

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

Date: Friday, 7<sup>th</sup> January 2022

**Committee:**  
**Pensions Committee**

**Date:** Monday, 17 January 2022

**Time:** 10.00 am

**Venue:** Shrewsbury/Oswestry Room, Shirehall, Abbey Foregate, Shrewsbury,  
Shropshire, SY2 6ND

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

**There will be some access to the meeting room for members of the press and public but this will be limited for health and safety reasons. If you wish to attend the meeting, please email [democracy@shropshire.gov.uk](mailto:democracy@shropshire.gov.uk) to check that a seat will be available for you.**

**The meeting can be viewed live via Microsoft Teams using the link below. The recording will be made available on YouTube, this will be made accessible from the web page for the meeting shortly afterwards.**

<https://shropshire.gov.uk/PensionsCommitteeMeeting17January2022>

Tim Collard  
Interim Assistant Director – Legal and Democratic Services

**Members of the Committee:**

Thomas Biggins  
Roger Evans  
Simon Harris  
Brian Williams

**Co-opted Members (Voting):**

Rae Evans  
Carolyn Healy

**Co-opted Members (Non-Voting):**

Jean Smith (Pensioner Representative)  
Byron Cooke (Employee Representative Telford & Wrekin Council)  
Vacancy (Employee Representative Shropshire Council)

**Substitute Members of the Committee:**

Mary Davies (SC)

Chris Schofield (SC)

Adrian Lawrence (T&W)

Malcolm Smith (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](mailto:sarah.townsend@shropshire.gov.uk)

# AGENDA

## **1 Attendance Information**

There will be some access to the meeting room for members of the press and public but this will be limited for health and safety reasons. If you wish to attend the meeting, please email [democracy@shropshire.gov.uk](mailto:democracy@shropshire.gov.uk) to check that a seat will be available for you.

## **2 Apologies and Substitutions**

To receive apologies for absence and notification of any substitutions.

## **3 Disclosable Interests**

Members are reminded that they must declare their disclosable pecuniary interests and other registrable or non-registrable interests in any matter being considered at the meeting as set out in Appendix B of the Members' Code of Conduct and consider if they should leave the room prior to the item being considered. Further advice can be sought from the Monitoring Officer in advance of the meeting.

## **4 Minutes of the Previous Meeting (Pages 1 - 10)**

The minutes of the meeting held on 17 September 2021 are attached for confirmation, marked 4.

Contact: Sarah Townsend (01743 257721)

## **5 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 Thursday, 13 January 2022.

## **6 Fossil Free Shropshire Presentation**

To receive a three minute presentation from Fossil Free Shropshire.

## **7 LGPS Central Update**

Mr Mike Weston, LGPS Central, will be in attendance to present this item.

**8 Climate Risk Report**

Ms Laura Michie and Mr Patrick O'Hara, LGPS Central, will be in attendance to present this item.

**9 Council Motion Report (Pages 11 - 40)**

The report of the Head of Treasury and Pensions is attached, marked 9.

Contact: Justin Bridges (01743 252072)

**10 Corporate Governance Monitoring (Pages 41 - 116)**

The report of the Investment Officer is attached, marked 10.

Contact: Ben Driscoll (01743 252079)

**11 Pensions Administration Monitoring (Pages 117 - 126)**

The report of the Pensions Administration Manager is attached, marked 11.

Contact: Debbie Sharp (01743 252192)

**12 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 13 to 17 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.

**13 Exempt Minutes of the Previous Meeting (Exempted by Category 3) (Pages 127 - 130)**

The exempt minutes of the meeting held on 17 September 2021 are attached for confirmation, marked 13.

Contact: Sarah Townsend (01743 257721)

**14 Equity Protection Update (Exempted by Category 3)**

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



**15 Investment Monitoring Report - Quarter to 30 September 2021 (Exempted by Category 3) (Pages 131 - 218)**

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 219 - 236)**

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

Contact: Debbie Sharp (01743 252192)

**17 New Employers (Exempted by Category 3) (Pages 237 - 242)**

The exempt report of the Pensions Administration Manager is attached, marked 17.

Contact: Debbie Sharp (01743 252192)

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Pensions  
Committee

17 January 2022

10.00 am

Item

**4**

Public

## **MINUTES OF THE PENSIONS COMMITTEE MEETING HELD ON 17 SEPTEMBER 2021 10.00AM – 1.45PM**

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

### **Present**

#### Shropshire Councillors

Councillor Thomas Biggins (Chairman)

Councillors Roger Evans, Simon Harris and Brian Williams

#### Co-Opted Members (Voting)

Carolyn Healy

#### Co-Opted Members (Non-Voting)

Jean Smith (Pensioner Representative), Laura Hoskison (Employee Representative Shropshire Council) and Byron Cooke (Employee representative Telford and Wrekin Council)

### **19 Apologies and Substitutions**

Apologies were received from Councillor Rae Evans.

### **20 Appointment of Vice-Chairman**

#### **RESOLVED:**

That Councillor Rae Evans be appointed Vice-Chairman of the Pensions Committee for the forthcoming municipal year.

### **21 Disclosable Pecuniary Interests**

None were declared.

### **22 Minutes of the Previous Meeting**

#### **RESOLVED:**

That the minutes of the meeting held on 25 June 2021 be approved and signed by the Chairman as a true record.

## 23 Public Questions

Six questions had been received from members of the public. The questions and responses were read out. A full copy of the questions and responses provided are attached to the web page for the meeting and attached to the signed minutes.

*It was agreed to take Agenda Items 6 (Third Line of Assurance: Internal Audit Outturn Report for Shropshire County Pension Fund 2020/21), 7 (External Audit - The Audit Findings for Shropshire County Pension Fund 2020/21) and 8 (Pension Fund Annual Accounts 2020/21) together.*

## 24 Third Line of Assurance: Internal Audit Outturn Report for Shropshire County Pension Fund 2020/21

The Committee received the report of the Head of Internal Audit, (copy attached to the signed Minutes) which provided members with details of the work undertaken by Internal Audit for the year ended 31 March 2021. It reported on progress against the annual audit plan agreed with the Head of Treasury and Pensions. It also provided the Head of Audit's opinion on the overall adequacy and effectiveness of the organisation's governance, risk management, and control processes when considering the Public Sector Internal Audit Standards or Guidance, as required by the Accounts and Audit Regulations 2015.

The Head of Internal Audit confirmed that good assurances were achieved across all audit areas that were looked at and that a full review of all the planned audit work had been completed. In addition, a piece of work had been undertaken on governance for the Local Government Pension Scheme which had no impact on the control environment of the Shropshire County Pension Fund. Based on the work undertaken the Head of Internal Audit confirmed that the fund had good internal processes, governance and risk management which were working effectively.

The Head of Internal Audit drew attention to paragraph 6.9 of the report which set out the assurances against the different audit areas and paragraph 6.13 which showed that there had been no fundamental or significant recommendations. The only recommendations made were low risk which required attention.

The Head of Internal Audit explained that the other area for which Members required assurance was around how good the internal auditors were and she referred to a self-assessment that had been presented to the Shropshire Council Audit Committee in July 2021.

