



LPP

Local Pensions Partnership
Investments

LPI Shareholder Voting Guidelines

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1. Introduction

Shareholder voting is an important channel for exercising the rights and responsibilities of share ownership on behalf of the client pension funds who invest in the Local Pensions Partnership Investments (LPPI) Global Equities Fund.

These voting guidelines have been developed to support the consistent and transparent application of our [Shareholder Voting Policy](#) and to communicate a clear stance to investee companies and wider stakeholders on our approach, reflecting our beliefs, expectations, and priority themes.

A multiplicity of issues arise at company meetings each year. Rather than an exhaustive handbook, these guidelines set out the core considerations and standards that influence the stance we will generally take on key issues. While we routinely integrate material environmental, social and governance (ESG) considerations into our decision making, as referenced in our [Responsible Investment Policy - Annex on ESG Integration](#), differences in country, culture, company size, and corporate context will also have an influence. Our voting decisions are ultimately made on a case-by-case basis.



2. Voting philosophy

As part of our stewardship of listed equity assets, shareholder voting focuses on encouraging arrangements and decisions likely to increase long-term, sustainable value creation and corporate resilience, contributing to the objective of preserving and growing our clients' capital over the long-term.

Our voting approach is informed by the following beliefs:

- Strong ESG characteristics tend to be identifiers for quality companies. Well managed organisations with effective corporate governance systems are more likely to identify pertinent ESG risks and deliver long-term sustainable value creation for shareholders.
- Company boards incorporating diverse experience and alternative perspectives into decision-making on corporate strategy are more likely to identify and manage business risks and opportunities successfully.
- Shareholder voting is not a route for micro-managing investee companies. Voting rights provide the opportunity to support strategy which evolves good corporate practice and confers a responsibility to register concern where a company is judged to be falling short.
- Shareholder voting forms part of engagement and should reinforce dialogues directly underway with companies by LPPI and via our delegate managers, our engagement provider, or investor initiatives we are supporting.
- The use of voting rights to signal shareholder concern should target the most appropriate resolution (or combination of resolutions) available. Voting against standard items of business or supporting a shareholder proposal calling for specific actions are equally appropriate (in some cases simultaneously).
- LPPI supports the “one share, one vote” principle and will encourage companies to avoid mechanisms designed to prevent a change of control, unless in exceptional circumstances. It is essential that companies have scope to achieve a balance between measures which protect the long-term interests of the company, its shareholders and stakeholders, and measures which prevent hostile takeover bids.
- Companies should be given adequate time to respond to shareholder concerns and to plan and implement appropriate solutions. However, where a company consistently lags behind accepted norms of good practice, or is resistant to dialogue, further escalation is appropriate. Depending on circumstances, this could lead to a focus on individual board members.

