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

Date: Thursday, 26 November 2020

Committee:
Pensions Committee

Date: **Friday, 4 December 2020**
Time: **10.00 am**
Venue: **THIS IS A VIRTUAL MEETING - PLEASE USE THE LINK ON THE AGENDA TO LISTEN TO THE MEETING**

Members of the public will be able to listen to this meeting by clicking on this link:

www.shropshire.gov.uk/PensionsCommittee4Dec2020

Please note that this meeting will be made available through Microsoft Teams Live Events - your device will need to meet the minimum specification as detailed on the Microsoft website at this link: Device Specification

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- **Use the link at 10.00 am on the day of the meeting and click on 'Join as Guest'.**
- **You may receive an error message or a request for login details if you try to gain access before 10.00 am.**

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):
Rae Evans
Malcolm Smith

Co-opted Members (Non-Voting):
Jean Smith (Pensioner Representative)
Laura Hoskison (Employee Representative Shropshire Council)
Byron Cooke (Employee Representative Telford & Wrekin Council)

Substitute Members of the Committee:
Roy Aldcroft (SC)
Roger Evans (SC)
Alexander Phillips (SC)
Robert Tindall (SC)
Adrian Lawrence (T&W)
Leon Murray (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 18 September 2020 are attached for confirmation, marked 3.

Contact: Tim Ward (01743 257713)

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, 02 December 2020.

5 Task Force on Climate Related Financial Disclosures (TCFD)

Ms Laura Michie (LGPS Central) will be in attendance to present this item. The report is attached at Appendix A of the Climate Risk Report Agenda Item.

6 Climate Risk Report (Pages 7 - 40)

The report of the Head of Treasury and Pensions is attached, marked 6.

Contact: Justin Bridges (01743 252072)

7 Responsible Engagement

Mr Dominic Delaforce, Mr Alan Fitzpatrick and Mr Pieter van Stijn (BMO) will be in attendance to present this item.

8 How Majedie Integrate ESG into their Investment Process

Mr Chris Field, Mr James Mowat and Ms Cindy Rose (Majedie) will be in

attendance to present this item.

9 Corporate Governance Monitoring (Pages 41 - 90)

The report of the Investment Officer is attached, marked 9.

Contact: Ben Driscoll (01743 252079)

10 Pensions Administration Monitoring (Pages 91 - 120)

The report of the Pensions Administration Manager is attached, marked 10.

Contact: Debbie Sharp (01743 252192)

11 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 12 to 16 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.

12 Exempt Minutes of the Previous Meeting (Exempted by Category 3) (Pages 121 - 124)

The exempt Minutes of the meeting held on 18 September 2020 are attached for confirmation, marked 12.

Contact: Tim Ward (01743 257713)

13 Investment Strategy Workshops Update (Exempted by Category 3)

Mr Louis-Paul Hill, Aon, will be in attendance to give a verbal update on this item.

14 Equity Protection Update (Exempted by Category 3) (Pages 125 - 138)

Mr Louis-Paul Hill, Aon, will be in attendance to present this item, attached marked 14.

15 Investment Monitoring - Quarter to 30 September 2020 (Exempted by Category 3) (Pages 139 - 182)

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

15.

Contact: Justin Bridges (01743 252072)

16 Governance (Exempted by Category 3) (Pages 183 - 228)

The exempt report of the Pensions Administration Manager is attached, marked 16.

Contact: Debbie Sharp (01743 252192)

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Shropshire Council

Pensions Committee

4 December 2020

10.00 a.m.

MINUTES OF THE PENSIONS COMMITTEE MEETING HELD ON 18 SEPTEMBER 2020
10.00 AM - 1.35 PM

Responsible Officer: Tim Ward
Email: sarah.townsend@shropshire.gov.uk Tel: 01743 2577213

Present:

Members of the Committee:

Councillors Thomas Biggins, Chris Mellings and Brian Williams

Co-Opted Members (Voting):

Councillors Rae Evans and Malcolm Smith

Co-Opted Members (Non-Voting):

Jean Smith and Laura Hoskison

71 **Apologies and Substitutions**

71.1 Apologies for absence were received from Councillor Michael Wood

72 **Disclosable Pecuniary Interests**

72.2 There were no declarations made

73 **Minutes of the Previous Meeting**

73.1 The minutes of the meeting held on 24 July 2020 had been circulated.

73.2 **RESOLVED:**

That the minutes of the meeting of the Pensions Committee held on 24 July 2020 be approved as a true record and signed by the Chairman.

74 **Public Questions**

74.1 3 questions had been received from members of the public. The questions and responses were read out.

74.2 A full copy of the questions and responses provided is attached to the web page for the meeting and attached to the signed minutes.

75 Third Line of Assurance: Internal Audit Outturn Report for Shropshire County Pension Fund 2019/20

75.1 Members received the report of the Head of Audit which provided them with details of the work undertaken by Internal Audit for the year ended 31 March 2020 and progress against the annual audit plan.

75.2 The Head of Audit informed the meeting that based on the work undertaken, assurance from the Employer in respect of compensating controls within their financial reconciliation systems whilst a long term solution is delivered and Pension Fund management responses received; the Pension Fund's governance, risk management and internal control processes are sound and working effectively and that she can deliver a good year end opinion on the Fund's internal control environment for 2019/20.

75.5 **RESOLVED:**

That the Committee note:

a) Performance against the Audit Plan for the year ended 31 March 2020.

b) The Head of Audit's good year end opinion on the Fund's internal control environment for 2019/20 is based on the work undertaken, assurance from the Employer in respect of compensating controls within their financial reconciliation systems whilst a long term solution is delivered and Pension Fund management responses received

76 External Audit - The Audit Findings for Shropshire County Pension Fund 2019/20

76.1 Members received the report of Grant Thornton which set out the findings of the external audit of the Shropshire County Pension Fund for the year 2019/20

76.2 The Engagement Lead advised the meeting that the work on the audit was complete but that a final audit opinion could not be issued until the completion of the audit of Shropshire Council's Statement of Accounts in November

76.3 The Audit Manager commented that it had been a challenge to complete the audit working remotely and thanked the pensions team for their work with the auditors.

76.4 The Audit Manager drew Members attention to the misstatement section contained within his report which was a result from delays in receiving valuations from some fund managers resulting in an overestimate of some values. He informed the meeting that as the total figure fell below the materiality threshold the accounts should not be amended.

76.5 **RESOLVED:**

That the contents of the report be noted

77 Pension Fund Annual Accounts 2019/20

77.1 Members received the report of the Director of Finance, Governance and Assurance which provided them with the Shropshire County Pension Fund Annual Report 2019/20 and an update on the annual audit.

77.2 The Director of Finance, Governance and Assurance advised the meeting that at the end of March 2020 the Fund was valued at £1.83 billion. The fall in value was due to the fall in global financial markets due to the global pandemic in the March quarter and that since this date the Fund value had increased again

77.3 A Member expressed concern that 3 year performance was 1.2% below benchmark. The Head of Treasury & Pensions explained that this was due to underperformance of some managers but the longer-term performance over 5 and 10 years was outperforming the benchmark.

77.5 A Member asked for more details regarding investment income in particular what was included in other income. The Head of Treasury & Pensions agreed to provide a written answer to him.

77.6 A Member asked whether an AGM would be held this year. He was advised that the AGM was unlikely to be held at the end of November due to Covid-19 but an update would be provided at the next meeting.

77.7 **RESOLVED:**

a) That the Committee approve the Pension Fund Annual Report 2019/20.
b) That the Committee approve that the Chair and Director of Finance Governance & Assurance sign the letter of representation for Grant Thornton.

78 Pensions Administration Monitoring

78.1 Members received the report of the Pensions Administration Manager which provided them with monitoring information on the performance of and issues affecting the pensions administration team.

78.2 The Pensions Administration Manager informed the meeting that the teams output over the period had been good and that the number of tasks outstanding had fallen. The Pensions Administration Manager advised Members that all Annual Benefits Statements had been issued to members by the statutory deadline of 31 August 2020, and that those members who were at or nearing the HMRC levels had been contacted, and that a pensions tax information webinar had been arranged to provide information to scheme members.

78.3 The Pensions Administration Manager informed the meeting that MHCLG had issued a consultation into amendments to the statutory underpin for the LGPS, and that Officers would be responding prior to the deadline of 8 October.

78.4 The Pensions Administration Manager advised Members that the administration team were currently planning how the additional work resulting from the McCloud ruling would be managed. A member expressed concern that there was sufficient resources to enable this work to be done.

78.5 **RESOLVED:**

a) That Members accept the position as set out in the report.
b) That members note the additional costs that will incurred because of the McCloud extension to the statutory underpin.

79 **Climate Risk Update**

79.1 Mr Michael Marshall, LGPS Central reminded the meeting that LGPS had been commissioned to provide a climate risk report for the Pension Fund. He advised that the report would need to be considered in the exempt part of the meeting to protect the intellectual property of third parties. In response to questions regarding whether any of the results could be made public Mr Marshall stated that it may be possible for LGPS Central to produce a further public report.

80 **Corporate Governance Monitoring**

80.1 Members received the report of the Investment Officer which inform members of Corporate Governance and socially responsible investment issues arising in the quarter 1st April 2020 to 30th June 2020.

80.2 **RESOLVED:**

That Members 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.

81 **Exclusion of Press and Public**

81.1 **RESOLVED:**

That under paragraph 10.2 of the Council's Access to Information Procedure Rules that the proceedings of the Committee in relation to Agenda Items 12 to 18 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.

82 **Exempt Minutes of Previous Meetings (Exempted by Category 3)**

82.1 The exempt minutes of the meeting held on 24 January 2020 and 24 July 2020 had been circulated.

82.2 **RESOLVED:**

That the minutes of the meeting of the Pensions Committee held on 24 January 2020 and 24 July 2020 be approved as a true record and signed by the Chairman.

83 **Climate Risk Report (Exempted by Category 3)**

83.1 Members received a presentation from Michael Marshall, LGPS Central

84 **Equity Protection Strategy (Exempted by Category 3)**

84.1 Members received an update from Louis Paul Hill, AON

85 **Investment Strategy Review and Responsible Investment Timetable Proposal (Exempted by Category 3)**

85.1 Members received an update from Louis Paul Hill, AON

86 **Investment Monitoring - Quarter to 30 June 2020 (Exempted by Category 3)**

86.1 Members received the report of the Head of Treasury and Pensions which provided thems with monitoring information on investment performance and managers for the period to 30 June 2020, and reports on the technical meetings held with managers since the quarter end.

86.2 **RESOLVED:**

That the recommendations as set out in the report be approved

87 **Governance (Exempted by Category 3)**

87.1 Members received the report of the Pensions Administration Manager which informed them of regulatory breaches arising in the quarter 1 April 2020 to 30 June 2020 that have been recorded in the breaches log.

87.2 **RESOLVED:**

That the recommendation as set out in the report be approved

88 **New Employers (Exempted by Category 3)**

88.1 Members received the report of the Pensions Administration Manager which provided them with full details regarding a new employer admission to the fund under Schedule 2 Part 3 Regulation 1(d) (i) of the Local Government Pension Scheme Regulations 2013 and updated members on New Schedule 1 Part 1 Scheme Employers (academies) and New Schedule 2 Part 2 Scheme Employers (designated bodies).

88.2 **RESOLVED:**

That the recommendations contained in the report be approved.

Signed ..... (Chairman)

Date: .....

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Committee and Date	Item
Pensions Committee 04 December 2020 10.00am	6 Public

CLIMATE RISK REPORT

Responsible Officer Justin Bridges
e-mail: justin.bridges@shropshire.gov.uk Tel: (01743) 252072

1. Summary

1.1 At the last Pension Committee on 18 September 2020, Members received a detailed presentation from LGPS Central Ltd which set out the initial results of the climate risk assessment that they had conducted on the Shropshire County Pension Fund investment portfolio.

1.2 At this meeting, Members informally agreed that they wanted to press ahead and publish a revised public version of the Climate Risk Report, reformatted to comply with the industry best practice as set out by the Taskforce on Climate Related Financial Disclosures (TCFD) which is attached at Appendix A.

2. Recommendations

2.1 Members are asked to endorse the publication of the Fund's first Climate Risk Report as set out in Appendix A on its website, formatted to comply with industry best practice as set out by the TCFD.

2.2 Members are asked to note the attached press release at Appendix B which was sent to the local media and major employers and published on the website.

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. Climate Change Appraisal

5.1 The Fund takes Responsible Investment very seriously of which Climate Change is a key component. All investment managers undertake thorough due diligence processes, considering all risks including climate change. The Pension Fund Investment Managers vote on the Fund's behalf, BMO engage with companies on the Fund's behalf and the Fund is a member of the Local Authority Pension Fund Forum (LAPFF) as well as a signatory to the UK Stewardship Code.

5.2 Shropshire County Pension Fund commissioned a Climate Risk Report from LGPS Central and will publish a TCFD report.

6. Background

6.1 Since the key findings of the Climate Risk Report were considered by the Pension Committee on 18 September 2020, work has been underway to re-format the original report into one which complies with the requirement of the industry standard TCFD. This report is now available for consideration and is attached at Appendix A.

6.2 It is proposed that, subject to Committee approval, this is published on the Fund's website with immediate effect. The main change from the earlier, more detailed, Climate Risk Report is the removal of granular detail on the carbon position of individual investment funds or companies; this information is proprietary, and the Fund does not have permission to publish it.

6.3 The key highlight emphasised is that the Fund's equity portfolio (the one area where comprehensive carbon metrics data is available) has a carbon footprint (CO_2 emissions per $m of revenue generated) which is 13% below the general market as represented by the FTSE All World Index. This index covers the world's largest 3,000+ companies across 47 countries.

6.4 Finally, in terms of communications, officers and the Council's communications team have produced a media release which is attached at Appendix B. This has been released to the local media and main employers and is for Members to note.

7. LGPS Central Climate Risk Report

7.1 The Fund's full Climate Risk Report, which was reviewed at the last Pension Committee meeting on 18 September 2020 contained a number of climate related recommendations and considerations. A summary of all of these is included in the public TCFD report attached at Appendix A. It is proposed that the Fund should accept all the recommendations in principle and implement as many as it can over the next 6-12 months. This will involve the Committee approving a number of policy statements/decisions as follows:

- Agree at least twice a year, agenda time at Committee meetings is dedicated to the discussion on progress on a climate strategy.
- Agree at least one training session per year is dedicated to climate specific issues;
- Agree to produce a Climate Strategy document which will include a Climate Stewardship plan, setting out how the Fund will manage and monitor its identified climate risks;
- When the Fund's Investment Strategy Statement, Funding Strategy Statement Annual Report and Responsible Investment policy is updated, include a formal statement of support for the Paris Climate Agreement;
- Conduct a Climate Risk report once a year;
- Publish a TCFD compliant report once a year from this point on.

7.2 External resources will be required to help deliver some of the recommendations as highlighted in Appendix 2 of the TCFD report. Further training is scheduled at this meeting from BMO who engage with companies on the Funds behalf and from Majedie on the engagements they undertake with the companies within their portfolio that were highlighted in the Climate Risk Report presented at the last meeting. A number of further training sessions will be provided to members over the next 6-12 months in order to address the recommendations/considerations listed in the TCFD report.

8. Conclusion

8.1 The publication of the Fund's first TCFD compliant Climate Risk Report will represent a major landmark in the Fund's management of climate related investment risk. The Fund will be one of the first LGPS funds in the country to publish a TCFD report and the associated publicity material should encourage interest in the report from fund members and other organisations.

8.2 However, it is important to recognise that the report and its associated and more detailed internal Climate Risk Report is merely the start of an ongoing process of assessing, monitoring and tackling climate risk for many years to come.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) Climate Risk Report, Pensions Committee 18 September 2020
Cabinet Member N/A
Local Member N/A
Appendices A. TCFD report and summary of recommendations/considerations B. Media release.

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SHROPSHIRE COUNTY
PENSION FUND

Shropshire County Pension Fund Climate-Related Disclosures

December 2020

Introduction to the TCFD

The Taskforce on Climate-related Financial Disclosures (TCFD) was commissioned in 2015 by Mark Carney in his remit as Chair of the Financial Stability Board. In 2017 the TCFD released its recommendations for improved transparency by companies, asset managers, asset owners, banks, and insurance companies with respect to how climate-related risks and opportunities are being managed. Official supporters of the TCFD total 930 organisations representing a market capitalisation of over $11 trillion. Disclosure that aligns with the TCFD recommendations currently represents best practice.

The recommendations are based on the financial materiality of climate change. The four elements of recommended disclosures (see Figure 1 below) are designed so as to make TCFD-aligned disclosures comparable, but with sufficient flexibility to account for local circumstances. Examples of pension funds that have been early adopters of the TCFD recommendations include AP2, NEST, PGGM, RPMI Railpen, The Pensions Trust, and Environment Agency Pension Fund.

Figure 1

The Fund supports the TCFD recommendations as the optimal framework to describe and communicate the steps the Fund is taking to manage climate-related risks and incorporate climate risk management into investment processes. As a pension fund we are long-term investors and are diversified across asset classes, regions and sectors, making us "universal owners". It is in our interest that the market is able to effectively price climate-related risks and that policy makers are able to address market failure. We believe TCFD-aligned disclosure from asset owners, asset managers, and corporates, is in the best interest of our beneficiaries.

About this report

The Fund has received an in-depth review of the Fund's climate risks under different climate change scenarios across all asset classes from the Fund's pooling company, LGPS Central Limited. The Fund is currently using the findings of this report to develop a more detailed Climate Strategy taking into account the characteristics of the Pension Fund and the Fund's policy of engaging with companies to encourage the development of climate-resilient business strategies.

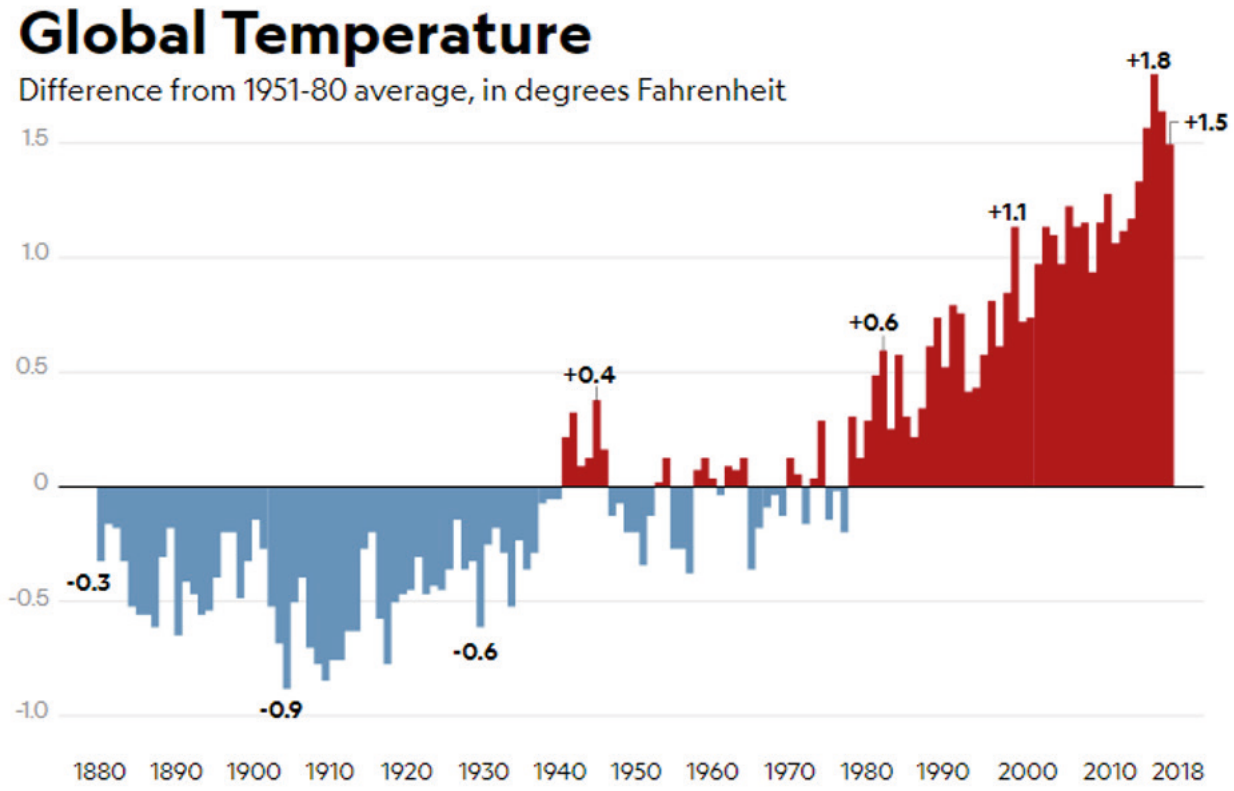
Ahead of the publication of the Climate Strategy, this *Climate-related Disclosures* report describes the way in which climate-related risks are managed currently. The Fund will update this report after the Climate Strategy has received approval from the Pension Fund Committee.

In the interests of being transparent with the Fund's beneficiaries and broader stakeholder base, this report also discloses the results of some recent Carbon Risk Metrics Analysis and Climate Scenario Analysis undertaken on the Fund's assets. We expect to update our Carbon Risk Metrics on an annual basis.

Climate-related risks

Human activities are estimated to have caused approximately 1.0°C of global warming above pre-industrial levels. Most of this warming has occurred in the past 35 years, with the five "warmest" years on record taking place since 2010. Between the years 2006-2015, the observed global mean surface temperature was 0.87°C higher than the average over the 1850-1990 period. The overwhelming scientific consensus is that the observed climactic changes are the result primarily of human activities including electricity and heat production, agriculture and land use change, industry, and transport.

Figure 2 Graph showing Global Temperature Difference from 1951-80 average. Source: NASA



In order to mitigate the worst economic impacts of climate change, there must be a large, swift, and globally co-ordinated policy response. Despite this, the majority of climate scientists anticipate that given the current level of climate action, by 2100 the world is estimated to be between 2°C and 4°C warmer, with significant regional variations. This is substantially higher than the Paris Climate Change Agreement, which reflects a collective goal to hold the increase in the climate's mean global surface temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C.

Figure 3: Selected extracts from the Paris Agreement on climate change. Source: UNFCCC.

Paris Agreement Article 2(1)a

Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change;

Paris Agreement Article 2(1)c

Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

Paris Agreement Article 4(1)

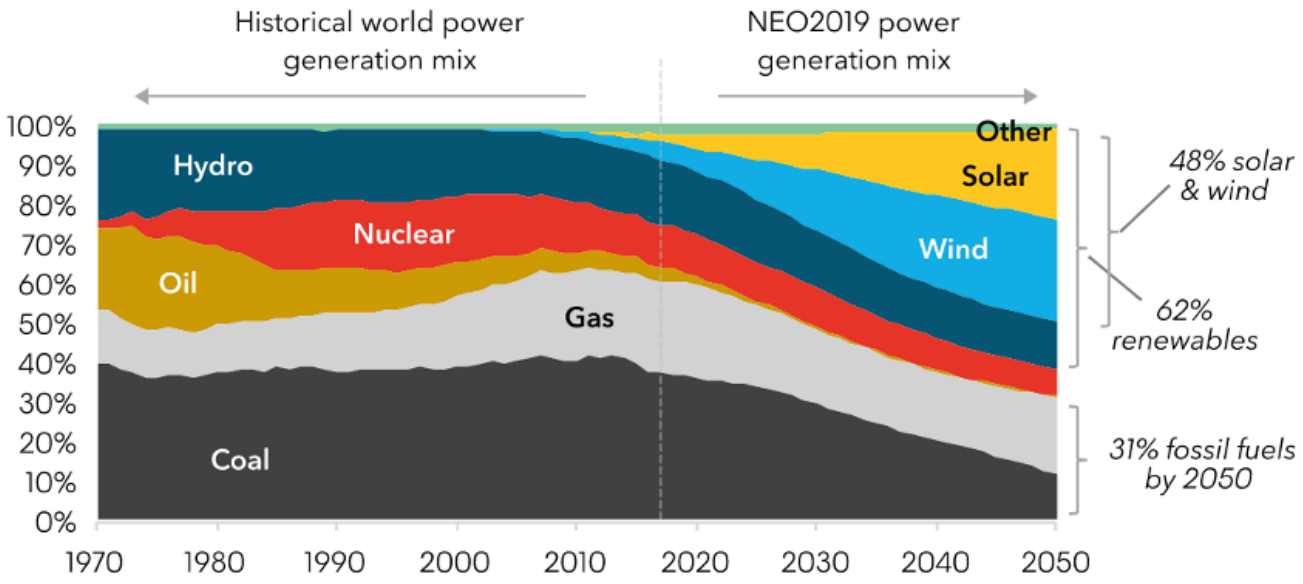
In order to achieve the long-term temperature goal set out in Article 2, Parties aim to reach global peaking of greenhouse gas emissions as soon as possible, recognizing that peaking will take longer for developing country Parties, and to undertake rapid reductions thereafter in accordance with best available science, so as to achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases in the second half of this century, on the basis of equity, and in the context of sustainable development and efforts to eradicate poverty.

Given its contribution to global GHG emissions, the energy sector is expected to play a significant role in the long-term decarbonisation of the economy. Figure 4 suggests that in one climate scenario the proportion of coal, oil, and gas in the global power generation mix will shrink to 31% of total by 2050. However, it is important to recognise that not only is the supply of energy expected to be a factor in global decarbonisation, but the demand for energy plays a crucial role too. In addition, the behaviour of private and state-owned energy companies (not commonly invested in by UK pension funds) is as important as their publicly traded counterparts.

The issue faced by diversified investors (such as pension funds) is not only limited to the oil & gas and power generation sectors, but also to downstream sectors. Investors focussing exclusively on primary energy suppliers could fail to identify material climate risks in other sectors. Research suggests that the oil & gas sector is not homogeneous with regards to climate risk: were climate policies to affect the oil price, those companies with assets lower down the cost curve are less likely to be financially compromised by those companies with higher cost assets. Investors that assume each fossil fuel company bears an equal magnitude of climate-related risk could be led towards sub-optimal decision-making.

The Fund recognises that climate-related risks can be financially material and that the due consideration of climate risk falls within the scope of the Fund's fiduciary duty. Given the Fund's long-dated liabilities and the timeframe in which climate risks could materialise, an holistic approach to risk management covering all sectors and all relevant asset classes is warranted.

Figure 4: The Bloomberg New Energy Outlook global power generation mix. Source: BloombergNEF.



Governance

TCFD Recommended Disclosure
a) Describe the board's oversight of climate-related risks and opportunities

Roles and responsibilities at the Fund are set out clearly in the Fund's *Governance Compliance Statement*. Overall responsibility for managing the Fund lies with Shropshire Council which has delegated the management and administration of the Fund to the Shropshire County Pension Fund Committee.

The Pension Committee ('the Committee') is responsible for preparing the Investment Strategy Statement (ISS), which includes the Fund's Responsible Investment Beliefs. The Committee meet four times a year, or otherwise as necessary. The Committee includes quarterly engagement reports from both their investment managers and their engagement provider as a standing item on the Pension Committee agendas. Both the Committee and the Pension's Board have received regular training on responsible investment topics. The Committee going forward will receive training on responsible investment, including climate change, every quarter.

The Fund sets aside time at each year's Annual General Meeting (AGM) for presentations on responsible investment, and environmental, social and governance issues generally. These presentations are made public by the Fund on their website.

In order to support good decision-making, the Fund applies the Myners Principles. Disclosure against the Myners Principles is made annually (please see Appendix A of the Fund's Investment Strategy Statement).

In September 2020 the Pension Committee received a Climate Risk Report which will support the formation of the Fund's climate strategy.

The Local Pensions Board has an oversight role in ensuring the effective and efficient governance and administration of the Fund, including securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme.

TCFD Recommended Disclosure

b) Describe management's role in assessing and managing climate-related risks and opportunities.

The Scheme Administrator and Head of Treasury & Pensions, in conjunction with our investment advisor, have primary day-to-day responsibility for the way in which climate-related investment risks are currently managed and provide updates to Pension Committee. As a primarily externally managed fund, the implementation of much of the management of climate-related risk is delegated onwards to portfolio managers. External portfolio managers are monitored on a regular basis by Officers and the Pension Committee.

The Pension Committee are supported in this monitoring by the Fund's investment adviser, Aon. Aon provides quarterly monitoring reports on the investment products that the Fund invest in outside of LGPS Central. These reports include ratings on key criteria such as risk management, investment process, performance analysis and ESG ratings where applicable.[1] Material developments in these areas are communicated to the Pension Committee, which considers whether further action is required.

In 2020 the Fund Officers and Pension Committee received a Climate Risk Report which will enable the consideration of climate change within strategy setting, including asset allocation and asset selection. Receipt of a Climate Risk Report is expected to occur annually.

