HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Pension Fund Responsible Investment Sub-Committee
Date:	7 September 2021
Title:	Stewardship highlight report
Report From:	*Director of Corporate Operations*

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Purpose of this Report

1. This report provides information regarding the Pension Fund's investment managers' stewardship of the Pension Fund's assets, their engagement with the management of the companies the Pension Fund invests in, including how the investment managers have voted on behalf of the Fund during the period January to June 2021.

Recommendations

2. That the Pension Fund Responsible Investment Sub-Committee notes how the Pension Fund's investment managers have voted the shares in the Fund's portfolios and engaged with the management of these companies as highlighted in this report.

Executive Summary

3. The Pension Fund is a signatory to the UN Principles for Responsible Investment and the UK Stewardship Code and as such recognises its role of promoting best practice in stewardship, which is considered to be consistent with seeking long term investment returns. As a Pension Fund whose investments are externally managed, much of the day-to-day responsibility for implementing stewardship on behalf of the Fund is delegated to the Fund's investment managers, including engagement and casting shareholder votes for its equity investments, and the expectations of the investment managers are set out in the Fund's Responsible Investment Policy as part of the Investment Strategy Statement.

4. The Fund recognises that there are different expectations for its investment managers in terms of how investment managers engage with companies, but as a minimum all are expected to engage with invested companies on areas of concern related to environmental, social and governance (ESG) issues and to also exercise voting rights particularly with regard to ESG factors, in a manner that will most favourably impact the economic value of the investments. In addition, the Fund's active investment managers are required to pro-actively consider how all relevant factors, including ESG factors, will influence the long-term value of each investment. Paragraphs 11 onwards of this report provide examples of how the Fund's active investment managers have engaged with the management of the companies the Fund is invested in.

5. As investors in common stock (equities), the Pension Fund will have certain rights to vote on how the company it invests in is run. These include being able to vote in elections to the board of directors and on proposed operational alterations, such as shifts of corporate aims, as well as the right to vote on other matters such as renumeration policies and the appointment of auditors. In addition to these items, for which recommendations will be made by company management for shareholders to either agree or oppose, individual shareholders can propose their own subjects for the shareholders to vote on, but they are non-binding on the company's management in most instances.

6. Shareholder votes are an important tool for company engagement alongside more direct communication (such as meetings) with company management. Voting provides an ultimate sanction for shareholders to show their disapproval with how a company is operating.

7. How votes are cast by the Pension Fund will be determined by the voting policy, which for Hampshire varies depending on how the equity investment is held:

    - Equities directly held directly in the ACCESS pool (Acadian's Low Volatility portfolio and Baillie Gifford's Long-term Global Growth and Global Alpha portfolio) will be voted in accordance with ACCESS's voting guidelines, which were agreed by the Joint Committee.
    - Equities in pooled funds of external investment managers (such as UBS or Dodge & Cox) will be voted in accordance with the investment manager's voting policy, which applies to all holdings within the fund.

8. Dodge & Cox report on their voting activity annually, unlike the quarterly reports of the other investment managers. As this information is reported annually, and was reported in October 2020, Appendix 1 does not contain any voting information for Dodge & Cox. Dodge & Cox have agreed with the investors in the ACCESS pool to move to a segregated portfolio and are currently implementing the necessary changes with the pool Operator, Link.

This will enable Dodge & Cox to improve the frequency of reporting and level of information provided on shareholding voting, in line with the other investment managers in the ACCESS pool.

9. As a result of the Pension Fund's policy there is a risk that its investment managers could cast their votes differently for the same shareholder resolution, and examples of these are described in Table 1. However, the Fund believes its current policy remains the best approach as it enables the Fund's investment managers to cast votes in line with the portfolio investment strategy that led to holding the stock.

10. The Pension Fund publishes its investment manager's voting reports online:

https://www.hants.gov.uk/hampshire-services/pensions/responsible-investment

Engagement highlights

11. In order for the Responsible Investment (RI) Sub-Committee to scrutinise the engagement activity of the Pension Fund's investment managers, the following paragraphs provide a summary of engagement highlights from the first half of 2021. The Pension Fund's investment managers have been challenged to provide engagement examples of where they have engaged on Climate Change and investments in Israel (which have both been the most prominent issues recently raised by the Pension Fund's scheme members), where they have engaged collaboratively and where there is a risk they feel their engagement may not be successful.

12. Investment managers have to carefully manage their relationships with company management therefore there are instances where to preserve an effective working relationship, the investment managers cannot publicly disclose the full details of their engagement or have asked to anonymise the examples they have provided.

