LGPS CENTRAL LIMITED

Quarterly Stewardship Report

First Quarter, 2019-20 (April – June 2019)

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. Our stewardship efforts are supplemented by global engagement and voting services provided by Hermes Equity Ownership Services (Hermes EOS).

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 Introduction and Market Overview

ESG in the mainstream – is there a convergence between investor expectations of companies and grassroots sentiments?

This quarter saw a shareholder revolt on executive pay at Standard Chartered Plc. The bank faced 36.2% shareholder opposition against the company's remuneration policy at its AGM in May. This is one of the of the highest levels of objections recorded at a UK bank in recent years. Executive remuneration is not a new issue for shareholders to address, but shareholders have become increasingly prepared to demonstrate their discontent by voting to oppose resolutions relating to pay. In particular, there is less willingness by investors to accept a remuneration policy unless it is clear and simple, is linked to performance and long-term sustainability, and can be legitimised in the context of overall workforce pay. Another UK bank, HSBC Plc, came under similar investor pressure and agreed to cut the pension contribution that CEO John Flint would receive this year to 10% of his cash salary, against a previous plan to pay him 30%. That cut helps bring the pension contribution for executives at HSBC in line with the rate available for the majority of the work force[1]. The notion of fair pay and pay equality would be well understood for any average worker across industries, and for any local government employee among LGPS Central Partner Funds.

Across other investment-relevant themes like climate change, pollution from single-use plastics and social media content control, one can also expect to find resonance with grassroots sentiments. Recent surveys including one in May 2019 by MSCI show that investors expect rapid growth of ESG integration across global assets over the next five years. The MSCI survey suggests one third of asset managers and pension funds expect to see the share of global assets operating on ESG principles to more than double in the next five years. We believe this could be a conservative estimate. The combination of growth in ESG integration and a potential convergence with issues that a person on the street would perceive as important and relevant to their daily lives is both interesting and powerful from an investment stewardship perspective.

As a response to the recent tragic Christchurch shooting that took place in New Zealand in March 2019 an investor coalition has been formed to engage social media companies on content control. The coalition has grown over this quarter to include 73 investment organisations who are urging social media companies to strengthen controls: to prevent the live-streaming of objectionable content being uploaded, viewed and shared; to detect objectionable content so it can be effectively and quickly removed to prevent it being viewed and shared; and take collaborative action with the industry and regulators to help drive solutions. The CEO of New Zealand Superannuation, one of the founders of the investor coalition, has commented that in engagement with one of the social media giants, Facebook, they would like to see specific change and action that goes beyond intent.

[1] Shortly before publication of this report, Mr Flint agreed with the board of HSBC Plc to step down from his position as CEO of the bank.

This quarter has also seen protests over perceived lack of climate change action from the Pope down to school kids. For the second year in a row, Pope Francis called together the heads of global oil and gas majors to ask them to take meaningful action to combat climate change. As a result, nearly 20 companies, including Shell, BP, Chevron and Exxon Mobil signed an agreement to support carbon pricing and to report material information in line with TCFD (The Task Force on Climate-related Financial Disclosure). The activists who support Extinction Rebellion continue to demand zero emissions by 2025. While many would argue that that is an impossible task, the fact that the demand is there is affecting the parameters of the debate for policy makers, investors and corporates. During this quarter a dozen banks (including Citi, Société Générale, DNB, ABN AMRO, Crédit Agricole, Danske Bank and Nordea) met to sign the “Poseidon Principles” which ban lending to shipping groups that do not sign up to the International Maritime Organisation’s (IMO) plan to cut carbon emissions in half by 2050. The principles are launched alongside an in-depth framework for assessing a portfolio’s alignment with the IMO’s Initial GHG Strategy. Considering these ongoing developments and in light of our Partner Funds’ priorities, LGPS Central continues to focus on Climate Change as a central Stewardship Theme in the year ahead (see Section 3 for more detail on our Stewardship Themes).

POSEIDON PRINCIPLES

Extinction Rebellion demonstration

2 Engagement

This quarter our engagement set[2] comprised 1,389 companies with 1,983 engagement issues[3]. There was engagement activity on 1,161 engagement issues and achievement of some or all engagement objectives on 434 occasions.

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

Most of our engagement work focusses on our stewardship themes. We have, with our partner funds, identified new stewardship themes for the financial year 2019-20, and we expand upon these in Section 4 below. We continue, however, to employ a broad stewardship programme – beyond just our targeted themes – and we have pulled out some case studies below.

MERGERS & ACQUISITIONS AND CORPORATE GOVERNANCE

An engagement dating back to May 2017 was reignited during the quarter, on news of a revised takeover bid for our former engagement target. We had previously attempted to engage the board and management of this UK-listed hotels business to improve accounting disclosure, retain high quality NEDs, recruit a permanent CEO, and promote a coherent strategy in the face of increased market entrants. We later voted against a bid for the company that we felt undervalued the assets by a considerable margin. Rule-setting for UK takeovers is codified in the City Code on Takeovers and Mergers and is overseen by the Takeover Panel. While the City Code is sometimes criticised for its jargon and its wide scope for caveat, particularly for the predator in a transaction, it does attempt to balance the rights of minority investors with the commercial march of financial markets. In this case, despite the bidder having a strong hand in proceedings, minority investors were able to vote down the offer thanks to the voting majority rules in the City Code. Since December 2017, we continued to meet and write to the company, and we used our voting rights to further our initial engagement aims and to hold the independent board to account. We were rewarded when a revised offer was tendered during the quarter in review, valuing the shares 24% higher than the yinitial possible offer in 2017. Our experience in this engagement reinforces our conviction in taking a long-term approach, and our belief in the importance of high-quality, independent boards of directors.

