

Shropshire Council
Legal and Democratic Services
Shirehall
Abbey Foregate
Shrewsbury
SY2 6ND

Date: Thursday, 16 January 2020

Committee:
Pensions Committee

Date: Friday, 24 January 2020

Time: 10.00 am

Venue: Wilfred Owen Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire,
SY2 6ND

You are requested to attend the above meeting.
The Agenda is attached.

Claire Porter
Director of Legal and Democratic Services

Members of the Committee:

Thomas Biggins
Chris Mellings
Brian Williams
Michael Wood

Co-opted Members (Voting):

Malcolm Smith
Leon Murray

Co-opted Members (Non-Voting):

Jean Smith (Pensioner Representative)
Laura Hoskison (Employee Representative Shropshire Council)
Vacancy (Employee Representative)

Substitute Members of the Committee:

Roy Aldcroft (SC)

Roger Evans (SC)

Alexander Phillips (SC)

Robert Tindall (SC)

Lee Carter (T&W)

Adrian Lawrence (T&W)

Vacancy (Pensioner Rep)

Vacancy (Employee Rep)

Your Committee Officer is:

Sarah Townsend Committee Officer

Tel: 01743 257721

Email: sarah.townsend@shropshire.gov.uk

AGENDA

1 Apologies and Substitutions

To receive apologies for absence and notification of any substitutions.

2 Disclosable Pecuniary Interests

Members are reminded that they must not participate in the discussion or voting on any matter in which they have a Disclosable Pecuniary Interest and should leave the room prior to the commencement of the debate.

3 Minutes of the Previous Meeting (Pages 1 - 6)

The Minutes of the meeting held on 04 October 2019 are attached for confirmation, marked 3.

Contact: Sarah Townsend (01743 257721)

4 Public Questions

To receive any questions or petitions from members of the public, notice of which has been given in accordance with Procedure Rule 14. The deadline for this meeting is 10.00 a.m. on Wednesday, 22 January 2020.

5 Actuarial Valuation Results

Mr John Livesey, Mercer Human Resource Consulting, will be in attendance to present this item.

6 Investment Strategy Review

Mr Louis-Paul Hill, Aon, will be in attendance to present this item.

7 Competition and Markets Authority (CMA) - Investment Consultant Objectives

Mr Louis-Paul Hill, Aon, will be in attendance to present this item.

8 Corporate Governance Monitoring (Pages 7 - 82)

The report of the Investment Officer is attached, marked 8.

Contact: Ben Driscoll (01743 252079)

9 Pensions Administration Monitoring (Pages 83 - 112)

The report of the Pensions Administration Manager is attached, marked 9.

Contact: Debbie Sharp (01743 252192)

10 Exclusion of Press and Public

To consider a resolution under paragraph 10.2 of the Council's Access to Information Procedure Rules that the proceedings of the Committee in relation to Agenda Items 11 to 15 shall not be conducted in public on the grounds that they involve the likely disclosure of exempt information as defined by the categories specified against them.

11 Exempt Minutes of the Previous Meeting (Exempted by Category 3) (Pages 113 - 118)

The exempt Minutes of the meeting held on 04 October 2019 are attached for confirmation, marked 11.

Contact: Sarah Townsend (01743 257721)

12 Equity Protection Update (Exempted by Category 3)

Mr Louis-Paul Hill, Aon, will be in attendance to present this item.

13 Investment Monitoring - Quarter to 30 September 2019 (Exempted by Category 3) (Pages 119 - 160)

The exempt report of the Head of Treasury and Pensions is attached, marked 13.

Contact: Justin Bridges (01743 252072)

14 Governance (Exempted by Category 3) (Pages 161 - 174)

The exempt report of the Pensions Administration Manager is attached, marked 14.

Contact: Debbie Sharp (01743 252192)

15 New Employers (Exempted by Category 3) (Pages 175 - 178)

The exempt report of the Pensions Administration Manager is attached, marked 15.

Contact: Debbie Sharp (01743 252192)

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Pensions Committee

24 January 2020

10.00 a.m.

MINUTES OF THE PENSIONS COMMITTEE MEETING HELD ON 4 OCTOBER 2019 10.00 AM - 12.40 PM

Responsible Officer: Sarah Townsend
Email: sarah.townsend@shropshire.gov.uk Tel: 01743 257721

Present:

Members of the Committee:
Councillor Thomas Biggins (Chairman)
Councillors Chris Mellings and Brian Williams

Co-Opted Members (Voting):
Councillors Leon Murray and Malcolm Smith

Co-Opted Members (Non-Voting):
Jean Smith and Laura Hoskison

21 Apologies and Substitutions

Apologies for absence were received from Councillor Michael Wood. There was no substitute in attendance.

Apologies for absence were also received from Councillors Roy Aldcroft and Robert Tindall (Substitute Members).

The Chairman welcomed Councillor Leon Murray (Co-Opted Member, Voting) and Laura Hoskison (Employee Representative Shropshire Council, Co-Opted Member, Non-Voting) to their first meeting of the Pensions Committee.

22 Disclosable Pecuniary Interests

Members were reminded that they must not participate in the discussion or voting on any matter in which they had a Disclosable Pecuniary Interest and should leave the room prior to the commencement of the debate. There were no declarations of Disclosable Pecuniary Interests made.

23 Minutes of the Previous Meeting

That the Minutes of the meeting held on 24 July 2019 be approved and signed by the Chairman as a correct record.

24 Public Questions

There were no public questions.

25 Exclusion of Press and Public

RESOLVED:

That under paragraph 10.2 of the Council's Access to Information Procedure Rules, the proceedings of the Committee in relation to Minutes 26 to 27, be not conducted in public on the grounds that they might involve the likely disclosure of exempt information as defined by the categories specified against them.

26 Global Equities (Exempted by Category 3)

Mr Callum Campbell, Mr Colin Pratt and Mr Mike Weston, LGPS Central, were in attendance to present this item. They provided an update to the Committee in relation to the Global Equity Portfolio, as well as a general business update.

27 Equity Protection Strategy Update (Exempted by Category 3)

Ms Emily McGuire, Aon, was in attendance to present this item which provided Members with an equity protection strategy update.

RESOLVED:

That the update be noted and the recommendation in relation to this item be considered as part of the Exempt Investment Monitoring – Quarter to 30 June 2019 Agenda Item.

(The full version of Minutes 26 to 27 constitutes exempt information under Category 3 of paragraph 10.2 of the Council's Access to Information Procedure Rules and has accordingly been withheld from publication).

(From this point, the proceedings of the Committee were conducted in public session in relation to Minutes 28 to 31).

28 Responsible Investments and ESG

Ms Jeannette Andrews and Mr James Sparshott, Legal & General, were in attendance to present this item. They gave an overview of Environmental, Social and Governance (ESG), explained why it was relevant for pension fund trustees and looked at how it could be integrated into investments. In particular, the issue of climate change was addressed and Members were informed as to how Legal & General had engaged with various companies and sectors across the world to tackle the climate emergency.

29 Corporate Governance Monitoring

The Committee received the report of the Investment Officer (copy attached to the signed Minutes) which informed Members of Corporate Governance and socially responsible investment issues arising in the quarter 01 April 2019 to 30 June 2019.

Members were informed that LGPS Central had purchased a Low Carbon Fund. There was also a new Stewardship Code coming out shortly, which the Shropshire Local Government Pension Fund would be looking to sign up to.

RESOLVED:

That the position as set out in the report, Manager Voting Reports (Appendix A) and BMO Global Asset Management Responsible Engagement Overlay Activity Report (Appendix B) be accepted.

30 Pensions Administration Monitoring

The Committee received the report of the Pensions Administration Manager (copy attached to the signed Minutes) which provided members with monitoring information on the performance of and issues affecting the Pensions Administration Team.

In relation to cyber security, over the last quarter, Shropshire Council had confirmed that the following number of cyber-attacks had been stopped:

- May 2019: 31,780,909
- June 2019: 31,484,904

Members commented that these figures were large and asked that the Pensions Administration Manager find out how many of these cyber-attacks were directed at Shropshire County Pension Fund.

It was noted that the Annual Meeting was due to take place on 28 November 2019 and an Employers' Meeting was planned for 15 November 2019.

RESOLVED:

That the position as set out in the report by the Pensions Administration Manager be accepted.

The Chairman explained that for various reasons, the next meeting of the Pensions Committee scheduled for Wednesday, 18th December 2019, had been cancelled. The Committee Officer would email both Members and Officers requesting their availability for a new meeting date of either Friday, 17th January or Friday, 24th January 2020.

31 Exclusion of Press and Public

RESOLVED:

That under paragraph 10.2 of the Council's Access to Information Procedure Rules, the proceedings of the Committee in relation to Minutes 32 to 35, be not conducted in public on the grounds that they might involve the likely disclosure of exempt information as defined by the categories specified against them.

32 Exempt Minutes of the Previous Meeting (Exempted by Category 3)

That the Exempt Minutes of the meeting held on 24 July 2019 be approved and signed by the Chairman as a correct record.

33 Investment Monitoring - Quarter to 30 June 2019 (Exempted by Category 3)

The Committee received the exempt report of the Head of Treasury and Pensions (copy attached to the Exempt signed Minutes) which provided Members with monitoring information on investment performance and managers for the quarter period to 30 June 2019 and reported on the technical meetings held with managers since the quarter end.

RESOLVED:

- (a) That the position as set out in the exempt report by the Head of Treasury and Pensions be noted.
- (b) That the recommendation as set out in the exempt report by the Head of Treasury and Pensions be approved with the inclusion of the additional wording 'in consultation with our advisors'.

34 Governance (Exempted by Category 3)

The Committee received the exempt report of the Pensions Administration Manager (copy attached to the Exempt signed Minutes) which informed them of regulatory breaches arising in the quarter 01 April 2019 to 30 June 2019, which had been recorded in the breaches log.

RESOLVED:

That the content of Appendix A to the report by the Pensions Administration Manager, which detailed breaches recorded in the last quarter, be noted.

35 New Employers (Exempted by Category 3)

The Committee received the exempt report of the Pensions Administration Manager (copy attached to the Exempt signed Minutes) which provided Members with details of the following:

- Full details regarding one new employer admissions to the Fund, under Schedule 2 Part 3 Regulation 1(d) (i) of the Local Government Pension Scheme Regulations 2013. The admission was due to a service transferring from a scheme employer, under a service contract. The admission agreement would need to be sealed with the county seal.
- Update of New Schedule 1 Part 1 Scheme Employers (academies) and New Schedule 2 Part 2 Scheme Employers (designated bodies).

RESOLVED:

That the recommendations in the exempt report by the Pensions Administration Manager be approved.

(The full version of Minutes 32 to 35 constitutes exempt information under Category 3 of paragraph 10.2 of the Council's Access to Information Procedure Rules and has accordingly been withheld from publication).

Signed (Chairman)

Date:

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Agenda Item 8



<u>Committee and Date</u>
Pensions Committee
24 January 2020
10.00am

<u>Item</u>
8
Public

CORPORATE GOVERNANCE MONITORING

Responsible Officer Ben Driscoll

e-mail: ben.driscoll@shropshire.gov.uk

Tel: (01743) 252079

1. Summary

- 1.1 The report is to inform members of Corporate Governance and socially responsible investment issues arising in the quarter 1st July 2019 to 30th September 2019.
- 1.2 In addition, outlined in Appendix C is a statement of compliance with UK Stewardship Code which has been agreed by the Director of Finance, Governance & Assurance and Chair of Pensions Committee.

2. Recommendations

- 2.1 Members are asked to accept the position as set out in the report, Manager Voting Reports at Appendix A and BMO Global Asset Management Responsible Engagement Overlay Activity Report at Appendix B.
- 2.2 Members are asked to note the statement of compliance with the UK Stewardship Code at Appendix C, agreed by the Chair of Pensions Committee and the Director of Finance, Governance & Assurance; December 2019.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 Risk Management is part of the Pension Fund's structured decision-making process by ensuring that investment decisions are taken by those best qualified to take them.
- 3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.
- 3.3 The Fund's Corporate Governance Policy enables it to influence the environmental policies of the companies in which it invests.
- 3.4 There are no direct Equalities or Community consequences.

4. Financial Implications

- 4.1 There are no direct financial implications arising from this report.

5. Background

- 5.1 The Shropshire County Pension Fund has been actively voting for over fifteen years at the Annual General Meetings and Extraordinary General Meetings of the companies in which it invests. Voting is carried out by individual Fund Managers on all equity portfolios.
- 5.2 The Fund is also addressing its social responsibility through a strategy of responsible engagement with companies. BMO Global Asset Management provide this responsible engagement overlay on the Fund's UK equities portfolio.

6. Manager Voting Activity

- 6.1 Details of managers voting activity during the quarter relating to equity portfolios are attached (Appendix A).

7. Responsible Engagement Activity

- 7.1 During the last quarter BMO Global Asset Management have continued to actively engage with companies on the Fund's behalf. An update on the engagement activities for the quarter is attached at Appendix B in the REO Activity report.

8. UK Stewardship Code

- 8.1 Appendix C details a statement of compliance which has been sent to the Financial Reporting Council (FRC) for approval. The statement outlines how the fund complies with the principles of the code. The statement has been published on the Pension Fund's website and has been approved by the Chair of Pensions Committee and the Director of Finance, Governance & Assurance.
- 8.2 The Stewardship Code was updated in November 2019 and comes in to effect, 21st January 2020. The Fund is required to report on the outcomes of the new code starting in 2021. The attached statement outlines the Funds compliance with the existing code and means we will become a signatory once approved by the FRC.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Corporate Governance Monitoring report, Pensions Committee 04 October 2019

Cabinet Member

N/A

Local Member

N/A

Appendices

A. Manager Voting Activity Reports.

B. BMO Global Asset Management Responsible Engagement Overlay Reports.

C. Statement of compliance - UK Stewardship Code

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VOTING AND ENGAGEMENT ACTIVITY

Welcome to your Quarterly Report's Engagement Activity section. Here we share company engagement reports and voting notes on issues that we trust you will find of interest.

We engaged with several companies over the quarter, examples of which we give below:

- We met with the Chairman of **BAE Systems**, Sir Roger Carr. We discussed Saudi Arabia, including related export licenses, the Board's composition, the UK & US political landscapes and how these might affect the business, as well as the business strategy going forward.
- We met with the Chairman of **Tullow Oil**, Dorothy Thompson, and the Remuneration Committee Chairman, Jeremy Wilson. We primarily discussed the proposed Remuneration Policy which will be put to a vote at next year's Annual General Meeting. We provided a number of points of feedback, including a desire to see greater executive share ownership amongst the executives, and a more stringent post-employment shareholding requirement. We also discussed company strategy and performance, and we expressed our wish to see more Technology and Oil sector experience represented on the Board, as well as greater transparency on the Group's strategy and the specific Key Performance Indicators that relate to it.
- We attended a **BP** remuneration meeting, alongside other key shareholders, which focused on the Group's strategy, Key Performance Indicators and the individual elements of pay and bonus. The meeting was held under 'Chatham House Rules'; we provided feedback on both remuneration and wider Group strategy.
- We met with the Chairman of **Centrica**, Charles Berry, to discuss his views on the company since we last met in March 2019 (Berry had become Chairman in February 2019), his thoughts on strategy going forwards and we also received an update on the search for a new CEO.
- Alongside other investors, we attended a meeting with **Ryanair** representatives in Dublin in August, facilitated by the Investor Forum. The representatives included the CFO & Accountable Officer for Safety, the Chief Marketing Officer, the Director of HR Strategy & Operations, the Deputy Director of Legal & Regulatory Affairs, the Senior Independent Director and the Chair of the Remuneration Committee. We discussed a raft of issues and these included customer and labour relations, Ryanair's approach to its environmental impact, its interactions with Boeing regarding the 747 MAX, Brexit, remuneration and board effectiveness. In September, we attended (again via the Investor Forum) the AGM of Ryanair, where we were also able to meet with a number of non-executive directors.

A selection of voting examples from this quarter are provided below:

J Sainsbury, AGM: We voted against the Remuneration Report chiefly due to its reliance on 'underlying' profit and cash metrics that, in this case, were very heavily adjusted, excluding several negative items that we would consider to be under management's control. We also felt that the 'development of the business strategy' was poor in Financial Year 2019, with difficulties at the value end of their grocery range becoming apparent and ongoing underperformance of the Bank. In that context, the quantum of executive pay, and the increase on the previous year, seemed inappropriate. ISS had recommended a vote in favour.

QinetiQ Group, AGM: ISS recommended an abstain vote on the election of the Chairman, Neil Johnson, due to his commitments involving a number of other boards. However, we noted that one of these, an investment company, was being wound down. We were content to vote in favour of Johnson's election.

Vodafone, AGM: We voted against Vodafone's Remuneration Report, which was in alignment with the recommendation of ISS. We noted that the threshold level of vesting for the LTIP was more than 100% of salary for the (outgoing) CEO, which represented £1.1m. We noted that share awards had significantly increased in Financial Year 2018/2019 following a material fall in share price. We also disapproved of the additional financial

risk the Liberty Global acquisition had brought to Vodafone (which had triggered a dividend cut) and the de facto loosening of the FCF LTIP targets.

Electrocomponents, AGM: The company was unwilling to move incumbent executive director pension contribution levels towards the level received by the workforce, as encouraged by the new UK Corporate Governance Code and best practice guidance. We had, prior to the vote, engaged with the company and they had declined to amend the proposed arrangements. We therefore voted against the Remuneration Policy, which was not in line with the recommendation of ISS.

Dixons Carphone, AGM: We were unable to support the company's proposed Remuneration Policy, as the company declined to apply a post-employment shareholding requirement to its current executives, despite our request for it to do so. Our vote was against the recommendation of ISS.

Carpetright, AGM: The proposed Remuneration Policy set out an award scheme which was time-based in its vesting, accompanied by an underpin which consisted of the following: i) share price – higher than 28p and the price at the date of grant ii) appropriate improvement in customer satisfaction and iii) sound financial footing. The company advised that there would be scope to move to a more traditional targets-based scheme in time, something it felt unable to implement at present due to its current circumstances. Having given this proposed scheme consideration, and having engaged with the company, our preference was for performance share awards with clear targets. We also noted the point made by ISS that the inclusion of two different incentive structures within the framework added a further layer of complexity. We therefore voted against the proposed Policy, in line with the recommendation of ISS.

Greene King, AGM: We voted against the Remuneration Report, as following the CEO's decision to leave the company, he had received a termination payment broadly equivalent to one year's fixed pay. In return for this compensation, the departed CEO will be subject to post-termination non-compete and non-solicitation restrictions, which were not in place in his original letter of appointment, and it was also acknowledged he had worked a twelve month notice period rather than six, the latter time period being the one used in his letter of appointment from 2004 (we also noted that internal discussions began in May 2018 regarding the CEO leaving but the market was only notified in November 2018, and the CEO left in May 2019). We felt the payment was overly generous. ISS had also recommended a vote against.

Ei Group, Special and Court: We voted in favour of the acquisition of Ei Group by Stonegate Pub Company Bidco Limited.

Ryanair, AGM: We voted against the airline's Remuneration Report, as we disagreed with the size of the award that the CEO could receive in the context of targets that we did not feel were particularly stretching. We also voted against the re-election of the Remuneration Committee Chair, due to our concern on remuneration and because he could not be classified as independent. We also wished to see a new Senior Independent Director, and consequently voted against the incumbent, who we noted is retiring next year. These votes were in line with the recommendations of ISS.

VOTING POLICY

We introduced our own customised voting policy in the second quarter of 2014. This is run in parallel with ISS's policy recommendations. The majority of areas in which our policy differs from that of ISS are within the smaller company sector, where we are a leading UK participant, and relates to capital raising with pre-emptive shareholder rights and the composition of boards; these issues are by their nature often associated with smaller companies. It is not inconceivable that we will make exceptions and vote against our own policy: as with all our voting, we proceed on a case by case basis. We review our policy annually to ensure it is consistent with current best practice. Below are the specifics of the policy. It is worth noting that we regard a UK smaller company as one that is outside the FTSE 350.

Agenda Type	ISS policy	Majedie Policy
Smaller Company Board Structure	Where non-executive directors (NEDs) are members of internal boards, or where members of the board sit on more than one internal committee, this is regarded as being against best practice, and therefore the recommendation is to vote against such proposals.	Give smaller companies greater flexibility in the composition of their boards for practical reasons, given personnel limitations, unless we take issue with one of the board members.
Issuances with Pre-emptive Rights	Proposals of greater than 33% of Issued Share Capital are against best practice and therefore the recommendation is to vote against.	As shareholders we will be given the right to take up the issuance, and so will not be diluted. We therefore vote for such proposals.
Issuances without Pre-emptive Rights	Proposals of greater than 10% of Issued Share Capital are against best practice and therefore the recommendation is to vote against.	Vote in line with ISS as such issuances are potentially dilutive for shareholders.
Political Contributions	Vote for.	Vote against. We want to maintain an independent stance.

VOTING RECORD SUMMARY

Please see below a breakdown of the meetings and resolutions which pertain to your portfolio.

SUMMARY	VOTES	PERCENT
Number of meetings voted at this period	32	
Number of resolutions	482	
Where we voted in line with Management	455	94.4
Where we have not voted in line with Management	27	5.6

Source: Majedie, ISS (Institutional Shareholder Services)

The table below is a breakdown of the number of resolutions where we have either voted against Management or abstained.

CATEGORY	AGAINST MANAGEMENT	ABSTAIN
Board election & related proposals	2	0
Capitalisation	0	0
Miscellaneous	7	0
Remuneration	3	0
Reorganisations, mergers & anti-takeover	0	0
Routine/Business	15	0
Total	27	0

Sources: Majedie, ISS (Institutional Shareholder Services)

VOTING RECORD DETAILS

SECURITY NAME	MEETING DATE	MEETING TYPE	MAJEDIE VOTE
ACCSYS TECHNOLOGIES	30 Sep 2019	AGM	Voted for all
BLOOMSBURY PUBLISHING	17 Jul 2019	AGM	Voted for all
BRITISH LAND	19 Jul 2019	AGM	Against Resolution 17
BT GROUP	10 Jul 2019	AGM	Against Resolution 21
CARPETRIGHT	05 Sep 2019	AGM	Against Resolutions 3, 15
CASH FUNDS	26 Jul 2019	AGM	Voted for all
DE LA RUE	25 Jul 2019	AGM	Against Resolutions 2, 14
DIXONS CARPHONE	05 Sep 2019	AGM	Against Resolutions 3, 15
EI GROUP	12 Sep 2019	EGM	Voted for all
EI GROUP	12 Sep 2019	Court	Voted for all
ELECTROCOMPONENTS	17 Jul 2019	AGM	Against Resolution 2
FASTJET	29 Jul 2019	EGM	Against Resolution 1
FIRSTGROUP	25 Jul 2019	AGM	Against Resolution 19
GREENE KING	06 Sep 2019	AGM	Against Resolution 2
HELICAL BAR	11 Jul 2019	AGM	Voted for all
J SAINSBURY	04 Jul 2019	AGM	Against Resolutions 2, 19
KINGFISHER	09 Jul 2019	AGM	Against Resolutions 2, 16
MARKS & SPENCER	09 Jul 2019	AGM	Against Resolution 20
MARLOWE HOLDINGS	18 Sep 2019	AGM	Voted for all
MOTHERCARE	26 Jul 2019	AGM	Against Resolution 11
OXFORD INSTRUMENTS	10 Sep 2019	AGM	Voted for all
PAYPOINT	25 Jul 2019	AGM	Voted for all
PZ CUSSONS	25 Sep 2019	AGM	Voted for all
QINETIQ GROUP	24 Jul 2019	AGM	Against Resolution 15
RENEWI	11 Jul 2019	AGM	Against Resolution 15
RYANAIR	19 Sep 2019	AGM	Against Resolutions 2, 3f, 3g
SPEEDY HIRE	11 Jul 2019	AGM	Against Resolution 18
TARSUS	11 Jul 2019	EGM	Voted for all
TARSUS	11 Jul 2019	Court	Voted for all
TUNGSTEN	19 Sep 2019	AGM	Against Resolution 2
VODAFONE	23 Jul 2019	AGM	Against Resolutions 15, 22
XPS PENSIONS GROUP	12 Sep 2019	AGM	Voted for all

Source: Majedie

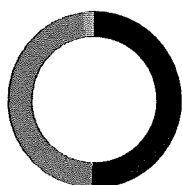
LGPS Central - ACS

Hermes EOS

Over the last quarter we made voting recommendations at **247** meetings (**2,871** resolutions). At **117** meetings we recommended opposing one or more resolutions. We recommended voting with management by exception at **five** meetings. We supported management on all resolutions at the remaining **125** meetings.

Global

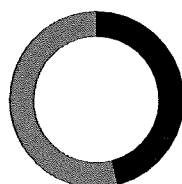
We made voting recommendations at **247** meetings (**2,871** resolutions) over the last quarter.



- Total meetings in favour **50.6%**
- Meetings against (or against AND abstain) **47.4%**
- Meetings with management by exception **2.0%**

Australia and New Zealand

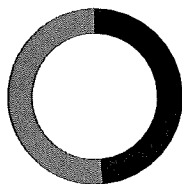
We made voting recommendations at **13** meetings (**76** resolutions) over the last quarter.



- Total meetings in favour **46.2%**
- Meetings against (or against AND abstain) **53.8%**

Developed Asia

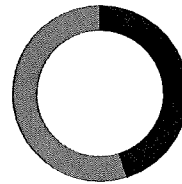
We made voting recommendations at **37** meetings (**278** resolutions) over the last quarter.



- Total meetings in favour **48.6%**
- Meetings against (or against AND abstain) **51.4%**

Emerging and Frontier Markets

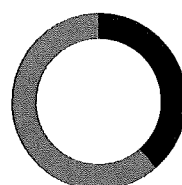
We made voting recommendations at **42** meetings (**367** resolutions) over the last quarter.



- Total meetings in favour **45.2%**
- Meetings against (or against AND abstain) **54.8%**

Europe

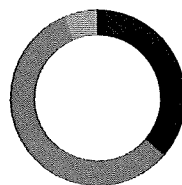
We made voting recommendations at **31** meetings (**409** resolutions) over the last quarter.



- Total meetings in favour **38.7%**
- Meetings against (or against AND abstain) **61.3%**

North America

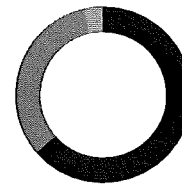
We made voting recommendations at **33** meetings (**328** resolutions) over the last quarter.



- Total meetings in favour **36.4%**
- Meetings against (or against AND abstain) **57.6%**
- Meetings with management by exception **6.1%**

United Kingdom

We made voting recommendations at **91** meetings (**1,413** resolutions) over the last quarter.

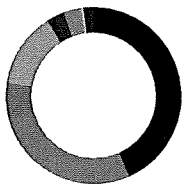


- Total meetings in favour **63.7%**
- Meetings against (or against AND abstain) **33.0%**
- Meetings with management by exception **3.3%**

The issues on which we recommended voting against management or abstaining on resolutions are shown below.

Global

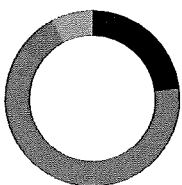
We recommended voting against or abstaining on **299** resolutions over the last quarter.



- Board structure **43.1%**
- Remuneration **27.4%**
- Shareholder resolution **6.7%**
- Capital structure and dividends **13.7%**
- Amend articles **3.3%**
- Audit and accounts **3.3%**
- Poison pill/Anti-takeover device **0.3%**
- Other **2.0%**

Australia and New Zealand

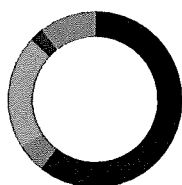
We recommended voting against or abstaining on **13** resolutions over the last quarter.



- Board structure **23.1%**
- Remuneration **61.5%**
- Shareholder resolution **7.7%**
- Capital structure and dividends **7.7%**

Developed Asia

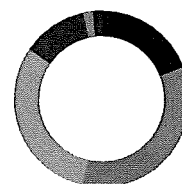
We recommended voting against or abstaining on **38** resolutions over the last quarter.



- Board structure **60.5%**
- Remuneration **5.3%**
- Capital structure and dividends **21.1%**
- Amend articles **2.6%**
- Audit and accounts **10.5%**

Emerging and Frontier Markets

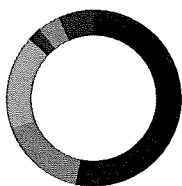
We recommended voting against or abstaining on **58** resolutions over the last quarter.



- Board structure **19.0%**
- Remuneration **19.0%**
- Shareholder resolution **15.5%**
- Capital structure and dividends **31.0%**
- Amend articles **12.1%**
- Audit and accounts **1.7%**
- Other **1.7%**

Europe

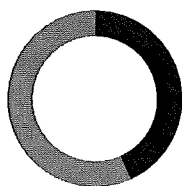
We recommended voting against or abstaining on **75** resolutions over the last quarter.



- Board structure **53.3%**
- Remuneration **16%**
- Capital structure and dividends **17.3%**
- Amend articles **2.7%**
- Audit and accounts **4%**
- Other **6.7%**

North America

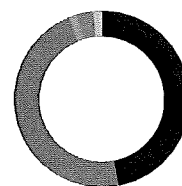
We recommended voting against or abstaining on **51** resolutions over the last quarter.



- Board structure **43.1%**
- Remuneration **37.3%**
- Shareholder resolution **19.6%**

United Kingdom

We recommended voting against or abstaining on **64** resolutions over the last quarter.



- Board structure **46.9%**
- Remuneration **46.9%**
- Capital structure and dividends **1.6%**
- Audit and accounts **3.1%**
- Poison pill/Anti-takeover device **1.6%**

LGPS Central - ACS

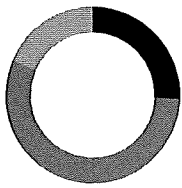
Hermes EOS

Engagement by region

Over the last quarter we engaged with **181** companies held in the LGPS Central - ACS portfolios on a range of **471** environmental, social and governance issues and objectives.

