HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Pension Fund Responsible Investment Sub-Committee
Date:	4 March 2022
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 July to December 2021.

Recommendations

2. That the Pension Fund Responsible Investment Sub-Committee notes how the Pension Fund's investment managers have voted 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, Baillie Gifford's Long-term Global Growth and Global Alpha portfolios and from January 2022, Dodge & Cox's Global Stock Fund 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-AM) will be voted in accordance with the investment manager's voting policy, which applies to all holdings within the fund.

8. Dodge & Cox moved to a segregated portfolio within ACCESS in January 2022 and so will be improving the frequency of reporting to a quarterly basis going forward. This report contains voting information up to 31 December 2021.

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 second 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.

13. The explanations provided by investment managers for their voting and engagements are provided for Members to evaluate the investment managers stewardship and to challenge and follow-up as necessary in future interactions with the investment managers.

Acadian

14. **European Materials company** – this example is related to reducing not just carbon emissions, but also broader environmental issues. The company's bauxite mine is located in the Amazon Basin. Due to the nature of mining Acadian has asked the company how it assesses its impacts on the local ecosystems. The main environmental issues in bauxite extraction and alumina refining include waste disposal and greenhouse gas emissions. Waste production includes significant amounts of mineral rejects (tailings) from the bauxite extraction process and bauxite residue from the alumina

refining process. Bauxite residue is a waste product of the alumina refining process. Its disposal is challenging due to large volumes and the alkaline nature of the liquid component of the residue. The residue is washed with water to lower the alkalinity and to recover caustic soda for reuse.

15. The company's sustainability report states that it has set a target to rehabilitate the impacted areas 'as soon as practically possible'. Acadian has asked the company to outline its targets and to provide details of a socioeconomic study it conducted to assess biodiversity impacts and a need for compensatory measures to affected communities.

16. In the case of spent potlining (SPL), a hazardous waste, from aluminium production, the company has stated that it is actively trying to find alternative use of SPL, aims to recycle 65% of SPL by 2030, and find more sustainable solutions for waste streams.

17. **U.K. Capital goods company** – Acadian engaged with regard to supply chain control and human rights issues. The company specializes in international distribution and services and supplies a range of consumable products including food packaging, disposable tableware and catering equipment, cleaning and hygiene supplies, packaging to customer markets including grocery, foodservice, cleaning and hygiene. The company’s sustainability report states that 98% of its supply chain is in Asia where it has the largest proportion of supplies situated in countries identified by the Global Slavery index as high-risk for human rights issues. In 2020, the company conducted an audit and undertook remediation efforts to bring 61 suppliers up to required standards and are terminating contracts with 15 suppliers that failed to make progress.

18. In addition to this Acadian asked the company to detail further its approach to forced labour and how it evaluates suppliers following contract termination. This was escalated by asking for further detail about the company’s approach to forced labour.

Baillie Gifford: Global Alpha

19. **CRH** (building materials company) – Baillie Gifford had a call with the chairman of the company to discuss CRH's corporate governance and approach to sustainability. Two new board appointments incorporate feedback from shareholders, including Baillie Gifford, on adding industry experience to the board. This dialogue continued on the company's efforts to improve efficiency and reduce its carbon emissions. In September, the Global Cement and Concrete Association, of which CRH is a member and CEO Albert Manifold is president, announced a joint ambition to achieve carbon neutrality by 2050. Concrete is the world's most widely used material. It is essential to social and economic development and its production is

carbon intensive. Accordingly, this ambition is important in addressing effects of climate change. CRH will not count offsets as part of its strategy to reduce its carbon footprint. Instead, it is working with industry bodies to ensure technological solutions are developed. Investment in new infrastructure, carbon capture technologies and collaboration provide the best chance of delivering on this long-term objective. While recognising the environmental impact of CRH's business, Baillie Gifford are reassured by its progress to mitigate these effects. Furthermore, it is believed the company aspires to lead the industry in striving for a more sustainable future.