Acadian

13. **South32** – Acadian have had a few meetings over the past couple of years with management, most recently with the Chair, to discuss remuneration and the impact of poor safety performance. Local communities were also discussed. Most detailed was a discussion around the company's coal assets and the investability of the company within Acadian's sustainable portfolios. The company has since announced it will be selling its South African coal business.

14. Acadian have engaged collaboratively as part of the ClimateAction100+ (CA100+) initiative, in which investors engaged the 161 largest corporate greenhouse gas emitters on their climate change strategies, urging them to take necessary action on climate change. These companies account for more than two-thirds of annual global industrial emissions. Acadian have been very involved with CA100+ for **AGL Energy**, which has now, after continued engagement, set targets and provided scenario analysis in line with the Taskforce of Climate Related Financial Disclosures (TCFD).

15. Acadian have made attempts to engage with various Israeli companies (and others across regions) that we hold and considered potential UN Global Compact (UNGC) violators - to assess their UNGC membership, risk controls and their views on the incidents that have led to the alleged violations. To provide an example, Acadian recently engaged with **Bezeq Communications** (an Israeli telecommunications company) to communicate concerns regarding its involvement in corruption and potential breach of the UNGC. The company provided details of the incident. While they are not signatories of the UNGC, they claim that they continue to comply with Israeli law.

Baillie Gifford: Global Alpha

16. **CRH** (building materials company) – Baillie Gifford spoke to the newly appointed CFO to get an update on the company's decarbonisation strategy. When they spoke to CRH last year about doing a deeper dive on their carbon strategy, the company had taken reduction of carbon through their internal processes as far as they could but were continuing to try to innovate and monitor technological developments in the industry, which could see material advancement in carbon reduction, such as carbon capture and storage.

17. CRH has continued to innovate, particularly with alternative fuels, which has enabled it to continue to reduce its carbon emissions. The company has set a target to be carbon neutral by 2050. An industry roadmap is due to be published later in the year which is likely to provide greater clarity on the technological advancements that will be material for the cement industry achieving carbon neutrality. How CRH achieve their 2050 target is likely to become clearer after the roadmap is published. A key focus of the discussion was the role CRH can - and want to - play in the industry to support and adopt innovation. Baillie Gifford re-emphasised the materiality of transitioning and being a part of the solution to the long-term investment case and will follow up with the company after the industry roadmap is published.

18. **Bookings Holdings -** Booking.com is one of the 112 businesses identified by the Office of the United Nations High Commissioner for Human Rights (OHCHR) involved in activities linked to Jewish settlements in the Israeli-

occupied West Bank. These activities relate to tourist rental listings. Booking.com B.V is a wholly owned subsidiary of Booking Holdings, which is held in the Global Alpha portfolio. For context, Booking Holdings operates in 220 countries, with over 29 million listings. Its listings in the West Bank return less than 100 properties, thus it is a small part of its overall revenue base. Nevertheless, Baillie Gifford have engaged with the company specifically on this topic and will continue to monitor the situation closely to see if there is a danger of this (currently de minimis part of the company’s overall revenue stream) becoming a serious reputational risk.

19. **Rio Tinto** – Baillie Gifford’s extensive engagement with Rio Tinto continued during the first quarter of the 2021. Investment managers and members of the ESG team spoke with new CEO Jakob Stausholm, and the Chair Simon Thompson, and attended the company's cultural heritage seminar. Baillie Gifford also spoke with the UK Investor Forum and the Australian Council of Superannuation Investors. The focus of their stewardship work has been to promote governance practices which support responsible operating behaviour and the creation of long-term stakeholder value. Stausholm's refreshment of the senior executive team was followed by an announcement of the planned departure of Simon Thompson in the next 12 months. These are significant changes, backed up by new governance policies and structures. Further work is required to demonstrate that these personnel and structural developments translate to a healthier corporate culture. However, Baillie Gifford believe the company is making progress.

20. **Jefferies** - Baillie Gifford owned this business from 2014 until early 2021. It is a US holdings company, where ~50% of the net asset value is accounted for by the eponymous investment bank. In early 2020, Baillie Gifford engaged with the Compensation Committee on the issue of discretionary bonuses that were due to be paid to management, despite triggers from the company’s own Long Term Incentive Plan not being met. Nevertheless, the company pressed on and so Baillie Gifford voted against both the pay package and the re-election of the Chair of the Compensation Committee. For Baillie Gifford, this became a broader issue, of an organisational culture not aligned to the long-term interests of the investment manager’s clients and was one of the factors taken into account when Baillie Gifford decided to sell the holding.