Global

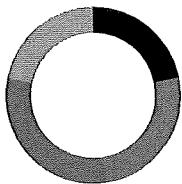
We engaged with **181** companies over the last quarter.



- Environmental **25.7%**
- Social and Ethical **25.3%**
- Governance **30.6%**
- Strategy, Risk and Communication **18.5%**

Developed Asia

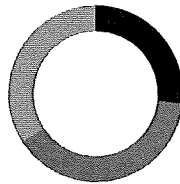
We engaged with **42** companies over the last quarter.



- Environmental **21.8%**
- Social and Ethical **25.7%**
- Governance **30.7%**
- Strategy, Risk and Communication **21.8%**

Emerging & Developing Markets

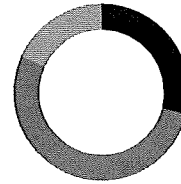
We engaged with **17** companies over the last quarter.



- Environmental **26.8%**
- Social and Ethical **14.6%**
- Governance **24.4%**
- Strategy, Risk and Communication **34.1%**

Europe

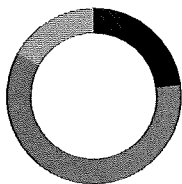
We engaged with **41** companies over the last quarter.



- Environmental **29.1%**
- Social and Ethical **31.8%**
- Governance **20.9%**
- Strategy, Risk and Communication **18.2%**

North America

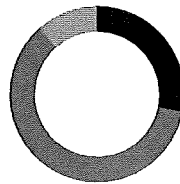
We engaged with **40** companies over the last quarter.



- Environmental **23.0%**
- Social and Ethical **23.9%**
- Governance **36.3%**
- Strategy, Risk and Communication **16.8%**

United Kingdom

We engaged with **41** companies over the last quarter.



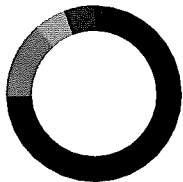
- Environmental **28.3%**
- Social and Ethical **23.6%**
- Governance **36.8%**
- Strategy, Risk and Communication **11.3%**

Engagement by theme

Over the last quarter we engaged with **181** companies held in the LGPS Central - ACS portfolios on a range of **471** environmental, social and governance issues and objectives.

Environmental

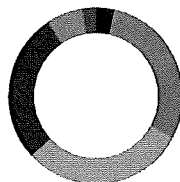
Environmental topics featured in **25.7%** of our engagements over the last quarter.



- Climate Change **74.4%**
- Forestry and Land Use **4.1%**
- Pollution and Waste Management **9.9%**
- Supply Chain Management **5.8%**
- Water **5.8%**

Social and Ethical

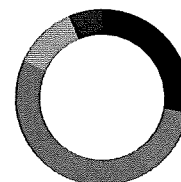
Social and Ethical topics featured in **25.3%** of our engagements over the last quarter.



- Bribery and Corruption **3.4%**
- Conduct and Culture **16.0%**
- Diversity **13.4%**
- Human Capital Management **30.3%**
- Human Rights **27.7%**
- Labour Rights **6.7%**
- Tax **2.5%**

Governance

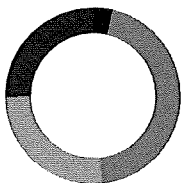
Governance topics featured in **30.6%** of our engagements over the last quarter.



- Board Diversity, Skills and Experience **27.8%**
- Board Independence **13.2%**
- Executive Remuneration **41.0%**
- Shareholder Protection and Rights **11.8%**
- Succession Planning **6.2%**

Strategy, Risk and Communication

Strategy, Risk and Communication topics featured in **18.5%** of our engagements over the last quarter.



- Audit and Accounting **3.4%**
- Business Strategy **43.7%**
- Cyber Security **1.1%**
- Integrated Reporting and Other Disclosure **26.4%**
- Risk Management **25.3%**

Notices:
 LGPS Central Limited is committed to disclosing its voting record on a vote-by-vote basis, including where practicable the provision of a rationale for votes cast against management.
 The data presented here relate to voting decisions for securities held in portfolios held within the company's Authorised Contractual Scheme (ACS).

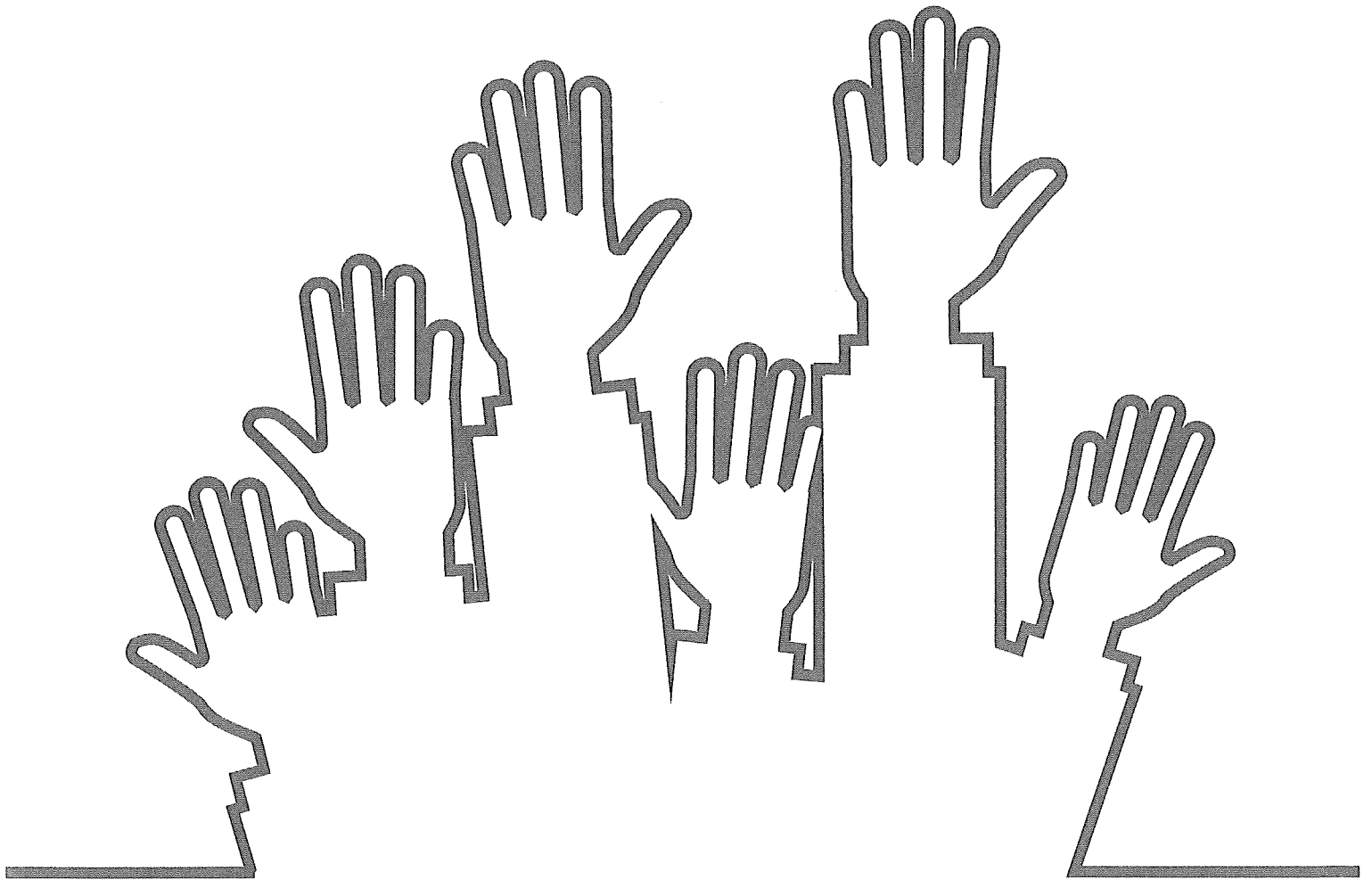
Meeting Date	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
01/07/2019	Dominio's Pizza Group Plc	Special	All For		
02/07/2019	Ubisoft Entertainment SA	Annual/Special	All For		
02/07/2019	Assura Plc	Annual	All For		
03/07/2019	voestalpine AG	Annual	Against	10, 11	Concerns about reducing shareholder rights
				9	Concerns about reducing shareholder rights
				8, 1, 6, 2, 6, 3, 6, 4, 6, 6	Lack of independence on board
03/07/2019	JD Sports Fashion Plc	Annual	Against	2, 11	Apparent failure to link pay and appropriate performance
				4	Combined CEO/Chairman/Overboarded/Too many other time commitments
				6	Concerns about remuneration committee performance
				4	Concerns related to approach to board diversity
04/07/2019	3i Infrastructure Plc	Annual	Against	4	
04/07/2019	Great Portland Estates Plc	Annual	All For		
04/07/2019	J Sainsbury Plc	Annual	All For		
08/07/2019	Vietnam Enterprise Investments Ltd.	Annual	Against	2	Concerns regarding Auditor tenure
08/07/2019	AVEVA Group Plc	Annual	Against	2	Apparent failure to link pay and appropriate performance
				5	Overboarded/Too many other time commitments
09/07/2019	Lenovo Group Limited	Annual	Against	7, 8	Issue of capital raises concerns about excessive dilution of existing shareholders
				5	Issue of capital raises concerns about excessive dilution of existing shareholders
09/07/2019	Ascendas Real Estate Investment Trust	Annual	Against	3	Issue of equity raises concerns about excessive dilution of existing shareholders
09/07/2019	Dell Technologies, Inc.	Annual	Against	4	Apparent failure to link pay and appropriate performance
				1, 2	Concerns related to approach to board diversity
				1, 3	Concerns related to inappropriate membership of committees/Concerns to protect shareholder value/Concerns related to approach to board diversity
09/07/2019	Kingfisher Plc	Annual	All For		
09/07/2019	Marks & Spencer Group Plc	Annual	All For		
09/07/2019	Worldwide Healthcare Trust Plc	Annual	Against	2	Concerns related to approach to board diversity
10/07/2019	Alstom SA	Annual/Special	All For		
10/07/2019	EQT Corporation	Proxy Contest	No Action Taken	1A, 1B, 1C, 1D, 1E, 1F, 1G, 1H, 1I, 1J, 1K, 1L, 1M, 1N, 1O, 1P, 1Q, 1R, 2, 3, 4	
10/07/2019	BT Group Plc	Annual	All For		
11/07/2019	Johnson Electric Holdings Ltd.	Annual	Against	7, 8	Issue of equity raises concerns about excessive dilution of existing shareholders
11/07/2019	Fielmann AG	Annual	All For		
11/07/2019	Land Securities Group Plc	Annual	Against	10	Overboarded/Too many other time commitments
11/07/2019	LondonMetric Property Plc	Annual	All For		
11/07/2019	Personal Assets Trust Plc	Annual	All For		
11/07/2019	Pets At Home Group Plc	Annual	Against	2	Apparent failure to link pay and appropriate performance
				6	Concerns regarding Auditor tenure
				4A	Overboarded/Too many other time commitments
11/07/2019	Templeton Emerging Markets Investment Trust Plc	Annual	All For		
11/07/2019	Workspace Group Plc	Annual	Against	4, 9	Overboarded/Too many other time commitments
12/07/2019	VTech Holdings Ltd.	Annual	Against	3c	Concerns related to approach to board diversity
12/07/2019	DCC Plc	Annual	All For		
12/07/2019	Amigo Holdings Plc	Annual	Against	3	Apparent failure to link pay & appropriate performance
				2	Apparent failure to link pay and appropriate performance
				9	Concerns related to inappropriate membership of committees
15/07/2019	Mapletree Logistics Trust	Annual	Against	3	Issue of equity raises concerns about excessive dilution of existing shareholders
16/07/2019	Mapletree Industrial Trust	Annual	All For		
16/07/2019	Industria de Diseno Textil SA	Annual	All For		
16/07/2019	Constellation Brands, Inc.	Annual	Against	3	Apparent failure to link pay & appropriate performance
				1, 2	Concerns about remuneration committee performance
				1, 5	Concerns related to inappropriate membership of committees
				1, 10	Concerns to protect shareholder value
16/07/2019	VF Corp.	Annual	Against	2	Apparent failure to link pay & appropriate performance
16/07/2019	HICL Infrastructure PLC	Annual	Against	4	Overboarded/Too many other time commitments
16/07/2019	Perpetual Income & Growth Investment Trust Plc	Annual	All For		
17/07/2019	Mapletree North Asia Commercial Trust	Annual	Against	3	Issue of equity raises concerns about excessive dilution of existing shareholders
17/07/2019	Burberry Group Plc	Annual	All For		
17/07/2019	Electrocomponents Plc	Annual	All For		
17/07/2019	Johnson Matthey Plc	Annual	All For		
17/07/2019	Severn Trent Plc	Annual	All For		
17/07/2019	TalkTalk Telecom Group Plc	Annual	Against	2	Apparent failure to link pay and appropriate performance
				4	Concerns about overall performance
				8, 11, 13	Concerns related to inappropriate membership of committees
18/07/2019	SATS Ltd.	Annual	All For		
18/07/2019	Singapore Post Ltd.	Annual	All For		
18/07/2019	AusNet Services Ltd.	Annual	Against	2c	Concerns about overall performance
18/07/2019	Suedzucker AG	Annual	Against	8	Concerns to protect shareholder value
				9	Insufficient basis to support a decision
				5	Lack of independence on board
18/07/2019	Babcock International Group Plc	Annual	All For		
18/07/2019	Royal Mail Plc	Annual	Against	2	Apparent failure to link pay and appropriate performance
18/07/2019	SSE Plc	Annual	All For		
19/07/2019	SIA Engineering Co. Ltd.	Annual	All For		
19/07/2019	Big Yellow Group Plc	Annual	All For		
19/07/2019	HomeServe Plc	Annual	Against	2	Apparent failure to link pay and appropriate performance
19/07/2019	The British Land Co. Plc	Annual	Against	3	Apparent failure to link pay & appropriate performance
22/07/2019	Banco Santander SA	Special	All For		
23/07/2019	Singapore Telecommunications Limited	Annual	All For		
23/07/2019	The UNITE Group Plc	Special	All For		
23/07/2019	TR Property Investment Trust Plc	Annual	Against	5	Concerns related to approach to board diversity
23/07/2019	Vodafone Group Plc	Annual	All For		
24/07/2019	Link Real Estate Investment Trust	Annual	All For		
24/07/2019	ITO EN, LTD.	Annual	Against	4, 2	Concerns about overall board structure
24/07/2019	Mapletree Commercial Trust	Annual	Against	3	Issue of equity raises concerns about excessive dilution of existing shareholders
24/07/2019	Remy Cointreau SA	Annual/Special	Against	13, 15	Apparent failure to link pay and appropriate performance
				5	Insufficient justification for related party transaction
				16	Person pillant-takeover measure not in investors interests
24/07/2019	Eurobank Ergasias SA	Annual	All For		
24/07/2019	Fidelity National Information Services, Inc.	Special	All For		
24/07/2019	Worldpay, Inc.	Special	All For		
24/07/2019	Experian Plc	Annual	Against	2	Apparent failure to link pay & appropriate performance
24/07/2019	Wizz Air Holdings Plc	Annual	Against	2	Apparent failure to link pay and appropriate performance
24/07/2019	Caledonia Investments Plc	Annual	Against	16	Concerns to protect shareholder value
24/07/2019	Fidelity China Special Situations Plc	Annual	All For		
24/07/2019	Mediclinic International Plc	Annual	Against	2	Apparent failure to link pay and appropriate performance
				9	Overboarded/Too many other time commitments
24/07/2019	QinetiQ Group plc	Annual	All For		
25/07/2019	Macquarie Group Limited	Annual	Against	6	Concerns related to shareholder value
25/07/2019	Ryman Healthcare Ltd.	Annual	All For		
25/07/2019	HarbourVest Global Private Equity Ltd.	Annual	Against	11	Concerns regarding Auditor tenure
25/07/2019	NewRiver REIT Plc	Annual	All For		
25/07/2019	BMO Global Smaller Companies PLC	Annual	All For		
25/07/2019	Edinburgh Investment Trust Plc	Annual	All For		
25/07/2019	FirstGroup Plc	Annual	Against	2	Apparent failure to link pay & appropriate performance
25/07/2019	Halma Plc	Annual	All For		
25/07/2019	Intermediate Capital Group Plc	Annual	Against	2	Apparent failure to link pay and appropriate performance
25/07/2019	PayPoint Plc	Annual	All For		
25/07/2019	Pennon Group Plc	Annual	All For		
25/07/2019	Tate & Lyle Plc	Annual	All For		
25/07/2019	Telecom Plus Plc	Annual	Against	3	Apparent failure to link pay and appropriate performance

Meeting Date	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
26/07/2019	Linde Plc	Annual	Against	4 1h	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance
26/07/2019	B&N European Value Retail SA	Annual	All For		
26/07/2019	United Utilities Group Plc	Annual	All For		
28/07/2019	Singapore Airlines Ltd.	Annual	All For		
29/07/2019	Tenaris SA	Special	Against	2	Issue of equity raises concerns about excessive dilution of existing shareholders
29/07/2019	BCA Marketplace Plc	Court	All For		
29/07/2019	BCA Marketplace Plc	Special	All For		
29/07/2019	Cranswick Plc	Annual	All For		
29/07/2019	Finsbury Growth & Income Trust Plc	Special	All For		
29/07/2019	National Grid Plc	Annual	Against	18	Fund manager or client vote
30/07/2019	Aln Holdings, Inc.	Annual	Against	2	Concerns about overall board structure
30/07/2019	Beijing Capital International Airport Co., Ltd.	Special	All For		
30/07/2019	Beijing Capital International Airport Co., Ltd.	Special	All For		
30/07/2019	BB&T Corporation	Special	All For		
30/07/2019	SunTrust Banks, Inc.	Special	All For		
30/07/2019	Syncona Ltd.	Annual	All For		
31/07/2019	ALS Ltd.	Annual	All For		
31/07/2019	Duluxgroup Limited	Court	All For		
31/07/2019	Polskie Gornictwo Naftowe i Gazownictwo SA	Special	All For		
31/07/2019	National Bank of Greece SA	Annual	Against	1	Concerns related to shareholder rights
31/07/2019	Lundin Petroleum AB	Special	All For		
31/07/2019	McKesson Corporation	Annual	Against	3 4	Apparent failure to link pay & appropriate performance SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes transparency
31/07/2019	Synthomer Plc	Special	All For		
01/08/2019	Raia Drogasil SA	Special	All For		
01/08/2019	Capri Holdings Limited	Annual	Against	3	Apparent failure to link pay and appropriate performance
01/08/2019	Jazz Pharmaceuticals Plc	Annual	Against	3 1d	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance
01/08/2019	Ralph Lauren Corporation	Annual	Against	3 1,3 1.1,1.2	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance Concerns related to approach to board diversity
02/08/2019	ASKUL Corp.	Annual	Against	2,6,2,7,2,8,2,9,2,10,3	Concerns about overall board structure
02/08/2019	Chow Tai Fook Jewellery Group Ltd.	Annual	Against	3,7 3f	Issue of equity raises concerns about excessive dilution of existing shareholders Overboarded/Too many other time commitments
02/08/2019	Housing Development Finance Corporation Limited	Annual	Against	6 7	Lack of independence on board Lack of independence on board - 2- Overboarded/Too many other time commitments
05/08/2019	Sequoia Economic Infrastructure Income Fund Ltd.	Annual	All For		
06/08/2019	HCL Technologies Limited	Annual	All For		
06/08/2019	Qorvo, Inc.	Annual	Against	2 1,7 1,9	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance Concerns related to approach to board diversity
07/08/2019	Mahindra & Mahindra Ltd.	Annual	All For		
07/08/2019	ABIOMED, Inc.	Annual	Against	2	Apparent failure to link pay & appropriate performance
07/08/2019	Vornado Realty Trust	Special	All For		
08/08/2019	NagaCorp Ltd.	Special	All For		
08/08/2019	Saputo Inc.	Annual	Against	5,7 4	SH: Against shareholder resolution, against management recommendation / Shareholder proposal does not promote transparency SH: Against shareholder resolution, against management recommendation / Shareholder proposal does not promote transparency
08/08/2019	Anadarko Petroleum Corporation	Special	Against	2	Apparent failure to link pay and appropriate performance
08/08/2019	Electronic Arts Inc.	Annual	Against	2 1b 6	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance Shareholder proposal promotes enhanced shareholder rights
08/08/2019	Xilinx, Inc.	Annual	Against	4 1,7	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance
08/08/2019	NextEnergy Solar Fund Ltd.	Annual	Against	11	Issue of capital raises concerns about excessive dilution of existing shareholders
08/08/2019	Investec Plc	Annual	All For		
09/08/2019	TSURUHA Holdings, Inc.	Annual	Against	1,8,1,9	Concerns about overall board structure
09/08/2019	China State Construction International Holdings Lim	Special	All For		
09/08/2019	James Hardie Industries Plc	Annual	Against	2,6,7,8	Apparent failure to link pay and appropriate performance
10/08/2019	EMS-Chemie Holding AG	Annual	Against	3,2,2 7 6,1,1,6,1,4,6,1,5	Apparent failure to link pay and appropriate performance Insufficient/poor disclosure Lack of independence on board/Lack of independent representation at board committees
12/08/2019	NB Global Floating Rate Income Fund Ltd.	Special	All For		
13/08/2019	Doosan Corp.	Special	All For		
14/08/2019	The J. M. Smucker Company	Annual	All For		
15/08/2019	Xero Limited	Annual	All For		
15/08/2019	DXC Technology Co.	Annual	Against	3 1 1j	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance Concerns related to approach to board diversity
17/08/2019	Kusuri No Aoki Holdings Co., Ltd.	Annual	Against	3,6 3,1 2	Concerns about overall board structure Concerns related to approach to board diversity Concerns to protect shareholder value
20/08/2019	Oracle Corp Japan	Annual	Against	1,6,1,7	Concerns about overall board structure
20/08/2019	Flex Ltd.	Annual	Against	5 1f,2b 1d	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance Concerns related to attendance at board or committee meetings
20/08/2019	Flex Ltd.	Special	All For		
20/08/2019	Went Want China Holdings Limited	Annual	Against	3a1,3a7 6,7	Concerns about remuneration committee performance Issue of equity raises concerns about excessive dilution of existing shareholders
20/08/2019	Microchip Technology Incorporated	Annual	Against	4 1,2 1,5 1,3 5	Apparent failure to link pay and appropriate performance Concerns about candidate's experience/skills - 2- Concerns to protect shareholder value Concerns about remuneration committee performance Lack of independent representation at board committees SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks
21/08/2019	China Gas Holdings Limited	Annual	Against	8 6 7 18	Apparent failure to link pay and appropriate performance Concerns to protect shareholder value Issue of equity raises concerns about excessive dilution of existing shareholders Apparent failure to link pay and appropriate performance
22/08/2019	Elekta AB	Annual	Against	18	Apparent failure to link pay and appropriate performance
22/08/2019	Tele2 AB	Special	All For		
23/08/2019	COSMOS Pharmaceutical Corp.	Annual	Against	4 2,2 2,1	Concerns about overall board structure Concerns about overall performance Concerns about overall performance/Concerns related to approach to board diversity
23/08/2019	Naspers Ltd.	Annual	Against	8 7 5 6 9 10	Apparent failure to link pay & appropriate performance Apparent failure to link pay & appropriate performance Concerns to protect shareholder value Issue of capital raises concerns about excessive dilution of existing shareholders Issue of capital raises concerns about excessive dilution of existing shareholders - 2- Multiple voting rights Multiple voting rights
23/08/2019	Naspers Ltd.	Special	All For		
27/08/2019	Maruti Suzuki India Limited	Annual	All For		
27/08/2019	Power Grid Corporation of India Limited	Annual	All For		
28/08/2019	Metcash Limited	Annual	Against	3,4 2c	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance
28/08/2019	Fisher & Paykel Healthcare Corporation Limited	Annual	Against	5,6	Apparent failure to link pay and appropriate performance
28/08/2019	Colgate-Palmolive (India) Limited	Annual	All For		
28/08/2019	PT Bank Mandiri (Persero) Tbk	Special	Against	1	
28/08/2019	Mr. Price Group Ltd.	Annual	Against	7,8 2,3	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance
28/08/2019	BBA Aviation Plc	Special	All For		
29/08/2019	Global Payments Inc.	Special	All For		
29/08/2019	Total System Services, Inc.	Special	All For		
30/08/2019	Banco Bradesco SA	Special	All For		
30/08/2019	Banco Bradesco SA	Special	All For		
30/08/2019	Banco Bradesco SA	Special	Against	1	
30/08/2019	PT Bank Negara Indonesia (Persero) Tbk	Special	Against	1	
30/08/2019	Scout24 AG	Annual	Against	8	Insufficient/poor disclosure
30/08/2019	Stagecoach Group Plc	Annual	Against	2 10	Apparent failure to link pay & appropriate performance Concerns related to approach to board diversity
02/09/2019	Sa Sa International Holdings Limited	Annual	Against	5,1,5,3 3,1b	Issue of equity raises concerns about excessive dilution of existing shareholders Overboarded/Too many other time commitments
02/09/2019	PT Bank Rakyat Indonesia (Persero) Tbk	Special	Against	1,2	
03/09/2019	Guotai Junan International Holdings Limited	Special	All For		
03/09/2019	Cafe de Coral Holdings Ltd.	Annual	Against	6 3,3	Issue of equity raises concerns about excessive dilution of existing shareholders Overboarded/Too many other time commitments
03/09/2019	Acacia Mining Plc	Court	All For		

Meeting Date	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
03/09/2019	Acacia Mining Plc	Special	All For		
03/09/2019	DS Smith Plc	Annual	All For		
03/09/2019	Merlin Entertainments Plc	Court	All For		
03/09/2019	Merlin Entertainments Plc	Special	All For		
03/09/2019	The Monks Investment Trust Plc	Annual	All For		
04/09/2019	Vitasoy International Holdings Limited	Annual	Against	3A2 4 5A,5C	Concerns about overall performance 2- Concerns related to Non-audit fees Concerns related to Non-audit fees Issue of equity raises concerns about excessive dilution of existing shareholders Concerns about reducing shareholder rights
04/09/2019	Mediaset SpA	Special	Against	1	Insufficient/poor disclosure
04/09/2019	Logitech International S.A.	Annual	Against	A	Insufficient/poor disclosure
04/09/2019	Polar Capital Technology Trust Plc	Annual	All For		
05/09/2019	Korea Aerospace Industries Ltd.	Special	All For		
05/09/2019	Dixons Carphone Plc	Annual	Against	2	Apparent failure to link pay and appropriate performance
06/09/2019	Capitaland Commercial Trust	Special	All For		
06/09/2019	Powszechny Zaklad Ubezpieczen SA	Special	Against	5,6	Concerns related to shareholder rights
06/09/2019	Berkeley Group Holdings Plc	Annual	Against	2,3,28 13	Apparent failure to link pay and appropriate performance Overboarded/Too many other time commitments
06/09/2019	Greene King Plc	Annual	All For		
10/09/2019	Folli Follie SA	Annual	Against	3 1,8 9 4,10	Concerns about overall performance Concerns related to shareholder value Inappropriate bundling of election of directors on a single vote Insufficient/poor disclosure
10/09/2019	Ashtead Group Plc	Annual	All For		
10/09/2019	Oxford Instruments Plc	Annual	All For		
11/09/2019	Jyske Bank A/S	Special	All For		
11/09/2019	Compagnie Financiere Richemont SA	Annual	Against	8,3 4,1 9 4,2,4,3,4,4,4,6,4,7,4,8,4,11, 4,15,4,17,4,18,4,19,4,20	Apparent failure to link pay & appropriate performance Concerns related to approach to board diversity 2- Lack of Independence on board 3- overboarded/Too many other time commitments Insufficient/poor disclosure Lack of Independence on board
11/09/2019	Sports Direct International Plc	Annual	Abstain Against	9 4 1,5,6,8	Insufficient basis to support a decision Concerns about overall performance Fund manager or client vote
12/09/2019	TURKCELL Iletisim Hizmetleri AS	Annual	Against	7,10 9	Insufficient/poor disclosure Lack of Independence on board
12/09/2019	LyondellBasell Industries NV	Special	All For		
12/09/2019	H&R Block Inc.	Annual	Against	3 1h	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance
12/09/2019	NetApp, Inc.	Annual	Against	4 1c	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance
12/09/2019	The Kraft Heinz Company	Annual	Against	2 1j 5 4	Apparent failure to link pay & appropriate performance Concerns regarding audit quality SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks
12/09/2019	Ei Group Plc	Court	All For		
12/09/2019	Ei Group Plc	Special	All For		
13/09/2019	NetEase, Inc.	Annual	All For		
13/09/2019	LPP SA	Special	Against	4	Insufficient/poor disclosure
16/09/2019	BCA Marketplace Plc	Annual	Against	2 9 4	Apparent failure to link pay and appropriate performance Concerns related to approach to board diversity Overboarded/Too many other time commitments
16/09/2019	Cobham Plc	Court	All For		
16/09/2019	Cobham Plc	Special	All For		
17/09/2019	Powszechna Kasa Oszczednosci Bank Polski SA	Special	Against	5,6,7,8	
17/09/2019	Daejan Holdings Plc	Annual	Against	2 4 8,9,10,11	Apparent failure to link pay and appropriate performance Combined CEO/ChairmanConcerns about overall board structureConcerns related to approach to board diversity Lack of Independence on board
18/09/2019	NICE Ltd. (Israel)	Annual	Against	2a,1,2b,1,3a,4a	Administrative declaration
18/09/2019	Alimentation Couche-Tard Inc.	Annual	All For		
18/09/2019	Darden Restaurants, Inc.	Annual	All For		
18/09/2019	Take-Two Interactive Software, Inc.	Annual	All For		
18/09/2019	Games Workshop Group Plc	Annual	All For		
19/09/2019	Daewoo Engineering & Construction Co. Ltd.	Special	Against	1	Inappropriate bundling of election of directors on a single vote
19/09/2019	AGL Energy Limited	Annual	Against	2 4 5b	Apparent failure to link pay & appropriate performance Apparent failure to link pay and appropriate performance SH: For shareholder resolution, no management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks
19/09/2019	Conagra Brands, Inc.	Annual	Against	3 1l	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance
19/09/2019	NIKE, Inc.	Annual	All For		
19/09/2019	Auto Trader Group Plc	Annual	All For		
19/09/2019	Diageo Plc	Annual	All For		
19/09/2019	IG Group Holdings Plc	Annual	All For		
20/09/2019	NAVER Corp.	Special	All For		
21/09/2019	HCL Technologies Limited	Court	All For		
23/09/2019	ITC Limited	Special	All For		
23/09/2019	Santander Bank Polska SA	Special	Against	7,8,10,11	Insufficient/poor disclosure
23/09/2019	FedEx Corporation	Annual	Against	2 5	Apparent failure to link pay & appropriate performance SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes transparency Concerns about overall performance
24/09/2019	ASX Limited	Annual	Against	3b	Concerns about overall performance
24/09/2019	Indraprastha Gas Limited	Annual	All For		
24/09/2019	DSV Panalpina A/S	Special	Against	3	Issue of capital raises concerns about excessive dilution of existing shareholders
24/09/2019	General Mills, Inc.	Annual	All For		
25/09/2019	NEXON Co., Ltd.	Special	All For		
25/09/2019	Pan Pacific International Holdings Corp.	Annual	Against	2,1	Concerns related to approach to board diversity
25/09/2019	KEPCO Plant Service & Engineering Co., Ltd.	Special	All For		
25/09/2019	Air New Zealand Limited	Annual	All For		
25/09/2019	Colruyt SA	Annual	Against	2	Apparent failure to link pay and appropriate performance
25/09/2019	L'Occitane International S.A.	Annual	Against	4A,4C	Issue of equity raises concerns about excessive dilution of existing shareholders
25/09/2019	PZ Cussons Plc	Annual	All For		
25/09/2019	Sophos Group Plc	Annual	Against	3 2	Apparent failure to link pay & appropriate performance Apparent failure to link pay & appropriate performance Concerns related to approach to board diversity
26/09/2019	Peptidream Inc.	Annual	Against	2,1	
26/09/2019	SHO-BOND Holdings Co., Ltd.	Annual	All For		
26/09/2019	Suncorp Group Limited	Annual	Against	1,2	Apparent failure to link pay and appropriate performance
26/09/2019	Lamb Weston Holdings, Inc.	Annual	Against	2 1b 4	Apparent failure to link pay and appropriate performance Concerns related to approach to board diversity Shareholder proposal promotes better management of SEE opportunities and risks Apparent failure to link pay and appropriate performance
26/09/2019	Kainos Group Plc	Annual	Against	2,3	
27/09/2019	Sun Art Retail Group Limited	Special	All For		
27/09/2019	Asahi Intecc Co., Ltd.	Annual	All For		
27/09/2019	TechnoPro Holdings, Inc.	Annual	Against	3,6	Concerns about overall board structure
27/09/2019	ULVAC, Inc.	Annual	Against	3,2	Concerns about overall board structure
27/09/2019	Mercury NZ Ltd.	Annual	All For		
27/09/2019	Inner Mongolia Yili Industrial Group Co., Ltd.	Special	Against	2,3,4	Apparent failure to link pay and appropriate performance
27/09/2019	HELLA GmbH & Co. KGaA	Annual	Against	12 11 7,1,7,2,7,3,7,4,7,5,7,7,8,8, 1,8,2,8,3,8,5,8,6,8,7,8,8	Concerns about reducing shareholder rights Concerns about reducing shareholder rights Lack of Independence on board
30/09/2019	Rosneft Oil Co.	Special	All For		

