LGPS CENTRAL LIMITED

Quarterly Stewardship Report

Third Quarter 2018/19

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:

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:

1 Introduction and Market Overview

Though occurring after the close of the quarter in review, it would be remiss not to record sincere condolences for the families and communities affected by the major tailings dam collapse near Brumadinho in Brazil.

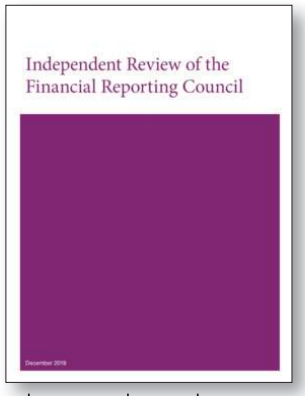
More than 200 people are believed to have lost their lives in the disaster, and there has been significant environmental damage to the land downstream of the failed dam. In the days following the tragedy LGPS Central joined a group of investors including the Church of England Pensions Board and the Swedish Council of Ethics in calling for a step change in tailings dam management across the mining sector. We provide more details on our engagement with Vale SA – the company that owned and operated the Brumadinho tailings dam – and the wider mining industry in Section 2 below.

In December global policy-makers met in Katowice at COP 24 – three years since the Paris accord was signed at COP 21. The outcomes were better than expected, with an agreed 'rulebook' to operationalise the goals of the Paris Agreement when it enters into force in 2020. LGPS Central signed up to the Investor Agenda, a global statement calling on policy makers to achieve the Paris Agreement's goals, accelerate private sector investment into the low carbon transition, and commit to improve climate-related financial reporting. The IIGCC (Institutional Investor Group on Climate Change) lobbied on its members' – including LGPS Central – behalves for a strong outcome to the COP24 talks. The downsides to COP24 were the failure to unreservedly acknowledge the significance of the Intergovernmental Panel on Climate Change (IPCC) "Special Report on 1.5 Degrees", and to delay by 12 months an agreement on the global trading of carbon credits. We will continue to support a policy environment sufficient to achieve the goals of the Paris climate accord.

IIGCC
Institutional Investors Group on Climate Change

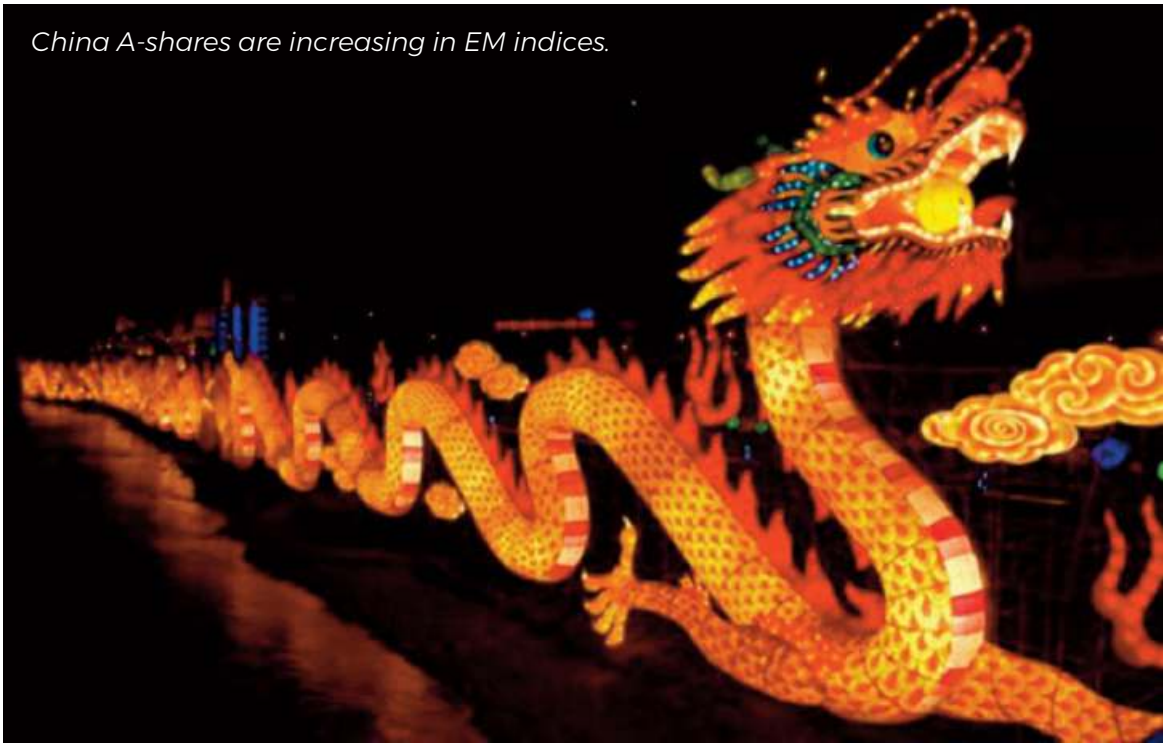
Devastation in Minas Gerais

In the UK, the volume of consultations on stewardship, accounting, and audit, keeps increasing. We are in the process of responding to the FRC's consultation on the UK Stewardship Code, in which we will welcome much of the progress embedded in the proposed new code, but recommend a more progressive approach to reporting on climate risks. During the quarter in review, Sir John Kingman's Independent Review of the Financial Reporting Council (FRC) was published. Kingman has recommended that the FRC be replaced by a regulator with greater powers and resources, a clearer statutory basis, and a new board. Kingman also called into question the effectiveness of the UK Stewardship Code, something we will attempt to improve through our membership of the FRC's Investor Advisory Group.



