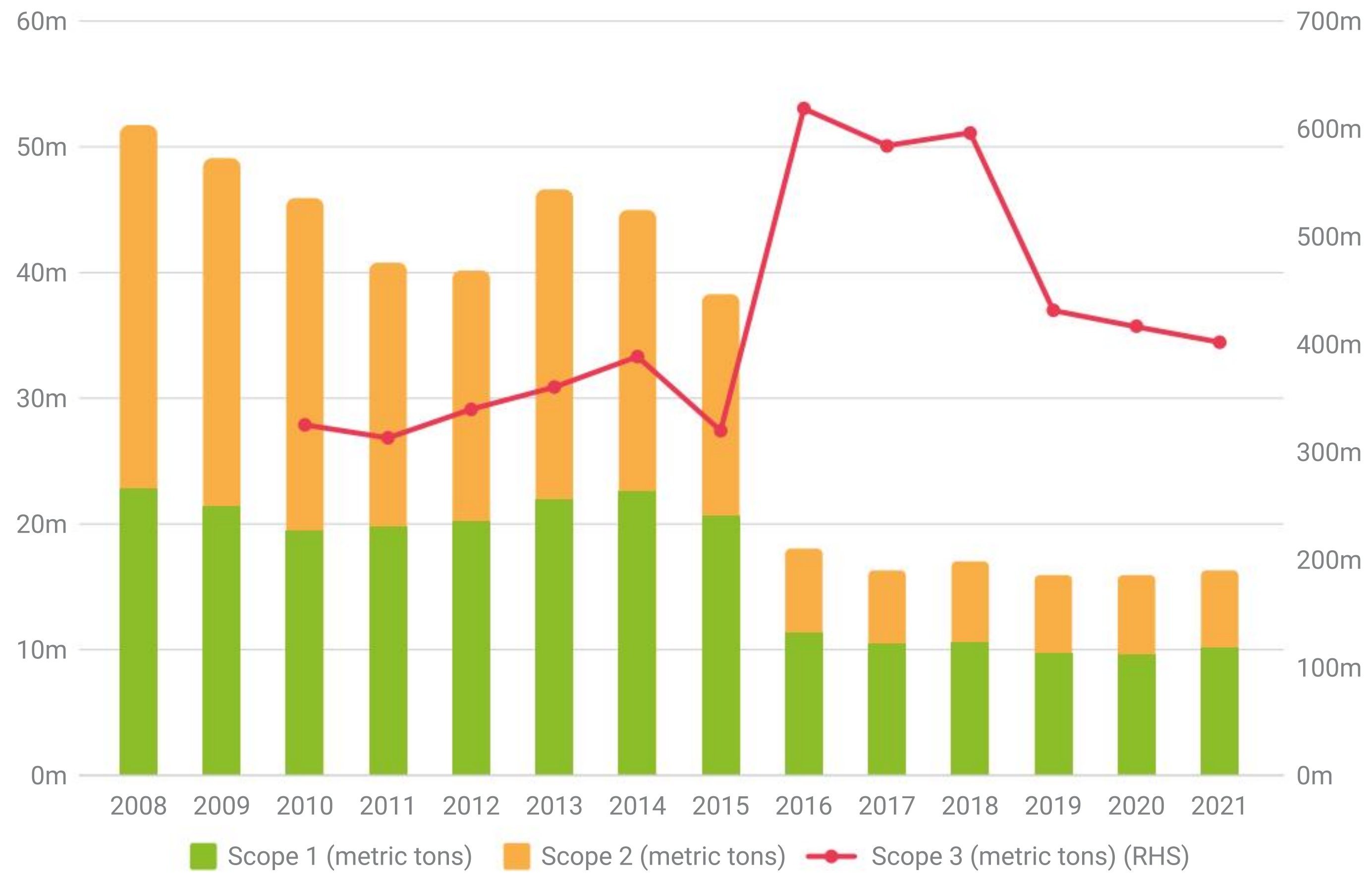
OUTCOMES AND NEXT STEPS

In April 2021, Anglo American announced the demerger of its thermal coal business in South Africa. The demerger was approved by shareholders at this year's AGM. In June, Anglo American announced that the remaining coal assets in Colombia would be sold to Glencore by 2022. Coal phase-out has been completed.

BHP

COMPANY	GEOGRAPHY	SECTOR
BHP	Australia	Materials

REPORTED EMISSIONS (TCO_2E)



COMPANY CONTEXT

BHP is the world's largest diversified resource company and a top five global producer of iron ore, metallurgical coal and copper in concentrate. It was also a highly profitable global name in petroleum products until the divestment via a merger with Woodside in 2022. In 2019, LGPS Central supported a shareholder resolution asking BHP to suspend membership of industry associations whose record of advocacy demonstrates inconsistency with the Paris goals. Following the resolution, LGPS Central was part of a series of engagements covering various climate-change related aspects. Predominately this included (i) industry associations and (ii) climate change target setting. In September 2020 the company announced its Net Zero by 2050 target.

ENGAGEMENT RATIONALE

BHP is one of the top contributors to the carbon footprint of the Fund. Due to its products, its carbon footprint, especially its Scope 3, is significant. It also plays an important role in the production of transition minerals.

ENGAGEMENT OBJECTIVES

1) For BHP to suspend memberships from any association that is not aligned with their own climate change goals.
2) For BHP to establish clear short-, medium- and long-term GHG reduction targets that cover all material scope 1, 2 and 3 GHG emissions and are aligned with a 1.5°C warming trajectory.

BHP

COMPANY	GEOGRAPHY	SECTOR
BHP	Australia	Materials

ENGAGEMENT STRATEGY

- Direct Engagement by LGPS Central via the CA100+.