Active ownership

Q3 2019 ESG Impact Report

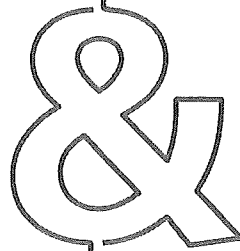


Active ownership means using our scale and influence to bring about **real, positive change to create sustainable investor value.** Page 25

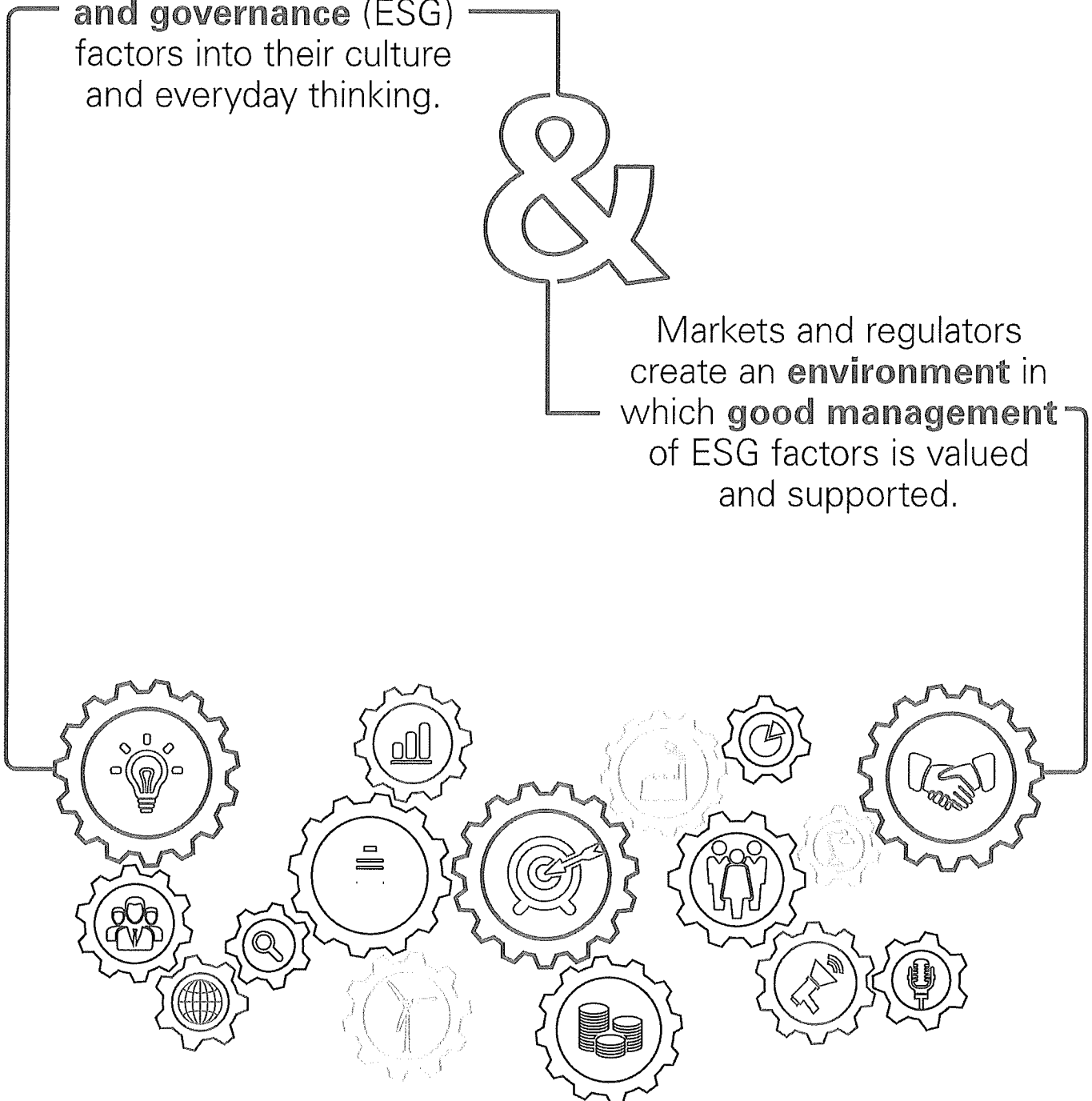
Our mission

To use our influence to ensure that:

Companies integrate **environmental, social and governance (ESG)** factors into their culture and everyday thinking.



Markets and regulators create an **environment** in which **good management** of ESG factors is valued and supported.



Our focus

1 Holding boards to account

To be successful, companies need to have people at the helm who are well equipped to create resilient long-term growth. By voting and engaging directly with companies, we encourage management to control risks and benefit from emerging opportunities.

We seek to protect and enhance our clients' assets by engaging with companies and holding management to account for their decisions. Voting is an important tool in this process, and one which we use extensively.

2 Creating sustainable value

We believe it is in the interest of all stakeholders for companies to build sustainable business models that are also beneficial to society. We work to prevent market behaviour that destroys long-term value creation.

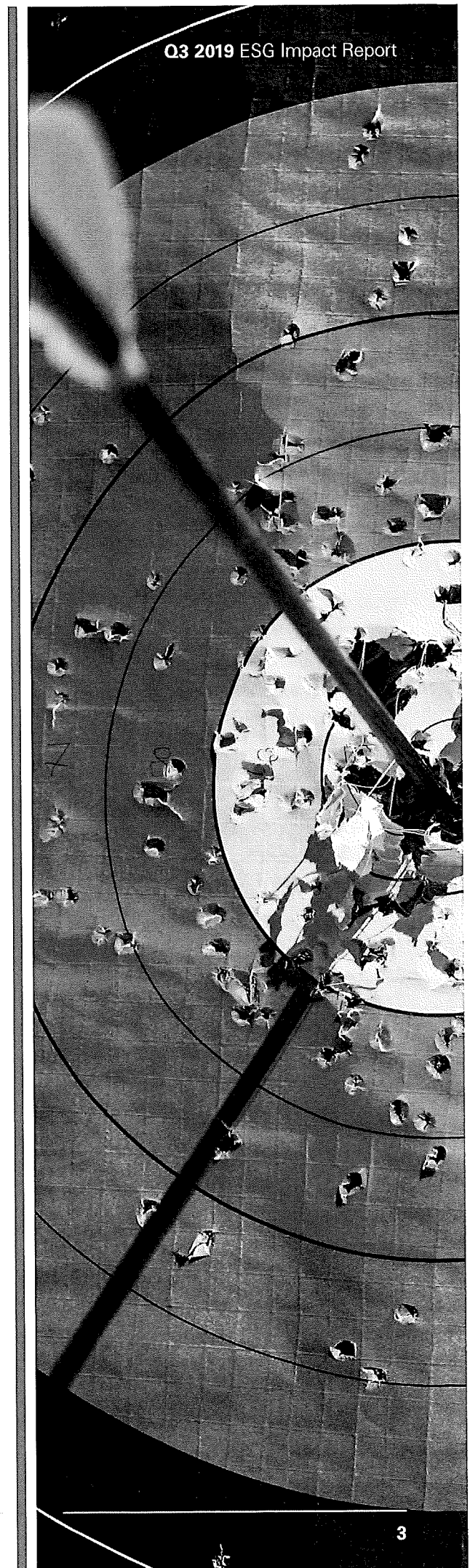
At LGIM, we want to safeguard and grow our clients' assets by ensuring that companies are well positioned for sustainable growth. Our active and enhanced index mandates incorporate ESG factors in the investment process and we consider ESG factors when voting on our holdings in all strategies.

We engage directly and collaboratively with companies to highlight key challenges and opportunities, and to support strategies that can deliver long-term success.

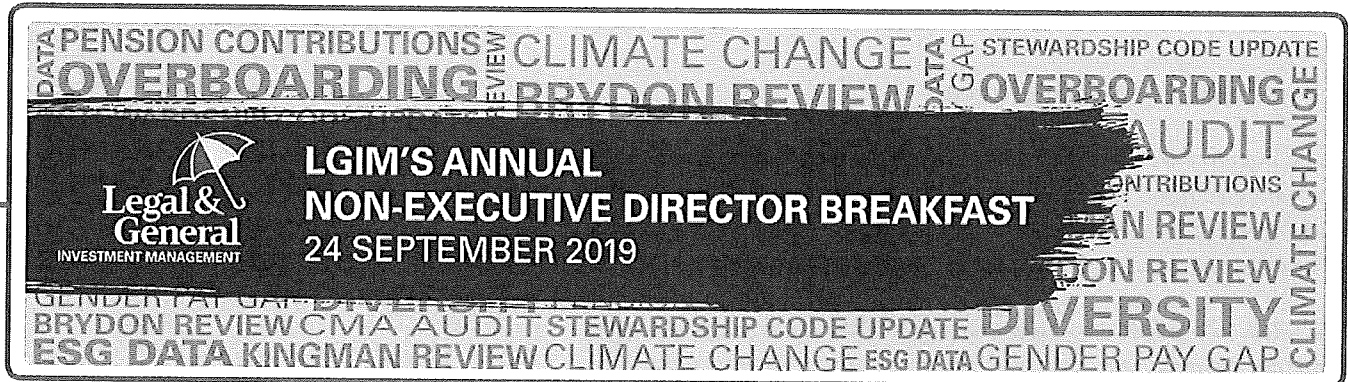
3 Promoting market resilience

As a long-term investor for our clients, it is essential that markets are able to generate sustainable value. In doing so, companies should become more resilient to change and therefore benefit the whole market.

We use our scale and influence to ensure that issues impacting the value of our clients' investments are recognised and appropriately managed. This includes working with key decision-makers such as governments and regulators, and collaborating with asset owners to bring about positive change.



Action and impact



NON-EXECUTIVE DIRECTOR (NED) BREAKFAST EVENTS IN LONDON AND CHICAGO

LGIM held its fourth NED event in London, which gathered 94 NEDs, board chairs and company secretaries of FTSE 350 companies.

This event was an opportunity for the corporate governance team to present on some of the many financially material Environmental, Social and Governance (ESG) issues that directors need to consider for the long-term success of their companies. These include:

- Changes in green finance
- Corporate culture
- ESG scores
- The importance of ESG in credit markets
- Remuneration: LGIM's 2020 voting policy
- The employee voice
- Diversity

We highlighted how these themes have become a key area of engagement with investors such as LGIM but are also now increasingly used for capital-allocation purposes.

Given the popularity of the event, we decided to organise another event in our Chicago offices to welcome directors of North American companies. In September, LGIM America (LGIMA) hosted its inaugural NED breakfast where the team shared our latest views on engagement priorities and proxy voting policies. This was also an

opportunity to engage with company directors directly. Similar topics to those presented at our London event were discussed, taking into account the specificities of the North American market.

INVESTOR STEWARDSHIP GROUP (ISG) FRAMEWORK ROUNDTABLE AND CORPORATE ISSUERS ROUNDTABLE

We attended this roundtable in the US which brought together the endorsers of the ISG framework as well as issuers. The idea behind the establishment of the framework from both a corporate and an investor's side was shared, as were some implementation and disclosure ideas. A private roundtable was also hosted for the ISG endorsers in order to discuss the development of the framework.

Lastly, we were invited to join a panel to discuss director accountability and how our voting policies reflect this responsibility as well as the key ESG issues we are focused on.

COUNCIL OF INSTITUTIONAL INVESTORS FALL CONFERENCE

LGIM attended this ESG conference where plenary sessions discussed issues including gender diversity, employee motivation, Securities and Exchange Commission guidance for Proxy Advisory Services and the new state of play for renewables companies. We were invited to join a panel to discuss how our Climate Impact Pledge engagement programme holds companies and directors to account on the issue of climate change.

PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI) CONFERENCE IN PARIS

LGIM attended the PRI conference in Paris along with more than 1,500 responsible investment professionals. Three areas stood out as focal points of this year’s agenda:

- 1) The low-carbon transition, and the role to be played not only by asset managers, but just as importantly by asset owners;
- 2) The significant rise in sustainable finance public policy and regulatory activity across regions, and what this means for all financial market participants; and
- 3) Why and how the UN Sustainable Development Goals (SDGs) are being increasingly considered within investment strategies.

Many of these topics led to robust debate and discussion around the merits and means of adjusting capital allocation, the role and requirement for improved ESG data, and the continued importance of engagement, albeit with a heightened focus on consequences.

In addition, we spoke at a session to an audience of around 400 attendees on the upcoming evolutions in active stewardship.

THOUGHT LEADERSHIP

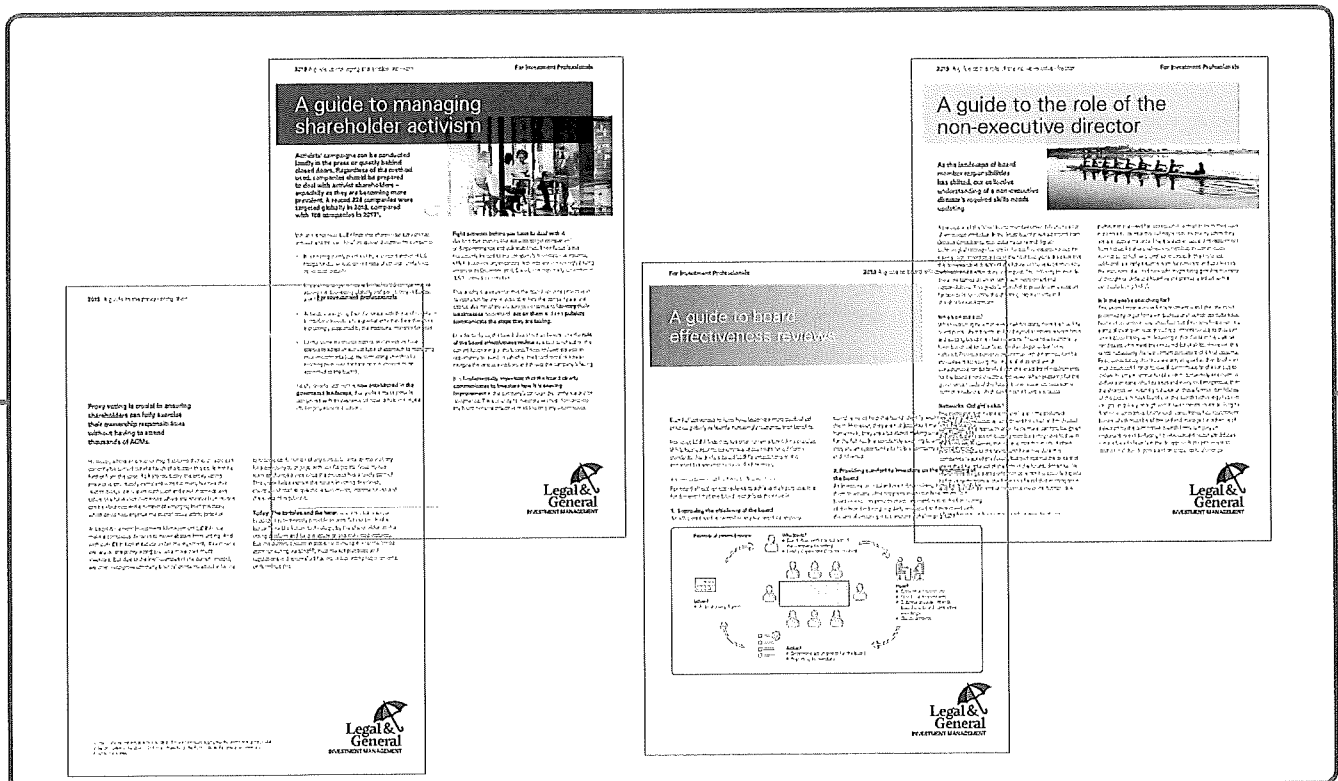
We are committed to improving the ESG standards of the companies we are invested in and share our expertise publicly on topics which we believe are key to helping companies and the overall market better align with best practice. This quarter, we have published additional new guides to our existing series of board guides¹:

- A guide to the proxy voting chain
- A guide to effective employee engagement
- A guide to the role of the non-executive director
- A guide to managing shareholder activism
- A guide to board effectiveness reviews

NEW JOINERS IN THE LONDON OFFICE

Our corporate governance team expanded this quarter with two new recruits joining our London office:

- Clinton Adas, ESG Product Specialist, who is responsible for leading our client-related ESG activity.
- Alexander Burr, ESG Public Policy Analyst, who is responsible for leading our public policy engagement activity.



1. Guides available on our website at: <https://www.lgim.com/uk/en/capabilities/corporate-governance/influencing-the-debate/>

Engagement in the UK

Case study:
FirstGroup PLC

Market cap:
£1.59 billion

Sector:
Rail

What is the issue? The performance of the company had been weak for a number of years. Following a profit warning in February 2018, the chief executive stepped down.

On 25 June 2019, shareholder activist Coast Capital convened a shareholder meeting to appoint seven directors to the board of the company and remove six company directors including the board chair and the chief executive.

Coast Capital made strategy proposals such as:

- The company exits its rail business
- Separate the company's US and UK assets
- The immediate payment of a dividend

David Martin, one of the nominees of the activist, failed to confirm his intention to stand for election before the deadline. The resolution on his appointment to the board could not therefore be validly voted on by shareholders.

Why is it an issue? The activist's proposals were potentially disruptive for the company.

What did LGIM do? LGIM engaged directly with both sides: the company's Senior Independent Director (SID) and the activist. We also consulted other top shareholders on their views.

LGIM decided to cast a vote against the board chair to signal our concerns around the pace of execution of the strategy and poor performance. We supported the rest of the board and opposed the activist's nominees.

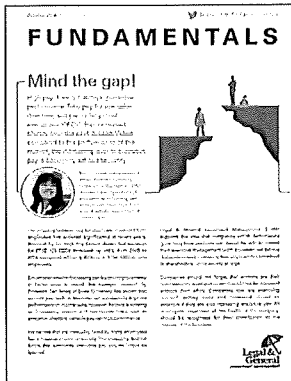
What was the outcome? Many of the company's top shareholders publicly pre-announced their support to the activist's proposals.

More than 20% of shareholders voted in favour of several resolutions against the board's recommendations. The activist's proposal to remove the chair from the board obtained 29% of support from shareholders. The chair took into account the shareholder vote and decided to leave the board.

The SID led the succession process and David Martin, ex-CEO of Arriva but also one of the original candidates put forward by the activist, was appointed board chair.

LGIM recently met the new board chair to discuss the composition of the board, but importantly also the performance of the management team and execution of the strategy.

LGIM's actions to deliver pension equality in the UK



In 2016, as part of its campaign to reduce pay inequality in the UK, LGIM published “Mind the Gap” to highlight our concerns. We also revised our Principles on Executive Pay for UK companies. Our updated guidelines asked for pension provisions for executive directors to be aligned with that of their workforce. We

also engaged on the topic directly with companies.

The pension provisions for FTSE 100 chief executives are on average four times higher than those received by employees¹. Most executive directors receive pension payments as cash supplements that range from 10% to 40% of their salary, while most employees receive pension payments of between 2% and 10%. The level of disparity in pension benefits led us to conclude that action on the topic was necessary.

LGIM used our voice on the remuneration committee of the Investment Association (IA) – which represents a large number of investment firms managing £7.7 trillion of assets² – to help propose changes to its Principles of Executive Remuneration to require listed companies to align executive pension provisions with those of their workforce. Accordingly, these principles were amended.

In 2017, we already noted that companies had taken steps to reduce the pension provisions for their executive directors. In many instances, this change was made when a new executive was appointed; however, some companies went further by reducing pensions for existing directors. The extent of the reductions varied greatly between companies, with the largest reduction at Capital & Counties from 24% of salary to 10% of salary.

In 2018, we further strengthened our Principles of Executive Remuneration to state that from January 2020, **LGIM would vote against any pay policy that did not align the pension provisions of any new director joining the company (also including role changes) with those of the average workforce.**

In addition, we responded to the Financial Reporting Council’s (FRC) consultation on revisions to the UK Corporate Governance Code asking for pension alignment. LGIM was pleased that the FRC took on board our feedback in the revised UK Corporate Governance Code.

LGIM has focused its efforts to drive changes for new executives rather than force a remuneration committee to change the pension provisions for existing executive directors (existing contracts). Nevertheless, where companies continue to provide an executive pension provision of 25% of salary or more, we have asked remuneration committees asked all remuneration committees to encourage executive directors to take into account social sensitivities and **voluntarily reduce their pension provisions.**

In 2019, more companies made changes to their pension provisions. For instance, HSBC, which took into account investor feedback including LGIM’s, reduced its pension provisions for new and existing executive directors from 30% to 10% of salary. **In total, 20 FTSE 100 companies have agreed to reduce the pension provisions for new executives so far in 2019³.**

We expect that pension provisions for existing directors will become more aligned with those of their workforce over the next few years, given the rotation of executive directors and also possibly voluntary reductions. LGIM will continue our strong engagement on the topic.

1. Source: LCP research

2. <https://www.thelga.org/about-us>

3. Source: Investment Association, Position on executive director pension provision, September 2019

US Technology Engagement Campaign - Measuring Culture

WHY DID WE CONDUCT THIS ENGAGEMENT CAMPAIGN?

Understanding a firm's culture, and its trajectory, is critically important to LGIM as investors oriented for the long term¹, yet we acknowledge that existing data and tools are not sufficient. While some claim to be able to get an instant grasp on culture by walking the floors of a company, we can find it difficult to track as an external investor. LGIM gathered direct input from companies into how we should thoughtfully assess culture.

We decided to pilot this campaign with a group of **13 of the largest US technology firms** because of our investment exposure and the clear role of culture to sustained performance, as well as the influence these companies have globally.

WHAT DID WE DO?

We sent a letter to the CEOs of each company requesting a conversation with the appropriate executive who could speak about how the company measures its culture. We then conducted a structured conversation with the company which covered multiple dimensions of culture: metrics, board involvement, relation to strategy, processes and remuneration.

WHAT DID WE OBSERVE?

The tenor, quality and insights gathered from the calls varied significantly. In one case, a company talked about a world-class culture with essentially no formal tracking beyond stated behavioural expectations. Another company articulated the steps it took to fully overhaul its culture to reflect a fundamentally different business strategy. A third company is utilising its big-data analytical expertise to test and reinforce culture in essentially real-time using daily feedback. Technology in action!

Whilst their approaches differ, we have summarised below our learnings:

- **We were surprised by the range of people who joined the call given the identical request:** 50% had a human-resource-related executive on the phone; the others were only represented by investor relations, which is a concern to us. We noted that the companies with established investor-engagement programs tended to have an executive on the phone.
- **Use of employee engagement surveys:** All companies conducted engagement surveys and most had significantly changed the content over the past three years. **30% articulated and displayed advanced use of data analytics to reinforce culture and improve engagement.** For example, one company knew the exact question that was statistically correlated to high performers leaving in 12 months and had a specific intervention strategy. It was widely acknowledged that survey results are not an indication of culture per se, but instead one of many metrics that can be used to hone in on and improve culture.
- **Lack of evidenced board involvement:** Most companies passed aggregated engagement results to the board at regular intervals, which from our point of view is a minimum standard. When prompted further on what the board does with the results, **very few examples of concrete actions** were provided. We would like to see structured and unstructured time for the board to meet with various levels of employees to contextualise the data.

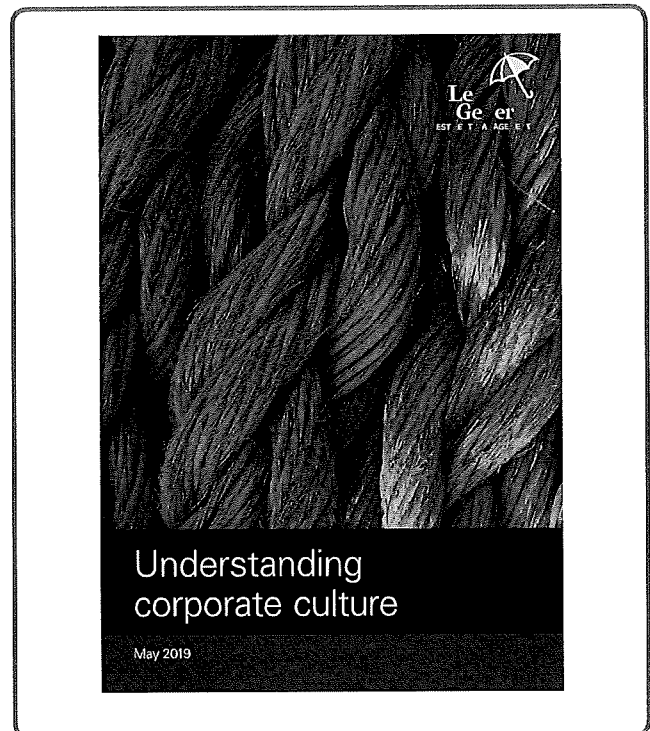
1. Source: CECP, Emerging Practice in Long-Term Plans; http://cecp.co/wp-content/uploads/2018/10/CECP_Emerging-Practice-in-LTPs_Final.pdf

- **Role of diversity in culture:** The firms have vastly different profiles in terms of gender representation at the executive levels, from less than 10% to roughly 40%. **There is a correlation between companies that publicly report their gender statistics and narrower pay ratios.**
- **Declining our request:** One of the companies denied our repeated call requests. We fully acknowledge that this is a difficult topic to engage on, which is exactly why we believe a constructive dialogue is important. Interestingly, this company is also the subject of highly publicised employee culture issues, which we find concerning.

WHAT IS NEXT?

There is growing demand for increased transparency on culture-related metrics – from our asset management peers, the ESG framework groups (e.g. the Sustainability Accounting Standards Board – SASB), workplace advocacy organisations (e.g. the Workforce Disclosure Initiative, Human Capital Management Coalition) to even a recent proposal by the Securities and Exchange Commission². We expect the emergence of best practices to form over the next few years and more standardised metrics thereafter. We will continue to engage with technology companies and use these findings to strengthen our dialogue on the topic with companies in other sectors and regulators.

LGIM's latest guide on the topic is available on our [website](#)



2. <https://www.sec.gov/rules/proposed/2019/33-10668.pdf>

Sustainability engagement

Amid inverted yield curves and worries of a UK recession, the third quarter of 2019 might not have been the best time for the sterling, but it was a remarkable period for Celsius – with the hottest July and September in recorded history¹.