[1] More information on the Aon ESG Ratings process can be found here:
https://www.aon.com/getmedia/0b52d7ec-db77-41bc-bb45-9386034db392/AonCanada-Publication-Investment-GuideESGRatings.aspx

Strategy

TCFD Recommended Disclosure
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.

As a diversified asset owner, the range of climate-related risks and opportunities are multifarious and constantly evolving. A subset of risk factors is presented in Table 1.

Table 1: Example Short, Medium & Long-Term Risks

	Short & Medium Term	Long Term
Risks	Carbon prices Technological change Policy tightening Consumer preferences	Resource scarcity Extreme weather events Sea level rise
Asset class	Listed equities Growth assets Energy-intensive industry Oil-dependent sovereign issuers Carbon-intensive corporate issuers	Infrastructure Property Agriculture Commodities Insurance

Timeframes of Risks:

<u>Short term:</u>
We expect these risks could principally cause impacts in 0-3 years from now.
<u>Medium term:</u>
We expect these risks could principally cause impacts 3-10 years from now.
<u>Long term:</u>
We expect these risks could principally cause impacts 10 years and beyond.

Short-term risks include stock price movements resulting from increased regulation to address climate change. Medium-term risks include policy and technology leading to changes in consumer behaviour and therefore purchasing decisions – the uptake in electric vehicles is an example of this. Long-term risks include physical damages to real assets and resource availability. Examples would include increase sea level rise for coastal infrastructure assets or supply chain impacts for companies as a result of severe weather events.

The Fund has received a Climate Risk Report and will use its findings to develop a Climate Strategy.

TCFD Recommended Disclosure
b) Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning.

Although the Fund is diversified across asset classes, regions, and sectors, it is recognised that climate risk is systemic and is unlikely to be eliminated through diversification alone. The Fund is exploring options to further embed climate-related risks and opportunities into its investment strategy, including reviewing potential investments in sustainable asset classes where this supports the Fund's investment and funding objectives.

TCFD Recommended Disclosure
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

The Fund has engaged the expertise of an external contractor, Mercer LLC[2], to understand the extent to which the Fund's risk and return characteristics could come to be affected by a set of plausible climate scenarios. This includes an estimation of the annual climate-related impact on returns (at fund and asset-class level). All asset classes are included in this analysis. The climate scenarios considered are 2°C, 3°C and 4°C.

[2] Via LGPS Central Limited

Table 2: Annualised climate change impact on portfolio returns – to 2030 and 2050[3]

Scenario	Timeline	Estimated climate impact on returns
2°C	2030	+0.05%
	2050	-0.06%
3°C	2030	-0.01%
	2050	-0.05%
4°C	2030	-0.06%
	2050	-0.10%

According to the Climate Scenario Analysis in Table 2, the Fund's Asset Allocation appears to be relatively robust in all three climate scenarios. The drivers of this result are the Fund's diversification across asset classes which are modelled as performing differently in different climate scenarios, and a large allocation to fixed income (Unconstrained Bonds) which is relatively insensitive to the different climate scenarios.

Over the coming decade, a 2°C outcome is, according to the model used, the best climate scenario from a returns perspective (adding 0.05% in annual returns to the Asset Allocation on a timeline to 2030) while a 4°C outcome is the worst of the three considered (detracting by 0.06% annually over the same period).

Translating Climate Scenario Analysis into an investment strategy is a challenge because there is a wide range of plausible climate scenarios; the probability of any given scenario is hard to determine, and; the best performing sectors and asset classes in a 2°C scenario tend to be the worst performers in a 4°C and vice versa. Despite the challenges, the Fund believes in seeking out the best available climate-related research in order to make its portfolio as robust as possible.

[3] Extract above from Mercer Limited's (Mercer) report "Climate Change Scenario Analysis" dated August 2020 prepared for and issued to LGPS Central Limited for the sole purpose of undertaking climate change scenario analysis for Shropshire County Pension Fund. Other third parties may not rely on this information without Mercer's prior written permission. The findings and opinions expressed are the intellectual property of Mercer and are not intended to convey any guarantees as to the future performance of the investment strategy. Information contained herein has been obtained from a range of third party sources. Mercer makes no representations or warranties as to the accuracy of the information and is not responsible for the data supplied by any third party.

The Fund believes that climate risk is a materially financial risk for the Fund, and Climate Scenario Analysis is one of the many tools the Fund uses to assess this risk. The Fund remains conscious however that Climate Scenario Analysis requires by necessity the use of assumptions about an inherently unpredictable phenomena, and as such the results are viewed with these limitations in mind. Climate Scenario Analysis will be repeated on a biennial basis to complement the various other techniques and tools the Fund uses to assess climate risk.

Risk Management

TCFD Recommended Disclosure
a) Describe the organisation's process for identifying and assessing climate-related risks.

The Fund seeks to identify and assess climate-related risks at the total Fund level and at the individual asset level. The Fund has received a Climate Risk Report which includes both top-down and bottom-up analyses to support this endeavour. The Fund recognises that the tools and techniques for assessing climate-related risks in investment portfolios are an imperfect but evolving discipline. The Fund aims to use the best available information to assess climate-related threats to investment performance.

As far as possible climate risks are assessed in units of investment return, in order to compare with other investment risk factors.

As a primarily externally-managed pension fund, the identification and assessment of climate-related risks is also the responsibility of individual fund managers appointed by the Fund. Existing fund managers are monitored on a regular basis.

Engagement activity is conducted with investee companies through selected stewardship partners including LGPS Central Limited, EOS at Federated Hermes, BMO and LAPFF (see below). The Fund is, based on a Climate Risk Report, devising a Climate Stewardship Plan in order to focus engagement resources on the investments most relevant to the Fund.

The Fund will continue to monitor and consider both existing and emerging regulatory requirements relating to climate change.

TCFD Recommended Disclosure
b) Describe the organisation's process for managing climate-related risks.

The prioritisation of risks is determined based on the level of perceived threat to the Fund which, for climate-related risk, will likely depend on analyses including Climate Scenario Analysis and Carbon Risk Metrics. The Fund's approach to climate risk management will be further developed in its forthcoming Climate Strategy.

Although the Fund's Climate Strategy will involve more than just engagement and shareholder voting, stewardship activities will remain an important aspect of the Fund's approach to managing climate risk. The Fund expects all investee companies to manage material risks, including climate change, and the Fund believes that climate risk management can be meaningfully improved through focussed stewardship activities by investors.

The Fund supports the engagement objectives of the Climate Action 100+ initiative, namely that companies: adopt the appropriate governance structures to effectively manage climate risk; decarbonise in line with the Paris Agreement, and; disclose effectively using the TCFD recommendations.

Either through its own membership or through LGPS Central's membership, the Fund has several engagement partners that engage investee companies on climate risk.

Table 3: The Fund's Stewardship Partners

Organisation	Remit
LGPS Central Limited	The Fund is a 1/8th owner of LGPS Central Limited. Climate change is one of LGPS Central's stewardship themes, with quarterly progress reporting available on the website. The Responsible Investment Team at LGPS Central engages companies on the Fund's behalf, including via the Climate Action 100+ initiative.
Federated Hermes	EOS at Federated Hermes is engaged by LGPS Central to expand the scope of the engagement programme, especially to reach non-UK companies. In 2019, EOS conducted engagements on 238 climate change issues across its company universe.
Local Authority Pension Fund Forum	The Fund is a member of the Local Authority Pension Fund Forum (LAPFF). LAPFF conducts engagements with companies on behalf of local authority pension funds. In 2019 LAPFF conducted over 150 engagements on climate change.
BMO	BMO Global Asset Management provides engagement services for the Fund's Global Equity portfolios. In 2019, BMO conducted engagements on 93 climate change issues across its company universe.

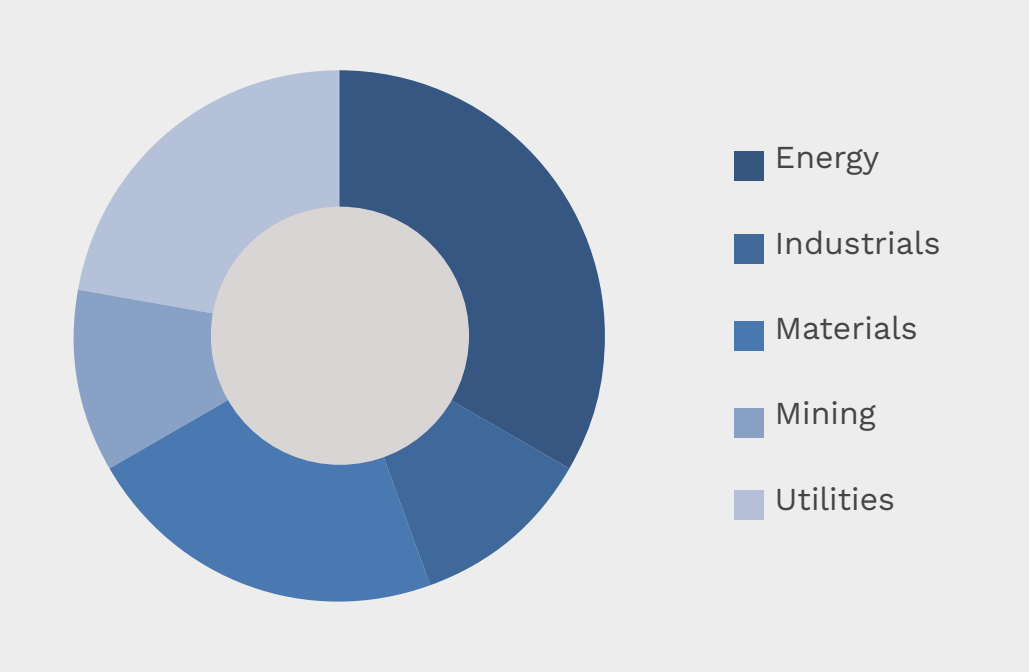
The instruction of shareholder voting opportunities is an important part of climate stewardship. The Fund's votes are executed by its fund managers and its asset pool (LGPS Central) according to a set of *Voting Principles*, to which the Fund contributes during the annual review process. LGPS Central's *Voting Principles* incorporate climate change, for example by voting against companies that do not meet certain thresholds in the Transition Pathway Initiative (TPI) scoring system. LGPS Central has co-filed shareholder resolutions that relate to climate change. LGPS Central recently co-filed climate-related shareholder resolutions at the meetings of BP Plc, Barclays Plc, and Citigroup.

The Fund employs BMO Global Asset Management (BMO) to provide a responsible engagement overlay service to its Global Equity portfolios. On behalf of the Fund, BMO enters into constructive discussions with companies on their impacts on the environment and society in general.

The results of engagement and voting activities from the investment managers and the Fund's engagement provider, BMO, are reviewed by the Pension Committee quarterly. LGPS Central's activities are reported in *Quarterly Stewardship Updates* which are available on the LGPS Central website.

Based on its Climate Risk Report, the Fund will develop a Climate Stewardship Plan which, alongside the widescale engagement activity undertaken by LGPS Central, EOS at Federated Hermes, BMO and LAPFF, will include targeted engagement at investee companies of particular significance to the Fund's portfolio.

Figure 5: Sectors included in proposed Climate Stewardship Plan



Engagement Example 1 (LGPS Central): Barclays Plc

Background
Together with 10 other investors, LGPS Central co-filed a shareholder resolution at Barclays Plc asking the company to disclose targets to phase out the provision of finance to companies, starting with those in the energy and utility sectors, that are not aligned with the Paris climate change goals. The resolution aligns with LGPS Central's responsible investment beliefs on climate change as a materially financial risk. LGPS Central engaged Barclays leading up to the Annual General Meeting (AGM) on 7 May 2020.

Outcomes
Following multiple meetings with investors, Barclays – close to the AGM – announced an ambition to become a "net-zero bank" covering emissions across Barclays' own operations and those of its clients. LGPS Central view this as a reflection of positive engagement pressure, and the bank's willingness to listen. As was the case with BP Plc in 2019, Barclays' board sponsored a resolution to its AGM that captured this commitment. Barclays has invited investor scrutiny and dialogue as they work to establish metrics and nearer-term targets that correspond meaningfully to the long-term net-zero ambition.

Next Steps
LGPS Central are keen to see evidence that all of Barclays' lending activities, including those that bear the most climate risk, will be addressed with Paris agreement urgency. The Company has signalled that further updates on its climate strategy will be published before the end of 2020.

Engagement Example 2 (BMO): BP

Background
BMO has engaged BP over a number of years on climate change, including making a public statement at the 2017 AGM calling for the company to take a leadership position on climate disclosure and strategy. In 2019 and 2020, this engagement intensified as BMO joined the group of investors tasked with engaging BP within the global Climate Action 100+ initiative. As part of that group, BMO had three meetings with new CEO Bernard Looney in 2020.

Outcomes
Following concerted investor pressure, one of Bernard Looney's first announcements on taking up the role in February 2020 was to announce a net zero emissions ambition for the company. BMO responded with recommendations on how to turn this ambition into a credible strategy, and in August BP announced an implementation plan which included specific actions and targets including a business restructuring and a ten-fold increase in investment in clean technologies.

Next Steps
The combination of ambitious long-term targets and a set of concrete implementation actions represent a significant shift in strategy for the business. Unlike the ill-fated 'Beyond Petroleum' strategy of the late 1990s, this time the changes appear to be integral to the company's purpose and objectives; BP's partnership announced recently on offshore wind with Equinor and hydrogen with Ørsted are early signs of progress. With BP remaining still a company dominated by its fossil fuels business, however, BMO sees it as vital that investors continue to engage in order to hold the company to account and press for urgency in the pace of transition.

Engagement Example 3 (BMO): Royal Dutch Shell

Background
Like BP, BMO has engaged Royal Dutch Shell for many years on climate change and on wider social and environmental issues. The company was an early adopter of scenario analysis in its Shell Scenarios, but in BMO's meetings with the Board and senior management they did not see a strong link between this work and the company's core strategy. BMO became part of the Climate Action 100+ investor group engaging with Royal Dutch Shell to escalate its approach, also and supported a statement at the 2019 AGM.

Outcomes
Like BP, Royal Dutch Shell has now also set a net zero ambition. Through Climate Action 100+ BMO had several follow-up meetings with the CEO and Chair to emphasise the importance of a credible plan to implement this goal, as well as a more in-depth call later with the company's Projects & Technology Director. Through these meetings BMO fed in its expectations of what a credible plan should include, with particular emphasis on how capital expenditure plans need to urgently shift toward clean technologies. Shell's implementation plan is expected to come out in early 2021.

Next Steps
BMO's engagement with companies calls for both long-term net zero aligned ambitions, and shorter-term targets and implementation plans. So far Shell has shown progress on the former, but not the latter. Once details of strategy emerge, BMO will engage further to give feedback and monitor how the company is progressing.

TCFD Recommended Disclosure

c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.

Both 'mainstream' risks and climate-related risks are discussed by the Pension Committee. While specific macro-economic risks are not usually included in isolation, the Fund is considering the inclusion of climate risk on the Fund's Risk Register.

Climate risk will be further managed through the Fund's Climate Stewardship Plan.

Metrics & Targets

TCFD Recommended Disclosure

a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

The Fund has recently received a report from LGPS Central on carbon risk metrics for its listed equities portfolios, which represent 47% of the Fund's total assets. The poor availability of data in asset classes other than listed equities prevents a more complete analysis at this time.

The carbon risk metrics analysis include:

- portfolio carbon footprints[4]
- weight of portfolios invested in companies with fossil fuel reserves
- weight of portfolios invested in companies with thermal coal reserves
- weight of portfolios invested in companies whose products and services include clean technology
- metrics assessing the management of climate risk by portfolio companies

The scope of the analysis comprises the total equities portfolios as at 31st March 2020 and covers 5 out of 5 equity strategies and 1,360 individual companies. Data coverage for the listed equities portfolios ranges from 97.8% to 100%[5]. The Portfolio Carbon Footprint is calculated as the weighted average (i.e. considering the weight in the portfolio) of the carbon footprints of all portfolio holdings.

Carbon risk metrics aid the Fund in assessing the potential climate-related risks to which the Fund is exposed, and identifying areas for further risk management, including company engagement and fund manager monitoring. The Fund additionally monitors stewardship data (see above).

[4] Following TCFD guidance we use weighted average portfolio carbon footprints.
[5] This includes scope 1 and scope 2 emissions. We have chosen not to include scope 3 emissions in the portfolio carbon footprint metrics for two reasons: (1) the rate of scope 3 emissions disclosure remains insufficient to use reliably in carbon footprinting analysis (2) the inclusion of scope 3 emissions leads to double-counting at the portfolio level. To ensure fossil fuels companies are not unduly omitted from our analysis, we review three Fossil Fuels Exposure metrics.

SHROPSHIRE COUNTY PENSION FUND

TCFD Recommended Disclosure

b) Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. TCFD Guidance: *Asset owners should provide the weighted average carbon intensity, where data are available or can be reasonably estimated, for each fund or investment strategy.*

In line with the TCFD guidance and following receipt of a report from LGPS Central Limited we provide below the carbon footprints of our equity portfolio[6]:

Table 4: Carbon risk metrics for the equity portfolio[7]

		Carbon Footprint			Weight in Fossil Fuel Reserves			Weight in Thermal Coal Reserves			Weight in Coal Power			Weight in Clean Technology		
Portfolio Name	**Benchmark/ Comparator**	PF	BM	% Diff	PF	BM	% Diff	PF	BM	% Diff	PF	BM	% Diff	PF	BM	% Diff
Total Equities	Total Equities Blended Benchmark	146.78	169.10	-13.20%	6.23%	7.26%	-1.03%	2.61%	2.66%	-0.05%	1.88%	2.03%	-0.15%	35.36%	35.25%	0.11%
Total Global Equities	FTSE All World	148.05	174.21	-15.02%	5.83%	6.45%	-0.62%	2.69%	2.58%	0.11%	2.08%	2.26%	-0.18%	36.11%	36.46%	-0.36%

[6] Analysis undertaken on the listed equities portfolios within holdings data as of 31 March 2020. The information in Table 4 was provided to the Fund in a report authored by LGPS Central Limited. In LGPS Central Limited's Reports the Total Equities portfolio comprises the Majedie UK Equities, LGIM World Developed Equity and LGPS Central Global Equity Active Multi-Manager portfolios weighted according to their size in GBP. The Total Global Equitiesportfolio contains the LGIM World Developed Equity and the LGPS Central Global Equity Active Multi-Manager portfolio.

[7] Certain information ©2020 MSCI ESG Research LLC. Reproduced by permission.

The Fund's Total Equities portfolio is c.13% more carbon efficient than the blended benchmark. This means that, on average, for every $m of economic output companies produce, the Fund's investee companies emit 13% fewer GHG emissions than the companies in the blended benchmark. The Total Equities portfolio has a lower exposure to all three fossil fuel metrics – fossil fuels reserves, thermal coal reserves and coal power – than its blended benchmark.

The report received from LGPS Central Limited shows that Total Global Equities portfolio is more carbon efficient than the FTSE All World.

Whilst the Fund's carbon risk metrics results show the Fund already 'outperforms' its benchmarks, the Fund is proactively exploring ways to further embed climate risk management in its investment decision making. The Fund expects to update its carbon risk metrics data on an annual basis.

TCFD Recommended Disclosure
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

The ability for diversified investors (such as pension funds) to set meaningful climate targets is inhibited by the paucity in credible methodologies and data currently available. Like most investors, the Fund is supportive of the development of target-setting methodologies, and of the increasing completeness of carbon datasets. The Fund wishes to explore options to further manage climate-related risks and work is underway to assess options within the limitations of currently available data. As part of the development of the Fund's Climate Strategy, the Pensions Committee is exploring ways to reduce the Fund's carbon footprint, particularly in the listed equities portfolios.

SHROPSHIRE COUNTY PENSION FUND

Appendix 1

TCFD Recommendations for Asset Owners (source: TCFD)

Governance
Recommended Disclosure (a) Describe the board's oversight of climate-related risks and opportunities.

Recommended Disclosure (b) Describe management's role in assessing and managing climate-related risks and opportunities.

Strategy
Recommended Disclosure (a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.

Recommended Disclosure (b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.

Recommended Disclosure (c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Risk Management
Recommended Disclosure (a) Describe the organisation's processes for identifying and assessing climate-related risks.

Recommended Disclosure (b) Describe the organisation's processes for managing climate-related risks.

Recommended Disclosure (c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

Metrics and Targets
Recommended Disclosure (a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

Recommended Disclosure (b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

Recommended Disclosure (c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

SHROPSHIRE COUNTY PENSION FUND

Appendix 2: Recommendations and Considerations from the Climate Risk Report

Category	Recommendation (R)/ Consideration (C)
Governance	
Policies	**R:** Develop a Climate Strategy. This should be consistent with the TCFD recommendations and include a Climate Stewardship Plan, monitored regularly by the Pensions Fund Committee*
Policies	**R:** Include a formal Investment Belief on climate change in the Investment Strategy Statement (ISS) at the point of next review
Policies	**R:** Integrate communications on climate risk into the Fund's Communications Strategy
Policies	**C:** Expand the Training Policy element in the Annual Report to include reference to climate change training received during the course of the year
Policies	**C:** Request climate risk advice in advisors' reports
Policies	**C:** The ISS could be expanded to include details on - the Fund's view on the risk and opportunities responsible investment, and in particular climate change, can bring - engagement and voting providers for the global equity portfolios - the roles of key governance committees, especially the Pension Fund Committee, in approving and monitoring responsible investment strategy - Under investment risk, climate risk could be listed as a component to the overall risk

Category	Recommendation (R)/ Consideration (C)
Governance	
Policies	**C:** As part of the Funding Strategy Statement (FSS) review, consider the extent to which climate risks could affect other risks noted in the FSS
Policies	**C:** Update the Governance Compliance Statement to explain how climate risks are governed
Policies	**C:** If deemed sufficiently significant, include climate risk on the Fund's Risk Register
Governance	**R:** Schedule agenda time at Pensions Fund committee meetings twice per year for discussion of progress on climate strategy.
Governance	**R:** Schedule one training session on general RI matters and one climate-specific training per year
Reporting	**C:** In the Annual Report expand the voting and engagement section to include activities from the LGPS Central portfolio and the LGIM World Developed Equity portfolio
Reporting	**C:** In the Annual Report include a summary of this Climate Risk Report in a manner consistent with the TCFD Recommendations.

Category	Recommendation (R)/ Consideration (C)
Strategy	
Asset Allocation	**R:** Explore the potential for additional allocations to sustainable investments if evidence suggests there could be asymmetrical return profiles (i.e. with expected relative upside in a 2°C scenario and no meaningful relative downside)
Asset Allocation	**R:** Attempt to monitor the likelihood of different climate scenarios*
Asset Allocation	**R:** Scenario analysis should be considered every 2-3 years, or when reviewing asset allocation
Asset Allocation	**R:** Discuss sector positioning with equity and corporate fixed income fund managers, focusing on those sectors most likely to be sensitive to climate risks and opportunities
Asset Allocation	**R:** Discuss with Majedie (UK Equities portfolio) their positioning in the energy sector
Policy Engagement	**R:** Consider offering public support for the Paris Agreement
Policy Engagement	**R:** Join collaborations of like-minded institutional investors to collectively lobby for Paris-aligned climate policies*
Policy Engagement	**R:** Seek through company engagement and voting (via fund managers and service providers) to reduce the amount of corporate lobbying that undermines the Paris Agreement*

Category	Recommendation (R)/ Consideration (C)
Risk Management	
Manager Monitoring	**R:** Dialogue with and monitor listed equities managers using IIGCC's "Addressing climate risks and opportunities in the investment process"
Company Stewardship	**R:** Develop a Climate Stewardship Plan which monitors external fund managers and monitors progress at a shortlist of focus companies*
Metrics and Targets	
Metrics	**R:** Repeat Carbon Risk Metrics analysis annually
Metrics	**R:** Report annually on progress on climate risk using the TCFD framework

* The Fund may draw on the expertise of external resources to complete these recommendations

Appendix 3: Important Information

Extract above from Mercer Limited's (Mercer) report "Climate Change Scenario Analysis" dated August 2020 prepared for and issued to LGPS Central Limited for the sole purpose of undertaking climate change scenario analysis for Shropshire County Pension Fund. Other third parties may not rely on this information without Mercer's prior written permission. The findings and opinions expressed are the intellectual property of Mercer and are not intended to convey any guarantees as to the future performance of the investment strategy. Information contained herein has been obtained from a range of third party sources. Mercer makes no representations or warranties as to the accuracy of the information and is not responsible for the data supplied by any third party.

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Media Release
Date: 26 November 2020

Shropshire County Pension Fund reveals its carbon footprint

Shropshire County Pension Fund has become one of the first in the country to report on the carbon footprint of its £2 billion investment portfolio. Shropshire County Pension Fund has published its Climate Risk Report, which reveals that the carbon footprint of its equity investments is 13% below the general market, represented by the FTSE All World Index which covers more than 3,000 companies in 47 countries.

The Fund is the pension scheme for more than 50,000 members across 200 employers, including Shropshire Council, Telford & Wrekin Council, Town & Parish Councils, Shropshire & Wrekin Fire Authority and a range of other employers in Shropshire. The Fund is administered by Shropshire Council.

James Walton, Director of Finance Governance & Assurance at the Council and Scheme Administrator of the Shropshire County Pension Fund, said "The report is no more than a starting point, but nevertheless confirms that Shropshire County Pension Fund has a good baseline from which to manage the risks presented to its investment portfolio from climate change. Our priority remains our financial duty to pay the pensions of our 50,000 members and to do this we must continue to ensure fund assets are well diversified and resilient when faced with many risks including the fundamental and increasing impact of climate change.
We know that climate change is a hugely important issue for our employers and members, so it is reassuring to see that already the Fund's investments have a lower carbon footprint than the benchmark. The Pensions Committee is embarking on an extensive piece of work to review our approach, create a Climate Strategy and explore what steps the Fund can take to reduce investment risk and further reduce its carbon footprint."

The new report published by the Shropshire County Pension Fund follows recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), a blueprint for climate reporting which represents best practice in the investment industry. Its publication follows an independent and in-depth review of the climate risks of the Fund's investment portfolio.

The report shows that the Fund has less exposure to companies with fossil fuel reserves and those exploiting coal reserves than the general market and reveals that it has more investment with companies who use clean technology than the general market.
The Fund has a widely diversified investment strategy to reduce risk, and invests in five different equity funds, all of which already have a lower carbon footprint than the general market index.

The publication of the report will be followed in due course by the publication of a Climate Strategy including a Climate Stewardship Plan.
For more information and to see the report visit:
http://www.shropshirecountypensionfund.co.uk

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Committee and Date	Item
Pensions Committee 4 December 2020 10.00am	9 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 2020 to 30th September 2020.

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.

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. Climate Change Appraisal

5.1 The Fund takes Responsible Investment very seriously; it is a key process the investment managers go through before investing where thorough due diligence is undertaken considering all risks including climate change. The

investment managers vote on the Fund's behalf, BMO engage with companies on the Fund's behalf and the Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and a signatory to the UK Stewardship Code.

5.2 Shropshire County Pension Fund has received a Climate Risk Report from LGPS Central.

6. Background

6.1 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.

6.2 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.

7. Manager Voting Activity

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

8. Responsible Engagement Activity

8.1 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.

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 18 September 2020
Cabinet Member N/A
Local Member N/A
Appendices A. Manager Voting Activity Reports. B. BMO Global Asset Management Responsible Engagement Overlay Reports.

VOTING AND ENGAGEMENT ACTIVITY

Welcome to your Quarterly Report's Engagement Activity section. We engaged with several companies over the quarter, examples of which we give below:

Newmont: In August, we met with the management of Newmont, the world's largest gold mining company. Newmont has mines around the world, with its most important assets in Australia, Ghana, and North and South America. Its performance over the past year has been robust due in part to the rising price of gold, and in part due to self-help initiatives. Newmont is a process-driven organisation, with a focus on consistency of planning and execution across its operations. In 2019, Newmont entered into a joint venture (JV) with Barrick Gold in Nevada, combining the two companies' assets in what the CEO refers to as the best gold mining district in the world. Since then, the JV has been able to generate substantial synergies.

Newmont believes that it operates in countries with relatively low political risk, all rated as either A or B by Moody's, S&P and Fitch. It maintains healthy relationships with the governments in its jurisdictions and is currently working with many, following the global pandemic, to support local communities, keep employees safe, and generate tax revenues and economic growth. Recently it has safely ramped up production at mines that have been temporarily closed due to virus regulations. The group's aim is to help governments see the value that safe, well managed mining can bring to local communities.

