GREATER MANCHESTER / MERSEYSIDE / WEST YORKSHIRE

NORTHERN LGPS STEWARDSHIP REPORT Q1 2024

GRANDE WIN

NorthernLGPS

FOCUS Q1

Members and allies of Starbucks Workers United. The butter sculpture is a welcome present to Land O'Lakes CEO Beth Ford, who joined the Starbucks board of directors at the 2023 Starbucks AGM. Workers were calling on Ford and the rest of the board to stand with workers and support their right to bargain a contract in good faith.

Freedom of Association and Collective Bargaining

Although inflation has reduced significantly in most countries, wage demands and other labour issues continue to be material factors in many companies. Such issues often come to the fore where the workforce seeks to unionise.

Over the past two years NLGPS has supported a number of shareholder proposals and other initiatives in support of the exercise, without interference, of freedom of association and collective bargaining rights.

Starbucks has seen significant progress. PIRC was part of an engagement with board members in Q1 regarding the review the company initiated of its policy on workplace rights. This review resulted from a successful shareholder resolution at its 2023 AGM. Although the report fell short of expectations in a number of areas, most fundamentally by not seeking worker input, it did reveal that the company's policy commitments on workplace rights were not given practical expression. This indicated a governance failure.

In response, the Strategic Organizing Center, which works with a number of US unions, had nominated three directors to the board of Starbucks. It said they would improve oversight of the company's management of human capital and address the challenges relating to unionisation.

Ultimately the nominees were withdrawn after Starbucks and Workers United announced they were working on a joint framework covering issues such as elections and bargaining. Whilst investors will monitor how this affects the situation at store level, this is a significant step forward and it appears that investor engagement has played a role.

At Apple a similar review of policy was undertaken, again in response to a shareholder resolution, and published in December 2023. In Q1, the resolution proponents issued their own assessment of the review and found it wanting in several areas: it did not fully examine whether, in practice, company actors adhered to stated policy, and instead conducted a largely superficial "desktop" review; the assessor lacked relevant experience of labour rights; and, in common with Starbucks, it failed to include the input of workers who had sought to exercise their rights.

Looking ahead, shareholder proposals related to Freedom of Association rights are expected at around a dozen companies. One has already gone to the vote in Q1 at Maximus Inc, and saw a vote in favour of around 25%.

Other companies to watch in Q2 include Tesla and Amazon. The former is involved in a significant labour dispute in Sweden over its failure to enter into a collective agreement with the IF Metall union. A number of Scandinavian investors have divested from the company in response. At Amazon, the workforce at a Staten Island warehouse voted to unionise in April 2022 but two years later on no collective agreement is in place. We expect labour rights to feature at both companies' AGMs.

Engagement with a range of companies, unions and investors on this topic will continue.

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FREEDOM OF ASSOCIATION

STARBUCKS CORPORATION

Overview: Starbucks Corporation was founded in 1971 as a coffee bean retailer. The company has acquired and built coffee houses all over the world. The Corporation engages in the purchase, roasting, and sale of whole bean coffees worldwide. In addition to drip brewed coffee and espresso beverages, the company shops also serve tea and bottled beverages, pastries, and ready-to-eat sandwiches. Some stores are inside other retail locations such as supermarkets, banks, and bookstores.

Issues: Since 2022 PIRC has been part of a group of investors engaging with Starbucks over its approach to freedom of association and collective bargaining rights. This is in response to alleged anti-union activity in the face of a highly successful organising campaign by Starbucks employees. The investor group filed a shareholder proposal asking the company to undertake a review of the application of its policies in this area, with specific reference to ILO core convention, which achieved a majority vote in favour at the 2023 AGM. The company has initiated a review of the type sought by the proposal, which was published in December 2023. This fell short of expectations in a number of areas, including the failure to solicit input from workers who had sought to exercise their rights.