MEASURES OF SUCCESS

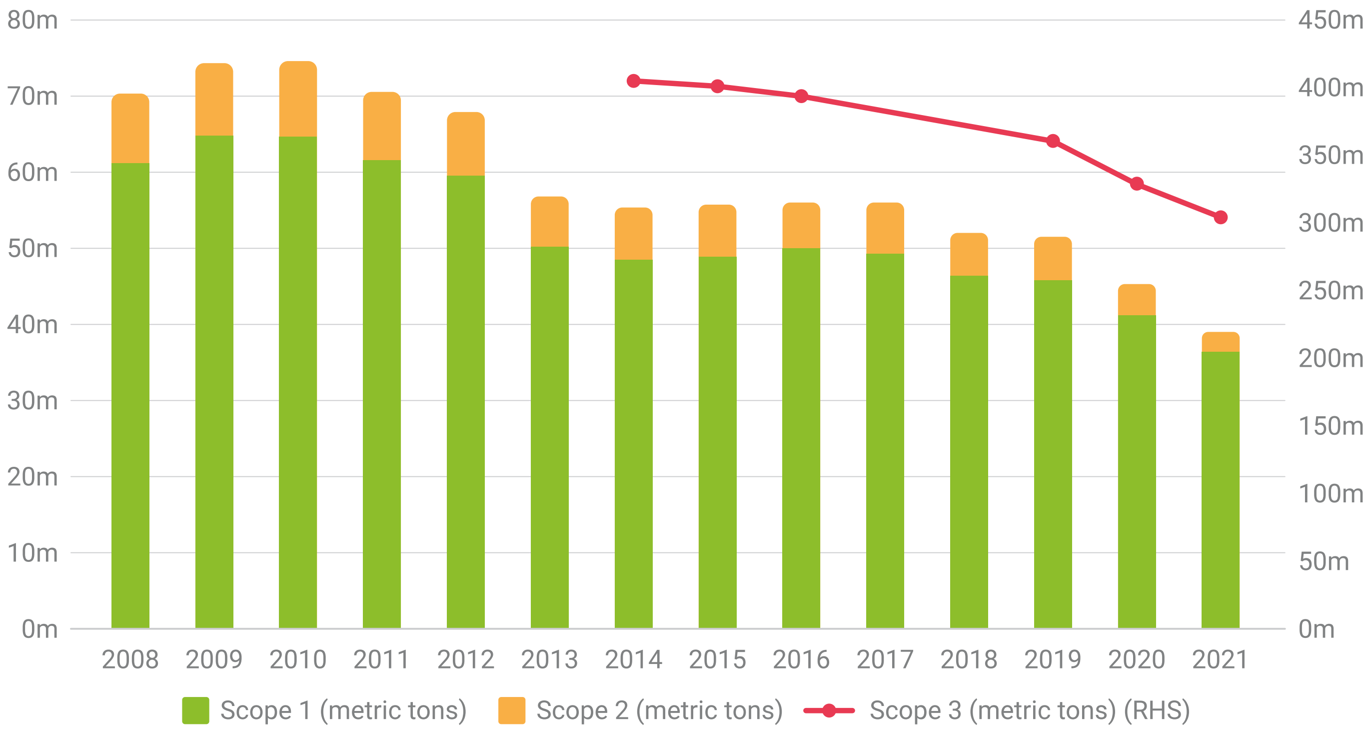
In late-2020 BHP announced their commitment to several new medium-term reduction targets. We were pleased that BHP took many recommendations from previous investor engagements on board. The company committed to reduce its scope 1 and 2 emissions by at least 30% by 2030 relative to 2020. Further, the target is science-based and aligned with the company's ambition to be carbon neutral by 2050. The company also presented initial actions to support the reduction of scope 3 emissions from shipping and steelmaking, and we were encouraged that the investor request to strengthen the link between climate performance and remuneration was implemented. Since then, CA100+ has been working with the group to develop a scope 3 carbon emissions reduction programme. Whilst the company have been receptive to the engagement and are one of the first miners to establish qualitative goals related to Scope 3, we would like to see this translate into a measurable goal, and will continue working with the company to develop quantitative targets. BHP have said that they will not set numeric targets on Scope 3 emissions unless they can be underpinned by a reasonable basis. The company are currently prepared to do this for 30% of its Scope 3 emissions as there is no reasonable basis to do it for emissions generated by steelmaking at the moment. Due to the incomplete Scope 3 target, the Fund voted against management at its November 2021 AGM.

NEXT STEPS

- More robust, time-bound scope 3 commitments. The Company's current goal of Net Zero scope 3 emissions is dependent on several uncertainties, such as innovations in steelmaking which are unknown and ongoing, and given that scope 3 emissions account for a significant proportion of BHP's total emissions, we would welcome more material targets.
- Assure investors that the Plan is fully aligned with a 1.5°C scenario. Currently, the CA100+ benchmark assessment does not recognise BHP's short-, medium-, and long-term targets as aligned to the goals of the Paris Agreement. Whilst we note, and welcome, BHP's intention to introduce a 1.5°C scenario into its capital allocation process in 2022, we would like to see greater disclosure on the underlying methodology.
- Reduce reliance on technological advances that are yet to be realised such as carbon capture and storage. The scale of CCUS utilisation in the current plan is not defined.

COMPANY	GEOGRAPHY	SECTOR
BP	United Kingdom	Energy

REPORTED EMISSIONS (TCO_2E)



COMPANY CONTEXT

BP plc. is a multinational oil & gas company headquartered in the United Kingdom that operates in upstream, downstream and renewables businesses. The firm engages in oil and natural gas exploration, field development & production and trading through its upstream segment, and refines, manufactures, supplies and trades oil and petroleum products through its downstream segment.

BP is widely regarded as one of the sector leaders in Oil & Gas regarding the ambition of its climate strategy. In 2020 it announced its Net Zero by 2050 ambition, and has seen two shareholder resolutions focussed on climate filed at its AGMs (2021 and 2022). In February 2022, BP announced plans to accelerate its net zero ambition, stating its aim to reduce operational emissions by 50% by 2030, compared with a previous aim of 30-35% previously.

However, the company caused controversy in February 2023 when it scaled back its transition commitments. Its previous target to reduce oil and gas production by 40% by 2030, which was often highlighted as an example of best practice in the sector, was scaled back to 25%. It also scaled back its commitment to reduce its upstream Scope 3 emissions by 35-40% by 2030 to 20-30% by the same year.

Despite these updates, the company remains at the leading edge of decarbonisation within oil and gas. As of early 2023, it remains the only supermajor to have published an upstream Scope 3 emissions target, and is still committed to spending 50% of its capex on low-carbon technology by 2030. The company's commitment to reach net zero sales and net zero operations by 2050 remains unchanged.

COMPANY	GEOGRAPHY	SECTOR
BP	United Kingdom	Energy

ENGAGEMENT RATIONALE

As of 31st March 2022, BP holds the largest oil and gas reserves in the Equity asset class, accounting for 35% of the Fund's equity gas reserves and 44% of the oil reserves. This is echoed at the underlying portfolio level, whereupon BP is the largest contributor to the oil and gas reserves in the Core Index, LGPS Central and Schroders portfolios.

ENGAGEMENT OBJECTIVES

- Achievement of the high-level objectives of the CA100+ initiative including attainment of the specific indicators in the CA100+ Benchmark Framework.
- To duly account for climate risks in financial reporting.

ENGAGEMENT STRATEGY

Collaborative engagement through Climate Action 100+ with EOS as co-lead. Use of voting to support ongoing engagement objectives.