Baillie Gifford: Long Term Global Growth (LTGG)

21. **Cloudflare** (website security company) has announced four major initiatives to reduce their environmental impact and help the Internet as a whole to be more environmentally friendly. One of the initiatives allows Cloudflare developers to choose to run their workloads in the most energy efficient data centres, making the company one of the first major cloud computing vendors to offer developers a way to optimise for the environment without any

additional cost. This programme was a direct result of a suggestion Baillie Gifford made during their climate engagement exercise with the company.

22. **Under Armour -** Following the initial investment in 2016, the company lost traction in the core US market despite decent progress globally. Over the holding period, Baillie Gifford met with management and founder/CEO, Kevin Plank on a number of occasions and thought there was scope for improvement in several areas, including board composition, compensation and reward policies and short term myopia. For example, in the second quarter of 2018 Baillie Gifford's ESG Team queried a compensation resolution ahead of Under Armour's AGM and – together with the LTGG Investment Team – considered the resolution to be inappropriate on the grounds that the decision to grant discretionary cash and equity awards would undermine the company's pay-for-performance philosophy.

23. As the largest outside shareholder of the company Baillie Gifford tried to help Under Armour address these areas through a combination of support and pressure for evolution. Baillie Gifford's experience in offering help to strengthen leadership and encourage them to step off the quarterly earnings treadmill was disappointing. Baillie Gifford noted some progress but still found it hard to be confident in an evolutionary approach to the culture or management. Ultimately this was a disappointing investment and was sold in early 2019, in view of stronger conviction ideas elsewhere.

Dodge & Cox

24. **Glencore -** Dodge & Cox considers environmental, social, and governance factors on a bottom-up basis to determine whether they have a material effect on the company and on Dodge & Cox's investment thesis. Glencore is a Metals and Mining company that has been very vocal during Dodge & Cox's conversations with management about reducing their scope 1-3 emissions. The investment manager has also engaged with management about the company's coal exposure and how it may be leading to a discounted valuation versus peers. Dodge & Cox will continue to engage with management on Glencore's coal exposure and the potential for a separation from coal, as well as on other topics the investment manager deems material.

25. **Booking Holdings** is the largest online travel agency, and includes the brands Booking.com, KAYAK, and Rentalcars.com, among others. While Dodge & Cox are aware of the concerns around Booking's involvement in Israel, at this time they do not believe these concerns pose a material risk to the long-term value of the company's business as the company currently operates in 220 countries around the world. When the investment manager believes an issue is material to their investment thesis, they may engage with management and the board to understand how they are thinking about

the issue. Dodge & Cox did not engage Booking on its involvement in Israel in the last 12 months.

26. Dodge & Cox are invested in Booking due to its reasonable valuation and attractive growth prospects. Booking is a beneficiary of the secular growth of the global leisure market as well as the transition from offline to online booking. While it has recently underperformed due to travel disruption from the COVID-19 pandemic, Dodge & Cox believes that its variable cost structure, strong balance sheet, and leading market position will enable it to endure through this headwind.

27. Dodge & Cox engage with companies on ESG issues on an ad hoc basis where they deem it to be material and relevant to their investment thesis. When they choose to engage, a company's response is incorporated into their investment decision-making and monitoring. Dodge & Cox may, but generally do not participate in group engagements with portfolio companies.

28. Dodge & Cox engages with companies as active owners, not as activists. As active owners, they seek to build constructive long-term relationships with boards and management teams, rather than filing shareholder resolutions or joining public campaigns. The investment manager engages with the management of a company when they believe that decisions are not aligned with the best interests of long-term shareholders.

29. Dodge & Cox believe that undertaking and maintaining a dialogue with management is an important aspect of investment analysis and critical to building their understanding of management's priorities and strategies. They seek to understand management's views on key issues that are important to its business. Dodge & Cox do not have opinions on everything a company does, but when they do, they want to be able to share their views with management when merited.

30. The investment manager evaluates engagements on a case-by-case basis based on management's actions, reaction to points of conversation, and long-term performance. When Dodge & Cox have concerns that they believe have not been addressed adequately to protect the long-term value of the company, they may choose to adjust their position or express their views through proxy votes on management and shareholder proposals.

