LGPS CENTRAL LIMITED

Quarterly Stewardship Report

Fourth Quarter 2018/19

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:

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 Introduction and Market Overview

It is easy to forget that UK corporate governance standards are in fact a good deal more shareholder-friendly than certain other global markets.

During the proxy season, however, the difference between shareholder protections afforded to investors in UK companies versus non-UK companies become as plain as day. The UK model might not be perfect, and not all UK issuers are equal, but investors in UK markets are offered access to the Board ahead of the AGM, considered responses to an unpopular remuneration report, diversity standards, annual re-election of directors, unitary board structures, majority voting rules, separation of the role of CEO and Chair, limited dual class shares: superior governance and shareholder rights than many other corners of the investible universe. All else being equal, this ought to imply a 'governance premium' for UK stocks, but this is always hard to prove, and only rewards long-term investors.

For how long will this divergence persist?
The US Securities and Exchange Commission has become less shareholder-friendly, for example by backing ExxonMobil's request to prevent a shareholder resolution being heard at the company's AGM. Aided by the spectre of activist investors, Japan's governance and stewardships are widely perceived to be progressing slowly but surely, with around 90% of companies having at least two outside directors, reductions in cross-shareholdings, removal of poison pills, a willingness for companies to engage on capital allocation, and record levels of dividend payments and share buybacks. European markets seem to be regressing with Belgium and Spain encouraging French-style loyalty shares where 'long-term' shareholders – usually the founding families or the state – receive double voting rights compared to minority investors. The pinnacle of African governance, South Africa, has been embarrassed by the sacking of Old Mutual's CEO over a dividend payment scandal, following previous corporate governance issues at Steinhoff International, Tongaat Hulett, and Eskom. Meanwhile the UK's Business, Energy and Industrial Strategy committee is pushing through further enhancements to UK corporate governance, stewardship, and audit, by reconstituting the regulator (providing it with greater powers to sanction), significantly upping the requirements of the Stewardship Code, and pressuring investors to go further to hold Plc Remuneration Committees to account.
We think the divergence between the UK and the rest of the world could not only persist, but deepen, on a three-year view.

An analogous divergence may emerge between Europe and the Rest of the World when it

comes to standards of sustainable finance. By the time this report is published, we should be in possession of the details of the EU Action Plan on Sustainable Finance which, if it delivers on the level of ambition given by the European Parliament, will be world-leading. Under consideration by the Technical Expert Group (TEG) are

- Low-carbon benchmarks (minimum standards and disclosure requirements)
- Corporate disclosure requirements
- Eco-labelling for funds self-describing as 'green'
- Work to establish a taxonomy of 'green' investments

These developments should have a facilitating effect (by establishing a common language and a common set of standards that define 'sustainable') and a stimulating effect (through a kind of Say's Law where the supply of sustainable finance products will likely lead to increased demand for them). No other region in the world has a comparable regime for sustainable finance.

Not everyone, however, agrees that the Action Plan is optimal. Anti-fossil fuel campaign groups have welcomed a 'green' taxonomy but criticised the lack of a 'brown' taxonomy which would, in their view, have applied due stigma to certain business models. There are also concerns as to whether a green taxonomy could ever be complete – i.e. whether it could ever capture every particular piece of technology required for a transition to a more sustainable economy. For example, while EVs are easily defined, input technology such as widgets are easily overlooked. Finally, there is a concern that taxonomies and minimum standards could stifle the 'animal spirits' both of fund managers and service providers (who in a competitive market ought to innovate and drive up product quality). Our view is one of cautious optimism, but we think the essential component is the subsequent export of good practice to regions beyond the European Union.

2 Engagement

This quarter there were 1,494 in our engagement set[1], engagement activity was conducted at 1,416 of these, and there was achievement of some or all of the engagements objectives on 581 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.

UPDATE ON INVESTOR MINING & TAILINGS SAFETY INITIATIVE

As we have reported previously, a tailings dam owned by the Brazilian company Vale SA collapsed in January 2019 causing more than 200 fatalities, and the release of over 10 million cubic metres of tailings waste into the environment downstream of the dam. 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.