DIVERSITY AT BOARD-LEVEL

We continue to see diversity, including gender diversity and diversity in ethnicity and nationality, as a key element in assessing whether a company has overall good governance. During the last quarter we co-signed a letter to a UK-listed utilities company, on behalf of investors who are members of the 30% Investor Club. The company currently has only two women on the Board, representing 16.7% female

[2] This includes engagements undertaken directly, in collaboration, and via our contracted Stewardship Provider. This quarter's total includes 655 companies written to as part of the IMTSI collaboration (see Section 5 below for more details).

[3] There can be more than one engagement issue per company, for example board diversity and climate change.

representation and a decline in female Board representation in the past few years. This is well below the Hampton-Alexander Review's target to reach 33% by 2020 and the FTSE 100 average. In the letter, we expressed concerns around the absence of measurable targets and a strategy for how the company intends to improve gender diversity at the Board level. We therefore proposed that the company publish a diversity policy and a succession plan which include tangible targets. The company has a new Chairman who at the AGM spoke about his personal commitment to diversity and inclusion and his view that there is strength in diversity. We do recognise and commend the Chair's ambition to promote gender diversity and we will continue dialogue with the company to monitor diversity improvement which supports the company's statements made at the AGM.

ADVANCING HUMAN RIGHTS IN THE SUPPLY CHAIN

Hermes EOS, our stewardship provider, engages companies across sectors on human rights in the supply chain. This includes concerns regarding forced labour, child labour, living wages, worker voice (giving workers a chance to voice their opinion about conditions and help develop solutions) and gender-specific issues (given that women and girls are more vulnerable to exploitation in the supply chain). Despite bleak statistics from the ILO – estimating 40 million modern slaves globally and 152 million children aged between five and 17 who work predominantly in agriculture, services and industry – Hermes EOS has seen some positive developments in the last quarter. Among these are improvements to working conditions at palm oil plantations supplying Kuala Lumpur Kepong, a Malaysian palm oil company which Hermes has engaged over the last seven years. The company is working with a local NGO to address modern slavery indicators such as access to passports for migrant workers and eliminating recruitment agency fees which can exploit the workers. Kuala Lumpur Kepong is currently setting up an internal taskforce focused on labour standards chaired by its Head of Plantations.


ACT
Action Collaboration Transformation

In another engagement on human rights, Hermes EOS is discussing how H&M can ensure supply chain living wages and how it will use its collaboration with ACT on Living Wages (Action Collaboration Transformation) to help empower workers. In our engagements with the technology sector going forward (see further details under Section 3) we will, amongst other things, look at risks around workforce displacement through automation as well as weak labour rights in the supply chain.

3 Stewardship Themes

In order to be efficient and targeted in our engagement, we define a selection of Stewardship Themes annually. We acknowledge the fact that economic trends and market assessments evolve over time and that the landscape of Environmental, Social and Governance (ESG) factors that are considered material to investing evolve in tandem. Expectations from regulators and from society at large on whether and how investors, including pension funds, should consider ESG factors in their investments has also changed radically in recent times. Thus, the Stewardship Themes are chosen based on their economic relevance, our ability to resource, and stakeholder views.

In collaboration with our Partner Funds, we identified four themes which will be given particular attention in our stewardship efforts over the year ahead:

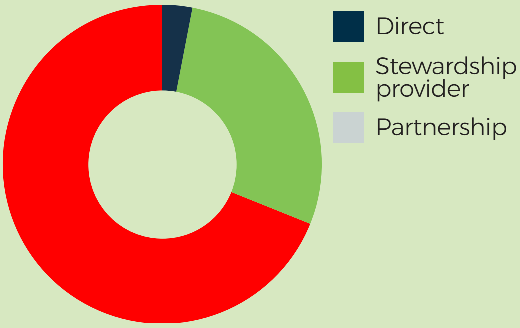
- Climate change
- Single-use plastics
- Fair tax payment and tax transparency
- Technology and disruptive industries

While climate change was also a stewardship theme in the previous year, the other three themes are new. Single-use plastics, fair tax payment and risks associated with the technology sector are relatively new on investors' radars but have come quite strongly to the fore over the last couple of years. An element driving investor attention is the fact that there is more public awareness and concern over the same issues, which again might manifest in, for instance, changes to regulation which could affect the businesses' bottom lines. This quarter has seen us plan for the year ahead and make a start on our thematic engagement, which we expect to grow in the year ahead.

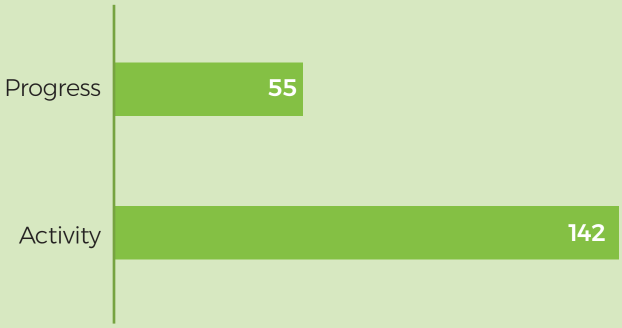
While we will focus on our four named themes, it is important to note that we will still consider other ESG issues like fair remuneration, board composition, gender equality, labour rights, to name but a few. We always aim to take a holistic approach when assessing risks and opportunities with a given company, and we will often raise several issues with the same company in the course of an engagement.