A query was raised around section 5 Climate change appraisal as it was understood that this audit did not look at individual investments which was why it stated 'no effect' in the report. An explanation was requested as to why climate change risk and any other risks were not looked at as

part of the audit risk on the overall risk of the fund. In response the Head of Internal Audit explained that no specific climate change audit work had been undertaken as this was about the internal audit process and the climate change appraisal did not impact on that as the team worked remotely looking at the internal audit process so it had had less impact on carbon emissions. In terms of audit work, Internal Audit looked at the impact of all risks, whether it be climate change, fraud and corruption, efficiencies, waste etc and if they were relevant to that audit, they would be looked at in the scoping of that audit.

**RESOLVED:**

- 1) To note Performance against the Audit Plan for the year ended 31 March 2021.
- 2) To note the Head of Audit's substantial year end opinion on the Fund's internal control environment for 2020/21 based on the work undertaken, assurance from the Employer in respect of compensating controls within their financial reconciliation systems whilst a long-term solution was delivered and Pension Fund management responses received.

**External Audit - The Audit Findings for Shropshire County Pension Fund 2020/21**

The Committee received the report of the External Auditor, (copy attached to the signed Minutes) which presented the observations arising from the audit that were significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standards on Auditing (UK) 260 and the Code of Audit Practice.

The Engagement Lead for the audit of the Pension fund introduced and amplified this item. He explained that the Pension Fund accounts formed part of the Shropshire Council accounts and that the Audit Committee had delegated authority to approve the financial statements, and although this report would normally come to Pensions Committee first due to the timing of meetings this year, it had been presented to Audit Committee the previous day. It was hoped to sign off the accounts at the Audit Committee meeting on 22 October 2021, so there was an opportunity for any comments to be fed through.

The Engagement Lead took Members through the work that had been undertaken. In terms of the pension fund annual report, he explained that the valuation statements were coming from the investment managers at differing times so the accounts were having to be closed down on an estimated basis however, there was one estimate that the fund had made in respect of one investment in relation to Harbourvest for the year end that when the year end statement came in, there was a £45m difference to the figure in the annual report and as materiality for the overall fund

was set at 1% of net assets (approx £20m) this amounted to a material difference and therefore had to be adjusted in the annual report and the Council's accounts before they were published at the end of July.

The Engagement Lead confirmed that work on the audit had been substantially completed and that there were no significant issues to report. It was hoped to finalise the work in the next week or so and sign it off. He drew attention to a £6.8m valuation difference in respect of primary level 2 investments although it was not material. They had also reported a difference in benefits of £1.6m but upon further analysis undertaken were happy the figure was as expected. These items were considered to be unadjusted misstatements which were not believed to be material and management were not proposing to adjust them. Confirmation from Pensions Committee was required to confirm acceptance that the misstatements would not be adjusted.

**RESOLVED:**

That the contents of the report be noted.

**Pension Fund Annual Accounts 2020/21**

The Committee received the report of the Executive Director of Resources (Section 151 Officer) (copy attached to the signed Minutes) which provided Members with the Shropshire County Pension Fund Annual Report 2020/21 and an update on the annual audit. Grant Thornton had completed its annual audit and an unqualified opinion has been given.

The Executive Director of Resources advised the meeting that in the year to the end of March 2021 the total value of the fund had increased by £363 million to £2.194 billion. Members congratulated the Pensions Team on the performance.

A Member commented that Shropshire Council has a policy on climate change and asked whether it was a strategic risk for the Pension Fund, and should this risk be included in reports going forward. The Executive Director of Resources reminded Members that the Shropshire County Pension Fund was independent of Shropshire Council and the work of the Committee was directed by the fund not the Council. He added that climate change was probably one of the most significant risks that the fund was facing but that it was one of a number of risks that was being managed and that he felt the Committee and the Fund was taking the risks seriously.

In response to a question regarding the increase in transfers out the Pensions Administration manager advised that this was due to a number of factors, including outsourcing of work by the Council and transfer outs to other schemes/jobs and that it was hoped that this would be balanced by transfers in.

In response to a question regarding the move to LGPS being slower than anticipated the Head of Treasury and Pensions advised that the next 12 months would see a shift from 12% of assets invested with LGPS currently to over 70%

In response to a question regarding the risk to service of home working the Executive Director of Resources advised that Shropshire Council was working to ensure that officers could work from home successfully and that individual circumstances were looked at on a case-by-case basis and help given where appropriate. He added that the situation was reviewed on a regular basis.

The Chair asked that it be recorded that the Committee congratulate the Pensions Team on their performance in what had been a very trying year.

**RESOLVED:**

- 1) To approve the Pension Fund Annual Report 2020/21.
- 2) To approve that the Chair and Executive Director of Resources sign the letter of representation for Grant Thornton.

**25 Focus Session: ESG, Responsible Investment and Engagement and Climate Strategy**

Members received a presentation from Mr Patrick O'Hara, LGPS Central, which updated them on ESG, Responsible Investment and Engagement and Climate Strategy.

**26 Introduction to Setting a Climate Related Target**

Members received a presentation from Ms Emily McGuire, Aon which updated them on Setting a Climate Related Target.

A Member expressed concern that the training session connected with this topic was being held in the private part of the meeting and commented that there was need to satisfy certain rules. The Chairman advised that it was the practice of the Committee to hold training in private session and that he did not propose to move it out of the private session on this occasion.

**27 Climate Change Strategy and Stewardship Plan**

The Committee received the report of the Head of Treasury and Pensions, (copy attached to the signed Minutes) which sought approval of the Fund's initial Climate Change Strategy and Stewardship Plan and approval for its publication.

The Head of Treasury and Pensions reminded the meeting that the Fund had carried out a climate risk assessment in August 2020 and the Committee had received a presentation at its September meeting. He

added that the Committee had received further reports and training at subsequent meetings.

The Head of Treasury and Pensions informed the meeting that as part of the development of the Statement a consultation exercise was carried out in August with all participating employers.

A Member commented that there had not been a good response to the consultation, and that it had not been clear what was being expected, added that a large number of employers were schools who would be unable to respond in August.

A Member welcomed the development of the Strategy and commented that it could be fine tuned as time went on.

A Member commented that some of the wording of the Strategy was not strong enough and that we should be pushing fund managers to prioritise green investments. The Chair commented that the SCPF was one of the first funds in the country to adopt such a strategy and that the strategy was very much a working document and would evolve over time.

A Member commented that they felt further consultation was needed possibly as part of a refresh of the strategy and that consideration should be given to the timing of any consultation to allow all employers the opportunity to respond.

A Member commented that the funds approach was one of engagement over disinvestment and proposed an amendment to the strategy to allow disinvestment where such engagement failed to achieve results. Upon being put to the vote, the amended was not carried.

## **RESOLVED:**

To approve the Climate Change Strategy & Stewardship Plan set out at Appendix A.

## **28 Corporate Governance Monitoring**

The Committee received the report of the Investment Officer (copy attached to the signed Minutes) which informed them of Corporate Governance and socially responsible investment issues arising in the period 1<sup>st</sup> April 2021 to 30<sup>th</sup> June 2021.

A Member commented that there were a number of companies with a poor engagement record and asked at what point do we demand results or walk away. The Head of Treasury and Pensions commented that a lot of the Managers listed in the appendices of the Corporate Governance report had attended the Committee over the last 12 months to answer questions and update members on the progress being made from their engagement and voting activities.



