LGPS CENTRAL LIMITED

Quarterly Stewardship Report

Second Quarter 2018

CHESHIRE PENSION FUND

Staffordshire Pension Fund
Local Government Pension Scheme

Derbyshire Pension Fund

West Midlands ITA

Leicestershire County Council Pension Fund

West Midlands Pension Fund

Nottinghamshire County Council

worcestershire county council

SHROPSHIRE COUNTY PENSION FUND

LGPS Central Limited

Responsible Investment & Engagement: LGPS Central's approach

LGPS Central's approach to Responsible Investment & Engagement carries two objectives:

1) Support the Company's investment objectives
2) Be an exemplar for RI within the financial services industry & raise standards across the marketplace

These are met through three pillars:

Our **Selection** of assets → Our **Stewardship** of assets → Our commitment to **Transparency and Disclosure**

This report covers Central's **stewardship** activity.

For more information please refer to Central's Responsible Investment & Engagement Framework and UK Stewardship Code Compliance Statement.

ADDITIONAL DISCLOSURES

- Responsible Investment and Engagement Framework
- Stewardship Code
- Voting Principles
- Voting Disclosure

Signatory of:

PRI Principles for Responsible Investment

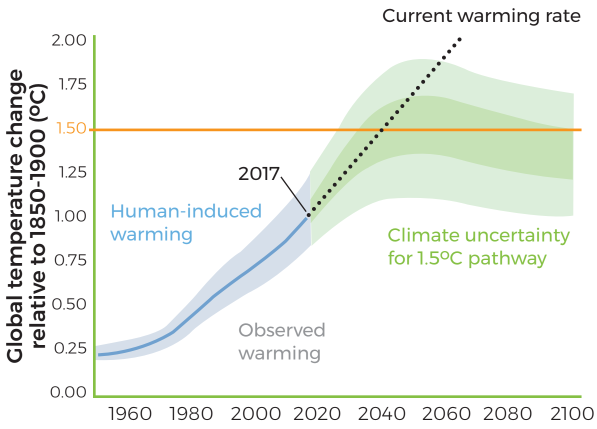
LGPS ADVISORY BOARD CODE OF TRANSPARENCY

1 Industry/Market Overview

This was a quarter of reflection. A quarter in which regulators reflected on the state of UK audit, climate scientists reported (again) on the economic consequences of unabated climate change, the government sighed at the inertia of UK Plc's gender diversity, and entrepreneurial CEOs reconsidered the wisdom of tweeting in haste.

In August Tesla shares jumped by 11% in a day on news that Elon Musk was "considering taking Tesla private at $420" and that funding for this was "secured". At that valuation Tesla would be 10% more valuable than at its previous peak. Mr Musk – at the time in a dual CEO-Chairman role – was investigated for securities fraud by the US Securities and Exchange Commission (SEC), given a $20m fine and was obliged to step down as company Chair. Soon after the quarter end Tesla announced Robyn Denholm as independent Chair, and posted its first profit in nearly two years. As reflected in our Voting Principles, LGPS Central is an avid opponent of dual CEO-Chair roles, and we think that the changes at Tesla are a meaningful strengthening of the company's governance.

The IPCC (Inter-governmental Panel on Climate Change) released a Special Report highlighting to governments the importance of significant near-term action on climate change, and the difference in economic damages between a 1.5˚C scenario versus a 2˚C scenario (i.e. a scenario in which the increase in global mean surface temperatures is limited to 2˚C compared with pre-industrial times). While progressive investors and companies are beginning to strategise around a 2˚C scenario, the Special Report predicts the extra 0.5˚C of warming (i.e. beyond 1.5˚C) would significantly increase the extent of floods, heatwaves, wildfires and loss of species. A separate report predicted the United States could have a total annual cost of $500bn (in 2015$) as a result of climate change, though that conclusion failed to resonate with the US President.



Source: Intergovernmental Panel on Climate Change

The IPCC report emphasises the role of policy-makers and consumers – the rule-makers and the demand-side of global energy – offering some balance to a discourse which usually focusses only on rule-takers and the "supply side", i.e. companies and their investors. There has already been c1˚C of warming since pre-industrial times and the pledges made by government following the Paris climate accord puts us on course for 3˚C of warming by 2100, assuming those pledges are met. Policy-makers meet in Katowice at COP 24 – three years since the Paris accord at COP 21 – this December, and investors will be hoping for a clear policy signal. LGPS Central has signed the 2018 Global Statement to Governments on Climate Change[1] which, supported by our partners CDP and Institutional Investor Group on Climate Change, calls on governments to (i) achieve the goals of the Paris Agreement on climate change; (ii) accelerate private sector investment into the low carbon transition and; (iii) commit to improve climate-related financial reporting. More than that, we have continued to progress against our climate change Stewardship Theme, which we discuss in section 4 below.