CLIMATE CHANGE

Engagement Volume by Type



Engagement Volume by Outcome



- 226 engagements in progress
- Most engagements undertaken via CA100+
- Engagements linked to voting activity

This quarter our climate change engagement set comprised 218 companies with 226 engagements issues[4]. There was engagement activity on 147 engagement issues and achievement of some or all engagement objectives on 55 occasions.

Climate change continues to be identified by business leaders among the top five global risks, with the potential to impact investment returns over the long-term. In 2019-20 our work on climate change stewardship will continue building on collaborations with the Climate Action 100+ initiative (CA100+), the Transition Pathway Initiative (TPI), Institutional Investor Group on Climate Change (IIGCC) and the CDO (formerly Carbon Disclosure Project).

During the quarter in review, we met several of the target companies for which we are in the focussed engagement group within the CA100+ initiative. These meetings were primarily ahead of AGM statements that the engagement group made, in order to hold companies to public commitments they have made, or to broaden our message to the entire board (who must be present at shareholder meetings). CA100+ representatives spoke at the AGMs of Centrica, BP, Glencore, and Shell. Our stewardship provider also spoke at the AGMs of Anglo American, VW, and Daimler.

Centrica has appointed a new Chairman and, just prior to the publication of this Quarterly Stewardship Report, has seen its CEO Iain Conn step down. We will expect the new Chairman to continue his predecessor's strong message on climate change, and we will expect the recruitment of the new CEO to ensure Mr Conn's good work is progressed. Since appointment, Mr Conn has shifted Centrica's business strategy away from capital intensive oil & gas assets towards a consumer-facing business, has articulated strong support for the TCFD and the Paris Agreement on climate change, and maintained a strong public policy voice.

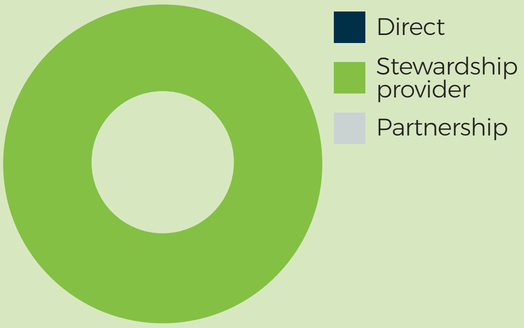
The Transition Pathway Initiative (TPI) continues to be a highly useful and robust tool which helps inform our engagements both on climate change management and companies' energy transition. As we closed this quarter, TPI published their State of Transition Report for 2019 which assesses how the world's largest and highest-CO_2 emitting public companies are transitioning, or not, towards a low-carbon economy. The report comprises 274 companies in 14 sectors, accounting for around 41% of CO_2 emissions from the universe of publicly listed companies globally. TPI helps us understand companies' management quality – how they manage greenhouse gas emissions and the risks/opportunities from the transition to a low-carbon economy – as well as companies' carbon performance – how companies are positioned to reach the Paris goals. The vast majority of companies assessed now acknowledge climate change as a business issue and most have built basic capacity to manage the low-carbon transition. However, too many big emitters are yet to integrate climate change into their operations, let alone take a strategic approach. The report points to a correlation between management quality and carbon performance in that companies scoring well on quality are

[4] There can be more than one climate-related engagement issue per company.

likely to be doing well on performance. Regardless of this correlation, which the report stresses is far from perfect, the report urges investors to engage companies directly on their emissions and targets to reduce those emissions. We are on the TPI Steering Committee and the TPI Technical Advisory Group and we fully support TPI's ambition to increase the number of companies covered to 20 sectors (700-800 companies), to have broader geographical coverage and to include sovereign and corporate bonds.

SINGLE-USE PLASTICS

Engagement Volume by Type



Engagement Volume by Outcome

- Seven engagements during the quarter
- Higher risk sectors include packaging, consumer goods, retail, chemicals and food & beverage
- Progress was made against engagement objectives on scalable single-use packaging solutions and recyclability of packaging

This quarter our single-use plastics engagement set comprised seven companies with engagement activity on all seven engagements and achievement of some or all engagement objectives on three occasions.

Global production of plastic is at 300 million tonnes per year, half of which is single use. Only 9% of total plastic waste produced by 2015 has been recycled and between 8 – 12 m tonnes of plastics leak into the ocean every year. Single-use plastic items are among the items most commonly found on beaches and represent approximately 50% of marine litter. There is also a link to climate change in that oil-based petrochemicals provide feedstock to the plastic industry. Plastic production and the incineration of plastic waste contributes to the emission of global greenhouse gases.

In our view, the degradation of the ocean could over the long-term place shareholder value at risk through, for example, regulatory tightening (e.g. plastic taxes), scarcity of resources, and reputational damage (affecting customer loyalty). There are also new opportunities for companies in reuse of material, new products that replace single-use items and new, sustainable use of ocean resources.