UBS: passive equities

31. The following examples have been taken from UBS' Annual Stewardship Report ESG Stewardship Report 2020

32. **CHUBU** (Japanese electric utilities company) has been selected for engagement based on UBS' proprietary methodology which measures how companies are transitioning to a low-carbon economy within a below 2°C scenario. Their dialogue with management started in 2019 and focused on conducting a scenario analysis, reviewing GHG emissions targets, increasing exposure to renewables, linking executive pay to climate metrics and aligning disclosure with the TCFD recommendations. The company has taken previous feedback into consideration and started disclosing according to the TCFD framework. It now conducts scenario analysis linked to a 2°C scenario. Going forward, UBS are looking for new commitments on renewables and a more ambitious coal phase-out plan, currently only focusing on low efficiency plants (3.3% of total). Additionally, the company is still in the process of defining new 2030 climate reduction targets.

33. **UK Investor Forum** - UBS is a founding member of the UK Investor Forum, a not-for profit organization inspired by the Kay Review, which has developed a collective engagement framework. A total of 52 member practitioners are currently funding the forum. Since inception, it has developed collaborative engagements with 40 companies. In 2020, UBS were involved in three engagements, focusing on **Barclays** (climate change), **Boohoo Group** (working practice issues within the supply chain) and **Ryanair** (shareholder rights). Through the forum, UBS also joined a meeting with the Board of Rio Tinto to talk about board effectiveness, oversight and accountability, and the issue of license to operate.

34. **Korea Electric Power** (electric utilities company) - UBS has been engaging with the company within Climate Action 100+ collaboration as a participating investor since 2018. The engagement has focused on the company's strategy to transition to a low carbon economy. More specifically, UBS have been asking management to enhance greenhouse-gas emissions reduction targets, increase ambitions on renewable energy, define a coal phase-out plan and align disclosure with the TCFD framework. As the company has planned further investments in new coal plants in Vietnam, Indonesia and other emerging markets and given the limited progress against their requests, UBS have co-signed a private letter to the board of the company, a public letter to the South Korean Ministry of Economy and Finance (a major shareholder in the company) and a media article to express their concerns. As a way of reiterating our expectations, UBS have also voted against the appointment of three board members at the extraordinary general meeting (EGM) in September 2020.

35. In 2020, the company approved the overseas coal fired power plants in Indonesia and Vietnam. However, it also confirmed soon afterwards that it will not pursue investments in new coal plants overseas, including two projects in the Philippines and South Africa. Additionally, the South Korean government has committed to achieve net-zero emissions by 2050, in combination with pledging to a national plan to close 30 coal-fired power plants by 2034 and ten of those by 2022.

Barings (multi-asset credit)

36. Most recently, one of the main avenues for Barings to engage on climate change has been through honest and transparent discussions directly with Energy company CFOs about their cost of debt. As debt investors, Barings have found that CFOs understand that debt investors can influence their cost of capital in the primary markets, and to a certain extent in the secondary markets through trading prices. While Barings cannot force the company to make changes that could have a positive impact on climate change, these honest conversations have led CFOs to rethink their approach to accessing capital markets for debt, and how to push positive climate change initiatives internally that may be less expensive than a higher interest rate (cost of capital) on a loan or bond. In addition, Barings has indirectly engaged on climate change through corporate governance. As a large lender and in certain situations through amendments or restructurings, Barings has been able to change management teams and board members that may prioritise climate change initiatives more favourably compared to previous management teams or board members.

37. An example of where Barings have seen a successful outcome from their engagement is with **a multinational oil and gas exploration company**, whom Baring's analyst engaged with on the issue of gas flaring. Gas flaring introduces toxic pollutants such as sulphur dioxide into the atmosphere, which can lead to environmental problems such as acid rain, as well as the generation of greenhouse gases which contribute to global climate change. Following this engagement Barings has seen a reduction in the amount of gas flaring and the company is now supplying any excess gas to the Ghanaian government.

38. **Altice International -** is a telecom company operating in Portugal, Israel and the Dominican Republic. Through its Israeli subsidiary, Altice International provides mobile and broadband services to the Occupied Territories via Israeli licenses and has come under scrutiny by NGOs for being complicit in the Israeli occupation. Barings have not found any public statements voicing side-taking by Altice, however, Barings are aware that by operating in the Occupied Territories via Israeli issued telecom licenses, Altice is causing material losses to its Palestinian competitors. Barings' analyst has engaged to gain greater clarity on their operations in the Occupied Territories and has notched down Barings' internal credit grade for the issuer on the basis of these ESG concerns.

39. **Ecopetrol** - Barings collaborate with other investors to directly engage with debt issuers. For example, in December 2020, Barings joined a group of investors led by AXA under Climate Action 100+ framework to engage with **a Columbian petroleum company**, on tackling climate change. The group sent a questionnaire to Ecopetrol's management and Barings had a conference call with Ecopetrol's team to discuss which was attended by the

company’s CEO, sustainability team and IR team. The call was very constructive and the company shared its plans regarding incorporating climate change issues raised by the group into their internal ESG strategy. In August 2021 the company announced that it had voluntarily adopted the recommendations issued by the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD) as part of its disclosure policies.