A significant change is underway in emerging market (EM) index construction, and this could introduce new ESG risks and opportunities for investors. MSCI has announced that it will increase the proportion of China A shares – shares of Chinese companies listed and traded in China – within its flagship EM index at a faster than expected rate. Having been rejected repeatedly up to and including 2017, A shares will now represent c3.3% of the index by the end of 2019. Approximately $1.9tn tracks the index and, while estimates vary, up to $125bn could be added to China A shares as a result of the re-weighting, which could rise to 16% over time. FTSERussell announced that inclusion of China A shares will be phased in from June 2019, reaching c5.5% at the end of 'phase 1'.

Previously China A shares have been rejected by the index constructors for reasons of inadequate corporate governance standards (including low levels of board independence), and poor shareholder protections (including regular stock suspensions). Some improvements have been made including an easing of foreign investment restrictions, a doubling of limits for investments in overseas funds, and a decline in the number of suspended stocks. Rather than a categorical governance risk, the introduction of A shares to institutional portfolios – passive equity investors will be forced buyers of A shares, in increasing volumes – could be a governance opportunity for investors with sophisticated stewardship programmes. LGPS Central recently announced the appointment of three external asset managers that will manager an active EM equity fund. Given the perception of elevated ESG risk, we performed extensive due diligence on BMO, UBS, and Vontobel and believe them to be well positioned to manage ESG risk on the downside, and to capitalise on ESG signals that are misunderstood or ignored by other investors active in this market.



China A-shares are increasing in EM indices.

2 Engagement

This quarter there were 1,068 companies in our engagement set[1], engagement activity was conducted at 344 of these, and there was achievement of some or all of the engagements objectives on 143 occasions.

Most engagements were conducted through letter issuance or company meetings, and we mostly met the Chair or a member of senior management. 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.

BRUMADINHO AND LESSONS FOR THE MINING SECTOR

On 25 January 2019 a tailings dam at an iron ore mine, owned by the Brazilian company Vale SA, collapsed causing at least 200 fatalities, and the release of over 10 million cubic metres of tailings waste into the environment downstream of the dam. This was the second time in three years that a tailings dam collapsed at a Vale-owned facility in the Brazilian state of Minas Gerais. In 2015, a dam at Vale's joint-owned mine in Samarco (about a 100km from Brumadinho) burst causing 19 fatalities and a lawsuit settled at c$5bn. Since the event in January 2019, Vale has had a significant amount of its mining activity halted by the Brazilian state on safety grounds.

In the days following the Brumadinho incident, LGPS Central joined a coalition of fellow investors including the Church of England Pensions Board and the Swedish Council of Ethics in calling for a step change in the way tailings dams are classified, managed, and reported on to the public. Specifically, we are calling for an independent classification system of tailings dams that categorises dams according to the consequences of failure. Accompanying this there should be proportionate safety

> We were incredibly saddened to hear about the recent tragic events in Brazil. Our thoughts are with all those impacted by this terrible incident. We are absolutely committed to ensuring the companies we invest in take their health and safety responsibilities seriously, and that's why we fully support a call for improved mine safety systems as a matter of urgency. Protecting both the wellbeing of workers and the local environment they operate in should be a priority for companies and investors alike.
>
> **Michael Marshall**
> **Director of Responsible Investment & Engagement at LGPS Central Limited**

[1]This includes engagements undertaken directly, in collaboration, and via our contracted Stewardship Provider

management standards, and independent audits that are sufficiently resourced.

As reported in the media, we attended a roundtable meeting in London to discuss these requirements with fellow investors and with industry. A number of CEOs of large mining companies have stated publicly that they welcome the call investors have made, and the industry trade body ICMM (International Council of Mining and Metals) has also been accommodative. During the meeting, we asked whether cost, or the disproportionate cost on miners with different quality assets, could inhibit the industry taking the necessary steps: we were answered that it would not. We look forward to our next joint sessions as we progress with our expectations on tailings dam safety. This is more than just an issue for Vale. The mining industry as a whole is in crisis, and appropriate measures must be taken to restore faith and maintain societal license to operate.