This year's Hampton-Alexander report provided a sobering picture of gender diversity in large public UK firms. Year-on-year, females comprise an increased proportion of total non-executive directors in FTSE-listed firms, but this improvement is not matched by recruitments to senior roles including Chairs and Executive Committee roles, where little discernible change is in evidence. Progress on ethnic diversity is even slower. The Parker Review on the ethnic diversity of UK Boards recommended that all FTSE-listed firms should have at least one director that is a person of colour by 2021. Despite this only 8% FTSE 100 board room seats are currently occupied by persons of colour, despite 14% of the UK population being non-white. The UK Prime Minister has proposed mandatory reporting by large UK-listed companies on their "ethnicity pay gap", mirroring existing reporting on the gender pay gap. We would be supportive of improved reporting, which we think would bring much needed attention and focus to an under-served issue.

Recognising both the systemic importance of audited accounts, and the acute concentration risk in the UK audit market, the Competition and Markets Authority has launched a UK Statutory Audit Market consultation. Whilst the audit profession might not be front and centre for millions of ordinary pension savers, their retirement incomes depend to some extent on independent audits to help ensure that companies report truthfully on their performance. In the UK, 97% of audits of FTSE 350 firms are undertaken by the Big Four auditors, and the fifth biggest auditor (Grant Thornton) has announced its withdrawal from all auditing tenders for FTSE 350-listed firms, over concerns that pitching for the business is a waste of resources. Whilst the EU's re-tendering and rotation requirements have increased the churn of Plc auditors, after accounting for conflicts – audit firms offer a wide range of consultancy services – there is often only one external auditor eligible for appointment. The CMA consultation covers choice and switching; the long-term resilience of the sector; and the incentives between audited companies, audit firms and investors. Our stewardship provider, Hermes EOS, responded to the CMA's Invitation to Comment, opining that audit could better serve investors by revising accounting standards, improving audit quality, increasing independence of auditors, and applying more scrutiny to the appointment of the external auditor.

Shortly before publication we learned of the sudden and unexpected death of Cllr Ian Greenwood OBE, who was the Chair of the Local Authority Pension Fund Forum ("LAPFF"). Ian contributed a great deal to LAPFF, and to all he influenced through his career of service to local government. We will miss him and our thoughts are with his family at this time.

[1]https://theinvestoragenda.org/areas-of-impact/policy-advocacy/

2 Engagement

This quarter there were 230 companies in our engagement set, engagement activity was conducted at 160 of these, and there was achievement of some or all of the engagements objectives on 56 occasions.

Most engagements were conducted through letter issuance or company meetings, and we mostly met the Chair or a member of senior management. At the end of the quarter we announced the appointment of Hermes EOS to act as our stewardship provider. This appointment will broaden the reach of our global engagement service and assist the delivery of the Voting Principles we have developed with partner funds. Though not included in the engagement statistics provided here, Hermes EOS engaged with 241 companies during the quarter in review, including engagements that further our stewardship themes of climate change, cyber security and diversity (see below).

Most engagements were in support of our stewardship themes, and this is expanded in Section 4 below. To illustrate our stock-specific and policy engagement, we provide some case studies below.

WORKFORCE ISSUES AT NATIONAL GRID PLC

National Grid Plc ("NG") has about half of its business located in the United States (by regulated asset value). Since June there has been a lockout – a relatively rare event where a company prevents employees returning to work, usually as a result of a breakdown in contract negotiations – of NG employees in Massachusetts ("Ma"). NG put the lockout in place to prevent trades unions calling a strike after contract negotiations broke down. The company and the unions are in dispute regarding NG's proposals to reduce healthcare cover and to place new employees in a defined contribution pension plan (as opposed to placing them in the same defined benefit plan that covers current employees). Trades unions have raised concerns over the well-being of those colleagues who are currently unemployed and without health insurance cover, and the safety standards of NG's Ma operations that are now being undertaken by contractors and re-located national staff. The company has stated that their aims in the contract negotiations are to agree terms similar to those agreed with the fourteen other unions that represent NG's US workforce. Working through two stewardship partners, we have sought to understand the Board's position on the matter, and to encourage the company to bring negotiations to a successful conclusion. The company and the unions are in talks and we remain in regular contact through our stewardship partners.

CORPORATE GOVERNANCE, SUCCESSION AND ACCOUNTING DISCLOSURE

We are a long-term investor in a listed hotels business with whom we have recently been engaging on a number of risks factors that we feel are being insufficiently addressed. Recent improvements in corporate governance included the recruitment of a permanent CEO and a strategy review that promised to address the company's underwhelming operational performance. However, the CEO departed after only three months in post, closely followed by one of the more highly regarded non-executive directors.

No details have been provided regarding either resignation and we have put our elevated concerns – in particular the inability of an entrepreneurial CEO to co-exist with a dominant majority owner who is company Chairman – in a letter to the company to escalate our apprehensions. We have also expressed reservations about the quality and independence of some of the board members, and have called for additions to accounting disclosures that we feel would benefit shareholders.