20. **Booking Holdings -** When Baillie Gifford spoke to the business last year, they were in the process of drafting a Human Rights policy. This document is designed to outline Booking’s due diligence process for its activities in contentious regions, and more specifically, highlight key protocols for the Occupied Palestinian Territories (OPT). The update from the recent engagement is that whilst a formal policy statement is still be completed, there has been an enormous amount of work behind the scenes to put the building blocks in place. Specifically, a structured programme of dialogue has been put into action to incorporate views from 7 key stakeholder groups. They include both pro-Palestinian and pro-Israeli associations, Human Rights Watch, Amnesty International and the UN Commissioners Office. Also, this programme of engagement is being directed by a triumvirate – namely an internal project manager, external legal counsel and the sustainability consultant BSR. Baillie Gifford are normally sceptical about companies outsourcing their ESG responsibilities to 3rd parties but in this instance, given the highly charged and contentious issues involved, it’s an appropriate course of action. It should also allow feedback and input to be candid. Once complete, the Human Rights statement will be signed off by the board of directors. Thirdly, the company appears genuinely open to all options, from ceasing to operate in the OPT, to maintaining the status quo. And everything in between.

21. **Rio Tinto** – Baillie Gifford engaged extensively with Rio Tinto and third parties on the Juukan Gorge disaster in 2020 and 2021. Following the interim parliamentary inquiry into the incident, there was engagement as part of the Investor Forum and the Australasian Centre of Corporate Responsibility's briefing in the fourth quarter of 2020 was attended. The inquiry identified failings which led to the destruction of the Juukan Gorge site. Baillie Gifford also spoke with the UK Investor Forum and the Australian Council of Superannuation Investors in the first quarter of 2021. The focus of the stewardship work has been to promote governance practices which support responsible operating behaviour and the creation of long-term stakeholder value.

22. Baillie Gifford owned a **US holdings company** from 2014 until early 2021. In early 2020, they 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 clients and was one of the factors taken into account when it was decided to sell the holding.

Baillie Gifford: Long Term Global Growth (LTGG)

23. **Cloudflare** - 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.

Dodge & Cox

24. **Glencore** - Glencore is a Metals and Mining company that has been very vocal during Dodge & Cox's conversations with management about reducing its scope 1-3 emissions. Dodge & Cox 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 Dodge & Cox deem material.

25. **Booking Holdings** - Booking Holdings is currently 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 Dodge & Cox 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 Dodge & Cox believes an issue is material to their investment thesis, Dodge & Cox 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.

UBS-AM: passive equities

26. **Anglo American Plc** - The Company was identified for engagement as UBS-AM sought greater disclosure on Anglo American's climate-related targets and related impact on the Company's strategy and corporate finance. UBS-AM engaged with the Company through the Climate Action 100+ coalition discussing a number of climate-related topics, including details on

the Company’s pathway to net zero by 2040, targets setting, scenario analysis, their approach to Scope 3 and associated business implications. The Company’s climate report, published at the end of 2021, provided good clarity of actions to achieve Scope 1 & 2 targets. UBS-AM will continue to engage with the Company as the investment manager would like to see more narrative and additional information on Scope 3 ambitions.

27. **Exxon Mobile Corp.** - The Company was identified due to its lack of commitment to transition away from fossil fuels towards a low-carbon business strategy, and the track record of the Company’s management was below industry average. UBS-AM assessed the company using the UBS-AM climate scorecard which provides a systematic baseline linked to the TCFD for climate-related engagements. The investment manager engaged with the Company through the Climate Action 100+ investor coalition. UBS-AM set engagement objectives aimed at encouraging the company to develop a stronger sense of direction in terms of greenhouse gas (GHG) reduction ambitions, the strategic impacts of climate change, and to develop an action plan for transition. At the end of 2020, the Company announced GHG reduction targets to aim at decreasing carbon intensity of its upstream business. However, these targets were limited in scope and were weaker than most of its industry peers. UBS-AM noted that over the course of the engagement, the Company was reluctant to address the key question of the changes it needs to make in order to reflect the pressures on its business model from climate change. UBS-AM decided to exclude this company from the *Climate Aware* fund, which Hampshire has transferred its passive global equities to.