As an initial engagement step, this coalition – the Investor Mining & Tailings Safety Initiative (IMTSI) – wrote to 655 companies asking for public disclosure, signed off by each company's CEO or Chair, on details of the number and location of each company's tailings dams. Over 200 companies responded, including the majority of the world's largest mining companies. Work will now begin to create an online public database, and to encourage the non-disclosers to make the data available to investors and affected communities. The IMTSI has called for a classification of global tailings dams according to the consequences of failure, and accompanying safety standards that adequately protect human and environmental habitats downstream of the dam. As investors, we are also interested in whether mining companies' accounts include sufficient provisions for environmental remediation, as one investor concern is that these provisions might have been underestimated and not audited with due scrutiny. A global review of tailings safety will be led by Prof. Bruno Oberle *(pictured above)*, former Environment Minister of Switzerland, and co-convened by the International Council of Mining & Metals (ICMM), The Principles

[1]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 below).

for Responsible Investment (PRI) and the United Nations Environment Programme (UNEP).
We will continue to lobby via IMTSI, and otherwise, for the review to make sufficiently stringent recommendations.

REMUNERATION

The shareholder voting season – the time of year when the majority of listed companies hold their AGMs – rekindles each year discussions on executive pay. As we note above, the UK's Business, Energy and Industrial Strategy committee has issued a report containing more than 20 recommendations for companies and institutional investors to curb excessive executive pay. Specifically, the committee "favour a simple structure based on fixed basic salary plus deferred shares, vesting over a long period, but subject to conditions to avoid 'rewarding failure'." This view has traction in the academic community, for example Prof. Alex Edmans (London Business School) argues that a simpler package of salary and long-term shares is easier to value – both for investors and the executives themselves – than complicated Long Term Incentive Plans (LTIPs).

Ahead of the voting season we engaged a UK listed company's Remuneration Committee Chair on a new three-year Remuneration Policy being put to shareholders at the 2019 AGM. The policy proposes a significant increase in variable pay for the CEO (the rationale provided was retention risk) and the establishment of a new LTIP. We felt the increase in variable pay could not be entirely justified by concerns over retention, and was not being legitimised in the context of overall workforce pay, as called for in our Voting Principles. We were also unimpressed that the Remuneration Committee, supported by the incumbent remuneration advisers has not elected to entertain a form of remuneration other than another LTIP scheme. We informed the company of our intention to vote against the new Remuneration Policy.

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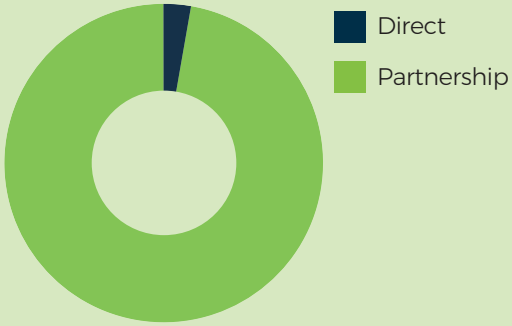
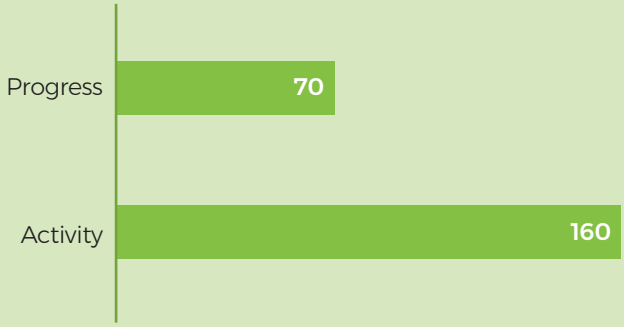
3 Stewardship Themes

CLIMATE CHANGE

Engagement Volume by Type



Engagement Volume by Outcome



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

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.

As we have previously reported, we co-filed a shareholder resolution on climate change at BP Plc, and eventual support for this resolution was around 99% of ballots voted. As part of our collaborative engagements at Glencore Plc and Centrica Plc, a group representative attended the company AGM to issue a statement directly to the entirety of the Board. In each case, given the engagement successes to date, we welcomed the progress made by the companies, but explained that we would be holding the company to account against the strategies and commitments they have articulated.