In addition, at the end of 2023 the Strategic Organizing Center (SOC), a US union group, announced that it had nominated three board candidates with the intention of strengthening oversight of human capital management at the company. Starbucks issued a statement that it had contacted Workers United, the union organising in its stores, with a view to ratifying contracts at unionised sites.

Engagement: On 17 January, PIRC joined a meeting with the Starbucks chair and other representatives to discuss the assessment undertaken of the company's implementation of its policy relating to freedom of association and collective bargaining rights. The filing group fed back to the company concerns that the assessment had not involved worker input and had therefore not meaningfully assessed the implementation of the company's Global Human Rights Statement. Nonetheless, the group also communicated that even accounting for the limited scope of the review its findings suggested failure of oversight. This in turn suggested potential governance weaknesses. The

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company stressed that it was committed to bargaining in good faith.

Outcomes and next steps: In February 2024, Starbucks and Workers United issued a joint statement announcing talks on a "foundational framework designed to achieve collective bargaining agreements, including a fair process for organizing, and the resolution of some outstanding litigation". The company subsequently also extended benefit improvements to unionised workers who had previously been denied them. In turn the SOC announced that it was withdrawing its board nominees shortly before the company's AGM in mid-March.

PIRC will continue to monitor developments at the company, including board oversight of employee relations, but considers progress to date to represent significant improvement.

AMAZON AND APPLE

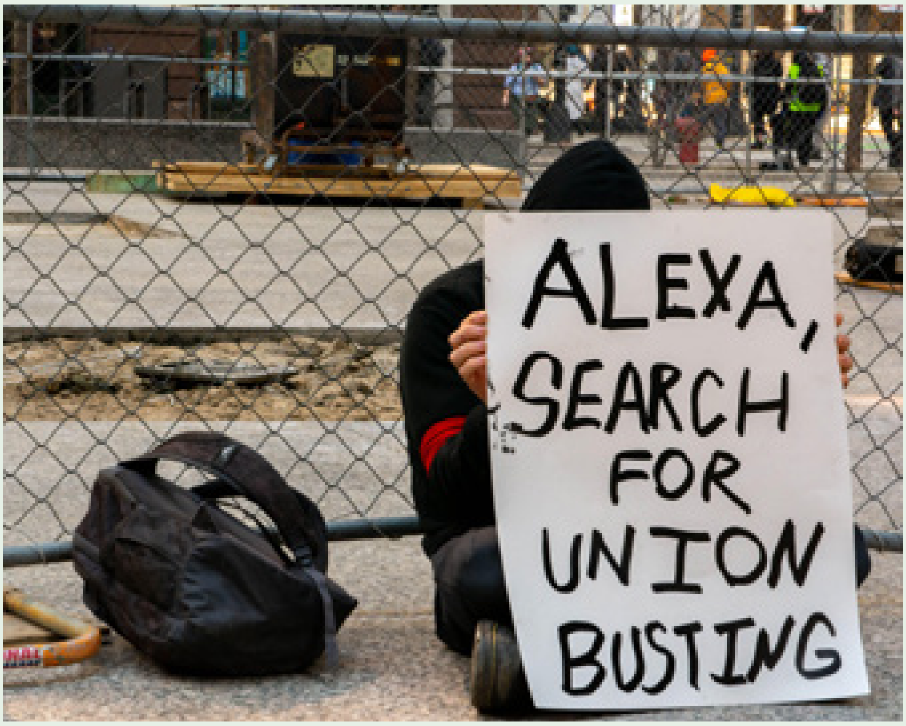
The Starbucks engagement is part of a wider programme of stewardship activity around freedom of association and collective bargaining. PIRC expects up to a dozen shareholder resolutions on this topic to go to the vote at US companies during 2024.

Two PIRC clients have co-filed a resolution at Amazon, which has a chequered history in relation to labour issues. Although the Amazon Labor Union won an election at a Staten Island site two years ago no contract is in place. This is symptomatic of problems with the US labour law regime where companies that are opposed to unionisation can drag out legal challenges. In PIRC's view, if a contract is not in place two years after a successful vote has taken place this is indicative of a company taking an aggressive approach against unions.