POLICY ENGAGEMENT

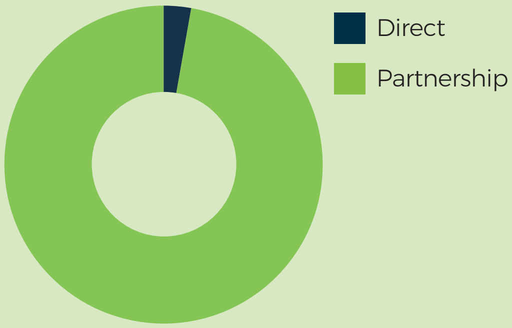
We highlighted above the review of the audit market being undertaken by the UK's Competition and Markets Authority.

The International Organization of Securities Commissions (IOSCO), an international standard setter for securities regulation, also published a consultation report that invited feedback on the role audit committees have in ensuring good audit quality. In our view, audit committees should comprise at least three independent non-executive directors with recent financial experience, who are demonstrably familiar with the business (for example by having a tenure of at least 12 months). The role of the audit committee has special significance for investors, as it includes oversight of the integrity, reliability and usefulness of accounting disclosures. This includes oversight of key accounting policies, internal financial controls, the appointment, monitoring, and rotation of the external auditor, and annual, periodic and exceptional disclosures. The International Corporate Governance Network (ICGN, one of our partnership organisations), responded to the IOSCO consultation with a position that reinforces LGPS Central's view on the audit committee role. In addition, ICGN encouraged a policy approach that articulates best practices as opposed to establishing minimal baseline guidance. The concern with some of IOSCO's proposed guidance to audit committees is the adjustment of the guidance to lower standards in selected jurisdictions, where existing regulations are looser or do not support good practices. We agree with ICGN: IOSCO has the opportunity to encourage consistently higher standards of audit integrity, increasing investor trust, and making for healthier and more efficient capital markets regardless of jurisdiction.

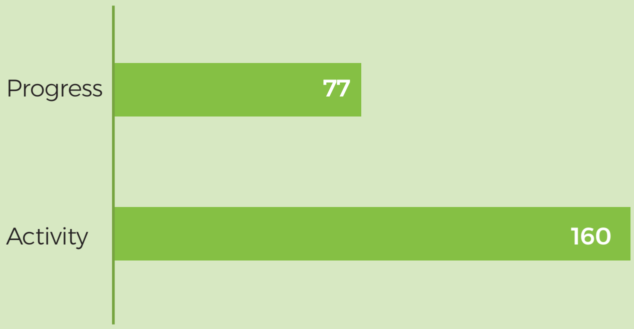
3 Stewardship Themes

CLIMATE CHANGE

Engagement Volume by Type



Engagement Volume by Outcome



- 161 engagements in progress
- Further 82 climate change engagements undertaken by our Stewardship Provider
- Tangible progress and initial objectives met

Climate Action 100+
Global Investors Driving Business Transition

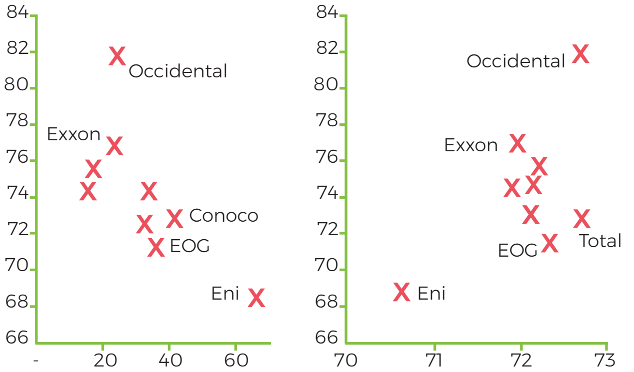
Engagement progress has been made through participation in the Climate Action 100+ (CA100+) initiative, a collaboration of institutional investors jointly responsible for $32tn in assets under management. CA100+ will engage around 150 of the world's largest and most GHG-intensive companies with three objectives: (i) robust governance of climate risk, (ii) climate change disclosure in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD), and (iii) the alignment of business models with a 2°C pathway. During the quarter, initial engagement outreach was undertaken by CA100+ lead and co-lead engagers. This included AGM attendance (46% of lead engagers have or will attend the AGM), letter issuance, and meetings with senior company personnel. Shareholder resolutions are under consideration at a fifth of companies and over half of lead investors have made securing long term GHG targets aligned with the goals of the Paris Agreement a top two priority. Outcomes included raising awareness of climate change risks at Board level, progress in encouraging companies to consider a long-term plans in alignment with the Paris Agreement, and gaining commitments to improved disclosure.