There was something of a setback at the CA100+ engagement with ExxonMobil, the large US oil & gas producer. As in previous years, climate-aware investors had sought to file a resolution (to set GHG reduction targets) at the company's AGM. The company, however, argued that the resolution should not appear in the meeting materials and the Securities and Exchange Commission (SEC) – the relevant regular – concurred, denying shareholders a vote on the issue. Refusing what we believe to be a legitimate shareholder resolution amounts in our view to an infringement on shareholder rights. We elected to vote against the entire board, except Susan Avery (who brings climate expertise to the Board), in response. As per the LGPS Central Voting Principles, we place a high value on the rights afforded to shareholders, including the right to place legitimate shareholder resolutions.

ExxonMobil

Our stewardship provider engaged 117 companies on climate change during the quarter in review, including companies outside the CA100+ engagement set. Banks, for example, are not currently captured within the CA100+ engagement set, but can nevertheless bear material climate change risks via their loanbook exposure to businesses vulnerable to climate-related risks. Our stewardship provider is engaging a North American bank that, while recognising in its annual report that climate change is a material financial risk, is not yet reporting in line with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). Despite some strengths, the bank does not appear to have achieved, as it peers have, full integration of climate risk management through internal systems and controls. We will follow up for greater risk management practices and fuller disclosure to shareholders.

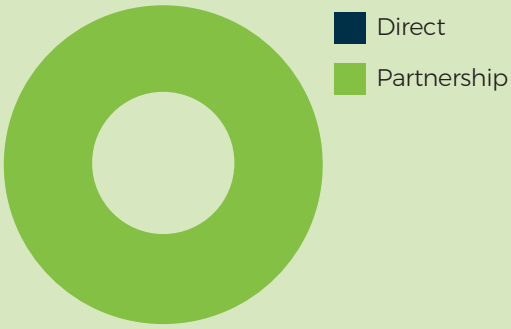
Some of the positive work undertaken by companies can be undermined by the lobbying work they perform either directly or via trade associations. We have joined fellow investors, via CA100+ and otherwise, in calling on companies to be transparent about their lobbying activities, lobbying expenditure, and to review the positions taken by trade associations to ensure consistency on climate change. Some early engagement successes have included Rio Tinto Plc and Royal Dutch Shell Plc (Shell), who have achieved transparency on trade associations. Shell has decided to cease its membership of the American Fuel & Petrochemical Manufacturers trade association, in part because it has opposed carbon taxes. Influence Map, a data provider to CA100+ has highlighted certain German-listed companies as laggards on lobbying disclosure, leading institutional investors to prioritise those companies for engagement. Both BASF and RWE have agreed to undertake a review in line with an Investor Expectations document developed by the Institutional Investor Group on Climate Change (IIGCC). One of our external fund managers, Germany-based Union Investment Management, has given statements at the AGMs of German industrials companies to support these engagement efforts.

AFPM American Fuel & Petrochemical Manufacturers

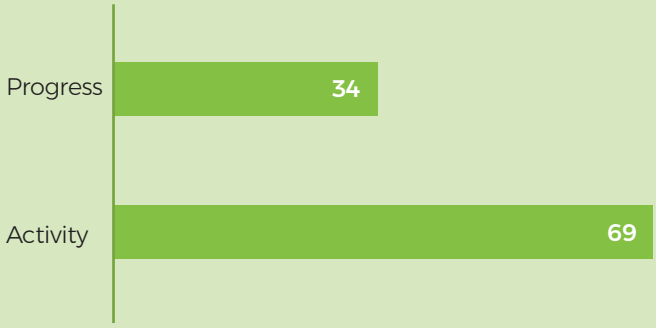
IM InfluenceMap

CYBER SECURITY AND DATA PROTECTION

Engagement Volume by Type



Engagement Volume by Outcome



- 89 engagements relating to cyber security
- PRI-led collaborative engagement with 65 companies; 48 engagement meetings held to date
- Further engagements undertaken by our Stewardship Provider and by LAPFF

Another cyber security breach made recent headlines when WhatsApp users were advised of a potential vulnerability with the popular messaging app. Up to 1.5 billion phones were at risk of hackers taking control of a user's device simply by telephoning the WhatsApp profile. In addition, fresh concerns were raised over Intel's processor chips, with a security flaw affecting a generation of chips allegedly stretching back to 2011. According to Intel, patching the faulty chips could slow down processing time by 19%; this could have a bearing on consumer preference for the product. Given the armies of compliance, testing, and cyber security staff hired by these giant technology companies, the fact that vulnerabilities continue to emerge underlines the need for investors to received adequate assurance over the cyber arrangements at investee companies.