**RESOLVED:**

Members are asked to accept the position as set out in the report, Manager Voting Reports at Appendix A (A1, A2 & A3) and BMO Global Asset Management Responsible Engagement Overlay Activity Report at Appendix B (B1 & B2).

**29 Investment Strategy Statement**

The Committee received the report of the Head of Treasury and Pensions, (copy attached to the signed Minutes) which presented an updated Investment Strategy Statement.

The Head of Treasury and Pensions reminded the Committee that the Investment Strategy Statement had been approved in 2019 and following several workshops a revised strategy had been agreed and the statement had been updated to reflect this.

**RESOLVED:**

That the updated Investment Strategy Statement at Appendix A be approved.

**30 Pensions Administration Monitoring**

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.

The Pensions Administration Manager thanked employers for ensuring all data was sent on time which had meant that the Annual Benefit Statement was published on time.

The Pensions Administration Manager advised the meeting that the Government had introduced Pensions Dashboards where pension holders could see all their pensions in one place and that this was expected to go live between April 2023 and April 2025, and that currently the full impact of providing the information for this was not fully understood.

A Member commented that the Pensions Dashboard was a huge piece of work.

**RESOLVED:**

- 1) That Members accept the position as set out in the report.
- 2) That Members approve the revised Communications Policy set out at Appendix B of the report.

**31 Exclusion of Press and Public**

**RESOLVED:**

That under paragraph 10.2 of the Council's Access to Information Procedure Rules the proceedings of the Committee in relation to the following agenda items 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.

*Two votes against Item 17 being exempt information.*

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

**RESOLVED:**

That the exempt minutes of the meeting held on 25 June 2021 be approved as a correct record and signed by the Chairman.

**33 Setting a Climate Related Target (Exempted by Category 3)**

Members received a presentation from Ms Emily McGuire, Aon which updated them on Setting a Climate Related Target.

**34 Equity Protection Update (Exempted by Category 3)**

Members received a presentation from Ms Emily McGuire, Aon which updated them on Equity Protection.

**35 Investment Monitoring - Quarter to 30 June 2021 (Exempted by Category 3)**

The Committee received the exempt report of the Head of Treasury and Pensions which provided Members with monitoring information on investment performance and managers for the quarter period to 30 June 2021 and reported on the technical meetings held with managers since the quarter end.

**RESOLVED:**

That the recommendations as set out in the report be approved.

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

Members received the exempt report of the Pensions Administration Manager which informed them of all governance issues affecting the Administration Team, including regulatory breaches arising in the quarter 1 April 2021 to 30 June 2021, that have been recorded in the breaches log.

**RESOLVED:**

That the recommendations as set out in the report be approved.

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

Members received the exempt report of the Pensions Administration Manager which provided Members with details of one new employer admission to the fund under Schedule 2 Part 3 Regulation 1(d) (i) of the Local Government Pension Scheme Regulations 2013.

**RESOLVED:**

That the recommendations as set out in the report be approved.

Signed ..... (Chairman)

Date: .....

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<u>Committee and Date</u>	<u>Item</u>
Pensions Committee	<b>9</b>
17 January 2022	Public
10.00am	

## COUNCIL MOTION

**Responsible  
Officer**

Justin Bridges

e-mail: [justin.bridges@shropshire.gov.uk](mailto:justin.bridges@shropshire.gov.uk)

Tel: (01743)  
252072

### 1. Synopsis

- 1.1 The report is to update members on climate related issues facing the Shropshire County Pension Fund and agree recommendations following advice and statements made from industry experts and leading organisations on climate change and responsible investment following the Council motion which was passed in July 2020 by Shropshire Council and supported by Telford & Wrekin Council, two of the Fund's 160 employers.

### 2. Executive Summary

- 2.1 Members have been on an extensive programme of training provided by Responsible Investment and Climate Change industry experts and investment managers on all climate related issues over the last 18 months following the Shropshire Council motion (attached at Appendix A) which was passed in July 2020.
- 2.2 The report contains a number of statements from these experts on the response to the Council motion and the way in which the Fund is continuing to tackle all these climate related issues.
- 2.3 The significant progress the Fund has made over the last 18 months is detailed in the table below in paragraph 13.1 of the report.
- 2.4 A number of recommendations are put forward for Members to consider which we believe go above and beyond what is asked for within the Council motion for the reasons outlined in the individual statements from the experts.

### 3. Recommendations

- 3.1 Members approve a net zero carbon emissions commitment by 2050 or before as this is a more effective and thorough way to manage climate risk as it goes beyond scope 1 emissions which come from

fossil fuel companies. Net zero aligns with LGPS Central's approach to implementing the Fund's investment strategy.

- 3.2 Members agree that net zero aligns with global industry standards and allows the Fund to retain influence to engage and encourage positive change from the highest emitters.
- 3.3 Members approve the Fund should put in place short and medium-term plans to make progress towards the net zero by the 2050 or before target.
- 3.4 Members agree to commit £130m out of its total 50% equity allocation to LGPS Central's sustainable equities fund and transition out of its UK equity allocation which will further reduce its carbon emissions. Members note the decision to move assets to the LGIM low carbon net zero passive fund from the FTSE All World Fund which will reduce carbon emissions further.
- 3.5 Members agree that following advice from industry experts, public government statements made on climate change, an extensive 18 month training programme on climate related issues, Members of Shropshire County Pension Fund do not to agree that divestment from fossil fuels is in the best interest of its 50,000 members but commitments to net zero carbon emission before 2050, setting carbon reduction targets and collaboration with other like-minded investors is the best way to tackle climate change and make a real difference in the outcome.
- 3.6 Members agree that the Fund should continue to work with LGPS Central to put in place the net zero target and agree short and medium- term plans in order to achieve this.
- 3.7 Members agree the Fund should continue to implement climate stewardship activity, including conveying policies and targets to stakeholders.

## **REPORT**

### **4. Risk Assessment and Opportunities Appraisal**

- 4.1 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.
- 4.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.
- 4.3 The Fund's Corporate Governance Policy enables it to influence the environmental policies of the companies in which it invests.

4.4 There are no direct Equalities or Community consequences.

## **5. Financial Implications**

5.1 There are no direct financial implications arising from this report.

## **6. Climate Change Appraisal**

6.1 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.

6.2 Shropshire County Pension Fund has also received annual Climate Risk Reports from LGPS Central and agreed its own Climate Strategy & Stewardship Plan.

## **7. Background**

7.1 Shropshire County Pension Fund members have been undertaking an extensive training and portfolio review programme on climate related issues over the last 18 months following the Council motion in July 2020.

7.2 The Fund currently addresses its social responsibility through a strategy of responsible engagement with companies. BMO Global Asset Management, LGPS Central and Investment managers appointed by the Fund provide this responsible engagement overlay on the Fund's UK & global equities portfolios.

7.3 The Fund has published a public Taskforce for Climate Related Financial Disclosures (TCFD) report, annual climate risk reports and has approved its own Climate Strategy & Stewardship Plan.

## **8. Statement from Aon – Net Zero Statement**

8.1 The statement at appendix B is Aon's response to the Council motion at Appendix A and their recommendations to the Fund including setting a net zero carbon emissions target by 2050 or before.