3i: We spoke in July with private equity and venture capital group, 3i, to talk about the group's performance during Covid-19 and its succession planning. All in all, 3i have handled the pandemic well. Whilst its travel businesses have been badly impacted, the majority of its assets have performed well and are expected to emerge stronger in a post Covid-19 world. In terms of the CEO, Simon Borrows has been in place for eight years; the group along with many investors feel he is doing an outstanding job. Though a strong character himself, Simon gets healthy challenge from other board members on investment decisions. Should it be necessary, others can fill his role in the interim. The group is certainly interested in a smooth transition when the time comes.

3i's board is focused on retaining employees and on the pipeline of growth coming through over the next decade. It is also interested in monitoring environmental and social impacts within its portfolio and reporting on these with greater transparency. Some of the group's larger holdings already report on their own ESG related issues; 3i would like to do this effectively for its smaller holdings, as well.

Unilever: In August, we met with the relatively new Chairman of Unilever to understand the group's priorities and discuss the group's forthcoming shareholder vote on share class unification. Unilever's priority is to return to higher growth, mainly through improved execution and longer-term positioning in areas where the group can increase market share. Unilever may have sacrificed some growth by focusing more on margins following its 2017 Kraft bid, but a growth strategy is firmly centre stage. Unilever feels that unifying its shares in a UK-based company would make equity-based transactions faster and easier. Under a single listing, Unilever could participate in deals which make industry sense rather than bolting on transactions which struggle to move the needle. One of these could be a Dutch-listed food business. Unilever has raised the prospect of spinning off its food and refreshments business to create a separate Dutch-listed food entity. Unilever also announced in July, following a six-month review of its tea business, that it would divest from most of its Lipton tea business. The group plans, however, to keep the best performing parts of Lipton in the Indian and Indonesian markets, as well as its joint tea business with PepsiCo.

Over the past six months during the pandemic, Unilever feels it has solved problems quickly, demonstrated considerable flexibility, and nurtured a flow of ideas and learnings across its business units. The group is now more in control; it understands its issues and has work in progress to address these. While the near-term numbers are noisy, there are signs that performance is improving, given market share trends. If Unilever can restore credibility to the 3-5% growth range, the valuation gap with Nestlé and P&G can begin to close, and potential changes in group structure may be viewed positively.

Direct Line Group: In August, we met with Direct Line Group (DLG) to talk about a number of aspects of the group's business including the impact of Covid-19. Essentially, the group has managed the health crisis well, focusing on retaining clients during lockdown when there were fewer new drivers and new cars. In a heavily competitive insurance industry, DLG continues to deliver healthy annualised returns and a consistent mid/high teen return on equity, despite being slightly hindered by outdated IT systems – which it is working to update – and a sub-optimal office footprint. DLG is also working to make steady operational improvements over the next year. While the FCA review into loyalty penalties has been delayed twice, the group has made considerable efforts over several years to ensure customers are treated fairly.

We see the group's scale of its direct business and its claims management through the 20 strong network of repair facilities as key drivers for a healthy growth. The group continues to face credit risks in its investment portfolio and a more structural fall in frequency, through home working/recession impacting rates. However, DLG remains an attractive company in the context of a troubled financial sector, capable of generating double digit total shareholder returns over time: the company has surplus capital and has a current dividend yield of 7%.

Royal Dutch Shell: In early July, we spoke with Shell's Head of Downstream business to hear about how Covid-19 is impacting the group's business. Everything Shell does in downstream (lubricants, oils) is considered as a critical industry. Following lockdown, many Shell employees now work from home but this has not hindered the group from making decisions quickly and being able to reduce costs and improve working capital. A large majority of Shell's 45,000 retail sites remain open, full or part time. Customer behaviour has changed slightly post lockdown, with consumers more brand conscious preferring to trade up than down. Shell is slowly moving to a customer-needs basis and away from commodity pricing. This involves knowing customers and their needs well and providing the highest quality, most convenient products across the entire value chain. Shell also wants to be close to its customers so that it can reap retail rewards from grocery and household items, as well as selling petrochemicals. Shell has a high market share in lubricants with car manufacturers. As the world moves to electric vehicles, the group will offer fast charging and e-fluids which provide protection against batteries overheating.

Shell is reducing the number of its refineries from 45 to 10 by 2025 and will optimise returns from those remaining. Critically it is helping customers globally across industries to decarbonise and will continue to invest in renewable energy projects such as wind farms. Ultimately, Shell will look at investment returns earned across the entire value chain and not just discrete parts such as a wind farm.

Avon Rubber (LF Majedie UK Smaller Companies): In July, we engaged for the third time in 2020 with Avon Rubber, a British supplier of respiratory protection equipment for the military and police. The purpose of this engagement was to discuss the group's exposure to supply chain risk and understand better how well the group manages this area of its business.

Avon Rubber's manufacturing sites have an excellent track record in terms of producing reliable quality and maintaining a stable manufacturing platform. In 2019, the group brought three new sites into the group and Avon are managing these carefully to ensure they maintain a similar track record. For its rubber components, Avon uses synthetic rubber and silicone, since natural rubber can have a complicated supply chain, as well as inconsistent physical properties. In terms of supplier contracts, Avon has legal agreements in place with its suppliers to ensure supply chain obligations on performance quality and other areas. If a supplier deliberately breached the obligations, Avon would have the right to cease business with the supplier. Because the group supplies Department of Defense customers, it undergoes mandatory governmental audits every three years, making its supplier contracts critical.

In terms of sustainability, Avon is looking at more environmentally friendly technologies to improve its overall footprint. The group's CEO, CFO, President of Protection Operations, VP for Sourcing and Supply Chain, site leaders and its finance and sourcing team are all members of Avon's steering group for supply chain, a centralised function covering the measurement and efficiency of group products and inventory. Avon is certified to ISO 14001 at all its sites and is looking at creating targets for reducing its waste. Currently, the group is focused on recycled Carbon

Black and Graphene and on recovering tyre materials and silica. All in all, our engagement with Avon in July helped us understand how much supply chain management is a barrier to entry as well as a competitive advantage for Avon. Our dialogue with Avon also helped us understand how robust the group's supply chain management programme is.

Anglo American: We met with Anglo American (Anglo) in August following the group's H1 results to discuss the group's disposal of thermal coal assets and its investment in renewables. In terms of thermal coal, Anglo is looking at ways to remove these assets from its portfolio permanently. The preferred option for the South African thermal coal assets is to distribute the assets to shareholders as shares in a new company. Some of the assets, such as Cerrejón, an open pit coal mine in Colombia, are in joint ventures with other mining groups, creating a more difficult legal situation for selling the assets. In our discussions with Anglo, we clearly stated that the group needs to work out the technicalities – our preference is that Anglo divests all its thermal coal assets. Anglo plans to invest to extend the life of its metallurgical coal (used to make coke for steelmaking) sites but is reticent to invest in opening up new areas that will require new infrastructure and a long time horizon to earn an acceptable return. The longer-term threat to iron ore and metallurgical coal demand from steel recycling is already impacting their investment decisions.

Anglo is also investing in renewables to power its own operations. In South Africa, the government has permitted the group to generate some of its own energy and Anglo plans to build a solar power plant at Mogalakwena. Anglo is also making considerable initial investment in renewables at its sites in Chile and Brazil. The group understands that what is good for mining economics is also good for the company from an ESG perspective: energy efficiency, water consumption, recycling. Anglo has around 400 people working on these aspects of the business around the globe.

During the global pandemic, Anglo has also played a role in helping its Peruvian communities cope with Covid-19, setting up labs and importing equipment to help diagnose and stem the spread of the disease. This may keep Anglo on the right side of the Peruvian government in terms of supporting Anglo's Quellaveco mine, a copper project that is expected to start production in 2022.

VOTING RECORD SUMMARY

Please see below a breakdown of the meetings and resolutions which pertain to your portfolio. Majedie's Proxy Voting Principles document can be found on the Responsible Capitalism section of our website.

SUMMARY	VOTES	PERCENT
Number of meetings voted at this period	35	
Number of resolutions	475	
Where we voted in line with Management	455	95.8
Where we have not voted in line with Management	20	4.2

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
Antitakeover Related	0	0
Capitalization	0	0
Directors Related	6	1
Non-Salary Comp.	3	0
Reorg. and Mergers	0	0
Routine/Business	11	0
Total	20	1

Sources: Majedie, ISS (Institutional Shareholder Services)

VOTING RECORD DETAILS

SECURITY NAME	MEETING DATE	MEETING TYPE	MAJEDIE VOTE
ACCSYS TECHNOLOGIES	18 Sep 2020	AGM	Voted for all
AMINEX	29 Jul 2020	AGM	Against Resolutions 1, 8, 9; Abstain on Resolution 2
ASHTEAD GROUP	08 Sep 2020	AGM	Voted for all
AUTO TRADER	16 Sep 2020	AGM	Voted for all
AVON RUBBER	28 Sep 2020	EGM	Voted for all
BLOOMSBURY PUBLISHING	21 Jul 2020	AGM	Voted for all
BT GROUP	16 Jul 2020	AGM	Against Resolution 23
CAIRN ENERGY	23 Sep 2020	EGM	Voted for all
CAPITAL & COUNTIES PROPERTIES	10 Aug 2020	EGM	Voted for all
CARD FACTORY	30 Jul 2020	AGM	Voted for all
CENTRICA	20 Aug 2020	EGM	Voted for all
DIAGEO	28 Sep 2020	AGM	Against Resolution 14
DISCOVERIE GROUP	19 Aug 2020	AGM	Against Resolution 19
DIXONS CARPHONE	10 Sep 2020	AGM	Against Resolution 13
ELECTROCOMPONENTS	16 Jul 2020	AGM	Voted for all
FIRSTGROUP	15 Sep 2020	AGM	Against Resolution 18
FULLER SMITH & TURNER	10 Sep 2020	AGM	Against Resolution 6
GAMES WORKSHOP GROUP	16 Sep 2020	AGM	Voted for all
HELICAL BAR	23 Jul 2020	AGM	Voted for all
IMIMOBILE	29 Sep 2020	AGM	Voted for all
KNIGHTS GROUP HOLDINGS PLC	21 Sep 2020	AGM	Voted for all
KONINKLIJKE KPN	10 Sep 2020	EGM	Voted for all
LIONTRUST ASSET MANAGEMENT	30 Sep 2020	EGM	Voted for all
LIONTRUST ASSET MANAGEMENT	22 Sep 2020	AGM	Against Resolution 14
LONDONMETRIC PROPERTY	22 Jul 2020	AGM	Voted for all
MARKS & SPENCER	03 Jul 2020	AGM	Against Resolution 20
MARLOWE HOLDINGS	15 Jul 2020	EGM	Voted for all
MARLOWE HOLDINGS	30 Sep 2020	AGM	Voted for all
OXFORD INSTRUMENTS	08 Sep 2020	AGM	Voted for all
QINETIQ	14 Jul 2020	AGM	Against Resolution 15
RYANAIR	17 Sep 2020	AGM	Against Resolutions 2, 3d, 3f, 3j
SPEEDY HIRE	10 Sep 2020	AGM	Against Resolution 17
STV GROUP	06 Jul 2020	EGM	Voted for all
VODAFONE	28 Jul 2020	AGM	Against Resolutions 13, 24
YOURGENE HEALTH	22 Sep 2020	AGM	Voted for all

Source: Majedie

LGPS Central - ACS

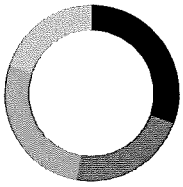
EOS at Federated Hermes

Engagement by region

Over the last quarter we engaged with **258** companies held in the LGPS Central - ACS portfolios on a range of **724** environmental, social and governance issues and objectives.

Global

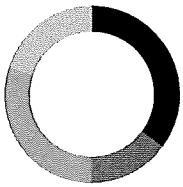
We engaged with **258** companies over the last quarter.



- Environmental **30.5%**
- Social and Ethical **22.1%**
- Governance **27.5%**
- Strategy, Risk and Communication **19.9%**

Australia & New Zealand

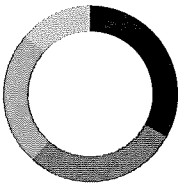
We engaged with **seven** companies over the last quarter.



- Environmental **35.0%**
- Social and Ethical **15.0%**
- Governance **30.0%**
- Strategy, Risk and Communication **20.0%**

Developed Asia

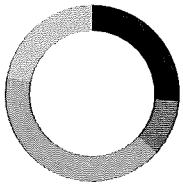
We engaged with **39** companies over the last quarter.



- Environmental **33.0%**
- Social and Ethical **28.6%**
- Governance **25.0%**
- Strategy, Risk and Communication **13.4%**

Emerging & Developing Markets

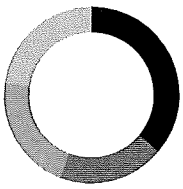
We engaged with **31** companies over the last quarter.



- Environmental **26.5%**
- Social and Ethical **10.3%**
- Governance **41.2%**
- Strategy, Risk and Communication **22.1%**

Europe

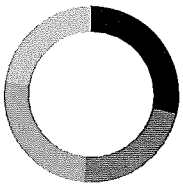
We engaged with **52** companies over the last quarter.



- Environmental **36.1%**
- Social and Ethical **19.6%**
- Governance **21.5%**
- Strategy, Risk and Communication **22.8%**

North America

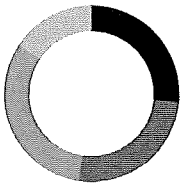
We engaged with **85** companies over the last quarter.



- Environmental **28.6%**
- Social and Ethical **22.7%**
- Governance **26.1%**
- Strategy, Risk and Communication **22.7%**

United Kingdom

We engaged with **44** companies over the last quarter.



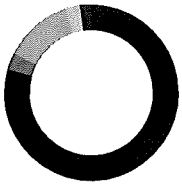
- Environmental **26.6%**
- Social and Ethical **25.8%**
- Governance **32.0%**
- Strategy, Risk and Communication **15.6%**

Engagement by theme

Over the last quarter we engaged with **258** companies held in the LGPS Central - ACS portfolios on a range of **724** environmental, social and governance issues and objectives.

Environmental

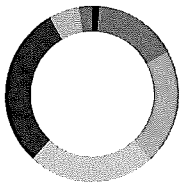
Environmental topics featured in **30.5%** of our engagements over the last quarter.



- Climate Change **79.2%**
- Forestry and Land Use **3.2%**
- Pollution and Waste Management **12.7%**
- Supply Chain Management **2.7%**
- Water **2.3%**

Social and Ethical

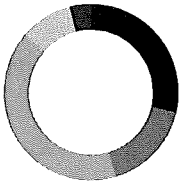
Social and Ethical topics featured in **22.1%** of our engagements over the last quarter.



- Bribery and Corruption **1.2%**
- Conduct and Culture **15.6%**
- Diversity **21.2%**
- Human Capital Management **23.8%**
- Human Rights **30.0%**
- Labour Rights **5.6%**
- Tax **2.5%**

Governance

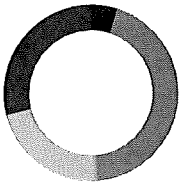
Governance topics featured in **27.5%** of our engagements over the last quarter.



- Board Diversity, Skills and Experience **28.6%**
- Board Independence **16.6%**
- Executive Remuneration **41.2%**
- Shareholder Protection and Rights **9.5%**
- Succession Planning **4.0%**

Strategy, Risk and Communication

Strategy, Risk and Communication topics featured in **19.9%** of our engagements over the last quarter.



- Audit and Accounting **4.9%**
- Business Strategy **43.8%**
- Cyber Security **0.7%**
- Integrated Reporting and Other Disclosure **21.5%**
- Risk Management **29.2%**

LGPS Central Limited

Federated Hermes EOS

Voting Report, Q3 2020

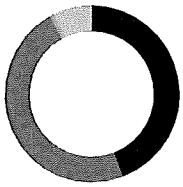
LGPS Central - ACS

EOS at Federated Hermes

Over the last quarter we made voting recommendations at **354** meetings (**4,197** resolutions). At **170** meetings we recommended opposing one or more resolutions. We recommended voting with management by exception at **25** meetings and abstaining at **three** meetings. We supported management on all resolutions at the remaining **156** meetings.

Global

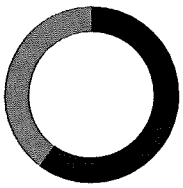
We made voting recommendations at **354** meetings (**4,197** resolutions) over the last quarter.



- Total meetings in favour **44.1%**
- Meetings against (or against AND abstain) **48.0%**
- Meetings abstained **0.8%**
- Meetings with management by exception **7.1%**

Australia and New Zealand

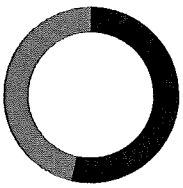
We made voting recommendations at **ten** meetings (**52** resolutions) over the last quarter.



- Total meetings in favour **60%**
- Meetings against (or against AND abstain) **40%**

Developed Asia

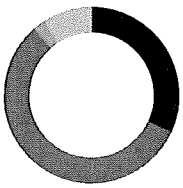
We made voting recommendations at **56** meetings (**482** resolutions) over the last quarter.



- Total meetings in favour **53.6%**
- Meetings against (or against AND abstain) **46.4%**

Emerging and Frontier Markets

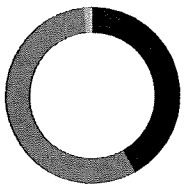
We made voting recommendations at **88** meetings (**873** resolutions) over the last quarter.



- Total meetings in favour **31.8%**
- Meetings against (or against AND abstain) **56.8%**
- Meetings abstained **2.3%**
- Meetings with management by exception **9.1%**

Europe

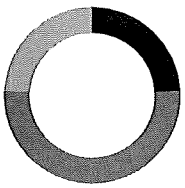
We made voting recommendations at **67** meetings (**902** resolutions) over the last quarter.



- Total meetings in favour **41.8%**
- Meetings against (or against AND abstain) **56.7%**
- Meetings with management by exception **1.5%**

North America

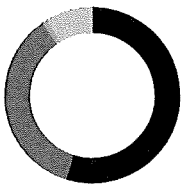
We made voting recommendations at **29** meetings (**302** resolutions) over the last quarter.



- Total meetings in favour **24.1%**
- Meetings against (or against AND abstain) **51.7%**
- Meetings with management by exception **24.1%**

United Kingdom

We made voting recommendations at **104** meetings (**1,586** resolutions) over the last quarter.

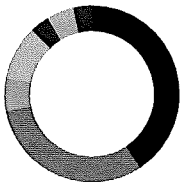


- Total meetings in favour **54.8%**
- Meetings against (or against AND abstain) **35.6%**
- Meetings abstained **1.0%**
- Meetings with management by exception **8.7%**

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

Global

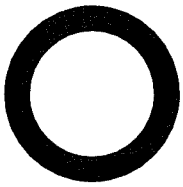
We recommended voting against or abstaining on **487** resolutions over the last quarter.



- Board structure **40.7%**
- Remuneration **31.2%**
- Shareholder resolution **6.0%**
- Capital structure and dividends **10.1%**
- Amend articles **3.5%**
- Audit and accounts **4.9%**
- Poison pill/Anti-takeover device **0.2%**
- Other **3.5%**

Australia and New Zealand

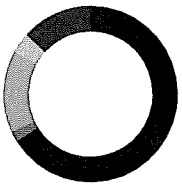
We recommended voting against or abstaining on **seven** resolutions over the last quarter.



- Remuneration **100%**

Developed Asia

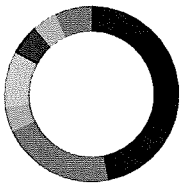
We recommended voting against or abstaining on **53** resolutions over the last quarter.



- Board structure **66.0%**
- Remuneration **1.9%**
- Capital structure and dividends **15.1%**
- Amend articles **3.8%**
- Audit and accounts **13.2%**

Emerging and Frontier Markets

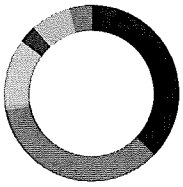
We recommended voting against or abstaining on **175** resolutions over the last quarter.



- Board structure **46.9%**
- Remuneration **21.1%**
- Shareholder resolution **4.6%**
- Capital structure and dividends **10.3%**
- Amend articles **5.7%**
- Audit and accounts **4.6%**
- Other **6.9%**

Europe

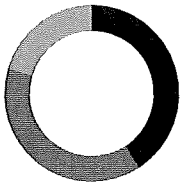
We recommended voting against or abstaining on **121** resolutions over the last quarter.



- Board structure **37.2%**
- Remuneration **34.7%**
- Shareholder resolution **0.8%**
- Capital structure and dividends **12.4%**
- Amend articles **3.3%**
- Audit and accounts **7.4%**
- Other **4.1%**

North America

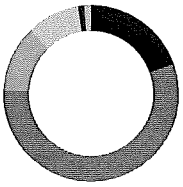
We recommended voting against or abstaining on **49** resolutions over the last quarter.



- Board structure **40.8%**
- Remuneration **38.8%**
- Shareholder resolution **20.4%**

United Kingdom

We recommended voting against or abstaining on **82** resolutions over the last quarter.



- Board structure **19.5%**
- Remuneration **56.1%**
- Shareholder resolution **12.2%**
- Capital structure and dividends **9.8%**
- Amend articles **1.2%**
- Poison pill/Anti-takeover device **1.2%**

LGPS Central Limited

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	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
09/07/2020	Lenovo Group Limited	Annual	Against	3a 5,7	Concerns related to approach to board diversity Issue of equity raises concerns about excessive dilution of existing shareholders
13/07/2020	Cathay Pacific Airways Limited	Special	Against	3	Issue of equity raises concerns about excessive dilution of existing shareholders
22/07/2020	Link Real Estate Investment Trust	Annual	All For		
18/08/2020	Vitasoy International Holdings Limited	Annual	Against	3A2,3A3,3A4 5A,5C	Concerns related to approach to board diversity Issue of equity raises concerns about excessive dilution of existing shareholders
24/08/2020	China Jinmao Holdings Group Limited	Special	Against	2	Concerns to protect shareholder value
03/09/2020	Shougang Fushan Resources Group Limited	Special	All For		
18/07/2020	Ichigo Office REIT Investment Corp.	Special	All For		
20/07/2020	Hitachi Construction Machinery Co., Ltd.	Annual	All For		
21/07/2020	Toppan Printing Co., Ltd.	Annual	Against	1.1,1.14	Concerns about overall board structure
28/07/2020	ITO EN, LTD.	Annual	Against	3 2.1	Concerns about overall board structure Concerns related to approach to board diversity
30/07/2020	Ain Holdings, Inc.	Annual	Against	2.11,2.12,3.2,3.3 2.9	Concerns about overall board structure Concerns related to attendance at board or committee meetingsConcerns about overall board structure
30/07/2020	Hitachi Ltd.	Annual	All For		
30/07/2020	NTN Corp.	Annual	Against	1.8	Concerns about overall board structure
30/07/2020	Olympus Corp.	Annual	Against	3.1	Concerns related to approach to board diversity
30/07/2020	SKY Perfect JSAT Holdings Inc.	Annual	Against	1.1,1.7,1.8,1.9,1.11,2	Concerns about overall board structure
31/07/2020	Toshiba Corp.	Annual	All For		
06/08/2020	Fuji Electric Co., Ltd.	Annual	Against	1.1,1.6,1.7,2.2,2.3	Concerns about overall board structure
11/08/2020	TSURUHA Holdings, Inc.	Annual	Against	2.10	Concerns about overall board structure
13/08/2020	ASKUL Corp.	Annual	All For		
19/08/2020	Kusuri No Aoki Holdings Co., Ltd.	Annual	Against	1.6 5	Concerns about overall board structure Insufficient/poor disclosure
21/08/2020	COSMOS Pharmaceutical Corp.	Annual	Against	2.1	Concerns related to approach to board diversity
21/08/2020	Oracle Corp Japan	Annual	Against	2.7	Concerns related to inappropriate membership of committees
25/08/2020	Hankyu Hanshin REIT, Inc.	Special	All For		
26/08/2020	Sanrio Co., Ltd.	Annual	Against	1.1	Concerns related to approach to board diversity
16/09/2020	Fujikura Ltd.	Annual	All For		
25/09/2020	SHO-BOND Holdings Co., Ltd.	Annual	All For		
28/09/2020	Lasertec Corp.	Annual	Against	2.6,2.7	Concerns about overall board structure
29/09/2020	Asahi Intecc Co., Ltd.	Annual	All For		
29/09/2020	Pan Pacific International Holdings Corp.	Annual	Against	3.2,3.4 2.1	Concerns about overall board structure Concerns related to approach to board diversity Concerns about overall board structure
29/09/2020	TechnoPro Holdings, Inc.	Annual	Against	3.6	Concerns about overall board structure
29/09/2020	ULVAC, Inc.	Annual	Against	2.5	Concerns about overall board structure
14/07/2020	Mapletree Logistics Trust	Annual	Against	3	Issue of equity raises concerns about excessive dilution of existing shareholders
15/07/2020	Mapletree Industrial Trust	Annual	All For		
16/07/2020	Mapletree North Asia Commercial Trust	Annual	Against	3	Issue of equity raises concerns about excessive dilution of existing shareholders
16/07/2020	Singapore Post Ltd.	Annual	All For		
17/07/2020	SIA Engineering Co. Ltd.	Annual	All For		

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
22/07/2020	Mapletree Commercial Trust	Annual	Against	3	Issue of equity raises concerns about excessive dilution of existing shareholders
27/07/2020	Singapore Airlines Ltd.	Annual	All For		
30/07/2020	Singapore Telecommunications Limited	Annual	All For		
07/08/2020	Flex Ltd.	Annual	All For		
11/08/2020	Sembcorp Industries Ltd.	Special	All For		
11/08/2020	Sembcorp Marine Ltd.	Special	All For		
27/08/2020	Mapletree Industrial Trust	Special	All For		
24/09/2020	SATS Ltd.	Annual	All For		
24/09/2020	Singapore Exchange Ltd.	Annual	All For		
28/09/2020	Frasers Centrepoint Trust	Special	All For		
28/09/2020	NetLink NBN Trust	Annual	All For		
28/09/2020	NetLink NBN Trust	Annual	All For		
29/09/2020	Capitaland Commercial Trust	Court	All For		
29/09/2020	Capitaland Commercial Trust	Special	All For		
29/09/2020	Capitaland Mall Trust	Special	All For		
14/08/2020	Kangwon Land, Inc.	Special	All For		
07/09/2020	SillaJen, Inc.	Special	Against	1	Issue of equity raises concerns about excessive dilution of existing shareholders
14/09/2020	Korea Electric Power Corp.	Special	Against	1,2	Inappropriate bundling of election of directors on a single vote
15/09/2020	KEPCO Plant Service & Engineering Co., Ltd.	Special	Against	2.1.2,2.2.1	Concerns about candidate's experience/skills
28/09/2020	Hanmi Science Co., Ltd.	Special	All For		
16/07/2020	AusNet Services Ltd.	Annual	Against	5 3	Apparent failure to link pay & appropriate performance Apparent failure to link pay & appropriate performance
29/07/2020	ALS Ltd.	Annual	All For		
30/07/2020	Macquarie Group Limited	Annual	All For		
26/08/2020	Metcash Limited	Annual	Against	3	Apparent failure to link pay and appropriate performance
30/09/2020	ASX Limited	Annual	All For		
13/08/2020	Ryman Healthcare Ltd.	Annual	Against	4	Apparent failure to link pay & appropriate performance
13/08/2020	Xero Limited	Annual	All For		
21/08/2020	Fisher & Paykel Healthcare Corporation Limited	Annual	Against	5,6 4	Apparent failure to link pay & appropriate performance Apparent failure to link pay & appropriate performance
24/09/2020	Mercury NZ Ltd.	Annual	All For		
29/09/2020	Air New Zealand Limited	Annual	All For		
10/07/2020	VTech Holdings Ltd.	Annual	Against	3c	Concerns related to approach to board diversity
15/07/2020	Johnson Electric Holdings Ltd.	Annual	Against	6,7	Issue of equity raises concerns about excessive dilution of existing shareholders
17/07/2020	First Pacific Co. Ltd.	Special	Against	1	Concerns related to potential conflict of interests
23/07/2020	Marvell Technology Group Ltd.	Annual	Against	2 1H 1C	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance Concerns related to approach to board diversity
20/08/2020	China Gas Holdings Limited	Annual	Against	6,7	Issue of equity raises concerns about excessive dilution of existing shareholders
03/09/2020	Cafe de Coral Holdings Ltd.	Annual	Against	2.3 5 7 2.1	Concerns related to approach to board diversity Insufficient/poor disclosure Issue of equity raises concerns about excessive dilution of existing shareholders Overboarded/Too many other time commitments
17/07/2020	ENGIE Brasil Energia SA	Special	Abstain	2,3	Insufficient/poor disclosure
17/07/2020	Equatorial Energia SA	Annual	Against	3 2	Apparent failure to link pay and appropriate performance Concerns to protect shareholder value
17/07/2020	Equatorial Energia SA	Special	All For		
17/07/2020	Equatorial Energia SA	Special	All For		
22/07/2020	Petroleo Brasileiro SA	Annual	Abstain Against	2 3	
22/07/2020	Petroleo Brasileiro SA	Annual	Against	5.1,8	
29/07/2020	BB Seguridade Participacoes SA	Annual	Abstain	4,5	Insufficient/poor disclosure