28. **NatWest Plc** - The Company had a change in ESG strategy in 2019. UBS-AM met with the Head of Debt Capital Market Treasury to discuss a suite of new ESG disclosures NatWest has released on ESG, climate and green, social, and sustainable bond frameworks which follow on a change of strategy in November 2019. The Company confirmed that their purpose led strategy will include a focus on climate. Their climate strategy reflects the consensus of banks converging around net zero but is more ambitious than peers. Other climate goals are climate positive from own operations by 2025 which they plan to achieve through electrifying their fleet and by using carbon offsets.

29. **Equinor ASA** - The Company came to UBS-AM’s attention in February 2017 as one of the world's top 100 GHG emitters and was included in the engagement focus of Climate Action 100+. The company was identified for engagement for concerns over carbon emissions trends, fossil fuel exposure, weak disclosure levels, or the absence of climate change policies and targets. UBS-AM joined the Climate Action 100+ coalition to provide consistent and coherent messaging and committed to leading the Climate Action 100+ coalition for this company. Portfolio managers, analysts and Systems Integration analysts have been in contact with company representatives, including Board members, in the context of investor and

Climate Action 100+ meetings and have established engagement objectives. The Company has strongly committed to increase capacity and investments in renewables, hydrogen and carbon capture, utilisation and storage (CCSU) and executive pay will be updated to include new climate targets. The company is gradually undertaking a climate transition, complementing energy producing portfolios with renewable and other low-carbon energy solutions. It has already become the world's largest offshore wind operator.

Barings (multi-asset credit)

30. **Healthcare company** - Barings was approached in September 2021 to look at a new transaction for a healthcare company providing rehabilitation and mental health services. Barings’ due diligence process had highlighted previous care quality issues at certain health facilities within the group. As such, the company had been rated poorly in the social category under Barings’ internal ESG Ratings criteria. During the debt syndication process, the company intended to include sustainability key performance indicators (KPIs) into its finance terms in order to reduce interest costs on achievement of targets including reduced carbon emissions at facilities. Barings actively engaged with arrangers, senior management and the financial sponsor to push for the addition of KPIs linked to quality of patient care metrics given this was viewed as a key sustainability risk area. Ultimately, Barings was successful in achieving the addition of the requirement for independent third-party quality ratings on medical facilities to meet certain predetermined thresholds. A failure to meet targets would result in higher interest costs for the company.

31. **Global e-commerce business** - During initial due diligence on a global e-commerce business, Barings identified a potential governance risk due to the company founder serving as the current CEO & Chairman and remaining a major shareholder. Following a public market listing, additional disclosures became available and scrutiny on the shareholder control structure and inter-company relationships of the owner presented additional governance concerns.

32. In October 2021, Barings collaborated with other equity and fixed income market participants in an engagement organised by Investor Forum. The aims of the engagement are to improve the shareholder voting structure, make independent board appointments, and obtain additional details in divisional disclosure. During the period, Barings also reduced holdings in the company on a relative value basis, with a preference to wait for corporate governance improvements before increasing exposure. The collaborative engagement remains ongoing and has been partially successful to date following announced improvements to the shareholder voting structure.

33. **Indonesian coal miner -** Barings divested from an Indonesian coal miner after multiple engagements on the environmental risks within its coal

business for which Barings didn’t receive any positive traction with management around measuring or setting targets for its scope 1,2 or 3 emissions or any clear plan regarding environmental risks.

Alcentra (multi-asset credit)

34. **Global chemical company** – Alcentra engaged regarding climate change and other environmental issues with the objective to better understand i) their long-term climate strategy and ii) management of hazardous chemicals. As a result they spoke with the Head of IR and Group Technology Director, who provided assurance that hazardous chemicals are not a material business for the group. The company has identified their plans to phase out fluorinated chemicals that may be restricted or banned in the future. The company recently announced a number of low-carbon projects in Europe, including green hydrogen and CCSU investments, which will assist in their GHG emission reduction efforts, with a goal of reaching net zero emissions by 2050. Alcentra will monitor the company’s publication of their interim 2030 reduction targets and progress against these.