## **9. Statement from LGPS Central on implementing a net zero carbon emissions target**

9.1 The LGPS Central Ltd statement at Appendix C details how they will implement the Fund's investment strategy in order to meet its net zero by 2050 carbon emissions target.

## **10. Statement from Legal & General – Net Zero Statement**

10.1 Legal and General's net zero statement is attached at Appendix D.

## **11. Statement from BMO – Engagement v Divestment statement**

11.1 The statement at Appendix E outlines why BMO's engagement activities will help the Fund achieve net zero carbon emissions by 2050 or before.

## **12. Statement from Executive Director of Resources**

12.1 The statement at Appendix F outlines the governance arrangements for members who sit on the Pension Committee when considering the recommendations in this report.

## **13. Update following the Council Motion**

13.1 During the last 18 months, LGPS Central, BMO Global Asset Management, Legal & General, Aon and Majedie have presented to Committee as part of the extensive review currently being undertaken by the Pension Committee on Responsible Investment & Climate Change following the Council's motion in July 2020. The table below is a reminder of the significant progress the Committee have made to date following the Council's motion. Live streams of all the below meetings, Chair statements following the Council motion, public questions submitted and the responses provided and detailed presentations can be found on the Council's website by following the below link:

<http://shropshire.gov.uk/committee-services/ieListMeetings.aspx?CommitteeId=260>

<b>Date</b>	<b>Type of meeting</b>	<b>Agenda Item</b>	<b>Reports and Presentations</b>	<b>Key points for Cttee</b>
24 July 2020	Pensions Cttee	Climate Stewardship	LGPS Central Climate Stewardship Report	Training on Climate Stewardship and next steps.
		Corporate Governance Monitoring	Update on manager voting	



			& engagements activities	Quarterly update on Corporate Governance Issues
18 Sept 2020	Pensions Cttee	<p>LGPSC Climate Analysis Report</p> <p>Investment Strategy Review and Responsible Investment Timetable</p> <p>Corporate Governance Monitoring Report</p>	<p>Presentation from Michael Marshall, Director of Responsible Investment, LGPS Central</p> <p>Presentation from Aon, Investment Consultant</p> <p>Update on manager voting &amp; engagements activities</p>	<p>SCPF carbon footprint, measured and detailed climate risk analysis undertaken</p> <p>Responsible Investment timetable and recommendations agreed</p> <p>Quarterly update on Corporate Governance Issues</p>
4 Dec 2020	Pensions Cttee	<p>Public LGPSC TCFD Compliant Climate Report</p> <p>Responsible Engagement</p> <p>How Majedie integrate ESG into their Investment process</p>	<p>Presentation from LGPS Central</p> <p>Presentation from BMO Global Asset Management (Funds engagement manager)</p> <p>Presentation from Majedie (UK Equity Manager)</p>	<p>Recommendations within report agreed. Media release agreed and scheme employers updated. Documents uploaded onto SCPF website for all Stakeholders.</p> <p>Pros/cons of engagement v divestment. Case studies on effectiveness.</p> <p>Discussions on why certain stocks highlighted in the TCFD report are held within the portfolio.</p>

		Corporate Governance Monitoring Report	Update on manager voting and engagement activities	Quarterly update on Corporate Governance Issues
5 March 2021	Pension Cttee	Investment Stewardship	Presentation from Legal & General (Global Equity manager)	Pros/cons of engagement v divestment. Case studies on effectiveness.
		Corporate Governance Monitoring Report	Update on manager voting and engagement activities	Quarterly update on Corporate Governance Issues
25 June 2021	Pension Cttee	Begin Implementation of revised Investment Strategy now agreed.	Presentation from Aon on Investment Strategy implementation	Sustainable Equities, Climate Factor funds and low carbon equity funds being considered.
		Corporate Governance Monitoring Report	Update on manager voting and engagement activities	Quarterly update on Corporate Governance Issues
17 Sept 2021	Pension Cttee	SCPF Climate Strategy/Climate Stewardship Plan	Presentations from LGPS Central on Climate Strategy and general Responsible Investment training on climate related/ESG issues & Aon on setting carbon reduction targets	Climate Strategy/Stewardship Plan approved. Presentations on net zero commitments and an introduction to setting carbon reduction targets.

17 Jan 2022	Pension Cttee	<p>Agree formal response to the Council motion.</p> <p>Climate Risk report</p> <p>Corporate Governance monitoring report.</p>	<p>Statements from Aon, LGPS Central, BMO, Legal &amp; General, Independent advisor, Executive Director of Resources &amp; Head of Treasury &amp; Pensions on the response and recommendations to the Council motion.</p> <p>Update from LGPS Central on the Fund's Climate Risk Report and progress made on implementing recommendations in the previous report.</p> <p>Update on manager voting and engagement activities</p>	<p>Report with specific climate related targets/recommendations to be voted on.</p> <p>Significant progress has been made by the Committee over the last 18 months to reduce the Funds carbon footprint and carbon emissions and implement recommendation in the TCFD report.</p> <p>Quarterly update on Corporate Governance Issues</p>
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**List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)**

Pension Committee, 24 July 2020 – Climate Risk Report

Pension Committee, 04 December 2020 – Public TCFD Report and media statement

Pension Committee, 17 September 2021 - Climate Strategy & Stewardship Plan.

Pension Committee, 17 September 2021 - Investment Strategy Statement.

Pension Committee, 17 January 2022 – Updated Annual Climate Risk Report

**Cabinet Member**

N/A

**Local Member**

N/A

**Appendices**

A – Council motion July 2020

B – Aon Net Zero Statement

C – LGPS Central implementation statement

D – Legal & General net zero statement

E - BMO engagement v divestment statement

F – Executive Director of Resources Governance Statement

## **Pension Fund Fossil Fuel Disinvestment motion**

Council notes:

Shropshire and Telford & Wrekin Councils have both declared climate emergencies and pledged to be net zero by 2030. Shropshire County Pension Fund (SCPF) currently has around £294 million invested in fossil fuel companies including Shell and BP and through asset manager BlackRock. These investments are incompatible with the climate emergency declaration and the councils' commitment to reach net zero within the next ten years.

Fossil fuel investments are increasingly financially risky as a result of both the Covid19 pandemic and the global transition to a more sustainable economic and environmental model. They are now being regularly out-performed by renewables.

Former Bank of England Governor Mark Carney warned in December 2019 that fossil fuel investments risk becoming "stranded assets" (i.e., worthless) as investors exit the sector. "A question for every company, every financial institution, every asset manager, pension fund or insurer – what's your plan?"

The 'engagement' approach does not mitigate the financial risks the sector faces. There is also no evidence of any multinational corporation changing its core business model in response to investor pressure.

Council believes it is time for Shropshire's flagship pension fund to commit to divestment from fossil fuels over a three year timeframe.

This would;

Allow for the development of 'impact investment' directed towards internationally recognised sustainable development goals and/or investment in a local sustainable economy. Provide for a more sustainable future of all pension fund stakeholders. Provide leadership in the face of the climate emergency.