MEASURES OF SUCCESS

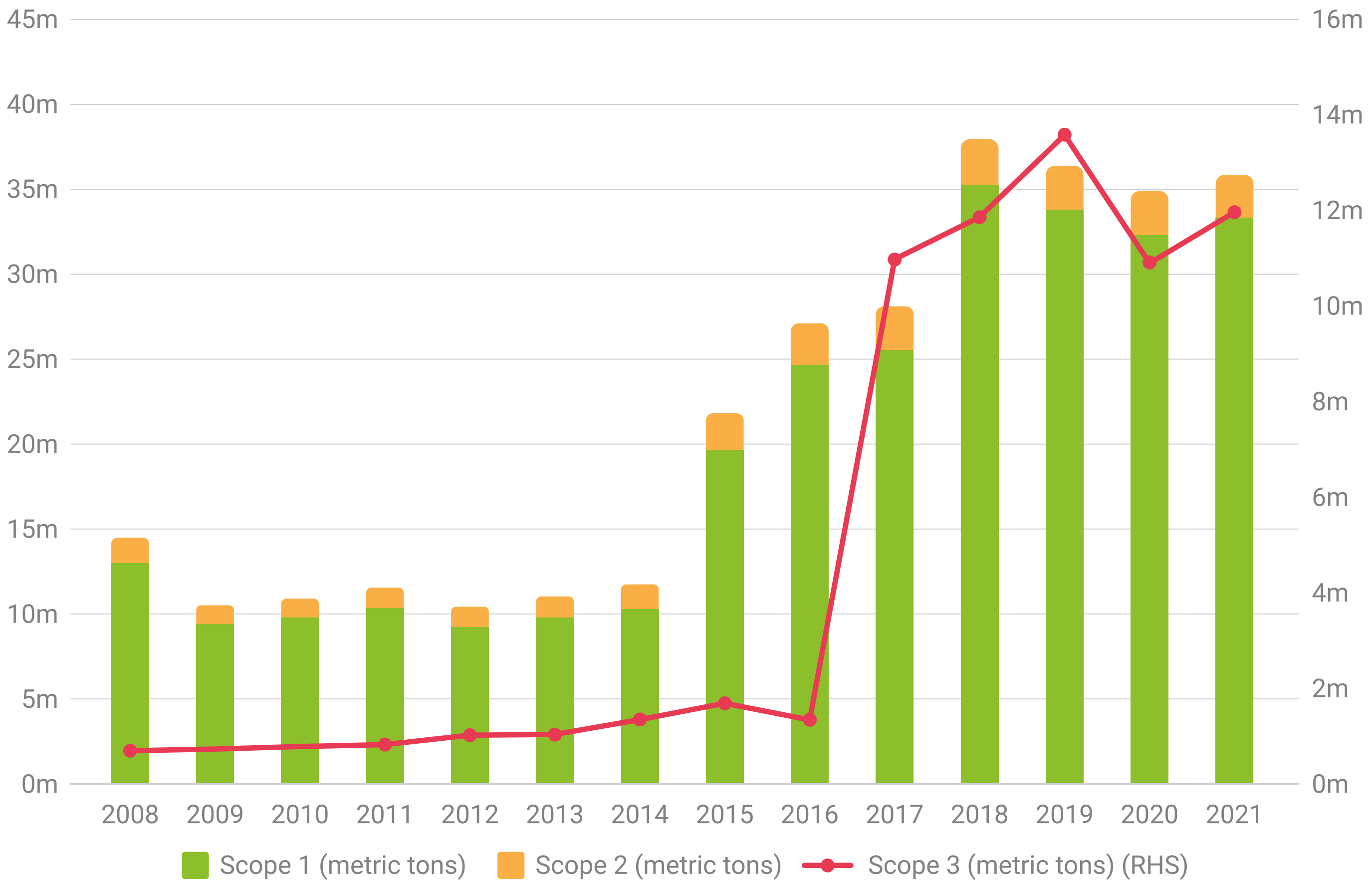
The CA100+ Benchmark assessment gives BP a full score across some indicators, which is an improvement from previous years. BP is one of very few oil & gas companies that have been assessed as partially aligned with Paris on capital allocation. The company was keen to reiterate its commitment towards these capital expenditures. In early 2022, the company offloaded its stake in Rosneft due to the Russia-Ukraine conflict. BP's Climate Action Plan was supported by 88.5% of shareholders at the 2022 AGM. The Fund opposed the resolution due to incomplete coverage of emissions in scope of the target. Engagers are keen to discuss the company's intention to scale back the reduction of oil and gas it plans to produce by 2030. Several pension funds have threatened to vote against BP's directors due to the issue. The Fund's voting intention will be guided by our voting principles and engagement activities.

NEXT STEPS

- Improved GHG intensity emissions reduction trajectory on products sold, as -12-20% by 2030 does not appear to be Paris aligned.
- Publish absolute emissions projections for downstream business.
- Lower oil price used in the CAPEX test (engagers believe $60/bbl is too high).

COMPANY	GEOGRAPHY	SECTOR
CRH	Ireland	Materials

REPORTED EMISSIONS (TCO₂E)



COMPANY CONTEXT

CRH is a global building materials company that supplies aggregates, lime, cement, concrete and asphalt for a wide range of construction applications. These include major public roads and infrastructure projects, commercial buildings and residential communities. The company has an ambition to achieve Net-Zero emissions by 2050 or sooner, and this is supported by a clearly defined long-term GHG reduction target, aligned with a 1.5°C scenario. In 2020, CRH was a recipient of an investor letter asking for Paris-aligned financial accounting. In terms of climate lobbying, the company's approach is mixed. Since 2018, its top-line messaging has become more positive, however CRH has not yet articulated clear, public positions on several strands of climate change policy and regulation.

ENGAGEMENT RATIONALE

CRH is a top 10 contributor of financed emissions of the Fund's equity investments. The company's emissions have grown significantly since 2014 due to M&A activities. It is also one of the largest contributors to the Total Core Index carbon footprint. The company also has a high carbon intensity of 1,162 tCO_2e/\$m revenue. The company's climate-related accounting disclosures have also been a topic of concern amongst engagers.

COMPANY	GEOGRAPHY	SECTOR
CRH	Ireland	Materials

ENGAGEMENT OBJECTIVES

1) Improved disclosure around its membership and involvement in trade associations engaged in climate issues.
2) More robust reporting of Scope 1, 2 and 3 emissions.
3) Increased development of activities focusing on low-carbon cement solutions.
4) Paris-aligned financial accounting.

ENGAGEMENT STRATEGY

Collaborative engagement by the CA100+ focus group. Ongoing investor engagement on Paris-aligned financial accounting. Use of voting to support ongoing engagement objectives.

MEASURES OF SUCCESS

CRH has not yet sought shareholder approval for its climate action plan, which, according to the CA100+ benchmark assessment, fails to address at least 95% of its Scope 1 and 2 emissions, as well as the most significant Scope 3 emissions. Furthermore, CA100+ flagged the first-ever net-zero accounting-related resolution concerning the company to its members ahead of its 2022 AGM. CRH has previously provided a constructive response to the investor letter on Paris-aligned financial accounting, disclosing that they are considering climate risk and their carbon reduction roadmap in their accounting. CRH did not go as far to say that they would consider a net-zero pathway as part of this.