We met the CEO of Centrica Plc (discussing climate transition risk), the Chair of Rio Tinto Plc (discussing the company's memberships of trade associations), and Executive Committee members of Royal Dutch Shell Plc (discussing 2°C alignment, methane emissions targets, and remuneration). Progress against engagement objectives were made at all three target companies. Centrica demonstrated a comprehensive understanding of energy transition risks, the possible impacts on Centrica's business model, and the importance and influential role open to a company such as Centrica. Energy transition risks have been factored into company strategy and recent investment decisions. Following engagement, Rio Tinto has issued comprehensive disclosure on its involvement with trade associations, and has delivered on its ambition to engage with those associations that do not share Rio Tinto's view on climate change (which is to support the Paris Agreement and a meaningful carbon pricing regime). Rio Tinto's disposals have shaped a commodity portfolio that could enable solutions to lower-carbon technology, including exposure to high grade iron ore, bauxite/alumina, lithium, and copper. Shell has disclosed methane emissions targets, and is found by the Transition Pathway Initiative to be one of only two oil & gas companies globally to be disclosing long-term targets that align their business model to the 'nationally determined contributions' (NDCs) under the Paris Agreement. Unfortunately the NDCs themselves do not deliver the full ambition of the Paris Agreement and, under the CA100+ banner, this is a key objective of our engagement with fossil fuel suppliers.

We also continue to work with the Transition Pathway Initiative (TPI), which leverages insight from the LSE and FTSERussell to observe climate change governance and performance for companies in high impact sectors such as Utilities, Oil & Gas, Autos and Cement. TPI recently released a discussion paper on the oil & gas sector and whether such companies can transition their businesses in alignment with the Paris Agreement[2]. Among the insights contained in the paper, TPI find that it is possible to compare oil & gas companies – whether fully integrated or exploration & production businesses – to a 2˚C pathway, and hence to set disclosure expectations such that investors can monitor progress against the Paris Agreement.

In addition, the paper suggests that the historic focus of oil & gas companies on their operational emissions – those which are emitted during exploration, extraction, transport or refining – are irrelevant compared with downstream emissions – those which are released when companies' sold products are combusted – when it comes to determining alignment with the Paris Agreement (see below, particularly 6(d)).

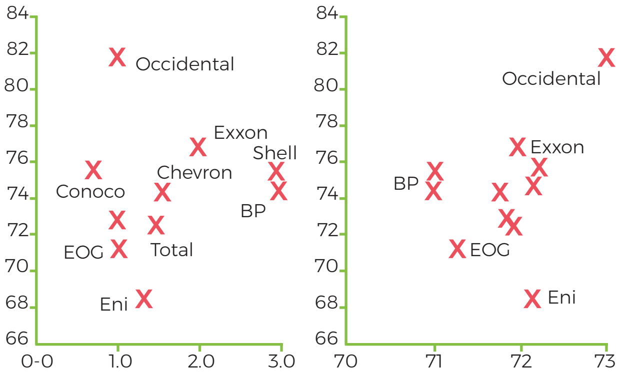
Emission intensity of energy (kg/MJ)



a) Gas Sold/Assessed Product (%)

b) All refined liquid intensity (gCo2e/MJ)

Emission intensity of energy (gCo2e/MJ)



c) Assessed Product/ primary protection

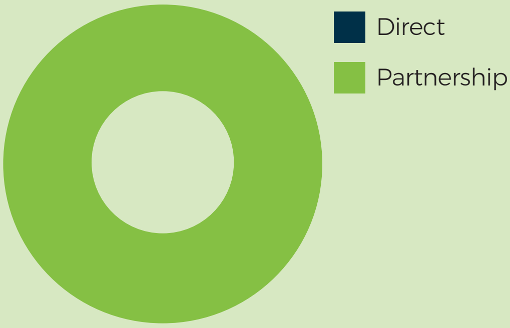
d) Operational emissions (gCo2e/MJ)

Source: Transition Pathway Initiative, London School of Economics, company disclosures

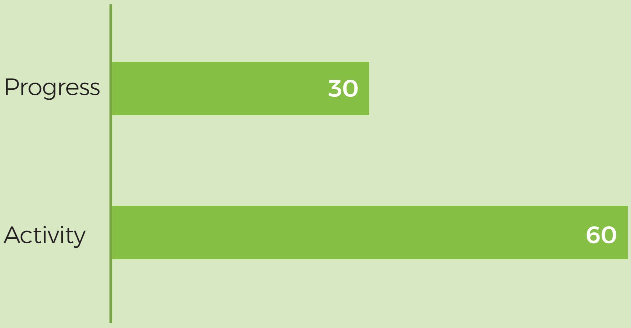
[2]http://www.lse.ac.uk/GranthamInstitute/tpi/wp-content/uploads/2018/11/Oil-and-gas-discussion-paper.pdf