This Council resolves:

To instruct the Acting Chief Executive to write to the Pension Fund Committee asking the Committee to follow best practice by;

1. Adding a statement to their strategy that climate change constitutes financial risks to the fund.
2. Setting a 3 year timescale for the reinvestment of funds currently invested in fossil fuel dependant assets.
3. Developing an investment strategy consistent with sustainable development goals and developing a local sustainable economy.

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# Shropshire County Pension Fund (the “Fund”)

## Climate Related Target

This paper provides a statement from Aon, the Fund’s investment advisor, regarding its recommendation for a climate related target

### Introduction

The Fund has made significant progress to date in ensuring the risks associated with climate change are considered in its investment strategy. The Fund’s current approach is summarised as follows;

- Identify the risk of climate change.
- Mitigate the risk through ensuring managers integrate environmental, social and governance (ESG) considerations into their investment decisions.
- Further mitigate the risk using engagement with companies.
- Monitor the risk of climate change within the current strategy.

We note that the Council and other stakeholders and campaign groups are requesting the Fund disinvest from Fossil fuels within three years from July 2020. We believe putting in place a target of net zero carbon emissions by 2050 or sooner is a more effective and thorough way to manage climate risk. This is because:

- 1) Net zero goes beyond emissions from fossil fuel production alone.
- 2) Net zero aligns with LGPS Central’s approach to implementing the Fund’s investment strategy.
- 3) Net zero aligns with global industry standards.
- 4) Net zero allows the Fund to retain influence to engage and encourage positive change from the highest emitters.

### Why bring you this note?

To provide a recommendation regarding a climate related target for Shropshire County Pension Fund.

The note provides an introduction, explains the reasoning behind the recommendation and provides next steps.

### Recommendation

We recommend the Shropshire Council Pension Fund adopts a net zero carbon emissions by 2050 or sooner target as an effective and thorough way to manage climate risk.

Prepared for: Shropshire County Pension Fund

Prepared by: Aon

Date: 6 January 2022

Each of these areas is expanded upon in the next section of this paper. In terms of next steps, we recommend:

- 1) The Fund should put in place short and medium-term plans to make progress to the net zero by 2050 or sooner target.
- 2) The Fund should transition out of its UK equity allocation and invest with global sustainable equity manager(s) with LGPS Central.
- 3) The Fund should transition out of its passive FTSE Developed index allocation with Legal & General (L&G) and invest into the Solactive L&G Low Carbon Transition Global Index.
- 4) The Fund should continue to work with LGPS Central to put in place the net zero target and short and medium-term plans.
- 5) The Fund should continue to implement climate stewardship activity, including conveying policies and targets to stakeholders.



## Aon, Shropshire County Pension Fund's investment advisor, recommends that adopting a net zero carbon emissions by 2050 or sooner target is appropriate for the Shropshire County Pension Fund

A number of climate-related targets have been considered for the Fund, including no investments in fossil fuels by 2022 and setting a net zero carbon emissions target by 2050.

We believe setting a net zero target is the most appropriate as a means of decarbonising the Fund's investment strategy, managing climate risk and ensuring that the Fund keeps pace with the transition to a low carbon economy. This for the following four reasons:

### 1) Net zero goes beyond emissions from fossil fuel production alone.

Divestment does not resolve the issue of emissions from the end users of fossil fuels. In other words, it does not reduce the demand for fossil fuels from other companies, who themselves have significant carbon emissions that need to be reduced.

Sectors such as utilities, industrials and materials are some of the largest consumers of fossil fuels globally. According to the Fund's climate risk analysis, many of the largest emitting companies are within the utility sector, rather than being fossil fuel production companies. By progressing with divestment from fossil fuels alone, these sectors would be neglected, despite their relatively high carbon emissions.

Setting a net zero target would see the Fund's asset managers engage with all high emitting companies, including and beyond fossil fuel companies, to reduce their carbon footprint. This should result in a reduction in overall demand for fossil fuels which is key to mitigating the overall climate risk to the Fund's assets and the planet's overall warming pathway.

### 2) Net zero aligns with LGPS Central's approach to implementing the Fund's investment strategy.

The Fund is required to implement its investment strategy using LGPS Central. LGPS Central have confirmed they will be setting a target of reaching net zero by 2050, meaning its underlying investment offerings will be aligned with this policy. As such, implementing a net zero target can be done, both through the investments the Fund currently holds with Central and will be embedded in future investment options considered.

### 3) Net zero aligns with global industry standards.

The Glasgow Financial Alliance for Net Zero acknowledged in its *progress and plan towards a net-zero global economy*, published in November 2021, that divestment could lead to real-world emissions increasing as a result of carbon-intensive assets moving from those with an objective to improve operations, to those without. The UN-Convened Net-Zero Asset Owner Alliance are also aligned to this belief, stating that divestment "*does not achieve the objective of protecting investee businesses or broader society from the worst effects of climate change or contributing to the wider*

*transformation needed to limit global warming to 1.5C". Both cite engagement as the most effective method of reaching such targets.*

This also aligns with other bodies such as the Institutional Investors Group on Climate Change (IIGCC) and the Net Zero Asset Managers Initiative.

The UK Chancellor, Rishi Sunak, announced at COP26 new requirements for firms to publish net zero transition plans setting out decarbonisation through to 2050. This illustrates the direction of travel amongst global financial markets.

**4) Net zero allows the Fund to retain influence to engage and encourage positive change from the highest emitters.**

Climate change risk management requires cooperation between various actors. Companies need to be incentivised to adapt and the encouragement from shareholders and providers of capital can be a powerful tool to accelerate change.

Therefore, by not divesting, the Fund is able to retain influence by engaging with companies, rather than watching from the side-line. By choosing to divest, the Fund would be passing the responsibility to an alternative investor. The alternative investor may be less concerned about the transition to a low carbon economy, and therefore apply less scrutiny to the company.

The Department for Work and Pensions is also clear on the potential value of engagement, in the 21 October open consultation on climate and investment reporting, it states *"It should be noted that Government continues to believe blanket divestment from certain assets is the wrong approach – engagement with high-carbon companies, when done effectively, can reduce the climate risk to which the scheme is exposed."*

**In conclusion, Aon recommends that adopting a net zero carbon emissions by 2050 or sooner target is an effective and thorough way for the Shropshire County Pension fund to manage climate risk.**

## Next Steps

We will provide the Fund with advice and support on each of the next steps identified, but for brevity they are summarised here.

### **1) The Fund should put in place short and medium-term plans to make progress to the net zero by 2050 or sooner target.**

The Fund should recognise that the transition to net zero will not be linear, but should set short, medium and long-term goals towards meeting the net zero expectations. For example, halving emissions by 2030, in line with the IIGCC net zero framework.

### **2) The Fund should transition out of its UK equity allocation and invest with global sustainable equity manager(s) with LGPS Central-**

The Fund should replace its UK equity allocation, which is around 6% of total Fund assets, with actively managed global sustainable equity fund(s) now available to be implemented through with LGPS Central.

This change will not affect the Fund's expected risk and return characteristics but will reduce the carbon footprint of the portfolio by allocating investment in companies which focus on sustainable business and which may contribute to the transition to a low carbon economy.

### **3) The Fund should transition out of its passive FTSE Developed index allocation with Legal & General (L&G) and invest into the Solactive L&G Low Carbon Transition Global Index.**

The Fund should replace its global market cap passive allocation, which is around 30% of total Fund assets, with an investment in the Solactive L&G Low Carbon Transition Global Index.