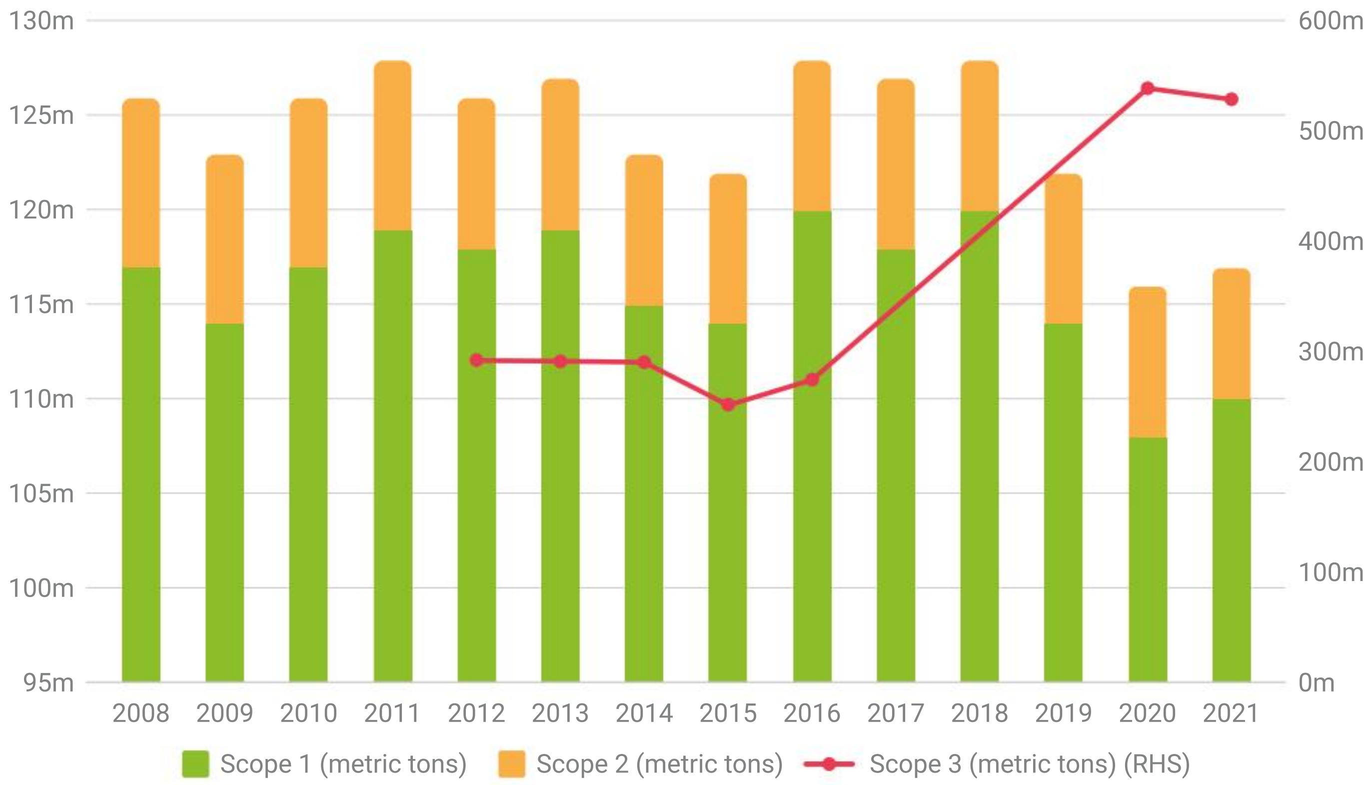
NEXT STEPS

- Climate-aligned accounting and audit: the company has thus far not responded to investor expectations regarding how material climate risks are considered in its accounts, how its own climate targets have been incorporated into the assessment of assets, liabilities and profitability, or what a 1.5° pathway might mean for CRH's financial position. EOS will continue to engage on this topic.

ExxonMobil

COMPANY	GEOGRAPHY	SECTOR
ExxonMobil	North America	Energy

REPORTED EMISSIONS (TCO₂E)



COMPANY CONTEXT

ExxonMobil is an American multinational oil & gas company that explores for, produces and distributes oil, gas and petroleum products worldwide. As of 2022, ExxonMobil is the world's largest publicly traded oil & gas company, with operations spanning six continents. The company has lagged the international majors, such as Shell, in aligning efforts to transition its operations toward cleaner energy alternatives. In January 2022, the company revealed an intensity-based 2030 emissions reduction targets. The company also intends to invest more in lower-emission initiatives by 2027. At the 2021 AGM, an activist hedge fund, Engine No.1, successfully replaced three of ExxonMobil's Board members, following concerns the company was failing to implement a viable climate change strategy. The independent board members received unlikely support from ExxonMobil's largest shareholders: BlackRock, Vanguard and State Street.

ENGAGEMENT RATIONALE

ExxonMobil is a material contributor to the fossil fuel exposure of the LGIM North America and the LGPSC Global Ex-UK Passive Equities portfolio.

ENGAGEMENT OBJECTIVES

- Achievement of the high-level objectives of the CA100+ initiative including attainment of the specific indicators in the CA100+ Benchmark Framework.

ENGAGEMENT STRATEGY

1) Collaborative engagement via the CA100+ initiative.
2) Direct engagement by Hermes EOS.

ExxonMobil

COMPANY	GEOGRAPHY	SECTOR
ExxonMobil	North America	Energy

MEASURES OF SUCCESS

Hermes EOS supported the proxy voting contest led by Engine No.1 at the 2021 AGM. In their view, the concerns expressed by Engine No.1 echoed many of those expressed in EOS' engagement with the company over the past few years. EOS felt that the company had been particularly non-responsive to engagement throughout 2020 and that Engine No.1s slate of directors will bring the experience and skills needed to preserve long-term shareholder value through the transition to the low-carbon economy.

Following the AGM, EOS sent a letter to the board of directors explaining their position on the proxy voting contest and their hopes for the company moving forward. The letter encouraged the company to embrace the leadership changes and pursue constructive dialogue with the new directors, including appointing them to key board committees were appropriate. The letter also made the following recommendations to Exxon:

1) Enhance disclosure on the approval process for all projects and the assumptions used in financial projects.

2) Expand current scope 1 and 2 emissions reduction targets to include non-operated assets, and verify that they are in line with the Paris Agreement.

3) Enhance disclosure on how scope 3 emissions will be reduced over the long-term.

4) Commit to keeping methane emissions intensity below 0.2% across the value chain.

5) Be responsive to the shareholder resolutions concerning political contributions and lobbying activities.

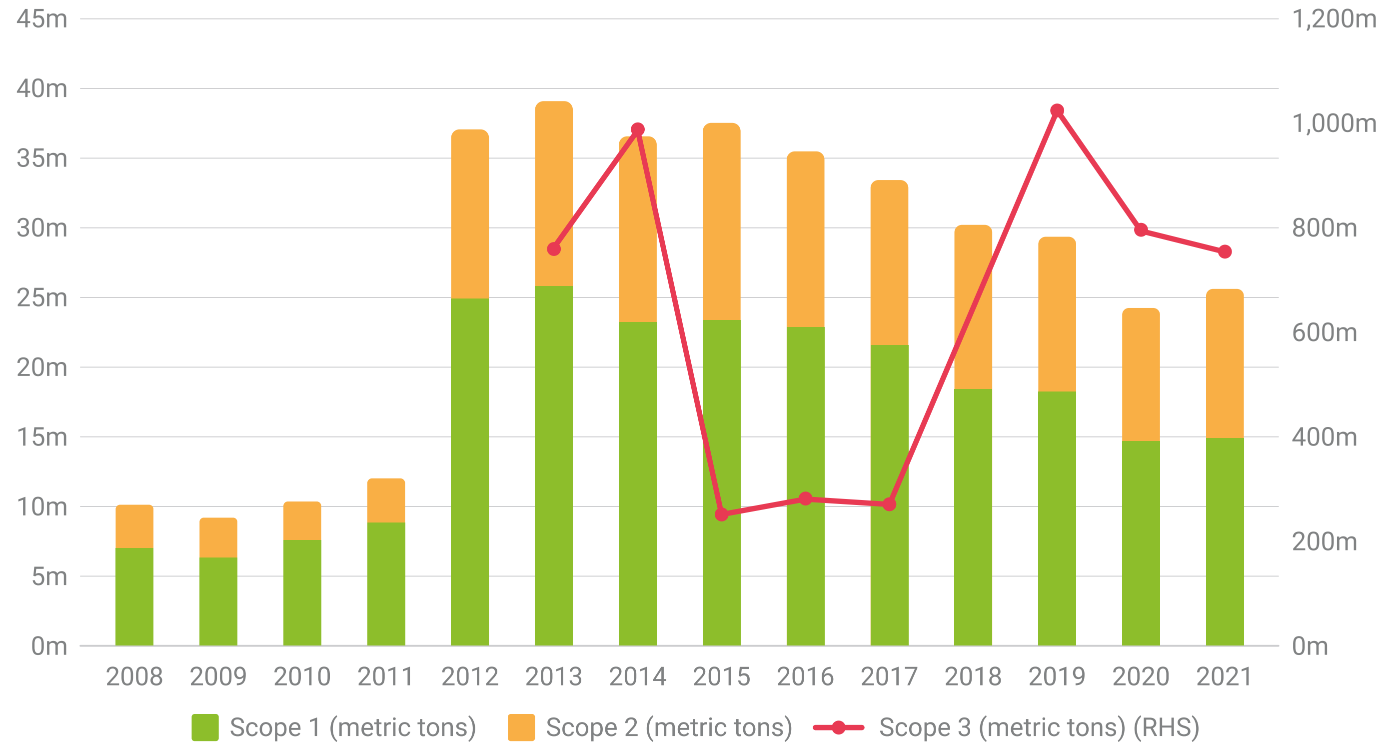
NEXT STEPS

- There have been significant improvements in terms of engagement following the 2021 AGM, but Exxon Mobil is still slow to make changes regarding climate risk.
- While engagement has improved EOS still reports a lack of transparency on reporting and there is a lack of disclosure relative to other oil and gas firms.
- EOS highlights an importance of methane reduction as well greater disclosure of this.
- The company's intensity-based emissions reduction target does not seem to align with Paris Agreement.