During Q1 PIRC has participated in a number of meetings with Amazon investors to explain the rationale for the resolution. It will go to the company's AGM in May.

At Apple a review of policy similar to that at Starbucks was undertaken, again in response to a shareholder resolution, and this was published in December 2023. In Q1 the resolution proponents issued their own assessment of the review and found it wanting in several areas: it did not fully examine whether, in practice, company actors adhered to stated policy, and instead conducted a largely superficial "desktop" review; the assessor lacked relevant experience of labour rights; and it failed to include the input of workers who had sought to exercise their rights.

The company remains an engagement focus on this topic and during Q1 PIRC has engaged with unions representing Apple workers to gain insight into the current situation.



Solidarity for Amazon workers seeking to unionize

PUBLICHEALTH

NESTLÉ S.A

Overview: Nestlé is the largest food and beverage company in the world by revenue. During Q1, a group of five institutional investors have filed a shareholder resolution at Nestlé calling for the company to set a target to increase the proportion of its sales that come from healthier products.

Issues: Since 2021 PIRC has been part of a group of investors engaging with Nestle over the healthiness of its product portfolio. The objective of these engagements have broadly been two-fold; to ask companies to disclose the healthiness of their products using independent nutrient profiling models (NPMs); and – if the disclosures highlight an over reliance on the sale of unhealthy products- to set targets to increase the proportion of healthy products sold to consumers.

Nestle assessed the composition of its portfolio and, based on its inhouse nutrient profiling model, disclosed that 52% of the products it sells do not meet the criteria to be defined as healthy. However, this figure is disputed with a third-party analysis undertaken in 2024 finding that up to 75% of Nestlé's food and drink sales come from less healthy products. The concern being that the reliance on the sales of less healthy food leaves the company exposed to regulatory, reputational and legal risks.

The company has in place a target to grow the more nutritious part of its portfolio, to increase the sales of more nutritious products by CHF 20-25 billion by 2030. Concerns have been raised relating to the target on the basis that there is no commitment on the sale of less healthy products which could still grow at a faster rate. The company argued that such a target would require slower growth, contraction, or divestment and in doing so create opportunities for competitors.

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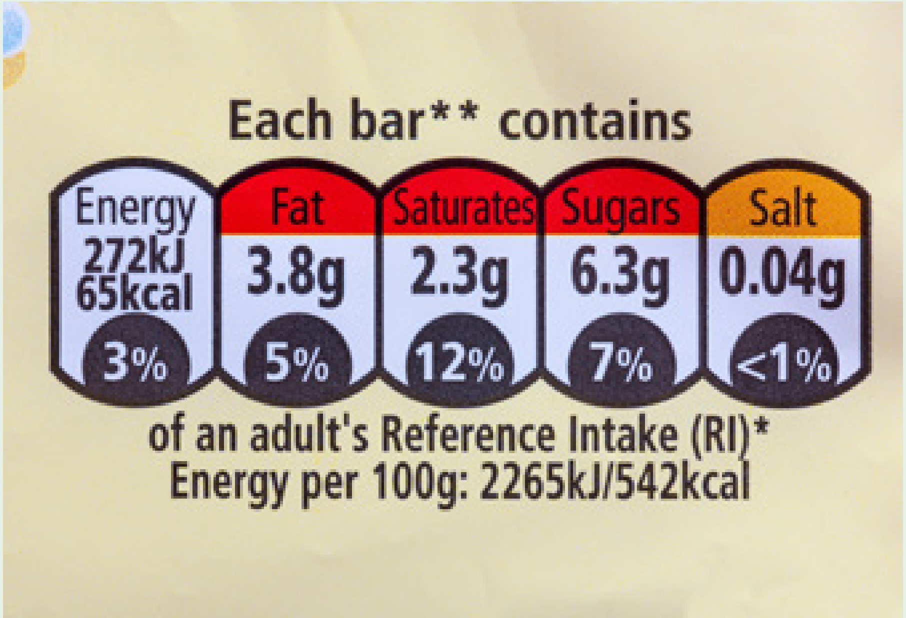