Facing growing pressure to address the climate crisis, after passing landmark legislation mandating net zero greenhouse gas emissions by 2050, in July this year the UK government published its Green Finance Strategy. All listed companies and large asset owners are now expected to report publicly by 2022 on how they are managing the risks from climate change. Initially voluntary, such reporting could well become mandatory, with the UK's financial regulators issuing a joint statement on climate change saying they will be watching firms' responses closely². The heightened policy and regulatory focus around sustainable finance is not confined to the UK, but rather expanding across regions. In particular, through the EU's Sustainable Finance Package, pension funds, banks, financial advisers and insurers are facing growing scrutiny; work is in full flow to incorporate sustainability into relevant legislation.

We continue our policy advocacy in support of a low-carbon economy. In the UK, Legal & General was one of a number of business leaders to publicly support a net zero target³, which was subsequently enshrined into law⁴. Recognising the direct impact of our investments, **our Real Assets division has now committed to a net zero real estate portfolio**. In the EU, we **responded to the public consultation on developing benchmark indices aligned with the Paris**

Agreement. This builds on the many sustainable finance policy consultations we submitted to the EU and UK bodies over the course of the first half of the year. In the run-up to the UN Climate Action Summit in early September, **LGIM joined the largest-ever group of investors calling on governments to step up their climate ambition**⁵.

We also continue to push companies to step up on sustainability. In the aftermath of the devastating Amazon fires, **LGIM – alongside 200 other investors – issued a public call on companies to act on deforestation**⁶. This follows our decision in the second quarter to exclude a number of food retailers from our FutureWorld fund range, partly due to poor deforestation policies⁷.

The far-reaching financial implications of climate change require a systematic approach. Yet, as the UK pensions minister recently noted,

“More than half of fund managers had no climate change-related voting policies or guidelines. This is utterly unacceptable. There are of course some notable exceptions. [...] Legal & General's FutureWorld Fund withdraws investment in companies who don't engage with climate change, forcing those firms to act fast in the hope of being reinstated.”

- Guy Opperman MP, Minister for Pensions and Financial Inclusion⁸

His remarks come as independent research finds **LGIM**

1. <https://eu.usatoday.com/story/news/nation/2019/10/04/global-warming-september-2019-hottest-record/3865898002/>

2. <https://www.bankofengland.co.uk/prudential-regulation/publication/2019/joint-statement-on-climate-change>

3. See the letter from Legal & General's CEO to the UK PM: <https://www.legalandgeneralgroup.com/media-centre/in-the-news/climate-change-legal-general-issue-letter-to-theresa-may/>

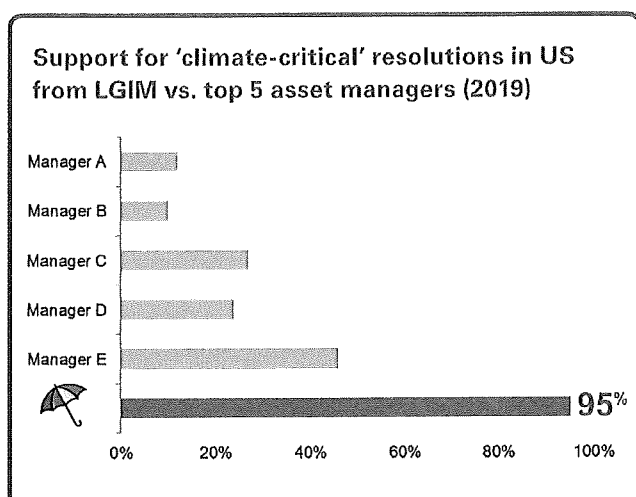
4. <https://www.corporateleadersgroup.com/reports-evidence-and-insights/news-items/businesses-urge-2050-legislation>

5. <https://theinvestoragenda.org/focus-areas/policy-advocacy/>

6. <https://www.unpri.org/news-and-press/230-investors-with-usd-162-trillion-in-aum-call-for-corporate-action-on-deforestation-signaling-support-for-the-amazon/4867.article>

7. <https://www.lgim.com/uk/en/insights/our-thinking/market-insights/climate-impact-pledge-tackling-the-climate-emergency.html>

8. https://www.responsible-investor.com/home/article/guy_opperman_ri/



supported over 95% of 'climate-critical' shareholder resolutions in 2019⁹, versus an average of 24% for the world's five largest asset managers.

Looking at the US energy and utility sectors, the research found **in 2019 LGIM opposed more pay packages than any other larger asset manager, and was among the least likely to automatically vote in favour of the election of directors.** This is the result of increasingly stringent voting guidelines on issues including pay and director independence. These statistics reflect LGIM's commitment to the importance of not just robust climate strategies, but of the sound governance structures required for implementation.

More broadly, **LGIM was highlighted as a top supporter of resolutions calling on companies to report on how they are using investors' money to lobby governments.**

Shareholders are increasingly concerned that companies might be paying lip-service to climate action, while covertly – or perhaps unwittingly – financing obstructive lobbying through the trade bodies of which they are members¹⁰. Some of the largest companies in the world – including Royal Dutch Shell, BASF, and RioTinto – are now reviewing their lobbying activities and taking positive steps, with a number of further announcements expected from other companies following their AGMs this autumn.

Transparency on lobbying is key, as companies that are not seen to be credibly aligned with the low-carbon transition risk losing their social licence to operate.


As shown by the recent climate strikes on 21 September – when four million people took to the streets globally – public pressure for climate action is on the rise. A member of the team went to the London demonstrations; you can read our latest [blog](#)¹¹ to find out what we've learned from speaking to the protesters about the planet and their pensions.

9. Source: Majority Action - Climate in the Boardroom (2019), analysis of the voting records of the world's 25 largest asset managers looking at support for management (directors and say-on-pay votes) in large capitalisation US energy and utility companies, climate proposals at S&P 500 companies, and political lobbying transparency at 49 energy, 2 auto and 1 financial services companies. <https://www.majorityaction.us/asset-manager-report>

10. <https://www.ipe.com/news/esg/uk-danish-pension-funds-file-lobbying-resolution-against-bhp> <https://www.ipe.com/news/esg/uk-danish-pension-funds-file-lobbying-resolution-against-bhp/10033111.fullarticle>

11. <https://futureworldblog.lgim.com/categories/themes/climate-strike-two-and-we-re-out-of-the-office/>

Case study



Case study:
Enea SA

Market cap:
USD 949 million

Sector:
Utilities

What is the issue? The company plans to build a large coal-fired power plant at Ostrołęka C, in a joint venture with another major Polish utility (Energa SA).

Why is it an issue? The companies approved the project without having secured full funding for it. Dubbed 'Europe's last new coal plant', analysts had warned the project could be permanently unprofitable due to increasingly stringent EU regulation and cleaner, cheaper alternatives.

Through its index funds, LGIM is by default invested in Enea and Energa. We believed the project poses a financial risk for LGIM and other shareholders, in addition to coal having significant negative environmental and health effects.

What did LGIM do? LGIM opposed the proposal to build the plant when it was put to a vote at Enea's extraordinary general meeting last year.

We then coordinated a private letter to the two Polish utilities reiterating our opposition, alongside other investors. We later escalated our position by speaking out publicly about our concerns, receiving press coverage from major news agencies.

Our concerns were cited in a shareholder lawsuit against the company, filed by environmental law group ClientEarth.

What was the outcome? In this world-first climate risk case, in August 2019 a Polish court upheld ClientEarth's complaint, revoking the initial building decision¹².

Reflecting the market's concerns around the financial viability of new coal plants, shares in Enea jumped on the news.

12. <https://www.clientearth.org/press/court-win-world-first-climate-case-ostroleka-c-future-in-question/>

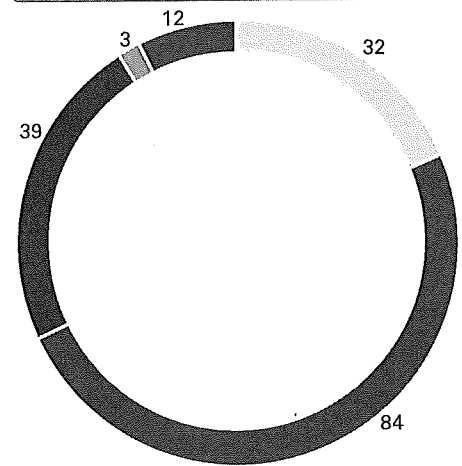
Regional updates

UK

Q3 2019 VOTING SUMMARY UK

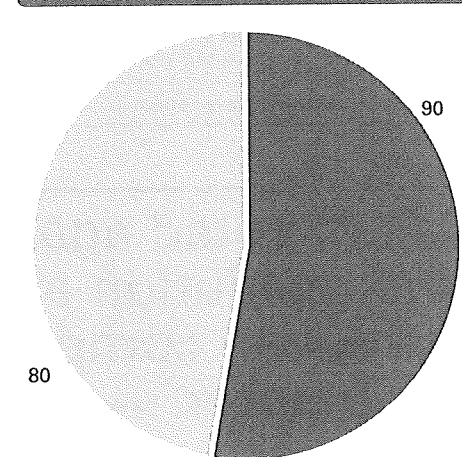
Proposal category	UK		
	For	Against	Abstain
Anti-takeover Related	100		
Capitalisation	502	32	
Directors Related	943	84	
Non-salary Compensation	171	39	
Reorganisation and Mergers	31	3	
Routine/Business	632	12	
Shareholder Proposal - Compensation			
Shareholder Proposal - Corporate Governance			
Shareholder Proposal - Directors Related			
Shareholder Proposal - General Economic Issues			
Shareholder Proposal - Health/Environment			
Shareholder Proposal - Other/Miscellaneous			
Shareholder Proposal - Routine/Business			
Shareholder Proposal - Social/Human Rights			
Shareholder Proposal - Social			
Total	2379	170	0
Total resolutions	2549		
No. AGMs	148		
No. EGMs	36		
No. of companies voted	170		
No. of companies where voted against management on at least one resolution	80		
% no. of companies where at least one vote against	47%		

Votes against



- Capitalisation
- Directors Related
- Non-salary Compensation
- Reorganisation and Mergers
- Routine/Business

Number of companies voted for/against



- No. of companies supported
- No. of companies where voted against management

'LGIM voted against at least one resolution at 47% of UK companies over the quarter.'

Source for all data LGIM. The votes above represent voting instructions for our main FTSE pooled index funds

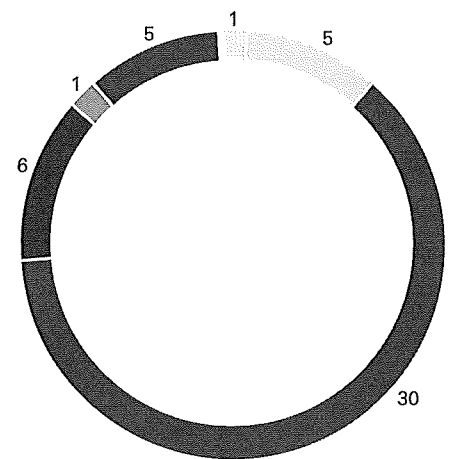
Regional updates

Europe

Q3 2019 VOTING SUMMARY EUROPE

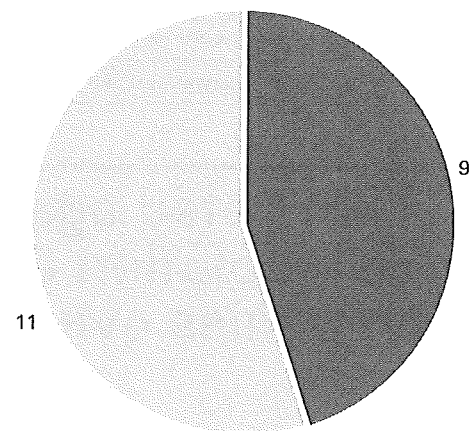
Proposal category	EUROPE		
	For	Against	Abstain
Anti-takeover Related			
Capitalisation	21	5	
Directors related	72	30	
Non-salary Compensation	30	6	
Reorganisations and Mergers	5	1	
Routine/Business	84	5	
Shareholder Proposal - Compensation			
Shareholder Proposal - Corporate Governance			
Shareholder Proposal - Directors Related			
Shareholder Proposal - General Economic Issues			
Shareholder Proposal - Health/Environment			
Shareholder Proposal - Other/Miscellaneous	3	1	
Shareholder Proposal - Routine/Business	1		
Shareholder Proposal - Social/Human Rights			
Shareholder Proposal - Social			
Total	216	48	
Total resolutions	264		
No. AGMs	10		
No. EGMs	10		
No. of companies voted	20		
No. of companies where voted against management on at least one resolution	11		
% no. of companies where at least one vote against	55%		

Votes against



- Capitalisation
- Directors Related
- Non-salary Compensation
- Reorganisation and Mergers
- Routine/Business
- Shareholder Proposal - Other/Miscellaneous

Number of companies voted for/against



- No. of companies where supported management
- No. of companies where voted against management

'LGIM voted against at least one resolution at 55% of European companies over the quarter.'

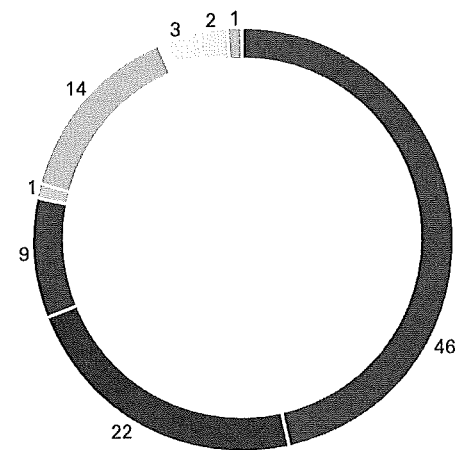
Regional updates

North America

Q3 2019 VOTING SUMMARY NORTH AMERICA

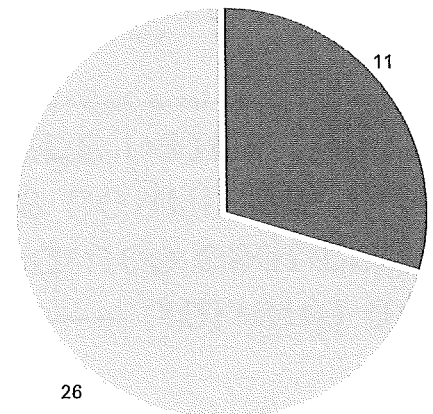
Proposal category	NORTH AMERICA		
	For	Against	Abstain
Anti-takeover Related	7		
Capitalisation	7		
Directors Related	202	46	
Non-salary Compensation	21	22	
Reorganisations and Mergers	7		
Routine/Business	23	9	
Shareholder Proposal - Compensation	1	1	
Shareholder Proposal - Corporate Governance			
Shareholder Proposal - Directors Related	8	14	
Shareholder Proposal - General Economic Issues			
Shareholder Proposal - Health/Environment		3	
Shareholder Proposal - Other/Miscellaneous		2	
Shareholder Proposal - Routine/Business			
Shareholder Proposal - Social/Human Rights		1	
Shareholder Proposal - Social	1		
Total	277	98	
Total resolutions	375		
No. AGMs	27		
No. EGMs	11		
No. of companies voted	37		
No. of companies where voted against management on at least one resolution	26		
% no. of companies where at least one vote against	70%		

Votes against



- Directors Related
- Non-salary Compensation
- Routine/Business
- Shareholder Proposal - Compensation
- Shareholder Proposal - Directors Related
- Shareholder Proposal - Health/Environment
- Shareholder Proposal - Other/Miscellaneous
- Shareholder Proposal - Social/Human Rights

Number of companies voted for/against



- No. of companies where supported management
- No. of companies where voted against management

'LGIM voted against at least one resolution at 70% of North American companies over the quarter.'

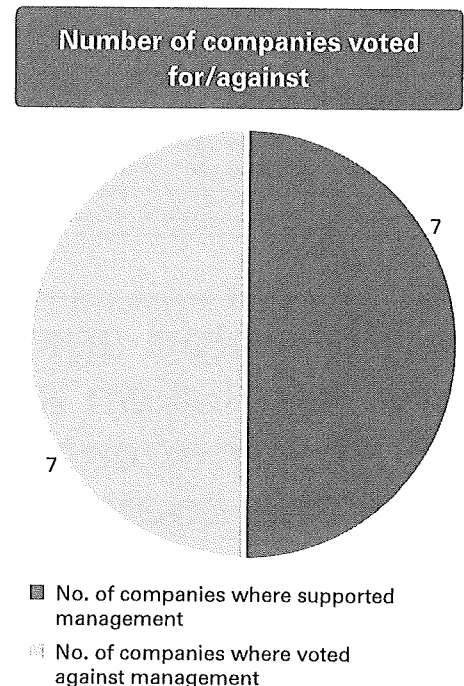
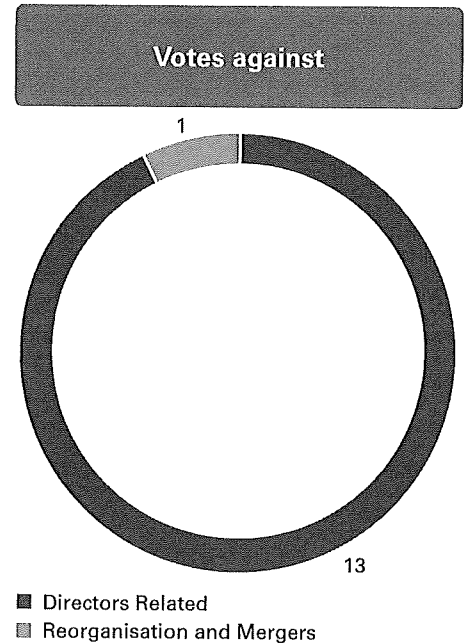
Source for all data LGIM. The votes above represent voting instructions for our main FTSE pooled index funds

Regional updates

Japan

Q3 2019 VOTING SUMMARY JAPAN

Proposal category	JAPAN		
	For	Against	Abstain
Anti-takeover Related			
Capitalisation	10		
Directors Related	103	13	
Non-salary Compensation			
Reorganisations and Mergers	2	1	
Routine/Business	11		
Shareholder Proposal - Compensation			
Shareholder Proposal - Corporate Governance			
Shareholder Proposal - Directors Related			
Shareholder Proposal - General Economic Issues			
Shareholder Proposal - Health/Environment			
Shareholder Proposal - Other/Miscellaneous			
Shareholder Proposal - Routine/Business			
Shareholder Proposal - Social/Human Rights			
Shareholder Proposal - Social			
Total	126	14	
Total resolutions	140		
No. AGMs	13		
No. EGMs	1		
No. of companies voted	14		
No. of companies where voted against management on at least one resolution	7		
% no. of companies where at least one vote against	50%		



'LGIM voted against at least one resolution at 50% of Japanese companies over the quarter.'

Source for all data LGIM. The votes above represent voting instructions for our main FTSE pooled index funds

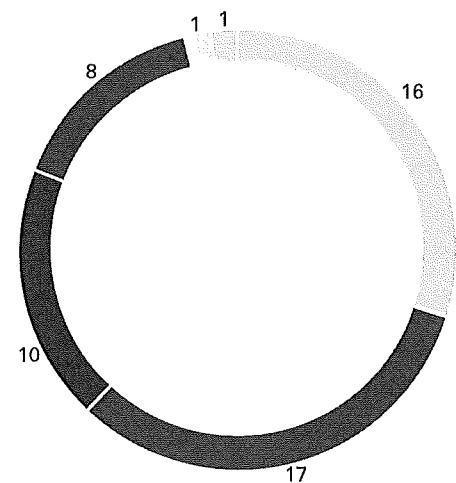
Regional updates

Asia Pacific

Q3 2019 VOTING SUMMARY ASIA PACIFIC

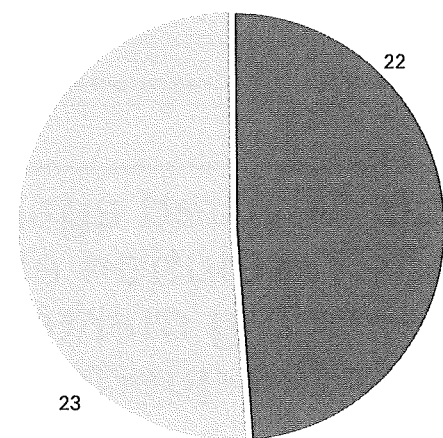
Proposal category	ASIA PACIFIC		
	For	Against	Abstain
Anti-takeover Related	2		
Capitalisation	36	16	
Directors Related	103	17	
Non-salary Compensation	22	10	
Reorganisations and Mergers	13		
Routine/Business	59	8	
Shareholder Proposal - Compensation			
Shareholder Proposal - Corporate Governance			
Shareholder Proposal - Directors Related			
Shareholder Proposal - General Economic Issues			
Shareholder Proposal - Health/Environment	2	1	
Shareholder Proposal - Other/Miscellaneous			
Shareholder Proposal - Routine/Business	1	1	
Shareholder Proposal - Social/Human Rights			
Shareholder Proposal - Social			
Total	238	53	
Total resolutions		291	
No. AGMs		33	
No. EGMs		12	
No. of companies voted		45	
No. of companies where voted against management on at least one resolution		23	
% no. of companies where at least one vote against		51%	

Votes against



- Capitalisation
- Directors Related
- Non-Salary Compensation
- Routine/Business
- Shareholder Proposal - Health/Environment
- Shareholder Proposal - Routine/Business

Number of companies voted for/against



- No. of companies where supported management
- No. of companies where voted against management

'LGIM voted against at least one resolution at 51% of Asia Pacific companies over the quarter.'

Source for all data LGIM. The votes above represent voting instructions for our main FTSE pooled index funds

Regional updates

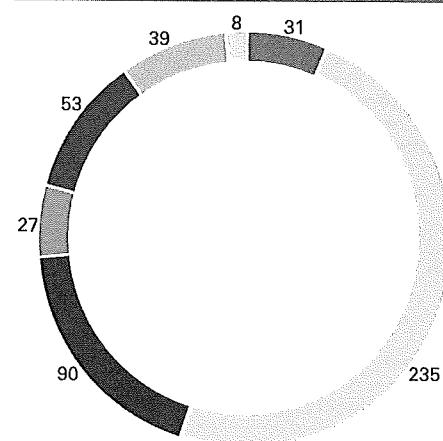
Emerging markets

Q3 2019 VOTING SUMMARY EMERGING MARKETS

Proposal category	EMERGING MARKETS		
	For	Against	Abstain
Anti-takeover Related	333	31	
Capitalisation	766	213	22
Directors Related	79		
Non-salary Compensation	89	90	
Reorganisations and Mergers	94	27	
Routine/Business	512	53	
Shareholder Proposal - Compensation			
Shareholder Proposal - Corporate Governance			
Shareholder Proposal - Directors Related	5	39	
Shareholder Proposal - General Economic Issues			
Shareholder Proposal - Health/Environment			
Shareholder Proposal - Other/Miscellaneous			
Shareholder Proposal - Routine/Business		8	
Shareholder Proposal - Social/Human Rights			
Shareholder Proposal - Social			
Total	1878	461	22
Total resolutions	2361		
No. AGMs	158		
No. EGMs	126		
No. of companies voted	272		
No. of companies where voted against management /abstained on at least one resolution	152		
% no. of companies where at least one vote against	56%		

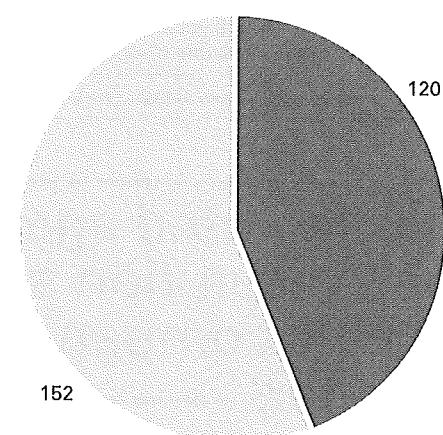
'LGIM voted against at least one resolution at 56% of emerging markets companies over the quarter.'

Votes against and abstentions



- Antitakeover
- ▨ Capitalisation
- Non-salary Compensation
- ▨ Reorganisations and Mergers
- Routine/Business
- ▨ Shareholder Proposal - Directors Related
- ▨ Shareholder Proposal - Routine/Business

Number of companies voted for/against/abstentions



- No. of companies where supported management
- ▨ No. of companies where voted against management (includes abstentions)

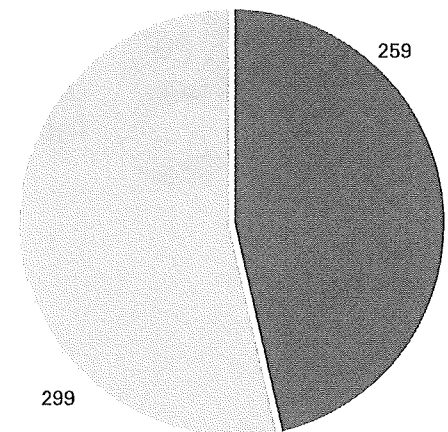
Source for all data LGIM. The votes above represent voting instructions for our main FTSE pooled index funds

Global Voting summary

VOTING TOTALS

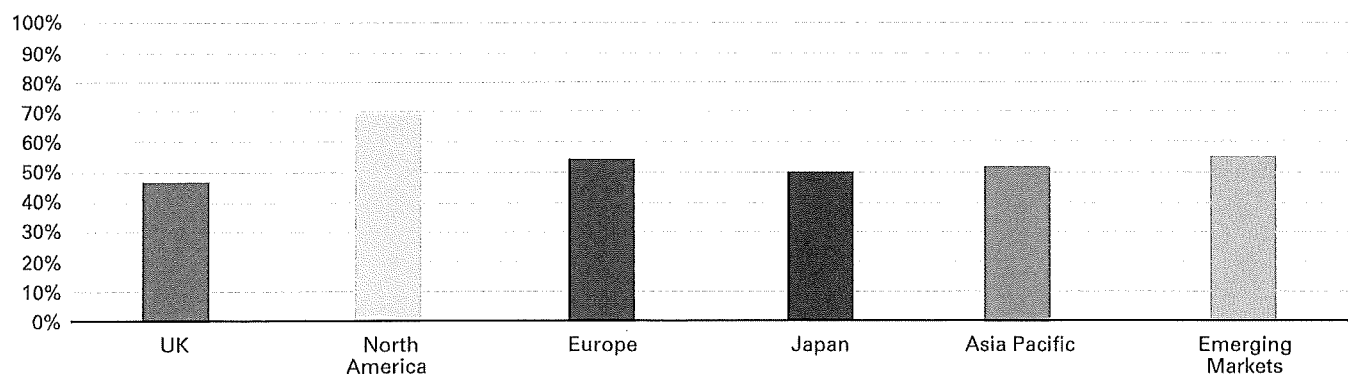
Proposal category	For	Against	Abstain	Total
Anti-takeover Related	442	31	0	473
Capitalisation	1342	266	22	1630
Directors Related	1502	190	0	1692
Non-salary Compensation	333	167	0	500
Reorganisations and Mergers	152	32	0	184
Routine/Business	1321	87	0	1408
Shareholder Proposal - Compensation	1	1	0	2
Shareholder Proposal - Corporate Governance	0	0	0	0
Shareholder Proposal - Directors Related	13	53	0	66
Shareholder Proposal - General Economic Issues	0	0	0	0
Shareholder Proposal - Health/Environment	2	4	0	6
Shareholder Proposal - Other/Miscellaneous	3	3	0	6
Shareholder Proposal - Routine/Business	2	9	0	11
Shareholder Proposal - Social/Human Rights	0	1	0	1
Shareholder Proposal - Social	1	0	0	1
Total resolutions	5114	844	22	5980
No. AGMs	389			
No. EGMs	196			
No. of companies voted	558			
No. of companies where voted against management /abstained on at least one resolution	299			
% no. of companies where at least one vote against	54%			

Number of companies voted for/against/abstentions

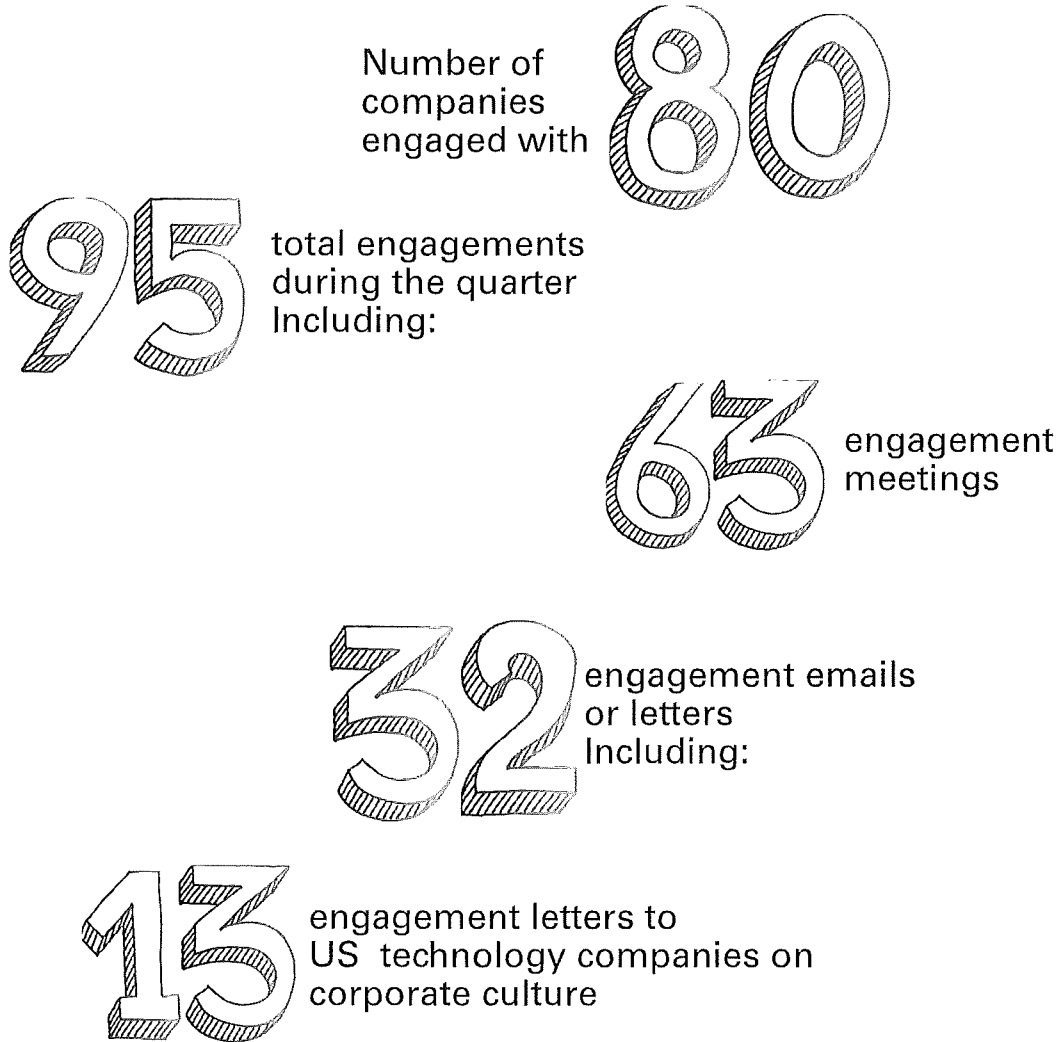


- No. of companies where supported management
- ▨ No. of companies where voted against management (includes abstention)

% of companies with at least one vote against (includes abstentions)



Global Engagement Summary



Number of engagements on environmental topics:

13

Number of engagements on social topics:

39

Number of engagements on governance topics:

53

Number of engagements on other topics (e.g. financial and strategy):

25

Number of engagements on ESG (e.g. Future World Protection List):

3

% of engagements on environmental and social topics:

54%

Top five engagement topics:

1



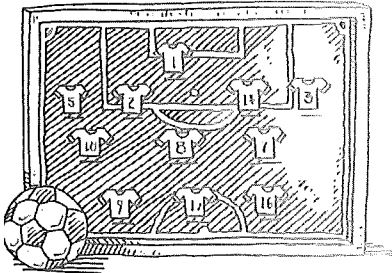
Remuneration

2



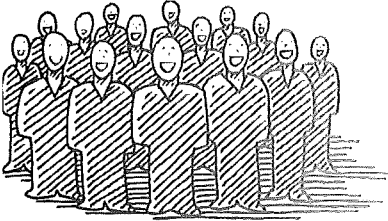
Corporate culture

3



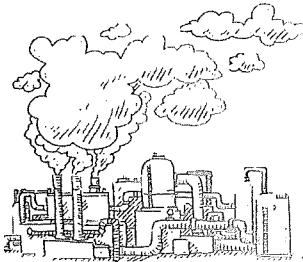
Strategy

4



Board composition

5



Climate Change

CONTACT US FOR MORE INFORMATION

For further information on anything you have read in this report or to provide feedback, please contact us at corporategovernance@lgim.com. Please visit our website www.lgim.com/corporategovernance where you will also find more information including frequently asked questions.