GLENCORE

COMPANY	GEOGRAPHY	SECTOR
Glencore	United Kingdom	Mining

REPORTED EMISSIONS (TCO_2E)



COMPANY CONTEXT

Glencore is a mining company that engages in the production, processing and marketing of metals and minerals, energy products and agricultural products. The firm serves the automotive, steel, power generation, battery manufacturing, and oil sectors. It operates through the following segments: Marketing, Industrial, and Corporate and Other. Glencore has had a reputation for being willing to take more risk than rivals. At the company's 2022 AGM 76.28% of votes cast supported the company's 2021 Climate Progress Report. As more than 20% of votes were cast against the Climate Resolution, Glencore consulted with shareholders and then made additional commitments . Glencore's 2023 AGM will take place on the 26th of May.

ENGAGEMENT RATIONALE

Glencore is the largest contributor to the thermal coal exposure of both the LGPS Central portfolio and the Core Index portfolio. Respectively, Glencore accounts for 57% and 26% of the two portfolios' exposure to thermal coal reserves. At the underlying portfolio level, Glencore is a top five holding in the LGPS Central GEAMMF, being a long-term, high-conviction holding for one of the portfolio managers, Harris Associates.

ENGAGEMENT OBJECTIVES

Achievement of the high-level objectives of the CA100+ initiative including attainment of the specific indicators in the CA100+ Benchmark Framework.

GLENCORE

COMPANY	GEOGRAPHY	SECTOR
Glencore	United Kingdom	Mining

ENGAGEMENT STRATEGY

Engagement by LGPSC as co-lead for the CA100+ Glencore Focus group. Voting is used to actively support ongoing engagement and to voice concerns and/or escalate the engagement as needed. At the 2018 and 2019 AGMs, LGPSC voted against Board Director Peter Coates due to his history of advocacy that is contrary to Paris Agreement goals and not aligned with Glencore's stated climate ambition and strategy.

MEASURES OF SUCCESS

Glencore has made clear progress against CA100+ objectives during the assessment which took place in Q4 of 2022 compared against the assessment which took place during Q1 2021. Glencore built on the progress made by setting a net-zero by 2050 ambition across all scopes, through improved climate governance which considers progress such as ensuring the board has responsibility for climate change and the introduction of a remuneration package that incorporates climate change performance. Glencore also improved their performance against the climate policy engagement assessment, as the company now lists its climate-related lobbying activities. Both TPI and CA100+ show that Glencore's current greenhouse gas targets does not align the company to 1.5-degree scenario in the medium or long term. Engagers would like to see Glencore improve their current medium and long term carbon performance, improving medium and long-term targets that can credibly be met. It is also critical that the company disclose actions it has taken or plan to take when it sees misalignment between its own climate position and that of industry associations.

NEXT STEPS

At the 2022 AGM, LGPS Central, on behalf of the Fund, has voted against Glencore's climate progress report, alongside approx. 23% of shareholders. Above 20% is substantial opposition, and the UK Corporate Governance Code requires the company to open dialogue with shareholders to understand their views and reasons for the opposition. LGPS Central also wrote to the company to explain the rationale for the opposition.

Glencore is also a subject of a shareholder resolution, filed by a coalition of shareholders including one of the Fund's appointed external managers LGIM, at the 2023 AGM. The resolution is seeking greater insights into the specific plan to align thermal coal production with emissions reductions commitments. The Fund's voting intention will be guided by our voting principles and engagement activities.

As co-lead of CA100+ engagement with Glencore, LGPS Central will continue dialogue with the CEO, but also seeking dialogue with the Board Chair and Chair of Audit Committee, on:

- More ambitious short-term targets.
- A specific 2030 target, to ensure full transparency on the trajectory of decarbonisation relative to IEA/IPCC's 1.5C for coal.
- Net zero accounting, with dialogue based around the findings of Carbon Tracker (previously shared with Glencore).
- Climate policy lobbying, with emphasis on Glencore actively advocating for a policy environment in key markets (including Australia) which will be conducive to the green shift and supportive of the pivot that Glencore is seeking.

GLENCORE

COMPANY	GEOGRAPHY	SECTOR
Glencore	United Kingdom	Mining

ENGAGEMENT CASE STUDY

THEME

Climate change

OBJECTIVE

LGPS Central expect companies to set clear, reasonable, and measurable climate action targets aligned with the Paris Agreement. We also compare those targets with the company's industry peers, as well as Paris-aligned sector pathways, and engage with the company in case of any major deviations.

ENGAGEMENT

LGPS Central sent a letter to the CEO of Glencore, outlining concerns that led us to vote against Glencore's climate progress report at the 2022 AGM. Glencore's total carbon footprint is highly correlated with coal production. We take the view that the company should seek alignment with the International Energy Agency's (IEA) NZ2050 coal pathway rather than an overall fossil fuel pathway. Based on Glencore's current disclosures, we are concerned that Glencore's current plans to reduce coal production over the next decade appear inconsistent with a 1.5C trajectory. In a letter to Glencore's CEO in December 2022, signed by eight investors including LGPS Central, we reiterated this concern asking for clarification on the expansionary capital expenditure for thermal coal and whether this is consistent with a 1.5C trajectory.