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
29/07/2020	Cosan SA	Annual	Abstain Against	5.2 5.1 6 8 7	Cumulative/slate voting in favour of individual candidates/slates Cumulative/slate voting in favour of individual candidates/slates Apparent failure to link pay & appropriate performance Apparent failure to link pay & appropriate performance
29/07/2020	Cosan SA	Special	Against	4	Concerns to protect shareholder value
31/07/2020	Klabin SA	Annual	Abstain Against	13 4,7,8.1,8.2,8.3,8.4,8.5,8.6,8. 7,8.8,8.9,8.10,8.11,8.12 11,15,16 5 6	Cumulative/slate voting in favour of individual candidates/slates Insufficient/poor disclosure Concerns about overall performance Insufficient/poor disclosure
31/08/2020	TIM Participacoes SA	Special	Against	6	Apparent failure to link pay and appropriate performance
15/09/2020	Raia Drogasil SA	Special	Against	5	Apparent failure to link pay and appropriate performance
29/07/2020	Geely Automobile Holdings Limited	Special	All For		
30/07/2020	Chow Tai Fook Jewellery Group Ltd.	Annual	Against	3f 5.7	Concerns related to approach to board diversity 2- Overboarded/Too many other time commitments Issue of equity raises concerns about excessive dilution of existing shareholders
18/08/2020	Want Want China Holdings Limited	Annual	Against	3a4,3a5,3a6 6.7	Concerns related to approach to board diversity Issue of equity raises concerns about excessive dilution of existing shareholders
27/08/2020	Sa Sa International Holdings Limited	Annual	Against	4.1,4.3	Issue of equity raises concerns about excessive dilution of existing shareholders
18/09/2020	FIH Mobile Ltd.	Special	All For		
25/09/2020	NetEase, Inc.	Annual	Against	1c	Concerns related to approach to board diversity 2- Overboarded/Too many other time commitments
25/09/2020	NetEase, Inc.	Annual	Against	1c	Concerns related to approach to board diversity 2- Overboarded/Too many other time commitments
30/09/2020	Alibaba Group Holding Ltd.	Annual	Against	2.1,2.2	Lack of independence on board
30/09/2020	Alibaba Group Holding Ltd.	Annual	Against	2.1,2.2	Lack of independence on board
18/08/2020	Jiangsu Hengrui Medicine Co., Ltd.	Special	Against	2,3 1	Apparent failure to link pay & appropriate performance 2- Concerns related to potential conflict of interests Apparent failure to link pay & appropriate performance 2- Concerns related to potential conflict of interests
09/09/2020	China Merchants Bank Co., Ltd.	Special	All For		
18/09/2020	Sinopharm Group Co., Ltd.	Special	Against	11	Concerns related to approach to board diversity 2- Overboarded/Too many other time commitments
25/09/2020	Huaxin Cement Co., Ltd.	Special	All For		
25/09/2020	Inner Mongolia Yili Industrial Group Co., Ltd.	Special	Against	1,2	Insufficient/poor disclosure
02/07/2020	O2 Czech Republic as	Annual	All For		
02/09/2020	MONETA Money Bank, a.s.	Annual	All For		
15/07/2020	Reliance Industries Ltd.	Annual	Against	3	Inadequate management of climate-related risks
18/07/2020	HDFC Bank Limited	Annual	All For		
21/07/2020	Housing Development Finance Corporation Limited	Special	All For		
28/07/2020	Tech Mahindra Limited	Annual	All For		
29/07/2020	Colgate-Palmolive (India) Limited	Annual	All For		
30/07/2020	Housing Development Finance Corporation Limited	Annual	All For		
31/07/2020	Axis Bank Limited	Annual	All For		
05/08/2020	Asian Paints Ltd.	Annual	All For		
09/08/2020	ICICI Bank Limited	Special	All For		
10/08/2020	Eicher Motors Limited	Annual	All For		
13/08/2020	Larsen & Toubro Ltd.	Annual	Against	9,10,11,12	Apparent failure to link pay and appropriate performance
26/08/2020	Maruti Suzuki India Limited	Annual	All For		
28/08/2020	Marico Limited	Annual	All For		
10/09/2020	Petronet Lng Limited	Annual	Against	9 3,4,5,6,7,8	Insufficient basis to support a decision Lack of independence on board
22/09/2020	Power Grid Corporation of India Limited	Annual	Against	3,5,6	Lack of independence on board
24/09/2020	Mahanagar Gas Ltd.	Annual	Against	7	Concerns related to attendance at board or committee meetings
28/09/2020	Bharat Petroleum Corporation Limited	Annual	Against	7 8,9,10,11 3 5	Concerns about reducing shareholder rights Concerns to protect shareholder value Lack of independence on board Lack of independence on boardConcerns related to approach to board diversity

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
28/09/2020	Indraprastha Gas Limited	Annual	Against	3 12	Concerns related to attendance at board or committee meetings Insufficient/poor disclosure
29/09/2020	HCL Technologies Limited	Annual	All For		
24/07/2020	PT Unilever Indonesia Tbk	Annual	All For		
30/07/2020	PT Bank Central Asia Tbk	Special	Against	2	Concerns related to shareholder rights
03/08/2020	Check Point Software Technologies Ltd.	Annual	All For		
10/09/2020	NICE Ltd. (Israel)	Annual	Against	3a 2a	Administrative declaration Administrative declaration
10/09/2020	NICE Ltd. (Israel)	Annual	Against	A,B1,B2	Administrative declaration
16/09/2020	Plus500 Ltd.	Annual	Against	A 17	Apparent failure to link pay and appropriate performance
01/07/2020	Grupo Aeroportuario del Pacifico SAB de CV	Annual	All For		
07/07/2020	Grupo Aeroportuario del Centro Norte SAB de CV	Annual	All For		
02/07/2020	Dino Polska SA	Annual	Against	13 14	Insufficient/poor disclosure
23/07/2020	Cyfrowy Polsat SA	Annual	Against	17.2,17.3,20	Insufficient/poor disclosure
28/07/2020	CD Projekt SA	Annual	Against	25,26 22	Apparent failure to link pay and appropriate performance Insufficient/poor disclosure
26/08/2020	Powszechna Kasa Oszczednosci Bank Polski SA	Annual	Against	8,13 10	Apparent failure to link pay & appropriate performance Inappropriate bundling of election of directors on a single vote
18/09/2020	LPP SA	Annual	Against	12 15 14	Apparent failure to link pay & appropriate performance 2- Insufficient/poor disclosure Concerns to protect shareholder value Concerns to protect shareholder value
22/09/2020	CD Projekt SA	Special	Against	5,6	Apparent failure to link pay and appropriate performance
18/08/2020	Polyus PJSC	Annual	Against	3.1,3.4,3.5,3.6,3.8	Concerns about overall board structure
25/09/2020	Sberbank Russia PJSC	Annual	Against	4.3,4.4,4.5,4.6,4.7,4.11,4.12, 4.13	Concerns about overall board structure
25/09/2020	Sberbank Russia PJSC	Annual	Against	4.3,4.4,4.5,4.6,4.7,4.11,4.12, 4.13	Concerns about overall board structure
30/09/2020	Mobile TeleSystems PJSC	Special	All For		
30/09/2020	Mobile TeleSystems PJSC	Special	All For		
30/09/2020	Polyus PJSC	Special	All For		
30/09/2020	Tatneft PJSC	Special	All For		
21/08/2020	Naspers Ltd.	Annual	Against	8 7 6.4 14 13 5.6	Apparent failure to link pay & appropriate performance Apparent failure to link pay & appropriate performance Concerns related to inappropriate membership of committees Issue of capital raises concerns about excessive dilution of existing shareholders 2- Multiple voting rights Issue of capital raises concerns about excessive dilution of existing shareholders 2- Multiple voting rights Multiple voting rights
03/07/2020	PTT Public Co., Ltd.	Annual	Against	5.1,5.2,5.3,5.4 6	Inadequate management of climate-related risks Insufficient/poor disclosure
16/07/2020	CP All Public Co. Ltd.	Annual	Against	4.3,4.4	Concerns about candidate's experience/skills
23/07/2020	Advanced Info Service Public Co., Ltd.	Annual	Against	8	Insufficient/poor disclosure
24/07/2020	Intouch Holdings Public Co. Ltd.	Annual	Against	9	Insufficient/poor disclosure
29/07/2020	Thanachart Capital Public Co., Ltd.	Annual	Against	8	Insufficient/poor disclosure
09/07/2020	Anadolu Efes Biracilik ve Malt Sanayii A.S.	Special	All For		
14/07/2020	Eregli Demir ve Celik Fabrikalari TAS	Annual	Against	9,11,13	Insufficient/poor disclosure
14/07/2020	Iskenderun Demir ve Celik AS	Annual	Against	9,13	Insufficient/poor disclosure
14/07/2020	Iskenderun Demir ve Celik AS	Annual	Against	9,11,13	Insufficient/poor disclosure
17/07/2020	Turkiye Garanti Bankasi AS	Annual	Against	5 4,6 12 8	Concerns about reducing shareholder rights Concerns to protect shareholder value Insufficient/poor disclosure Insufficient/poor disclosure
25/07/2020	Turk Telekomunikasyon AS	Annual	Against	8 7	Insufficient/poor disclosure Lack of independence on board
28/08/2020	Turkiye Sise ve Cam Fabrikalari AS	Special	All For		
23/09/2020	Capri Holdings Limited	Annual	Against	3	Apparent failure to link pay and appropriate performance

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
01/07/2020	voestalpine AG	Annual	Against	7	Performance-related pay/awards for non-executives
07/07/2020	Andritz AG	Annual	Against	8	Concerns about remuneration committee performance
24/09/2020	Telekom Austria AG	Annual	Against	6.1 6.2	Lack of independence on board Lack of independence on boardConcerns related to approach to board diversity
25/09/2020	Vienna Insurance Group AG	Annual	Against	8 5	Apparent failure to link pay & appropriate performance Concerns related to Non-audit fees
29/09/2020	OMV AG	Annual	Against	9.3 7	 Apparent failure to link pay & appropriate performance
30/09/2020	Colruyt SA	Annual	Against	2	Apparent failure to link pay and appropriate performance
24/08/2020	TCS Group Holding Plc	Annual	All For		
02/07/2020	Ubisoft Entertainment SA	Annual/Special	All For		
02/07/2020	Wendel SE	Annual/Special	Against	7,11,12,27,28 4	Apparent failure to link pay and appropriate performance Insufficient/poor disclosure
08/07/2020	Alstom SA	Annual/Special	All For		
21/07/2020	Iliad SA	Annual/Special	Against	13,14,15,16,17,18,20,21,24, 25 4,5,6	Apparent failure to link pay and appropriate performance Insufficient justification for related party transaction
23/07/2020	Remy Cointreau SA	Annual/Special	Against	6,12,16,17 5 23,24,25,26	Apparent failure to link pay and appropriate performance Insufficient justification for related party transaction Issue of equity raises concerns about excessive dilution of existing shareholders
04/09/2020	Bouygues SA	Special	Against	2	Apparent failure to link pay and appropriate performance
08/07/2020	Daimler AG	Annual	Against	8	Issue of capital raises concerns about excessive dilution of existing shareholders
09/07/2020	Fielmann AG	Annual	Against	6	Inappropriate bundling of election of directors on a single vote
09/07/2020	Siemens AG	Special	All For		
14/07/2020	Continental AG	Annual	All For		
16/07/2020	KION GROUP AG	Annual	Against	6.1,6.4	Lack of independence on board
16/07/2020	Suedzucker AG	Annual	All For		
30/07/2020	Covestro AG	Annual	All For		
04/08/2020	Wacker Chemie AG	Annual	Against	6	Concerns to protect shareholder value
05/08/2020	MTU Aero Engines AG	Annual	All For		
06/08/2020	Carl Zeiss Meditec AG	Annual	Against	8 7.1,7.2	Concerns to protect shareholder value Lack of independence on board
06/08/2020	GRENKE AG	Annual	Against	7	Concerns to protect shareholder value
11/08/2020	adidas AG	Annual	Against	7	Concerns regarding Auditor tenure
19/08/2020	LEG Immobilien AG	Annual	Against	8	Apparent failure to link pay and appropriate performance
27/08/2020	Deutsche Post AG	Annual	Against	5	Concerns regarding Auditor tenure
27/08/2020	Fresenius Medical Care AG & Co. KGaA	Annual	All For		
27/08/2020	LANXESS AG	Annual	All For		
28/08/2020	Fresenius SE & Co. KGaA	Annual	All For		
31/08/2020	Evonik Industries AG	Annual	Against	7 6	Apparent failure to link pay and appropriate performance Concerns to protect shareholder value
23/09/2020	TRATON SE	Annual	All For		
24/09/2020	Rocket Internet SE	Special	Against	1	Concerns to protect shareholder value
25/09/2020	HELLA GmbH & Co. KGaA	Annual	All For		
30/09/2020	Volkswagen AG	Annual	Against	3.1,3.3,3.5,3.9,4.1,4.2,4.3,4. 4,4.7,4.9,4.10,4.12,4.13,4.15 ,4.16,4.17,4.18,4.21 5	Concerns to protect shareholder value Lack of independence on board
28/07/2020	Eurobank Ergasias Services & Holdings SA	Annual	All For		
31/07/2020	Alpha Bank SA	Annual	All For		
10/09/2020	Folli Follie SA	Annual	Against	3 1 6 4	Concerns about overall performance Concerns to protect shareholder value Inappropriate bundling of election of directors on a single vote Insufficient/poor disclosure
10/09/2020	Folli Follie SA	Annual	All For		
17/07/2020	DCC Plc	Annual	All For		

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
23/07/2020	C&C Group Plc	Annual	All For		
27/07/2020	Linde Plc	Annual	Against	4 1h 1k	Apparent failure to link pay & appropriate performance Concerns about remuneration committee performance Overboarded/Too many other time commitments
28/07/2020	STERIS Plc (Ireland)	Annual	All For		
30/07/2020	Jazz Pharmaceuticals Plc	Annual	Against	3 1b	Apparent failure to link pay and appropriate performance Concerns related to approach to board diversity
26/08/2020	Aon Plc	Special	All For		
26/08/2020	Willis Towers Watson Public Limited Company	Court	All For		
26/08/2020	Willis Towers Watson Public Limited Company	Special	Against	3	Apparent failure to link pay & appropriate performance
28/07/2020	Infrastrutture Wireless Italiane SpA	Special	Against	1,A	Insufficient/poor disclosure
18/09/2020	B&M European Value Retail SA	Annual	All For		
30/09/2020	L'Occitane International S.A.	Annual	Against	8 3.3 3.2 5A,5C	Apparent failure to link pay and appropriate performance Concerns related to approach to board diversity Concerns related to attendance at board or committee meetings Issue of equity raises concerns about excessive dilution of existing shareholders
18/08/2020	Prosus NV	Annual	Against	2,5,14	Apparent failure to link pay and appropriate performance
10/09/2020	Royal KPN NV	Special	All For		
18/09/2020	Davide Campari-Milano NV	Special	Against	5 2,3	Apparent failure to link pay and appropriate performance Concerns related to shareholder rights
21/09/2020	Unilever NV	Special	All For		
14/07/2020	Industria de Diseno Textil SA	Annual	All For		
20/07/2020	Cellnex Telecom SA	Annual	All For		
22/07/2020	Siemens Gamesa Renewable Energy SA	Annual	Against	20 14,16	Apparent failure to link pay & appropriate performance Issue of equity raises concerns about excessive dilution of existing shareholders
07/09/2020	International Consolidated Airlines Group SA	Annual	Against	8	Apparent failure to link pay and appropriate performance
19/08/2020	Kinnevik AB	Special	All For		
26/08/2020	Elekta AB	Annual	Against	16	Apparent failure to link pay and appropriate performance
11/09/2020	Tele2 AB	Special	Against	7.b	Concerns to protect shareholder value
22/09/2020	ICA Gruppen AB	Special	All For		
08/08/2020	EMS-Chemie Holding AG	Annual	Against	3.2.2 7	Apparent failure to link pay and appropriate performance Insufficient/poor disclosure
02/09/2020	Kuehne + Nagel International AG	Special	Against	2	Insufficient/poor disclosure
04/09/2020	Pargesa Holding SA	Special	Against	2	Insufficient/poor disclosure
09/09/2020	Compagnie Financiere Richemont SA	Annual	Against	9.3 7 5.1 10 5.3,5.4,5.6,5.7,5.10,5.14,5.1 6,5.17,5.18,5.19 5.2	Apparent failure to link pay and appropriate performance Concerns regarding Auditor tenure Concerns related to approach to board diversityLack of independence on boardOverboarded/Too many other time commitments Insufficient/poor disclosure Lack of independence on board Lack of independence on boardConcerns related to inappropriate membership of committees
09/09/2020	Logitech International S.A.	Annual	Against	A	Insufficient/poor disclosure
05/08/2020	Constellation Software Inc.	Special	Against	1.3	Lack of independence on board
05/08/2020	Saputo Inc.	Annual	All For		
16/09/2020	Alimentation Couche-Tard Inc.	Annual	Against	4,6	SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks
15/07/2020	VMware, Inc.	Annual	Against	2 1a	Apparent failure to link pay and appropriate performance Concerns related to approach to board diversity
17/07/2020	E*TRADE Financial Corporation	Special	Against	2	Apparent failure to link pay and appropriate performance
21/07/2020	Constellation Brands, Inc.	Annual	Against	3 1.3 1.6	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance Concerns to protect shareholder valueConcerns related to inappropriate membership of committees
23/07/2020	Exact Sciences Corporation	Annual	Against	3 1.2,1.4	Apparent failure to link pay and appropriate performance Concerns related to approach to board diversity

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
24/07/2020	Southern Copper Corporation	Annual	Against	3 1.8,1.10 1.6 1.9 1.1,1.4	Apparent failure to link pay & appropriate performance Concerns related to approach to board diversity Concerns related to approach to board diversity 2- Concerns related to inappropriate membership of committees Concerns related to attendance at board or committee meetings Concerns related to inappropriate membership of committees
28/07/2020	VF Corp.	Annual	Against	2	Apparent failure to link pay & appropriate performance
29/07/2020	McKesson Corporation	Annual	Against	5,6	SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes transparency
30/07/2020	Ralph Lauren Corporation	Annual	All For		
04/08/2020	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
05/08/2020	Xilinx, Inc.	Annual	Against	2 1.4	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance
06/08/2020	Electronic Arts Inc.	Annual	Against	2 1b	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance
12/08/2020	ABIOMED, Inc.	Annual	Against	2	Apparent failure to link pay & appropriate performance
13/08/2020	DXC Technology Co.	Annual	Against	3,4	Apparent failure to link pay & appropriate performance
18/08/2020	Microchip Technology Incorporated	Annual	All For		
19/08/2020	The J. M. Smucker Company	Annual	Against	3	Apparent failure to link pay & appropriate performance
27/08/2020	International Flavors & Fragrances Inc.	Special	All For		
08/09/2020	NortonLifeLock Inc.	Annual	Against	3 1e	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance
10/09/2020	NetApp, Inc.	Annual	Against	2 1d	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance
16/09/2020	Take-Two Interactive Software, Inc.	Annual	All For		
17/09/2020	NIKE, Inc.	Annual	Against	2 5	Apparent failure to link pay & appropriate performance SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks
21/09/2020	FedEx Corporation	Annual	Against	2 4,5	Concerns about remuneration committee performance SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes transparency
22/09/2020	General Mills, Inc.	Annual	All For		
22/09/2020	Tesla, Inc.	Annual	Against	2 1.2 6,7 5	Apparent failure to link pay & appropriate performance Concerns about remuneration committee performance 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 enhanced shareholder rights
23/09/2020	Conagra Brands, Inc.	Annual	Against	3 1h	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance
23/09/2020	Darden Restaurants, Inc.	Annual	All For		
24/09/2020	Lamb Weston Holdings, Inc.	Annual	All For		
01/07/2020	Schroder Oriental Income Fund Limited	Special	All For		
22/07/2020	HarbourVest Global Private Equity Ltd.	Annual	All For		
28/07/2020	Syncona Ltd.	Annual	All For		
31/07/2020	Sequoia Economic Infrastructure Income Fund Ltd.	Annual	All For		
31/07/2020	Sirius Real Estate Ltd.	Annual	Against	12	Apparent failure to link pay & appropriate performance
27/08/2020	UK Commercial Property REIT Ltd.	Annual	All For		
03/09/2020	JLEN Environmental Assets Group Ltd.	Annual	Against	14	Issue of capital raises concerns about excessive dilution of existing shareholders
08/09/2020	Hipgnosis Songs Fund Ltd.	Annual	All For		
11/09/2020	NextEnergy Solar Fund Ltd.	Annual	Against	14	Issue of capital raises concerns about excessive dilution of existing shareholders
09/07/2020	3I Infrastructure Plc	Annual	All For		
16/07/2020	Foresight Solar Fund Ltd.	Annual	All For		
22/07/2020	Experian Plc	Annual	Against	2,3	Apparent failure to link pay and appropriate performance
28/07/2020	Wizz Air Holdings Plc	Annual	Against	2	Apparent failure to link pay and appropriate performance

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
29/07/2020	Ferguson Plc	Special	All For		
02/07/2020	J Sainsbury Plc	Annual	Against	3	Apparent failure to link pay and appropriate performance
03/07/2020	Marks & Spencer Group Plc	Annual	Against	3	Apparent failure to link pay and appropriate performance
07/07/2020	Assura Plc	Annual	Against	2	Apparent failure to link pay and appropriate performance
07/07/2020	Whitbread Plc	Annual	All For		
09/07/2020	Land Securities Group Plc	Annual	All For		
09/07/2020	Pets At Home Group Plc	Annual	Abstain	11	Proposal withdrawn/not put to a vote
09/07/2020	Templeton Emerging Markets Investment Trust Plc	Annual	All For		
09/07/2020	Workspace Group Plc	Annual	Against	2	Apparent failure to link pay and appropriate performance
09/07/2020	Worldwide Healthcare Trust Plc	Annual	All For		
14/07/2020	easyJet Plc	Special	All For		
14/07/2020	HICL Infrastructure PLC	Annual	All For		
14/07/2020	QinetiQ Group plc	Annual	Against	2,3 8	Apparent failure to link pay and appropriate performance Overboarded/Too many other time commitments
14/07/2020	Vistry Group Plc	Special	All For		
15/07/2020	Burberry Group Plc	Annual	All For		
15/07/2020	Severn Trent Plc	Annual	All For		
16/07/2020	Biffa Plc	Annual	Against	2 14,15 13	Apparent failure to link pay and appropriate performance Issue of capital raises concerns about excessive dilution of existing shareholders Issue of capital raises concerns about excessive dilution of existing shareholders
16/07/2020	BT Group Plc	Annual	All For		
16/07/2020	Edinburgh Worldwide Investment Trust Plc	Special	All For		
16/07/2020	Electrocomponents Plc	Annual	All For		
17/07/2020	HomeServe Plc	Annual	Against	3 2 15	Apparent failure to link pay & appropriate performance Apparent failure to link pay & appropriate performance Concerns regarding Auditor tenure
20/07/2020	Energean Plc	Special	All For		
21/07/2020	AVEVA Group Plc	Annual	Against	4 3	Apparent failure to link pay & appropriate performance Apparent failure to link pay & appropriate performance
21/07/2020	Intermediate Capital Group Plc	Annual	Against	3,17	Apparent failure to link pay and appropriate performance
21/07/2020	Perpetual Income & Growth Investment Trust Plc	Annual	All For		
21/07/2020	TalkTalk Telecom Group Plc	Annual	Against	2,3,19 5 9 10,12	Apparent failure to link pay and appropriate performance Concerns about overall performance Concerns about remuneration committee performanceConcerns related to inappropriate membership of committeesConcerns related to approach to board diversity Concerns related to inappropriate membership of committees
22/07/2020	LondonMetric Property Plc	Annual	All For		
22/07/2020	Mediclinic International Plc	Annual	Against	3 10	Apparent failure to link pay and appropriate performance Overboarded/Too many other time commitments
23/07/2020	Edinburgh Investment Trust Plc	Annual	All For		
23/07/2020	Fidelity China Special Situations Plc	Annual	All For		
23/07/2020	Johnson Matthey Plc	Annual	Against	3	Apparent failure to link pay and appropriate performance
23/07/2020	Tate & Lyle Plc	Annual	All For		
23/07/2020	Telecom Plus Plc	Annual	Against	4 9 5	Concerns about overall board structure Concerns related to approach to board diversity Concerns related to inappropriate membership of committees
24/07/2020	Great Portland Estates Plc	Annual	All For		
24/07/2020	Kingfisher Plc	Annual	All For		
24/07/2020	PayPoint Plc	Annual	Against	2,17	Apparent failure to link pay and appropriate performance
24/07/2020	United Utilities Group Plc	Annual	All For		
27/07/2020	National Grid Plc	Annual	All For		
28/07/2020	BlackRock Smaller Companies Trust plc	Annual	All For		
28/07/2020	TR Property Investment Trust PLC	Annual	All For		
28/07/2020	Vodafone Group Plc	Annual	Against	13	Overboarded/Too many other time commitments
29/07/2020	Caledonia Investments Plc	Annual	Against	17	Concerns to protect shareholder value

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
29/07/2020	The British Land Co. Plc	Annual	All For		
30/07/2020	BMO Global Smaller Companies PLC	Annual	All For		
31/07/2020	JD Sports Fashion Plc	Annual	Against	2,3,13 4 6	Apparent failure to link pay and appropriate performance Combined CEO/Chairman Concerns about remuneration committee performance
31/07/2020	Pennon Group Plc	Annual	Against	4	Apparent failure to link pay and appropriate performance
04/08/2020	Babcock International Group Plc	Annual	All For		
05/08/2020	Big Yellow Group Plc	Annual	Against	2	Apparent failure to link pay & appropriate performance
06/08/2020	Investec Plc	Annual	All For		
10/08/2020	Capital & Counties Properties Plc	Special	Against	1	Concerns to protect shareholder value
10/08/2020	Personal Assets Trust Plc	Special	All For		
10/08/2020	Petropavlovsk Plc	Special	Against	1,2,3,4,5,6,9,10,11 19	SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes transparency
12/08/2020	SSE Plc	Annual	All For		
14/08/2020	Impax Environmental Markets Plc	Special	All For		
17/08/2020	Cranswick Plc	Annual	All For		
20/08/2020	AO World Plc	Annual	Against	18	Apparent failure to link pay and appropriate performance
20/08/2020	Centrica Plc	Special	All For		
01/09/2020	BB Healthcare Trust Plc	Special	Against	2	Issue of capital raises concerns about excessive dilution of existing shareholders
01/09/2020	Hammerson Plc	Special	All For		
01/09/2020	The Monks Investment Trust Plc	Annual	All For		
02/09/2020	Polar Capital Technology Trust Plc	Annual	All For		
03/09/2020	Ninety One Plc	Annual	Against	10,12	Apparent failure to link pay and appropriate performance
04/09/2020	Allianz Technology Trust PLC	Special	Against	4 2	Issue of capital raises concerns about excessive dilution of existing shareholders Issue of capital raises concerns about excessive dilution of existing shareholders
04/09/2020	Berkeley Group Holdings Plc	Annual	Against	2	Apparent failure to link pay & appropriate performance
04/09/2020	Halma Plc	Annual	All For		
08/09/2020	Ashtead Group Plc	Annual	All For		
08/09/2020	Civitas Social Housing Plc	Annual	All For		
08/09/2020	DS Smith Plc	Annual	All For		
08/09/2020	Oxford Instruments Plc	Annual	Against	12	Apparent failure to link pay and appropriate performance
08/09/2020	Royal Mail Plc	Annual	Against	2 3	Apparent failure to link pay & appropriate performance Apparent failure to link pay and appropriate performance
10/09/2020	Dixons Carphone Plc	Annual	All For		
11/09/2020	Ferrexpo Plc	Special	Against	1	Concerns to protect shareholder value
15/09/2020	FirstGroup Plc	Annual	All For		
16/09/2020	Auto Trader Group Plc	Annual	Against	2	Apparent failure to link pay and appropriate performance
16/09/2020	Games Workshop Group Plc	Annual	All For		
17/09/2020	IG Group Holdings Plc	Annual	Against	2	Apparent failure to link pay and appropriate performance
18/09/2020	Pearson Plc	Special	Against	1	Apparent failure to link pay & appropriate performance
18/09/2020	Personal Assets Trust Plc	Annual	All For		
21/09/2020	Henderson Smaller Cos. Investment Trust Plc	Annual	All For		
22/09/2020	Hastings Group Holdings Plc	Court	All For		
22/09/2020	Hastings Group Holdings Plc	Special	All For		
22/09/2020	Liontrust Asset Management Plc	Annual	Against	3	Apparent failure to link pay and appropriate performance
22/09/2020	Pantheon International Plc	Annual	All For		
23/09/2020	Cairn Energy Plc	Special	All For		
24/09/2020	Kainos Group Plc	Annual	Against	2 8	Apparent failure to link pay and appropriate performance Concerns related to approach to board diversity
28/09/2020	Avon Rubber Plc	Special	All For		
28/09/2020	Diageo Plc	Annual	Against	2,3	Apparent failure to link pay & appropriate performance
29/09/2020	Greencoat UK Wind Plc	Special	All For		