35. **UK retailer (petrol stations operator)** – Alcentra engaged with the objective of raising concerns about the governance of the company and internal controls. As a result, Alcentra engaged with management to voice concerns about lack of independent directors in the board and to better understand the steps the company was taking to improve its internal controls. The board took positive steps to improve its governance by appointing an independent director. The change in board composition made Alcentra feel comfortable that the company was moving in the right direction and mitigating governance-related risks.

Insight (asset backed securities (ABS))

36. Although generally Insight’s engagements are positive with companies who are looking to improve their management of ESG risks, they are sometimes unable to encourage the originators to make the changes Insight requires to be comfortable to invest. An example would be a **residential mortgage-backed lender**, who specialised in non-conforming 2nd lien mortgages. There were a number of reasons for Insight to decline investing in the opportunity, some of which were not rectified upon engagement. Firstly, the company had an unstable management and governance framework. Secondly, the issuer was not able to provide reliable data to Insight on the underlying loans. Lastly, Insight reviewed their “treating customer fairly” processes, which while viewed as adequate against regulatory minimums, were not robust enough for type of investment. Ultimately, Insight were not satisfied that a number of key governance and social processes were strong enough to invest and despite engagement with the issuer, did not feel that they were able to improve these sufficiently. As such, Insight did not invest in the deal.

TwentyFour AM (asset backed securities)

37. **Together (specialist UK lender)** - Together is a regular issuer in ABS and the high yield market and TwentyFour has exposure across public and private investments. TwentyFour targeted the company as part of their Carbon Emissions Engagement Policy as the investment manager felt that Together has been slow to adopt ESG data collection, something made more difficult given a manual approach to underwriting. TwentyFour want to work with them over the long term to ensure that they can provide the data TwentyFour needs to assess them fully, including the carbon footprints of their deals. The ABS team hold monthly calls with Together's treasury team providing two-way dialogue on lending, capital markets and opportunities. Through TwentyFour's recent engagements, the investment manager helped identify investor requirements such as energy performance certificates (EPC) and CO2 emissions data which TwentyFour want included in their deal information. Significant progress was made during Quarter 2 of 2021 through data capture and third-party agents and their latest residential mortgage-backed securities (RMBS) deal issued in September 2021, Together 2021-ST1, had over two-thirds of the data the investment manager requested, including property level carbon estimates which is a significant improvement.

38. **Intermediate Capital Group (ICG)** – collateralised loan obligation (CLO) manager - Intermediate Capital Group is a global alternative asset manager with CLOs under management in Europe and North America. They have recently refinanced the European CLO SPAUL 5, and the equity investor pushed through some changes to the reinvestment criteria that have a negative credit impact for mezzanine investors such as TwentyFour AM. This deal, originally priced in 2014, uses some of the earlier CLO documentations which allowed these changes to be made with consent from only the senior noteholders. TwentyFour had discussions with other investors and the co-heads of credit at ICG and expressed the investment manager's concerns on this behaviour. ICG acknowledged the effect this has had on their reputation, and agreed that going forward, CLO documentation should require such changes to be voted through by all rated noteholders instead of AAA investors only. TwentyFour adjusted the ESG score on both the manager and the deal and have not invested in the CLO platform since.

Voting highlights

39. 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 July to December 2021, as well as Dodge & Cox's voting highlights for the period July 2020 to December 2021, both of which are 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.

40. 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.
- 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.

41. 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.

42. 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-AM
Tesla inc	Management - Eliminate Supermajority Vote Requirements	Against – Baillie Gifford opposed a management resolution to eliminate supermajority voting requirements from the company's bylaws and to adopt a simple majority voting standard, in line with management's recommendation. The company believe this governance provision is still relevant protection for them to	For - Approval of this proposal would enable shareholders to have a more meaningful voice in various governance matters that impact their rights. The reduction in the voting requirement from two thirds of outstanding shares to a simple majority would be a step in a positive direction. Tesla does not

Table 1: Examples of instances where the Pension Fund's investment managers have voted differently			
Company	**Resolution**	**Baillie Gifford**	**UBS-AM**
		allow them to remain focussed on the long-term success of the business.	have a controlling shareholder and therefore there were no concerns in regard to overall influence.
Naspers Ltd	Management – share re-purchase	For - Naspers has a very healthy balance sheet (the business is net cash) but is highly targeted in its capital allocation, so the deployment of some capital to repurchase shares is regarded as prudent	Against – UBS-AM will not support share issue authorities when the information available is not sufficient to make an informed assessment of the proposed authority.