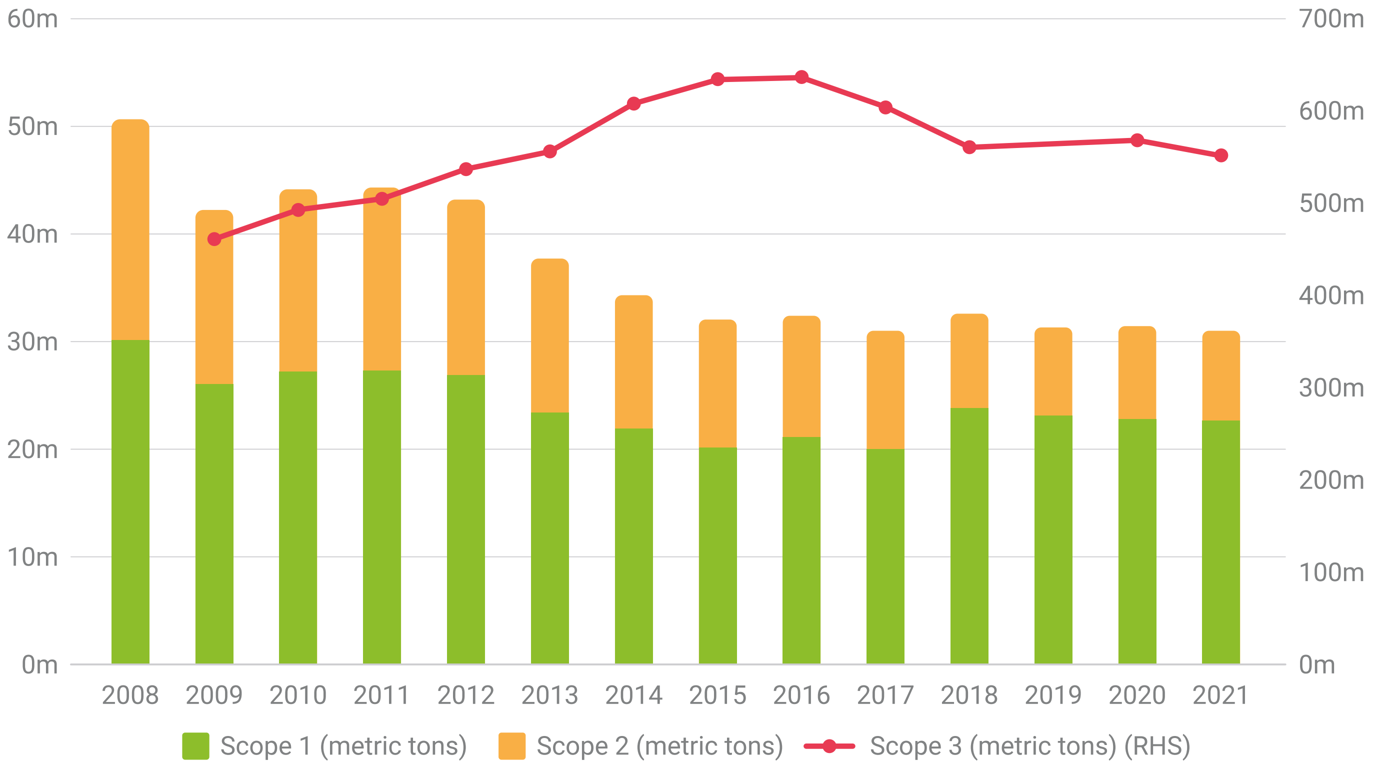
OUTCOME

Glencore has responded to the letters stating that the company will provide further detail in the upcoming 2022 report against the climate strategy, and that they welcome our feedback to these disclosures. In December 2022, Glencore decided to withdraw a coal project in Australia from the current approvals process. We are seeking a meeting with the company to discuss how this will affect Glencore's achievement of climate targets and the responsibly managed decline of coal assets, alongside other issues raised.

Rio Tinto

COMPANY	GEOGRAPHY	SECTOR
Rio Tinto	Australia	Materials

REPORTED EMISSIONS (TCO_2E)



COMPANY CONTEXT

Rio Tinto is an Anglo-Australian multinational diversified mining company involved in the exploration, mining and processing of iron ore, aluminium, copper, diamonds, energy and minerals. The company has no exposure to coal and has set a Net Zero by 2050 ambition that includes emissions reduction targets for scope 1 and 2 emissions. Whilst this is a step in the right direction, investor concerns remain over the omission of Scope 3 emissions from the company's climate targets. Rio Tinto's new CEO, Jakob Stausholm, has signalled that the company will look to strengthen its climate agenda in response. Climate change aside, the company has also been embroiled in a scandal over the past year after being involved in the destruction of a 46,000-year old heritage site in Western Australia. Following large condemnation, Rio Tinto's former CEO, alongside two other directors and the Chair, stepped down.

ENGAGEMENT RATIONALE

Rio Tinto is among the top five contributors to the Fund's equity holdings and has the largest carbon footprint in the Core Index portfolio. Specifically, the company is responsible for 4.7% of the emissions financed by the equity holdings.

ENGAGEMENT OBJECTIVES

- Achievement of the high-level objectives of the CA100+ initiative including attainment of the specific indicators in the CA100+ Benchmark Framework.
- Set a Net Zero target that includes emissions reduction targets for Scope 3 emissions.

RioTinto

COMPANY	GEOGRAPHY	SECTOR
Rio Tinto	Australia	Materials

ENGAGEMENT STRATEGY

- Engagement by LGPS Central as part of the CA100+ focus group.

MEASURES OF SUCCESS

Following investor engagement, in 2022 the company announced new climate targets: to reduce their Scope 1 & 2 emissions by 15% by 2025 and 50% by 2030 relative to their 2018 baseline. These targets are consistent with the IPCC pathways to 1.5°C. The company has yet to announce Scope 3 emissions targets despite investor pressure. LGPSC will continue to push for these via CA100+ engagement. Further, in March 2021, Rio Tinto, for the first time, backed shareholder resolutions focusing on climate change. The first resolution called on Rio Tinto to publish independently verified short, medium, and long-term emissions reduction targets and to disclose performance against those targets. The second resolution requested that the company strengthen its annual review process for assessing industry and lobbying groups as well as suspend memberships if they are inconsistent with the Paris Agreement. LGPS Central, via CA100+, will continue to engage with the company on how it plans to reform its climate strategy in light of the two shareholder proposals.