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
30/09/2020	Integrafin Holdings Plc	Special	All For		
30/09/2020	Liontrust Asset Management Plc	Special	All For		
30/09/2020	Renishaw Plc	Annual	Against	2 6 5	Apparent failure to link pay & appropriate performance Concerns to protect shareholder value Concerns to protect shareholder value

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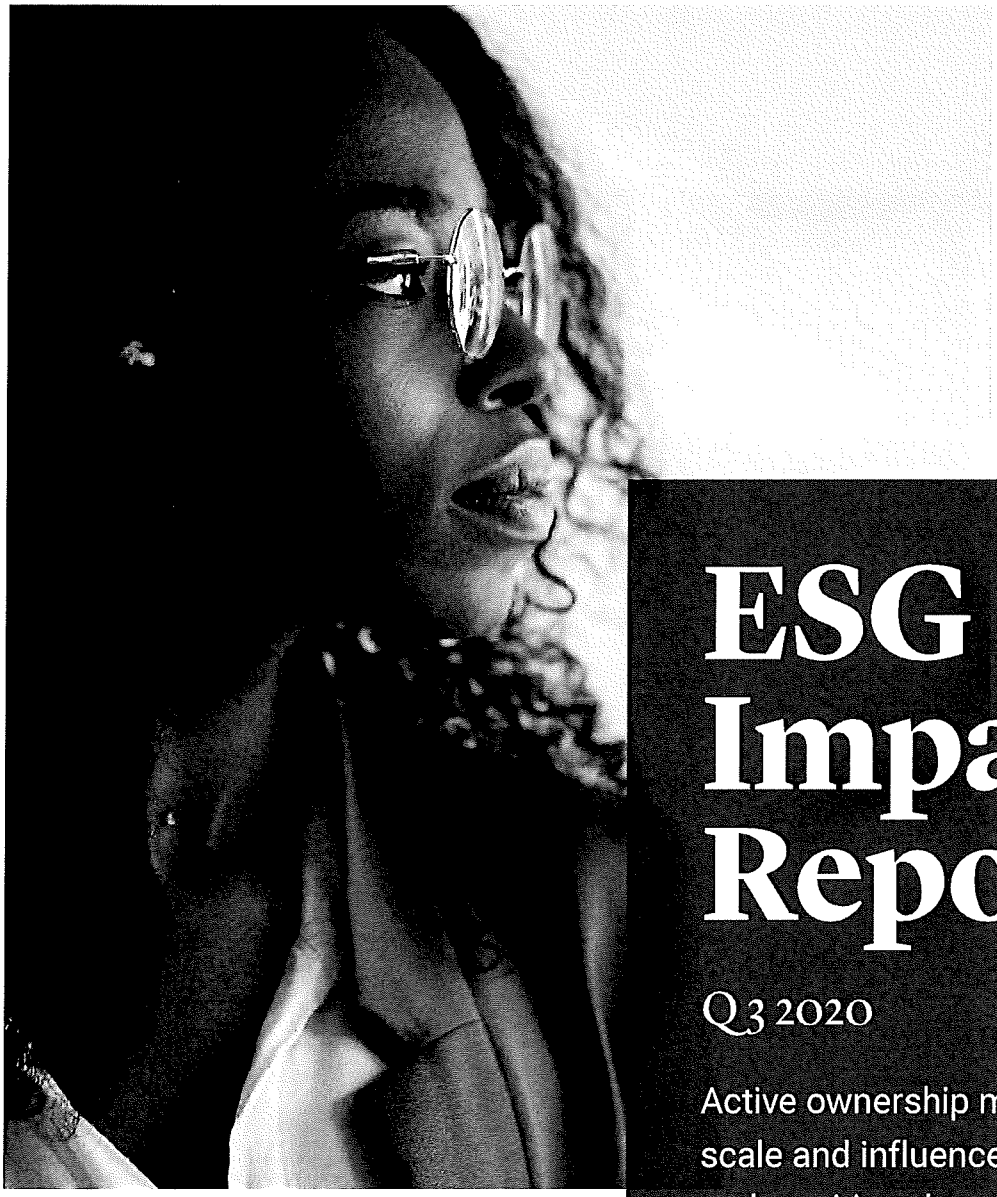


ESG Impact Report

Q3 2020

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

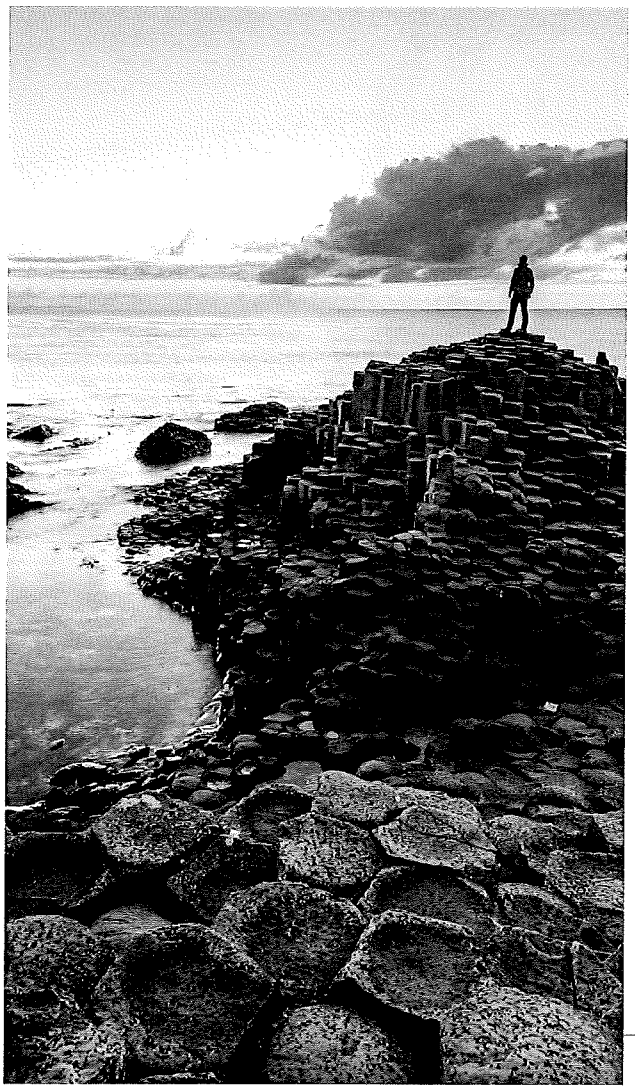
Legal & General
INVESTMENT MANAGEMENT

Our mission

To use our influence to ensure that:

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

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



Our focus

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 when seeking to benefit from emerging opportunities.

We aim 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.

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.

LGIM wants to safeguard and grow our clients' assets by ensuring that companies are well positioned for sustainable growth. Our investment process includes an assessment of how well companies incorporate relevant ESG factors into their everyday thinking.

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

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, we believe companies should become more resilient to change and therefore seek to 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

In the third quarter, executive pay and climate change remained in focus, while we highlighted that the pandemic and racial injustice have brought other societal inequalities to the fore.

During the third quarter of 2020, the COVID-19 crisis kept the need to ensure pharmaceutical companies were ensuring providing fair access to medical treatments and future vaccines top-of-mind. We also adopted a stronger stance with boards on inclusion and increasing minority representation. But we didn't let up on climate engagement, either, as we continued to apply pressure to some of the world's largest companies to meet the targets set out in the Paris Agreement. And, amid economic and employment uncertainty, we put executive pay versus the interests of employees, shareholders and the business at large under the spotlight. Below is our quarterly summary of Legal & General Investment Management's (LGIM) stewardship and responsible investment initiatives.

Improving our transparency on ESG issues

In light of evolving regulation and our commitment to transparent environmental, social and governance (ESG) practices, we have refreshed some of our policy documents. Our intention is to provide clarity to our clients on the processes we have in place to exercise good stewardship on their behalf, including:

- An engagement policy that describes how we integrate shareholder engagement into our investment strategy and collaborate with other investors
- An updated conflicts of interest policy
- How we use the services of proxy advisers

LGIM has had cause to vote against the pay practices adopted by North American companies for many years. We have now decided that it may be helpful for investee companies to have clear guidelines on investors' views that both encourage more transparency and request that pay practices align with corporate strategy and shareholder expectations. Therefore, we have published a stand-alone document entitled 'Principles of Executive Compensation for the North American Market'.

LGIM has spoken publicly about diversity since 2011 and started sanctioning the boards of UK companies with all-male boards in 2015. With our expectations on gender diversity in our investee companies now well established, and given recent social events, we felt the time was right to embark on efforts to improve ethnic diversity within the boardroom and at executive leadership level.

To kick-start this campaign, we produced an article on the topic that outlines LGIM's expectations of companies. We also engaged on the topic this quarter with 44 S&P 500 firms and the 36 FTSE 100 companies whose board membership shows a total lack of ethnic diversity. We asked companies to have at least one director from a minority background on their board by the end of 2021, and from 2022 we will start voting against the chair of the board or of the nomination committee if there is still no ethnic diversity at board level.

Cybercrime is a global issue and the failure to implement safeguards for data security can be costly from a financial and reputational point of view. LGIM published an article to ensure the matter continues to be a regular board agenda item at companies, with sufficient resources being allocated to the issue. Cybercrime is a key business risk that we monitor as part of our investment stewardship activities and investment-research process.

Corporate transparency is increasingly important, given the growing efforts the investment community is making to integrate ESG within their decision-making processes. We set out our expectations as a long-term investor: regarding what ESG information our listed-investee companies should report on and how to communicate this information effectively to stakeholders.

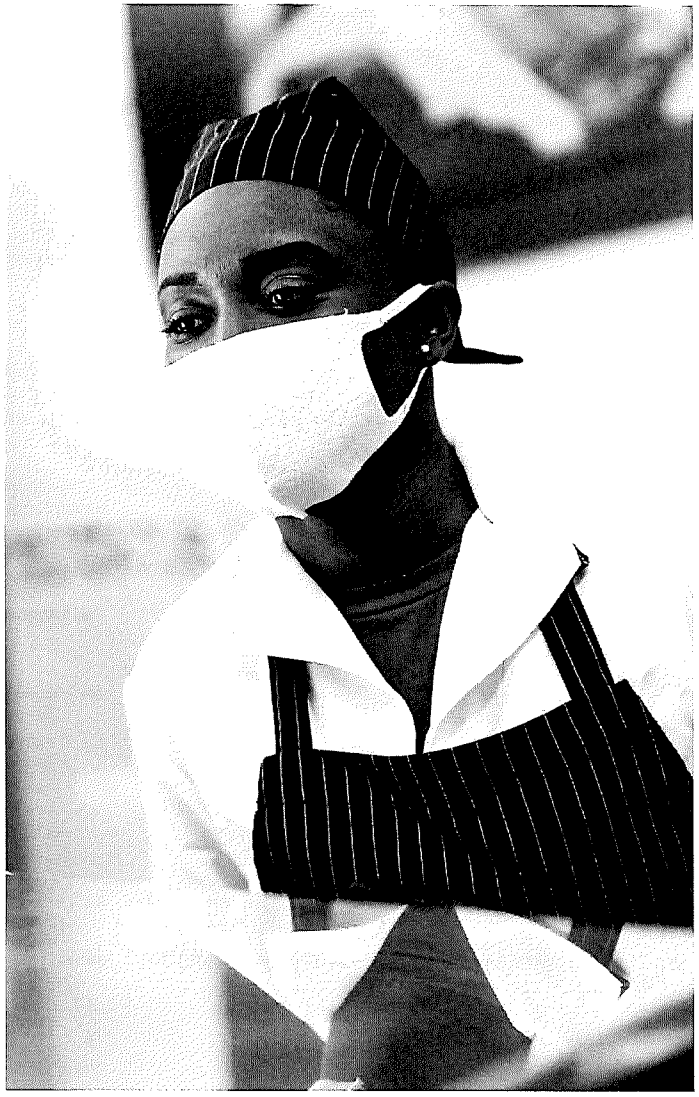
LGIM has updated its controversial weapons policy. This sets out which types of weapons LGIM considers to be controversial, our approach to ensuring these companies are excluded from as many of our funds as possible and a list of the funds whose investment strategy excludes any company known to be involved in these activities. To encourage companies to move away from such activities, LGIM may write to the companies on the exclusion list.

As a strong supporter of the Japan Stewardship Code since its inception in 2014, we have updated our approach to stewardship in the 2020 Japan Stewardship Code Statement to reflect the Japanese Financial Service Agency's amendments made to the code earlier this year. This statement outlines how LGIM's stewardship responsibilities extend beyond equities to all assets globally including equities, fixed income and real assets.

Fighting for fair access to COVID-19-related medical treatments and future vaccines

The COVID-19 pandemic has strained the world's social and financial systems. The pharmaceutical industry will play a vital role in any recovery. Improved medical treatments and the discovery of one or more vaccines will form a critical part of fighting the resurgence of infections, and preventing or limiting future lockdowns. It is questionable, however, whether current research and manufacturing efforts can deliver these medical breakthroughs in the short term and on a global scale.

In this context, LGIM was pleased to become a co-signatory of a letter campaign targeting pharmaceutical companies. Furthermore, we have also written an open letter together with AXA Investment Management and the Access to Medicine Foundation on global access to COVID-19 medical treatments and future vaccines.



LGIM recently became a member of the US-based ICCR (Interfaith Center on Corporate Responsibility). Under this umbrella, we joined the efforts of investors collectively representing more than $2.4 trillion in assets under management (AUM). We co-signed engagement letters addressed to the world's leading pharmaceutical companies asking for disclosure and commitments on their pandemic preparedness, public investment and 'commitment to the public good' (e.g. fair taxes and lobbying disclosures). The objectives of this engagement are to:

- Ensure equitable access to therapeutics and COVID-19 vaccines, given many of the companies involved are receiving public funding
- Encourage maximum transparency over the funding received by individual pharmaceutical companies (and any terms attached to this funding)
- Encourage boards to take active steps to avoid any reputational risks in using tax havens/inappropriate tax strategies, while receiving public funding

We will monitor the responses we receive from the contacted companies.

Pushing to improve German board governance

In Germany, members of supervisory boards are elected for a period of five years. This weakens shareholders' ability to hold directors accountable for their actions at the annual general meeting (AGM). LGIM advocates for annual board elections instead.

In its public consultation document, the commission in charge of reforming the German Corporate Governance Code in 2019 planned to limit supervisory board members' tenure to three years, which we supported, with the expectation the market would progress towards annual elections over time. However, the commission failed to adopt this recommendation.This quarter, LGIM escalated its stance on board elections in Germany by signing a public collaborative letter along with other institutional investors to formally and directly ask DAX30 companies to limit supervisory board members' terms to three years. Collectively, the signatories represented a total of $8.3 trillion in AUM, and the national press covered this campaign.[1]

1. https://www.handelsblatt.com/finanzen/anlagestrategie/trends/vermoegensmanager-investoren-plaedieren-fuer-kuerzere-amtszeiten-der-dax-aufsichtsraete/26104434.html?ticket=ST-2720483-XtEYNv7fLU2NMYzYVfR1-ap5

Limiting the risk of antimicrobial resistance

As part of LGIM's Investment Stewardship team's five-year strategic plan and our commitment to engage on health, Maria Ortino, ESG Manager, joined the Expert Committee for the 2021 Antimicrobial Resistance (AMR) Benchmark methodology (a research programme by the Access to Medicine Foundation). This is an important engagement topic for LGIM, as the development of AMR can have a serious impact on the effectiveness of treatments of infections. The goal of the AMR Benchmark we are taking part in is to guide and incentivise pharmaceutical companies to limit this key risk.

Scrutinising climate-pollution practices in Texas

Alongside Alliance Bernstein and the California State Teachers' Retirement System (CalSTRS), we called on the influential Texas Railroad Commission (TRC) to ban the routine burning of natural gas from the Permian basin, which it regulates.

We support eliminating natural gas flaring by 2025: a global ESG issue which is currently under consideration by the commission. We believe it wastes natural resources, increases emissions, and means we fail to monetise a product that would otherwise add value to the oil-and-gas-producing companies in our portfolios.

The actions of leading operators demonstrate the financial and technical viability of ending routine flaring. It is clear, however, that voluntary action alone has been insufficient to eliminate it across the industry. Strong and effective regulatory action – beyond taking the initial steps to improve data gathering and transparency – is essential in order to build stakeholder confidence and solve this challenge.

Flaring is an area of particular focus for us, because the ability of oil and gas companies to get emissions under control directly relates to the role these companies will play in the broader energy transition.

Collaborating on the Modern Slavery Act

We worked with Rathbones, as part of a collaborative engagement of managers with a total of £3.2 trillion in AUM (December 2019), to challenge FTSE 350 companies that had failed to meet the reporting requirements of Section 54 of the Modern Slavery Act, 2015.

Not only did we want to highlight the importance of eradicating modern slavery throughout the supply chains of FTSE 350 companies, we also sought to raise the importance of eradicating modern slavery across global business. The initiative provided an opportunity for investors to better understand the nature of the companies they invest in, and how the board views the issue of modern slavery. A secondary objective was to encourage a greater degree of challenge on social issues, specifically using shareholder rights, as we feel that responsible investment currently does not focus enough on these concerns.

LGIM's first virtual NED Event

LGIM held its fifth annual, and first virtual, non-executive director (NED) event in September, convening 236 NEDs from around the world.

The event was an opportunity for LGIM's Investment Stewardship team to present on key ESG themes directly to the board members of our investee companies. This included, for instance, the evolution of investment stewardship, our expectations on the topics of income inequality, transparency, ethnic diversity and how to approach the target of reaching net-zero carbon emissions by 2050.

We highlighted how each of these themes has become a key focus area for investor engagement, and we gave suggestions on how to address them effectively so as to ensure boards are adequately equipped to deal with current and future challenges. A summary of the event is available here.

Significant votes

As mentioned in last quarter's ESG Impact Report, owing to evolving regulation, we have adapted our approach so as to provide detailed information to our clients on significant votes on a quarterly basis.

Company name: International Consolidated Airlines Group*

Sector: Transport **Market cap:** £6.6 billion (Source: Eikon, as at 16/9/2020)

Issue identified here:	The COVID-19 crisis and its consequences for international transport have negatively impacted this airline company's financial performance and business model. At the end of March 2020, LGIM addressed a private letter to the company to state our support during the pandemic. We also encouraged the board to demonstrate restraint and discretion with its executive remuneration. As a result of the crisis, the company took up support under various government schemes. The company also announced a 30% cut to its workforce.[2] On the capital allocation front, the company decided to withdraw its dividend for 2020 and sought shareholder approval for a rights issue of €2.75 billion at its 2020 AGM in order to strengthen its balance sheet. The remuneration report for the financial year to 31 December 2019 was also submitted to a shareholder vote. We were concerned about the level of bonus payments, which are 80% to 90% of their salary for current executives and 100% of their salary for the departing CEO.
Summary of the resolution:	'Resolution 8: Approve Remuneration Report' was proposed at the company's annual shareholder meeting held on 7 September 2020.
How LGIM voted:	We voted against the resolution.
Rationale for the decision:	We noted that the executive directors took a 20% reduction to their basic salary from 1 April 2020. However, whilst the bonuses were determined at the end of February 2020 and paid in respect of the financial year to December 2019, LGIM would have expected the remuneration committee to exercise greater discretion in light of the financial situation of the company, and also to reflect the stakeholder experience (employees and shareholders). Over the past few years, we have been closely engaging with the company, including on the topic of the succession of the CEO and the board chair, who were long-tenured. This engagement took place privately in meetings with the board chair and the senior independent director. This eventually led to a success, as the appointment of a new CEO to replace the long-standing CEO was announced in January 2020. A new board chair, an independent non-executive director, was also recently appointed by the board. He will be starting his new role in January 2021.
Outcome:	28.4% of shareholders opposed the remuneration report. LGIM will continue to engage closely with the renewed board.
Why is this vote significant?	LGIM considers this vote significant as it illustrates the importance for investors of monitoring our investee companies' responses to the COVID-19 crisis.

2.https://www.bloomberg.com/news/articles/2020-04-28/british-airways-to-slash-up-to-12-000-jobs-after-hedging-losses

*Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.

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Company name: Luckin Coffee inc.*

Sector: Travel and leisure **Market cap:** $595.7 million (Source: Eikon, as at 16/9/2020)

Issue identified here:	Shortly after its public listing in May 2019, the Chinese coffee start-up, which holds the ambition of disrupting the traditional coffee-shop model and competing with Starbucks in China, was accused by an anonymous report of potential fraudulent behaviour. This was initially denied by the board, and the company later opened an internal investigation with the formation of a special board committee and advice from outside law and forensic firms. The investigation revealed fabricated sales of approximately $300 million, which represented almost half of the company's 2019 sales. As a result, the CEO and chief operating officer were dismissed, and the company was delisted from Nasdaq in June 2020. Two Chinese regulators are investigating the issue. As a result of these findings, Haode Investment inc., a significant shareholder of the company (holding at the time approximately 37% of unequal voting rights), beneficially owned by the chair and founder, requested a special meeting to ask for the removal of three board directors including the director leading the internal investigation, and proposed the election of two outside directors. The company board proposed a resolution at the meeting to seek shareholder approval to remove the board chair from the board. This resolution was put forward by the majority of the board as a result of the findings of the internal investigation.
Summary of the resolution:	'Resolution 4: Remove Director Charles Zhengyao Lu' proposed at the company's special shareholder meeting held on 5 July 2020
How LGIM voted:	We voted in favour of this resolution.
Rationale for the decision:	Given the findings of the investigation, LGIM decided to sanction the board for its lack of oversight. We supported the removal of the board chair, and also voted in favour of the removal of two outside non-independent directors of the board. LGIM opposed the election of the two outside directors proposed by the board chair himself, as we had concerns about their independence.
Outcome:	A majority of investors** supported the removal of the board chair. Three other board directors were also removed, and two new outside directors were appointed to the board. The company subsequently appointed a new combined chair and CEO, who is a co-founder of the company. LGIM will continue to monitor developments.
Why is this vote significant?	LGIM identified this vote as significant given the size of the scandal and the proposal by the board to remove the company's chair. We also note that this scandal has triggered important media coverage. The company is incorporated in China and was listed in the US; The Financial Times reported that this scandal triggered the US Congress passing bills in May to strengthen disclosure requirements for foreign groups.[3]

3.https://www.ft.com/content/7bb80406-a0c6-11ea-ba68-3d5500196c30

*Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security. **% not available.

Company name: SIG plc.*

Sector: Trading companies and distributors **Market cap:** £302.9 million (Source: Eikon, as at 2/10/2020)

Issue identified here:	The company wanted to grant its interim CEO a one-off award of £375,000 for work carried out over a two-month period (February - April). The CEO agreed to invest £150,000 of this payment in acquiring shares in the business, and the remaining £225,000 would be a cash payment. The additional payment was subject to successfully completing a capital-raising exercise to improve the liquidity of the business. The one-off payment was outside the scope of the company's remuneration policy and on top of his existing remuneration, and therefore needed shareholder support for its payment.
Summary of the resolution:	'Resolution 5: Approve one-off payment to Steve Francis' proposed at the company's special shareholder meeting held on 9 July 2020.
How LGIM voted:	We voted against the resolution.
Rationale for the decision:	LGIM does not generally support one-off payments. We believe that the remuneration committee should ensure that executive directors have a remuneration policy in place that is appropriate for their role and level of responsibility. This should negate the need for additional one-off payments. In this instance, there were other factors that were taken into consideration. The size of the additional payment was a concern because it was for work carried over a two-month period, yet was equivalent to 65% of his full-time annual salary. £225,000 was to be paid in cash at a time when the company's liquidity position was so poor that it risked breaching covenants of a revolving credit facility and therefore needed to raise additional funding through a highly dilutive share issue.
Outcome:	The resolution passed. However, 44% of shareholders did not support it. We believe that with this level of dissent the company should not go ahead with the payment. We intend to engage with the company over the coming year to find out why this payment was deemed appropriate and whether it made the payment despite the significant opposition.
Why is this vote significant?	The vote is high-profile and controversial.

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Company name: Pearson*

Sector: Media and publishing **Market cap:** £4.2 billion (Source: Eikon, as at 5/10/2020)

Issue identified here:	Pearson issued a series of profit warnings under its previous CEO. Yet shareholders have been continuously supportive of the company, believing that there is much value to be gained from new leadership and a fresh approach to their strategy. However, the company decided to put forward an all-or-nothing proposal in the form of an amendment to the company's remuneration policy. This resolution at the extraordinary general meeting (EGM) was seeking shareholder approval for the grant of a co-investment award, an unusual step for a UK company, but yet if this resolution was not passed the company confirmed that the proposed new CEO would not take up the CEO role. This is an unusual approach and many shareholders felt backed into a corner, whereby they were keen for the company to appoint a new CEO, but were not happy with the plan being proposed. However, shareholders were not able to vote separately on the two distinctly different items, and felt forced to accept a less-than-ideal remuneration structure for the new CEO.
Summary of the resolution:	'Resolution 1: Amend remuneration policy' was proposed at the company's special shareholder meeting, held on 18 September 2020.
How LGIM voted:	We voted against the amendment to the remuneration policy.
Rationale for the decision:	LGIM spoke with the chair of the board earlier this year, on the board's succession plans and progress for the new CEO. We also discussed the shortcomings of the company's current remuneration policy. We also spoke with the chair directly before the EGM, and relayed our concerns that the performance conditions were weak and should be re-visited, to strengthen the financial underpinning of the new CEO's award. We also asked that the post-exit shareholding requirements were reviewed to be brought into line with our expectations for UK companies. In the absence of any changes, LGIM took the decision to vote against the amendment to the remuneration policy.
Outcome:	At the EGM, 33% of shareholders voted against the co-investment plan and therefore, by default, the appointment of the new CEO. Such significant dissent clearly demonstrates the scale of investor concern with the company's approach. It is important that the company has a new CEO, a crucial step in the journey to recover value; but key governance questions remain which will now need to be addressed through continuous engagement.
Why is this vote significant?	Pearson has had strategy difficulties in recent years and is a large and well-known UK company. Given the unusual approach taken by the company and our outstanding concerns, we deem this vote to be significant.

*Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.

Company name: Plus500 ltd *

Sector: Financials – Diversified financials **Market cap:** £1.6 billion (Source: LSE, as at 21/9/2020)

Issue identified here:	At its AGM on 16 September 2020, Plus500 proposed a number of pay-related proposals for shareholder approval. Amongst these, the board recommended the approval of a substantial discretionary bonus offered to the CFO of around ₪4.2 million (around $1.2 million) for his successful work with Israeli tax authorities over a number of years, resulting in a significant tax-saving for the shareholders. The bonus is in addition to his annual variable pay and outside the normal bonus structure.
Summary of the resolution:	'Resolution 17: Approve Special Bonus Payment to CFO Elad Even-Chen' at the company's special shareholder meeting held on 16 September 2020.
How LGIM voted:	We voted against the special bonus based on the belief that such transaction bonuses do not align with the achievement of pre-set targets. Separately, LGIM also voted against an amendment to the company's remuneration policy, which continues to allow for the flexibility to make one-off awards and offers long-term incentives that remain outside best market practice in terms of long-term performance alignment.
Rationale for the decision:	LGIM does not support one-off discretionary bonuses (or transaction bonuses) as these are not within the approved policy to reward the achievement of pre-set targets. Moreover, discussions with tax authorities and the obtaining of preferential tax structures for the company are seen as part of a CFO's day-to-day job and should not be remunerated separately. Instead, a preferential tax treatment will benefit future performance and will therefore be rewarded within annual bonus and long-term incentives in future performance years. LGIM directly notified the company of its vote intentions before the shareholder meeting.
Outcome:	Given the level of shareholder dissent, Resolution 17 was withdrawn ahead of the AGM, while all the other resolutions were passed. The company stated that: 'The board and the remuneration committee consider that a bonus is appropriate given the outstanding efforts of [the CFO]. As such, Plus500 intends to again propose the resolution for shareholder approval at the EGM to cover 2021 director pay (as is required under Israeli law).
Why is this vote significant?	There was a level of media interest regarding the withdrawal of the resolution. This, combined with the other shortcomings of this company in relation to the expectations of a company listed in London, make this a significant vote. Shareholder dissent to the resolution was sufficiently high that the proposal was withdrawn ahead of the AGM; this will result in the company being included in the UK Investment Association's Public Register.