The new passive benchmark will deliver meaningful carbon exposure reduction and a positive tilt towards companies with green revenues. Typical carbon emissions reduction ranges between 40-60% when compared with the market cap parent benchmark with a further 7% each subsequent year to reach net-zero by 2050.

This change will not affect the Fund's expected risk and return characteristics but will significantly reduce the carbon footprint of the portfolio.

### **4) The Fund should continue to work with LGPS Central to put in place the net zero target and short and medium-term plans.**

The Fund should encourage Central to formalise its own net zero targets and work with them to put in place short, medium and long-term plans.

### **5) The Fund should continue to implement climate stewardship activity, including conveying policies and targets to stakeholders.**

The Fund should continue to liaise with appointed asset managers and service providers to engage in line with the Fund's climate stewardship plan and climate stewardship policy.

Furthermore, when the net zero and interim targets are finalised, the Fund should convey the climate related expectations and requirements in line

with the Fund's objectives, monitoring and engaging on these as necessary.

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# Shropshire County Pension Fund and LGPS Central

## CLIMATE STRATEGY



PREPARED BY:

**PATRICK O'HARA, DIRECTOR OF RESPONSIBLE INVESTMENT  
& ENGAGEMENT, LGPS CENTRAL**



The next decade is going to be critical in the fight against climate change. Humanity is running out of time, in terms of implementing a consistent and coherent strategy to limit climate change. The required decarbonisation trajectory of the real economy becomes steeper and steeper with each passing year and as a result the role of pension schemes as owners of the real economy, is becoming increasingly critical.

LGPS Central recognises the importance of aligning investment portfolios with the targets set at Paris and affirmed in Glasgow and as such has recently committed to achieving net zero alignment in our investment portfolio's by 2050 and adopting interim targets in accordance with the Institutional Investor Group on Climate Change (IIGCC) Net Zero Investment Framework.

LGPS Central was amongst the original group of asset owners that worked with the IIGCC to develop the framework via the Paris Aligned Investment Initiative Working Groups. The framework has been widely adopted by asset owners and asset managers as a framework for alignment with the goals set at Paris.

LGPS Central has been a sponsor of the Transition Pathway Initiative (TPI) since its inception and is now a founder and Director of the newly established TPI Limited, which has resulted in the development of an open access analytical tool used by investors across the globe to assess the decarbonisation of companies, sectors, benchmarks and investment portfolios. The TPI is a framework that has been used for portfolio alignment and investor engagement by many asset owners and asset managers. It is a critical tool for the measurement and reporting of alignment and LGPS Central remains at the core of its evolution.

LGPS Central considers Net Zero alignment to be a fundamental strategy for responsible investment during this unprecedented period of disruption and transition. It is a strategy that is consistent with our conviction that the integration of ESG considerations into investment processes; supported by a robust programme of corporate engagements, is essential to the delivery of our fiduciary responsibilities. We consider that it is the strategy that is most likely to maximise our contribution to this critical transition and lead to the best outcomes for our members and society as a whole.

Investors that proactively integrate ESG considerations into their investment processes and commit to Net Zero alignment will inevitably, invest in those companies that can and will transition and avoid those companies that can't and won't. This is the most enduring way to impact corporate valuations and thus incentivise responsible corporate behaviour.

A Net Zero alignment strategy affords LGPS Central an opportunity to play its full role in accelerating the transition through the exercise of stewardship rights associated with corporate ownership. LGPS Central scrutinises and challenges companies and

### PURPOSE OF THIS DOCUMENT

The purpose of this paper is to recommend a climate change investment strategy for Shropshire County Pension Fund for approval by the Pensions Committee.

### OUR AIM

To support Shropshire County Pension Fund in implementing a Net Zero Investment Strategy.

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**"LGPS Central considers Net Zero alignment to be a fundamental strategy for responsible investment during this unprecedented period of disruption and transition."**

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their management on climate strategy, and is part of investor collaborations that put forward increasingly ambitious demands in this regard.

Our in-house team of ESG specialists can measure Net Zero alignment at portfolio and company level against agreed and established sector level decarbonisation pathways. These insights enable the team to develop and deliver a programme of engagements focused on accelerating Net Zero alignment where it is lacking. We are also in a position to monitor and challenge our external managers on the delivery of their engagement programme.

COP-26 highlighted that there remains much work to be done if we are to avoid the worst effects of climate change and limit global warming to anything near 1.5°C.

It is not going to be easy. The achievement of Net Zero requires the honest and accurate reporting of carbon emissions at corporate and government level and will inevitably require transparent and responsible usage of off-setting mechanisms. Unfortunately, not all industries will reach gross zero emissions. Investors must act as responsible owners of the companies in which we invest and be demanding around the setting and achievement of Net Zero targets. The next 10 years are going to be critical, and investors must play their part in scrutinising and challenging management. Companies cannot and will not transition at the pace required without the support and influence of their shareholders. It is the responsible investment community that will take a long-term view of corporate performance. As universal owners of equity, we can focus on both the demand for and supply of fossil fuels in our engagements.

The primary objective of the IIGCC Net Zero Framework is to ensure investors can decarbonise investment portfolios and increase investment in climate solutions, in a way that is consistent with a 1.5°C Net Zero emissions future. An 'investment strategy' led approach, supported by concrete targets set at portfolio and asset level – combined with smart capital allocation, and engagement and advocacy activity – ensures investors can maximise their impact in driving real-world decarbonisation. Four different asset classes – sovereign bonds, listed equities, corporate fixed income and real estate – are covered by the framework, with others to follow. Other features include;

- The framework focuses initially on four main asset classes – Equity, Corporate Fixed Income, Sovereign Debt and Real Estate. The framework focuses on emissions in material sectors, to maximise impact.
- Commitment to aligning investment strategy with achievement of global Net Zero emissions by 2050 (at the latest).
- Establishment of medium-term emissions reduction targets consistent with the 2050 target above, 50% reduction in carbon intensity by 2030 (at the latest).
- Portfolio alignment targets. 70% of emissions in material sectors to be either Net Zero or aligned to a Net Zero pathway, OR the subject of direct or collective engagement and stewardship actions. Target to increase to 100%.

- Increasing investment in 'climate solutions' that are needed to meet that goal, such as renewable energy, low carbon buildings, and energy efficient technologies.
- Targets reviewed at least every five years.
- Annual disclosure of performance similar to TCFD (Task force on Climate-Related Financial Disclosures).

### HOW LGPS CENTRAL CAN HELP SUPPORT SHROPSHIRE COUNTY PENSION FUND;

- Measurement of Net Zero alignment at company and portfolio level.
- Targeted engagement based on alignment of portfolios and individual companies (based on sector pathways).
- Engagement with regulators, policy makers and government.
- Measurement and achievement of 70% target moving to 100%.
- Engagement with corporates supported by active voting – including shareholder resolutions.
- ESG integration in active portfolios to help identify winners and avoid losers.
- Climate Risk Monitoring Service updated for Net Zero commitments
- TCFD Reporting, including future enhancements.
- Benchmark construction and selection for passive mandates.
- Collaborative engagement with private market industry to improve climate data collection and reporting.
- Collaborative engagement to ensure transparent and responsible use of carbon off-sets by investee companies and accurate and holistic carbon emissions reporting.