We aim to engage companies with a high exposure to the risks and opportunities presented by single-use plastics. As with any engagement on any theme or issue, we want to see good governance and understanding of the risks and opportunities, good risk management and meaningful disclosure from companies. We consider the following sectors relevant in this regard:

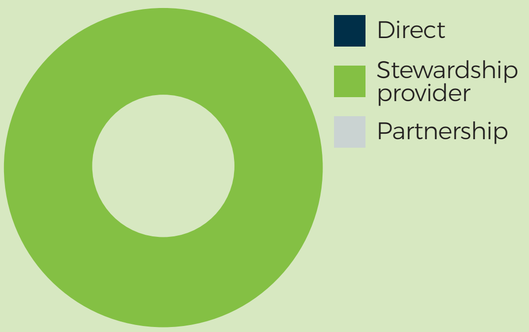
- Packaging
- Consumer goods
- Retail
- Chemicals
- Food & beverage

We aim to leverage investor collaboration opportunities and are currently reviewing select initiatives to join. We will also look at interlinkages between the two themes climate change and single-use plastics when approaching companies on either theme. The Center for International Environmental Law has since September 2017 published investigative articles examining the links between the fossil fuels and plastics industries, for instance assessing how the US shale gas boom contributes to (and depends on) the buildout of plastics infrastructure in the US and beyond.

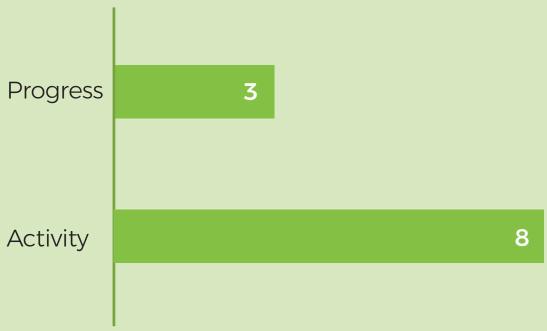
On our behalf Hermes EOS engaged seven companies over concerns with single-use plastics and plastic pollution during the quarter in review. During the fourth quarter of 2018-19, Hermes EOS reported on some positive developments among corporates who are finding solutions to cutting plastic waste or finding alternatives to plastics. In the UK market, Co-op and Iceland have backed a mandatory deposit return scheme on plastic bottles and have trialled this in some locations. Further to this Tesco is trialling in-store deposit return machines for plastic bottles and a pilot scheme allowing customers to bring their own containers when buying meat, fish and cheese from counters. An interesting example of collaboration across sectors, is a global plastics and chemicals company, LyondellBasell, who has formed a joint venture with SUEZ (water and waste management company) to purchase Quality Circular Polymers (a Dutch plastics recycler). The aim is to combine manufacturing expertise with waste recovery capabilities to deliver recyclable, high-quality plastics for consumer goods. Lastly, Hermes EOS observes that Dell and Ikea have replaced oil-based foams and polystyrene with mushroom-based cushioning in some product shipments. This is grown from agricultural waste to provide the same functionality and is completely compostable. These examples help set a standard against which companies in the same sectors can be measured when we take engagement on this theme forward.

FAIR TAX PAYMENT AND TAX TRANSPARENCY

Engagement Volume by Type



Engagement Volume by Outcome



- Eight engagements during the quarter
- Support of policy initiatives that encourage country-to-country reporting of tax payments
- Progress was made against engagement objectives on tax practices transparency, voluntary country-level tax disclosure and development of external narrative on tax practices

This quarter our tax transparency engagement set comprised eight companies with engagement activity on all eight engagements and achievement of some or all engagement objectives on three occasions.

Corporate taxes play an important role in funding public goods and services and they support the health of societies in which businesses operate and rely on to carry out their activities. When taxes are paid fairly, it ensures a level playing field for businesses and overall stable markets. Whether companies are paying the right amount of tax can be a complex question. However, whether a company is transparent on how tax is determined and on its governance around tax and tax risk, is more straightforward and it is something we want to encourage.

There are investment risks associated with lack of tax transparency, including companies' storing up liabilities (litigation risk), damaging their reputation and risks stemming from dependence on low tax rates within certain jurisdictions. Complex or opaque ownership and organisational corporate structures may also compromise investors' fundamental financial analysis of a given company. Alongside the investment risks we, as an organisation created by and for local authority pension funds, also hold an inherent view that companies have a moral obligation – not just a commercial interest – to pay and disclose tax payments in a fair and transparent manner. Initially, our engagement focus will be on UK companies. For multi-national companies, we will also support policy initiatives that encourage country-by-country corporate tax reporting.

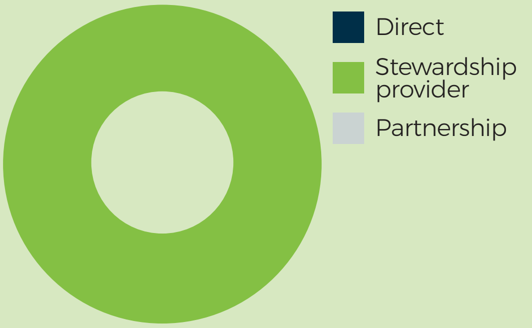
To that end, LGPS Central gave input to a new global reporting standard under the GRI (Global Reporting Initiative) on Tax and Payments to Governments. We are generally very supportive of the proposals to introduce improved tax disclosures into the GRI framework. In our response we emphasise that:

- We support country by country reporting of tax payments and believe that all proposed disclosures are critical for an investor's appraisal of a company's tax strategy
- We believe there are certain areas in which the disclosures could go further, including the use and management of tax advisors, and of membership of organisations and trade associations known to lobby for lower levels of tax accountability.