NATIONAL GRID: CONCLUSION REACHED

We reported in our previous Quarterly Stewardship Report an engagement with National Grid Plc (NG) to understand the way in which the Board intends to resolve an employee lockout that had been ongoing at its Massachusetts (US) operations since June 2018. We shared concerns raised by trades unions over the well-being of NG employees and safety standards, and over the company's bottom line as contractors were hired to backfill the locked out employees. Our engagements were seen through by two of our stewardship partners.

nationalgrid

In early January 2019 NG announced to the market that an agreement with the US unions – failed talks with whom had precipitated the lock out – has been struck. This allowed employees to return to work from 21 January 2019, allowed the company to resume non-emergency work (which had been halted by regulators), and brings an end to a period in which NG was reportedly spending an additional £1m per day as a result of the lockout. We support companies taking a long-term, equitable approach to managing employee and union relations. While the lock out was regrettable, it is pleasing to have an agreement reached.

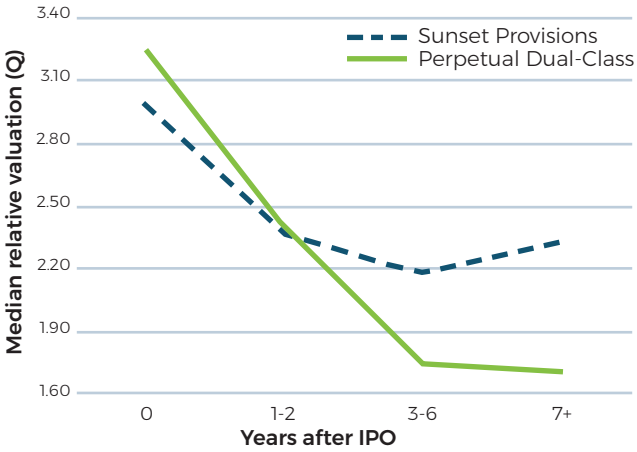
POLICY ENGAGEMENT – BELGIAN LOYALTY SHARES

At a time when stewardship appears to be on a path to greater robustness – witness, for example the implementation of Shareholder Rights Directive II, or the refreshed UK Stewardship Code currently out for consultation – certain parties including governments and stock exchanges, keen to attract business, seem intent on moving in contrary motion. In 2018 it became clear that momentum was gathering behind the Belgian government's plans to abolish the 'one share, one vote' rule, and to make it easier for company's to change their articles to allow 'loyalty voting shares'.

Only a 50% + 1 share majority is required for a company to change its articles of association and introduce loyalty voting shares, which would give greater voting power to 'long term' investors, including company founders and their heirs. There is an argument to say that loyalty shares – a similar phenomenon exists with the French Florange Law – promote a long-term approach by handing voting power to those invested for the long term. We, however, were in support of ICGN's position on Belgian loyalty shares, as the new legislation could reduce the accountability of management to shareholders, and diminish investors' abilities to remove underperforming management and entrenched boards. We also note the academic evidence cited. This included research undertaken by SEC Commissioner Robert Jackson which suggests that firms with perpetual dual class shares (of which Belgian loyalty shares would be one example) tend to underperform those firms that include 'sunset provisions', i.e. a commitment to eliminate differentiated shareowner rights at an agreed point in the future.

As recorded in our Voting Principles, one of our five pillars guiding our voting activity is "Stewarding Our Capital, Protecting Shareholder Rights". If we see AGM items proposing changes to articles including the introduction of dual-class shares, we are likely to vote in alignment with the ICGN position.

Valuation of Dual-Class Firms

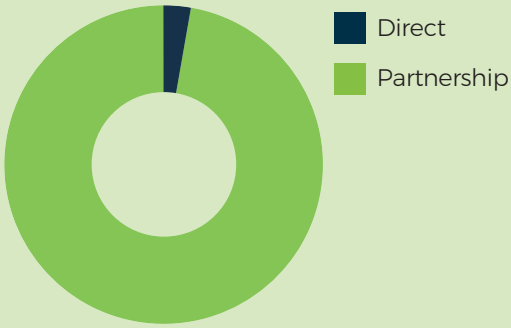


Source: SEC.gov 2018, Commissioner Robert Jackson

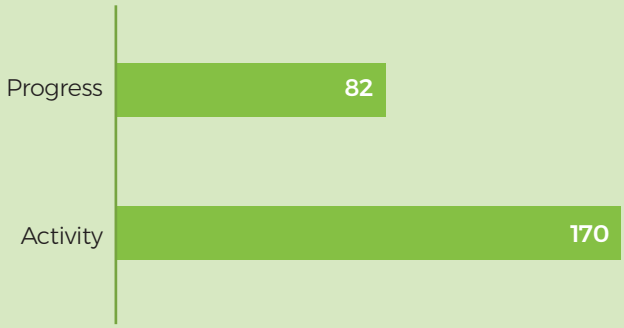
3 Stewardship Themes

CLIMATE CHANGE

Engagement Volume by Type



Engagement Volume by Outcome



- 327 engagements in progress
- Engagements undertaken directly and by our stewardship partners
- Tangible progress and initial objectives met

The majority of our climate change stewardship continues to be in collaboration with the Climate Action 100+ initiative (CA100+) and the Transition Pathway Initiative (TPI). During the quarter in review we have achieved significant progress in the company engagements in which we play a direct part.