3. Voting arrangements

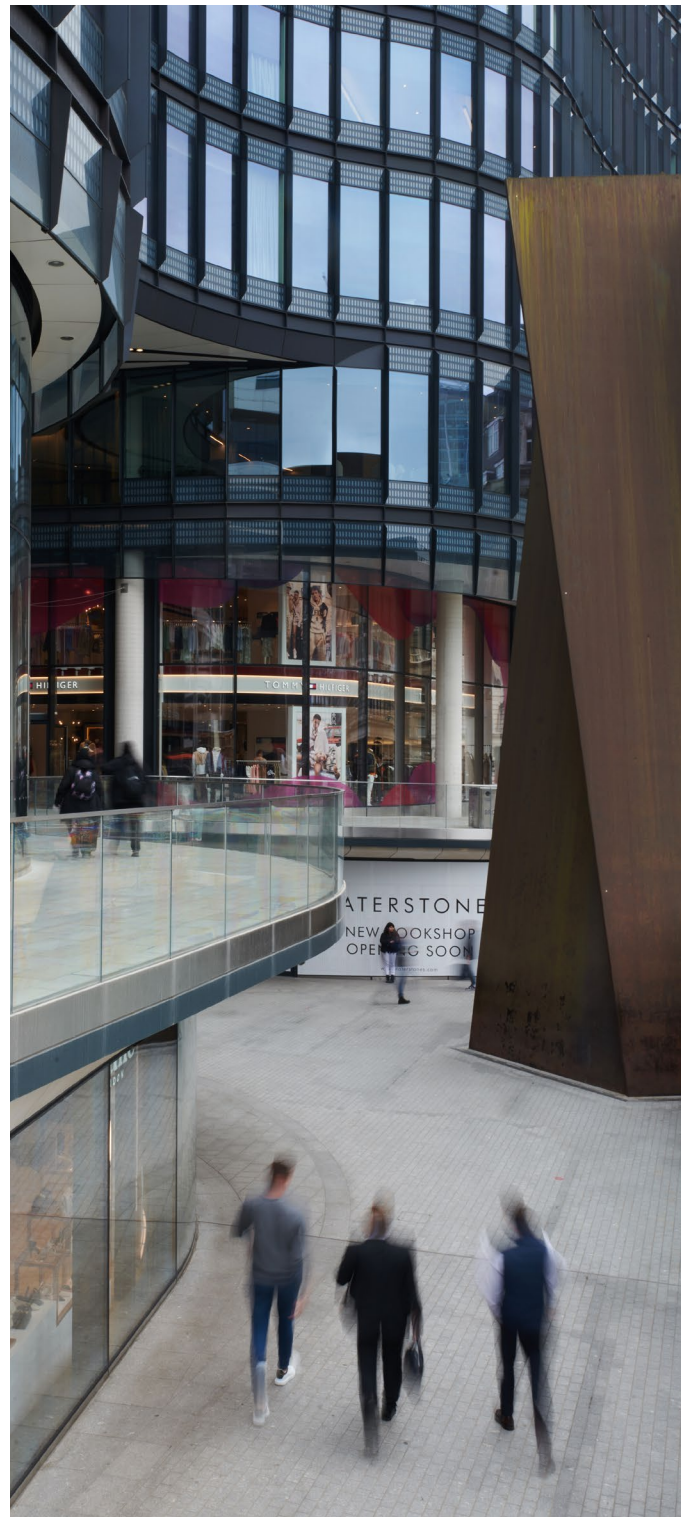
To ensure we apply a consistent approach, shareholder voting for the LPPI Global Equities Fund is overseen centrally by LPPI's Responsible Investment Team, rather than delegated to individual asset managers.

We receive analysis and voting recommendations for each company meeting from an external provider of proxy voting and governance research. Voting analysis and recommendations reflect our provider's [Sustainability Voting Guidelines](#) which explore material ESG considerations and provide a foundation for our review and decision-making process. On a case-by-case basis, we determine whether we are in agreement with voting recommendations or hold an alternative view that leads us to depart from them; for example, when we favour additional stretch on priority issues or where we take a more nuanced view.

We liaise with our asset managers, engagement partner, and proxy voting provider as needed to reach final voting decisions.

For the internally-managed mandates within the LPPI Global Equities Fund, our internal portfolio managers retain voting discretion. This incorporates consideration of the research and voting recommendations received from our external provider and their judgement on the stance which supports the best interests of our clients.

We disclose shareholder voting information for our Global Equities Fund on a quarterly basis via [our website](#), sharing both summary statistics and a detailed report on all resolutions voted. We make further information and insights available through our [Responsible Investment and Stewardship Annual Report](#).



4. Priority themes

We have identified the following priority themes as further context for our decision-making. We consider each company's current position and performance against them in determining our vote directions.

Adequate transparency

To make informed judgements on the quality of investee companies' practices, shareholders need adequate information on their standing. Companies are required to publish a range of prescribed information under applicable laws and regulations, but the detail of the disclosure required is frequently open to interpretation. On issues of material importance to LPPI, we will consider whether a company has released sufficient information to support shareholder insight on the adequacy of their approach and assurance on reasonable outcomes. Where companies provide insufficient information on issues shareholders and wider stakeholders consider material, we will encourage them to improve their disclosures.