40. **Acrisure –** is an insurance company and a recent example where Barings felt their engagement activity was not having the desired effect. Beginning in April 2021, Barings began having some governances concerns with this management-controlled company when the CFO was fired over his alleged involvement in a Ponzi scheme which was separate from Acrisure. When Barings engaged with management they did not provide much in the way of additional information to help the investment manager find comfort and so Barings trimmed the position. Then in July 2021, the Company announced a proposed acquisition of a business that was separately owned by the CEO; when Barings went to the Agent and Company to express their concerns and ask for financial statements and a third party fairness opinions, Barings were told they were unlikely to be provided. Given these further governance issues Barings have exited the remaining position in the Fund on both governance and relative value concerns.

41. Another example is **Bayan Resources,** which is engaged in open cut coal mining across four main sites located in East and South Kalimantan, Indonesia. Barings’ analysts engaged with the company with the aim of improving their disclosures, particularly with respect to emissions, which was unsuccessful and as a result Barings exited the position in the Fund.

Alcentra (multi-asset credit)

42. Alcentra engaged with a **leading European manufacturer of high-quality pharmaceuticals** regarding their carbon reduction initiatives. They analysed the potential environmental risks associated with the company, namely the risks associated with CO2 emissions that had increased due to an increase in production. Through Alcentra’s engagement they discussed in depth the company´s long term CO2 targets and the baseline figures set for carbon reduction targets, in addition to existing energy reduction initiatives. The company has set a baseline for carbon reduction targets moving forward (from 2020), with enhanced existing energy reduction initiatives. Alcentra felt that the company´s long term carbon reduction goals were sufficient to reduce the environmental risk posed by the investment, and the investment manager assigned the credit a Climate Change Rating of 2, meaning they felt there was a low material risk and were therefore comfortable with the firm from an ESG perspective.

43. Alcentra is an active participant in The European Leveraged Finance Association (“ELFA”), a professional trade association for bond and loan investors in the European leveraged finance market. The committee has been at the forefront of pressing the wider industry for improved ESG disclosure and standards. As participants, Alcentra work collaboratively with market participants with the goal of creating a framework for issuers in European leverage finance markets, to promote transparency of disclosures required for investors to assess the underlying ESG risks in the market. Alcentra continue to work actively with arranging banks to facilitate company engagement and to make ESG factors a greater feature of their disclosures on any new issue.

44. In February 2019 through engagement with a **UK non-bank lender** which Alcentra had an investment in, they identified material social and governance risks. The company issues consumer loans and Alcentra monitored their complaint levels and noticed that they had increased over several quarters. Alcentra also identified a very public disagreement between the largest shareholder and the board along with frequent management changes which they were not comfortable with. Following this engagement and through their analysis of the risks associated with the investment, Alcentra determined that they were uncomfortable with the increasing level of risk. Alcentra chose to sell the investment between 95 and par. The company´s equity valuation fell sharply in early March 2021 and is currently going through a restructuring process.

Voting highlights

45. In order for the RI Sub-Committee to scrutinise the voting activity for the Pension Fund’s investments a summary of voting highlights for the period January to June 2021 is contained in Appendix 1. The highlight report does not attempt to quantify the number of votes cast by the Fund’s investment managers (which is significant) but focuses on providing examples of the types of issues where investment managers have voted against company management, resolutions of fellow shareholders, or on sensitive or topical issues.

46. The majority of votes cast against company management by the Fund’s investment managers cover the following reasons:

- Nominees for company directors who are not sufficiently independent, have too many other outside interests, or who have a history of managing the company and ignoring shareholders’ concerns.
- Remuneration policies where the level of pay is felt to be excessive and/or short-term incentives are more valuable than long-term incentives and do not provide adequate alignment with shareholders' long-term interests.

- To improve the empowerment of investors by reducing threshold percentages required to allow the calling of special meetings and improving the existing proxy access right.
- The appointment of auditors where the incumbent audit firm has been in place too long or the disclosure of non-audit fees to the company were not clear.

47. In all these instances voting against the company management is in line with ACCESS's policy, which allows for the investment manager to exercise their judgement and to not follow the policy if they can provide a suitable rationale for doing so. The highlight report shows the sorts of instances where Baillie Gifford or Acadian have exercised this discretion and chosen to support the company management on some of these issues, where they believe that there are compensating governance controls in place.