LGPS Central was among the first investors to file a resolution at BP Plc that commits the company to make capital expenditure decisions in alignment with the goals of the Paris climate accord. The resolution was welcomed by the company's board and executive management, echoing the 'Aiming for A' resolutions that LGPS Central partner funds co-filed in previous years. It is a pragmatically articulated mandate for the company to transition its business model and remain viable in a carbon-constrained world.

Focussed engagement with Glencore Plc yielded a public statement from the company which commits the company to make strategic business decisions in line with the Paris agreement on climate change. The company had not previously recognised the Paris goals – i.e. holding the increase in the global average temperature to well below 2˚C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5˚C above pre-industrial levels – meaning that the engagement outcome represents a marked improvement in the company's climate strategy. Significantly, the company has commited to limit coal production and to prioritise areas of the business that have a role in facilitating lower carbon technologies, for example copper, cobalt, nickel, vanadium and zinc.

We attended an ESG forum hosted by Rio Tinto Plc, where presentations were given by the Chair, Chief Executive, and other members of the Board. Recent engagement has seen the company ramp up its transparency over its membership of trade associations, reviewing those memberships at board level to ensure trade bodies do not pursue policy objectives that could compromise Rio Tinto's long-term strategy, notably on its climate risk management. We took the opportunity to ask the CEO about the company's health & safety performance: while the injury frequency rate continues to decline, two workers tragically lost their lives last year. The company has a comprehensive risk management programme, with site-level data feeding into an oversight framework with Board-level accountability. The company is incentivising site managers to reduce the injury frequency rate below a target of 0.3 per 200,000 hours worked as part of a 3 lines of defence framework. The company reported that health

and safety takes 36% of the agenda time for the Board-level Sustainabilty Committee.

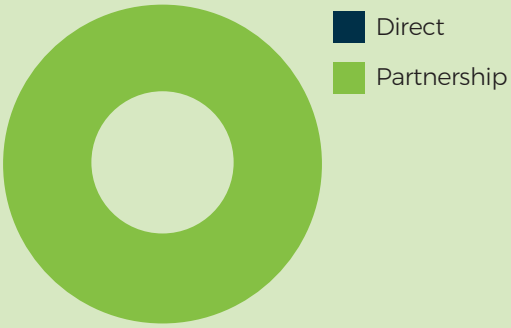
The Transition Pathway Initiative (TPI) is one of our strategic partners for our climate change stewardship theme. Headed by a steering group of asset owners – including LGPS Central – TPI is powered by climate change experts at the London School of Economics, and the data provider FTSERussell. Research on the climate change preparedness of the airlines sector was released by TPI, with twenty listed airlines companies assessed for management quality (i.e. governance of climate risks) and carbon performance (i.e. alignment with a 2°C scenario). In terms of management quality, one company is rated as Level 0 ('climate unaware'), while four companies make Level 4 ('strategic assessment of climate risks'. None make the highest assessment, Level 4*. Easyjet Plc is rated at Level 2 ('building capacity') and British Airways parent company International Consolidated Airlines Group SA is rated Level 3 ('integrating climate change into operational decision making'). In the short term, many airlines disclose a GHG intensity target in line with the International Energy Agency's pathway for airlines in a 2°C scenario. Beyond 2020 however, many airlines replace the fuel efficiency target with targets set by the international airline industry, but these targets include carbon offsets – the purchase of carbon credits by airlines – rather than a reduction in gross emissions.

Company	Emissions intensity of flight operations (gCO2/passenger kilometre)						
	2014	2015	2016	2017	2020	2022	2025
Air China	111	112	111	107	108		
Alaska Air	94	93	91	91	87		
American Airlines	119	116	116	115			
ANA Group	137	134	132	128	133		
China Southern	114	112	112	108			
Delta	118	116	115	113	104		
Easyjet	82	81	80	79	75	72	
IAG	125	119	116	112	112		
IndiGo				No data			
Japan Airlines	140	132	134	134	125		
Jetblue	101	101	100	101	98		
Korean Air	188	181	175	171	172		
LATAM	108	104	100	96	102		
Lufthansa	127	126	126	120	107		
Qantas	104	101	101	98	89		
Singapore Airlines	138	138	141	136			
Southwest	102	99	98	97	98		
Turkish Airlines		109	119	110	107	106	104
United	107	106	104	104	92		
Wizz Air				No data			
2D (High Efficiency)	129	125	121	118	106	99	88
2D (Shift - Improve)	129	126	123	120	111	105	96
International Pledges	129	126	124	122	115	110	104
Key	Aligned with 2C (High Efficiency)		Aligned with 2C (Shift - Improve)		Aligned with Internat'l Pledges		Not aligned