Appropriate remuneration

The individuals leading a company (its Chair, board members, and Executive Committee) set corporate culture and hold ultimate responsibility for generating sustainable, long-term value. Attracting and retaining high calibre individuals and ensuring their interests and performance align with long-term company success is critical.

In assessing compensation policies, our focus is principally on how the incentives are structured rather than the absolute quantum of the compensation. Large awards are acceptable only in cases where such incentives are aligned with shareholders' interests and our principles. We believe that the metrics used in management incentive programmes should focus as much as possible on long-term value creation, balancing growth and returns, and those factors that are under management's control.



Effective management of climate change

LPPI views climate change as a systemic risk. It has the potential to destroy value where physical and transition risks are not being recognised and integrated into effective strategic planning but also presents opportunities for products and services to be developed which solve problems and address societal needs.

Activities that contribute to global warming through significant greenhouse gas emissions are part of broader models of production and consumption increasingly recognised as unsustainable because they overwhelm the restorative capabilities of local and planetary eco-systems. Global standards are developing for evaluating sustainability considerations and company meetings provide an avenue for LPPI to engage with investee companies on the scope of their adaptation efforts and their management of the risks and opportunities posed by climate change.

LPPI is a signatory to the Net Zero Asset Managers initiative and uses shareholder voting rights to encourage companies to align their activities with the achievement of targets for global decarbonisation under the Paris Agreement.

Our principal focus is on high impact sectors as identified by The Institutional Investors Group on Climate Change (IIGCC) Net Zero Investment Framework (NZIF) guidance¹, but voting may form part of our escalation for any company engaged on climate-related matters. We are guided by the IIGCC's NZIF categorisation of corporate alignment and will vote against management at companies that are assessed to be in the bottom two tiers and are showing inadequate evidence of progress. This captures companies that have not set an ambition to decarbonise ("not committed") or those that have set the ambition but not followed-up with tangible action such as disclosure of targets ("committed to aligning"). In making this assessment, we use data

from several sources including the Climate Action 100+ and Transition Pathway Initiative benchmarks and MSCI. We may also take into consideration contextual factors such as a company's jurisdiction (whether it is domiciled in a developed or emerging market), or its market capitalisation.

LPPI is a signatory to Nature Action 100 and the initiative's Investor Expectations for Companies on nature loss inform of our shareholder voting decisions for companies targeted by this global investor engagement initiative focussed on driving greater corporate ambition and action to reverse nature and biodiversity loss.

Where inadequate performance is identified, LPPI will signal concern through voting and communicate this decision to company management. Depending on context, registering our concern may involve voting against:

- The adoption of the annual report and accounts.
- A board member with lead responsibility for climate change or a broader sustainability programme (where in place).
- The Chair of the Board (holding them ultimately accountable).

We are likely to support appropriately framed shareholder proposals pressing for improved disclosure, clear targets for decarbonisation, and ambition in strategic and operational planning for enhanced sustainability.

With regards to the management of proposed resolutions on climate transition planning ('say on climate' votes), LPPI will seek to support plans that evidence alignment with a decarbonisation pathway consistent with holding warming to 1.5C. We will be minded to vote against management where, as a minimum, companies have failed to set a target in line with a 1.5C decarbonisation pathway and failed to disclose a credible implementation strategy (including short-term and medium-term targets).

¹ IIGCC Net Zero Investment Framework Implementation Guide. From October 2023 high Impact sectors were extended to include the Agriculture, Forestry and Fisheries (AFF) sector, reflecting the critical contribution of biodiversity to decarbonisation globally.