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M2031 GM

Shropshire County Council

Q3 2019

The purpose of the **reo**[®] (responsible engagement overlay) * service is to engage with companies held in portfolios with a view to promoting the adoption of better environmental, social and governance (ESG) practices. The **reo**[®] approach focuses on enhancing long-term investment performance by making companies more commercially successful through safer, cleaner, and more accountable operations that are better positioned to deal with ESG risks and opportunities.

Engagement in review

Alongside the effects of the U.S.-China trade war, tensions in the Persian Gulf, the Hong Kong protests and a generally tumultuous political landscape across the world, climate change-related news also had a strong showing in world news this quarter as millions of young people took to the streets worldwide in the biggest climate strike in history ahead of the UN Climate Action Summit in New York. At the same time, the private sector announced several actions that suggest companies have become aware of the need to work collaboratively: 87 major global companies pledged to reduce emissions and align their businesses with a 1.5°C future.

Climate Action 100+ inaugural progress report

Engagement

2019 marks the second year of the Climate Action 100+ Initiative (CA100+).

BMO GAM is leading and actively supporting 23 company engagements in this initiative. Two of the BMO-led companies were featured in the progress report – Volkswagen and General Motors (GM). The results of our collaborative engagements included the “carbon neutral” commitment by Volkswagen in early 2019, and the shareholder resolution at GM asking for lobbying disclosure in May 2019.

The past quarter saw 27 engagements by us with these CA100+ companies, covering Australia, Europe, US, China and Thailand. Significantly, we got to meet China Shenhua and Thailand’s national oil company PTT. In terms of outcomes of our engagement, we can highlight the “net zero emissions” 2050 commitment announced by Duke Energy, a US utilities BMO is actively involved in within CA100+, and BHP’s commitment to set a medium-term “Science-Based Target” to align to the goals of the Paris Agreement.

Minerals Council of Australia – shifting gears?

Public policy

We joined a group of investors to meet the CEO of the Minerals Council of Australia (MCA). We discussed growing concerns about the Council’s lobbying position with regards to climate change in Australian energy policy.

MCA briefed us on its new climate change position, which now features explicit support for the Paris Agreement. MCA is also drafting a climate change strategy, which will include the promotion of specific abatement technologies relevant to the sector and its downstream value chain, for example Carbon Capture and Storage.

We will continue our engagement with MCA to better understand whether its upcoming climate change strategy would meaningfully decarbonise the sector in Australia.

Deforestation and the Amazon fires

Engagement

We asked some of Europe’s largest banks to update and strengthen their lending and underwriting policies and guidelines for palm oil, soy, timber, and cattle, and to have overall anti-deforestation commitments. As part of our sustainable banking in ASEAN engagement project, we asked banks to enhance their sustainability criteria when lending to the palm oil sector and have no-deforestation commitments in place. We also directly engaged palm oil producers on their no-deforestation commitments, as well as companies sourcing commodities such as soy, sugar, palm oil and rubber on their approach to ensuring transparent and traceable agricultural supply chains.

We signed the PRI investor expectation statement on deforestation and forest fires in the Amazon, asking companies to commit to eliminating deforestation within their operations and supply chains.

We signed the Cerrado Manifesto - Statement of support to encourage producers to halt deforestation in Brazil’s Cerrado biome, a biodiversity hotspot covering approximately 20% of Brazil.

Finally, we joined the SPOTT (Sustainability Policy Transparency Toolkit) supporter network, asking for more transparency in commodity supply chains with the aim to avoid further deforestation.

US Governance

Shareholder primacy and proxy advisers under attack in the US

We attended the fall conference of the US Council of Institutional Investors (CII) where we contributed to the priorities setting.

Two announcements dominated discussions. Firstly, the Business Roundtable, whose membership comprises CEOs of the largest US companies, declared that their mantra that companies’ main purpose was to maximise shareholder value would be replaced with a commitment to all stakeholders.

In addition, the SEC released a troubling update in which it provided guidance on proxy advisers to re-classify their research as a form of solicitation, significantly increasing the regulatory burden and compliance risk to produce their research. Given the critical role that proxy advisers play in enabling investors to implement their stewardship responsibilities, making their work harder and riskier was generally not welcomed.

US investors look to strengthen governance standards despite market headwinds

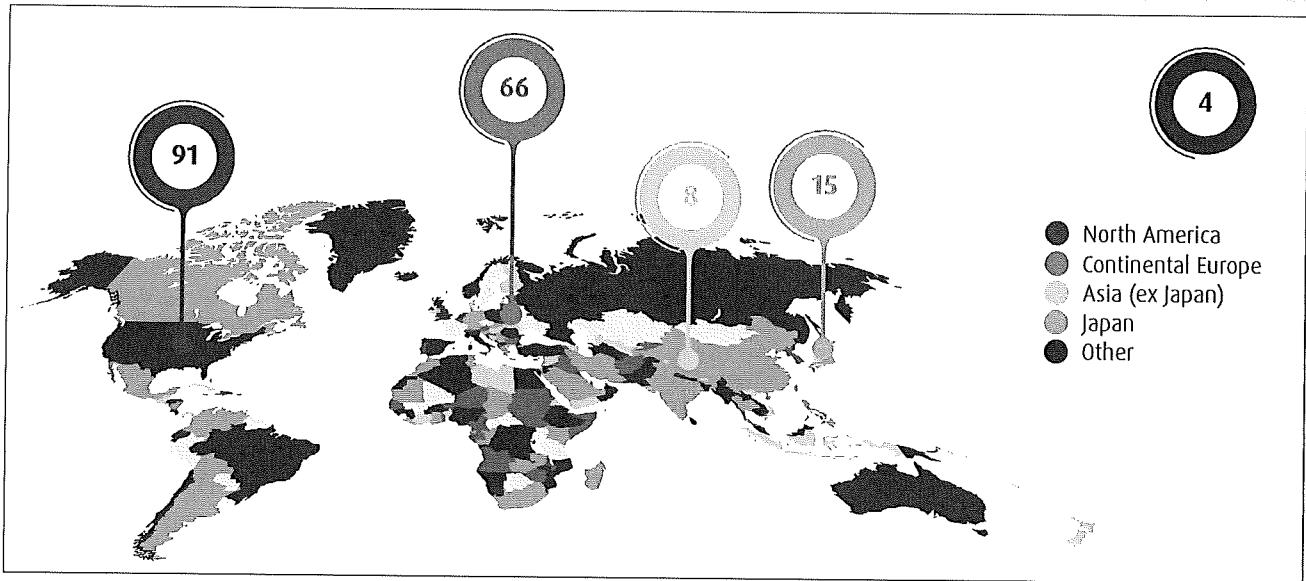
We attended the inaugural conference of the Investor Stewardship Group (ISG), comprised of over 60 US and international institutional investors with more than \$31 trillion in assets. The aim of the group is to establish and promote a framework of basic standards of investment stewardship and corporate governance for investors and companies, respectively.

We have been encouraged to see this initiative grow in both size, purpose and relevance over the last year, particularly in the current U.S. environment where other market stakeholders are working to suppress investors pushing for governance reform.

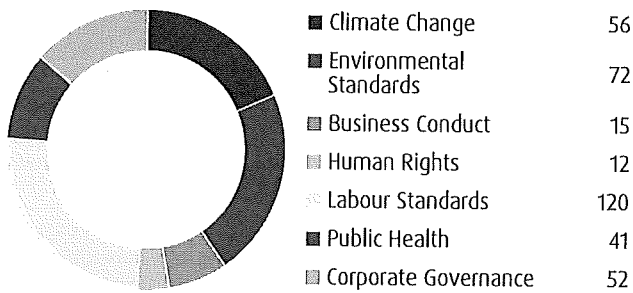
Companies engaged this quarter

Companies Engaged	Milestones achieved	Countries covered
184	61	16

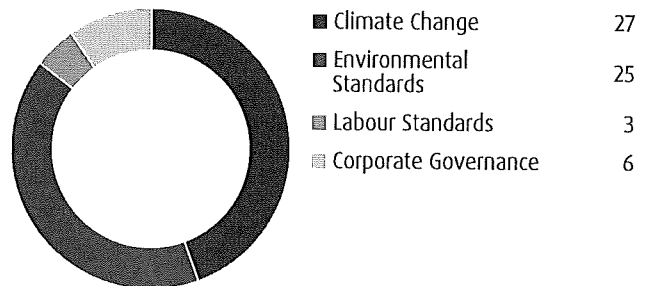
Companies engaged by region



Companies engaged by issue ^{***}



Milestones achieved by issue



* *reo* is currently applied to £128bn (\$163billion / €143billion) of assets as at 30th June 2019.

** Companies may have been engaged on more than one issue.

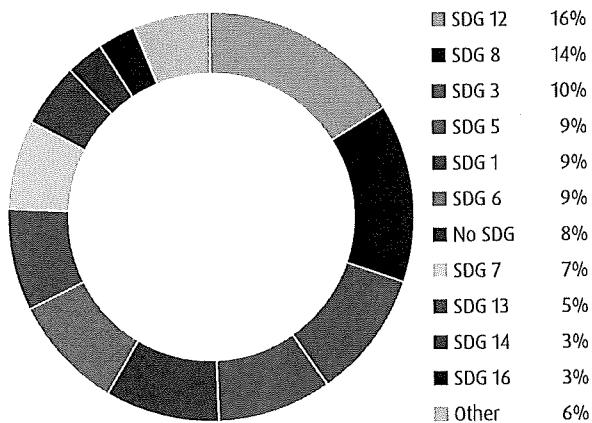
*** This report has been compiled using data supplied by a third-party electronic voting platform provider. The statistics exclude ballots with zero shares and re-registration meetings. Meetings/ballots/proposals are not considered voted if: ballots have been rejected by voting intermediaries (e.g. where necessary documentation (such as Powers of Attorney, beneficial owner confirmation, etc.) was not in place); instructed as "Do not vote" (e.g. in share-blocking markets); or left uninstructed. This document is for professional advisors only and should not be circulated to other investors. Past performance should not be seen as an indication of future performance. Stock market and currency movements mean the value of, and income from, investments in the Fund are not guaranteed. They can go down as well as up and you may not get back the amount you invest.

Engagements and Sustainable Development Goals (SDGs)

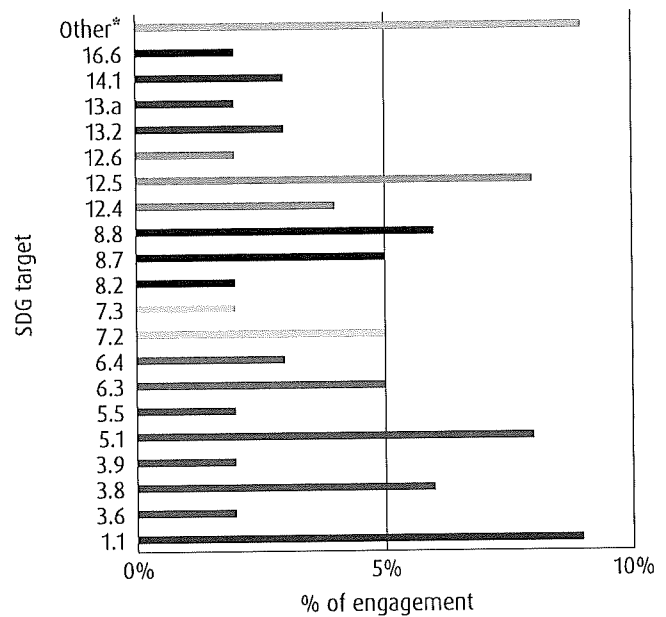
The 17 Sustainable Development Goals (SDGs) were developed by the UN and cross-industry stakeholders with a view to providing a roadmap towards a more sustainable world.

We use the detailed underlying SDG targets to frame company engagement objectives, where relevant, as well as to articulate the positive societal and environmental impacts of engagement. Engagements are systematically captured at a target level, to enable greater accuracy and achieve higher impact.

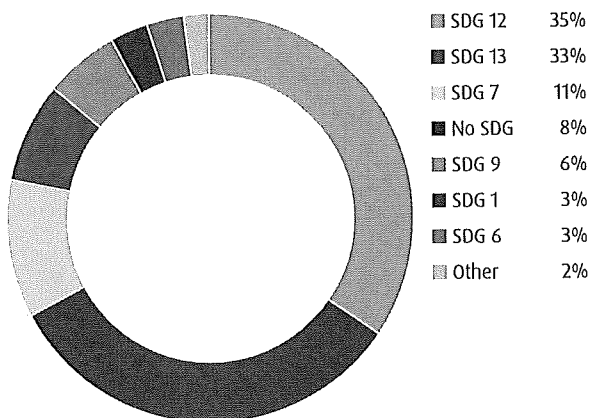
Engagement: SDG level



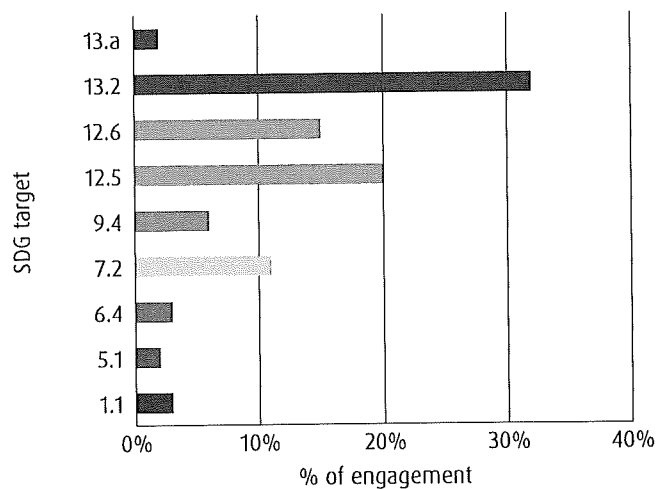
Engagement: SDG target level



Milestone: SDG level



Milestone: SDG target level



*Other represents SDG targets less than 2% of the relevant SDG Goal.

Priority Companies and Your Fund

The table below highlights the companies on BMO's annual priority engagement list with which we have engaged on your behalf in the past quarter and which you currently hold within your portfolio. Priority companies are selected through a detailed analysis of client holdings, proprietary ESG risk scores, engagement history and the BMO Responsible Investment team's judgement and expertise. Each priority company has defined engagement objectives set at the beginning of each year. Engagement activity levels for priority companies are more intensive than for companies where we engage more reactively. We provide reporting on our engagement with priority companies in the form of case studies which follows the table below. For full details of our engagements with companies please refer to the online *reo*® client portal.

Name	Sector	ESG Rating	Response to engagement	Themes engaged						
				Climate Change	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Amazon.com Inc	Consumer Discretionary	■	Poor							
Anglo American PLC	Materials	■	Good	●						
AO Smith Corp	Industrials	■		●						●
AP Moller - Maersk A/S	Industrials	■		●						●
Archer-Daniels-Midland Co	Consumer Staples	■			●					
AutoZone Inc	Consumer Discretionary	■	Poor		●					
BASF SE	Materials	■	Good							
Bayer AG	Health Care	■	Adequate							
Boston Scientific Corp	Health Care	■							●	
BP PLC	Energy	■	Good	●						●
Brown-Forman Corp	Consumer Staples	■			●					
CK Asset Holdings Ltd	Real Estate	■		●						
Coca-Cola Co	Consumer Staples	■			●				●	
Crown Holdings Inc	Materials	■			●					
Duke Energy Corp	Utilities	■	Good	●		●				
eBay Inc	Information Technology	■	Poor			●				●
G4S PLC	Industrials	■					●			
GlaxoSmithKline PLC	Health Care	■	Good						●	
HOCHTIEF AG	Industrials	■		●	●		●			●
Intuitive Surgical Inc	Health Care	■								●
Johnson & Johnson	Health Care	■	Adequate			●			●	
Lear Corp	Consumer Discretionary	■								
Mastercard Inc	Information Technology	■								
Monster Beverage Corp	Consumer Staples	■			●					●
Nestle SA	Consumer Staples	■	Good		●					
Novartis AG	Health Care	■	Good						●	
Renault SA	Consumer Discretionary	■				●				●
Suncor Energy Inc	Energy	■		●						
SVB Financial Group	Financials	■		●	●					●
Tesla Inc	Consumer Discretionary	■								
Tokyo Electric Power Co Holdings Inc	Utilities	■	Adequate	●						●
Tyson Foods Inc	Consumer Staples	■			●				●	

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ■ Second quartile: ■ Third quartile: ■ Bottom quartile: ■

Priority Companies and Your Fund

Name	Sector	ESG Rating	Response to engagement	Themes engaged								
				Climate Change	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance		
Unilever PLC	Consumer Staples											
Wells Fargo & Co	Financials		Adequate									
XPO Logistics Inc	Industrials		Adequate									

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: Second quartile: Third quartile: Bottom quartile:

Priority Companies and Your Fund

The table below highlights the companies on BMO's annual priority engagement list with which we have engaged on your behalf in the past quarter and which you currently hold within your portfolio. Priority companies are selected through a detailed analysis of client holdings, proprietary ESG risk scores, engagement history and the BMO Responsible Investment team's judgement and expertise. Each priority company has defined engagement objectives set at the beginning of each year. Engagement activity levels for priority companies are more intensive than for companies where we engage more reactively. We provide reporting on our engagement with priority companies in the form of case studies which follows the table below. For full details of our engagements with companies please refer to the online *reo*® client portal.

Name	Sector	ESG Rating	Response to engagement	Themes engaged						
				Climate Change	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Amazon.com Inc	Consumer Discretionary	■	Poor							
Anglo American PLC	Materials	■	Good	●						
AO Smith Corp	Industrials	■		●						●
AP Moller - Maersk A/S	Industrials	■		●						●
Archer-Daniels-Midland Co	Consumer Staples	■			●					
AutoZone Inc	Consumer Discretionary	■	Poor		●					
BASF SE	Materials	■	Good							
Bayer AG	Health Care	■	Adequate							
Boston Scientific Corp	Health Care	■							●	
BP PLC	Energy	■	Good	●						●
Brown-Forman Corp	Consumer Staples	■			●					
CK Asset Holdings Ltd	Real Estate	■		●						
Coca-Cola Co	Consumer Staples	■			●				●	
Crown Holdings Inc	Materials	■			●					
Duke Energy Corp	Utilities	■	Good	●		●				
eBay Inc	Information Technology	■	Poor			●				●
G4S PLC	Industrials	■					●			
GlaxoSmithKline PLC	Health Care	■	Good						●	
HOCHTIEF AG	Industrials	■		●	●		●			●
Intuitive Surgical Inc	Health Care	■								●
Johnson & Johnson	Health Care	■	Adequate			●			●	
Lear Corp	Consumer Discretionary	■								
Mastercard Inc	Information Technology	■								
Monster Beverage Corp	Consumer Staples	■			●					●
Nestle SA	Consumer Staples	■	Good		●					
Novartis AG	Health Care	■	Good						●	
Renault SA	Consumer Discretionary	■				●				●
Suncor Energy Inc	Energy	■		●						
SVB Financial Group	Financials	■		●	●					●
Tesla Inc	Consumer Discretionary	■								
Tokyo Electric Power Co Holdings Inc	Utilities	■	Adequate	●						●
Tyson Foods Inc	Consumer Staples	■			●				●	

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ■ Second quartile: ■ Third quartile: ■ Bottom quartile: ■

Priority Companies and Your Fund

Name	Sector	ESG Rating	Response to engagement	Themes engaged							
				Climate Change	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance	
Unilever PLC	Consumer Staples										
Wells Fargo & Co	Financials		Adequate								
XPO Logistics Inc	Industrials		Adequate								

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: Second quartile: Third quartile: Bottom quartile:

Engagements and Your Fund: Red rated

The table below highlights the companies with which we have engaged on your behalf in the past quarter and which you currently hold within your portfolio. The table is split by ESG risk rating. For full details of our engagements with companies please refer to the online *reo*® client portal.

Name	Country	Sector	Priority company	Themes engaged						
				Climate Change	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Amazon.com Inc	United States	Consumer Discretionary	✓							
AO Smith Corp	United States	Industrials	✓	●						●
AutoZone Inc	United States	Consumer Discretionary	✓		●					
Boston Scientific Corp	United States	Health Care	✓						●	
Capital One Financial Corp	United States	Financials								●
Crown Holdings Inc	United States	Materials	✓		●					
Delivery Hero SE	Germany	Information Technology			●					
Dollar General Corp	United States	Consumer Discretionary								
Dollar Tree Inc	United States	Consumer Discretionary								
Dollarama Inc	Canada	Consumer Discretionary								
Fiat Chrysler Automobiles NV	United Kingdom	Consumer Discretionary		●						●
FleetCor Technologies Inc	United States	Information Technology								●
Ford Motor Co	United States	Consumer Discretionary		●						
Fresenius SE & Co KGaA	Germany	Health Care							●	
G4S PLC	United Kingdom	Industrials	✓				●			
General Motors Co	United States	Consumer Discretionary		●						
HK Electric Investments & HK Electric Investments Ltd	Hong Kong	Utilities		●						
Intuitive Surgical Inc	United States	Health Care	✓							●
JPMorgan Chase & Co	United States	Financials		●	●					
L Brands Inc	United States	Consumer Discretionary			●					
Lear Corp	United States	Consumer Discretionary	✓							
Monster Beverage Corp	United States	Consumer Staples	✓		●					●
Mylan NV	United States	Health Care							●	
Netflix Inc	United States	Consumer Discretionary								●
O'Reilly Automotive Inc	United States	Consumer Discretionary								●
Pfizer Inc	United States	Health Care							●	
Pigeon Corp	Japan	Consumer Staples								
Pola Orbis Holdings Inc	Japan	Consumer Staples								
RioCan Real Estate Investment Trust	Canada	Real Estate								●
Shimamura Co Ltd	Japan	Consumer Discretionary			●					
Tokyo Electric Power Co Holdings Inc	Japan	Utilities	✓	●						●
Tyson Foods Inc	United States	Consumer Staples	✓		●				●	
United Airlines Holdings Inc	United States	Industrials			●					
US Bancorp	United States	Financials								
Walgreens Boots Alliance Inc	United States	Consumer Staples			●					●

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: Second quartile: Third quartile: Bottom quartile:

Engagements and Your Fund: Orange rated

The table below highlights the companies with which we have engaged on your behalf in the past quarter and which you currently hold within your portfolio. The table is split by ESG risk rating. For full details of our engagements with companies please refer to the online *reo*® client portal.

Name	Country	Sector	Priority company	Themes engaged						
				Climate Change	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Alimentation Couche-Tard Inc	Canada	Consumer Staples							●	
Archer-Daniels-Midland Co	United States	Consumer Staples	✓		●					
Bank of America Corp	United States	Financials								●
Bayer AG	Germany	Health Care	✓					●		
Burlington Stores Inc	United States	Consumer Discretionary			●					
Canadian Pacific Railway Ltd	Canada	Industrials						●		
Citigroup Inc	United States	Financials			●		●			●
CK Hutchison Holdings Ltd	Hong Kong	Industrials		●	●			●		
Coca-Cola Co	United States	Consumer Staples	✓		●				●	
Costco Wholesale Corp	United States	Consumer Staples						●		
Daimler AG	Germany	Consumer Discretionary								
Duke Energy Corp	United States	Utilities	✓	●		●				
eBay Inc	United States	Information Technology	✓			●		●		●
Glencore PLC	Switzerland	Materials		●				●		
Hong Kong & China Gas Co Ltd	Hong Kong	Utilities		●	●					●
Japan Exchange Group Inc	Japan	Financials				●		●		●
McDonald's Corp	United States	Consumer Discretionary							●	
Occidental Petroleum Corp	United States	Energy								●
Power Assets Holdings Ltd	Hong Kong	Utilities		●						
Restaurant Brands International Inc	Canada	Consumer Discretionary							●	
RWE AG	Germany	Utilities						●		
TJX Cos Inc/The	United States	Consumer Discretionary			●			●		
Vitasoy International Holdings Ltd	Hong Kong	Consumer Staples								●
Yum! Brands Inc	United States	Consumer Discretionary							●	

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: Second quartile: Third quartile: Bottom quartile:

Engagements and Your Fund: Yellow rated

The table below highlights the companies with which we have engaged on your behalf in the past quarter and which you currently hold within your portfolio. The table is split by ESG risk rating. For full details of our engagements with companies please refer to the online *reo*® client portal.

Name	Country	Sector	Priority company	Themes engaged						
				Climate change	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Anglo American PLC	United Kingdom	Materials	✓	●						
BHP Group Ltd	Australia	Materials		●						
BP PLC	United Kingdom	Energy	✓	●						●
Brown-Forman Corp	United States	Consumer Staples	✓		●					
CCL Industries Inc	Canada	Materials		●	●				●	
CK Asset Holdings Ltd	Hong Kong	Real Estate	✓	●						
Cognizant Technology Solutions Corp	United States	Information Technology								●
Darden Restaurants Inc	United States	Consumer Discretionary							●	
Deutsche Bank AG	Germany	Financials								
Deutsche Lufthansa AG	Germany	Industrials			●					
Deutsche Post AG	Germany	Industrials								
Deutsche Telekom AG	Germany	Communication Services								
Devon Energy Corp	United States	Energy		●						●
Goldman Sachs Group Inc/The	United States	Financials		●	●	●				●
Hermes International	France	Consumer Discretionary			●					
HOCHTIEF AG	Germany	Industrials	✓	●	●		●			●
Imperial Brands PLC	United Kingdom	Consumer Staples							●	●
ITOCHU Corp	Japan	Industrials		●						
Johnson & Johnson	United States	Health Care	✓			●			●	
Kroger Co/The	United States	Consumer Staples							●	
Linde PLC	United Kingdom	Materials								
Macy's Inc	United States	Consumer Discretionary								●
Mitsubishi Materials Corp	Japan	Materials		●						
Mohawk Industries Inc	United States	Consumer Discretionary			●					
Nestle SA	Switzerland	Consumer Staples	✓		●					
Newell Brands Inc	United States	Consumer Discretionary								●
Norfolk Southern Corp	United States	Industrials								●
Novartis AG	Switzerland	Health Care	✓						●	
Oversea-Chinese Banking Corp Ltd	Singapore	Financials		●	●					
PayPal Holdings Inc	United States	Information Technology								
Persimmon PLC	United Kingdom	Consumer Discretionary								●
Procter & Gamble Co/The	United States	Consumer Staples			●					
QIAGEN NV	Netherlands	Health Care			●				●	
Reckitt Benckiser Group PLC	United Kingdom	Consumer Staples			●					
Regions Financial Corp	United States	Financials								●

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: Second quartile: Third quartile: Bottom quartile:

Engagements and Your Fund: Yellow rated

Name	Country	Sector	Priority company	Themes engaged						
				Climate Change	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
South32 Ltd	Australia	Materials		●	●		●	●		
STERIS PLC	United States	Health Care							●	
Suez	France	Utilities			●			●		
Telefonica SA	Spain	Communication Services			●	●		●		
Tesla Inc	United States	Consumer Discretionary	✓					●		
Tractor Supply Co	United States	Consumer Discretionary								●
Under Armour Inc	United States	Consumer Discretionary			●			●		
Unilever PLC	United Kingdom	Consumer Staples	✓				●	●		
United Rentals Inc	United States	Industrials								●
Wolters Kluwer NV	Netherlands	Industrials				●		●		●

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: Second quartile: Third quartile: Bottom quartile:

Engagements and Your Fund: Green rated

The table below highlights the companies with which we have engaged on your behalf in the past quarter and which you currently hold within your portfolio. The table is split by ESG risk rating. For full details of our engagements with companies please refer to the online *reo*® client portal.