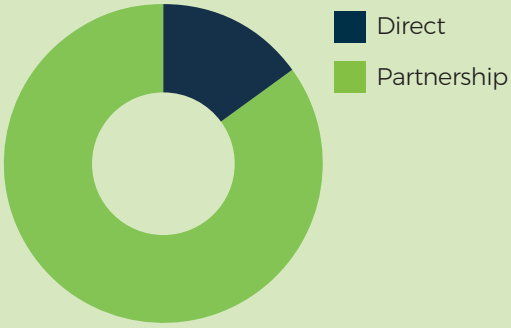
PRI Principles for Responsible Investment

The quarter end saw the conclusion of our engagement on cyber security and data protection in partnership with the PRI. Overall, 55 investors worth collectively $10.6tn approached 65 companies, received 59 responses, and held 48 meetings or calls with company representatives. At our monthly calls, investors in the collaboration shared insights on the steps companies have taken to improve cyber security, but also gaps where policy or governance of cyber risks could be improved. We await the final PRI report for overall results in terms of milestones progressed, but we do know the two UK banks we engaged improved on four indicators, meaning that they met all indicators identified as relevant by the PRI. 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. Another main finding has been a recognition of the importance of developing a cyber aware culture within the organisation, backed up by 'boots on the ground'.

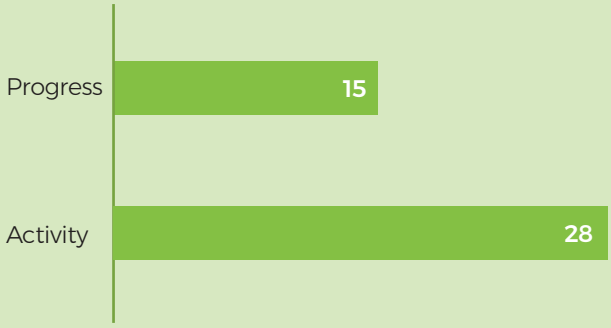
This voting season has seen several shareholder resolutions relating to cyber security and data privacy. As set out in our Voting Principles, we take a case-by-case approach to our decisions on whether to support shareholder resolutions, but we have frequently found sufficient reason to give support to resolutions relating to cyber security. For example at the Walt Disney AGM, we supported a resolution requesting that the company assess the feasibility of integrating cyber security performance into the performance metrics for variable pay. Aligning the incentives of executives and investors can be a very powerful way to improve corporate behaviours and outcomes, and we would welcome the proposed feasibility report at Walt Disney.

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

Engagement in collaboration with fellow members of the 30% Club Investor Group has continued to yield results. TI Fluid Systems Plc, a supplier to the automotive industry, announced on 8 March its appointment of Andrea Dunstan to the board, adding to Elaine Sarsynski's appointment in August 2018. The company is also currently searching for a CFO, and we have received assurances over the approach to diversity in this search, including in any use of executive search firms. Millennium & Copthorne Hotels Plc, which until recently had an all-male board, announced the appointment of Paola Bergamaschi Broyd on 21 March and, on 1 May, the appointment of Vicky Williams.

This year has seen the launch of the 30% Club Japan, which we hope will bring greater momentum to diversity progress in that market. Recognising the current state of play, the target for 30% Club Japan is to achieve 10% representation of women on the boards of TOPIX100 companies by 2020, and 30% representation by 2030. On 13 occasions during the period in review we voted against Japanese board directors for lack of progress on diversity. This includes, as we explain below, Canon Inc. We voted against an additional 13 companies over concerns relating to poor diversity.