48. The review of voting records has highlighted instances where the Pension Fund's investment managers have voted differently on the same point; examples of these are in Table 1.

Table 1: Examples of instances where the Pension Fund's investment managers have voted differently

Company	Resolution	Baillie Gifford	UBS
Amazon	Shareholders - Report on Gender/Racial Pay Gap	Opposed a shareholder resolution requesting a diversity and equity report as they believe the company has made good progress in this area over the past year and Baillie Gifford will continue to engage with them on this topic.	Supported the resolution on the basis shareholders would benefit from additional information allowing them to better measure the progress of the company's diversity and inclusion initiatives and its management of related risks.
Fairfax Financial	Management – appointment of auditors	Opposed the appointment of the auditor due to concerns regarding the length of tenure and the need for auditor rotation.	Noted the audit tenure exceeded 20 years, and still voted for their appointment but reflected their general concerns by voting against the election of members of the audit committee.

Climate Change Impact Assessments

49. Hampshire County Council utilises two decision-making tools to assess the carbon emissions and resilience of its projects and decisions. These tools provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council's climate change targets of being carbon neutral and resilient to the impacts of a 2℃ temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does.

50. The Pension Fund itself has a negligible carbon footprint, but it recognises that the companies and other organisations that it invests in will have their own carbon footprint and a significant role to play in the transition to a lower carbon economy. Therefore the Pension Fund recognises the risk that environmental, social and governance (ESG) factors including the impact of climate change can materially reduce long-term returns. The Pension Fund has a role to play as an investor, in ensuring that its investment managers are suitably considering the impact and contribution to climate change in their investment decisions and acting as a good steward to encourage these companies to play their part in reducing climate change. This is explained further in the Pension Fund's RI policy InvestmentStrategyStatementincludingRIpolicy.pdf (hants.gov.uk).

51. This paper addresses have the Pension Fund's investment managers have considered ESG factors including the risk and impact of Climate Change have been considered in their stewardship of the Pension Fund's investments.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	No
People in Hampshire live safe, healthy and independent lives:	No
People in Hampshire enjoy a rich and diverse environment:	No
People in Hampshire enjoy being part of strong, inclusive communities:	No
OR	
This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because: For the ongoing management of the Hampshire Pension Fund.	

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document	Location
None	

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionally low.

2. Equalities Impact Assessment:

Equality objectives are not considered to be adversely affected by the proposals in this report as the proposals do not directly affect scheme members.

Acadian (global equities)

Stock	Proposal	Vote	Rationale
Deutsche Telekom	Appoint Pricewaterhouse Coopers as Auditors	Against	A vote against is warranted, since the auditor tenure exceeds 10 years.
Johnson & Johnson	Ratify Executive Officers compensation	Against	The company has provided insufficient disclosure in the proxy statement regarding multiple years of large litigation-related expenses, including $4 billion charges in each of 2019 and 2020 for opioid-related litigation and Talc-related litigation, respectively, and an additional $1 billion in 2020 related to opioid litigation. While adjusted incentive metrics are commonly used in incentive programs, investors may expect recognition and explanation by the committee of the magnitude of the adjustment to 2019 and 2020 incentive program metric results and the impact on executives' awards.
Eli Lilly and Company	Shareholders – require an independent board chair	For	The lead director is not appointed solely by the independent directors and there are ongoing governance concerns with respect to the inability of shareholders to amend the bylaws. In addition, the proponent raises a compelling argument that Eli Lilly would be best served by adopting an independent chair policy in light of potentially material legal and reputational risks facing the company, particularly around drug pricing, further suggesting that shareholders would benefit from the most robust form of independent oversight, in the form of an independent chair.
Alphabet	Shareholders - Assess Feasibility of Including Sustainability as a Performance Measure for Senior Executive Compensation	For	Alphabet's compensation program mostly lacks performance-based pay elements, and the adoption of this proposal may promote a pay program for executives that is more strongly performance-based.

Stock	Proposal	Vote	Rationale
Alphabet	Shareholder - Require Independent Director Nominee with Human and/or Civil Rights Experience	For	Continued controversies call into question the extent to which the existing board provides adequate oversight on risks the company's technologies present to human and civil rights.
Walmart	Shareholders - Report on Alignment of Racial Justice Goals and Starting Wages	For	Shareholders would benefit from further disclosure on how the company's hourly wages align with its commitments to diversity, equality, and racial justice, particularly given the significant controversies and related risks.
Softbank	Elect directors	Against	A vote against is warranted, since the nominee is a non-independent and less than one half of the Board are independent non-executive directors.
Weis	Elect directors	Abstain	Abstain votes are warranted for non-independent director nominees due to the company's lack of a formal nominating committee. WITHHOLD votes are further warranted for chairman of the board Jonathan Weis for failing to establish gender diversity on the board. A vote FOR the remaining director nominees is warranted.