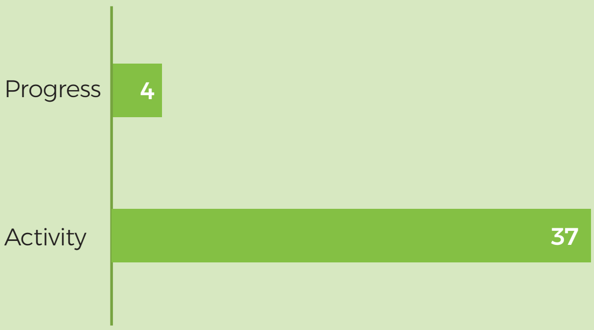
During the quarter Hermes EOS (our stewardship provider) engaged eight companies on our behalf on tax transparency. In these engagements Hermes EOS has encouraged companies to enhance disclosure by developing a clear narrative on how they have implemented their tax policy in the reporting year. We believe that investor pressure can yield results on questions of tax transparency, even after the initial media-led opprobrium has subsided. For example, Starbucks announced in June this year that its tax contribution to its European (and London) based companies increased to a higher effective rate than the local level of corporation tax. Our focus on tax transparency is strengthened by our membership of the Local Authority Pension Fund Forum (LAPFF), who have previously written to all FTSE 100 businesses to set expectations on tax transparency, and who have subsequently promoted the Fair Tax Mark. We intend to use the Fair Tax Mark as a standard of reference in our engagements with UK companies.

TECHNOLOGY AND DISRUPTIVE INDUSTRIES

Engagement Volume by Type



Engagement Volume by Outcome



- 35 engagements in progress
- Our Stewardship Provider published a paper on "Responsible Artificial Intelligence and data governance" which will help inform our expectations on tech companies using AI
- Progress was made against engagement objectives on AI governance, human capital management and disclosure, and on diversity and inclusion

This quarter our technology and disruptive industries engagement set comprised 21 companies with 35 engagements issues. There was engagement activity on all engagement issues and achievement of some or all engagement objectives on four occasions.

With technology stocks increasingly important parts of global indices, and having been significant drivers of equity growth, new and

novel risk factors have become more prevalent in institutional portfolios, including:

- Screen addiction & mental well-being concerns
- Content management
- Data privacy
- Cyber security
- Malicious political interference
- Over-consumerism, leading to environmental damage
- Newly listed stocks limiting shareholder rights, for example by maintaining super-voting rights for founders, and persisting with CEO-Chair dualism
- Workforce displacement through automation
- Increasing size of 'gig' economy and lower job security
- Weak labour rights in technology supply chains, especially emerging markets
- Reports of widespread harassment
- Anti-competitive behaviour and litigation risk

These are wide-ranging risks all pertaining to the same sector and they can translate into investment risk in the form of consumer trust decline, litigation risk, and threats to existing business models if, for example, personal data cannot be easily monetised. Furthermore, cyber-attacks can significantly disrupt businesses and lead to fines.

On our behalf Hermes EOS engages tech companies on these vulnerabilities via its Social as well as its Strategy, Risk & Communication themes. In the last quarter, Hermes EOS published a white paper on "Responsible Artificial Intelligence (AI) and Data Governance" in collaboration with law firm BCLP, to provide a framework for corporate engagement. The framework sets out six principles covering Trust; Integrity; Transparency; Accountability; Action and Safety which can guide investors in their dialogue with companies around AI risks.

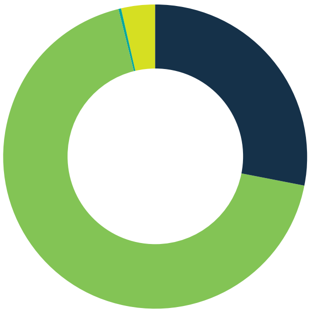
Alphabet, Inc is a company that has the potential to revolutionise the responsible development and use of AI and set industry standards, but there must be careful monitoring and better oversight from the company. At Alphabet's AGM in June, Hermes EOS spoke in support of a shareholder proposal regarding the establishment of an independent societal risk oversight board committee. This committee would assess the potential societal consequences of the company's products and services and offer guidance on strategic decisions. Hermes EOS argued there is a gap in board skills to provide the required societal risk oversight and asked Alphabet to improve its internal governance structure to harness employee and stakeholder ethical insights. While the shareholder proposal failed to pass (Alphabet's co-founders hold 51.3% of the vote) the company did make immediate (albeit piecemeal) improvement, for example by publishing a new blog describing how responsible AI is put into action. Hermes EOS plans to work with other institutional investors to push for direct dialogue with Alphabet's board and stronger societal risk and AI ethics oversight.

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 April and June 2019[5].