CYBER SECURITY AND DATA PROTECTION

Engagement Volume by Type



Engagement Volume by Outcome

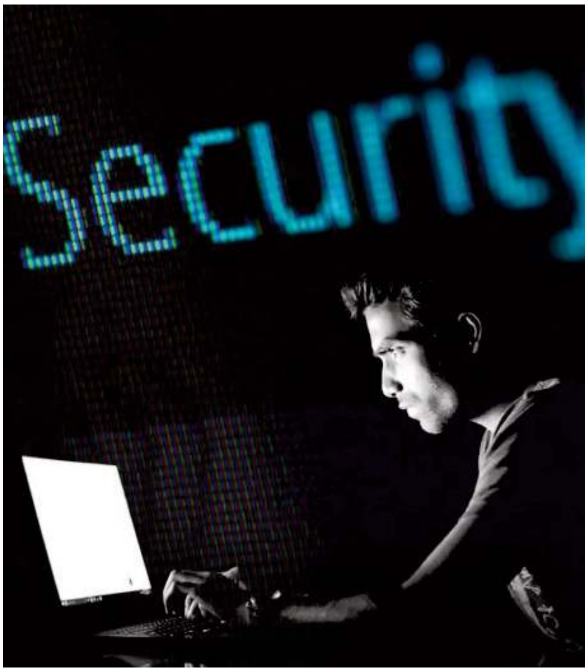


- PRI-led collaborative engagement
- 62 companies contacted by letter; 56 responses received
- 40 engagement meetings held
- Further 7 cyber security engagements undertaken by our Stewardship Provider

We are part of a collaborative engagement organised by the PRI aimed at achieving shareholder assurance on companies' preparedness for cyber security threats and mitigation of data management risks (including GDPR). Of the 62 companies in the collaborative engagement, LGPS Central has is led engagements with two UK banks. These engagements have been brought to a successful conclusion. More broadly, the collaboration has held 40 engagement meetings with target companies, and improvements to the PRI's cyber risk scorecard have been made at 30 companies to date.

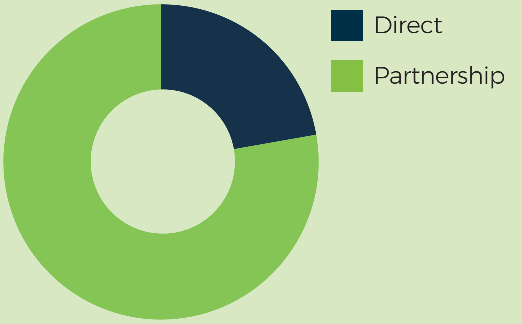
We have observed a reluctance in US-based companies to discuss with investors their systems and processes for managing cyber security threats and data protection. This is not the case with European companies, where a more open and progressive response has been in evidence. In addition, US-based companies are more reluctant to elevate the engagement to a board member, preferring to manage the conversation at lower levels. This makes it difficult to appraise the expertise and awareness of the seriousness of cyber security risks at board level. During the quarter, Facebook Inc and International Consolidated Airlines Group SA (parent company of British Airways) disclosed significant cyber attacks on their networks, crystallisations of the risks of cyber attacks to which all modern businesses are vulnerable.

Our newly appointed Stewardship Provider engaged a further 7 companies on cyber risk during the quarter in review.



DIVERSITY

Engagement Volume by Type



Engagement Volume by Outcome

- Membership of 30% Club Investor Group
- Progress against objectives including engaged companies setting robust diversity targets
- Further 84 engagements undertaken by our Stewardship Provider

As reported above, the 2018 Hampton-Alexander report contained some disappointing results, against the positive headline that directors on FTSE 100 company boards are more than 30% female for first time. In the US, California has proposed the requirement for companies to have least one woman on every public company headquartered in California by 2019, and between 40-50% by 2021. California is below the US average for gender diversity metrics, partly owing to the concentration of technology firms in California, and the perception that such firms lack a culture of diversity and inclusion. More broadly, only 39 companies in the Russell 3000 index of US stocks has gender parity on its board of directors.

The number of women chairs in the UK is flat since 2017 (there are just 22 among FTSE 350 firms) and the number of female CEOs has decreased from from 15 to 12 year on year. During the quarter, through the 30% Club Investor Group, we spoke to a UK bank about its approach to gender diversity, and to an oil & gas company that has recently appointed a female Chair, and whose diversity approach goes far beyond the gender issue.

RBS is recognised as a leader on gender diversity, something that Ross McEwan (current CEO) has championed throughout his tenure at the bank. Mr McEwan explained the importance of diversity to RBS, particularly given the bank's recent history, and the company recently announced the promotion of Alison Rose to Deputy Chief Executive and Director of NatWest Holdings (the legal entity which owns RBS, NatWest, Ulster Bank and Coutts). Were Ms Rose to rise to be CEO, she would be the first female Chief Executive of a major high street bank in the UK.