5. Voting guidelines

The opportunity to give support or signal concern and urge improvement through voting arises via meetings between a company and its shareholders. Meeting agendas are routinely dedicated to gaining approval for company proposals on standard aspects of business and corporate governance, the vast majority of which are not contentious, including the adoption of financial statements, election of directors, and appointment of auditors. The voting guidelines that follow reflect matters which typically arise at company meetings and indicate the primary considerations that will influence how LPPI is likely to vote.

In some instances, we may vote in specific company meetings in a manner that is not in accordance with the following guidelines, provided the decision is consistent with the best interests of our clients and our objective of maximising long-term investment returns.

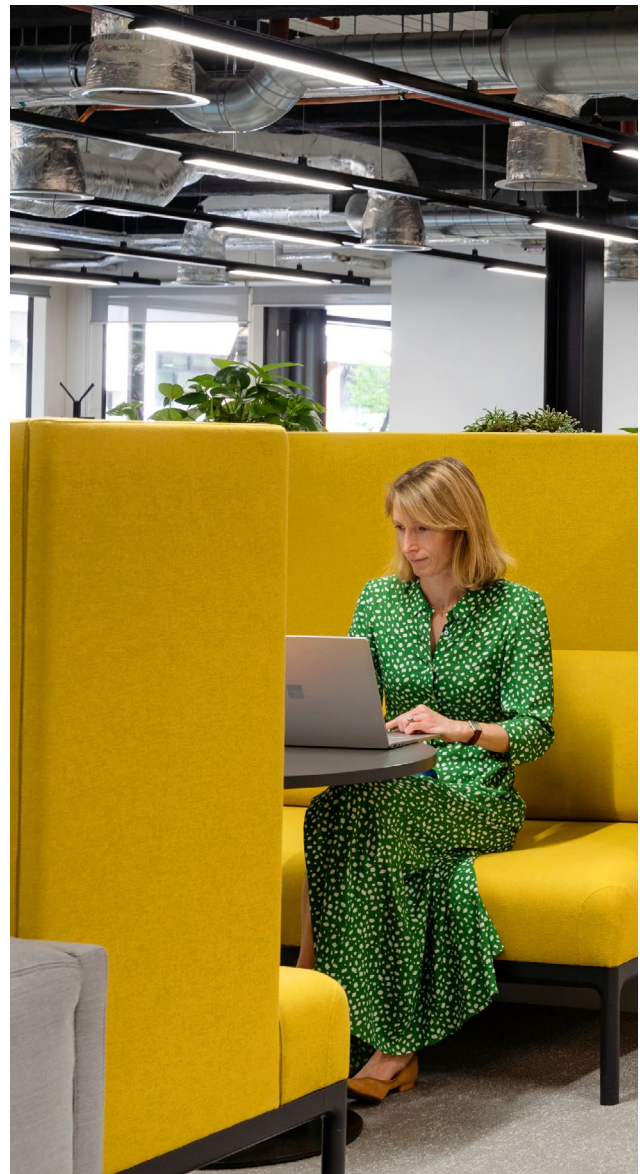


5.1 Statutory reporting

The provision of adequate information through corporate disclosure is a critical foundation for enabling shareholders and stakeholders to make informed judgements about the current standing and future positioning of a company.

LPPI will consider voting against the adoption of the annual report and accounts where reporting practices fall below acceptable market standards regarding detail, transparency, and frequency.

In addition to reporting on corporate strategy, financial performance, and key risks (within 'typical' corporate publications), LPPI expects reasonable disclosure on the company's identification and management of material ESG risks and opportunities, recognising that disclosure standards vary by industry and geography.



5.2 Board composition

A cohesive board operating in accordance with effective procedures is central to good corporate governance. The calibre, character, and effectiveness of a board derives from the collective experience and expertise of its members, and on operating practices which deploy these capabilities effectively; for example, by embracing a plurality of perspectives.