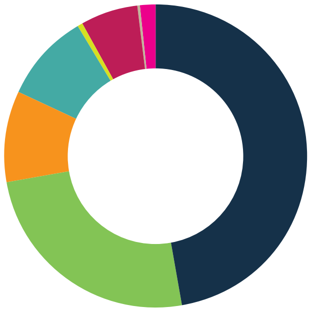
Global



Total meetings in favour	**28.2%**
Meetings against (or against AND abstain)	**68.0%**
Meetings abstained	**0.2%**
Meetings with management by exception	**3.6%**

Over the last quarter we made voting recommendations at 1,716 meetings (23,757 resolutions). At 1,167 meetings we recommended opposing one or more resolutions. We recommended voting with management by exception at 62 meetings and abstaining at three meetings. We supported management on all resolutions at the remaining 484 meetings. We received 43 voting alerts from LAPFF during the quarter, and voted in alignment with 84% of these alerts.

Global votes against and abstentions by category



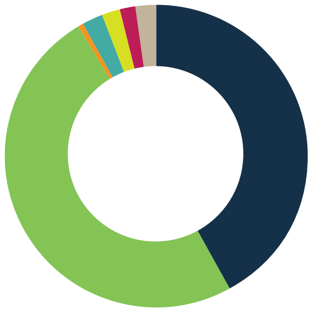
Board structure	**47.4%**
Remuneration	**25.0%**
Shareholder resolution	**9.5%**
Capital structure and dividends	**9.5%**
Amend articles	**0.5%**
Audit and accounts	**6.2%**
Poison pill/Anti-takeover device	**0.4%**
Other	**1.4%**

UK

We made voting recommendations at 228 meetings (3,917 resolutions) over the last quarter. We recommended voting against or abstaining on 192 resolutions over the last quarter.

Total meetings in favour	**50.4%**
Meetings against (or against AND abstain)	**42.5%**
Meetings abstained	**1.3%**
Meetings with management by exception	**5.7%**

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



Board structure	**42.2%**
Remuneration	**49.5%**
Shareholder resolution	**0.5%**
Capital structure and dividends	**2.1%**
Amend articles	**2.1%**
Audit and accounts	**1.6%**
Poison pill/Anti-takeover device	**2.1%**

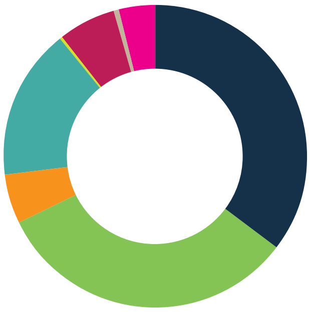
LGPS Central was one the of the first to file a shareholder resolution on climate change at BP Plc, which was further to coordinated engagement undertaken by Climate Action 100+ (of which LGPS Central is a member). BP's board recommended that shareholders vote in favour of this resolution and it received 97% support. The resolution requires disclosure demonstrating the consistency of BP's strategy with the Paris Agreement on climate change, including enhanced reporting requirements. It does not restrict the Company's control over its strategic decision-making with respect to the implementation of a Paris-aligned business strategy. We voted against a shareholder resolution filed and coordinated by the NGO Follow This, as we felt significant progress has been made with the company-supported shareholder resolution and BP's support for the Paris Agreement.

At the Standard Chartered Plc AGM, we opposed the new remuneration policy put forward by the Board. This was due to concerns in respect of the Long-Term Incentive Plan (LTIP), which in our view allows for overly generous awards in certain 'good leaver' circumstances as a potentially standard application, rather than under genuinely exceptional circumstances. We are also concerned by the fact that pension arrangements for executive directors are set at a level which is significantly higher than the wider workforce (40% of current base salary for the current CEO and effectively 20% of salary for newly appointed directors). As per our voting guidelines, we call for executive pay that is legitimised in the context of overall workforce pay and in the context of the long-term financial needs of the company. These pensions rewards are not in our view in line with our internal voting guidelines nor are they in line with the UK Corporate Governance Code's recommendations.

Europe ex-UK

We made voting recommendations at 379 meetings (6,165 resolutions) over the last quarter. We recommended voting against or abstaining on 976 resolutions over the same quarter.

Total meetings in favour	**31.1%**
Meetings against (or against AND abstain)	**66.8%**
Meetings with management by exception	**2.1%**

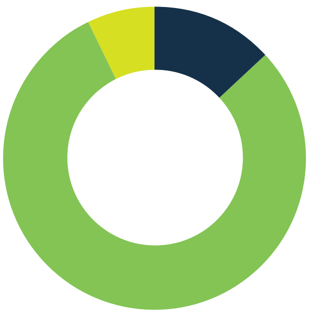


Board structure	**35.3%**
Remuneration	**32.5%**
Shareholder resolution	**5.3%**
Capital structure and dividends	**16.0%**
Amend articles	**0.5%**
Audit and accounts	**6.1%**
Poison pill/Anti-takeover device	**0.4%**
Other	**3.8%**

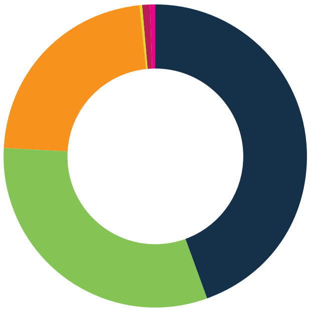
Almost four years on, we continue to be concerned with how Volkswagen AG is dealing with the legal, regulatory and reputational repercussions of the emissions scandal (2015), leading us to question the company's ability to protect shareholder value. At the Volkswagen AGM we voted against the three proposed candidates for the Supervisory Board owing to lack of independence and lack of appropriate experiences that can support the company's transition to a sustainable mobility service provider. While we welcome the Company's significant push for electrification, there is a clear need for stronger governance in order to meet those ambitions. We also voted against a capital issuance request, which would involve issuing additional non-voting shares. We generally support a one-share, one-vote policy in any company, and the issuance of shares in question would only add to Volkswagen's already high level of preferred shares (which do not come with voting rights).