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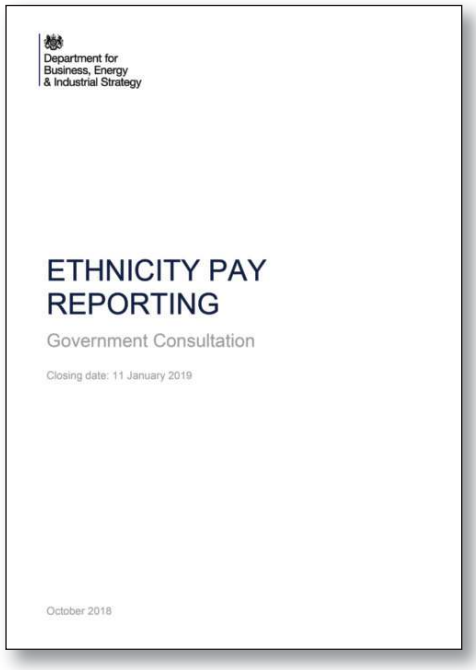
We took part in a consultation concerning ethnicity pay gap reporting, welcoming the proposal to introduce such disclosures. For large, diversified investors the value of easily attainable and commonly reported data cannot be overstated. This is for several reasons including (a) investors can observe 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[2] 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 engaging 11 companies on diversity and by contributing to industry dialogue. For example Hermes EOS hosted a panel on diversity at the CII conference, joined by BHP Group Ltd, who has settargets for 2025 gender diversity across all levels of the organisation from the board down. In addition, Hermes EOS has helped establish a Brazil Chapter of the 30% Club, with the aim to broaden the pipeline of women at all levels from "schoolroom to boardroom".



Department for Business, Energy & Industrial Strategy

ETHNICITY PAY REPORTING

Government Consultation

Closing date: 11 January 2019

October 2018

[2]Department for Business, Energy & Industrial Strategy, the issuers of the consultation

4 Voting

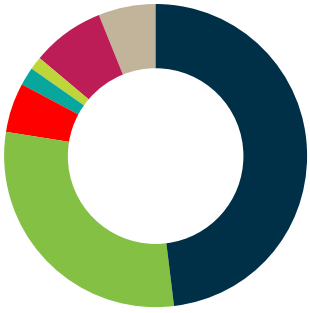
POLICY:
For UK listed companies, we vote our shares in accordance with a set of bespoke UK Voting Principles. For other markets, we consider the recommendations and advice of our third-party proxy advisor.

COMMENTARY:
On behalf of our clients, we continued to vote shares at company meetings between January and March 2019[3].

Global
We made voting recommendations at 373 meetings (4,289 resolutions) over the last quarter.

Total meetings in favour	**50.4%**
Meetings against (or against AND abstain)	**47.2%**
Meetings abstained	**0.8%**
Meetings with management by exception	**1.6%**

Global votes against and abstentions by category



Board structure	**48.3%**
Remuneration	**29.5%**
Shareholder resolution	**5.4%**
Capital structure and dividends	**1.7%**
Amend articles	**1.5%**
Audit and accounts	**7.8%**
Other	**5.9%**

Over the last quarter we made voting recommendations at 373 meetings (4,289 resolutions). At 176 meetings we recommended opposing one or more resolutions. We recommended voting with management by exception at six meetings and abstaining at three meetings. We supported management on all resolutions at the remaining 188 meetings.

UK
We made voting recommendations at 49 meetings (629 resolutions) over the last quarter. We recommended voting against or abstaining on 25 resolutions over the last quarter. There were no LAPFF alerts received during the quarter.

Total meetings in favour	**71.4%**
Meetings against (or against AND abstain)	**26.5%**
Meetings with management by exception	**2.0%**

Board structure	**44.0%**
Remuneration	**48.0%**
Capital structure and dividends	**8.0%**

At the Mitchells & Butlers Plc AGM the Board proposed the re-election of four shareholder representatives (two each for Elpida Group Ltd (23.5% owners of M&B) and Piedmont Inc (27.1% owners). Though non-executives, these directors

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

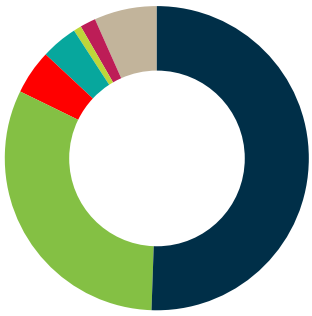
cannot be considered independent, and their present on the Audit and Remuneration Committees violates the provisions of the UK Corporate Governance Code. Board independence has been a long-standing issue with this company, and as a result we opposed the election of the four shareholder representatives and the Chair of the company, as he is primarily responsible for high standards of governance at the company.

In 2018 the remuneration policy at SSP Group Plc was opposed or abstained by one third of the shareholder base. Weaknesses with the proposed policy include the paying of the annual bonus 100% in cash (i.e. rather than in deferred shares), no holding period requirements for vested awards under the long term incentive plan, (LTIP). Whilst some improvements were made to the policy – including two-year holding periods for LTIP awards – the quantum of CEO Kate Swann's total pay (over £6m) remains excessive relative to peers and we voted to oppose the remuneration report on that basis.