"up to 75% of Nestlé's food and drink sales come from less healthy products"

Engagement: PIRC met with Nestlé on two occasions during Q1 to discuss the company's approach to health and nutrition as well as the proposed shareholder resolution. The company outlined that they took their commitments to ensuring health and wellbeing of consumers seriously and were broadly aligned with the aims of the investor coalition. However, the company was not supportive of the resolution, arguing that it already has strategies in place to meet consumer expectations relating to health and that changing from an absolute target to a proportional target that requires faster growth in one part of the portfolio and slower growth in another would not be in the best interests on the company or investors.

PIRC outlined that being overly reliant on the sale of unhealthy food and drink created both portfolio-level risk, through continued decline in public health, as well as the idiosyncratic company and industry specific risks such as increase dregulation. PIRC also indicated support for setting a more robust target relating to the sale of unhealthy products which would make the company more resilient and better placed to protect shareholder value.

Outcomes and next steps: PIRC recommended clients vote in favour of the proposal which garnered over 10% in support when put to the company AGM.

UNILEVER

Overview: Unilever is a multinational consumer goods company that produces and sells its produce in 190 countries. In March, PIRC and other investors met with the company to discuss progress against a health-related target published in 2022.

Issues: PIRC has been engaging Unilever on health since 2021 with the meeting in March of 2024 representing the fifth meeting with the company. As with Nestle, the focus of the engagement is managing risks associated with an over reliance on the sales of less healthy food. Unilever has established a target relating to health which is that 85 per cent of the 'servings' it delivers to be compliant with its own nutrient profiling model - the Unilever Science-based Nutrition Criteria (USNC) by 2028. In previous meetings, Shareholders have raised potential concerns over the use of an inhouse profiling model to measure performance, over an independent government endorsed model. Shareholders have previously also questioned the use of 'servings' as a metric.

Engagement: Investor questions focused on better understanding progress against the target and the strategies being utilised by the company to ensure the target is met. Given performance, investors also asked the company whether the target could be considered ambitious. The company responded that a concerted effort would still need to be made in order to hit the 2028 target.

Outcomes and next steps: Based on the company's most recent disclosure it is on track to meet its target to ensure that 85% of its nutrition and ice cream portfolio meets its Science-based Nutrition Criteria by 2028. To date, 81% of its products already meet this criteria.

CLIMATE FINANCE, BANKING AND INSURANCE

The role the banking and insurance industry plays in addressing the climate crisis is significant. Influencing corporate behaviour in both public and private markets and ensuring capital readily available for the energy transition is just the start. There has been increasing public scrutiny on the banking and insurance sectors' involvement in the funding and underwriting of fossil fuel infrastructure, resulting in meaningful policy commitments from some companies on their approach to financing certain activities that are misaligned with net zero.

Diversified asset owners have a portfolio-level interest in pushing banks to act given the wider projected financial impacts of climate change. As regulators introduce new and updated climate-related expectations, it is imperative that banks and insurers make clear commitments to halt both lending and capital market facilitation to fossil fuel projects and the climate laggards continuing to build new fossil fuel infrastructure. Doing so will help promote financial stability and protect investors from systemic risks. Financial institutions that proactively address climate-related risks are better positioned to adapt to the changing regulatory landscape, mitigate financial losses, and capitalise on emerging opportunities in the transition to a green economy.

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Biomass: Wood chips boiler

MUNICH RE

Overview: Munich Re operates an integrated business model that combines primary insurance and reinsurance.