At the SAP SE AGM we elected to vote against the re-election of the three members of the nominations committee. There are several corporate governance concerns at SAP SE, even after accounting for lower corporate governance standards in Germany. These include 'overboarding' (in situations where a director has a significant number of directorships and there is concern about the ability to devote enough time to each of them), low meetings attendance, and composition of the Audit Committee. A concern regarding the Audit Committee is that only one member of this four-person committee has financial expertise. While SAP SE is subject to bribery allegations, this has not affected our voting decisions at this time.

North America
We made voting recommendations at 474 meetings (5,831 resolutions) over the last quarter. We recommended voting against or abstaining on 1,027 resolutions over this quarter.



Total meetings in favour	**13.1%**
Meetings against (or against AND abstain)	**80.0%**
Meetings with management by exception	**7.0%**



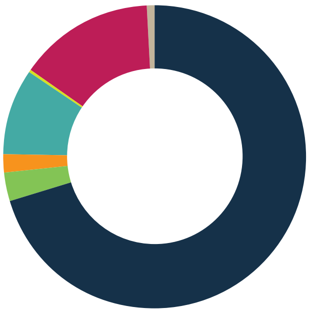
Board structure	**44.6%**
Remuneration	**31.4%**
Shareholder resolution	**22.7%**
Amend articles	**0.1%**
Audit and accounts	**1.0%**
Other	**0.3%**

We voted against the re-election of four Facebook, Inc board members owing to lack of independence, and because the board does not have a formal Nominations Committee. We also continue to oppose Facebook's duality of the CEO and Chair roles. Across companies and markets, we would only tolerate the same person holding these two key roles simultaneously during a limited period and for very good reasons. Executive pay practices at Facebook raise various concerns, including a lack of objective performance metrics. CEO Mark Zuckerberg's security costs continue to increase substantially without enough explanation. Considering this, we voted against the resolution seeking to confirm ratification of named Executive Officers' compensation. We remain concerned that poor governance and board oversight at Facebook could place shareholder value at risk and we question whether the company is adequately equipped to manage risks associated with data privacy, content moderation and access control.

We supported a shareholder proposal requesting that NextEra Energy, Inc. report on its corporate political donations and activity. We want to encourage the company to better explain how it makes decisions in relation to political and lobbying activity and how it determines that they are in the best interest of the company. There are examples of leading companies publicly presenting this information, for instance Royal Dutch Shell who recently presented a paper on climate change and its industry organisation memberships, and we would like NextEra to follow suit. We elected to oppose the re-election of six non-executive directors because their tenures are between 9 and 21 years. We also opposed the CEO/Chair because the same person holds those roles. Further to this, we voted against the 'say on pay' proposal and the Chair of the Compensation Committee due to high quantum of executive pay and insufficient long-term alignment with shareholder interests.

Developed Asia
We made voting recommendations at 503 meetings (6,304 resolutions) over the last quarter. We recommended voting against or abstaining on 755 resolutions over this quarter.

Total meetings in favour	**31.8%**
Meetings against (or against AND abstain)	**67.0%**
Meetings with management by exception	**1.2%**



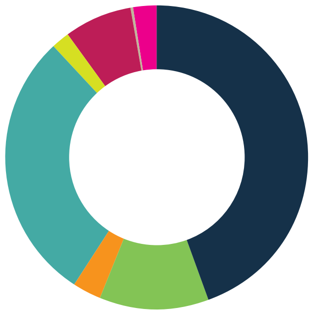
Board structure	**70.5%**
Remuneration	**3.0%**
Shareholder resolution	**1.9%**
Capital structure and dividends	**9.3%**
Amend articles	**0.3%**
Audit and accounts	**14.3%**
Poison pill/Anti-takeover device	**0.8%**

We expressed our concern about the overall board structure, as well as lack of independence and diversity of the board at Toyota Industries Corp. by voting against five directors at the AGM. We do not consider independent those who work or recently worked for group companies; significant shareholders; business partners, including major lenders; or those who have any material transactions with the company. Four of the directors we voted against have this proximity to the company. There are no women among directors or statutory auditors at Toyota Industries Corp. We believe that boards with too much commonality of background run the risk of groupthink and complacency.

Japanese boards have one of the lowest proportions of female representation in major markets. We have since 2019 started opposing the re-election of the chair or president of Japanese companies which have no female director or statutory auditor unless they can provide a convincing explanation.

Emerging and Frontier Markets
We made voting recommendations at 112 meetings (1,434 resolutions) over the last quarter. We recommended voting against or abstaining on 263 resolutions over this quarter.