**A commitment to Net Zero would be an important stride forward for Shropshire County Pension Fund on its climate change journey, it would provide further focus to the existing active emissions reduction strategy and decarbonisation ambitions and builds on its significant climate change efforts to date.**

The Net Zero Strategy, set out by the IIGCC aligns with the goals of the Paris Agreement, the policy and legislated aims of the UK government, and the Intergovernmental Panel on Climate Change's Special Report on Global Warming of 1.5°C. It lays out the key initial steps to deliver portfolio decarbonisation while remaining mindful of its fiduciary duties.

Such a commitment would align Shropshire County Pension Fund with the asset owner community and governments globally. The Net Zero Asset Owners Alliance has grown to 60 Investors representing \$10 trillion of assets under management. The Net Zero Asset Managers Initiative now has 220 signatories with \$57 trillion of assets under management.



LGPS Central will continue to support Shropshire County Pension Fund in their Net Zero ambitions, working collaboratively with the Fund to ensure their investments are aligned to the pathway.



## Net Zero statement for Shropshire County Pension Fund

At LGIM, we believe that well-governed companies that manage all stakeholders, including the environment, are more likely to deliver sustainable long-term returns. We view the consideration of ESG issues as part of risk management, and therefore part of our fiduciary duty. As one of the world's largest asset managers with a long history of corporate engagement on the most material long-term issues, we aim to use our scale and ability to make a real, positive impact on the companies and markets in which we invest and on society as a whole.

Climate change is one of the greatest systemic risks we face today and achieving net zero by 2050 will be crucial in helping steer the world towards a more certain future. We have an opportunity to use our influence to help achieve the transition to net zero, while also producing positive, sustainable economic and environmental returns for our clients.

As a signatory to the Net Zero Asset Manager Initiative, we have committed to work in partnership with asset owner clients on decarbonisation goals, consistent with an ambition to reach net zero emissions by 2050 or sooner across all assets under management. We have put in place an interim Net Zero AUM target of 70% by 2030.<sup>1</sup>

Managing climate risk, delivering on our net zero commitments and helping our clients deliver on theirs' requires working collaboratively with multiple internal and external stakeholders. Offering Net Zero aligned investment products and engaging with investee companies are two core components of our strategy.

Drawing on industry best practice, we have therefore set out LGIM's key requirements for a fund or investment portfolio to be considered net zero aligned.<sup>2</sup> We are constructing active and index portfolios with embedded climate strategies, which include defined decarbonisation targets and objectives aligned to global climate pathways.

However, to deliver diversified investment portfolios and to reach the end goal of a net-zero economy, decarbonising the real economy is essential; this means achieving emission reductions across the sectors and companies in which we invest.

It is why the net-zero challenge is broader than merely excluding high-emitting sectors. All companies generate some emissions – either directly through their operations or indirectly through their value chain. Some high-emitting companies will have an important role in developing and investing in solutions. While select exclusions have a role to play, unilaterally divesting holdings is, therefore, not guaranteed to lead to the decarbonisation of the real economy and indeed could impede necessary investment in climate solutions.

The L&G Low Carbon Transition Developed Equity Index Fund is designed for investors seeking growth from equity indices, with a similar risk profile, while also aiming to reduce the carbon emissions intensity by roughly 70% compared with the relevant market-cap benchmark. The funds also seek to achieve sufficient decarbonisation over time to reach the goal of net zero carbon emissions by 2050.

The funds go further than just congratulating the companies with the strongest climate-friendly credentials. The scores that feed into the underlying index design are generated from a range of information and data sources and are aligned with LGIM's engagement and voting activities. They are also public, creating a powerful incentive for companies to improve their behaviour.

Engagement with investee companies to achieve real economy emissions reductions is critical. As a firm, we are recognised for using our scale and the weight of our votes in advocacy and engaging with policy makers, regulators, and companies on climate change. LGIM's longstanding climate engagement programme, the Climate Impact Pledge is now in its fifth year. We are systematically holding companies in 15 climate-critical sectors accountable –

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<sup>1</sup> For this first interim target LGIM has excluded Government securities and Derivative assets due to lack of clear industry methodologies to account for these asset classes. The public report will outline both this 70% figure and a 38% target figure for LGIM, which would be our target including derivatives and government securities.

<sup>2</sup> These can be found in the accompanying document, available here: <https://www.lgim.com/uk/en/insights/our-thinking/esg-and-long-term-themes/reaching-net-zero-lgims-approach/>

through our votes and divestment decisions— on their climate ambitions and disclosures. Our aim is to encourage companies to align their business to a net-zero emissions trajectory, in line with the 1.5C target and voting against and divesting those that fall behind. Through this targeted engagement programme, we have been able to affect real change and help steer companies towards better practices, including reducing carbon emissions.

Financial institutions and companies need to play their part in driving down global emissions and redirecting the capital flowing through the global economy towards a 1.5-degree world. This is why LGIM is demanding the companies in which it invests in meet the minimum standards on climate issues. Such action is not just good for the planet, it's good for the bottom line and so for LGIM's clients. Successful firms look to the future and it's clear that the future of the global economy is green.

In order to reach net zero, we are not committing to large-scale divestment across all our funds. As a firm, our house view is that engaging with companies leads to better outcomes for clients and the market as a whole. Through our approach to investment stewardship, we seek to improve companies' standards by engaging with them and using our voice. However, when combined with engagement and voting, targeted exclusions can also be a very powerful tool, such as implemented in the L&G Low Carbon Transition Funds. For certain activities, where engagement is considered to provide limited scope for change; where activities present investment risk and or where they are in breach of International Conventions and Treaties, LGIM may apply company-wide exclusion policies.

In terms of a divestment approach to oil and gas companies, we believe that the products of the oil and gas industry will be required for decades, and some, such as biofuels and hydrogen, might even see an increase in demand as the world transitions to a low-carbon economy. Blanket divestment from fossil fuels can also overlook the fact that the risks and opportunities might often lie in the same sector – some utilities with coal plants are also major developers of renewable energy, for example. As a result, we have chosen to reduce but not completely eliminate oil and gas exposure within our funds, including the L&G Low Carbon Transition Funds, whilst reserving the right to implement further exclusions and reductions. Prioritising the most 'carbon-efficient' oil and gas companies results in significant improvements in funds' environmental metrics whilst maintaining diversification. Without further policy measures, investors unilaterally divesting holdings are unlikely to contribute to the decarbonisation of the real economy. We will continue to advocate for policies towards a more sustainable economy, including working with the UK government to support the COP26 climate conference in Glasgow.

# Shropshire County Pension Fund

Pensions Committee meeting 17 January 2022

BMO Global Asset Management (EMEA), part of Columbia Threadneedle Investments, has been the engagement provider to Shropshire County Pension Fund since 2005. We engage with companies held by the Fund calling on them to improve their policies and practices on a range of environmental, social and governance issues.

Whilst the engagement covers a wide range of ESG themes, climate change engagement has consistently been a high priority, guided by the preferences of our clients, who we survey annually.