Issues: Munich RE was one of the insurers that left the Net Zero Insurance Alliance in 2023, citing concerns that the alliance exposed them to material antitrust risks. While the insurer has made significant commitments for decarbonising its investment and underwriting portfolios, there are still areas for improvement. For example, the company has not disclosed any guardrails for investing in or underwriting biomass, which can pose both significant biodiversity and climate risks. Finally, the company uses relatively crude emissions reduction metrics in its executive pay package, which presented concerns over the metrics' sensitivity to executive performance.

Engagement: On 6th February 2024, PIRC met with Munich RE to discuss climate issues ahead of the AGM. PIRC asked about the company's next steps, having decided to leave the Net Zero Insurance Alliance. The company reiterated its difficulties with industry collective action due to antitrust risks and indicated its continued commitment on unilateral climate action. PIRC then flagged the investment and underwriting of biomass infrastructure as an emerging risk given its potential climate and environmental impacts. In response, the company explained its overarching climate policies without specificity to biomass. PIRC also expressed concerns over the remuneration framework's use of emissions reductions as a KPI. Performance assessed on reducing operational emissions, particularly in a sector that is not emissions intensive, can be overly crude and lacks sensitivity to directors' performance. The company stated that environmental and social target weighting would be reduced in the upcoming multi-year bonus tranche, being replaced by a cybersecurity target.

WESTPAC BANKING CORPORATION

Overview: Westpac provides a broad range of consumer, business and institutional banking and wealth management services through a portfolio of financial services brands and businesses.

Issues: A shareholder resolution calling for the bank to halt fossil fuel financing went before shareholders at the 2023 AGM, winning 22% support. While the company had recently made some additional commitments to halt some types of fossil finance, concerns were raised amongst shareholders that commitments on new fossil finance will not go into effect until September 2025. Furthermore, although the company has set goals to expand its sustainable finance efforts and has provided a framework for determining eligibility, there have been concerns that these targets combine funding for renewable energy with transition projects (which may involve natural gas and biomass) as well as social projects. This makes it challenging for investors to accurately gauge the bank's commitment to addressing climate change, how it intends to meet its overall emission reduction targets, and how they are managing the climate-related risks that they face.

Engagement: PIRC explained its main concerns leading to an oppose recommendation on the Say-On-Climate, suggesting that the company could improve commitments on exiting fossil finance as well as disclosure of board members' climate-related experience. The company expressed its desire to accelerate climate action but suggested that their progress would be limited by how quickly clients could adapt and that they intended to move from a more incentive-based approach to a more enforcement-based approach over time. PIRC also noted the company's sustainable finance targets; acknowledging some elements of good practice, while suggesting that quantitative disclosure of targets could be disaggregated between climate and other sustainability goals. This would allow for a better assessment of whether finance commitments were aligned with

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a 1.5°C-aligned climate strategy. Westpac explained that these targets had recently been introduced ahead of the release of the national sustainable finance taxonomy and expressed openness towards further disaggregation of the sustainable finance targets.

LLOYDS BANKING GROUP

Overview: Lloyds Banking Group is a UK based financial services group providing a wide range of services, mostly in the UK, to individual and business customers. Its main business activities are retail, commercial banking, and insurance, pensions and investments. The Group is quoted on the London Stock Exchange and the New York Stock Exchange and is one of the largest companies in the FTSE 100 index. It operates under a number of distinct brands, including Lloyds Bank, Halifax, Bank of Scotland and Scottish Widows.

Issues: The company has climate-related performance targets within both the short- and long-term incentives plans for its executives. PIRC has previously raised concerns over the use of climate metrics to pay additional bonuses. Paying climate bonuses conflicts with the view that climate action should be a core contractual duty, while there are also concerns about the metrics' sensitivity to performance. In addition, there were some concerns that Lloyds has green financing and operational emissions targets equally weighted at 5% in the long-term incentive plan, despite the operational emissions being several orders of magnitude smaller and thus relatively immaterial compared to the financed emissions.

Engagement: On the use of climate targets in remuneration, PIRC expressed concerns over the difficulties in setting targets that are quantitative and measurable while also being tangibly linked to the CEO's own performance. The company concurred that it was difficult to set adequate climate KPIs for remuneration, considering that performance is affected by external factors; but considered climate KPIs as an essential part of the pay package, given the importance of climate to the company's strategy.