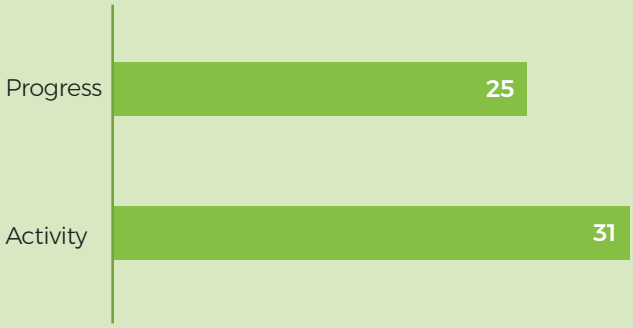
www.lse.ac.uk/GranthamInstitute/tpi/wp-content/uploads/2019/03/Management-quality-and-carbon-performance-of-airlines-040319-1730.pdf

CYBER SECURITY AND DATA PROTECTION

Engagement Volume by Type



Engagement Volume by Outcome



- 108 engagements relating to cyber security
- PRI-led collaborative engagement with 65 companies; 42 engagement meetings held to date
- Further engagements undertaken by our Stewardship Provider

During the period in review, malicious cyber activity continued to hit the headlines with the "London Blue" hackers targeting 35,000 chief financial officers requesting money transfers through a business email compromise strategy. In October Tesco Bank received a £16.4m fine from the FCA following a 2016 cyber attack that led to the theft of £2.26m from current accounts. Tesco Bank's experience is part of a broader trend in financial services where the number of breaches reported to the FCA increased from 25 in 2017 to 145 in 2018. In addition, the previously held assumption that cyber risk can be fully transferred through insurance contracts is being tested. Zurich Insurance Group is reportedly in dispute with Mondelez over a claim relating to $100m of damages incurred during the NotPetya attack.

PRI Principles for Responsible Investment

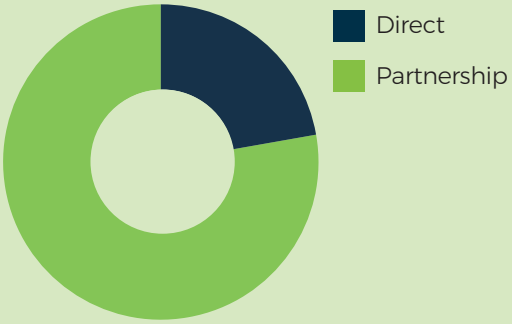
We have continued to participate in a PRI-led group engagement on cybersecurity and data protection. Of 65 companies that have been approached in the engagement, 59 have responded, and 42 meetings have taken place. During the quarter we progressed engagement milestones with a UK telecoms company, a European financial services company, a US IT company, a UK bank and a US healthcare company. The group has found a number of respondents to be reluctant to divulge information to shareholders and particularly in the public domain. US companies in particular were reluctant to grant the group access to board members to discuss cyber-security. We would like the target companies to assure investors that the board has accountability for cyber risks, a clear line of sight as to the systems for managing this risk, and that there is due regard for cyber expertise and experience within the directors put forward for (re-)election to the board.

On our behalf Hermes EOS, our stewardship provider, engages companies on cyber security vulnerabilities via its Strategy, Risk & Communication theme. During the quarter Hermes EOS met an Asian life insurance company and further encouraged enhancing details in disclosure and related actions on data governance and cybersecurity. The target company benefitted from Hermes EOS sharing learnings from information security events at other companies and governance research papers, and highlighting that an incident management process may be scrutinised when it comes to real cyber threats. Hermes EOS recommended additional scenario planning around customers' protection, since prompt and definitive management decisions are required in an attack scenario.

In addition, at a meeting with the lead director of a European energy management company, Hermes EOS gained extensive reassurance on cybersecurity thanks to a detailed description of the work done across the firm and by the board. Hermes EOS pressed for improved shareholder disclosure and a board incident response process, leaving the door open for further conversation once improvements have been made.

DIVERSITY

Engagement Volume by Type



Engagement Volume by Outcome

- Membership of 30% Club Investor Group
- Progress against objectives including engaged companies making board appointments to improve diversity
- Further engagements undertaken by our Stewardship Provider

We previously reported having met the recently installed female Chair of Tullow Oil Plc, and that following our meeting the company committed to having 30% of its Board comprised of female directors by 2020. We were very pleased to see Tullow back up this commitment with the appointment in February 2019 of two female board directors, bringing the proportion of female directors on the board to 33% of total. Writing to the company following this announcement, we praised on behalf of the 30% Club Investor Group the leadership shown by Chair Dorothy Thompson CBE *(right)*.

A growing body of research suggests that greater diversity "leads to better decision-making and financial performance" according to think tank New Financial LLP[2]. Much of the industry's attention has been focussed on how this applies to a corporate setting, typically the board room of a large listed company. Instead, New Financial are writing about how diversity is a valuable – but often overlooked – commodity in fund management.