Baillie Gifford – Long-Term Global Growth (global equities) (ACCESS)

Stock	Proposal	Vote	Rationale
Amazon	Shareholders – social	For	We supported a shareholder proposal for Amazon to report on the median gender and racial pay gap across the business. We believe this proposal requests data which will be useful in understanding Amazon's efforts to promote equality and inclusion in the business.
Amazon	Shareholders – social	Against	We opposed a shareholder resolution requesting a diversity and equity report as we believe the company has made good progress in this area over the past year and we will continue to engage with them on this topic.
Cloudflare	Elect director	For	ACCESS guidelines recommend we oppose the election of a joint CEO/Chair. We are comfortable with the current CEO/Chair and therefore supported their election.
Delivery Hero	Renumeration policy	For	ACCESS guidelines recommend opposing remuneration where the performance period is less than five years. We are comfortable with the remuneration arrangements at the company and therefore supported.
Facebook	Shareholders – social	For	We supported a shareholder resolution calling for a report on child exploitation as we believe this is in the best interest of shareholders.
Facebook	Shareholders – social	Against	We opposed a shareholder resolution regarding the appointment of a human/civil rights expert on the board as the company is acting on the outcome of a recent human rights audit.
Netflix	Shareholders – governance	Against	We opposed a shareholder resolution to make changes to the executive compensation program as we are unconvinced that the adoption of this proposal would benefit shareholders.

Stock	**Proposal**	**Vote**	**Rationale**
Netflix	Shareholders – governance	For	We supported a shareholder resolution for a report on political contributions as we believe enhanced disclosure on the company's policies and procedures is in shareholders' best interests.

Baillie Gifford – Global Alpha (global equities)*

Stock	Proposal	Vote	Rationale
AIA	Appoint auditors	For	ACCESS guidelines recommended opposing as the tenure of the audit firm was over ten years. We believe auditor tenure is an important issue however do not require a change in auditor after ten years. We instead focus on if the company has a process in place to tender for a new auditor over a suitable timeframe.
Booking	Shareholders – climate	For	We supported a shareholder resolution requesting a climate transition report as we believe better disclosure is in shareholders best interests.
Illumina	Elect directors	For	ACCESS guidelines recommend we oppose the election of a director who is over 70 and not subject to annual re-election. We are comfortable with this director candidate and therefore supported.
Stericycle	Shareholders – governance	Against	We opposed a shareholder resolution requesting amendments to the compensation clawback policy. We believe the company's current provisions are appropriate.
Thermo Fisher Scientific	Shareholders – governance	Against	We opposed a shareholder resolution to reduce the holding required to call a special meeting as we believe the company's current provisions are appropriate.

*the same votes for Amazon, Cloudflare, Facebook and Netflix as described above for Long-term Global Growth were cast

UBS – passive equities

Stock	Proposal	Vote	Rationale
Halliburtron	Management - elect Directors	Against	We expect the Lead Independent Director to be independent under UBS' criteria, and will not support the election of relevant director where this is not the case
E.ON	Management - approve Remuneration Policy	Against	Yearly pension contribution rates exceed 30% of salary and are considered excessive.
Bank of America Corporation	Shareholder - request on Racial Equity Audit	For	UBS are supportive of resolutions seeking reports from issuers on specific issues on the condition these are not overly demanding or beyond the remit of the company's reporting
The Coca-Cola Company	Shareholder - report on Sugar and Public Health	For	UBS are supportive of resolutions seeking reports from issuers on specific issues on the condition these are not overly demanding or beyond the remit of the company's reporting
Citigroup Inc.	Shareholder report on Lobbying Payments and Policy	For	UBS will in general, support shareholder proposals seeking greater transparency on company lobbying except where covered by existing legislation and where the company meets such regulation, unless there is a direct reputational risk
Bank of Montreal	Shareholder - issue a Report Describing a Clear Plan to Make the Greenhouse Gas Footprint of the Company, Including the Portfolio on Lending Practices, Carbon Neutral	For	UBS supported providing additional reporting on strategy to carbon neutrality would reassure investors on the veracity of Company's decarbonization strategy.