Voting rights give shareholders influence over the appointment of individuals to the board and its key committees. They are also an avenue to express concerns at processes perceived to be weak, or responsibilities judged to be poorly executed. Through the implementation of these guidelines, LPPI is ultimately aiming to encourage desirable governance characteristics.

Board – independence expectations

LPPI has a strong preference for independent boards. We expect a majority of independent board members in all developed markets and at least one third independent members in emerging markets.

LPPI will consider voting against management where:

- We believe that board independence is insufficient.
- Non-independent directors are nominated to sit on the major committees.
- The election of further non-independent directors to a board contributes to a level of independence below what is deemed acceptable for the given market.

We generally do not view long board tenure alone as a basis to classify a director as non-independent, although we consider lack of board turnover and need for a fresh perspective as important factors in deciding how to vote.

Board Chair

It is our preference for the Board Chair and CEO roles to be held separately. An independent Chair contributes to the balance of power on the board and avoids the conflicts of interests that can arise through the integration of the two roles. We recognise there are circumstances (for example, transition periods) and markets in which the practice of a joint role is more common, and in these instances, we expect a strong lead independent director to be identified as a counterbalance.

We hold the Board Chair ultimately responsible for poor corporate governance and we may vote against them to signal our concern at:

- Instances of exceptionally poor management (for example, fraud).
- Board and committee composition and practices that fall below appropriate standards (for example, where major committees are not held or function inappropriately).

We may also vote against the Board Chair as an appropriate escalation where broader shareholder concerns remain unacknowledged or have not been suitably addressed after dialogue and a reasonable period of due consideration.

Election of directors

LPPI will generally vote in line with management recommendations where the appointment of nominated candidates contributes to attaining or maintaining desirable board characteristics. Our support is dependent on being able to ascertain the benefit of the recommended nominees through a clear and convincing rationale.

LPPI will consider voting against management recommendations where poor governance outcomes will arise from (or be perpetuated by) the election of proposed candidates. Examples of poor practice include, but are not limited to:

- Inadequate or untimely disclosure about nominees.
- A poor record of attendance (<75%) without sufficient justification by nominees who are existing board members.
- Overboarded directors (informed by best practice in the local market).
- Specific concerns regarding an individual director (for example, convictions relating to corruption).

Nomination Committee

The Nomination Committee has responsibility for refreshing the composition of the board and identifying how to sustain and improve its effectiveness through the selection of candidates with appropriate skills and experience.

LPPI has a strong preference for majority independent Nomination Committees and an expectation this standard will be met across all markets. LPPI will consider voting against the Chair and/or members of the Nomination Committee when:

- A non-independent director is nominated for election to the Nomination Committee.
- There are concerns around overall board composition.

- Board diversity falls below the standards outlined in these guidelines.

Board diversity

In line with our belief in the benefits of having a variety of voices, backgrounds, expertise, and experience to call upon, LPPI will seek to hold the Chair of the Nomination Committee accountable where nominations fail to reflect an appropriate regard for diversity (assessed through discernible characteristics including gender, ethnicity, age, and experience).

Gender diversity

In all jurisdictions, if the board has no female directors and all director nominees are male, and the company does not recognise or have a clear strategy for addressing this issue, LPPI is likely to vote against the Chair of the Nomination Committee or an appropriate alternative:

With respect to jurisdictional differences in our expectations, we will consider the following:

- For Russell 3000 and TSX Composite companies, LPPI will vote against the Chair of the Nomination Committee where women make up less than 30% of the board, unless the firm has disclosed a plan to meet the 30% standard within a year.
- In line with the FCA's Listing Rules on Board Diversity, we will consider withholding support for the Chair of the Nomination Committee where a UK company board does not have 40% female representation and at least one senior board position held by a woman, unless this has been adequately explained.
- For companies operating in other developed markets such as Europe and Australia, we will generally support Board composition which adheres to local best practices outlined in the relevant country's corporate governance code. For example, this could relate to a specific % threshold for the Board's female representation.