[2]*Diversity from an Investor's Perspective*, Olivia Seddon-Daines & Yasmine Chinwala

Executive Committees in Europe – considered to be the leading region on gender diversity – are composed of c30% females at pension funds, but only c18% on average across financial services, and 10% in private equity.

We took part in an interview with New Financial to explain how we consider diversity in our investment process, highlighting our approach in selection of external fund managers and in investment stewardship. 'People' or 'Team' are highly weighted within our fund scoring system, and we expect external fund managers to be aware of the value a diverse team can bring; we are not looking for fund managers that tick the box and just say the right things.

We took part in a consultation concerning ethnicity pay gap reporting, welcoming the proposal to introduce such disclosures. For large, diversified investors the value of easily attainable and commonly reported data cannot be overstated. This is for several reasons including (a) investors can observe with greater ease which parts of their portfolio are deserving of greatest attention, and (b) data can set the framework for meaningful discussions with company management and boards. In our consultation response we encouraged BEIS (Department for Business, Energy & Industrial Strategy, the issuers of the consultation) to mirror the requirements for gender pay gap reporting, a swift implementation deadline, global data coverage, and ongoing measurement of the effectiveness of diversity pay reporting requirements, for example by surveying business leaders, HR specialists, board members, investors, and the workforce to see how the data are being used and whether meaningful change has occurred. We publish our consultation responses in full on our website.

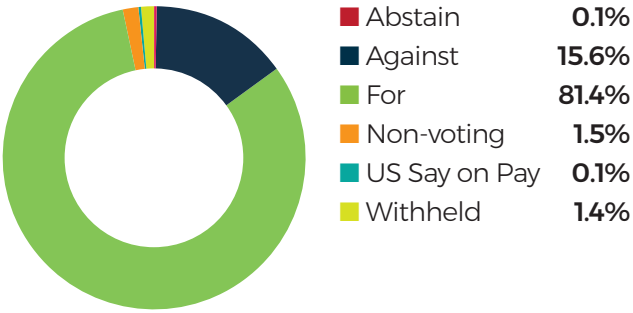
Hermes EOS, our stewardship provider, has continued to support our stewardship theme of diversity by participating in the Frauenquote seminar in Germany. Hermes EOS explained their global voting and engagement approach and shared concerns about the lack of progress at management board level in Germany. While a legal 30% gender quota has ensured an appropriate gender balance on supervisory boards, the same is not true for the management board and senior executives, with many listed companies having no female management board members. We share Hermes EOS' belief that gender diversity is value-additive beyond the supervisory board, and would be supportive of a revision of Hermes EOS' German Corporate Governance Principles to accelerate progress. Shareholders do not elect the management board at German AGMs, so Hermes EOS may decide to use voting rights on other AGM matters to encourage more progress.

4 Voting

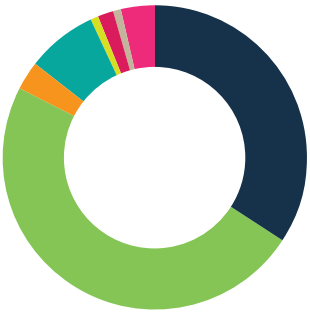
POLICY:
For UK listed companies, we vote our shares in accordance with a set of bespoke UK Voting Principles. For other markets, we consider the recommendations and advice of our third party proxy advisor.

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

Global



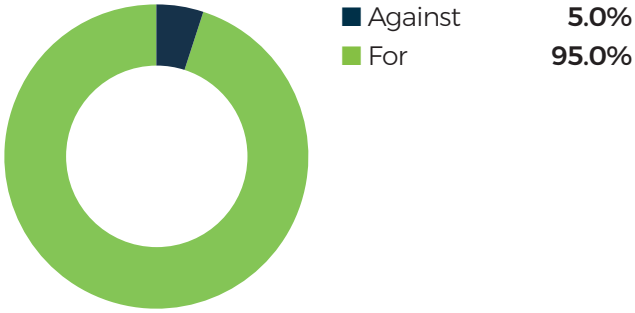
Global votes against and abstentions by category



Board structure	34.5%
Remuneration	48.6%
Shareholder resolution	3.2%
Capital structure and dividends	6.4%
Amend articles	0.8%
Audit and accounts	2.0%
Poison pill/Anti-takeover device	0.8%
Other	3.6%

Overall we voted at 213 company meetings on 1,626 resolutions and we opposed or abstained from about 16% of the resolutions. Of these, most related to executive remuneration (48.6%) and the re-election of directors (34.5%).

UK
We voted at 51 company meetings and voted to oppose about 5% of the resolutions. There were no LAPFF voting alerts during the quarter.