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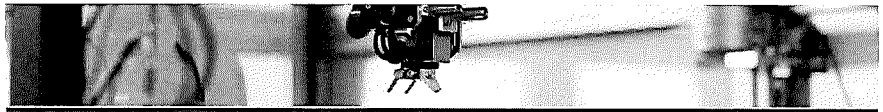

Company name: Olympus Corporation*

Sector: Consumer, non-cyclical, medical instruments **Market cap:** £22 billion (Source: Eikon as at 2/10/2020)

Issue identified here:	Japanese companies in general have trailed behind European and US companies, as well as companies in other countries, in ensuring more women are appointed to their boards. The lack of women is also a concern below board level. LGIM has for many years promoted and supported an increase of appointing more women on boards, at the executive level and below. On a global level we consider that every board should have at least one female director. We deem this a de minimis standard. Globally, we aspire to all boards comprising 30% women. Last year in February we sent letters to the largest companies in the MSCI Japan which did not have any women on their boards or at executive level, indicating that we expect to see at least one woman on the board. One of the companies targeted was Olympus Corporation. In the beginning of 2020, we announced that we would commence voting against the chair of the nomination committee or the most senior board member (depending on the type of board structure in place) for companies included in the TOPIX100.
Summary of the resolution:	'Resolution 3.1: Elect Director Takeuchi, Yasuo' at the company's annual shareholder meeting held on 30 July 2020.
How LGIM voted:	We voted against the resolution.
Rationale for the decision:	We opposed the election of this director in his capacity as a member of the nomination committee and the most senior member of the board, in order to signal that the company needed to take action on this issue.
Outcome:	94.90% of shareholders supported the election of the director. LGIM will continue to engage with and require increased diversity on all Japanese company boards.
Why is this vote significant?	This vote is deemed significant as LGIM considers it imperative that the boards of Japanese companies increase their diversity.

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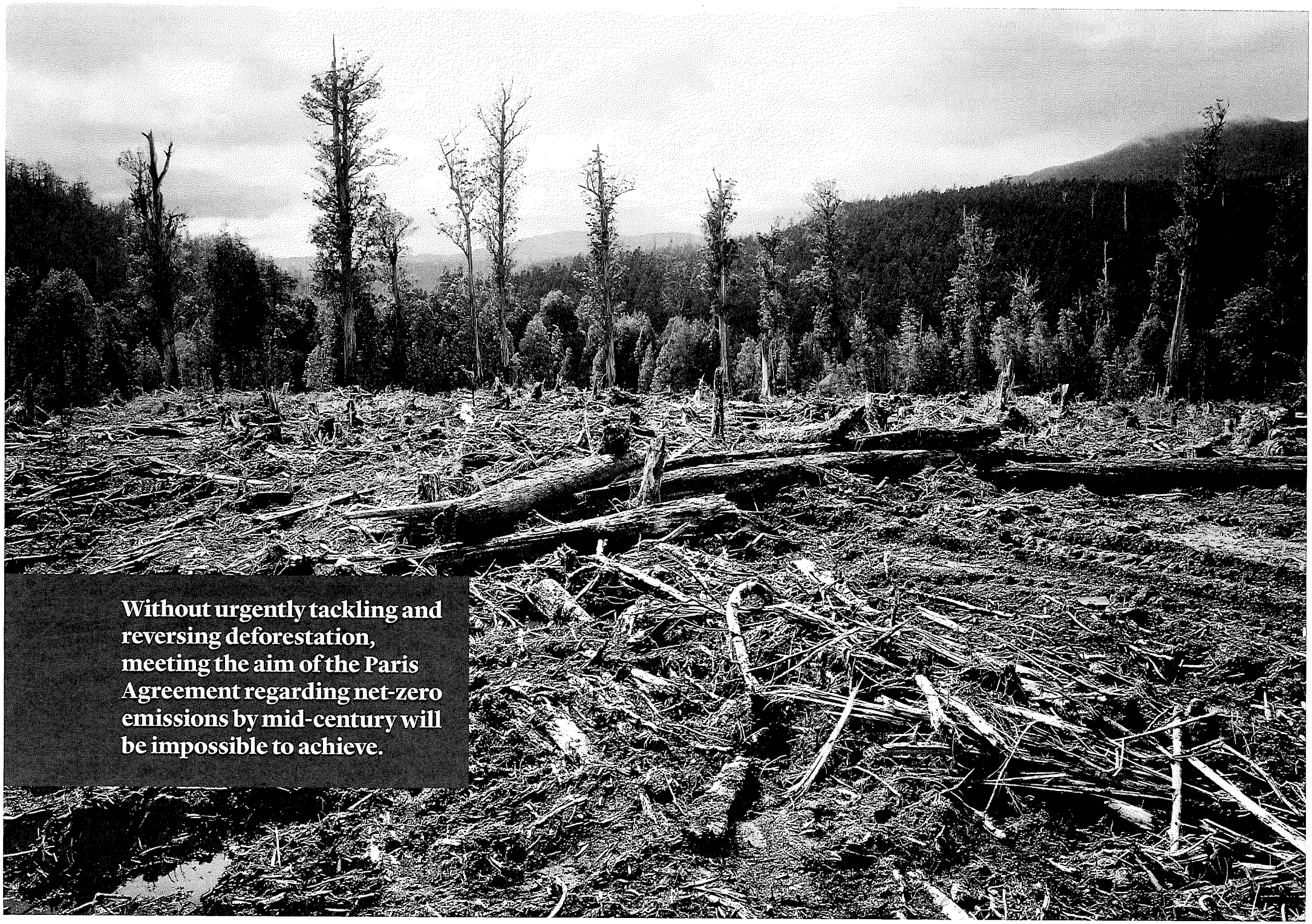

Without urgently tackling and reversing deforestation, meeting the aim of the Paris Agreement regarding net-zero emissions by mid-century will be impossible to achieve.

Sustainability engagements

We continue to engage with companies, policy-makers and other investors to promote sustainability.

Tackling deforestation

Without urgently tackling and reversing deforestation, meeting the aim of the Paris Agreement regarding net-zero emissions by mid-century will be impossible to achieve. The Intergovernmental Panel on Climate Change (IPCC) land-use report highlights that to limit global warming to 1.5°C, reforesting an area the size of India may be necessary.[4] As such, halting deforestation in biodiversity hotspots and systemically important biomes such as the rainforests in the Amazon and Southeast Asia is a key component of global decarbonisation efforts.

This summer, following steps by the Brazilian government to loosen environmental protections, LGIM joined a new investor coalition to lobby the government directly to take steps to halt deforestation in the country. The investor coalition sent letters to a number of Brazilian embassies in Europe, outlining our concerns. Subsequently, a video conference with the vice president, the governor of the central bank, the foreign minister, the minister for the environment and minister for agriculture was scheduled. During this conversation, the investor group called on the government to commit to achieving a significant reduction in deforestation, and to ensure that existing environmental legislation is indeed enforced.

In response, the Brazilian government announced a moratorium on setting fires in the Amazon, and the investor group had a follow-up conversation with several members of Congress. New data[5] released in July shows that the rate of deforestation in the Amazon is sadly continuing to increase. LGIM will be watching developments closely, and will continue to engage with the food companies in our portfolio with exposure to soy and cattle in Brazil, to encourage them to root out deforestation from supply chains.

Going forward, the remit of the investor group will expand to focus lobbying efforts in Southeast Asia too.

Sustainability in the Asia-Pacific region

Coal use remains a contentious issue in the Asia-Pacific region. In 2019, we announced that we will be removing Korean utility KEPCO* from our Future World Fund range, due to the company's lack of ambitious climate strategies. Since then, we have been working with other investors and stakeholders to put pressure on the company to halt plans for new coal projects in Vietnam and Indonesia. Not only are new coal plants fundamentally at odds with the necessary global climate trajectories, independent feasibility studies had questioned the profitability of the projects. We spoke out publicly against the plans in interviews with *The Korea Times*, a leading local newspaper.

Whilst burning and mining coal often receive the most scrutiny, other forms of mining can have detrimental impacts on communities and the environment. In our previous report, we mentioned mining giant Rio Tinto* faced a media backlash following the destruction of an aboriginal heritage site during a mine expansion in Western Australia. We have expressed our disappointment at Rio Tinto's handling of the incident – both publicly, in the press, and privately, during a call with the company's chair.

We believed that the initial measures announced by the company in response – the forfeiting of executive bonuses – were insufficient, and engaged with UK and overseas investors to press for more accountability. The company has now announced that its CEO and two other executives will step down.

4. https://www.ipcc.ch/srccl/download/
5. https://wwf.panda.org/wwf_news/?584271/Annual-deforestation-rate-in-the-Brazilian-Amazon-increases-by-33&_sm_byp=iVV0prDRQVNVt5s6

*For illustrative purposes only. Reference to a particular security is on a historic basis and does not mean that the security is currently held or will be held within an LGIM portfolio. The above information does not constitute a recommendation to buy or sell any security.

Pushing for net zero

The race towards net-zero emissions continues apace. As Glasgow prepares to host the landmark COP26 conference next year, Michelle Scrimgeour, LGIM's CEO, and Meryam Omi, our Head of Sustainability and Responsible Investment Strategy, have been working with the UK government to build momentum for climate action in the private sector.

Indeed, the past few months have seen a range of notable announcements: as part of its strategy to reach net-zero emissions, oil major BP* has pledged to substantially reduce its oil and gas production (40% by 2030), broadly in line with global climate targets. LGIM has been co-leading climate engagement efforts with BP under the Climate Action 100+ investor network, and has engaged with its senior executives regularly as they develop their strategy.

In September, French oil major Total* also set new targets for reductions in the absolute emissions associated with the use of oil products by its customers (the largest source of emissions for the sector). This shift is all the more notable in an industry that even a few years ago was reluctant to set absolute emission targets for its own operations, let alone its products.

Mining company BHP* has also announced new partnerships to reduce emissions from steelmaking and shipping, as part of its efforts to set carbon goals for its customers, and set new expectations on climate issues from the trade groups it is a part of. LGIM has been a supporter of shareholder proposals calling on greater lobbying transparency from BHP and other heavy-emitting companies.

Climate in the boardroom

LGIM received recognition for its strong voting stance in a new report from non-governmental organisation Majority Action, looking at the voting records of the world's 12 largest asset managers.

The report looked at how asset managers sanction directors and their pay, as well as support sustainability-related resolutions at US S&P 500 companies.

In 2020, LGIM was a top supporter of 'climate-critical' shareholder proposals among the world's top 12 asset managers. Reflecting our strengthened principles on executive pay and director appointments – for example, our opposition to combined chair/CEO roles – the report also found LGIM was more likely to oppose the election of directors or their pay in the sectors analysed.

A strong voting stance in the industry

	Votes in favour of 'climate-critical' shareholder proposals:	Votes in favour of management-proposed directors:	Votes in favour of 'say-on-pay' resolutions:
LGIM	100%	82%	76%
Average across top 11 largest asset managers:	44%	96%	91%

Source: LGIM adapted from Majority Action – Climate in the Boardroom (2020),[6] analysis of support for management recommendations at large-cap energy, utility, financial services, and automotive manufacturing companies, and support for shareholder proposals on climate issues at S&P 500 companies.

6. Full report available at: https://www.majorityaction.us/asset-manager-report-2020

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Q3 2020 | ESG Impact Report

Public policy update

Over the past quarter LGIM has actively engaged with, and closely followed, a wide variety of policy and regulatory developments around the world.

United Kingdom

In advance of the G7 presidency and COP26 next year, we have seen a flurry of activity from the government with regards to putting the UK economy on the correct path to meet its 2050 net-zero commitment. Policymakers have listened to calls from the industry (including from LGIM), and launched a 'green and resilient' COVID-19 recovery package.

We have also seen progress on a long-term policy engagement topic, which is to mandate high-quality climate-related disclosures from across the investment chain in line with the framework set out by the Task Force on Climate-related Financial Disclosures (TCFD). We have been very supportive, and engaged with both the Financial Conduct Authority (FCA) and the Department for Work and Pensions (DWP) on this topic over the past year. We recently submitted our response to the formal FCA consultation paper 20/03, recommending that the FCA be bolder with its proposed 'comply and explain' rule for premium-listed issuers.

Specifically, we are encouraging that the FCA make TCFD reporting mandatory for premium-listed issuers and expand the rule to include standard-listed issuers too (with a view to see mandatory reporting by 2022, as outlined by the government's 2019 green finance strategy). At present, we are preparing our formal response to the DWP consultation that is mandating TCFD for pension schemes (supported by the Pension Scheme Bill that is still going through Parliament). We will prepare an update once it is finalised.

European Union

At a European Union level, we continue to engage with the Commission's European Green Deal and Sustainable Finance Action Plan. In July, we responded to a key consultation that will drive the Commission's future work on sustainability, the Renewed Sustainable Finance Strategy. We provided feedback on pertinent issues, including: strengthening stewardship and corporate governance policy across Europe; the necessity to harmonise European sustainable finance regulation (internally and externally); building on existing non-financial disclosures standards; setting clear low-carbon sector transition roadmaps; removing fossil fuel subsidies; and harmonising the ability to file shareholder resolutions across Europe.

Another key engagement for LGIM has been with the European Supervisory Authorities (ESA) regarding the development of the regulatory technical standards of the 'Sustainable Finance Disclosure' Regulation. This regulation is seeking to harmonise sustainability related disclosures at both an entity and product level for financial-market participants across the EU. Whilst we are supportive of the direction of travel from the EU and the ESA, we felt that there was not strong alignment or sequencing with other sustainable finance regulation (e.g. 'EU Taxonomy' and the 'Non-Financial Reporting Directive'), and that in its current format it could have unintended and misleading consequences.

LGIM has also been working with other investors and through the Institutional Investors Group on Climate Change (IIGCC), called on the European Commission and EU member states to raise Europe's greenhouse gas emissions (GHG) target to ensure 'at least' a 55% reduction in emissions by 2030.

United States

Throughout 2020, the Department of Labor (DOL) has issued multiple proposals (A new 'investment duties' rule for ESG and one regarding proxy voting and shareholder rights) that we believe are not in the best interest of long-term savers. In the past quarter, we have submitted public comments to make our position clear that intentional ESG analysis and active participation in proxy voting are completely aligned with fiduciary duties, and, in fact, necessary.

The 'investment duties' proposal seeks to clarify guidance to Employee Retirement Income Security Act (ERISA) plan fiduciaries on their duties and the requirements for evaluating and selecting investments based on ESG factors. Our belief is that the proposed guidance reflects a misunderstanding of how ESG analysis is used in the market and fails to recognise that ESG integration is not a new or innovative approach to investing, but a tried-and-true approach to ensuring long-term portfolio success.

The 'Proposal Regarding Proxy Voting and Shareholder Rights' seeks to provide guidance to ERISA plan fiduciaries on their exercise of shareholder rights, particularly on designing and executing a proxy-voting strategy. Our biggest concern with the proposed rule is that its practical effect will likely be to chill all or most shareholder proxy voting and engagement by pension plans, effectively stripping pension plans (and, indirectly, beneficiaries) of their private rights as equity holders, to the long-term detriment of investment portfolios.

We have been encouraged by the interest and volume of comments the DOL has received on these important proposals. For example, 1,300 comments were received for the ESG proposal and it was estimated that 95% were opposed to the rule. Our viewpoint was highlighted by industry commentators.

We will be concerned if the DOL chooses to go against the groundswell of market feedback and proceed. We will continue to monitor the outcome of these proposals and to engage with regulators wherever we believe it is directly relevant to the best long-term interests of our clients.

Q3 2020 | ESG Impact Report

Engagement with consequences

Going forward, we will continue to engage with policymakers across the world to ensure that policies and regulations are designed effectively, are robust, and are focusing on the most pertinent issues for our stakeholders. One present example is the proliferation of initiatives that seek to 'standardise' sustainability-related disclosures. This is an important area for us and we are engaging with the standard setters, international frameworks, regulators, etc., to ensure we have consistent, comparable and verified disclosures across the market.

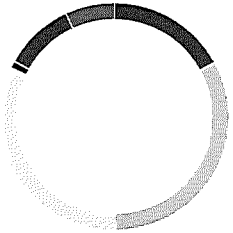
Regional updates

UK - Q3 2020 voting summary

Proposal category	For	Against	Abstain
Antitakeover-related	98	0	0
Capitalisation	542	34	0
Directors-related	1018	66	0
Remuneration-related	255	65	0
Reorganisation and Mergers	21	2	0
Routine/Business	655	20	0
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate Governance	0	0	0
Shareholder Proposal - Director-related	11	14	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	0	0	0
Shareholder Proposal - Other/Miscellaneous	0	0	0
Shareholder Proposal - Routine/Business	0	1	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	2600	202	0
Total resolutions	2802		
No. AGMs	156		
No. EGMs	42		
No. of companies voted on	188		
No. of companies where voted against management on at least one resolution	88		
% of companies with at least one vote against	47%		

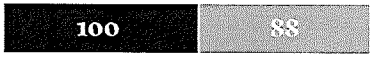
Source for all data LGIM. The votes above represent voting instructions for our main FTSE pooled index funds

Votes against management



- Antitakeover-related - 0
- Capitalisation - 34
- Directors-related - 66
- Remuneration-related - 65
- Reorganisation and Mergers - 2
- Routine/Business - 20
- Shareholder Proposal - Compensation - 0
- Shareholder Proposal - Corporate Governance - 0
- Shareholder Proposal - Director-related - 14
- Shareholder Proposal - General Economic Issues - 0
- Shareholder Proposal - Health/Environment - 0
- Shareholder Proposal - Other/Miscellaneous - 0
- Shareholder Proposal - Routine/Business - 1
- Shareholder Proposal - Social/Human Rights - 0
- Shareholder Proposal - Social - 0

Number of companies voted for/against



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

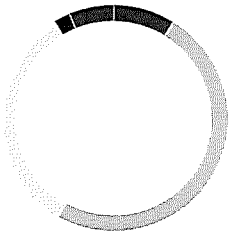
LGIM voted against at least one resolution at 47% of UK companies over the quarter

Europe - Q3 2020 voting summary

Proposal category	For	Against	Abstain
Antitakeover-related	0	0	0
Capitalisation	70	11	0
Directors-related	207	62	0
Remuneration-related	47	42	0
Reorganisation and Mergers	10	3	0
Routine/Business	190	8	0
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate Governance	0	0	0
Shareholder Proposal - Director-related	0	0	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	0	0	0
Shareholder Proposal - Other/Miscellaneous	0	0	0
Shareholder Proposal - Routine/Business	0	0	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	524	126	0
Total resolutions	650		
No. AGMs	34		
No. EGMs	12		
No. of companies voted on	46		
No. of companies where voted against management on at least one resolution	28		
% of companies with at least one vote against	61%		

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

Votes against management



- Antitakeover-related - 0
- Capitalisation - 11
- Directors-related - 62
- Remuneration-related - 42
- Reorganisation and Mergers - 3
- Routine/Business - 8
- Shareholder Proposal - Compensation - 0
- Shareholder Proposal - Corporate Governance - 0
- Shareholder Proposal - Directors-related - 0
- Shareholder Proposal - General Economic Issues - 0
- Shareholder Proposal - Health/Environment - 0
- Shareholder Proposal - Other/Miscellaneous - 0
- Shareholder Proposal - Routine/Business - 0
- Shareholder Proposal - Social/Human Rights - 0
- Shareholder Proposal - Social - 0

Number of companies voted for/against

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

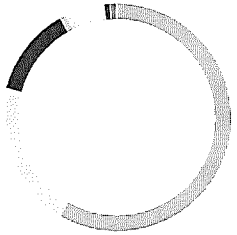
LGIM voted against at least one resolution at 61% of European companies over the quarter

North America - Q3 2020 voting summary

Proposal category	For	Against	Abstain
Antitakeover-related	4	0	0
Capitalisation	5	0	0
Directors-related	216	64	0
Remuneration-related	24	23	0
Reorganisation and Mergers	5	0	0
Routine/Business	24	14	0
Shareholder Proposal - Compensation	2	1	0
Shareholder Proposal - Corporate Governance	2	1	0
Shareholder Proposal - Director-related	5	0	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	0	0	0
Shareholder Proposal - Other/Miscellaneous	1	5	0
Shareholder Proposal - Routine/Business	0	0	0
Shareholder Proposal - Social/Human Rights	0	1	0
Shareholder Proposal - Social	1	1	0
Total	289	110	0
Total resolutions	399		
No. AGMs	34		
No. EGMs	6		
No. of companies voted on	39		
No. of companies where voted against management on at least one resolution	33		
% of companies with at least one vote against	85%		

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

Votes against management



- Antitakeover-related - 0
- Capitalisation - 0
- Directors-related - 64
- Remuneration-related - 23
- Reorganisation and Mergers - 0
- Routine/Business - 14
- Shareholder Proposal - Compensation - 1
- Shareholder Proposal - Corporate Governance - 1
- Shareholder Proposal - Directors-related - 0
- Shareholder Proposal - General Economic Issues - 0
- Shareholder Proposal - Health/Environment - 0
- Shareholder Proposal - Other/Miscellaneous - 5
- Shareholder Proposal - Routine/Business - 0
- Shareholder Proposal - Social/Human Rights - 1
- Shareholder Proposal - Social - 1

Number of companies voted for/against

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

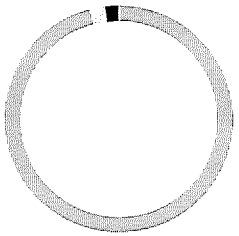
LGIM voted against at least one resolution at **85%** of North American companies over the quarter

Japan - Q3 2020 voting summary

Proposal category	For	Against	Abstain
Antitakeover-related	0	0	0
Capitalisation	0	0	0
Directors-related	215	47	0
Remuneration-related	3	1	0
Reorganisation and Mergers	4	1	0
Routine/Business	13	0	0
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate Governance	0	0	0
Shareholder Proposal - Director-related	5	0	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	0	0	0
Shareholder Proposal - Other/Miscellaneous	0	0	0
Shareholder Proposal - Routine/Business	0	0	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	240	49	0
Total resolutions	289		
No. AGMs	23		
No. EGMs	0		
No. of companies voted on	23		
No. of companies where voted against management on at least one resolution	21		
% of companies with at least one vote against	91%		

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

Votes against management



- Antitakeover-related - 0
- Capitalisation - 0
- Directors-related - 47
- Remuneration-related - 1
- Reorganisation and Mergers - 1
- Routine/Business - 0
- Shareholder Proposal - Compensation - 0
- Shareholder Proposal - Corporate Governance - 0
- Shareholder Proposal - Directors-related - 0
- Shareholder Proposal - General Economic Issues - 0
- Shareholder Proposal - Health/Environment - 0
- Shareholder Proposal - Other/Miscellaneous - 0
- Shareholder Proposal - Routine/Business - 0
- Shareholder Proposal - Social/Human Rights - 0
- Shareholder Proposal - Social - 0

Number of companies voted for/against

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

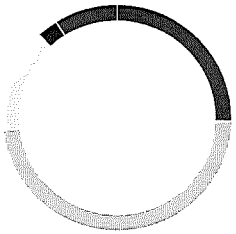
LGIM voted against at least one resolution at **91%** of Japanese companies over the quarter

Asia Pacific - Q3 2020 voting summary

Proposal category	For	Against	Abstain
Antitakeover-related	1	0	0
Capitalisation	37	17	0
Directors-related	108	32	0
Remuneration-related	12	10	0
Reorganisation and Mergers	11	2	0
Routine/Business	67	6	0
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate Governance	0	0	0
Shareholder Proposal - Director-related	1	0	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	0	0	0
Shareholder Proposal - Other/Miscellaneous	0	0	0
Shareholder Proposal - Routine/Business	0	0	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	237	67	0
Total resolutions	304		
No. AGMs	32		
No. EGMs	16		
No. of companies voted on	46		
No. of companies where voted against management on at least one resolution	24		
% of companies with at least one vote against	52%		

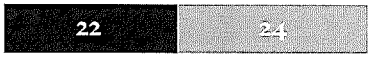
Source for all data LGIM. The votes above represent voting instructions for our main FTSE pooled index funds

Votes against management



- Antitakeover-related - 0
- Capitalisation - 17
- Directors-related - 32
- Remuneration-related - 10
- Reorganisation and Mergers - 2
- Routine/Business - 6
- Shareholder Proposal - Compensation - 0
- Shareholder Proposal - Corporate Governance - 0
- Shareholder Proposal - Directors-related - 0
- Shareholder Proposal - General Economic Issues - 0
- Shareholder Proposal - Health/Environment - 0
- Shareholder Proposal - Other/Miscellaneous - 0
- Shareholder Proposal - Routine/Business - 0
- Shareholder Proposal - Social/Human Rights - 0
- Shareholder Proposal - Social - 0

Number of companies voted for/against



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

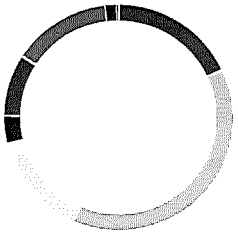
LGIM voted against at least one resolution at 52% of Asia Pacific companies over the quarter

Emerging markets - Q3 2020 voting summary

Proposal category	For	Against	Abstain
Antitakeover-related	1	1	0
Capitalisation	1159	221	0
Directors-related	1460	359	116
Remuneration-related	128	186	0
Reorganisation and Mergers	610	49	0
Routine/Business	1086	109	0
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate Governance	0	2	0
Shareholder Proposal - Director-related	14	172	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	0	0	0
Shareholder Proposal - Other/Miscellaneous	0	0	0
Shareholder Proposal - Routine/Business	1	20	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	4	0
Total	4459	1123	116
Total resolutions	5698		
No. AGMs	264		
No. EGMs	354		
No. of companies voted on	578		
No. of companies where voted against management on at least one resolution	283		
% of companies with at least one vote against	49%		

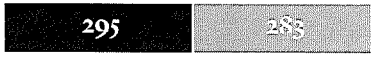
Source for all data LGIM. The votes above represent voting instructions for our main FTSE pooled index funds. The abstentions were due to technical reasons which prevented us from voting. Where we have the option to vote, it is our policy to not abstain.