Europe ex-UK

We made voting recommendations at 69 meetings (1,279 resolutions) over the last quarter. We recommended voting against or abstaining on 124 resolutions over the last quarter.

Total meetings in favour	**42.0%**
Meetings against (or against AND abstain)	**52.2%**
Meetings abstained	**2.9%**
Meetings with management by exception	**2.9%**



Board structure	**50.8%**
Remuneration	**31.5%**
Shareholder resolution	**4.8%**
Capital structure and dividends	**4.0%**
Amend articles	**0.8%**
Audit and accounts	**1.6%**
Other	**6.5%**

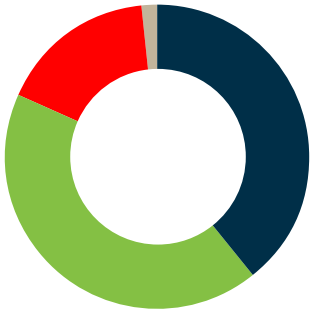
As stated in our Voting Principles, we are against the bundling of multiple resolutions into a single voting opportunity for shareholders. It ought to be possible for shareholders to cast distinct voting signals for different board proposals. We opposed, therefore, Item 12 at the Stora Enso AGM which proposed the election of nine directors within one resolution. In addition, the proposed Vice Chair has chairmanships at two listed companies, which calls into question his capacity to devote sufficient time to Stora Enso. In addition to this, a 10% increase in the Chair's fee is proposed, but we voted against as there was no compelling rationale provided for the increase.

At the Schindler Holding AGM we elected to vote against nine of the directors proposed for re-election. There is insufficient independence on the Board with and Executive Chair, various members of the founding family, and former employees on the board and on the key subcommittees. The company considers, for example, that a founding family member with a board tenure of 35 years is an independent non-executive director: we disagree. Further to this, only two out of eleven directors are female, so we have voted against the Chair for a lack of progress on board diversity. Finally, we opposed the remuneration proposal, as an average increase of up to 18.2% per person is not accompanied by a sufficient rationale.

North America

We made voting recommendations at 44 meetings (492 resolutions) over the last quarter.
We recommended voting against or abstaining on 66 resolutions over the last quarter.

Total meetings in favour	**27.3%**
Meetings against (or against AND abstain)	**68.2%**
Meetings with management by exception	**4.5%**



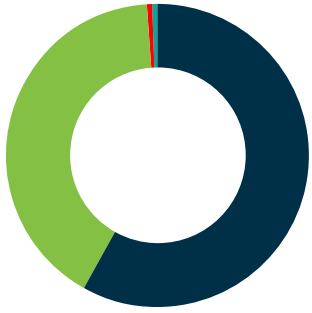
Board structure	**39.4%**
Remuneration	**42.4%**
Shareholder resolution	**16.7%**
Other	**1.5%**

We voted against both the executive officers' compensation, and the Chair of the Compensation Committee, in response to significant concerns over remuneration at Apple, Inc. Variable compensation awards for the CFO, COO and the general counsel are more than twenty times base salary, a far higher ratio that we would like to see. In addition, the Long Term Incentive Plan (LTIP) does not include any strategic, non-financial objectives (only TSR is included) which is in contrast to our Voting Principles. Also, per our Voting Principles, we aim to vote to support proposals that preserve or increase shareholder rights. Accordingly we voted for a shareholder resolution at Apple that would increase the number of shareholder nominated directors from one to two.

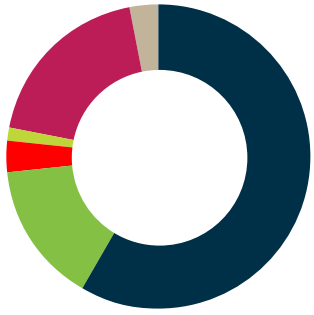
At the Walt Disney Co AGM we elected to support a shareholder resolution which called on the company to report on the feasibility of included cyber security and data privacy as performance measures in executive pay. Currently 100% of the LTIP is awarded based on financial performance, as is 70% of the bonus (the remaining 30% of the bonus depends on strategic objectives that do not directly include management of cyber or data privacy risks). A report on the feasibility would allow the company to assure shareholders that the board considers the management of these important risk factors in the strategic performance assessment of the executive officers, and we voted to support on this basis. We also voted for a shareholder proposal requiring the company to report on its lobbying activities. Finally, we voted against the compensation for executive officers. Bob Iger is among the highest-paid CEOs in the world, and his $100m special equity grant was voted down by shareholders in 2018. While the board re-designed the performance criteria for the award, it still includes over $26m in awards that do not require the achievement of performance criteria in order to vest.