We also met the recently installed female Chair of Tullow Oil Plc. Following initial engagement, Tullow has committed to having 30% of its Board comprised of female directors by 2020. For Tullow, however, diversity is much more than an issue about gender. As a company with the majority of its business in Africa, Tullow's inclusion programme has a strong focus on recruiting and retaining African nationals to key functions within the business. The Company's Ugandan, Kenyan and Ghanaian operations are all headed up by local nationals, and the company already meets the Parker Review's recommendation on ethnic diversity (viz. that all FTSE-listed firms should have at least one director that is a person of colour by 2021). We will remain engaged with the company and monitor progress against its diversity goals.

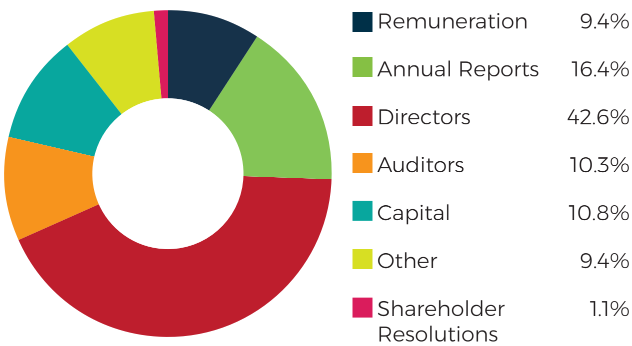
Despite the Parker Review's recommendations, only 8% of FTSE 100 board room seats are currently occupied by persons of colour, despite 14% of the UK population being non-white. The UK Prime Minister has proposed mandatory reporting by large UK-listed companies on their "ethnicity pay gap", mirroring existing reporting on the gender pay gap. We would be supportive of improved reporting, which we think would bring much needed attention and focus to an under-served issue.

4 Voting

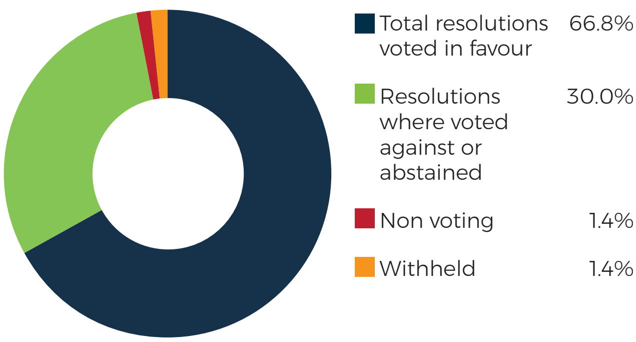
POLICY:
For UK listed companies, we vote our shares in accordance with a set of bespoke UK Voting Principles. For other markets, we consider the recommendations and advice of our third party proxy advisor.

COMMENTARY:
On behalf of our clients, we continued to vote shares at company meetings between July and September 2018[3].

Global Votes Against and Abstention by Category

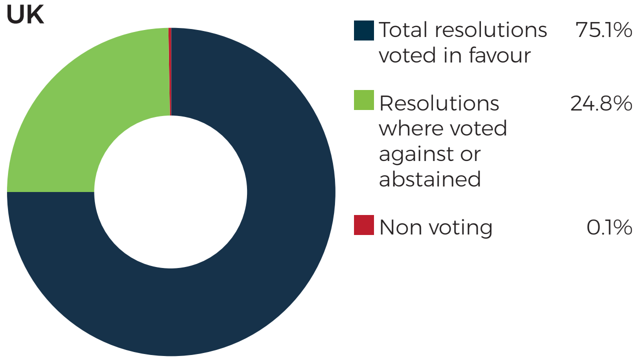


Global Votes By Outcome



Overall we voted at 226 company meetings on 2,643 resolutions and we opposed or abstained from about 30% of the resolutions. Of these, most related to the re-election of directors (43%), approval of annual reports (16%), capital decisions (11%), the appointment of auditors (10%), or remuneration (9%).

UK



We voted at 89 company meetings and voted to oppose or abstain about 25% of the resolutions.

We voted to oppose the re-election of Sports Direct Plc Chair Keith Hellawell owing to long-running concerns over corporate governance and treatment of the workforce. Mr Hellawell announced during the AGM that he has decided to step down.

We voted to oppose the remuneration report at BT Group Plc. The recent poor share price performance, restructuring with 13,000 job losses, and the losses from BT Italia's accounting mis-practices were not reflected in the (now former) CEO's proposed remuneration, whose salary increased year on year, and who received variable compensation equal to 130% of salary.

At Babcock International Group Plc our voting reflected concerns with the governance of audit. We voted to oppose the re-election of Sir David Omand whose tenure (greater than nine years) which we feel is inappropriate for his role as Senior Independent Director and member of the audit committee. We also voted against the re-election of Victoire de Margerie who failed to attend one of four audit committee meetings and two of 12 board meetings without sufficient justification. Prof de Margerie is no longer a director at the company.

Also of note, although shortly after the quarter end, was Unilever's announcement to withdraw resolutions placed at a General Meeting which would have seen the group move Headquarters to Rotterdam. Unilever's proposal would have insulated the company from another takeover attempt (Kraft Heinz were defeated in an

[3]The data presented here relate to voting decisions for securities held in portfolios held within the company's Authorised Contractual Scheme (ACS)

attempted hostile takeover in 2017), but would have made many UK shareholders forced sellers as the stock would have been removed from major FTSE indices.