Votes against management



- Antitakeover-related - 1
- Capitalisation - 221
- Directors-related - 475
- Remuneration-related - 186
- Reorganisation and Mergers - 49
- Routine/Business - 109
- Shareholder Proposal - Compensation - 0
- Shareholder Proposal - Corporate Governance - 2
- Shareholder Proposal - Directors-related - 172
- Shareholder Proposal - General Economic Issues - 0
- Shareholder Proposal - Health/Environment - 0
- Shareholder Proposal - Other/Miscellaneous - 0
- Shareholder Proposal - Routine/Business - 20
- Shareholder Proposal - Social/Human Rights - 0
- Shareholder Proposal - Social - 4

Number of companies voted for/against abstentions



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

LGIM voted against at least one resolution at 49% of emerging markets companies over the quarter

Global voting summary

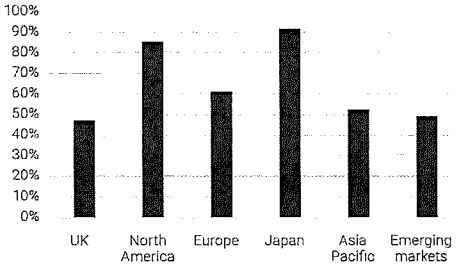
Voting totals

Proposal category	For	Against	Abstain	Total
Antitakeover-related	104	1	0	105
Capitalisation	1813	283	0	2096
Directors-related	3224	630	116	3970
Remuneration-related	469	327	0	796
Reorganisation and Mergers	661	57	0	718
Routine/Business	2035	157	0	2192
Shareholder Proposal - Compensation	2	1	0	3
Shareholder Proposal - Corporate Governance	2	3	0	5
Shareholder Proposal - Directors-related	36	186	0	222
Shareholder Proposal - General Economic Issues	0	0	0	0
Shareholder Proposal - Health/Environment	0	0	0	0
Shareholder Proposal - Other/Miscellaneous	1	5	0	6
Shareholder Proposal - Routine/Business	1	21	0	22
Shareholder Proposal - Social/Human Rights	0	1	0	1
Shareholder Proposal - Social	1	5	0	6
Total	8349	1677	116	10142
No. AGMs	543			
No. EGMs	430			
No. of companies voted on	920			
No. of companies where voted against management on at least one resolution	477			
% of companies with at least one vote against	52%			

Number of companies voted for/against abstentions

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

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



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

Global engagement summary

Engagement stats

168
Total number of engagements during the quarter

158
Number of companies engaged with

Number of engagements on

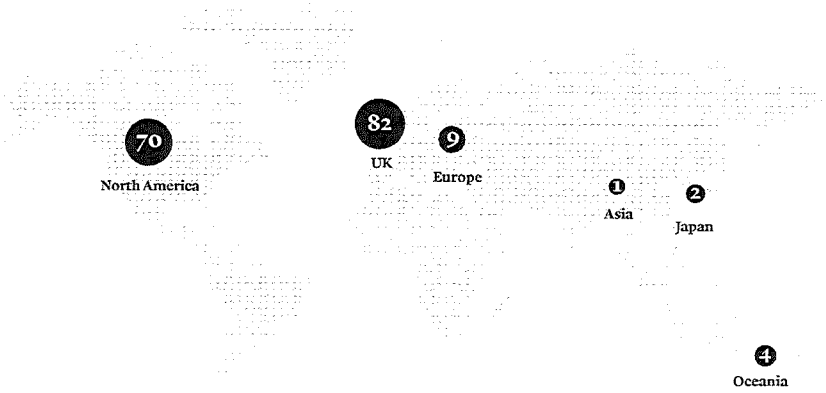
10
Environmental topics

30
Other topics (e.g. financial and strategy)

68
Governance topics

114
Social topics

Breakdown of our engagements by market



Engagement type

2
Face-to-face

35
Conference call

131
Email/letter

Top five engagement topics

1. Gender and ethnic diversity — **92** engagements
2. Remuneration — **50** engagements
3. COVID-19 — **20** engagements
4. Disclosures — **15** engagements
5. Public health — **13** engagements

Contact us

For further information about LGIM, please visit lgim.com or contact your usual LGIM representative

Important information

Past performance is not a guide to future performance. The value of an investment and any income taken from it is not guaranteed and can go down as well as up, you may not get back the amount you originally invested.

Views expressed are of Legal & General Investment Management Limited as at October 2020.

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CC879102020

Legal & General
INVESTMENT MANAGEMENT

Shropshire County Council

Q3 2020

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

In stark contrast to the regulatory endorsement of responsible investment practices across Europe, the current US administration continues to seek to unwind decades of progress made in this area.

After proposing a rule at the end of last quarter to clamp down on asset managers offering sustainable investments to retirement savers, the US Department of Labor (DoL) struck again last month. It is now seeking to impose additional, and unnecessary in our view, hurdles to proxy voting that could seriously impair the ability of pension funds to exercise their shareholder rights. We are very concerned about this concerted campaign to disenfranchise investors as it would weaken portfolio oversight and ultimately harm the pension plan participants it is meant to protect. We have, therefore, joined calls by US and international institutional investors for the DoL to change course by withdrawing or significantly amending the proposals.

US regulatory pushback on responsible investment gains pace

Regulatory developments

In response to an Executive Order signed by Donald Trump last year that looked to provide additional support for the US fossil fuels industry, the U.S. Department of Labour (DOL) opened a comment period on two separate rules that impact private pension plans regulated under the Employee Retirement Income Security Act (ERISA). The first of these rules looked to block the inclusion of any investment fund that partakes in "ESG investing" as a default option to beneficiaries as part of their ERISA plan. In our response to the consultation we pointed out that the integration of ESG considerations is an integral part of prudent investment analysis, meaning that the rule risked limiting the ability for plan fiduciaries to grow assets and manage risk effectively over the long-term.

The second rule looked to address concerns over how ERISA plans vote their proxies, in relation to environmental and social shareholder proposals. In our response to the DOL we argued that this proposal significantly undervalues the benefits of proxy voting by effectively encouraging ERISA plans not to vote, as well as the impractical and costly nature of implementing the new rules.

This quarter we also saw the SEC publish its final conclusions on two key pieces of rulemaking following a period of comment earlier in the year. For details on how we responded to these consultations, please see our Q1 reo reporting.

Under the second set of proposed regulations, the SEC intends to revise the terms by which investors can file shareholder proposals by increasing share ownership and re-submission thresholds and introducing mandatory obligations for filers to engage companies on the proposal. Given the positive impact that the shareholder proposal process has had on improving ESG and specifically corporate governance practices at U.S. companies, this outcome is disappointing.

Advancing climate change management and reporting standards

Engagement collaboration

There are two important developments to report this quarter on investor collaboration on climate change.

The **Climate Action 100+ initiative**, which now represents assets of US$47 trillion, has written to all 161 companies asking for disclosure against a set of common climate change criteria and metrics, including targets, governance and strategy. Company responses will be used to create a public benchmarking report, due in the first quarter of 2021.

BMO Global Asset Management signed up to the **CDP Science-Based Targets Campaign**. The campaign aligns with the asks we are making to companies within the more focused Climate Action 100+ campaign as well as BMO GAM's own engagement approach.

Regulation on climate change disclosure also continues to tighten, with latest developments including the UK government consulting on mandatory climate risk reporting in line with **the Task Force on Climate-related Financial Disclosures (TCFD)** by large domestic pension funds, and a proposal by the New Zealand government of mandatory TCFD reporting for large corporates and financial institutions.

Workforce Disclosure Initiative update

Reporting standards

BMO GAM has been an investor signatory to the Workforce Disclosure Initiative (WDI) since its inception in 2016. We have been actively engaging companies to disclose to the WDI's annual survey since the beginning, and in turn have engaged the WDI to make their survey meaningful and manageable for investors and corporates at the same time! Key findings from the evaluation of the submissions by 118 companies to 2019's survey include that companies are generally reluctant to provide data on staff turnover as well as on internal accountability mechanisms to support workforce governance structures, and that they are willing to submit more data against workforce metrics for permanent employees than their temporary counterparts. Another finding is that the concept of a Living Wage is not universally understood by companies, which we are not entirely surprised about.

This quarter we reached out to 62 companies to respond to the 2020 annual survey, which launched on September 1st.

Countering the decline of Indian labour laws

Engagement collaboration

In Q2 2020, two Northern India states announced that as a reaction to reductions in production demand due to COVID-19 they would suspend labour laws for three years. The impacts for workers would include wages well below regional minimum wage, no right to accrued social or pension benefits, and no protection in case of layoffs.

To better understand the regional landscape and investigate potential engagement angles, we reached out to the Indian office and the CEO of the Ethical Trading Initiative as well as the NGO ShareAction. We decided with ShareAction to jointly approach seven multinational brands for which we could find evidence of sourcing from the affected states.

Pushing for a healthier product offering

Engagement collaboration

As a member of ShareAction's **Healthy Markets initiative**, we signed joint letters to seven UK supermarkets to ask them to support efforts against obesity by promoting healthier eating habits and setting ambitious targets to increase their offering of low-calorie and low-sugar products. The initiative is supported by investors representing over $1 trillion in assets under management.

The Covid-19 pandemic has struck those with underlying health conditions especially hard, with the risk of death being 33% higher for obese people.

Stronger farm animal welfare practices is good for business

Engagement collaboration

In July 2020, BMO GAM signed the **Business Benchmark on Farm Animal Welfare's** (BBFAW) Global Investor Statement on Farm Animal Welfare. The Investor Statement is now supported by 33 institutional investors, representing £2.5 trillion in assets under management.

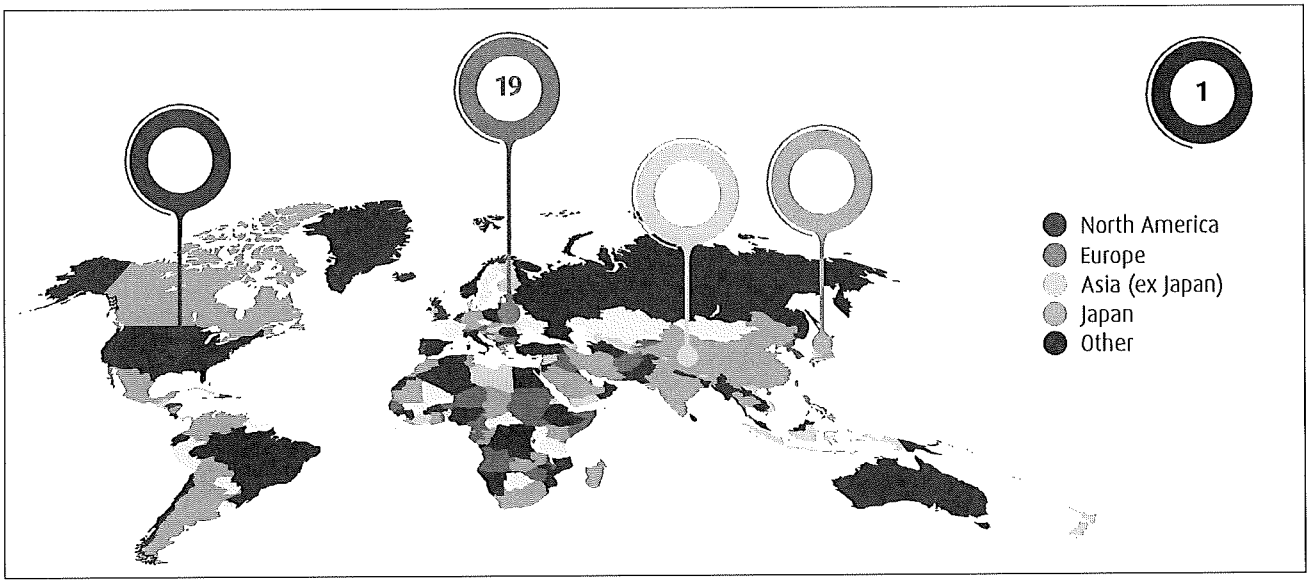
As a signatory to this Investor Statement, we are publicly affirming our view that farm animal welfare is a material investment risk. We are, therefore, asking companies to raise farm animal welfare standards not only in their own operations, but also in their supply chains. Furthermore, we welcome clear and transparent reporting on this issue. We will incorporate the findings of the BBFAW in our engagement with the food industry to hone in on the key issues we want companies to address.

[1]See also our Viewpoint from Nov 2019: "The workforce data quest: why we need it and why it helps companies as well".
[2]https://shareaction.org/workforce-disclosure-initiative/why-disclose-to-the-wdi/wdi-2019-findings/

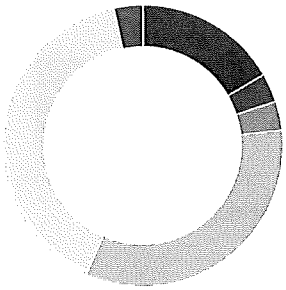
Companies engaged this quarter

Companies Engaged	Milestones achieved	Countries covered
20	2	3

Companies engaged by region

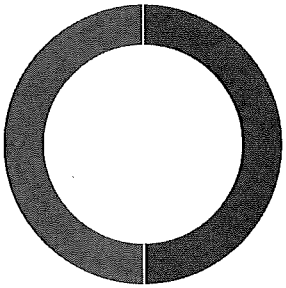


Companies engaged by issue ***



Climate Change	5
Environmental Standards	1
Human Rights	1
Labour Standards	10
Public Health	12
Corporate Governance	1

Milestones achieved by issue



Labour Standards	1
Corporate Governance	1

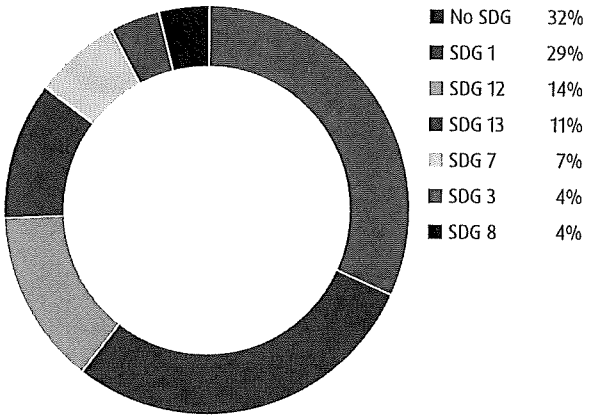
* *reo®* is currently applied to £170bn/$211bn/€188bn/CAD$287bn of assets as at 30 June 2020.
** Companies may have been engaged on more than one issue.
*** This report has been compiled using data supplied by a third-party electronic voting platform provider. The statistics exclude ballots with zero 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)

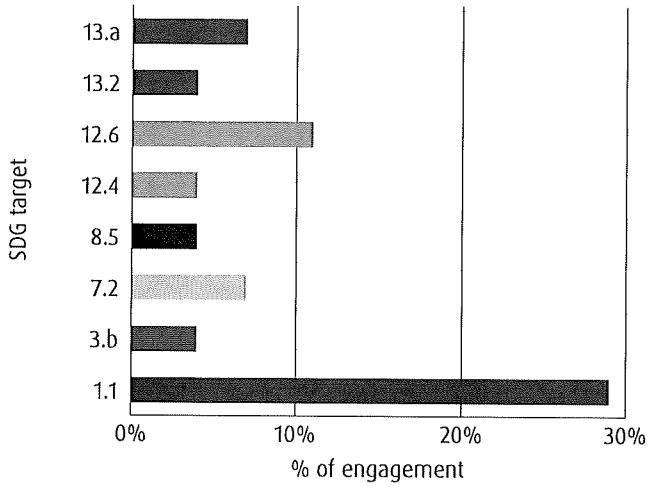
The 17 Sustainable Development Goals (SDGs) were developed by the UN and cross-industry stakeholders with a view to providing a roadmap towards a more sustainable world.

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.

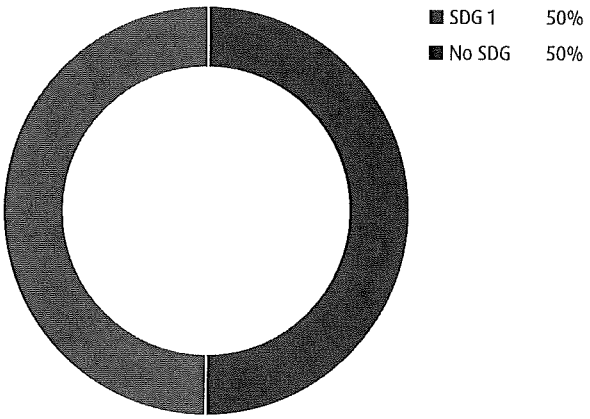
Engagement: SDG level



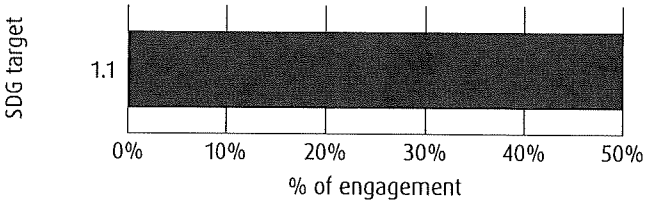
Engagement: SDG target level



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. For full details of our engagements with companies please refer to the online ***reo***® client portal.

				Themes engaged						
Name	Sector	ESG Rating	Response to engagement	Climate Change	Environmental Stewardship	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Barclays PLC	Financials		Good	●						
Royal Dutch Shell PLC	Energy		Good	●						

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.

				Themes engaged						
Name	Country	Sector	Priority company	Climate Change	Environmental Stewardship	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Dixons Carphone PLC	United Kingdom	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.

				Themes engaged						
Name	Country	Sector	Priority company	Climate Change	Environmental Stewardship	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Barclays PLC	United Kingdom	Financials	✔	●						
BHP Group PLC	Australia	Materials		●						
BP PLC	United Kingdom	Energy		●						
Hargreaves Lansdown PLC	United Kingdom	Financials						●		
Royal Dutch Shell PLC	Netherlands	Energy	✔	●						
SSP Group Plc	United Kingdom	Consumer Discretionary							●	
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: ●

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.

				Themes engaged						
Name	Country	Sector	Priority company	Climate Change	Environmental Stewardship	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Anglo American PLC	United Kingdom	Materials			●		●			
Associated British Foods PLC	United Kingdom	Consumer Staples							●	
AstraZeneca PLC	United Kingdom	Health Care						●		
BAE Systems PLC	United Kingdom	Industrials						●		
Compass Group PLC	United Kingdom	Consumer Discretionary							●	
Dunelm Group PLC	United Kingdom	Consumer Discretionary						●		
Firstgroup PLC	United Kingdom	Industrials								●
GlaxoSmithKline PLC	United Kingdom	Health Care						●		
Greggs PLC	United Kingdom	Consumer Discretionary							●	
Marks & Spencer Group PLC	United Kingdom	Consumer Discretionary						●	●	
Tesco PLC	United Kingdom	Consumer Staples							●	
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: ●

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 or enhances investor value. For full details of our engagements which led to one star milestones please refer to the online ***reo***® client portal.

					Themes engaged						
Name	Country	Sector	Priority company	ESG Rating	Climate Change	Environmental Stewardship	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
☆☆											
BP PLC	United Kingdom	Energy									

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:

Committee and date	Item
Pensions Committee 04 December 2020 10.00am	**10** Public

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.

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.

3.5 **Climate change appraisal**

1. Energy and fuel consumption: No effect
2. Renewable energy generation: No effect
3. Carbon offsetting or mitigation: No effect
4. Climate Change adaptation: No effect

4. Performance and Team Update

4.1 The team's output and performance level to October 2020 is attached at **Appendix A**. The chart indicates 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. You will see that this chart shows that tasks rose during this quarter. This includes the month of September, which historically has always seen an increase in data being received from employers. School based staff tend to have changes to contracts from the start of the school year and new support staff have tended to commence their employment. Please note that the number of processes completed rose, including those in target, which is very encouraging and was a result of directing staffing resource to this area.

4.2 A staff vacancy has recently arisen within the team due to a maternity cover post being filled by an internal secondment. The team have successfully advertised externally to fill this vacancy, on a temporary fixed term contract, due to commence16th November.

5. Help Desk Statistics

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

	August 2020	September 2020	October 2020
Telephone calls received	712	807	817
Queries dealt with by helpdesk at first point of contact %	76.97%	73.36%	68.05%*
Users visiting the Website	2,228	2,048	2,073
Member drop ins**	0	0	0

* During October 2020 the team attended 2x training sessions which affected the % of calls answered due to the automatic answering service having to be used.

** Drop ins suspended due to Covid-19 procedures from 23 March 2020.

5.2 The Helpdesk also responded to the following number of emails;

	August 2020	September 2020	October 2020
Emails Received	830	823	769
% of emails responded to within 3 working days	100%	100%	100%
Average number per day	39.52	37.41	34.95

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 2020 a total of 45% active members, 30% of pensioner members and 37% of deferred members were registered to view their records on 'My Pension Online'.

6.2 The employers' meeting took place on 21/10/2020, it was held virtually, using Microsoft Teams. 46 employers registered to attend. Presentations on the day covered the McCloud age equality court ruling, the Exit Payment Cap, the Exit Payment reform consultation and an overview of the 2019/20 year-end exercise.

6.3 During the last quarter, both scheme members and employers have been kept up to date on the latest news, around the Exit Payment Cap and the consultation on further Exit Payment Reforms in both website news posts and bulletin emails. In total,12 email bulletins have been issued.

6.4 A pensions tax information webinar was held on Friday 9 October 2020 organised with the fund's Actuary Mercer. Feedback provided by scheme members during, and following the webinar, was positive. Attendees reported that since the webinar they are more aware of the issues relating to pensions and tax and reporting requirements to HMRC. 14 scheme members then attended a one to one guidance session with a representative from Mercers.

6.5 The biannual newsletter to retired members was issued in November. The Autumn 2020 edition provided an update on the GMP reconciliation project, kept members informed on the fund's working arrangements due to covid-19, responsible investment and the move to electronic P60's from April 2021.

6.6 In advance of the potential move to online P60s, in April 2020, the fund asked retired members for feedback on the removal of automatic paper P60s being issued and how this would affect them. Feedback largely suggested that members agreed with the reduction in the fund's environmental footprint by reducing the amount of printing and postage and that members are used to accessing information in this way via My Pension Online. Some members expressed a preference to continue to receive a paper copy of the P60 document. In total only 106 members out of nearly 12,000 asked for a paper copy to continue to be sent. The fund will still issue paper P60s to these members and understands the importance of sending information occasionally by post and the value it has in keeping in touch with our members.

6.7 Unfortunately, the annual meeting for 2020 will not be taking place this year. The situation around the Covid-19 pandemic has meant large face-to-face gatherings are against current government guidance. This is the first time in the 27-year history of the annual meeting, that the meeting has had to be cancelled. Information normally provided at the annual meeting will be shared on the Fund's website.

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 below table shows the percentage of employers who have met the deadline over this quarter. This table also includes information about employers who make monthly deficit payments. Information about employers who did not meet these deadlines is covered in the governance report.

	August 2020	September 2020	October 2020
i-Connect data	95%	93%	91%
Monthly contributions	95%	97%	96%
Monthly deficit	97%	89%	95%

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 Shropshire Council's IT security officer has confirmed that should any attacks become apparent on any of the Pensions Systems then we would be immediately made aware. To date no attacks to the Pensions administration Teams' systems have been reported.

9. Server Move

9.1 The pensions administration system Altair, is hosted internally by Shropshire Council IT. It was running on a Windows 2012 server and uses an Oracle database. The Fund were given notice in 2019 that both versions of the sever and database would no longer be supported by the end of 2020 and therefore needed to be upgraded to the latest versions of both. A project was initiated in June 2020 with the software provider, Aquila Heywood, Shropshire IT and Pensions Administration.

9.2 The team worked with all parties to ensure that the system was migrated to a Windows 2019 server and the Oracle database was upgraded to the latest version to ensure PCN compliance for the Council.

9.3 The project included a period of user acceptance testing (UAT) for the team during August and early September and the new Servers successfully went live on 10 September 2020.

10. GAD data collection 2020

10.1 The Government Actuaries Department are to carry out the 2020 cost cap assessment in line with the current timetable set by HM Treasury Valuation Directions and the corresponding Scheme Advisory Board's scheme cost assessment. To do this, they are required to collect data from funds.

10.2 The request was received on 30 September and the submission date is by 23 November 2020. The team are required to send a full Universal Data Extract as at 31 March 2020 together with a completed questionnaire on any issues or explanations required around the data.

11. MHCLG – Consultation - McCloud – statutory underpin.

11.1 On 16 July 2020 MHCLG published its consultation introducing amendments to the statutory underpin for the Local Government Pension Scheme (LGPS) in England and Wales. The proposals, reported to Committee in September 2020, were designed to remedy the unlawful discrimination caused by the protection of older members when the scheme was reformed in April 2014.

11.2 The consultation closed on 8th October 2020.

11.3 An Officer response was sent and approved by the Chair on behalf of the Pension Committee and is attached at **Appendix B**.

11.4 The Fund's employers have had training on what this could mean to them if they have not continued to send the Fund data on hours changes and membership breaks.

12 Revised GAD Guidance

12.1 The Government Actuary Department (GAD) have revised their guidance and factors on the following;

- Application of a pension debit for divorced members – Transfer date from 1 April 2014
- Application of a pension debit for divorced members – Transfer date before 1 April 2014
- Pension sharing following divorce
- Individual incoming & outgoing transfers
- Trivial commutation.

12.2 To accompany the revised guidance, MHCLG issued a new version of the factor spreadsheet. The revised guidance and spreadsheet came into force on 1 November 2020. There were transitional arrangements which affected how the Fund communicated the changes to members transferring benefits in or out of the Scheme.

13 Public Sector Exit Payment Cap

13.1 The Restriction of Public Sector Exit Payments Regulations 2020 ('the exit cap regulations') were signed on 14 October 2020, a correction slip was published on 27 October 2020 and the regulations came into force on 4 November 2020.

13.2 There is a conflict between the exit cap regulations and the LGPS regulations when a scheme member aged 55 or over is made redundant and the total exit payment exceeds £95,000. The LGPS regulations require the member to take payment of an unreduced pension, but the exit cap regulations prevent the employer from paying the full strain cost.

13.3 In respect of exits that occur between 4 November 2020 and the date the LGPS regulations are amended:

- only exits from employers in scope of the cap will be affected. You can find a full list of employers in scope of the cap in the Schedule to the Restriction of Public Sector Exit Payment Regulations 2020
- only exits where the cost exceeds £95,000 will be affected
- the proposed standard strain cost calculation will not apply. Local methods of calculating strain costs should continue

- proposals in the MHCLG consultation (point 14 below) to limit discretionary compensation payments and reduce strain cost by the value of statutory redundancy pay will not apply

13.4 On 28 October 2020 Luke Hall MP wrote to Chief Executives of Councils and LGPS administering authorities concerning the implementation of the exit payment cap. Attached at **Appendix C**. The Minister's recommended course of action in cases where the cost of an exit including pension strain cost would exceed the £95,000 cap is that: "*LGPS members in that position should be able to elect to receive an immediate but fully reduced pension or, if they do not so elect, a deferred pension plus a lump sum equal to the capped strain cost."*

13.5 The SAB obtained legal advice on the conflict between the LGPS regulations and the exit cap regulations. A commentary of that legal advice was published on 30 October 2020 on the Public Sector Exit Payments page of www.lgpsboard.org. The commentary sets out the SAB's opinion on the course of action that presents the lowest risk when the cap is breached in respect of an LGPS member aged 55 or over. In SAB's view, the risks are lowest if:

- the LGPS administering authority offers the member a choice between deferred benefits or a fully reduced pension
- the LGPS employer delays payment of a cash alternative under regulation 8 of The Restriction of Public Sector Exit Payments Regulations 2020.

13.6 This approach would allow the maximum flexibility for the administering authority and employer to minimise the financial risks associated with a legal challenge from the scheme member. The Fund proposes to follow this guidance should any cases arise.

14 Consultation on the Reform of exit Payments in local Government

14.1 On 7 September 2020, MHCLG launched a consultation on changes to the LGPS and compensation regulations to introduce the £95k cap and bring the exit compensation terms for local government workers in line with the framework set out by the Government in September 2016. The consultation closed on 9 November 2020.

14.2 On 29 September 2020, MHCLG issued draft strain cost guidance and an impact assessment to provide further clarity about the effects of the proposals. As part of the proposals, certain members aged 55 and over receiving statutory redundancy payments will lose the right to receive unreduced pensions where a pension strain is payable.

14.3 An Officer response was sent and approved by the Chair and is attached at **Appendix D**.

15 SF3 Data Published

15.1 On 4 November 2020, MHCLG published Local government pension scheme statistics (SF3 statistics) for England and Wales: 2019 to 2020. Highlights include:

- total expenditure of £13.4 billion, an increase of 5.6% on 2018/19
- total income of £16.0 billion, an increase of 2.6% on 2018/19
- employer contributions increased by 7.7% on 2018/19 to £7.7 billion
- employee contributions of £2.3 billion
- the market value of LGPS funds in England and Wales on 31 March 2020 was £272.4 billion, a decrease of 5.1%
- there were 6.1 million scheme members on 31 March 2020, 2.0 million active members, 1.8 million pensioners and 2.2 million deferred members
- there were 88,232 retirements in 2019/20, an increase of 5.7% compared with 2018/19.

16 Public service pensions GMP indexation consultation

16.1 On 7 October 2020, HM Treasury (HMT) published Public Service Pensions: Guaranteed Minimum Pension Indexation consultation. The consultation closes on 30th December 2020.

16.2 Prior to 6 April 2016, the payment of public service pensions and the earnings-related State Additional Pension (AP) worked together to provide a mechanism that fully indexed most public service pensions.

16.3 The introduction of the new State Pension on 6 April 2016 removed the payment of AP. This meant that members who reached State Pension age (SPA) on and after that date would not have their pension payments fully indexed. To compensate for the removal of AP, the Government introduced an interim solution on 1 March 2016, which ends on 5 April 2021. This ensured that public service pensioners who reach SPA after 5 April 2016 continued to receive a fully indexed pension from their public service pension scheme. This introduced an additional cost to the Fund.

16.4 The consultation sets out how the Government proposes to ensure it continues to meet its commitments to the full indexation of public service pensions, including any Guaranteed Minimum Pension (GMP) element. This is by transferring the cost permanently to the public service pension scheme in one of the following ways;

- The extension of full indexation to cover those reaching SPA up to and including 5 April 2024
- The extension of the interim solution to cover those reaching SPA beyond 5 April 2024 (to, for example March 2030)
- Discount conversion as a long-term policy solution and make full GMP indexation the permanent solution for public service pension schemes

16.5 The underlying view is that full indexation would be required at least up to April of 2024 with conversion to be brought in as a longer-term option, though there is concern that that the more this is delayed, the less valuable the benefit becomes.