Developed Asia

We made voting recommendations at 186 meetings (1,616 resolutions) over the last quarter.
We recommended voting against or abstaining on 148 resolutions over the last quarter.



Total meetings in favour	**58.1%**
Meetings against (or against AND abstain)	**40.9%**
Meetings abstained	**0.5%**
Meetings with management by exception	**0.5%**



Board structure	**58.8%**
Remuneration	**14.9%**
Shareholder resolution	**3.4%**
Amend articles	**1.4%**
Audit and accounts	**18.9%**
Other	**2.7%**

Samsung Electronics Ltd has faced a major bribery and embezzlement scandal which has ensnared the company's heir apparent JY Lee, and the former President of Korea Park Geun-hye. Despite JY's sentencing to two years in prison, later reduced to a 30 month suspended sentence, the board does not appear to have fulfilled its duty to shareholders in respect of full recognition of the issue, and the taking of appropriate remedial steps (for example JY Lee remains on the board of the company). We voted to oppose the re-election of Jae-wan Bahk, an independent director whose tenure spans the scandal, and who therefore is complicit in the board's lack of action at the time. We also opposed Jae-wan Bahk's election to the company's Audit Committee.

Diversity at Japanese companies has been on the increase, with greater proportions of women, 'outside directors' and non-Japanese being appointed to company boards. The issue has been given additional prominence by the giant Japanese state pension fund calling for more women on Japanese boards. This year we voted against the Chair of Canon, Inc, as the board remains 100% male.

Emerging and Frontier Markets

We made voting recommendations at 24 meetings (269 resolutions) over the last quarter. We recommended voting against or abstaining on 46 resolutions over the last quarter.

Total meetings in favour	**16.7%**
Meetings against (or against AND abstain)	**83.3%**

Board structure	**23.9%**
Remuneration	**41.3%**
Amend articles	**6.5%**
Audit and accounts	**4.3%**
Other	**23.9%**

At 83% of meetings in the Emerging and Frontier Markets region we elected to vote against at least one resolution. At 17 out of 18 Turkish AGMs, we were not able to support certain resolutions on grounds of insufficient disclosure.

At the AGM of Plus500 Ltd, an Israeli business soon to move the main market of the London Stock Exchange, we opposed the 'employment terms' of the CEO and CFO owing to concerns with remuneration. There is a lack of performance conditions attached to the LTIP, accompanied by a vesting period that is shorter than market practice. In addition to this the quantum of pay is proposed to increase despite no rationale (other than the listing change) being provided.

Australia & New Zealand

We made voting recommendations at one meeting (four resolutions) over the last quarter. We recommended voting against or abstaining on one resolution over the last quarter.

Meetings against (or against AND abstain) **100.0%**

Remuneration **100.0%**

At the AGM of Aristocrat Leisure Ltd, an Australia-based gaming company, we voted to oppose the grant of performance share rights to the CEO. In our Voting Principles we outline our expectation that performance targets for variable remuneration should be clearly disclosed, but there is insufficient disclosure for c70% of the value of the long-term incentive grants at Aristocrat Leisure. In addition, quantum increased 14% year on year, despite 28% of the shareholder base voting to oppose a comparable resolution in 2018.

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.

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.

We took part in three interviews with industry and academic researchers, covering long termism in investment mandates, integration of ESG into the investment process, and carbon disclosure and TCFD. We also submitted our response to the consultation on an update to the UK Stewardship Code. We welcomed the new, broader definition of 'stewardship', its application to asset classes other than listed equities, and the specific reference to climate change in one of the principles. Our response can be found in full on our website.

Conference/Event	Topic
Local Authority Pension Strategic Investment Forum	Carbon emissions and oil demand
Public and Private Pensions Summit	Financial materiality of ESG
LGC Roundtable	Climate change

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
- IIGCC Shareholder resolutions sub-group

LGPS Central Limited's Partnership Organisations