EUROPE EX-UK

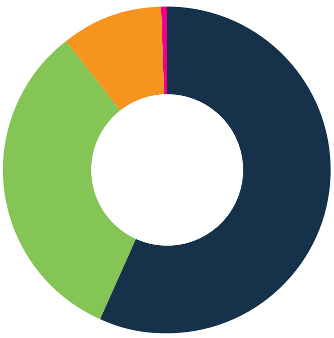
Total resolutions voted in favour	54.8%
Resolutions where voted against or abstained	35.4%
Non voting	9.8%

We voted at 35 company meetings and voted to oppose or abstain about 35% of the resolutions.

On balance, we voted to oppose Alstom SA's transaction agreement with Rothschild & Cie, which will be appointed exclusive financial adviser in connection with the merger of Alstom S.A and Siemens AG. A recent director of Alstom's board (in place until July 2018 when he chose to not stand for re-election) is Vice President Europe of Rothschild, Chairman of the Supervisory Board of Rothschild GmbH and Member of Rothschild Global Advisory Group. We also voted against 10 resolutions that proposed to grant the board authority to make capital decisions (primarily share issuance), over concerns that rights of pre-emption would be disapplied and concerns that share issuances could be used as an anti-takeover device.

We voted to oppose the approval of the financial statements at EFG Eurobank Ergasias SA over concerns regarding the core equity tier 1 ("CET1") ratio. The CET1 ratio at the Company is below 7% in adverse scenario of the 2018 stress test performed by the European Central Bank, which is considered to be an excessive level of common equity capital as a percentage of risk-weighted assets under Capital Requirements Directive IV.

NORTH AMERICA



Total resolutions voted in favour	56.9%
Resolutions where voted against or abstained	32.6%
Withheld	10.2%
US Say on Pay	0.3%

We voted at 43 company meetings and voted to oppose or abstain about 33% of the resolutions.

At McKesson Corp, we supported a shareholder resolution to introduce a company policy to use GAAP (Generally Accepted Accounting Principles) financial metrics for the purposes of determining executive compensation. The use of non-GAAP metrics prevents shareholders from being able to fully assess the performance targets, and we voted to support the resolution on that basis.
At a general meeting of Twenty-First Century Fox Inc, we opposed an advisory vote on executive compensation in connection with the Disney merger. Payments relating to merger and acquisition transactions have the potential to interfere with the exercise of objective judgement by the board responsible for making the decision in the best interests of shareholders.

JAPAN

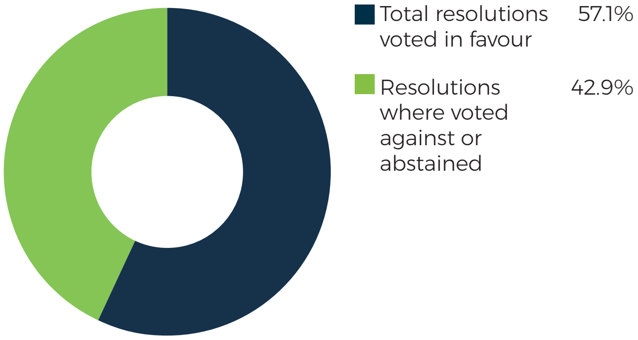
Total resolutions voted in favour	72.3%
Resolutions where voted against or abstained	27.7%

We voted at 12 company meetings and voted to oppose or abstain about 28% of the resolutions.

At Tsuruha Holdings Inc we voted to oppose the re-election of an Executive Director, whose election would leave the board independence level at less than 33%. We also voted against the election of an "Outside Corporate Auditor" (whose role is to audit the executive directors from a business and financial perspective) and an "Inside Corporate Auditor", also on grounds of insufficient independence.

At the AGM of Kusuri No Aoki Holdings Co we voted in opposition to the election of three directors, including the Chair, over concerns regarding the independence of the board. One candidate, who is not considered independent of the company, was proposed as a substitute corporate auditor that could have replaced one of the independent auditors, which could compromise the good governance of the board audit (i.e. the board oversight) function.

ASIA EX-JAPAN

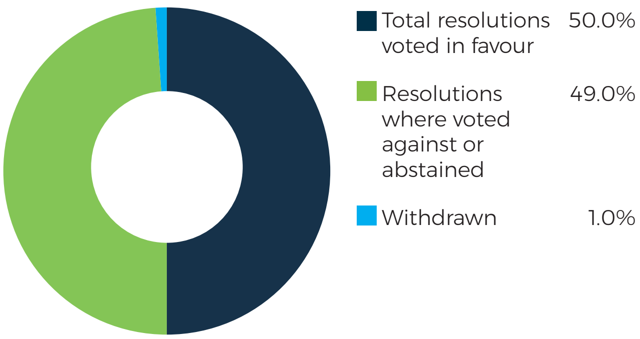


We voted at 32 company meetings and voted to oppose or abstain about 43% of the resolutions.