17 2019/20 TPR Scheme Return

17.1 TPR had hoped to send out their warm up email for the scheme return in the first half of September 2020, informing administering authorities that the Scheme return would be issued in September 2020. TPR has confirmed that there has been a slight delay. All public service pension scheme returns notices have now been issued early November 2020.

17.2 The return will be completed by Officers by the deadline of 15th December.

18 September 2020 - CPI rate

18.1 On 21 October 2020, the Office for National Statistics announced the Consumer Prices Index (CPI) rate of inflation for September 2020 as 0.5%.

18.2 Government policy in recent years has been to base increases under the Pensions (Increase) Act 1971 and revaluation of pension accounts under section 9 of the Public Service Pensions Act 2013 on the rate of CPI in September of the previous year.

18.3 Confirmation from Government is awaited but it is expected that the revaluation and pensions increase that will apply to LGPS active pension accounts, deferred pensions and pensions in payment in April 2021 will be 0.5%.

19 Mortality Checking – Covid-19

19.1 Due to the Covid-19 pandemic the Fund have monitored the number of death cases over the last 6 months, compared to that of the previous 2 years. This data is based on date of death not the date of notification. The Fund is not always notified timely of a death, one of the reasons the monthly mortality service was undertaken:

Number of Deaths Per month	Jan	Feb	March	Apr	May	June	July	Aug	Sept	Oct
2020	40	36	43	44	45	32	39	21	21	31
2019	29	25	25	43	46	33	27	30	36	22
2018	38	37	37	31	29	38	24	30	27	41

19.2 The Scheme Advisory Board (SAB) have asked the Local Government Association (LGA) to collate death data from each administrating authority, to help understand the impact of the Covid-19 pandemic on the LGPS.

19.3 The purpose of collecting the data is to identify trends in the number of deaths. By continuing to collect this data in the coming months it will help identify any increases in demand on resources and regional variations.

19.4 The data being requested is the total number of notifications of deaths of pension members each calendar month, rather than the number of actual deaths in each calendar month.

19.5 The total number of notifications of deaths of pensioner members in the Shropshire Fund, which have been provided to the LGA are;

	Feb	March	April	May	June	July	Aug	Sept	Oct
Total number of deaths on pension cases	48	36	43	42	49	47	47	35	52

20. GMP Reconciliation/Rectification Update

20.1 At the committee meeting on 18 September 2020, it was reported that the final data cut, which the Fund had been promised by HMRC since December 2019, had been received. The company contracted to work on this for the Fund has undertaken the work necessary to check this revised data and has identified the cases where the correct GMP was not in use. In these cases, rectification calculations will need to be undertaken.

20.2 It was reported that the correction of Pensioner benefits should happen in January 2021. However, due to number of cases that need to be reviewed prior to the live processing this cannot happen until February 2021 at the earliest.

20.3 Communication should be able to be sent in January 2021 to those affected. This will inform them of their revised pension and that the payment will alter in February 2021. Communication will be tailored depending on whether there has been an underpayment or overpayment. Those pensioners underpaid will receive arrears. Those pensioners who have been overpaid; no recovery will be made but the pension will be reduced to the correct amount from 1st February 2021. This is in line with LGA guidance and as previously reported to committee.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) Pensions Committee Meeting 18 September 2020 Pensions Administration Report
Cabinet Member (Portfolio Holder) NA
Local Member NA
Appendices Appendix A – Performance Chart Appendix B – Officer response – McCloud Consultation Appendix C – MP Luke Hall Letter Appendix D – Officer response – Exit pay reform Consultation

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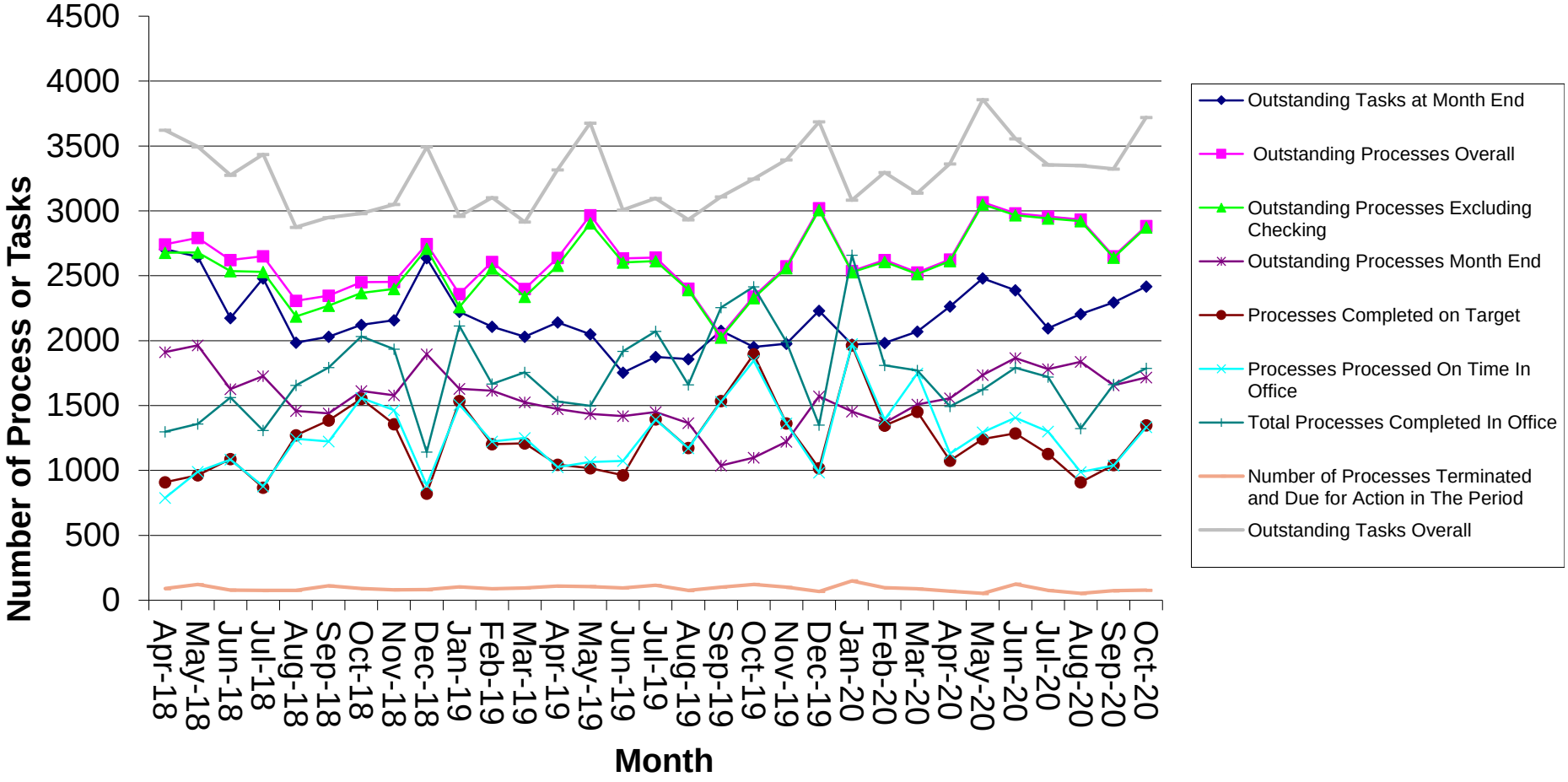
Appendix A

Process and Task Statistics



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SHROPSHIRE COUNTY
PENSION FUND
Administered by Shropshire Council

By Email;
LGpensions@communities.gov.uk

Date:

e-mail: pensions@shropshire.gov.uk

My ref
DS

Tel (01743)
252192

Please ask for
Mrs D Sharp

Dear Sirs,

Local Government Pension Scheme (England and Wales)
Amendments to the statutory underpin

I am pleased to provide a response to the Department's consultation on proposals to amend the rules governing 'transitional protection' in the LGPS. I am responding in a capacity of Pension Administration Manager for Shropshire County Pension Fund. This response has not been able to be agreed by the Pension Committee because of timing.

Addressing the discrimination

Question 1 – Do you agree with our proposal to remove the discrimination found in the McCloud and Sargeant cases by extending the underpin to younger scheme members?
Yes

Question 2 – Do you agree that the underpin period should end in March 2022?
Yes

Question 3 – Do you agree that the revised regulations should apply retrospectively to 1st April 2014?
Yes

Detailed proposals

Question 4 – Do the draft regulations implement the revised underpin which we describe in this paper?
Not qualified to give a legal comment on draft regulations.

Question 5 – Do the draft regulations provide for a framework of protection which would work effectively for members, employers and administrators?
The regulatory framework should work effectively so long as administrators have the data to apply it properly. Timescales however need to be adequate given the complexity of the

changes proposed. Consideration also needs to be taken of other legislative changes that will require resource from Administration teams to implement at the same time.
If data is missing and employers cannot provide it then the underpin framework fails. Additional guidance is therefore needed alongside the underpin legislation to support cases where assumptions are required by administrators to be fair and consistent across Funds especially if it is a Policy intention of no member being worse off by the changes.

Question 6 – Do you have other comments on technical matters related to the draft regulations?
Not qualified to give a legal comment on draft.

<u>The revised underpin – basic elements</u>
Qualification criteria
Question 7 – Do you agree that members should not need to have an immediate entitlement to a pension at the date they leave the scheme for underpin protection to apply?
Yes

Question 8 – Are there any other comments regarding the proposed underpin qualifiying criteria you would like to make?
There is a worry that new joiners to the final salary scheme between 01.04.2012-31.03.2014 will claim the same underpin protection as those members already in the scheme prior to 01.04.2012.

<u>Aggregation</u>
Question 9 – Do you agree that members should meet the underpin qualifying criteria in a single scheme membership for underpin protection to apply?
Yes

Question 10 – Do you agree with our proposal that certain active and deferred members should have an additional 12 month period to decide to aggregate previous LGPS benefits as a consequence of the proposed changes?
An additional period should be given but 12 months will not be adequate for administrators to identify issue guidance and process cases. Suggest at least 24 months if the period must be defined at all. Alternatively, introduce a discretion for administering authorities to extend the 12-month aggregation window in cases that are not completed within that timescale with no fault of the member.

Question 11 – Do you consider that the proposals outlined in paragraphs 50 to 52 would have 'significant adverse effects' in relation to the pension payable to or in respect of affected members, as described in section 23 of the Public Service Pensions Act 2013?
A very small number of members could be adversely affected by these proposals but the option to allow members to make a late election to aggregate should mitigate this fact.

Achieving a fair and consistent underpin
Question 12 – Do you have any comments on the proposed amendments described in paragraphs 56 to 59?
Amendments to the protections will result in additional work for administrators. Clear guidance needed for all from MHCLG.

A two-stage process
Question 13 – Do you agree with the two-stage underpin process proposed?
Yes. Additional administration not to be underestimated but fair to member.

Underpin period and final salary link
Question 14 – Do you have any comments regarding the proposed approaches outlined above?
The proposed process for Club Transfers means the member must decide as to how their benefits will be treated in the receiving scheme when they will be uncertain of whether it will be right for them. They will require an element of guesswork. A consistent approach across funds and clear communication to members will be important and add to the Administration burden.

Question 15 – Do you consider there to be any notable omissions in our proposals on the changes to the underpin?
Yes. Final pay – best of last 3 or protections of average of 3 in 13. Transitional protections will have to be carried forward. Will Divorce Pension Share also be affected? If not, what happens if Funds are challenged in this area – central guidance would be required. The recalculations would need to be automated by software providers. If not the Administration burden on team resource would be unmanageable.

Supplementary matters
Annual benefit statements
Question 16 – Do you agree that annual benefit statements should include information about a qualifying member's underpin protection?
No – It will be meaningless to the member and may cause more issues and challenges as its accuracy would be questionable as pensionable pay can vary between date of ABS and actual retirement/leaving date. Current underpin is not included in ABS's.

If insisted by MHCLG then a settling in period must be including, to say 2024. This will allow Administrators to collect data where gaps exist and software companies to produce the calculations. Already having to recalculate benefits for retirements and aggregations deaths etc having to provide data on underpin to active members seems an unnecessary burden.

Question 17 – Do you have any comments regarding how the underpin should be presented on annual benefit statements?
It should be consistent across all Funds. Guidance on this matter should be provided by SAB as proposed.

Annual allowance
Question 18 – Do you have any comments on the potential issue identified in paragraph 110?
On balance it is probably appropriate to apply the annual allowance test at the underpin crystallisation date, when the actual value of the underpin is known. This is consistent with what is already in place for the existing underpin. This approach will potentially cause a spike in the closing value of a member's benefits in the pension input period in which the underpin crystallisation date occurs.
The consultation document acknowledges that the proposed solution might not work for those members with relatively low career average pensions in respect of the underpin period, but relatively high final salary benefits as a consequence of career progression.

Next steps
Question 19 – Do the proposals contained in this consultation adequately address the discrimination found in the 'McCloud' and 'Sargeant' cases?
It appears to. Please ensure no scope for future challenge.

Question 20 – Do you agree with our equalities impact assessment?
No comment.

Question 21 - Are you aware of additional data sets that would help assess the potential impacts of the proposed changes on the LGPS membership, in particular for the protected characteristics not covered by the GAD analysis (age and sex)?
Not in a position to comment.

Question 22 – Are there other comments or observations on equalities impacts you would wish to make?
Not in a position to comment.

Implementation and impacts

Question 23 – What principles should be adopted to help members and employers understand the implications of the proposals outlined in this paper?

Members will need to receive reassurance that the underpin process is fair and is being applied accurately. It will be important for members to understand that the process is an automatic one and does not require them to lodge a claim. Some members may have misconceptions about the value of the underpin and should be made aware that the number of cases in which the underpin will give a better benefit are likely to be small. Communications with employers should focus on the practical requirements of providing the data required to operate the underpin and any assumptions being made where member data is missing. National communications from MHCLG or SAB are needed for a consistent country wide message. Will tolerances be used regarding rectification cases or will ever single case have to be rectified?

Administration impacts

Question 24 – Do you have any comments to make on the administrative impacts of the proposals outlined in this paper?

The scale and complexity of this exercise will create a significant resourcing and communication challenge for administering authorities.

The underpin will not actually take effect for most members, however a huge proportion of members are potentially affected and will require some form of ongoing record maintenance.

Where there are employers who cannot provide the required data, for a variety of reasons; employers no longer existing or historic payroll data not being retained, what is the fall-back situation. Consistent clear guidance is required rather than local determinations having to be made.

Applying the underpin test retrospectively to members who have already retired or left will only actually be realistically doable if administration software can undertake these automatically. Who will the cost fall to for these software improvements – the local tax payer? Systems no doubt will not be able to calculate arrears so manual calculations will be inevitable anyway. Additional complications would arise if the backdated payment was in respect of a survivor's pension. Thankfully these cases will be extremely rare. All of this whilst trying to ensure business as usual is kept on top of and having to have introduced the exit payment cap and exit payment reform as well as GMP equalisation and the cost cap outcome.

Question 25 – What principles should be adopted in determining how to prioritise cases?

Priority should be given to ensuring new calculations are correct going forward then members who have already retired or died. To reassess the member's (or survivor's) current retirement income. Then aggregation. But systems need to be changed quickly to ensure new backlogs are not created – so this supports that regs are laid early with a later

implementation date to allow software providers the time they need to make the changes required.

Question 26 – Are there material ways in which the proposals could be simplified to ease the impacts on employers, software systems and scheme administrators?
None come to mind other than National tolerances mentioned earlier.

Question 27 – What issues should be covered in administrative guidance issued by the Scheme Advisory Board, in particular regarding the potential additional data requirements that would apply to employers?
Additional guidance would be welcomed as mentioned earlier around what to do when an employer is incapable of providing historic member data. Ideally, SAB should publish a set of guidelines that provide a framework for employers and administering authorities when making assumptions about service and salary history in the absence of complete information, so this is done consistently across all Funds.

Question 28 – On what matters should there be a consistent approach to implementation of the changes proposed?
There should be a consistent centralised communication, approach issued by the SAB. A centralised approach to dealing with employers who cannot provide the necessary data is also necessary.
All arears should be consistent - including Auditors

Costs
Question 29 – Do you have any comments regarding the potential costs of McCloud remedy, and steps that should be taken to prevent increased costs being passed to local taxpayers?
National guidance. Admin cost will have to be passed on to employers (rectification and BAU increase) – software costs are being stated as running into millions of pounds – valuations. Is it fair that local tax payers ultimately pay for a Central Government failing to take account of advice that the regulations they put in place in 2013 were not in line with age equality legislation?

I hope you find this response useful.

Yours faithfully

Debbie Sharp
Pensions Administration Manager

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for you, for now, for the future
lgps

Ministry of Housing, Communities & Local Government

Luke Hall MP
Minister for Regional Growth and Local Government

Ministry of Housing, Communities and Local Government
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SW1P 4DF

Tel: 0303 444 3440
Email: Luke.Hall@communities.gov.uk

www.gov.uk/mhclg

Chief Executives
Councils and LGPS Administering Authorities

28 October 2020

Dear Chief Executive,

The Restriction of Public Sector Exit Payments Regulations 2020 make it clear that public sector bodies must not make payments in relation to individual exits in excess of £95k. That includes local government employers and Local Government Pension Scheme administering authorities.

Previously, the Local Government Pension Scheme Regulations 2013 and to a lesser extent the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 allowed for some individuals to receive benefits which would be in excess of the cap now set in the 2020 Regulations.

In considering the 2020 Regulations with existing provisions of the LGPS or Early Termination Regulations, public sector bodies should be mindful that the 2020 Regulations reflect Parliament's intention in section 153A of the Small Business, Enterprise and Employment Act 2015. Parliament was clear that it wished to limit total public sector exit payments to no more than £95,000, and the legislation provides a power to cap exit payments at that level.

This Department has published a policy consultation and issued draft regulations that will remove any remaining ambiguity in the legal position once they come into effect. Subject to consideration of views received through consultation, effect will be given to those proposals as soon as parliamentary time allows.

In the meantime, the recommended course of action for an administering authority to act consistently with its legal duties is that the provisions of Regulation 30(7) are subject to the cap and so the provisions of Regulation 8 of the 2020 Regulations and Regulation 30(5) of the LGPS 2013 Regulations should be engaged. The Government's view is that LGPS members in that position should be able to elect to receive an immediate but fully reduced pension or, if they do not so elect, a deferred pension plus a lump sum equal to the capped strain cost.

The 2020 Regulations also identify circumstances where the application of the cap may be waived. I will issue more detailed guidance on this, but this also provides a route by which these transitional issues may be mitigated.

LUKE HALL MP

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SHROPSHIRE COUNTY
PENSION FUND
Administered by Shropshire Council

Email to;
LGExitPay@communities.gov.uk

Date: 6 November 2020

email: Debbie.Sharp@
shropshire.gov.uk

My ref	Your ref	Tel (01743)	Please ask for
PEN/DS		252192	Mrs D Sharp Pensions Services

Dear Sirs,

Consultation on the reform of exit payments in local government

I am pleased to provide a response to MHCLG's consultation on reforming local government exit pay. My response focuses on the Administration of the Local Government Pension Scheme as I am responding in the capacity of Pension Administration Manager for Shropshire Council.

The Shropshire County Pension Fund has 150+ scheme employers and approximately 50,000 members. Not all employers in our Fund will be covered by the changes. This adds further complexity to an already complex area.

Question 1
Are there any groups of local government employees that would be more adversely affected than others by our proposed action on employer funded early access to pension?
More female members are will be affected by the proposed reforms because they make up a greater proportion of the workforce affected by the changes. This proposal will impact those aged 55 or over, it will therefore adversely affect older workers.
LG employees transferred to private companies working on LG service contracts would not be affected and be entitled to unreduced benefits on termination even though the costs of the service would still be chargeable back to a LA.
The proposal around statutory redundancy pay being deducted from the pension strain cost resulting in a lower pension for life, for affected members of the scheme has a greater impact on lower paid workers, who are at the greatest risk of needing income support from the government in this situation. It is accepted by the Government that a greater proportion of these will be women and/or part-time workers. The average annual pension paid from the Shropshire Fund is only £4,869.

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- If so, please provide data/evidence to back up your views?
The Government Actuary's Department has already provided some illustrations of the likely effects.
- How would you mitigate the impact on these employees?
To mitigate the full effects of the proposals would be to not dismiss people. I do not feel this will be realistic for LG employers.
This policy will impact on all LG workers aged over 55 in the pension scheme, including those who are lower paid and with a comparatively small pension, a greater proportion of whom are likely to be women and/or part-time workers.
One way to mitigate the impact would be to allow the relaxation of the proposed restriction to enable the employer to pay statutory redundancy pay in addition to the full strain on fund costs, where that would not breach the £95,000 cap.
The proposal introduces a layer of unnecessary administrative bureaucracy disproportionate to the situation with which local authorities and administering authorities will have to deal. It will also be confusing for members of the LGPS.

Question 2
What is the most appropriate mechanism or index when considering how the maximum salary might be reviewed on an annual basis?
The most appropriate mechanism may be to link it to the local government collectively agreed pay awards under the National Joint Council (NJC) for Local Government Services. Using average earnings may also be reasonable to use.

Question 3
Are there any groups of local government employees that would be more adversely affected than others by our proposed ceiling of 15 months or 66 weeks as the maximum number of months' or weeks' salary that can be paid as a redundancy payment?
Shropshire County Pension Fund have no comment.

- If so, please provide data/evidence to back up your views?
Shropshire County Pension Fund have no comment
- How would you mitigate the impact on these employees?
Shropshire County Pension Fund have no comment.

Question 4
Are there any groups of local government employees that would be more adversely affected than others by our proposal to put in place a maximum salary of £80,000 on which an exit payment can be based?
This is a question to be commented on by LG Employers. However, I note that no other part of the public sector has yet implemented reforms in addition to the proposed £95,000 cap. Particularly it has been pointed out that in the Civil Service Compensation Scheme there is a salary cap of £149,820 and the reform proposals put forward by the government

do not seek to alter this. We do not see why a salary limit so much lower is appropriate for local government. The Public sector should be treated equally.

- If so, please provide data/evidence to back up your views?

Shropshire County Pension Fund have no comment

- How would you mitigate the impact on these employees?

Shropshire County Pension Fund have no comment.

Question 5

Do you agree with these proposals? If not, how else can the Government's policy objectives on exit pay be delivered for local government workers?

The original policy objective was to curb excessive exit payments in the public sector. The additional reform was about fairness and consistency across the public sector workforce. Local Government is the only public sector employer to be changed however at this time. These new proposals will impact on all local government employees in two ways, before there has been any wider public sector reform and regardless of salary level:

- by reducing the strain on fund payment by the statutory redundancy payment regardless of the amount of the strain on fund payment; and,
- 2. by removing any entitlement that an employee will have to an employer's discretionary compensation payment (which unlike other parts of the public sector are modest).

They result in a reduced pension going forward for life and only a statutory redundancy payment to support members during a time in which older workers will find it increasingly difficult to find alternative employment.

As previously stated the suggested changes introduce additional administrative burden at a time when other Government changes, because of previous legislative errors, are also increasing Administering Funds workloads. The exit cost cap proposals are complex in themselves before they are combined with the LGPS complex benefit structure.

The proposals are far from simple. It will be difficult for many members to understand each of the options available. Section 4.1 on the draft GAD guidance clearly demonstrate the difficulties that will be faced when implementing the proposals.

The proposals will lengthen the process from an initial quotation to the payment of benefits to the member. The member has more options in addition to the usual conversion of part of the pension to increase the lump sum. Additional cost will also in incurred as all pension administration systems will need to be amended to cope with these complexities plus the issue that they only affect part of the membership. The team at SCPF is not resourced to have to manually calculate these changes.

The second stated objective relates to fairness and consistency across the public sector. As already mentioned, local government has lower severance calculations than the rest of the public sector. However, MHCLG's proposal restricts these further. The proposals for the civil service contain both higher calculation limits and a higher salary cap of £149,820. In this light MHCLG's proposals seem out of line with the consistency objective and seem grossly unfair on LG workers.

Question 6
Do you agree that the further option identified at paragraph 4.8 should be offered?
I agree that the option of deferring pension benefits and receiving a discretionary redundancy payment under the employer's discretionary severance scheme, rather than taking a reduced pension with statutory redundancy pay only, should be offered.

Question 7
Are there any groups of local government employees that would be more adversely affected than others by our proposals?
As in Q 1, all employees over the age of 55 in the LGPS will be affected. Those with long service will be particularly affected because of the interrelationship between strain on pension fund payments and other discretionary and statutory redundancy payments.

Question 8
From a local government perspective, are there any impacts not covered at Section 5 (Impact Analysis), which you would highlight in relation to the proposals and/or process above?
A full impact assessment was not available at the commencement of this consultation. It has since been published but only in draft. That assessment does not identify the real impact that statutory redundancy pay being deducted from the pension strain cost, resulting in a lower pension for life, will have on lower paid and part-time workers – mostly woman.

Question 9
Are these transparency arrangements suitably robust? If not, how could the current arrangements be improved?
The transparency requirements in local government would seem adequate however there seems to be inconsistency with other parts of the public sector or across all workforces covered by these proposals.

Question 10
Would any transitional arrangements be useful in helping to smooth the introduction of these arrangements?
Yes, there should be provision for dealing with those employees already in redundancy/reorganisation situations. This is more a point to be answered by Employers rather than a Pension Fund but restructuring requires statutory periods of consultation with staff and recognised trade unions, this includes providing details of severance packages which of course include information on Pensions to the over 55s. Many employees, including those with long service, will then require 12 weeks' notice of dismissal. Employers will be more aware of the time they require for this process and therefore what transitional arrangements would work best for them.
As the £95,000 cap will come into force before the MHCLG further reforms then, subject to any HMT Directions which provide suitable transitional provisions and waivers, guidance will be required for the interim period between the £95,000 cap implementation and the MHCLG/LGPS further

reform changes as it causes conflict between two sets of regulations and has put Administering authorities in the position that we will be subject to appeal from members when only a reduced pension or deferred pension is offered when under the LGPS regulations currently they have an entitlement to an unreduced pension. Authorities should not have been put in this position.

Question 11
Is there any other information specific to the proposals set out in this consultation, which is not covered above which may be relevant to these reforms?
The stated aims include consistency and fairness across the public sector and so, a comparison with other public sector severance schemes should be undertaken. In local government a balance is achieved between the rules of the Local Government Pension Scheme and local authorities' redundancy policies which provide, in most cases, only a moderate sum to cushion the immediate blow of losing a job. These proposals mean that employees will sadly have to now choose between one or the other.

Question 12
Would you recommend anything else to be addressed as part of this consultation?
As with the £95,000 cap, there should be scope for relaxation of the restrictions, Suggestions include where:
a. not exercising the power would cause undue hardship;
b. not exercising the power would significantly inhibit workforce reform;
c. commitments have legitimately been made by an authority in redundancy/re-organisation processes before the changes come into force;
d. there is a value for money case.

The draft LGPS Exit Payments Regulations
Regulation 1(4) includes a definition for the Local Government Pension Scheme Regulations 2013. The examples in the GAD guidance however include members' benefits which accrued before 1 April 2014. Regulation 1(4) does not contain a reference to the Local Government Pension Scheme Regulations (Transitional Provisions, Savings and Amendments) 2014 ("the 2014 Transitional Provisions").
If the restrictions on LGPS exit payments, following an exit, are to include benefits which accrued before 1 April 2014, there should be a reference to either the earlier regulations or the 2014 Transitional Provisions.
Regulation 5(4(c) replaces the reference to an actuary appointed by the administering authority with guidance which is issued by the Secretary of State – i.e. GAD guidance. There will not be many instances, but guidance will be used to calculate the strain on the fund for a member's benefits where the member is within the scope of the Schedule to the Public Sector Exit Payments Regulations but are outside of the scope of the Schedule to the draft LGPS Exit Payments Regulations. Regulation 68(2) does not allow for this

possibility after the amendment in regulation 5(4)(c) of the draft LGPS Exit Payment Regulations 2020.

The Retirement Process
The restriction on exit payments will elongate the retirement process for early retirements and redundancies. The members will have more options available. Even though the pension strain calculations are based on pre-conversion benefits, the maximum tax-free cash lump sum the member can receive will be affected by whichever option the member eventually elects to receive. This will put a premium on clear and concise communications between all stakeholders.
It would be useful if there was guidance that explained the different options, which are available to a member, according to the type of employer. There are four possibilities and it would assist members if there was national clear and concise guidance regarding options.

I hope you find this response useful.

Yours faithfully

Mrs Debbie Sharp
Pensions Administration Manager

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of the Local Government Act 1972.

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