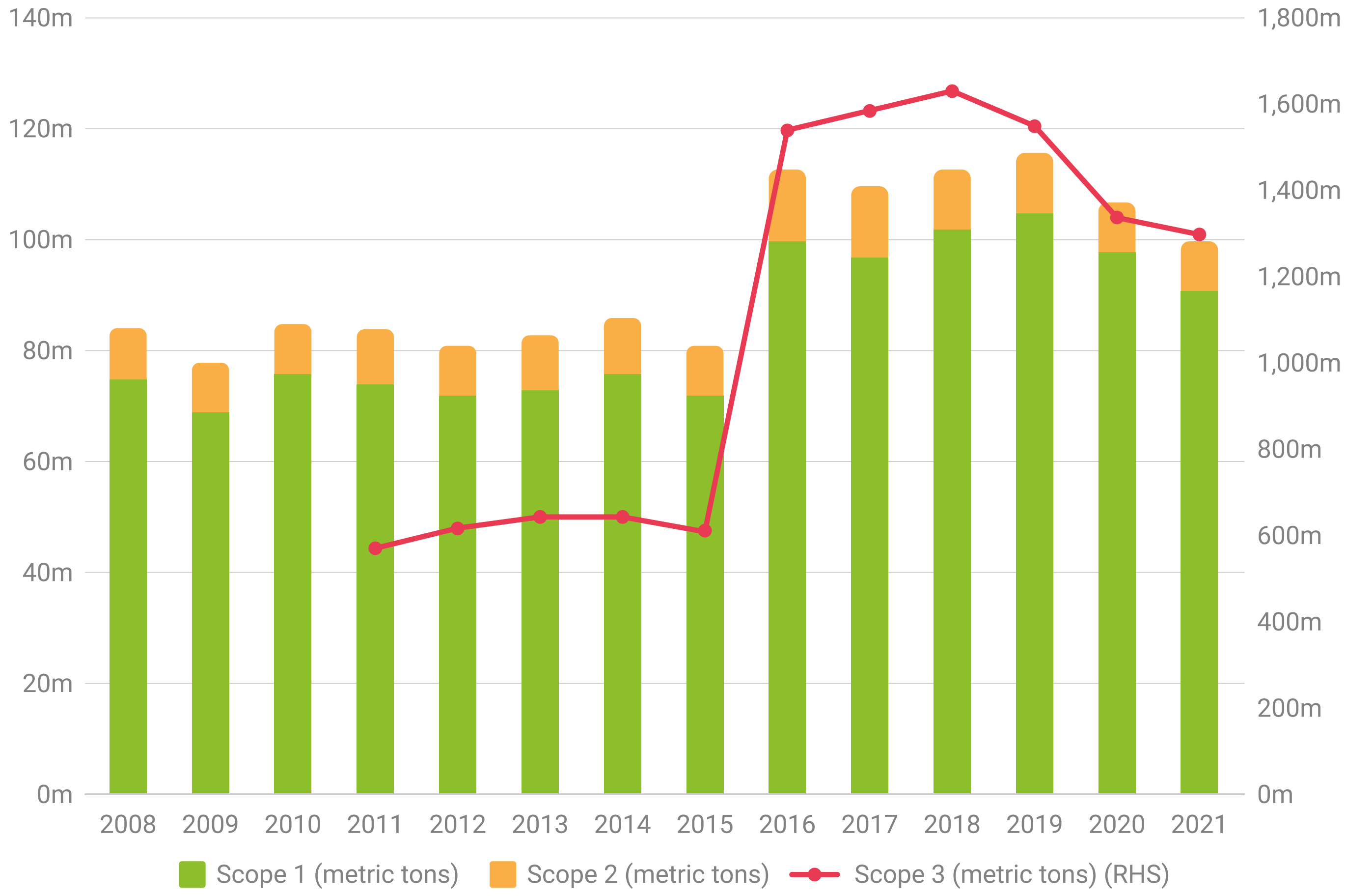
NEXT STEPS

Engagement will focus on encouraging the company to:

- Set robust, time-bound scope 3 emissions reductions target.
- Exit any industry associations with climate lobbying practices that are misaligned with the Paris Agreement.
- Provide a definition of the extent that the company will rely on carbon capture and storage within its decarbonisation strategy.

COMPANY	GEOGRAPHY	SECTOR
Shell	United Kingdom	Energy

REPORTED EMISSIONS (TCO₂E)



COMPANY CONTEXT

Shell is a multinational oil and gas company. The firm, through its subsidiaries, explores, produces, and refines petroleum; produces fuels, chemicals, and lubricants; and owns and operates gasoline filling stations worldwide. In 2017, Shell announced a Net Carbon Footprint ambition covering both direct and indirect emissions. In April 2020, following engagement with industry stakeholders, Shell announced its ambition to reduce scope 1 and 2 emissions to net-zero by 2050 or sooner, and to reduce scope 3 emissions by 65% by 2050 (and 30% by 2035). For the remaining 35%, Shell aims to help its customers decarbonise through Carbon Capture and Storage (CCS) and other offsetting mechanisms.

The company has been the subject of several litigations. In May 2021, the Dutch court ordered Shell to cut carbon emissions from its oil and gas products by 45% by 2030. In early 2023, Shell's Board of Directors were sued due to their alleged mismanagement of climate risk. Environmental lawyers ClientEarth are asking the high court to order Shell's board to adopt a strategy to manage climate risk in line with its duties under the Companies Act, and in compliance with the Dutch court's order for big cuts in emissions. As a result of the close alignment between the points raised by the ClientEarth claim and LGPS Central's engagement history with the company, LGPS Central provided evidence to the Court in order to reinforce investor expectations on Shell's climate strategy. Shell is currently appealing against the Dutch court order and, if the case progresses, will also contest the claim by ClientEarth.

COMPANY	GEOGRAPHY	SECTOR
Shell	United Kingdom	Energy

ENGAGEMENT RATIONALE

Shell is a source of potential stranded assets risk within Equities, holding the second largest oil and gas reserves within the asset class. Shell accounts for 28.8% of the Fund's gas exposure and 23.5% of the Fund's oil exposure within equities. Shell is also the largest contributor to financed emissions and weighted average carbon intensity across the whole of the Fund's equity holdings.

ENGAGEMENT OBJECTIVES

1) To set and publish targets that are aligned with the goal of the Paris agreement.
2) To fully reflect its net-zero ambition in its operational plans and budgets.
3) To set a transparent strategy on achieving net-zero emissions by 2050; including valid assumptions for short, medium and long term targets.

ENGAGEMENT STRATEGY

Collaborative engagement by the CA100+ focus group and through the Paris-aligned financial accounting investor initiative. Use of voting to support ongoing engagement objectives. Direct engagement by LGPS Central, including letter exchanges and dialogues.

MEASURES OF SUCCESS

In February 2021, Shell held its annual Strategy Day where the firm outlined its proposal to become a net-zero business by 2050 or sooner. Following engagement with CA 100+, Shell announced it would be putting forward an Energy Transition Plan for investors to vote on at their annual general meeting on 18 May 2021. This step makes Shell the first company in the energy sector to allow investors a 'Say on Climate'. The resolution on Shell's Energy Transition Plan passed with 88.7% support from shareholders at the AGM and will allow shareholders an annual advisory vote to express whether sufficient progress has been made in delivering the plan. Shell consider that their net-zero target aligns with a 1.5°C degree target and that scope 3 emission are included. However, there is concern around the lack of short- and medium targets that can back up the net-zero ambition, as well as an apparent reliance from Shell on customers cutting consumption as part of Scope 3 rather than Shell cutting production to align with Paris. Shell has also been unclear on their use of nature offsets and Carbon Capture and Storage technologies and has not provided sufficient detail on how this will be achieved. A shareholder proposal requesting Shell to set and publish targets for GHG emissions reduction in line with Paris was put to a vote at the AGM and received a healthy 30% support. LGPS Central voted against the Energy Transition Plan and for the shareholder proposal in order to signal that we are asking more also of leading companies in order to really see a step-change for the sector. Through the Paris-aligned accounting initiative, it is viewed as a critical concern that Shell explicitly state they have not included their net-zero commitment into their budgets and accounts. Shell's auditor has acknowledged that this is a concern and investors will press the company to provide assurance that reports and accounts properly reflect their net-zero ambitions in future. Shell is generally receptive of engagement with shareholders.

NEXT STEPS

Key issues that CA100+ engagers will focus on ahead:

- Intensity emissions reduction targets must be complimented by absolute emissions reduction targets, across all scopes.
- Aligning CAPEX with their NZ ambition.
- Demand-side: investors will work with sectors on the demand side, alongside Shell's engagement with its customers, to influence a 1.5°C aligned transition.
- Resolution of climate-related litigation.

COMPANY	GEOGRAPHY	SECTOR
Shell	United Kingdom	Energy

ENGAGEMENT CASE STUDY

THEME

Climate Change

OBJECTIVE

We expect companies to set clear, reasonable, and measurable climate action targets aligned with the Paris Agreement. We also compare those targets with the company's industry peers, as well as Paris-aligned sector pathways, and engage with the company in case of any major deviations.

ENGAGEMENT

In November 2022 LGPS Central sent a letter to the Chair of the Board at Shell, outlining why we voted against the company's Energy Transition Strategy in the 2022 AGM. The letter outlined the strategy's misalignment with the Paris Agreement; a lack of targets which would facilitate the achievement of the Strategy; and questioned whether Shell's capital expenditure plans are genuinely aligned with a 1.5˚C temperature rise scenario. Following receipt of this letter, a 1-1 meeting was scheduled between LGPSC and the head of Investor Relations at Shell.

This meeting allowed a detailed discussion on Shell's climate strategy, highlighting the risks and opportunities the company has focussed on ahead of the energy transition. We were happy to hear that Shell recognises the key role it must play in addressing climate risk on a global level and were encouraged by the company's progress in decreasing its oil production. However, Shell expressed a reluctance to set absolute short- and medium-term Scope 3 targets for its upstream emissions. Shell also stressed the fact that it believes it is currently a leader in the global transition, and that now the responsibility must shift towards governments and consumers to continue progress towards net zero.