Climate Change Impact Assessments

43. 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.

44. 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).

45. 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) (ACCESS)

Stock	Proposal	Vote	Rationale
Caseys General Stores	Appoint KPMG LLP as Auditors	Against	A vote against is warranted, since the auditor tenure exceeds 10 years.
EBOS Group Ltd	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.
EBOS Group Ltd	Approve the Increase in Maximum Aggregate Remuneration of Non-Executive Directors	Against	A vote AGAINST this resolution is warranted. The proposed fee pool increase is excessive and the proposed increases in individual fees also appear to be excessive compared with market capitalisation peers. Concerns are highlighted that the level of Chair and Non-Executive Director (NED) fees are higher than New Zealand market capitalization peers. The proposed increases in NED fees would further contribute to put NED fees at this company above market capitalization peers.
Oracle Corporation	Advisory Vote to Ratify Named Executive Officers' Compensation	Against	A vote AGAINST this proposal is warranted. The compensation committee demonstrated poor responsiveness to last year's low say-on-pay vote, which has received low support for several years. While the company has provided disclosure surrounding shareholders' concerns and the board's contemplation of such concerns, the company extended the performance period of large outstanding front-loaded awards. This is especially concerning as the board previously made a commitment to maintain the existing terms of the outstanding awards, as disclosed in the prior year's proxy. In addition to contradicting a prior commitment, the act of modifying previously granted awards is generally considered problematic by many investors, and such concerns are exacerbated given the magnitude of these front-loaded awards. Further, there are ongoing concerns with the use of a discretionary bonus structure for one Non-Executive Officer and entirely time-vesting equity awards for certain Non-Executive Officers.

Stock	Proposal	Vote	Rationale
Oracle Corporation	Shareholders: report on racial equity audit	For	A vote FOR this resolution is warranted, as an independent racial audit would help shareholders better assess how Oracle is managing and overseeing risks related to the use of its facial recognition technology, particularly given growing privacy, civil rights and racial bias concerns associated with the use of the technology.
Microsoft Corporation	Report on Effectiveness of Workplace Sexual Harassment Policies	For	A shareholder resolution: A vote FOR this proposal is warranted as the company faces potential controversies related to workplace sexual harassment and gender discrimination. Additional information on the company’s sexual harassment policies and the implementation of these policies would help shareholders better assess how the company is addressing such risks.
Microsoft Corporation	Report on Lobbying Activities Alignment with Company Policies	For	A shareholder resolution: A vote FOR this proposal is warranted, as a report on the congruency of the company's public position with its and its political partners lobbying positions would provide shareholders needed information about reputational risks that may arise from publicity around perceived inconsistencies
Cisco Systems Inc	Amend Proxy Access Right	For	A shareholder resolution: A vote FOR this proposal is warranted as it would enhance the company's proxy access right for shareholders while maintaining safeguards in the nomination process.
Sysco Corporation	Report on GHG Emissions Reduction Targets	For	A shareholder resolution with recommendation to vote against by Management.

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

Stock	Proposal	Vote	Rationale
Alibaba	Elect director	For	ACCESS guidelines recommend Baillie Gifford opposes the election of an executive director where there is no senior independent director. Baillie Gifford were comfortable with this director candidate and therefore supported.
Alibaba	Appoint/pay auditors	For	ACCESS guidelines recommended opposing as the tenure of the audit firm was over ten years. Baillie Gifford believe auditor tenure is an important issue however do not require a change in auditor after ten years. Baillie Gifford instead focuses on if the company has a process in place to tender for a new auditor over a suitable timeframe.
Tesla inc	Shareholder Resolution - Social	Against	Baillie Gifford opposed a shareholder resolution requesting a report on the company's approach to human rights. Baillie Gifford thinks Tesla's current policies and practices are reasonable and improving, making this proposal unnecessary.