OTHER CLIMATE ENGAGEMENTS

VOLVO GROUP

Overview: Volvo AB is a Swedish multinational manufacturing company active in the production, distribution and sale of trucks, buses, and construction equipment. Note that cars with the Volvo marque are produced by Volvo Cars, a separate entity.

Issues: With the acceleration in the rollout of electric vehicles comes a shift in the primary driver of emissions. A shift from the combustion of petrol and diesel, to the upstream supply chain. Production of steel, aluminium and now batteries are highly-carbon intensive processes, while the sourcing of scarce battery minerals in the Global South has led to severe human rights impacts, including on workers and indigenous communities. PIRC met with Volvo Group this quarter to discuss supply chain decarbonisation issues.

Engagement: PIRC expressed concern that Volvo Group's disclosure of Scope 3 emissions does not currently include emissions from purchased goods and services. While the company noted that upstream emissions only constituted approximately 4% of their total Scope 3 emissions, they accepted that there was progress to be made on this. PIRC also raised the issue of deforestation in the supply chain, and whether they intended to disclose targets or a commitment to end deforestation in the supply chain. The company said that this was a topic raised by other investors that was under discussion by the company, but it had not made a public commitment on the issue yet.

Next Steps: PIRC reviewed the company's climate targets and ambition in making vote recommendations at the 2024 AGM. Opposition was recommended on the re-election of the CEO and on the approval of the financial statements due to inadequate climate targets.

ESSENTRA

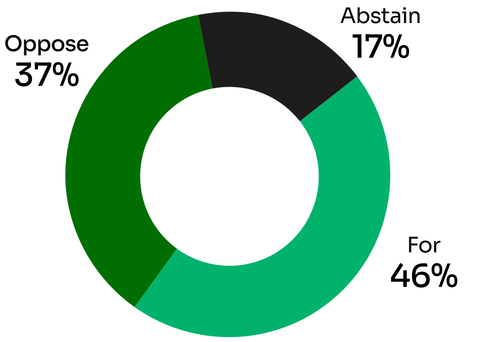
Overview: Essentra plc is a FTSE 250 company and a leading global provider of essential components and solutions, focusing on the manufacture and distribution of plastic injection moulded, vinyl dip moulded and metal items.

Issues: The company recently announced that its Scope 1-3 emissions targets have been verified by the Science Based Targets Initiative. The move was welcomed by PIRC, having previously called for this. With Scope 3 emissions constituting most of the company's emissions, the company will have to take proactive action to engage and incentivise its suppliers to cut emissions if it is to meet its science-based targets. There were also concerns that the incorporation of a climate target focusing on Scopes 1 and 2 in the long-term incentivise plan (LTIP) could divert executive attention away from the more material Scope 3 emissions. Thus, PIRC sought clarification over both the company's Scope 3 strategy and executive alignment in delivering it.

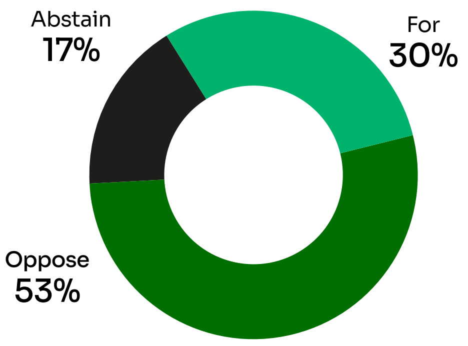
Engagement: PIRC asked about the company's plans to reduce its Scope 3 emissions. The company flagged its target to increase sustainable recycled and bio-based material usage, as well as its actions to reduce shipping emissions by making products more locally. PIRC also asked whether the climate target in the CEO's long-term incentive plan would continue to focus on Scopes 1 and 2 only. In addition, broader concerns were raised over climate targets in pay lacking sensitivity to CEO performance. The company explained that the new LTIP target would use their newly verified absolute Scope 1 and 2 targets, while excluding the Scope 3 target as it is relative. The company added that increasing the use of renewable energy and heat as main levers for achieving the target, with these being incorporated into the capex plan.