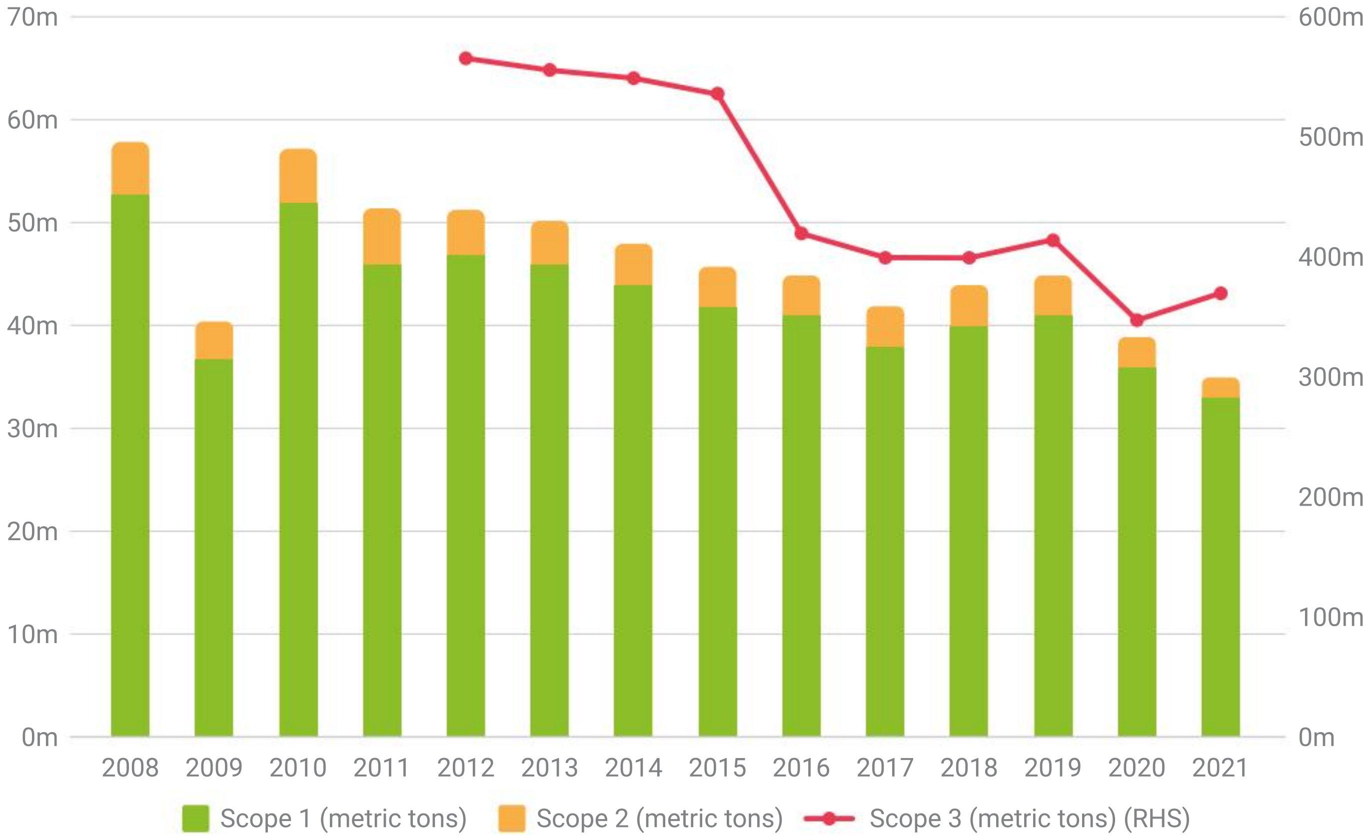
OUTCOME

We very much appreciate Shell's desire to have a meaningful and open dialogue with its shareholders, and it is clear that Shell is a sector leader in the climate transition. However, significant doubts remain regarding the feasibility and robustness of Shell's transition strategy, evidenced by a lack of meaningful targets which detail how Shell will achieve its long-term goals. We are therefore considering further engagement or escalation in early 2023. In February, the environmental charity ClientEarth filed a derivative claim against the Board of Directors at Shell, stating that the Board is mismanaging climate risk, evidenced by an insufficient Energy Transition Strategy and a fundamental misalignment with the goals of the Paris Agreement.

Following a thorough assessment of the potential risks and benefits associated with supporting the claim, LGPS Central provided a copy of a recent engagement with Shell to the Court as evidence of our concerns. This escalation was made in recognition of the significant overlap between the points raised in the ClientEarth claim and our own engagement objectives for dialogue with Shell.

COMPANY	GEOGRAPHY	SECTOR
TotalEnergies	Europe	Energy

REPORTED EMISSIONS (TCO₂E)



COMPANY CONTEXT

TotalEnergies produces and markets fuels, natural gas and low-carbon electricity. It engages in the exploration and production of oil and gas, refining, petrochemicals and the distribution of energy in various forms to the end customer. In 2020, EOS were pleased to see TotalEnergies demonstrate its relative resilience compared with peers and welcomed the important announcements made: intermediate targets on Scope 3 emissions, withdrawal from the American Petroleum Institute and an increased target for renewable energy generation. Total also made an explicit commitment to achieve Net Zero emissions in Europe by 2050, though it will only expand its pledge to other regions if they adopt the relevant regulations. EOS believe that Total should not only be led by regulation but be more ambitious and lead politicians.

ENGAGEMENT RATIONALE

TotalEnergies is a material contributor to the fossil fuel exposure of the LGIM Europe, LGPS Central Global Ex-UK and LGPS Central Global Equity Active Multi Manager Fund. It is also a source of stranded asset risk, with assets in oil and gas reserves.

ENGAGEMENT OBJECTIVES

- Achievement of the high-level CA100+ Net Zero Benchmark Objectives.

ENGAGEMENT STRATEGY

- Engagement by CA100+, with Hermes EOS as the co-lead.

TotalEnergies

COMPANY	GEOGRAPHY	SECTOR
TotalEnergies	Europe	Energy

MEASURES OF SUCCESS

In early 2021, EOS sent a letter to the CEO and chair of Total to seek further dialogue regarding the company's efforts towards achieving the Paris Agreement goals. EOS were pleased to receive a receptive response from Total, which included several enhancements to the company's strategy. In particular, the CEO/chair confirmed that the board will consult shareholders on the company's strategic direction and its related targets. During its annual strategic reviews, the board will examine the relevance of its ambitions, as well as the appropriateness of its strategy and its targets for reducing greenhouse gas emissions. Each year, the board will inform shareholders on the progress made in implementing this ambition and consult them, if necessary, when adapting its strategy and objectives. At Total's 2021 AGM, EOS submitted a statement with questions which were officially supported by over 30 institutional investors. The letter had three key asks, namely 1) the alignment of Total's carbon reduction targets with a 1.5°C scenario, 2) more granular disclosure on capital expenditure to help demonstrate consistency with a net zero pathway, and 3) a request for the company to submit its net-zero transition plan to a vote by shareholders at least every three years, with an annual update on progress made in its implementation. Total publicly acknowledged receipt of the letter during the 2021 AGM and sent EOS a letter in response, which outlined several new elements. These included the geographical breakdown of scope 3 emissions and additional information on capex and production plans. EOS intend to continue engaging with Total on these matters as the CA100+ co-lead.

NEXT STEPS

- While emissions targets have been put in place, these targets do not focus on upstream business.
- Progress has been made through implementing short- and medium-term targets to support net zero emissions by 2050, but current targets are not aligned with 1.5-degrees pathways.
- Monitor progress of TotalEnergies' carbon emissions reduction and escalate as necessary.

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