Stock	Proposal	Vote	Rationale
Royal Bank of Canada	Shareholder - adopt a Diversity Target Higher than 40% for the Composition of the Board of Directors for the Next Five Years	Against	The Bank already exceeds this target and has recently increased its gender diversity target, demonstrating a strong commitment to board gender diversity. Currently, the Bank has set its target that each gender comprise 30%, while for the last two years, it has reached over 40%.
Hennes & Mauritz AB	Shareholder - disclose Sustainability Targets to be Achieved in Order for Senior Executives to be Paid Variable Remuneration; Report on the Performance of Senior Executives on Sustainability Targets	Against	All voting decisions taken at a general meeting of shareholders in Sweden are legally binding. Elements of this proposal are overly prescriptive. As the company has improved its disclosure practices for its variable pay scheme in 2020 UBS favour further voluntary improvements.
Rio Tinto Limited	Shareholder - approve Emissions Targets	For	The company intends to put their annual TCFD-aligned reporting to an advisory vote at the 2022 Annual General Meetings. This vote is aligned with that strategy and supported by the company.
ConocoPhillips	Shareholder - emission Reduction Targets	For	UBS support proposals that require issuer to report information concerning their potential liability from operations that contribute to global warming, their goals in reducing these emissions, their policy on climate risks with specific reduction targets where such targets are not overly restrictive and the degree to which a company is in line with its industry sector's 2 degrees glide path

Stock	Proposal	Vote	Rationale
Equinor	Shareholder - Instruct Company to Set Short, Medium, and Long-Term Targets for Greenhouse Gas (GHG) Emissions of the Company's Operations and the Use of Energy Products	Against	The company has progressed well against our climate engagement objectives and it has been receptive to dialogue through CA100+. The company is currently lacking short and mid-term targets linked to this long-term net zero ambition but it will announce a more detailed roadmap in June 2021 and will put its climate strategy for an advisory vote at the 2022 AGM. We will continue the dialogue with the company on the upcoming roadmap.
Altria Group	Shareholder - report on Underage Tobacco Prevention Policies and Marketing Practices	For	Additional disclosure would help shareholders assess the effectiveness of Altria's policies and principles aimed at discouraging the use of nicotine delivery products in young people, as well as its management of related risks.
Alphabet	Shareholder - assess Feasibility of Including Sustainability as a Performance Measure for Senior Executive Compensation	For	UBS support proposals that seek to promote good corporate citizenship while enhancing long-term shareholder and stakeholder value.
Monster Beverage Corporation	Shareholder - annual Vote and Report on Climate Change	Against	UBS supports the principle of an annual vote on climate change related practices and policies, this binding proposal does not provide the board the flexibility to tailor the language of the bylaw amendment to meet the requirements of state law. The company has retained a third-party provider to conduct a climate change risk assessment and complete and inventory of its GHG emissions. It has responded to the CDP s climate change questionnaire in 2020 and reported its U.S.-based Scope 1 and 2 emissions, and formed a sustainability task force in 2021. In addition, the company is evaluating establishing GHG emissions reduction goals.

Appendix 1

Stock	Proposal	Vote	Rationale
BP	Shareholder - resolution on Climate Change Targets	Against	UBS have engaged with the company both directly and with other shareholders over an extended period. Having co-filed a shareholder resolution on the same content in 2019, the company has progressed well to meet the requests included in this resolution. The company has already set short, medium and long term targets linked to its ambition to be net zero by 2050 across the value chain including scope 1,2 and 3 emissions. The company now requires a full economic return on investment using what it regards as Paris-consistent oil and gas prices over the period to 2050. BP is one of only 6 companies credited with capex reporting under the CA100+ benchmark where it received at least a partial score for all indicators.
Royal Dutch Shell	Shareholder - request Shell to Set and Publish Targets for Greenhouse Gas (GHG) Emissions	Against	Having engaged with Shell over an extended period, we regard that Shell's energy transition strategy represents a comprehensive and multi-dimensional approach to the climate challenge, which is consistent with a company with its operating and market scale and diversity. As part of our analysis we looked at Shell's approach across 6 factors: Policy, Strategy, Scope, Targets, Paris Alignment and Annual Reporting/Voting. We also took into consideration the likelihood of broader developments in the climate transition and the ability of Shell's shareholders to continue to reflect their views in future advisory votes on strategy and implementation. We engaged with Shell on 7 occasions between September 2020 and the vote in May, both directly and through collaboration with other investors as part of the CA100. Our conclusion was that the Shell proposal was more robust than the shareholder resolution, which broadly represented a restatement of much of what Shell is already doing but in a narrower frame.