VOTING Q1

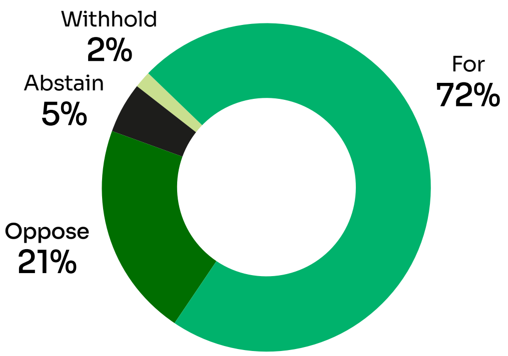
Votes on remuneration advisory, Q1 2024



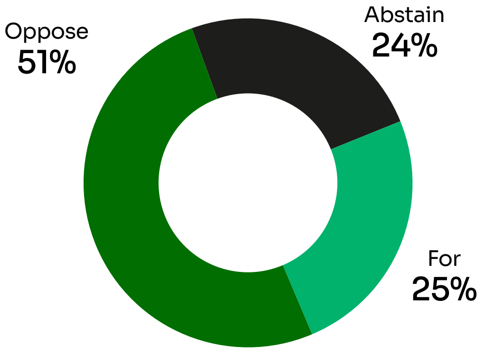
Votes on remuneration binding, Q1 2024



Director elections, Q1 2024



Auditor appointments, Q1 2024



Q1 Engagements

Company	Domicile	Topic
INFINEON TECHNOLOGIES AG	DEU	Water Stewardship
DOLLAR TREE INC	USA	Employment Standards
OCADO GROUP PLC	GBR	Remuneration
BAXTER INTERNATIONAL INC.	USA	Remuneration
CVS HEALTH CORP	USA	Employment Standards
STARBUCKS CORPORATION	USA	Employment Standards
LLOYDS BANKING GROUP PLC	GBR	Remuneration
SEVERN TRENT PLC	GBR	Remuneration
BOUYGUES SA	FRA	Governance
AMGEN INC.	USA	Tax
BP PLC	GBR	Social Risk
MUENCHENER RUECK AG (MUNICH RE)	DEU	Climate Change
COMPASS GROUP PLC	GBR	Diversity Equity and Inclusion
WESTPAC BANKING	AUS	Climate Change
IWG PLC	JEY	Remuneration
NESTLE SA	CHE	Public Health
NOVONESIS (NOVOZYMES) B	DNK	Water Stewardship
MELROSE INDUSTRIES PLC	GBR	Remuneration
ASSOCIATED BRITISH FOODS PLC	GBR	Diversity Equity and Inclusion
ESSENTRA PLC	GBR	Climate Change
WIZZ AIR HOLDINGS PLC	JEY	Remuneration
VOLVO AB	SWE	Climate Change
CONSTELLATION BRANDS INC.	USA	Water Stewardship
HOLCIM LTD	CHE	Climate Change
LEGAL & GENERAL GROUP PLC	GBR	Employment Standards
LANXESS AG	DEU	Climate Change
EVONIK INDUSTRIES AG	DEU	Climate Change
COVESTRO AG	DEU	Climate Change
BP PLC	GBR	Climate Change
MARSTON'S PLC	GBR	Diversity Equity and Inclusion
STATE STREET CORPORATION	USA	Employment Standards
UNILEVER PLC	GBR	Social Risk
CRODA INTERNATIONAL PLC	GBR	Climate Change
KINGFISHER PLC	GBR	Employment Standards
LOBLAW COMPANIES LIMITED	CAN	Human Rights
DOMINO'S PIZZA GROUP PLC	GBR	Diversity Equity and Inclusion