Baillie Gifford – Global Alpha (global equities) (ACCESS)

Stock	Proposal	Vote	Rationale
Abiomed	Remuneration - Say on Pay	Against	Baillie Gifford opposed executive compensation due to concerns with one-off equity awards granted during the year.
Ryanair	Annual report (and all other proposals)	No vote	Baillie Gifford did not vote this meeting as the company has restricted the voting rights of non-EU holders of Ordinary shares and American Depository Receipts post-Brexit.
Naspers	Elect committee member	For	ACCESS guidelines recommend opposing the election of a non-independent director on the Audit Committee. Baillie Gifford are comfortable with the composition of the board and therefore supported.
BHP Group plc	Climate related	Against	Baillie Gifford opposed the company's Climate Transition Action Plan. Whilst Baillie Gifford believes that the company has made good progress with their approach to climate and climate-related goals, Baillie Gifford are concerned that their targets miss out a significant proportion of their emissions and believe they need to be more ambitious in their target setting.
Tesla inc	Shareholder Resolution - Social	For	Baillie Gifford supported a shareholder resolution requesting a report on the company's use of arbitration to resolve employee disputes. Baillie Gifford thinks additional disclosure and transparency on this provision would be helpful in understanding Tesla's workplace practices.

Dodge & Cox – Global Stock Fund (global equities)

Stock	Proposal	Vote	Rationale
Bookings Holdings	Shareholder - Annual investor advisory vote on climate plan	Abstain	This was a new proposal in the industry (say on climate). Dodge & Cox abstained from all of these proposals during the 2021 proxy season where an abstain vote was permitted. Dodge & Cox does not believe that it is typically within the purview of a shareholder to vote on strategy with the exception of a few specific situations (e.g. mergers). Our intent during the 2021 season was to see how the industry evolved on this subject and gather more data. We did not want to opine on climate strategy without being as prepared as possible and did not feel we were in a position to issue a direct vote last year. Going forward, Dodge & Cox plans on reviewing all say on climate proposals during the 2022 proxy season on a case-by-case basis and will support those proposals we deem material.
Charter Communications Inc	Shareholders – Report on greenhouse gas emissions disclosure	Abstain	This was a new proposal in the industry (say on climate). Dodge & Cox abstained from all of these proposals during the 2021 proxy season where an abstain vote was permitted. Dodge & Cox does not believe that a it is typically within the purview of a shareholder to vote on strategy with the exception of a few specific situations (e.g. mergers). Our intent during the 2021 season was to see how the industry evolved on this subject and gather more data. We did not want to opine on climate strategy without being as prepared as possible and did not feel we were in a position to issue a direct vote last year. Going forward, Dodge & Cox plans on reviewing all say on climate proposals during the 2022 proxy season on a case-by-case basis and will support those proposals we deem material.
Hang Lung	Mgt – Issuance/Re-issuance of shares/equity	For	This vote was In line with D&C proxy voting policy – we did not view this as overly dilutive
Prosus	Mgt – Executive remuneration	For	This vote was In line with D&C proxy voting policy – when working with our analyst on this meeting it was decided to support the remuneration policy based on our holistic analysis of the company, performance and pay packages.

UBS-AM – passive equities

Stock	Proposal	Vote	Rationale
Marvell Technology Inc	Management - Advisory Vote to Ratify Named Executive Officers' Compensation	Against	The Company has not included a clawback provision within the remuneration scheme, contrary to good practice for this market.
Lenovo Group Ltd	Management – elect directors	Against	The nominee holds a significant number of positions on the boards of listed companies, raising concerns over their ability to commit sufficient time to the role.
Speedy Hire plc	Management - authorise Issue of Equity	Against	UBS-AM will not support routine authorities to issue shares with pre-emption rights exceeding 20% of the issued share capital as they are potentially overly dilutive and therefore not in the interest of existing shareholders
Oxford Instruments plc	Management – elect director	Against	UBS-AM will not support the election of the Chair of the Nomination Committee where the gender balance on the Board is not considered to be in line with our expectation for this market.
AGL Energy Ltd	Shareholders - Approve Paris Goals and Targets	For	UBS-AM supports 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.
Worthington Industries, Inc.	Shareholders – Report on climate policy	For	UBS-AM supports 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.