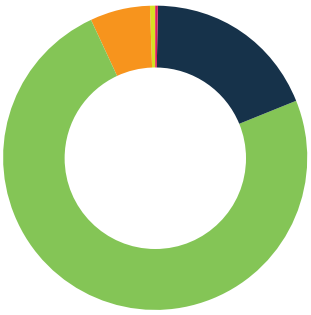
In the past financial year Renishaw Plc divided the roles of CEO and Chair, both of which had previously been undertaken by co-founder Sir David McMurtry. Sir David has become Executive Chair. While this was a welcome corporate governance improvement the Chair and Deputy Chair (co-founder John Deer), who between them have majority control of the business, remain unwilling to enter into a relationship agreement as required under the UK listing rules. A relationship agreement increases protection to minority investors, and its absence is a significant corporate governance concern. Sir David's salary will not change despite relinquishing the CEO role. Fewer than half of the Board's non-executive directors are independent, in our view.

At JD Wetherspoon Plc we voted against the re-election of two directors on grounds of long tenure concurrent with Tim Martin, company founder, 32% shareowner, and current Executive Chair. Mr Martin's tenure extends to 39 years, and Ms van Gene and Ms McMeikan (current Senior Independent Director, "SID") have served with Mr Martin for 12 and 13 years respectively. In our view, the dominance of major shareholders and executive Chairs should be balanced by clearly independent non-executive directors including a challenging SID. We also voted against a resolution calling for a waiver of Rule 9 of the Takeover Code, in alignment with our Voting Principles. Such a waiver would allow Mr Martin, and his relatives acting in concert, to increase his ownership of the business without the requirement to make a bid for the company. We believe Rule 9 is an important shareholder protection.

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

Europe ex-UK

We voted at 29 company meetings and voted to oppose or abstain about 19% of the resolutions.



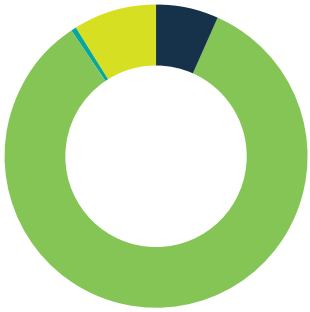
Abstain	0.4%
Against	18.9%
For	75.1%
Non-voting	5.2%
Withheld	0.4%

We voted against several resolutions at the AGM of Pernod Ricard SA, a beverage retailer whose portfolio includes Jameson Whiskey. We opposed a proposal to authorise a share buyback scheme of 10% issued capital, as the terms of the authority do not preclude the use of the authority as a poison pill. A poison pill is a device used to prevent a corporate takeover, and to the extent that this can be used to entrench an underperforming management team, we typically vote to oppose. In addition, out of concern for the lack of independence on the Board, we voted against directors we consider non-independent. Only around a third of the Board's directors are independent (in our view), and there is no lead independent director. A descendent of the company founder is both CEO and Chair.

At Milanese investment bank Mediobanca SpA, we voted to oppose a resolution that sought to bar shareholders from taking legal actions against board directors. The Italian civil code allows for shareholder action against directors, for example in the case of possible fraudulent activity. The company did not provide further disclosure or explanation of the context or content of the proposed resolution, and we voted to oppose as a result.

North America

We voted at 18 company meetings and voted to oppose about 7% of the resolutions.



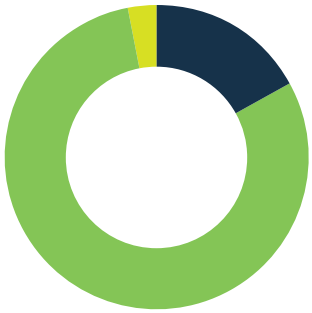
Against	6.7%
For	83.9%
US Say on Pay	0.5%
Withheld	8.8%

Dell Technologies Inc. controversially returned to public markets in 2018 via a reverse merger with DVMT, a tracking stock which has long traded at a discount to its target valuation. At the Special Meeting the company recommended in favour of an advisory vote on golden parachutes. However the estimated payments consist entirely of very large equity acceleration benefits. This follows a recent amendment by the Board that will result in full vesting to company management, thereby de-risking what should be an incentive-based award. We voted against the resolution.

At the AGM of The Estee Lauder, Companies Inc. we voted against the re-election of a director over concerns regarding 'overboarding' (the director concerned is a CEO of a listed company and has multiple outside directorships) and we opposed the remuneration proposal on grounds of the size and structure of CEO pay. The CEO received a one-time grant of share awards valued at $27m, which followed a $30m award in the previous year. In addition to this, the performance conditions (i.e. the targets that trigger the pay outs) are not sufficiently stretching.

Developed Asia

We voted at 21 company meetings and voted to oppose about 17% of the resolutions.