Kepco (Korea Elec Power Corp) held an EGM at which we voted to oppose the election of four executive directors. At present the Board is comprised of a majority of executive directors, which limits the oversight and independent judgement of board-level decisions. Further, the biographic details of directors is not sufficient, meaning the quality of the (minority) non-executives cannot be determined from the meeting materials. The issue of independence is an acute concern for independent shareholders given the majority ownership of the company by the South Korean state.

At Vtech Hldgs Ltd we voted against the appointment of KPMG, the company's external auditor. Non-audit fees represented more than 100% of audit fees on a three-year aggregated basis, which calls into question the independence of the external audit process. In addition, KPMG has been in place for more than 10 years.

REST OF THE WORLD



We voted at 15 company meetings and voted to oppose or abstain about 49% of the resolutions.

We voted against the election of a special interest representative to the Board of Ausnet Services, as we are concerned that there is insufficient independent representation on the Board.

We also voted to oppose the New Executive Share Option Scheme over concerns that this could lead the CEO and other executives to be awarded shares or rights to receive shares without performance conditions being clearly disclosed.

At the Ryman Healthcare Ltd AGM we decided to oppose the appointment of the external auditor. The date of the original appointment of the current audit firm (Deloitte) is undisclosed, meaning the length of tenure is not known. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor. Deloitte were in place at the time of the company's first publicly available annual report in 2005.

5 Industry Participation

LGPS Central is an active participant in the investment industry and responds to relevant stakeholder consultations, contributes to key RI-related advisory committees, and makes select speaking appearances at investment conferences.

We are expecting a consultation on the next version of the UK Stewardship Code to be issued by the Financial Reporting Council (FRC) in December. As a member of the FRC's Investor Advisory Group, we discussed the Stewardship Code with the FRC in September. LGPS Central is in favour of including more asset classes and more actors in the investment value chain within the scope of the concept of stewardship. In addition, and speaking as public supporters of the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD), we think that the Stewardship Code should set the expectation for investors to report on climate-related risks where relevant, and that the Code's guidance should refer to the TCFD recommendations to encourage adoption.

LGPS Central is a partner in the Transition Pathway Initiative (TPI), contributing to its Steering Committee and Technical Advisory Group. Drawing on expertise and insight from the London School of Economics and FTSE Russell, TPI provides investors with a free-to-access tool to assess the climate change preparedness of listed companies in high impact sectors. An academic paper co-authored by TPI colleagues[4] has been published in the respected journal *Nature Climate Change*, advancing the discourse on climate change and the relevance for investors. For a sample of 138 companies in seven high impact sectors, TPI finds that whilst most companies have implemented basic carbon management practices, less than half of them have implemented more strategic practices. Further analysis indicates, however, that where corporate emissions targets have been set, they are mostly aligned with the Paris Agreement goals. Companies with stronger governance of climate change risks are found to be more likely to have set 2 °C-aligned targets. The clear insights brought to bear by TPI allow investors to identify climate leaders and laggards and to set climate stewardship priorities accordingly.

[4] Simon Dietz, Charles Fruitiere, Carlota Garcia-Manas, William Irwin, Bruno Rauis & Rory Sullivan

TPI has been selected by Climate Action 100+ ("CA100+") as a benchmark provider, meaning that the $30tn of AUM that supports CA100+, which includes LGPS Central, will be directed towards making observable improvements in climate change risk management at the companies TPI currently rates as laggards.

This quarter our Director of Responsible Investment & Engagement spoke at two investment conferences. LGPS Central's RI&E approach was profiled in Local Government Chronicle and on Asset TV.

Conference	Topic
AGEFI	Transition Pathway Initiative; impact investing
Investing With Impact Summit	Impact investing – defining impact investing

LGPS Central currently contributes to the following groups:

- Cross-Pool Responsible Investment Group
- UK Pension Fund Roundtable
- BVCA Responsible Investment Advisory Group
- PRI Listed Equity Integration Advisory Sub-Committee
- TPI Steering Committee & Technical Advisory Group
- GFI Working Group on Data, Disclosure & Risk
- FRC Investor Advisory Group
- LAPF SIF Advisory Board

LGPS Central Limited's Partnership Organisations

30% Club
GROWTH THROUGH DIVERSITY

BVCA
British Private Equity & Venture Capital Association

CDP
DISCLOSURE INSIGHT ACTION

Climate Action 100+
Global Investors Driving Business Transition

HERMES
EOS

IIGCC
Institutional Investors Group on Climate Change

ICGN
International Corporate Governance Network

Local Authority Pension Fund Forum

PENSIONS FOR PURPOSE

PRI
Principles for Responsible Investment

Transition Pathway Initiative