Name	Country	Sector	Priority company	Themes engaged						
				Climate Change	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
AbbVie Inc	United States	Health Care								
adidas AG	Germany	Consumer Discretionary								
Allstate Corp/The	United States	Financials				●				●
AP Moller - Maersk A/S	Denmark	Industrials	✓	●						●
Applied Materials Inc	United States	Information Technology								●
Aptiv PLC	Ireland	Consumer Discretionary		●					●	
Associated British Foods PLC	United Kingdom	Consumer Staples			●					
AstraZeneca PLC	United Kingdom	Health Care							●	
Australia & New Zealand Banking Group Ltd	Australia	Financials		●	●		●			
BASF SE	Germany	Materials	✓							
Beiersdorf AG	Germany	Consumer Staples								
Brenntag AG	Germany	Industrials		●	●	●	●			●
Burberry Group PLC	United Kingdom	Consumer Discretionary								●
Carrefour SA	France	Consumer Staples							●	
Cigna Corp	United States	Health Care								●
CLP Holdings Ltd	Hong Kong	Utilities		●	●					
Coca-Cola HBC AG	Switzerland	Consumer Staples			●					
Cognex Corp	United States	Information Technology			●		●		●	●
Covestro AG	Germany	Materials								
Delta Air Lines Inc	United States	Industrials			●					
E.ON SE	Germany	Utilities								
easyjet PLC	United Kingdom	Industrials			●					
Flowserve Corp	United States	Industrials								●
Gap Inc/The	United States	Consumer Discretionary			●					
GlaxoSmithKline PLC	United Kingdom	Health Care	✓						●	
HeidelbergCement AG	Germany	Materials								
Hennes & Mauritz AB	Sweden	Consumer Discretionary			●					
Honda Motor Co Ltd	Japan	Consumer Discretionary		●						
Hormel Foods Corp	United States	Consumer Staples							●	
Idemitsu Kosan Co Ltd	Japan	Energy		●						
Ingenico Group SA	France	Information Technology					●		●	
JXTG Holdings Inc	Japan	Energy		●						
Kellogg Co	United States	Consumer Staples								●
Kerry Group PLC	Ireland	Consumer Staples		●	●				●	●
Kimberly-Clark Corp	United States	Consumer Staples			●					

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: Second quartile: Third quartile: Bottom quartile:

Engagements and Your Fund: Green rated

Name	Country	Sector	Priority company	Themes engaged						
				Climate change	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Koninklijke KPN NV	Netherlands	Communication Services								
Kubota Corp	Japan	Industrials		●	●					●
L'Oreal SA	France	Consumer Staples			●					
Magna International Inc	Canada	Consumer Discretionary		●						
Marks & Spencer Group PLC	United Kingdom	Consumer Discretionary							●	
Mastercard Inc	United States	Information Technology	✓							
Merck & Co Inc	United States	Health Care							●	
Merck KGaA	Germany	Health Care								
Mettler-Toledo International Inc	United States	Health Care			●				●	
Microsoft Corp	United States	Information Technology				●				
Mitsui OSK Lines Ltd	Japan	Industrials		●						
Muenchener Rueckversicherungs-Gesellschaft AG in Muenchen	Germany	Financials								
Newcrest Mining Ltd	Australia	Materials		●						
Newmont Goldcorp Corp	United States	Materials		●						
Next PLC	United Kingdom	Consumer Discretionary			●					
Nippon Yusen KK	Japan	Industrials		●						
Panasonic Corp	Japan	Consumer Discretionary			●					
PVH Corp	United States	Consumer Discretionary			●					
Renault SA	France	Consumer Discretionary	✓			●				●
Rio Tinto Ltd	United Kingdom	Materials		●						
Roche Holding AG	Switzerland	Health Care							●	
Sanofi	France	Health Care							●	
Shionogi & Co Ltd	Japan	Health Care							●	
Siemens AG	Germany	Industrials								
Skyworks Solutions Inc	United States	Information Technology								●
Smurfit Kappa Group PLC	Ireland	Materials			●					
SSE PLC	United Kingdom	Utilities		●						●
Suncor Energy Inc	Canada	Energy	✓	●						
SVB Financial Group	United States	Financials	✓	●	●					●
Symrise AG	Germany	Materials			●					●
Teck Resources Ltd	Canada	Materials		●						
Tesco PLC	United Kingdom	Consumer Staples							●	
thyssenkrupp AG	Germany	Materials								
Travelers Cos Inc/The	United States	Financials								●
UBS Group AG	Switzerland	Financials		●	●		●			
Umicore SA	Belgium	Materials			●					
VF Corp	United States	Consumer Discretionary			●					
Wm Morrison Supermarkets PLC	United Kingdom	Consumer Staples							●	

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: Second quartile: Third quartile: Bottom quartile:

Engagements and Your Fund: Green rated



































Name	Country	Sector	Priority company	Themes engaged						
				Climate Change	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Xylem Inc/NY	United States	Industrials			●			●		
Zalando SE	Germany	Consumer Discretionary			●					

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile:  Second quartile:  Third quartile:  Bottom quartile: 

Milestones and Your Fund


The table below highlights the companies with which we have recorded milestones on your behalf in the past quarter and which you currently hold within your portfolio. Milestones are engagement outcomes which we have identified and is rated on the extent to which it protects investor value. For full details of our engagements which led to these milestones please refer to the online *reo*® client portal.

Name	Country	Sector	Priority company	ESG Rating	Themes engaged						
					Climate Change	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
 Amazon.com Inc	United States	Consumer Discretionary	✓		●						
Duke Energy Corp	United States	Utilities	✓		●						
SSE PLC	United Kingdom	Utilities			●						
 Alimentation Couche-Tard Inc	Canada	Consumer Staples									●
ArcelorMittal	Luxembourg	Materials				●					
AstraZeneca PLC	United Kingdom	Health Care			●						
Bayerische Motoren Werke AG	Germany	Consumer Discretionary			●						
BHP Group Ltd	Australia	Materials			●						
BT Group PLC	United Kingdom	Communication Services			●						
Danone SA	France	Consumer Staples				●					
Enel SpA	Italy	Utilities			●						
FirstEnergy Corp	United States	Utilities			●						
Ford Motor Co	United States	Consumer Discretionary			●						
General Mills Inc	United States	Consumer Staples				●					
Glencore PLC	Switzerland	Materials				●					
H&R Block Inc	United States	Consumer Discretionary									●
Hennes & Mauritz AB	Sweden	Consumer Discretionary			●						
Hewlett Packard Enterprise Co	United States	Information Technology			●						
Honda Motor Co Ltd	Japan	Consumer Discretionary			●						
Iberdrola SA	Spain	Utilities			●						
J Sainsbury PLC	United Kingdom	Consumer Staples				●					
Koninklijke DSM NV	Netherlands	Materials			●						
Kraft Heinz Co/The	United States	Consumer Staples				●					
McKesson Corp	United States	Health Care									●
NextEra Energy Inc	United States	Utilities			●						
Novozymes A/S	Denmark	Materials			●						
SAP SE	Germany	Information Technology	✓		●						
Saputo Inc	Canada	Consumer Staples									●
Telefonica SA	Spain	Communication Services			●						
Telia Co AB	Sweden	Communication Services			●						
Tesco PLC	United Kingdom	Consumer Staples				●					
Unilever PLC	United Kingdom	Consumer Staples	✓		●						

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile:  Second quartile:  Third quartile:  Bottom quartile: 

Milestones and Your Fund

Name	Country	Sector	Priority company	ESG Rating	Themes engaged					
					Climate Change	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health
Vodafone Group PLC	United Kingdom	Communication Services			●					
Volkswagen AG	Germany	Consumer Discretionary	✓		●					
Walmart Inc	United States	Consumer Staples				●				
Yum! Brands Inc	United States	Consumer Discretionary				●				
Zurich Insurance Group AG	Switzerland	Financials			●					
 adidas AG	Germany	Consumer Discretionary								
Banco Bilbao Vizcaya Argentaria SA	Spain	Financials				●				
Banco Santander SA	Spain	Financials				●				
Barclays PLC	United Kingdom	Financials				●				
Bayer AG	Germany	Health Care	✓							
BHP Group Ltd	Australia	Materials								
BNP Paribas SA	France	Financials				●				
Citigroup Inc	United States	Financials				●				
CLP Holdings Ltd	Hong Kong	Utilities			●					
Coca-Cola Co	United States	Consumer Staples	✓			●				
Coca-Cola European Partners PLC	United Kingdom	Consumer Staples				●				
Coca-Cola HBC AG	Switzerland	Consumer Staples				●				
Credit Suisse Group AG	Switzerland	Financials				●				
Danone SA	France	Consumer Staples				●				
Hoya Corp	Japan	Health Care							●	
Industria de Diseno Textil SA	Spain	Consumer Discretionary							●	
ING Groep NV	Netherlands	Financials	✓			●				
Kroger Co/The	United States	Consumer Staples				●				
Societe Generale SA	France	Financials				●				
UBS Group AG	Switzerland	Financials				●				
VF Corp	United States	Consumer Discretionary			●					
Westpac Banking Corp	Australia	Financials				●				

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile:  Second quartile:  Third quartile:  Bottom quartile: 

ESG Viewpoint

July 2019



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Telephone calls may be recorded.

Warm India, Wet India – Incredible India?

India is among the countries most vulnerable to climate change. Our recent trip there provided valuable insights into how climate change management has risen up most companies' strategic agendas. However, the potential magnitude of the impacts of climate change on people's livelihoods, economic growth and, ultimately, companies' bottom line is so significant that climate considerations need to be more deeply embedded into medium and long-term corporate strategies.

We travelled to Mumbai and Bangalore to engage with close to 20 large and medium-sized Indian companies mainly in the financial, healthcare and consumer staples industries. Our discussions covered a wide range of ESG issues, particularly corporate governance, climate change, plastics, and access to affordable products and services. In light of the breadth of industries and topics we covered during the trip, we plan to share our impressions throughout a small number of separate Viewpoints over the course of the next few months.

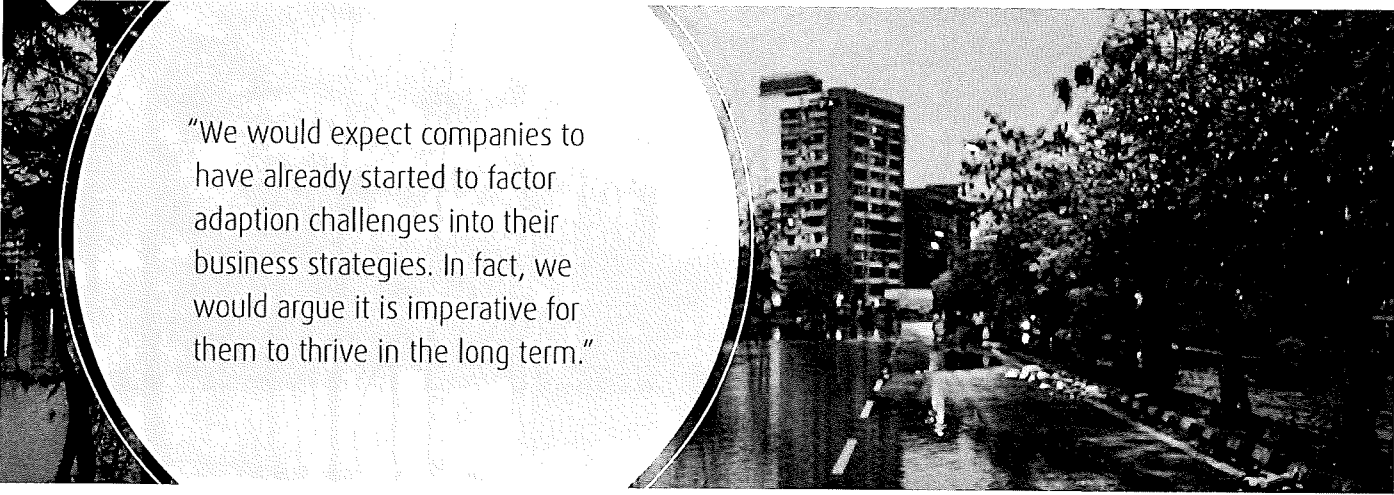
This introductory piece will cover the country's significant exposure to the impacts of climate change, as well as highlights from our conversations with companies on their approach to managing climate-related risks as well as opportunities.



Climate change is highly likely to make extreme weather events in India more frequent and severe.

Vulnerability to climate change

Climate change is expected to have significant impacts on South Asia – in fact, it is already one of the most affected regions of the world. India has seen, in the past year alone, record flooding in the state of Kerala that affected more than 5 million people; extreme drought conditions in Tamil Nadu that have led to a severe water crisis in its capital Chennai, a city with close to 10 million inhabitants; heatwaves and freak dust storms across several northern states; and at least four powerful tropical cyclones making landfall on both Indian coasts and forcing the evacuation of millions.



“We would expect companies to have already started to factor adaption challenges into their business strategies. In fact, we would argue it is imperative for them to thrive in the long term.”

The events listed above are not necessarily surprising. By virtue of its geographical location, India is highly vulnerable to natural hazards, including floods, drought, cyclones and landslides. The problem is that climate change is highly likely to make these extreme weather events more frequent and severe, putting significant strain on the growing population and the economy. A recent World Bank study¹ suggests that overall 600 million Indians will be moderately or severely affected by changes in temperature and rainfall, and that climate change could cost the country 2.8% of GDP and lower living standards for nearly half of its population by 2050.

The only way is to adapt

Extreme weather events aside, changes in temperature and rainfall are already being acutely felt amongst Indian people, especially farmers. Agriculture is still a major source of income, accounting for about 14% of the country's GDP and employing close to 800 million people. The sector is desperately dependent on the monsoon, as the majority of farmland does not have access to irrigation. Yet monsoons are erratic, increasingly so because of climate change. When they fail, crops fail, food prices soar, reservoirs empty and farmers' livelihoods are crushed.

Changes in agricultural productivity patterns, along with the impacts of heatwaves, floods and rising sea levels could reduce average living standards in India through diverse pathways, such as agricultural and labour productivity, health, migration, and other factors that can affect domestic consumption, economic growth and poverty reduction. We would expect companies to have already started to factor these adaptation challenges into their business strategies. In fact, we would argue it is imperative for them to thrive in the long term.

We spoke about challenges to agricultural productivity with two fast-moving consumer goods companies that are heavily reliant on agricultural raw materials – **Marico** and **Hindustan Unilever (HUL)**.

Marico is one of India's leading personal care products manufacturers and the largest buyer of coconuts in the country. We were encouraged to learn about the company's actions to manage climate risks in its coconut supply chain. These include partnerships with research institutions to develop improved, drought-resistant crop varieties, and cooperation with selected farmers to promote science-based practices on nutrients, disease and water management. We also met with HUL, who run similar sustainable agriculture programmes with their tomato suppliers.

By improving crop yields and soil health and, ultimately, boosting farmers' livelihoods, these programmes are critical to building supply chains that are more resilient to anticipated changes in precipitation and temperature patterns across India. Going forward, we will encourage both companies to extend the scope of their programmes to cover more farmers, and engage with authorities and other relevant stakeholders to promote the adoption of more sustainable soil and water management practices.

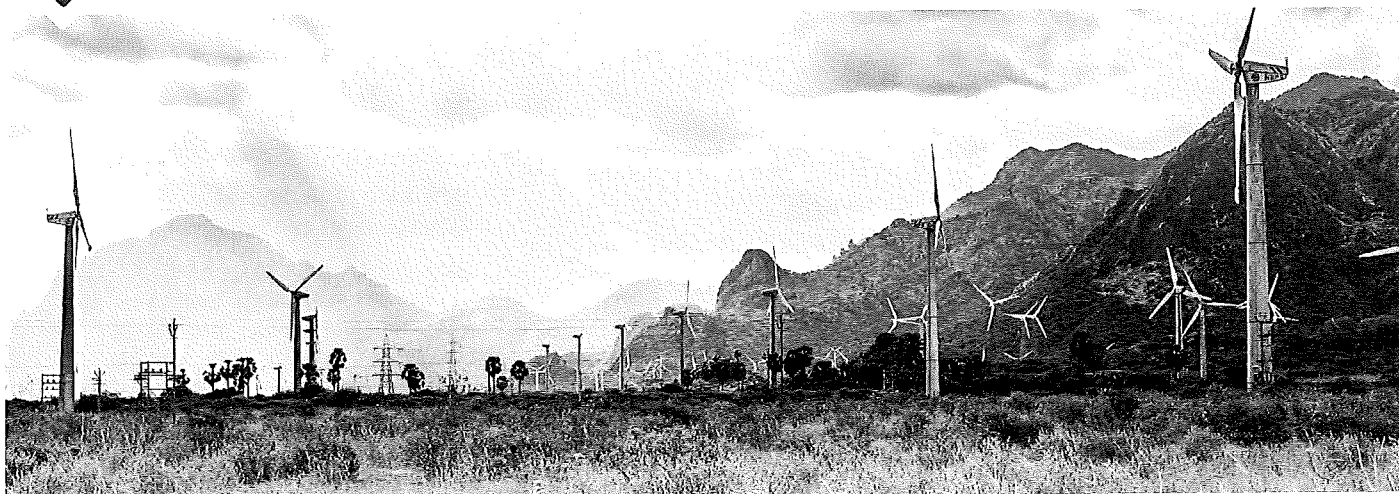
Tackling carbon emissions growth

In addition to its extreme vulnerability to climate change, India is under increasing pressure to tackle growth in greenhouse gas emissions – it currently stands as the world's third-largest carbon emitter, behind China and the US. The country has taken significant steps towards initiating a low-carbon economy across various sectors and has emerged as a global leader in renewable



India has emerged as a global leader in renewable energy: for three consecutive years, renewable energy investment topped that of fossil fuel-related power investments.

¹ World Bank Group, South Asia's Hotspots: The Impact of Temperature and Precipitation Changes on Living Standards, 2018



energy: for three consecutive years, renewable energy investment topped that of fossil fuel-related power investments.

At the same time, India is expected to continue relying significantly on coal-fired power generation to meet its future energy needs. Whilst coal's share in India's primary energy consumption will decline in the next 20+ years, it is still forecast to account for 48% of the total in 2040, leading to net carbon emissions roughly doubling during the same timeframe². The government's continued support for thermal power challenges the development of a stronger policy platform to facilitate speedier progress in the field of renewables.

In spite of this policy uncertainty, many of the companies that we engaged with have made significant strides in increasing the proportion of renewables in their energy mix, with some setting ambitious targets. This move towards renewables is not based on environmental aspirations, but on economic realities: in recent months, power supply auctions have shown that renewables can be offered at tariffs significantly lower than those offered by coal-fired generators.

Ultratech, India's largest cement producer, is working hard to increase the proportion of energy from renewable sources – solar in particular – in its overall energy mix from less than 5% today to 20% by 2022. **Titan Company**, a leading player in the jewellery sector, has over 50% of its electricity consumption powered by wind energy and has made significant inroads in



Greater action to cut emissions via increasing renewable energy sourcing can improve companies corporate profile and bottom line, whilst preparing them better for potential future carbon-related regulations.

² BP Energy Outlook, 2019

installing solar systems at retail stores across the country. **HUL** has increased its share of renewable energy by 43% in 2018 compared to 2008 and has committed to source all the electricity purchased from the grid from renewable sources by 2020.

We welcomed companies' actions in this space as greater action to cut emissions via increasing renewable energy sourcing can improve both their corporate profile and bottom line, whilst preparing them better for potential future carbon-related regulations. Within this context, we encouraged companies to enhance their approach to emissions-reduction commitments by setting science-based reduction targets in line with the Paris Agreement climate goals.

The path ahead

Despite its economy cooling off and concerns over future growth estimates, India continues to hold a dear spot in emerging markets investors' portfolios. And rightly so. Financial markets are liquid and deep, and there are plenty of high-quality companies with strong business models, competitive advantages and capable managers. Moreover, rising incomes, increased urbanisation and a demographic dividend offer exciting growth opportunities.

Enter climate. Less predictable monsoons, increases in average temperatures and more frequent extreme weather events could sway economic activity and impact consumption expenditure and hence economic growth. According to the World Bank, pressure on India's water, air, soil and forests is expected to become the highest in the world by 2020. Companies must future-proof their businesses against these risks, as well as those stemming from regulatory, legal and reputational issues, by reviewing – and in some cases redefining – corporate strategies to align their activities with climate change mitigation and adaptation.

Our engagement on climate-related issues with companies in India is only going to become more important going forward to mitigate risk and support long-term returns. By encouraging better management of climate and other ESG issues by our investee companies, we can contribute to a more resilient global economy, which will ultimately enhance our clients' long-term prosperity and security.

Key risks

The value of investments and any income derived from them can go down as well as up as a result of market or currency movements and investors may not get back the original amount invested.

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How BMO Global Asset Management can help you

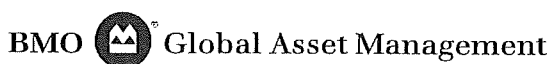
BMO Global Asset Management incorporates material ESG issues into its investment processes across asset classes. We also offer our Responsible Funds range, which invests in companies operating sustainably and excludes those not meeting our ethical and ESG criteria, and our *reo*® engagement service, through which we provide engagement and voting services covering global equities and credit.

Best ESG Research Team 2018



Views and opinions have been arrived at by BMO Global Asset Management and should not be considered to be a recommendation or solicitation to buy or sell any companies that may be mentioned.

The information, opinions, estimates or forecasts contained in this document were obtained from sources reasonably believed to be reliable and are subject to change at any time.



ESG Viewpoint

July 2019



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ESG disclosure at mid-cap companies

Summary

- 📌 The importance of ESG disclosure has grown as a result of regulatory changes, the development of internationally recognised disclosure frameworks, and rising demand from investors, who are increasingly incorporating ESG factors into investment decision-making.
- 📌 We contacted 43 companies – each with a market cap of less than US\$10 billion – to highlight the most material environmental and social issues for their respective industries which we think should underpin their ESG reporting frameworks.
- 📌 Of these 43 companies, 20 were willing to engage in dialogue. With few other investors engaging them on ESG disclosure, we found that they were receptive to our advice.

Background

In recent years, disclosure frameworks established by governments, international listing agencies and non-profit organisations have paved the way towards reporting on ESG issues being the norm rather than the exception.

Of all the frameworks developed, the most widely used is the Global Reporting Initiative's (GRI) framework. The GRI's Standards, the first global standards for sustainability, are currently used by 82% of the world's largest 250 corporations¹. The Carbon Disclosure Project (CDP) has also achieved global recognition for its standards on environmental disclosure, and reporting companies now represent approximately 56% of global market capitalisation².

Government-led disclosure guidelines have developed alongside those of non-profit organisations, and analysis conducted by the Principles for Responsible Investment (PRI) revealed that 38 of the 50 largest economies in the world had, or were developing, disclosure requirements for corporations covering ESG issues³.

¹ <https://www.globalreporting.org/information/news-and-press-center/press-resources/Pages/default.aspx>

² <https://www.cdp.net/en/scores-2017>

³ <https://www.unpri.org/how-effective-are-corporate-disclosure-regulations/211.article>



“We are keenly aware that mid-cap companies may lack the necessary resources to deliver the quality of reporting that stakeholders have come to expect.”

Finally, ESG data providers – widely used by institutional investors and asset managers – are drawing on publicly available information to evaluate and score company ESG performance over time and relative to peers.

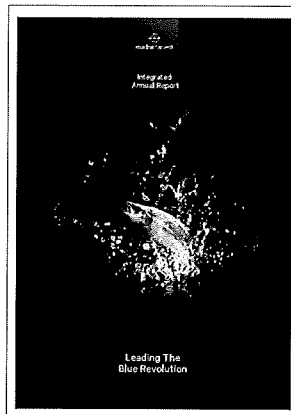
Against this backdrop, those companies which are laggards from a reporting perspective are arguably at a competitive disadvantage, and we are keenly aware that mid-cap companies may lack the necessary resources to deliver the quality of reporting that stakeholders have come to expect.

BMO Engagement

As an investor, we see ourselves able to play a role in assisting these companies to improve the quality of their reporting by flagging critical gaps and helping them to close them, based on our experience of engaging their larger peers.

In order to identify target companies, we began by combining BMO’s proprietary industry ESG materiality assessments with quantitative data provided by our third-party ESG research provider, enabling us to pinpoint mid-cap companies with low ESG scores on the issues flagged by our analysis as the most material for these companies’ respective industries. We used the results of this process to shortlist 43 companies with disclosure gaps belonging to three comparatively high-risk sectors: consumer staples, industrials, and materials. We then evaluated the reporting of these companies, and found that 65% align their reporting with the GRI’s Standards to varying degrees and 77% are receptive to CDP.

Given the gulf in the quality of reporting between the leaders and laggards, we were not surprised to find that – at the laggard end of the spectrum – 8 of the 10 mid-cap companies included in this project that do not submit to the CDP also do not use the GRI’s Standards to report on their sustainability performance. Moreover, 5 of these 8 companies disclose very limited non-financial information.



All companies with a market cap of US\$10 billion or more would ideally report in accordance with the GRI’s Standards and participate in CDP. However, we recognise that they are facing an array of obligatory and voluntary reporting requirements, not to mention time-intensive questionnaires, which is why we think disclosure should focus on the most material issues to internal

and external stakeholders. One commonly used approach to identify these issues is the construction of a materiality matrix, exemplified by the one shown overleaf, which is taken from Marine Harvest’s Integrated Annual Report 2017⁴. In the case of **Marine Harvest**, a mid-cap Norwegian seafood company, we would expect to see more detailed disclosure on the issues in the top right quadrant.

⁴ Marine Harvest, Integrated Annual Report 2017 – <http://hugin.info/209/R/2177429/840178.pdf>

Marine Harvest most material value drivers

● Profit ● Planet ● Product ● People



Source: Marine Harvest, Integrated Annual Report 2017

With this approach in mind, we determined which issues are material for each sector, and then considered which points our target companies should disclose to stakeholders, factoring in the key risks associated with their respective industries.

The table below summarises where we focused our engagement on an issue-by-issue basis, and the number of companies engaged on each issue:

	Consumer Staples	Industrials	Materials	No. of companies engaged
Biodiversity & Land Use	✗	✓	✓	3
Carbon emissions	✗	✓	✗	1
Chemical Safety	✗	✗	✓	6
Corruption	✗	✓	✓	8
Health & Safety	✗	✓	✗	4
Labour Management	✓	✓	✓	20
Packaging Materials & Waste	✗	✗	✓	6
Product Carbon Footprint	✓	✗	✗	6
Product Safety & Quality	✓	✓	✗	13
Raw Material Sourcing	✓	✓	✓	11
Toxic Emissions & Waste	✗	✗	✓	6
Water Stress	✓	✗	✓	10

In our dialogue with companies, we were encouraged that many were willing to take our suggestions on board, particularly those which told us that they are striving to improve their ESG disclosure year on year, such as Royal Mail. However, it became apparent that there are two factors which can lead to shortcomings in how well company reporting reflects sustainability performance:

- 1 Companies operating in countries where market disclosure standards are low may appear to be managing ESG risks less adequately than is actually the case.

This point can be illustrated by the Sustainability Reports published by **Sealed Air**, a packaging company headquartered in the US, where the level of disclosure varies significantly. Sealed Air’s reporting compares favourably in a US context, and in a call with the company we were positively impressed with their sustainability commitments. However, its reporting is less thorough than that of **DS Smith** and **Mondi**, packaging companies headquartered in Europe which, unlike Sealed Air, prepare their reports in accordance with the GRI’s Standards. We are pleased to say that Sealed Air is on a positive trajectory: subsequent to engaging the company we were informed that the 2018 Sustainability Report will include a materiality matrix, and that the company’s new set of goals will be linked to the UN Sustainable Development Goals.

- 2 Companies using the GRI Standards can opt to tailor their reporting to reflect the regulatory reporting requirements they are subject to.

This can, however, lead to the omission of useful information. For example, two Japanese construction and engineering companies, **Obayashi Corporation** and **Shimizu Corporation**, do not disclose “near-miss” events – defined by the UK Health and Safety Executive as events “not causing harm, but [have] the potential to cause injury or ill health”⁵ and referred to in GRI Standard 403 as “close calls”⁶ – even though the quality of both companies’ reporting is very good overall. We were informed by an investor relations representative at Obayashi Corporation that the company follows the Japanese Industrial Safety and Health Act and other relevant Japanese laws, which do not require “near-miss” events to be recorded.

As a general rule, we encourage companies to benchmark their reporting against that of leading peers in their respective industries, regardless of geographic location, and to go beyond mandatory reporting requirements, particularly on topics which are directly relevant to their core operations. Furthermore, we believe that companies should provide information about the oversight of key environmental and social issues – an indication, in our opinion, of effective governance. The mid-cap companies shown in the table below are to be commended for not only meeting and exceeding our expectations on disclosing information about material issues, but also for communicating a credible sustainability narrative:

Material issues	Leading companies
Biodiversity & Land use	Agnico Eagle Mines
Carbon emissions	Royal Mail
Chemical safety	Arkema; Mitsui Chemicals
Corruption	Agnico Eagle Mines
Labour management	Agnico Eagle Mines; MTU Aero Engines; Royal Mail; Trelleborg
Packaging materials & waste	DS Smith; Mondi
Product carbon footprint	DS Smith; Mondi
Product safety & quality	Marine Harvest
Raw material sourcing	DS Smith; Mondi; Smurfit Kappa
Toxic emissions & waste	Mitsui Chemicals
Water stress	No leading companies identified

⁵ <http://www.hse.gov.uk/toolbox/managing/accidents.htm>

⁶ <https://www.globalreporting.org/standards/media/1910/gri-403-occupational-health-and-safety-2018.pdf>

Benefits of ESG disclosure

Besides the intrinsic value of ESG disclosure, in our experience high-quality disclosure is a powerful tool for revealing:

1) Companies' ability to achieve targets

We encourage companies to clearly state their targets, explain what action is being taken to achieve these, and what their current status is. This transparent approach, exemplified by GEA Group, an industrial machinery company, and MTU Aero Engines, an aerospace and defence company, holds companies accountable and enables stakeholders to gauge a company's ability to implement appropriate measures to achieve targets.