Ethnic Diversity

LPPI expects the recommendations of the Parker Review on the ethnic diversity of UK boards to be implemented, and will vote against the Chair of the Nomination Committee (or Nomination Committee members subject to re-election) where FTSE100 companies do not have at least one ethnically diverse board member.

The same expectation is also considered an appropriate standard for FTSE350 and Russell 3000 companies. In line with new FCA Listing Rules, we will also consider withholding support for the Chair of the Nomination Committee where a UK company Board does not have at least one director from a minority ethnic background, unless this has been adequately explained.

Where the Chair of the Nomination Committee is not subject to re-election, or is not identified, LPPI will consider voting against other (and potentially all) existing members of the Nomination Committee who are subject to re-election.

Remuneration Committee

As a core standard (applicable to all markets), LPPI expects Remuneration Committees to be majority independent and to have no executive director members. In addition, we expect the Remuneration Committee to consider shareholder interests; for example, by being responsive to shareholders and by conducting outreach in the event of high levels of shareholder dissent on remuneration proposals.

LPPI will consider opposing the election or re-election of Remuneration Committee members where:

- An executive director is nominated to join the Committee.
- The Committee fails to meet acceptable standards for independence.

- Remuneration policy and practices persistently fall below market standards and the appropriate expectations of shareholders.
- There is poor responsiveness to shareholder concerns in the event of a significant vote against remuneration proposals.

Audit Committee

The Audit Committee has responsibility for ensuring the interests of shareholders are properly protected in relation to financial reporting and internal control.

LPPI has a strong preference for fully independent Audit Committees and, as a minimum in all markets, expects the Audit Committee to be majority independent. In addition, we expect the Committee to be responsive to shareholder questions and to address concerns raised.

LPPI will consider opposing the election or re-election of Audit Committee members if:

- A non-independent director is nominated for Audit Committee membership.
- There has been a material failure of process or control.
- Process failures have not been recognised and adequately addressed and rectified.
- More than 50% of the audit fee relates to non-audit services without adequate explanation or justification.
- The Auditor has been in place for more than 20 years (and the company has not held a tender for their auditor at least every 10 years).

5.3 Remuneration

LPPI favours remuneration policies that incentivise long-term value creation through transparent performance metrics that are appropriate and not overly complex. We prefer approaches that build an alignment of interests between management and shareholders, through appropriate incentives, encouragement of share ownership and sufficient risk mitigation (for example, through strong clawback policies). In addition, we will generally support remuneration arrangements that encourage management to consider shareholder and wider stakeholder value through a transparent incorporation of ESG metrics.

Due to the unique circumstances surrounding each company's remuneration policy and the wide range of remuneration plans, LPPI, supported by our proxy advisor, will consider each compensation plan on a case-by-case basis. Typically, LPPI will consider voting against remuneration policies in instances including, but not limited to:

- The structure and application of incentives is misaligned with performance in the interests of long-term shareholders.
- Incentives are based on outputs (for example, share price growth or total shareholder return) as opposed to inputs that encourage management to make decisions that will create shareholder value over time, that is long-term trends in returns on capital.
- The overall quantum of pay is excessive, either in absolute terms or relative to an appropriate peer group.
- Transparency is poor (for example, performance measures within long-term incentives are not disclosed, or are only disclosed after awards have been granted).
- There is a lack of risk mitigation (for example, clawback mechanisms and requirement for post-retirement shareholding).
- Long-term incentives are linked to short term metrics (for example, those that include annual review periods).

In markets where remuneration reports are presented for approval annually (the 'say on pay'), LPPI will consider the outcomes of the remuneration policy being implemented in practice. Factors that may lead to a vote against the say on pay include:

- Excessive or poorly explained use of discretion by the Remuneration Committee.
- Excessive pay increases without sufficient transparency and justification.
- Performance measures and incentives clearly misaligned with the interests of longterm shareholders.
- Lack of appropriate stretch in performance incentives (for example, by awarding the maximum pay out for performance which could be considered as business as usual).