Total meetings in favour	**18.8%**
Meetings against (or against AND abstain)	**79.5%**
Meetings with management by exception	**1.8%**



Board structure	**44.5%**
Remuneration	**11.8%**
Shareholder resolution	**3.0%**
Capital structure and dividends	**28.9%**
Amend articles	**1.9%**
Audit and accounts	**7.2%**
Investment/M&A	**0.4%**
Other	**2.3%**

The disclosures leading up to the Annual General Meeting are a crucial element for shareholders in assessing the true governance and management of a company. It is therefore a concern to us that at all 11 Turkish AGMs we were not able to support certain resolutions on grounds of insufficient disclosure.

At the AGM of Lifestyle International Holdings Ltd., a Cayman Island-registered company listed on the Hong Kong stock exchange, we voted against the election of a director who holds directorships of seven public company boards. We consider that a situation of overboarding. We also opposed the approval of the general issuance of equity without pre-emptive rights, as the aggregate share issuance limit exceeded 10%. As a long-term investor, we strongly support the principle of pre-emption, which gives a current shareholder of a company the right to retain its proportional ownership without finding its interest diluted by the introduction of new investors. We accept that flexibility and diversity of new sources of capital can be required to reflect individual company circumstances, but issuance of equity without pre-emptive rights exceeding 10% raises concerns for us about excessive dilution for existing shareholders.

Australia & New Zealand
We made voting recommendations at 20 meetings (106 resolutions) over the last quarter. We recommended voting against or abstaining on 25 resolutions over the last quarter.

Total meetings in favour	**40.0%**
Meetings against (or against AND abstain)	**60.0%**

Board structure	**12.0%**
Remuneration	**84.0%**
Shareholder resolution	**4.0%**

Rio Tinto Ltd. is a dual listed company, with one listed in the UK and a second in Australia. At Rio Tinto Limited's AGM we supported a shareholder resolution requesting that the company's constitution be amended to allow for the filing of advisory shareholder resolutions at Rio Tinto Ltd. By enacting the resolution, the company will be equalising the shareholder rights afforded to those investors owning the UK and Australian-listed Rio Tinto entities. In line with LGPS Central's Voting Principles, we support the increased accountability of the company to investors.
We chose to oppose another shareholder resolution which requests Rio Tinto to set short-, medium- and long-term targets for scope 1, 2 and 3 GHG emissions[6], consistent with the goals of the Paris Agreement on climate change, and the alignment of executive remuneration towards the attainment of these targets. LGPS Central has engaged Rio Tinto as part of the Climate Action 100+ initiative, meeting the Chair, CEO, and other executives. The company has been very responsive to our engagement. At the present time there is no consensus methodology for scope 3 target setting for diversified mining companies and we therefore prefer to continue constructive dialogue with the board/senior management of Rio Tinto around their efficient transition to a low carbon economy.

[6] Please note the following definitions of terms:
Scope 1 GHG emissions are those that result from an organisation's direct combustion of fossil fuels
Scope 2 GHG emissions are those that result from an organisation's procurement of electricity and steam.
Scope 3 GHG emissions are, in this context, those that result downstream of an organisation's activities, i.e. as part of the business activities of the organisation's customer.

5 Industry Participation

LGPS Central values collaboration with peer investors and with industry initiatives. It gives a stronger voice and more leverage in an engagement, and cross-investor interaction helps move the debate around best investor and corporate practices forward.

During this quarter we have continued our support of the Investor Mining and Tailings Safety Initiative (IMTSI) which was established following a tragic tailings' dam collapse in Brazil in January 2019 with severe consequences for people and the environment. We attended a Roundtable for IMTSI to discuss how 655 extractive companies have responded to an urgent investor request to provide details of tailings (waste) facilities. So far, around 200 have responded, including 29 of the top 50 largest mining companies.
The Roundtable agreed that companies that have not responded can now expect intense engagement with funds from the IMTSI initiative. IMTSI is considering the establishment of a Global Tailings Database to support engagements under the initiative going forward.

In support of our focus on single-use plastics as a stewardship theme, we took part in a workshop on "The Role of Investors in Addressing Plastic Waste in our Oceans". Further, in support of our thematic stewardship on climate change, we took part in an IIGCC (Institutional Investors Group on Climate Change) workshop on 'Paris Aligned Portfolios'. The aim of the working group, which LGPS Central has joined, is to investigate whether and how institutional investors can assess the extent to which their portfolios align with the goals of the Paris Agreement.

One of our overarching objectives under the Responsible Investment & Engagement Framework, is to be an exemplar for RI within the financial services industry and raise standards across the marketplace. We therefore contribute regularly to RI-related advisory committees and make select speaking appearances at investment conferences. LGPS Central is a member of the Financial Reporting Council's Investor Advisory Group, which met last quarter to discuss the UK Stewardship Code and the Kingman Review.
We took part in two interviews, one covering ESG integration) and a second on Populism and ESG.

We spoke at the following conferences:

Conference	Topic
Institutional Investor Summit: UK & Ireland	ESG in manager selection
Chairing an LGC Roundtable	Climate change
Public and Private Pensions Summit	Sustainable Investing Across UK Pensions
RI Europe 2019 Action Plan	EU Sustainable Finance

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
- Roundtable on Mining (Investor Mining and Tailings Safety Initiative)
- GFI Working Group on Data, Disclosure & Risk
- FRC Investor Advisory Group
- LAPF SIF Advisory Board
- IIGCC Shareholder Resolutions Sub-Group
- IIGCC Paris Aligned Investment Steering Group

LGPS Central Limited's Partnership Organisations