2) Progress over time

Stakeholders can evaluate companies' progress over time by examining ESG data, which should ideally be presented over a five-year period. In our dialogue with President Chain Store Corporation, for example, we asked whether the company would consider disclosing the "disabling injury data" for the year in question alongside the equivalent data for previous years, explaining that this would facilitate the identification of trends.

3) Organisational integration

We like to see company-wide trends, in addition to figures for different regions and divisions, because this suggests that a company has effective channels of communication. We were concerned, for instance, when a representative from Spirax-Sarco Engineering, a rapidly growing company with 114 operating units in 47 countries⁷, informed us that employee turnover data is collected on a local level rather than on a group-wide level, one reason why the information is not disclosed. Given that financial and reputational damage frequently arises as a result of a company acquiring another with weaker risk management systems, we welcome evidence that all business divisions report to the same standard, thereby enabling data aggregation, and, by extension, effective oversight.

Key takeaways

Mid-cap companies are having to navigate a complex and rapidly evolving reporting landscape, and it is hardly surprising that company representatives are feeling increasingly pressured. The rationalisation and harmonisation of disclosure frameworks would help, and although steps have already been taken in this direction, achieving greater global homogeneity will be a complex and lengthy process.

In the current environment, we think that companies should focus on using a combination of qualitative and quantitative information to cover material ESG issues comprehensively in their reporting, thereby giving investors an insight into how key risks are being managed. This process should be a fundamental element of corporate strategy, and we would recommend board oversight of disclosure transparency to enhance the development of high-quality reporting, and, most importantly, the underlying policies and procedures.

Finally, we would like to make it clear that, as investors, we do not expect perfection; indeed, it raises alarm bells if a company's reporting does not flag any obstacles and challenges. We want to hear about what steps companies have taken to solve problems and reduce the likelihood of similar problems occurring in the future, alongside information about achievements and accomplishments. By providing us with a complete picture, we and other stakeholders can feel more confident about our investment decisions.

In terms of next steps, we will review the future reports of the companies we engaged in dialogue with to determine which of our recommendations have been adopted, and we are expanding the scope of this project to focus on companies in the following sectors: consumer discretionary, energy, health care, information technology, telecommunication services, and utilities. We expect that, over time, we will see the quality of companies' reporting improve further still in response to continued pressure from regulators and stakeholders.

⁷ As at 31 December 2018

Key risks

The value of investments and any income derived from them can go down as well as up as a result of market or currency movements and investors may not get back the original amount invested.

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How BMO Global Asset Management can help you

BMO Global Asset Management incorporates material ESG issues into its investment processes across asset classes. We also offer our Responsible Funds range, which invests in companies operating sustainably and excludes those not meeting our ethical and ESG criteria, and our *reo*® engagement service, through which we provide engagement and voting services covering global equities and credit.

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BMO  **Global Asset Management**

APPENDIX C

Shropshire County Pension Fund Statement of compliance with the UK Stewardship Code

Last updated 3 December 2019

Introduction

The Shropshire County Pension Fund (“the Fund”) recognises its role as one of promoting best practice in stewardship, which is considered to be consistent with seeking long-term, sustainable investment returns. The Fund is a signatory to the Financial Reporting Council’s (“FRC”) UK Stewardship Code.

The Fund’s Investment Strategy Statement¹ (“ISS”) states that the Fund’s primary long-term investment objective is to achieve and maintain a funding level at, or close to, 100% of the Fund’s estimated liabilities; and within this, to endeavour to maintain low and stable employers’ contribution rates. The Fund’s investment beliefs include that a long-term approach to investment will deliver better returns and that responsible investment (“RI”) can enhance long-term investment performance. As an externally-managed fund, much of the day-to-day responsibilities for implementing stewardship is delegated to the Fund’s investment managers. Over time some delegations will pass to LGPS Central Limited (LGPS Central”), the pool company through which the Fund’s assets will be invested. LGPS Central has been a signatory to the UK Stewardship Code since the company’s inception.

The Fund defines the concept of stewardship in the same way as the FRC:

“Stewardship aims to promote the long-term success of companies in such a way that the ultimate providers of capital also prosper. For investors, stewardship is more than just voting. Activities may include monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure, and corporate governance, including culture and remuneration. Engagement is purposeful dialogue with companies on these matters as well as on issues that are the immediate subject of votes at general meetings.”

The Fund welcomes the changes made to the Stewardship Code as of November 2019, taking effect on 1 January 2020, and will start reporting on outcomes under the new Code in 2021.

¹ <https://shropshirecountypensionfund.co.uk/investments-and-governance/pensions-administration-strategy-statement/>

The Principles of the Code

So as to protect and enhance the value that accrues to the ultimate beneficiary, institutional investors should:

1. Publicly disclose their policy on how they will discharge their stewardship responsibilities.

The Fund complies with this principle.

Much of the day-to-day responsibility for the stewardship of assets is delegated to the Fund's investment managers ("managers") with oversight by officers of the Fund and ultimately the Pensions Committee. All the Fund's equity managers are signatories of the UK Stewardship Code (rated Tier 1) and signatories to the Principles for Responsible Investment ("PRI"). All managers are required to report on stewardship on a quarterly basis to the Pensions Committee, including details of votes cast on corporate resolutions. It is expected that managers will identify and deal appropriately with financially material RI risks, and that engagement and voting functions will align with and support this process. The Fund has reviewed and accepted the corporate governance policies of its investment manager(s) who exercise its voting rights. The Fund is not prescriptive with respect to the RI approach employed by managers and expects instead that each manager will engage and vote in different ways and on different issues, appropriate to the mandate instructions and investment style. A key expectation is that managers are transparent with how they discharge their stewardship responsibilities.

The Fund has appointed BMO Global Asset Management to provide a responsible engagement overlay on the Fund's UK equity portfolios. BMO enters into constructive discussions with companies on the Fund's behalf to put to them the case for improved financial returns through better management of the negative impacts they might have on the environment and society in general.

The Fund is a member of the Local Authority Pension Fund Forum ("LAPFF"). LAPFF exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders while promoting social responsibility and high standards of corporate governance at the companies in which they invest. LAPFF also engages with companies on the Fund's behalf and issues voting alerts to the Fund. The Fund is a relatively active member of LAPFF but there are no representatives from the Fund on the LAPFF Executive at present. Representatives from the Fund attend the annual LAPFF conference and attend LAPFF business meetings as appropriate. LAPFF discloses a quarterly report detailing engagement undertaken during the period in review. Further details of the how the Fund discharges

its stewardship responsibilities can be found in the Fund's Investment Strategy Statement.

Following the pooling of the Fund's assets into LGPS Central, much of the day-to-day stewardship responsibilities will pass to the pool, with oversight by officers of the Fund and members of the Pensions Committee. LGPS Central is a signatory to the UK Stewardship Code and its Responsible Investment & Engagement Framework, which sets out its approach to stewardship, has been made publicly available².

2. Have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed.

The Fund complies with this principle.

With much of the day-to-day stewardship responsibilities being delegated to investment managers, the Fund expects its managers to have effective policies addressing potential conflicts of interest. External managers are assessed on potential conflicts of interests and their written policies at the evaluation and appointment stage. Conflict of interest policies should be available on managers' websites for public scrutiny and the policy should be subject to regular review.

In respect of conflicts of interest within the Fund, there is a process in place whereby Pensions Committee members are required to make declarations of interest prior to each quarterly meeting. Any declarations are then disclosed to the public via the minutes of the Pensions Committee meeting which are hosted online.

3. Monitor their investee companies.

The Fund complies with this principle.

Day-to-day responsibility for managing the Fund's assets is delegated to appointed investment managers. All the Fund's equity managers are signatories to the PRI, whose first two principles address monitoring and active ownership. The Fund expects its managers to monitor companies, intervene where shareholder outcomes can be improved and report back regularly on activity undertaken. Some of the responsibility for monitoring investee companies has been transferred to LGPS Central. LGPS Central carries out engagements directly and in collaboration with peer investors, alongside engagement overlay services provided to LGPS Central by Hermes Equity Ownership Services.

The Fund regularly meets with managers and the monitoring of investee companies is discussed at these meetings. The Fund also receives quarterly reports from managers detailing their voting and engagement with companies. These are then

² <https://www.lgpscentral.co.uk/wp-content/uploads/2019/03/UK-Stewardship-Code-Compliance-Statement.pdf>

reported quarterly to the Pensions Committee in a specific Responsible Investment report. Two of the Fund's five equity managers are known to obtain independent assurance on voting or engagement processes – for example AAF 01/06; the other managers have internal assurance processes. LGPS Central publishes quarterly stewardship reports with details on voting and engagement with companies, and on broader engagement with standard setters and policy makers on material ESG factors.

As mentioned under Principle 1 above, the Fund has appointed BMO Global Asset Management to engage with companies on behalf of the Fund on financially relevant RI issues and the results of these activities are disclosed quarterly.

As a member of LAPFF the Fund also receives 'Alerts' relating to investee companies and participates in group engagement with companies.

4. Establish clear guidelines on when and how they will escalate their stewardship activities.

The Fund complies with this principle.

The day-to-day responsibility for engagement with investee companies is delegated to the Fund's managers. The individual managers have their own policies for escalation of stewardship activities which are published on their individual websites and statements of adherence to the UK Stewardship Code. These include engagement with companies, meetings with directors and board members and possible divestment if necessary. These policies are assessed as part of the manager appointment process and are discussed at meetings with managers. The Fund is satisfied with the adequacy of its managers' escalation guidelines.

The Fund can also escalate issues through LAPFF by supporting a shareholder resolution or by raising issues in the first instance. As part of its engagement process, LAPFF has guidelines on escalation which are available on its website.

5. Be willing to act collectively with other investors where appropriate.

The Fund complies with this principle

The Fund seeks to work collaboratively with other institutional investors in order to maximise the influence that it can have on individual companies. The Fund is a current member of LAPFF, which engages with companies over environmental, social and governance issues on behalf of its members. The advantage of collective engagement is that there is greater leverage over the company due to the pooling of holdings. This will increase the individual power and influence of investors in order to push for change. Meetings may deal with company specific matters or broad industry

concerns. Details of material collaborative engagements are brought to the attention of the Pensions Committee in quarterly reports.

Some of the Fund's assets will be pooled within LGPS Central, and this pooling process will continue through a phased process. The eight Partner Funds of LGPS Central are working together to reduce investment costs, increase investment capability and create a resource to access more asset classes. The Partner Funds within LGPS Central collaborate on RI activities through a unified Responsible Investment & Engagement Framework. LGPS Central engages with companies on a collaborative basis through LAPFF, the PRI, Climate Action 100+ and other key investor initiatives increasing further the Fund's collaborative activities.

6. Have a clear policy on voting and disclosure of voting activity.

The Fund complies with this principle.

Voting is carried out by the Fund's managers as detailed in the Fund's Investment Strategy Statement. Managers' stewardship and governance policies are obtained on appointment and the Fund has reviewed and accepted these policies. The Pensions Committee receives quarterly updates from managers on details of votes cast on corporate resolutions for holdings in relevant portfolios as part of their quarterly investment reports. These reports are disclosed on the Fund's website and in most cases the manager's disclosure is on a vote-by-vote basis. It is expected that investment managers will vote all eligible shares in accordance with their approved stewardship policies. Finally, a summary of voting carried out by managers is included in the Fund's Annual Report³.

The Fund has a stock lending programme and lent stocks are recalled in order to execute shareholder voting rights if the issue is considered to be sufficiently material.

LGPS Central has published Voting Principles⁴ stating the company's expectations on core corporate governance issues like board composition and fair remuneration. LGPS Central will take a case-by-case approach to shareholder resolutions on for instance proxy access, climate change, human rights and more, supporting resolutions that on balance are in line with the long-term economic interests of stakeholders and that help make boards of directors accountable to shareholders.

LGPS Central reports on voting activities on a quarterly basis and discloses on a vote-by-vote basis for all company resolutions through the LGPS Central website.

7. Report periodically on their stewardship and voting activities.

³ <https://shropshirecountypensionfund.co.uk/investments-and-governance/annual-report-pensions-annual-meeting/>

⁴ <https://www.lgpscentral.co.uk/responsible-investment/>

The Fund complies with this principle.

A corporate governance report is presented to the Pensions Committee every quarter, detailing the proxy voting carried out by the Fund's managers on its behalf. In most cases the disclosure is done on a vote-by-vote basis. In some cases a detailed explanation of the rationale for significant voting decisions is provided.

The Fund also receives quarterly LAPFF engagement reports, detailing its engagement with investee companies. Details from this report are included in reports to the Pension's Committee as relevant.

LGPS Central reports on voting activities on a quarterly basis and discloses on a vote-by-vote basis for all company resolutions through the LGPS Central website. LGPS Central also reports quarterly on other RI matters including engagement with companies, standards setters and policy makers on material ESG issues.

For further information about this statement please contact Justin Bridges, Head of Treasury & Pensions.



<u>Committee and date</u> Pensions Committee	<u>Item</u>
24 January 2020	9
10.00am	<u>Public</u>

PENSIONS ADMINISTRATION MONITORING REPORT

Responsible Officer Debbie Sharp

Email: debbie.sharp@shropshire.gov.uk

Tel: 01743 252192

1. Summary

- 1.1 The report provides members with monitoring information on the performance of and issues affecting the pensions administration team.

2. Recommendations

- 2.1 Members are asked to accept the position as set out in the report
- 2.2 To approve, with or without comment the amended Pensions Administration Strategy, **Appendix B**.

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1 Risk Management

Performance is considered and monitored to ensure regulatory timescales and key performance indicators are adhered to. Administration risks are identified and managed and are reported to committee on an annual basis.

3.2 Human Rights Act Appraisal

The recommendations contained in this report are compatible with the Human Rights Act 1998.

3.3 Environmental Appraisal

There is no direct environmental, equalities or climate change consequence of this report.

3.4 Financial Implications

Managing team performance and working with other administering authorities ensures costs to scheme employers for scheme administration are reduced. Reconciling the fund's guaranteed minimum pension liabilities (GMPs) with HMRC will have a direct cost for the fund but if this is not undertaken the fund risks taking on financial liabilities it didn't need to and having its data called into

question by the fund actuary. LGPS having to fully index GMP's will increase costs for the fund going forward. Further compliance with TPR code has highlighted areas where further costs could be incurred.

4. Performance and Team Update

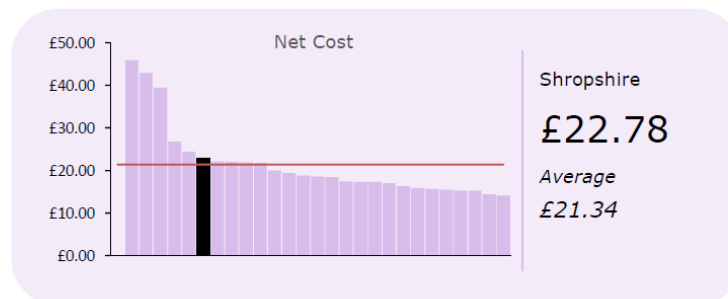
4.1 The team's output and performance level to November 2019 is attached at **Appendix A**. The chart shows that tasks outstanding rose during the quarter, some of these will not yet be due for processing. However, the amount processed also started to rise compared to the quarter before. During this quarter the team will have been processing work following the busy Summer period where people took leave and Annual Benefit Statements and Pension Saving Statements were the highest priority. There is also a larger turnover of members during September. Especially in schools and academies where a large number of staff leave at end of summer term and new staff start at the beginning of the school year. This data will have been submitted by employers in October. The chart shows either single standalone tasks or tasks that are part of a case. Cases are a complete process that hold steps (tasks) for a procedure to be completed.

4.2 Benchmarking 2018/19

4.3 The Pensions Administration Benchmarking Club has been in operation for some time and compares the cost of Pension Administration with other Pension Funds nationally. Shropshire Pension Fund took part in the 2019 Club.

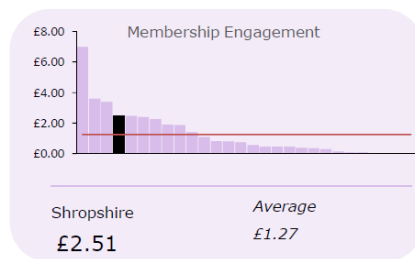
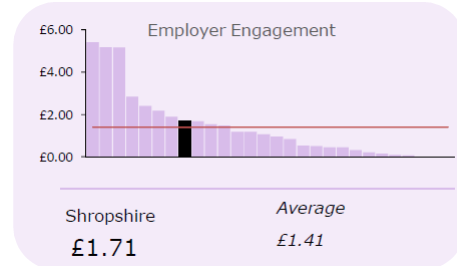
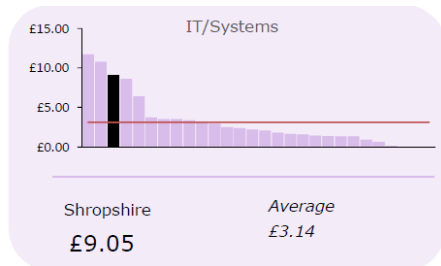
4.4 This table shows the administration cost per member where you will see that Shropshire is just above the national average.

ADMIN COST PER MEMBER 2018/19

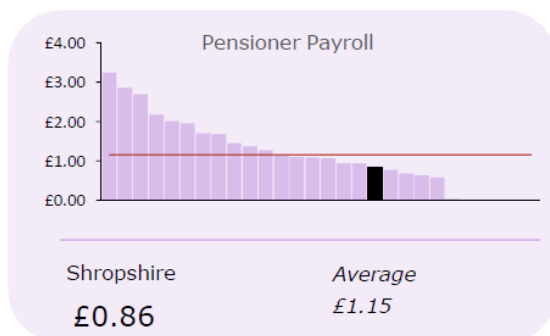
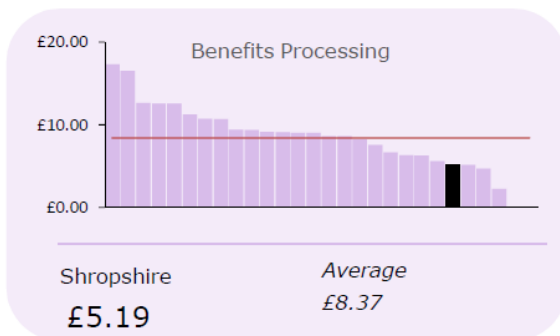


4.5 The next 3 charts show the areas of spending that are above the national average. There is a significant higher spend on IT systems at £9.05 per member compared to £3.14 for the national average. In 2018 the Pension Fund contracted for a payroll module that is integrated into the main Administration System, Altair. The implementation costs are therefore included in this year but will not be incurred annually going forward. This project was reported to Committee in 2018. The other areas of higher cost than the national

average is in respect of employer engagement and member engagement. This is indicative of the work the Fund is striving to do in working with employers to obtain good quality data in order to provide an excellent service and accurate benefits to our scheme members. This also meets the priorities from the TPR code of practice.



4.6 The following charts, however, show the areas where we are lower than the national average for pensioner payroll and benefits processing.



5. Help Desk Statistics

5.1 The following chart shows the number of queries received through the helpline number.

	August 2019	September 2019	October 2019
Telephone calls received	687	712	884
Queries dealt with by helpdesk at first point of contact %*	90.10%	91.15%	91.52%

Users visiting the Website	1,756	2,133	2,043
Member drop ins	59	47	69

* Where queries have not been dealt with by helpdesk, this will usually mean that the calls have been picked up by the rest of the team.

5.2 The Helpdesk also responds to a number of emails on a daily basis the following table shows these numbers:

	August 2019	September 2019	October 2019
Emails Received	600	632	609
% of emails responded to within 3 working days	100%	100%	100%
Average number per day	27.27	30.10	26.48

6. Communications and Governance

- 6.1 The fund monitors member take-up of its online area member self-service (MSS), known by members as 'My Pension Online'. The annual benefit statements for both active and deferred members are now available to view on 'My Pension Online' unless a member has requested a paper copy. As at October 2019 a total of 42% active members and 34% of deferred members and 23% of retired/survivor members were registered to view their records on 'My Pension Online'.
- 6.2 The 2019 employers meeting took place on 15 November 2019. This meeting primarily focused on the early results of the 2019 valuation with presentations from the Fund Actuary, Mercer. An update was provided by Debbie Sharp on the latest news affecting administration. Initial valuation results were provided to the employers in attendance.
- 6.3 The 2019 annual meeting took place on 28th November 2019. 97 members signed up to attend in advance of the meeting. Turnout on the day was excellent with the Council Chamber almost filled to capacity. Presentations covered: pensions administration update, investment performance, actuarial valuation update, LGPS Central investment update and responsible investments. A survey was given out at the meeting and the results showed that:
- 72% of respondents rated the annual meeting as very good, 7% as good and 21% as average.
 - 84% of respondents agreed that they understood more about the LGPS after attending the meeting.

- Legal and General’s presentation on responsible investments was voted the most interesting of the day’s presentations.
- 93% of respondents who attended the meeting said they would attend future meetings.
- When asked how the meeting could be improved, audibility was the most frequently mentioned issue in the feedback.

6.4 An employers’ webinar is planned for 22 January 2020. Employers have been invited via email and in person at the employers meeting on 15 November 2019.

7. Employer performance

7.1 In line with the Shropshire County Pension Fund administration strategy, employers must pay their contributions by the 19th of the month. Accompanying data must also be submitted via i-Connect by this date. The table below shows the percentage of employers who have met the deadline over the three months to November 2019. This table also includes information about employers who make monthly deficit payments. Further information about employers who did not meet these deadlines is covered in the governance report.

	September 2019	October 2019	November 2019
i-Connect data	93.53%	97.12%	95.65%
Monthly contributions	97.12%	97.12%	94.2%
Monthly deficit	90.32%	92.06%	88.89%

8. Cyber security

8.1 The Data Protection Act 2018, along with guidance from The Pensions Regulator, sets out rules that pension funds must follow to make sure they have good cyber security. Shropshire County Pension Fund takes data security very seriously and works closely with Shropshire Council’s IT team and any companies providing pensions software to confirm that the systems holding personal data are protected.

8.2 Over August and September 2019, Shropshire Council have confirmed that 66,510,540 cyber-attacks have been stopped. 196,462,819 cyber-attacks were blocked over October to December 2019.

9. Mortality and member tracing service

9.1 At the previous Pension Committee meeting on 4 October 2019, it was reported that fund had procured a contractor to undertake address tracing and mortality screening. The contract began on 1 August 2019.

9.2 Monthly mortality screening is now in place. This minimises risks to the Fund of potential overpayment of benefits following any deaths within the pensioner membership and identifies any deaths within the

deferred or frozen refund membership. Thus, ensuring good record maintenance.

- 9.3 Member address verification results have identified the member addresses the Fund holds which appear to be correct, suggesting the member still is 'living as stated' at the address the Fund holds. Any members not verified as 'living as stated' are being investigated with the hope that a new address will be provided. Any new addresses found will not be used until the address has been verified by the scheme member.

10. GMP Reconciliation/Rectification Update

- 10.1 As part of the ongoing GMP reconciliation project, 201 pensioners and 43 dependants have been identified as needing their benefits rectifying. Members who have been underpaid will receive arrears, but any members who have been overpaid will not be asked to repay the overpayment. Although, their pension benefits will be corrected going forward.

- 10.2 At the October committee meeting, it was mentioned that rectification of benefits was scheduled to take place in January 2020, with a letter sent to those affected. However, HMRC announced they are due to release a final list of the GMP's they hold against all Fund's. It was decided that rectification would have to be delayed by 2 months to ensure the Fund was checking against the latest HMRC data.

11. Proposed transfer of additional voluntary contributions (AVCs) from Equitable Life Assurance to Utmost Life & Pensions.

- 11.1 Equitable Life announced on 15 June 2019 that they intended to transfer the society and its policies to Utmost Life and Pensions, and to convert all 'with profits' policies to unit linked investments (removing any investment guarantees) but providing a one-off uplift. The fund was asked to vote on these proposals. The deadline for postal and online votes was 30 October 2019 and the Fund, as the policyholder, after obtaining advice from the Actuary, voted in favour of the closure proposal as it was deemed in members' best interests.
- 11.2 Policy holders voted overwhelmingly in favour of the proposed changes and high Court hearings on 22 and 25 November 2019 gave the approval to transfer the business of Equitable Life to Utmost Life and Pensions on 1 January 2020. The Fund has 12 members with a 'with profits' AVC and investment choice options (for members to invest outside of the default options) were provided in December 2019 before the transfer took place, 3 responses were received. It is expected the next communication to policyholders will be from Utmost Life and Pensions to confirm the exact amount of 'uplift', investment choice and that the transfer has taken place.

12. Data collection for Gad Section 13 Review

12.1 The Government Actuary Department's (GAD) data collection requirements have been finalised and the deadline for providing the information (including the funding position on the standardised Section 13 basis) is 30 April 2020.

13. Amendment to Pension Administration Strategy

13.1 Officers have made two minor amendments to the Pensions Administration Strategy Statement to better reflect the process of issuing invoices, for early retirement strain costs, to employers. As invoices are not sent out monthly it is no longer practical to not pay benefits until the invoice is cleared. Instead Employers will be made aware of the sum due to be invoiced and given notice that the benefits will be paid.

13.2 The statement outlines the policies and responsibilities of both the Fund and employers in meeting the regulatory requirements to provide a high-quality pensions administration service.

13.3 The amendments to the statement can be found on pages 14 and 15 of **Appendix B**

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Pensions Committee Meeting 4 October 2019 Pensions Administration Report

Cabinet Member (Portfolio Holder)

NA

Local Member

NA

Appendices

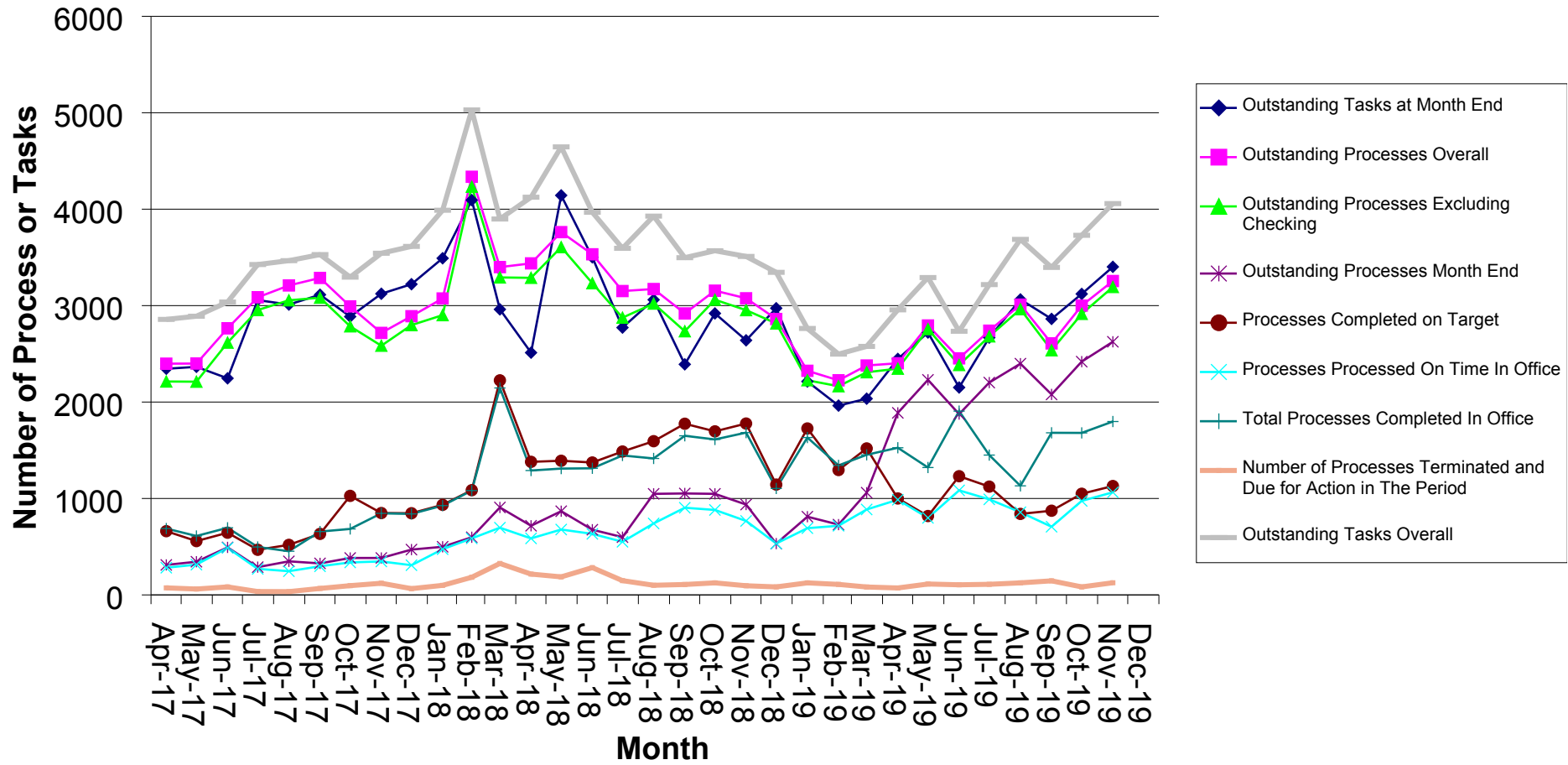
Appendix A – Performance Chart

Appendix B – Administration Strategy

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Process and Task Statistics

Page 91



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SHROPSHIRE COUNTY
PENSION FUND

PENSIONS ADMINISTRATION STRATEGY STATEMENT

January 2020



1. Introduction

Shropshire County Pension Fund (“the Fund”) is responsible for the administration of the Local Government Pension Scheme (“the Scheme”) within the geographical area of Shropshire. The Fund also administers the Scheme on behalf of a number of qualifying employers who are not situated within the Shropshire area. The service is carried out by Shropshire Council (“the administering authority”) on behalf of qualifying employers and ultimately Scheme members.