5.4 Appointment and remuneration of auditor

Investors rely on high-quality independent audits to receive a true and fair view of the status and financial health of a company.

LPPI will generally support the re-election of auditors and proposals relating to auditor fees where the incumbent meets high standards for independence and audit quality.

LPPI will consider voting against proposals in instances where:

- There are serious concerns about the effectiveness of the auditors (for example where the lead audit partner has been linked to a significant auditing controversy).
- Disclosure is poor.
- More than 50% of the audit fee relates to non-audit services without adequate explanation and justification.
- The lead audit partner(s) are affiliated with the investee company.
- The auditor has been in place for more than 20 years.



5.5 Capital Allocation

The effective deployment of capital is fundamental to generating sustainable, long-term value for shareholders. Through internal and external managers, LPPI generally selects high-quality, well-run companies whose management understand the importance of capital allocation. Company proposals regarding capital allocation will be examined on a case-by-case basis as they are a natural extension of an investment decision. Where we believe a corporate restructure or M&A activity is not in the best interests of our clients, we will generally abstain or vote against management.

Allocation of income and dividends

LPPI expects investee companies to disclose clear dividend policies where applicable. Notably, we do not wish to sanction excessive dividend policies which would be to the detriment of the company's solvency or its ability to invest in its business over the long term.

Share buyback authorities

LPPI expects the use of share buybacks to contribute to the best outcomes for long-term shareholders. LPPI favours buybacks considered an investment; that is when shares are trading at a price management believes undervalues the intrinsic value of the company. Buying back shares without reference to the prevailing market price can lead to shareholder value destruction.

LPPI will generally support resolutions to authorise the market purchase of ordinary shares where the authority requested complies with levels permitted under market listing rules, and the period covered is less than 18 months. Where KPIs that are based on per share performance are included as drivers of management remuneration, we will assess whether share buybacks have created shareholder value over the performance assessment period.

Mergers and acquisitions

We will consider votes to approve M&A activity on a case-by-case basis and taking into consideration the specific circumstances of each proposal to determine what action we believe is in the best interests of clients.

In considering each M&A proposal, LPPI will consider the fundamental and ESG implications of the proposal before a voting decision is made, for example, the impact on corporate governance practices, and the consideration of the impact on the workforce.



5.6 Shareholder resolutions

Shareholder proposals are non-binding recommendations to management proposing or supporting a specific course of action. Proposals are an opportunity for shareholders to signal they hold common concerns and are a basis for establishing or escalating a focused dialogue with management.

LPPI assesses shareholder proposals on their individual merits given company context.

Shareholder resolutions are most likely to be viewed sympathetically when they introduce proposals that are proportionate to the underlying issue, are not unnecessarily complex or onerous, and have implementation costs which are reasonable in light of the scope of the benefit to be produced.

When drafted appropriately and communicated effectively, shareholder resolutions can contribute to delivering positive outcomes which benefit the company, its shareholders, and broader stakeholders. LPPI is minded to support shareholder proposals that strengthen the rights of minority shareholders and seek greater transparency on materially relevant topics including, but not limited to:

- The management of climate change.
- Environmentally sustainable operations and supply chains.
- Human rights due diligence policy and practices.
- Gender and ethnic pay gaps, and median pay ratios.
- Political contributions / lobbying.
- Biodiversity and natural capital management.
- Tax transparency.
- Data protection and cyber security.

Shareholder rights and takeover defences

LPPI will generally favour proposals that are likely to promote shareholder rights and/or increase shareholder value. We have a preference for equal voting rights and simple majority voting requirements insofar as they facilitate alignment between minority shareholders and management. We will consider dual share class structures in the context of a broader assessment of management's alignment with shareholders' interests.

Measures that impede takeovers or entrench management will be evaluated on a case-by-case basis, taking into consideration the rights of shareholders.



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