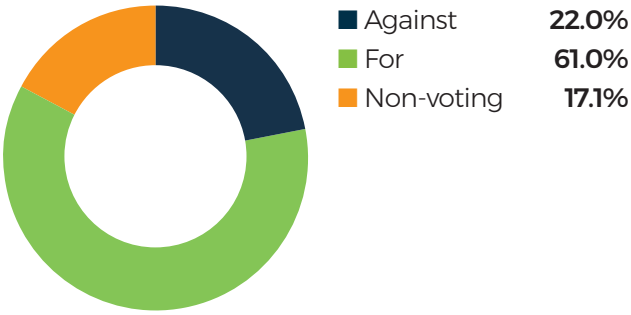
Against	17.1%
For	80.0%
Withheld	2.9%

At New World Development Co. Ltd, we voted against one resolution related to capital, and a second related to remuneration. The company sought an authority to issue shares without rights of pre-emption – the right of first refusal to existing shareholders for the issuance of new capital – without specifying a discount limit (i.e. a limit on how cheaply new shares can be priced) and without limiting the issuance volume to 10% of total share capital (our guideline limit for the Hong Kong market). We opposed the resolution for failing to comply with our preferred limits. We also opposed a resolution to grant options under the company's share options scheme. This was owing to poor disclosure (performance conditions and the vesting period were not disclosed) and excessive dilution to minority shareholders.

Hyundai Heavy Industries Holdings Co held a special shareholder meeting in between Christmas and New Year. Included on the ballot was a resolution proposing to reduce the capital reserve. When the sum of the capital reserve and the earned surplus reserve is greater than 1.5x the company's capital, the company is permitted to convert the excess into unappropriated retained earnings. The meeting materials, however, contain no disclosure to support the resolution, and we decided to oppose the resolution as a result.

Emerging and Frontier Markets

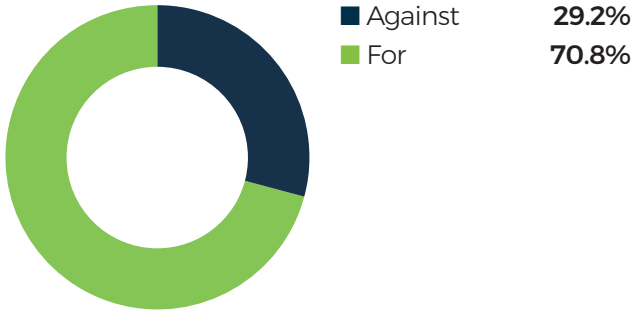
We voted at 15 company meetings and voted to oppose about 22% of the resolutions.



LGPS Central's approach to voting recognises the important of accounting, audit, and oversight, and we believe that a company's audit committee should be composed solely of independent non-executives that have recent financial experience. At Sinopharm Group Co. Ltd, we voted to oppose the election of a director on the grounds that he is an executive director at the company. Although we make some allowances for the variation in local standards of corporate governance, the composition of the audit committee is of special significance, particularly for minority shareholders.

Australia & New Zealand

We voted at 79 company meetings and voted to oppose about 29% of the resolutions.



We have engaged Australian coal miners on managing climate risk and on considering the appropriateness of their memberships of trade associations that promote coal demand growth and downplay the impacts on climate change. At the AGM of Origin Energy Ltd, we supported two shareholder resolutions that align with these engagement objectives. One resolution called upon the company to set and publish interim emissions reduction targets and a second resolution required the company to review its memberships of trade associations in light of the climate change stance taken by each organisation.

At the Whitehaven Coal Ltd AGM we supported a shareholder resolution that requires the company to make additional disclosures to shareholders on the company's strategy for managing climate-related risks. The disclosures would begin in 2019 and would follow the recommendations of the Taskforce on Climate-related Financial Disclosures ("TCFD"). The company currently discloses retrospective scope 1 and scope 2 carbon emissions; it does not disclose the emissions associated with the use of its product (i.e. thermal coal). The resolution was appropriately worded and we feel its adoption would be beneficial to long-term, climate-aware shareholders.

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.

As reported in our previous Quarterly Stewardship Report, the UK Stewardship Code is currently out for consultation, and we will be pushing for a high-ambition revision to the code that supports long-term investment outcomes. Our Director of Responsible Investment & Engagement joined a roundtable convened by the Purposeful Company and the Financial Reporting Council (FRC). Among other things, we argue that the new Code should encourage an intelligent, tailored approach to stewardship, not a box-ticking, minimum-compliance mindset. We are supportive of the FRC's suggested new definition of stewardship as encompassing asset classes beyond UK equities, and including actions taken prior to the allocation of capital, rather than just engagement and voting post the investment decision.

Impact Investing – an approach where investors attempt to derive a financial return in addition to a societal return – is rising up the national and international agendas. We participated in a group-based consultation hosted by the CFA Society UK, Social Impact Taskforce, and Investing for Good, which sought our views on the skills and expertise required for a high quality and sincere approach to impact investing. In our view, the field will only gain traction if it succeeds in dealing with greenwash and in building up a track record of risk adjusted returns that at least keep pace with market rates.

This quarter our Director of Responsible Investment & Engagement spoke at three investment conferences and gave a training session on responsible investment for the Local Government Association. 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
Local Authority Pension Strategic Investment Forum	Carbon emissions and oil demand
Local Government Association training	Responsible Investment for local authority pension funds

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

LGPS Central Limited's Partnership Organisations