This document is the Pensions Administration Strategy Statement which outlines the policies and performance standards towards providing a cost-effective, inclusive and high quality pensions administration service.

Delivery of such an administration service is not the responsibility of one person or one organisation, but rather the joint working of a number of different stakeholders, who between them are responsible for delivering the pensions administration service to meet the diverse needs of the membership and the regulatory requirements.

2. Compliance

Developed in consultation with employers within the Fund, this statement seeks to promote good working relationships, improve efficiency and ensure agreed standards of quality in delivery of the pension administration service amongst Scheme employers and the Fund. A copy of this strategy is provided to all employers.

In no circumstances does this strategy override any provision or requirement of the regulations, nor is it intended to replace the more extensive commentary provided by the employer information on the Shropshire County Pension Fund website and administration guides provided by the Local Government Association (LGA).

3. Review

The undertakings set out within this Pensions Administration Strategy Statement will be reviewed annually by the Fund. Additionally, the Fund will review this policy statement and make revisions as appropriate, following a material change to the Fund policies in relation to any of the matters contained in the strategy. Employers will be consulted and informed of any changes.

4. Regulatory Framework

Regulation 59-(1) of the LGPS Regulations 2013 enables an LGPS administering authority to prepare a document (“the pension administration strategy”) detailing administrative standards, performance measures, data flows and communication with employers.

In addition, Regulation 70.-(1) of the LGPS Regulations 2013 allows an administering authority to recover costs from an employing authority where costs have been incurred because of that employing authority’s level of performance in

carrying out its functions under these Regulations. See section on Poor Performance.

This document has been presented, considered and ratified by the Pensions Committee on 27 July 2018 and, as such, the contents of which apply to all existing and future employers of Shropshire County Pension Fund from this date.

5. Scheme Employer Duties and Responsibilities

The delivery of a high quality cost effective administration service is not the responsibility of just the administering authority, but depends on the joint working of the administering authority with a number of individuals employed in different organisations to ensure Scheme members and other interested parties receive the appropriate level of service, and that statutory requirements are met.

Monthly/annual data transfer

The Fund's method of data collection is by way of electronic data transfer using the i-Connect service. All employers will be provided with the training and guidance on how to use i-Connect.

Response to queries

There are times when the Pensions Team may need to contact employers with queries on the data provided, or to request additional information in order to provide Scheme members with details of their pension entitlement. From time to time, employers may also require information from the Pensions Team regarding the Scheme. Timescales for dealing with specific requests are listed in this document and where a timeframe is not provided, either party should be responded to within 10 working days of receipt of the request. Timescales for dealing with bulk queries from either party should be agreed separately.

Appointing a main contact

Each employing authority must designate a named individual to act as the main point of contact with regard to any aspect of administering the LGPS, and to be responsible for ensuring the requirements set out in this strategy are met.

Their key responsibilities are:

- to act as a conduit for communications to appropriate staff within the employer - for example, Human Resources, Payroll teams, Directors of Finance;
- to ensure that standards and levels of service are maintained and regulatory responsibilities are complied with.
- to ensure that details of all nominated representatives and authorised signatures are correct and to notify the Fund of any changes immediately;
- to arrange distribution of communications literature as and when required;
- to inform the Fund of any alternative service arrangements required;
- to assure data quality and ensure the timely submission of data to the Fund; and
- to assist and liaise with the Fund on promotional activities.

Authorised signatories

Each employer must nominate individuals to act as authorised signatories, whose names and specimen signatures will be held by the Fund, and who must sign all employer documents or instructions. In signing a document, an authorised officer is not merely certifying that the form comes from the employer stated, but also that the information being provided is correct.

Consequently, if an authorised signatory is certifying information that someone else has compiled, for example leaving information including a final salary pay, career average pay, assumed pay they are authorising to confirm that the information is correct.

It is the employer's responsibility to ensure that details of the authorised signatures are up-to-date, and to notify the Fund of any changes.

Employer Training

The Fund holds annual training for employers where officers of the Fund provide information on finances, investment performance, regulatory changes and also administration performance. Attendance by each employer's nominated contacts is actively encouraged. In most instances the training is filmed and hosted on the Pension Fund website, to enable individuals unable to attend on the day to watch afterwards.

Discretions Policy

Each employer is required by statute to prepare and publish a written statement as to how they wish to exercise the discretionary powers available to them as a Scheme employer under the LGPS regulations. The policy statement must be kept under review and, where revisions are made, the revised policy statement must be sent to the Fund and made readily available to all employees within the employing authority within one month of the effective date. The LGA has produced a list of all the discretions participating employers have in relation to the LGPS. This document can be found on the website: www.lgpsregs.org.

Notification of employee's rights

Internal Disputes Resolution Procedure (IDRP)

Under Regulation 72 of the LGPS 2013 regulations, any decisions made by an employing authority affecting an employee's rights to membership, or entitlement to benefits must be made as soon as is reasonably practicable and notified to the employee in writing including a reference to their right of appeal in line with Regulation 73 of the LGPS regulations. Every notification must;

- Specify the rights under stage 1 and stage 2 of the appeals procedure quoting the appropriate regulations;
- Specify the time limits within an appeal, under either stage, which apply and;
- Specify to whom an application for appeal must be made to.
 - For first stage appeals this must be the nominated person of the employer who made the decision. For 2nd stage appeals this will be the appointed person at the administering authority

The Fund has guidance for employers to provide to individuals who raise an issue under the IDR procedure.

Nominated person

Each employing authority is required to nominate and name the person to whom applications under Stage 1 of the IDR should be made. Employers must also notify the Fund of any first stage appeals they receive.

Computer links

The Fund can provide the links to the Pensions Administration System, where appropriate, to large employers for employing authority staff to view certain areas of their employees' records of membership. There is a charge for this access. The most current data protection legislation will be considered when providing this access.

The Fund will ensure that the pensions administration system is available for use during normal office hours except for any necessary scheduled maintenance of the system. Employers must notify the Fund when registered users leave the organisation, or no longer require access.

6. Service Standards to Scheme Members

Overriding legislation dictates the standards that pension schemes and employers should meet in providing certain pieces of information to various associated parties – not least of which includes the scheme member. The LGPS Regulations also identifies a number of requirements for the Fund and employers, which may not have all been covered in this document. It is important that employers make themselves familiar of the HR and Payroll guides available on www.lgpsregs.org

An online employers guide is available on the Fund's website www.shropshirecountypensionfund.co.uk which includes template forms and guidance for all Scheme employers.

The levels of performance and procedures which the Fund and employers are expected to achieve to ensure compliance with the overriding legislation are outlined in the below tables:

NEW STARTERS

EMPLOYER'S RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>To ensure that pensions information is included as part of any new employment induction process, including in contracts of employment and appointment letters.</p> <p>To ensure that all employees subject to contractual admission are brought into the Scheme from their relevant start date, and provide the Pensions Team with accurate member data, using the monthly data submission i-Connect, within four weeks of the members start date.</p> <p>To provide each new employee with a Brief Scheme Guide and New Member Form with their contract of employment. This may be in the form of issuing a paper copy or by directing all new members to the Fund's website where the information can be viewed or downloaded. The most up to date versions of forms and guides can always be found on the Fund website.</p> <p>To determine the appropriate contribution rate (whether individually or by an automated process on payroll) and (as soon as is reasonably practicable), notify the employee of this contribution rate which is to be deducted from the employee's pensionable pay and the date from which the rate will become payable. It is for the employer to determine the method by which the notification is given to the employee, but the notification must contain a statement giving the address from which further information about the decision may be obtained. The notification must also notify the employee of the right to appeal, including the processes and timescales involved. Furthermore, the correct employee contribution rate according to the scheme the member is in – either the 50/50 or 100/100 scheme should be applied and (if appropriate) adjusted throughout the year according to the employer's discretionary policy on re-banding.</p> <p>To send the Fund notification through i-Connect of any eligible employees subject to automatic enrolment, who opt out of the scheme within six weeks of joining.</p>	<p>To accurately create member records on the pensions administration system following notification from an employer of a new entrant to the Scheme.</p> <p>To support employer requests to attend inductions.</p> <p>To update pension information in accordance with regulatory changes, and to keep PDF versions of forms and guides up to date on the Fund website. www.shropshirecountypensionfund.co.uk</p> <p>The Fund will contact all new starters, providing them with an activation key for 'My Pension Online' and reissuing a New Member Form if one has not been received, within 8 weeks of notification of a new starter.</p> <p>To accurately record and update member records on the pension administration system within following the receipt of a completed New Member Form.</p>

<p>Where there is more than one contract of employment with the same employer, each membership shall be maintained separately and the Fund notified as above.</p>	
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CHANGES IN CIRCUMSTANCES FOR ACTIVE MEMBERS

EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>To ensure that the Fund is informed of any changes in the circumstances of employees through i-Connect within four weeks of the change.</p> <p>Forms and guidance can be found in the employers' area of the Fund website at: www.shropshirecountypensionfund.co.uk</p> <p>Changes may include:</p> <p>Personal information:</p> <ul style="list-style-type: none"> • Change of name • Marital status • National insurance number <p>Conditions of employment affecting pension such as:</p> <ul style="list-style-type: none"> • Contractual hours (mandatory for members who meet the underpin requirements only) • Any remuneration changes due to promotion and down grading • Full-time equivalent pensionable pay according to the pre 2014 definition • Actual pensionable pay (including overtime/additional hours) in 100/100 and 50/50 schemes according to the post 2014 definition (CARE). • Employees contribution rate • Employee number and/or post number • Date joined scheme (if adjusted) • Confirmation of 50/50 or 100/100 scheme entry <p>NB. An Employee can easily exceed HMRC annual allowance if their pay increases. You therefore are asked to inform the Fund of:</p>	<p>To provide forms and spreadsheets for recording key changes in circumstance and to provide guidance on the secure submission of data through i-Connect.</p> <p>To accurately record and update member records on the pensions administration systems within four weeks of notification, or any shorter period as requested by the employer with regards to specific requirements.</p>

- Significant pay awards/pay increases
- Honorariums
- Additional Voluntary Contributions (AVC) contributions
- Shared Cost AVC contributions (if applicable)
- Shared Cost Additional Pension Contributions

For a full list of data items required, see the section FINANCIAL AND DATA OBLIGATIONS, or further information is available from the Fund directly. Employers can also visit the webpage on 'monthly data reports and end of year procedure' on the Fund website www.shropshirecountypensionfund.co.uk

Absence

During periods of reduced or nil pay as a result of sickness, injury or relevant child related leave (i.e. ordinary maternity, paternity or adoption leave or paid shared parental leave and any paid additional maternity or adoption leave) assumed pensionable pay (APP) should be applied for pension purposes.

Employer contributions should be deducted from pay and any APP. If the employee receives no pay the employer contributions should still be deducted from APP.

Should an employee wish to purchase Additional Pension Contributions (APC) or a Shared Cost Additional Pension Contributions (SCAPC) contract to buy back the pension 'lost' during the absence, the APP amount will need to be calculated and provided to the member's employer. Employers must bring to the attention of the member, before a period of absence, that they can buy back the 'lost' pension. Employers should also direct members to the website www.lgpsmember.org where they can calculate the cost to buy back this 'lost' pension. As employees have a thirty day timeframe with which to buy back the lost pension, employers should be sure to mention this to the employee early on in the 30 day period.

Types of absences include:

- Maternity, paternity and adoption

<ul style="list-style-type: none"> • Paid & unpaid leave of absence • Industrial action (SCAPC not available) • Any other material/authorised period of absence <p>See section 'ADDITIONAL PENSION CONTRIBUTIONS (APCs) and SHARED COST APC's' for further information.</p>	
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ANNUAL RETURN, VALUATION & ANNUAL BENEFIT STATEMENTS	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>To ensure the Fund receives accurate year to date information to 31 March through the month twelve i-Connect data submission.</p> <p>The information should be accompanied by a final statement (lgs121a); balancing the amounts paid during the year with the total amounts submitted via i-Connect for the year and to include leavers. A compliance statement (lgs121b) must also be submitted and both duly signed by an appropriate officer. Should there be any under/over payment discovered whilst reconciling, accompanying paperwork detailing this must be submitted together with payment or a formal request for a refund. Year end reconciliation must be completed and forms sent by 30 April each year.</p> <p>To provide any additional information that may be requested to produce annual benefit statements for service up until the 31 March in each particular year by the 30 April each year.</p> <p>To provide the Fund with up to date and correct information as and when requested in accordance with agreed timescales and the regulations.</p> <p>To ensure that all errors highlighted from the annual contribution and pensionable pay posting exercise are responded to and corrective action taken promptly.</p>	<p>To process employer year end contribution returns within three months of receipt i.e. 30 April, or within three months of receipt of the information if later.</p> <p>To produce annual benefit statements for all active members by 31 August.</p> <p>To highlight annually if an individual has exceeded their annual allowance and issue a pensions saving statement by 5 October.</p> <p>Annual benefit statements will also be produced for deferred members, but no information from employers will be required.</p> <p>To provide data to the Fund Actuary and Government Actuary's Department to enable employer contribution rates to be accurately determined.</p> <p>To provide an electronic copy of the actuarial valuation report and contributions certificate to each employer.</p>

RETIREMENT AND TRANSFER IN/OUT ESTIMATES

EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>To submit a request using form PEN010 by post, or attaching it to an email. Each form must be signed by an authorising officer.</p> <p>For larger bulk estimates, requests should be made via the spreadsheet template provided by the Pensions Team, and notice should be given in advance when any redundancy exercises are planned.</p> <p>To provide pay and other relevant information requested by the Pensions Team either on an individual basis within ten working days of the request, or for bulk/group requests by an agreed timescale with the Pensions Team.</p> <p>To help the Fund promote the 'My Pension Online' area for members when requested.</p>	<p>To issue the individual quotations/information within ten working days after all information required to process a quotation has been received.</p> <p>To provide information to the scheme member on any potential transfer in of benefits once all information required to process the quotation has been received (transfer estimate from other pension provider, contracting out, salary details etc) within ten working days. However, legally we do have up to two months to provide the transfer information following receipt of all information required to process the quotation.</p> <p>Separate agreed timescales and any additional cost will be put in place for bulk requests.</p> <p>To provide large employers with links to the appropriate software in order for employing authority staff to view certain areas of their employees' records of membership. (Employers should note there is a charge for this access).</p> <p>To maintain and promote the 'My Pension Online' area on the website for members to login and view their pension information.</p>

DIVORCE AND OUTSOURCINGS ESTIMATES

EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>To provide pay and other relevant information requested by the Pensions Team either on an individual basis within ten working days of the request, or for bulk/group requests by an agreed timescale with the Pensions Team.</p> <p>Staff transfers e.g. outsourcings To ensure early notification/liaison with the Pensions Team when considering an outsourcing exercise which affects</p>	<p>Where a request for divorce information including a CETV is received from the member, or the Court, this will be issued three months from the date of receipt of the signed form request from the member, or receipt of the Court order. When a shorter timescale is requested/imposed the Pensions Team will provide the member with the schedule of charges.</p>

members/eligible members of the LGPS. See guidance on 'Becoming an employer or existing employer letting a contract' on the Fund's website.	To provide guidance to current employers participating in the Fund who are considering outsourcing.
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ACTUAL RETIREMENTS	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>To submit the appropriate PEN007 leavers form to the Fund as soon as the information is available. The PEN007 form must be completed fully, and signed by an authorised signatory, as it confirms the information required to enable the benefits to be calculated and the employer's decision as to the type of benefit that is to be paid to the member. Evidence of the calculation of final pensionable pay may be requested so the Pensions Team can check the accuracy of the pay provided. The PEN007 form will be returned if it appears to be incorrect.</p> <p>Further information can be found in the Employers area of the Fund website via www.shropshirecountypensionfund.co.uk</p>	<p>To issue the member with a letter and benefits information within five working days of correctly completed employer's notification via the PEN007 leavers form. However, from receipt of all information required to process, the regulations state that we do have up to one month following the date benefits become payable or two months if retirement is early.</p> <p>To issue the member with a letter notifying them of actual retirement benefits within five days following receipt of all documentation from the member</p> <p>To make payment of any lump sum within five working days of receipt of all relevant fully completed forms and certificates from the member, or retirement date if later.</p> <p>To pay any pension payment on the 29th of each month following retirement, unless this falls on a weekend or bank holiday when the payment will be made on the last working day before. Payment will also be made earlier in the month of December to take account of the Christmas period.</p>

ILL HEALTH RETIREMENTS	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>To determine whether an ill health benefit award is to be made, based on medical evidence and the criteria set in the current LGPS regulations, and after obtaining an opinion from a Fund approved Independent Registered Medical Practitioner (IMRP) on the appropriate certificate. If an award is made, to then determine which tier 1, 2 or 3 is to be awarded.</p>	<p>To calculate and pay the required benefits in line with actual retirement timescales.</p> <p>To assist the employer in performing their legislative responsibility to review Tier 3 ill health cases at eighteen months.</p>

<p>Arrange for completion of the PEN007 form and then submit to the Fund with all related paperwork including IMRP certificate and a copy of the notice letter issued to the member confirming the level of ill health benefits awarded and the appeal information under IDPR</p> <p>To keep a record of all Tier 3 ill health retirements, particularly in regards to arranging the eighteen-month review. Arranging if necessary with an (IMRP) approved by the administration authority for a further medical certificate. To recover any overpayment of pension benefits following a discovery of gainful employment and notify the Fund, where appropriate.</p> <p>To review all Tier 3 ill health retirement cases at eighteen months. Further information on ill health retirements can be found on the employers' pages on our website www.shropshirecountypensionfund.co.uk</p>	
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MEMBERS LEAVING EMPLOYMENT BEFORE RETIREMENT

EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>To notify the Fund using the PEN007 form, ensuring all relevant information is included on the form, within four weeks of the members leave date.</p>	<p>To accurately record and update member records on the pension administration system.</p> <p>The regulatory target to inform members the options available to them upon leaving the Scheme is two months following receipt of all the correct information from the employer via the PEN007 form.</p> <p>The Fund's best practice target to calculate notify a member of their deferred benefit entitlement is ten days following receipt of correct information from the employer via the PEN007 form. To process and pay a refund within five days to an eligible member following receipt of all relevant documentation from the member/employer.</p>

FORMER MEMBERS WITH DEFERRED BENEFITS

EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>To keep adequate records of the following for members who leave the Scheme with deferred benefits, as early payment of benefits may be required:</p> <ul style="list-style-type: none"> • Name & last known address • National Insurance number • Payroll number • Date of birth • Last job information including job description • Salary details • Date and reason for leaving <p>To determine, following an application from the former employee to have their deferred benefits paid early, as to whether or not they are eligible for early payment on ill health grounds in line with the criteria set in the relevant regulations and after seeking a suitable medical opinion from an (IRMP) approved by the administering authority, or to determine whether benefits should to be released early and in some cases any actuarial reduction waived on compassionate grounds.</p>	<p>To record and update member records on the pensions administration system.</p> <p>To provide former members with an annual benefit statement of their deferred benefits, updated by the annual pensions increase award when applicable.</p> <p>To provide estimates of benefits that may be payable and any resulting employer costs within ten working days of request upon request.</p>

DEATH IN SERVICE & TERMINAL ILLNESS

EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>To inform the Fund immediately on the death of an employee via the PEN007 leavers form, or when a member is suffering from a potentially terminal illness and to provide details of the next of kin.</p> <p>Further information can be found on the employer pages of our website www.shropshirecountypensionfund.co.uk</p>	<p>To provide an initial letter of acknowledgement to the next of kin/informant within 5 working days following a notification of death.</p> <p>To provide a letter notifying dependents of benefits within five days following receipt of identification/certificates and relevant documentation.</p> <p>To assist employer's, employees and their next of kin in ensuring the pension options are made available and that payment of benefits are expedited in an appropriate and caring manner.</p> <p>The Fund's policy regarding payment of benefits in such situations, can be viewed</p>

in the Governance Compliance Statement.

FINANCIAL AND DATA OBLIGATIONS

EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>To pay the Fund all contributions deducted from payroll (not including AVCs) of its employees and employer contributions and any deficit lump sum payments due on a monthly basis, no later than the 19th day of the month following the period of deductions. Further information can be found in the Employer Guide via www.shropshirecountypensionfund.co.uk</p> <p>Each payment must be accompanied by an i-Connect data extract providing the following data for each member;</p> <ul style="list-style-type: none"> • National Insurance number • Payroll reference 1 • Member address and postcode • Date of leaving • Payroll period end date • Additional contributions 1 • Additional contributions 2 • Surname • Forenames • Gender • Date of birth • Marital status • Title • Taxable earnings • Annual pensionable salary (only required at month 12) • Pensionable pay • Date joined LGPS • Job title • Part-time hours effective date • Part-time hours • Part-time indicator • Whole-time equivalent hours • Employee's main section contributions • Employer's contributions • Scheme contribution rate • Opt out date • Opt in date 	<p>To allocate correctly the contributions received to each employee record and to keep a log of contributions received from each employer.</p> <p>To charge interest for late payment in the following circumstances;</p> <ul style="list-style-type: none"> • Employer contributions (including deficit payment) are overdue if they are received a month later than the due date specified. • All other payments are overdue if they are not received by the due date specified. <p>Inform each employer of any new contribution bandings tables in place from each April.</p> <p>Inform employers of any rechargeable items as they become due. Early Retirement Strain will be notified prior to benefits being put into payment.</p> <p>To keep the Fund's Privacy Notice up to date on the website for all members. To keep a Memorandum of Understanding which explains the relationship between the administering authority and participating employers when sharing personal data.</p>

<ul style="list-style-type: none"> • Main section cumulative pensionable pay • 50/50 section cumulative pensionable pay • Full-time equivalent final pay • Cumulative employee's main section contributions • Cumulative employer's contributions • Reason for leaving • Cumulative employer Shared Cost APC's • Cumulative employee APC's • Employee's 50/50 section contributions • Cumulative employees 50/50 section contributions • Pay period Shared Cost APC's • Pay period employee APC's <p>Employers are required to pay all rechargeable items to the Fund immediately on receipt of the invoice. The Fund, in certain circumstances, may not commence the member benefits until the invoice has been paid.</p>	
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ADDITIONAL PENSION CONTRIBUTIONS (APCs) and SHARED COST APC's (SCAPCs)	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>To communicate to employees regarding the option of SCAPC's to cover periods of 'lost pension' and the timeframe they must elect to purchase a SCAPC. Members must elect within thirty days of returning to work following the absence, but employers have the discretion to extend this period. This should be laid out in the employer's Discretions Policy.</p> <p>To calculate and collect from the employee, payroll contributions and to arrange the prompt payment to the Fund, according to the published schedule and to be no later than the 19th of the month following the deduction. More information can be found in the employer area on www.shropshirecountypensionfund.co.uk</p>	<p>To provide information on APCs to members/employers through www.shropshirecountypensionfund.co.uk, and direct employees to the national LGPS member website where a modeller can be found.</p>

7. Standards of Data

Overriding Legislation in performing the role of administering the LGPS

The Fund and employers will comply with the overriding legislation, including:

- the Occupational Pensions Schemes
- (Disclosure of Information) Regulations 2015;
- The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015;
- the Pensions Act 1995, 2004 and 2014;
- any Transitional Regulations currently in place;
- the Discretionary and Compensation Regulations 2006;
- the Data Protection Act 1998;
- the Freedom of Information Act 2000;
- the Disability Discrimination Act 1995;
- the Age Discrimination Act 2006;
- the Finance Act 2004;
- Health and Safety legislation;
- Employment Rights Act 2010;
- HMRC Legislation and Current GAD Guidance;
- Public Service Pensions Act 2013;

and any future amendments to the above legislation.

Data Protection Act 2018

The Shropshire County Pension Fund is a Data Controller as part of the Data Protection Act 2018 which incorporates the General Data Protection Regulation (GDPR). This means we store, hold and manage personal data in line with statutory requirements to enable us to provide pension administration services. To enable us to carry out our statutory duty, we are required to share information with certain bodies, but will only do so in limited circumstances. More information about how we hold data and who we share it can be found in the Fund's Privacy Notice on www.shropshirecountypensionfund.co.uk.

The Fund has introduced a Memorandum of Understanding (MOU). The aim of the MOU is to set out that participating employers in the Local Government Pension Scheme (LGPS) can share data with the LG administering authority without a data sharing agreement being in place. (There is no legal requirement for employers to have a data sharing agreement with LGPS administering authorities as they are both data controllers.) A copy of the MOU can be found on the employers' area of the website www.shropshirecountypensionfund.co.uk.

Secure Data Transfer

The Fund will follow Shropshire Council's as Administering Authority data security guidelines when sending any personal data, including its published data sharing policy. This means that members' personal data will only be transferred from one party to the other via an acceptable method specified by the Administering Authority which may include any of the following:

- (a) i-Connect data transfer service (Internet based application)
- (b) Secure email
- (c) Paper forms signed by an authorising officer from the employer
- (d) Password protected excel spreadsheet

All these measures start from the date of receipt of all relevant information. The annual performance of the Fund is reported each year in the Annual Report.

Audit

The Fund is subject to an annual audit of its processes and internal controls. Employers are expected to fully comply with any requests for information from both internal and approved external auditors. Any subsequent recommendations will be considered and where appropriate implemented with employing authority cooperation.

Benchmarking

The Fund will regularly monitor its costs and service performance by benchmarking with other administering authorities. Details of the costs of administration, quality measures and standards of performance will be published in the Annual Report.

8. Employer Performance Reporting

As part of this Pensions Administration Strategy the Fund will develop arrangements for reporting on key performance measures.

This approach to reporting will facilitate engagement with employers and provide a mechanism for service level review and recognition of best practice.

Poor performance/additional work

The Fund will seek, at the earliest opportunity, to work closely with employers in identifying areas of poor performance, provide the necessary training and development, and to put in place appropriate processes to improve the level of service in the future.

In the event of continued poor performance, or additional work imposed on the Fund as a result of employer poor performance and a lack of any evidence of any measures being taken to achieve improvement by an employing authority, the Fund will seek to recover any additional costs arising.

Any third party costs or regulatory fines incurred by the Fund as a consequence of administrative failures or poor performance by the employing authority will be recovered from the employer. These may include fines imposed by the Courts, the Pensions Ombudsman or the Pensions Regulator and additional charges in respect of actuarial fees, third party computer charges and additional printing and distribution costs.

In dealing with poor performance the Fund will:

- write to the main contact at the employer setting out the area(s) of poor performance;

- meet with the employing authority, where possible, to discuss area(s) of poor performance and how these can be addressed;
- contact the individual/body with overall authority for the Scheme employer (i.e. CEO/Chair of Trustee Board/Parish or Town Council)
- issue formal written notice, where no improvement is demonstrated by the employing authority or where there has been a failure to take agreed action by the employing authority;
- Make a claim for cost recovery, taking account of time and resources in resolving the specific area(s) of poor performance.
- Will report any claim for the cost of recovery to the Pension Committee/Pensions Board at the next available meeting and may form part of the administration report in the Fund's published Annual Report.

Reporting breaches

The Fund has a procedure to be followed by certain persons in relation to reporting breaches of the law to the Pensions Regulator. The breaches procedure applies, in the main to;

- all members of the Shropshire Pension Board and Committee;
- all officers involved in the management of the Pension Fund including members of the Treasury Team, Pensions Administration Team, and the Head of Finance, Governance and Assurance (Section 151 Officer);
- any professional advisers including auditors, actuaries, legal advisers and fund managers; and
- officers of employers participating in the Shropshire County Pension Fund who are responsible for LGPS matters.

Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.

If a breach occurs the breaches policy must be followed. The most up to date breaches policy can be found on the Fund's website. If a breach occurs by an employer, the Fund will notify the employer to ensure improvements are made and will record and monitor the breach. If this failure to comply with the regulations is likely to be material, it will be reported to the Pensions Regulator.

9. Associated Policy Statements and Documents

Participating employers are advised to familiarise themselves with the other policies issued by the Fund.

Employer Events Policy

The purpose of this document is to describe the various "life stages" of an employer participating in the Fund. It summarises the events and possible outcomes from those events right through until it withdraws from the Fund.

Communications Strategy Statement

The statement outlines the Fund's policy on:

- information to members, representatives and employers;
- the format, frequency and method of distributing such information;

- the promotion of the Scheme to prospective members and their employing authorities

Governance Compliance Policy

Shropshire Council has delegated to the Pensions Committee various powers and duties in respect of the administration of the Fund.

This statement sets out the scheme of delegation and the terms of reference, structure and operational procedures of the delegation. It also includes information on how it will exercise certain discretions provided by the Scheme.

Employer Discretions Policy

Since 1997, the LGPS regulations have required every employing authority to:

- issue a written policy statement on how it will exercise the various discretions provided by the Scheme;
- keep it under review;
- revise as necessary.

A full list of employer discretions can be found on www.lgpsregs.org.

The Fund has purchased a template to assist employers when making their policy. A copy of the template can requested from the Pensions Team.

Contact Details

If you can read this but know someone who cannot, please contact us on (01743) 252130 so we can provide this information in a more suitable format.

If you wish to contact us on any issue regarding your pension, please contact Pension Services.

Office Hours:

Monday- Thursday 8.45am-5.00pm

Friday 8.45am- 4.00pm

We run a drop-in service on Monday to Thursday office hours.

If you would prefer to discuss your pension in person, you are welcome to come in and see us at the address below:

Pension Services, Shropshire Council, Shirehall, Abbey Foregate, Shrewsbury,
SY2 6ND

Email: pensions@shropshire.gov.uk

Tel: 01743 252130

Web: www.shropshirecountypensionfund.co.uk

Administered by:



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