In our view, and having conducted a global shareholder engagement programme for over twenty years, engagement – if done in the right way – can be a very powerful lever for change at companies. Whilst there are many influences on a company's approach to sustainability, the voice of shareholders, as the ultimate owners and providers of capital, carries significant weight, particularly when it comes to influencing the views of the Board and senior management. Divestment strategies remove the opportunity to use this influence as a force for positive change.

## **Our climate change expectations**

On behalf of Shropshire and our other engagement clients, we engage with companies across sectors and regions, encouraging to adopt business strategies consistent with a net zero emissions economy, and with limiting the global temperature rise to 1.5 degrees Centigrade.

Our engagement goes well beyond asking companies to set a net zero emissions target. Whilst that is certainly one part, we focus on seeking credible and robust implementation strategies. Our asks are closely aligned to the Climate Action 100+ benchmark, a set of standards backed by investors representing \$60 trillion in assets. They include: Interim targets (including ambitious 2030 targets); a transition strategy, including a capital expenditure plan; governance structures; and disclosure in line with TCFD recommendations.

For specific sectors, we may have additional asks or recommendations, such as calling on banks to integrate climate change into lending and underwriting policies. Our team has helped to develop many of these standards, such as a recently-published net zero expectations document for the electric utilities sector.

## Expectations for fossil fuel companies

We see climate change as a cross-sectoral and economy-wide issue, where engagement cannot just look at the supply side (the fossil fuel producers), but also at the demand side (such as industry, buildings, transportation) as well as finance (banks, insurers). Our engagement programme has systematically targeted action across all these sectors, using both 1 to 1 meetings, and collaborating through initiatives including as Climate Action 100+.

Within this broader context, there are particular considerations and expectations that we apply to fossil fuel producers – coal miners, and oil & gas companies. Many of these companies had, until recently, been focused on their own operational emissions – Scope 1 and 2 emissions – rather than the impact of their products – Scope 3 emissions. Our engagement puts these product emissions at the centre of the dialogue, where we push for phase-out or managed decline of fossil fuel production, in line with the sectoral standards referenced earlier, and in line with net zero pathways produced by, for instance, the International Energy Agency.

## Conducting engagement

Where possible, we aim to engage directly with Boards and senior management of companies, to have maximum influence and to emphasise the fact that ESG issues, including climate change, should be considered as core to business strategies.

We also engage with operational specialists, such as heads of sustainability or heads of climate, where we want to get more in-depth on policy details, as well as with investor relations. Access to senior decision-makers is more challenging in some markets than others. However this is improving as the importance of stewardship becomes more recognised by regulators.

For the largest emitters, we engage collaboratively through Climate Action 100+. As described above, the principles behind this initiative are aligned with ours, and with \$60 trillion represented, the weight of assets represented means that we get good access to companies. We are directly involved in engagement with 27 companies, all of which are held by Shropshire.

## Achieving results

We are systematic in recording our asks of companies, and whether these are successful. Where a company changes its policies or practices following engagement, this is recorded as a 'milestone'. We recorded 283 milestones for Shropshire in 2021, 78 of which related to climate change.

In the case of fossil fuel producers, we see the current picture as follows:

- All European oil & gas majors have now adopted a net zero emissions target. However, speeds of implementation vary, with some firms planning to increase oil & gas volumes throughout the 2020s, before cutting later. We see this as insufficient and continue to engage these firms to be more ambitious. We are also looking at the allocation of capex to renewable / clean energy versus fossil fuels. Again this varies; at some firms it has shifted significantly, but at others the weight remains too strongly on fossil fuels.
- Progress is significantly slower at oil & gas firms outside of Europe. In the US, the more progressive stance of President Biden may start to have an impact. In the meantime we continue to engage, referencing the more ambitious plans of European companies.
- Diversified miners are generally shifting out of coal, with the largest firms in the sector either already divested or committed to doing so.
- Engagement is challenging with some companies, such as smaller oil & gas firms or pureplay coal miners. Often these companies lack the knowhow and/or resource to diversify into entirely different business areas, meaning that the best option for shareholders might be managed decline.
- Across sectors, engagement on topics including disclosure in line with TCFD, reporting and governance has generally been productive. Clearly disclosure alone is not sufficient but it does allow investors to better analyse risk and the relative position of different companies.

Whilst, as noted above, companies are facing multiple influences to take action, not least regulatory change, we know from our interactions with companies that investor engagement is without doubt putting pressure on Boards and senior management level to take action more rapidly and with more ambition than would otherwise be the case.

By using a pooled engagement service, representing £719bn in assets (as at 30 September 2021), Shropshire is able to leverage its influence, and be part of this pressure for further and faster change, in line with its investment beliefs.

**BMO Global Asset Management**  
January 2022

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## **Appendix F – Statement from Executive Director of Resources**

It is important that Members of the Pensions Committee fully understand their responsibilities and the remit of their decision making in relation to Pension Fund business.

The Pensions Committee is a committee of Shropshire Council, in that it is administered by the Council and agendas and minutes are reported through its website. The Pensions Committee is not, however, overseen by Full Council, but rather it is an independent decision-making body in that sense. The Members that sit on the Pensions Committee, whether they are Shropshire Council Members, Telford and Wrekin Members or other Members without voting rights, do not sit there to represent their authorities, they must comply with general legal principles governing the administration of scheme investments, and must consider the needs of over 50,000 Pension Fund members and 160 Pension Fund employers only.

Pensions Committee Members have previously agreed the Strategic Asset Allocation of the Pension Fund in March 2021 and the updated Investment Strategy Statement in Sept 2021 and decisions must be made in the context of those decisions.

When preparing and maintaining investment strategy statements, the relevant Secretary of State Guidance must be taken into account further to Regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. The Guidance identifies the need to make investment decisions within the prudential framework and acknowledges: “the duty of elected members under general public law principles to make investment decisions in the best long-term interest of scheme beneficiaries and taxpayers” Regulation 7 states that the investment strategy needs to include: “the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments”. The guidance expands on what it should cover and considerations to be taken into account, and this is included at the end of the written statement appended to the report.

It is also important to remember that the decisions taken by the Pensions Committee have huge reputational and financial risks associated with them. To this end, the Council employs AON as our investment advisor and Roger Bartley as our independent advisor to provide advice to the Pensions Committee in decisions they take. To provide protection to Pensions Committee Members, strong and robust governance arrangements are placed around the decision-making process. As an

example, Manager selection processes require significant due diligence to be undertaken within an approved framework in line with the agreed Investment Strategy before any consideration is made by the Pensions Committee. Any final selection, left to the Committee, is then based on preference or strategic fit, from a choice of Managers that have all been thoroughly assessed as, effectively, equally competent.

This concept is essential, as the decision making in relation to performance then lies with the selected manager. Should Pensions Committee Members seek to guide the decision-making of the managers themselves, this could transfer risk from the agreed governance process directly to the Pensions Committee Members. By extension, should the Pension Fund then perform poorly and this resulted in significant financial detriment and the potential for increased employer contributions, this could be directly attributable to Pension Committee Members taking unreasonable responsibility for investment decisions outside of the agreed governance process.

There are two distinct, but not mutually exclusive, priorities to focus on:

What more can the Pension Fund do to help the planet meet its climate change targets?

How can Pension Fund investments help ensure it is fully funded with stable contribution rates for employers?

Questions for Pensions Committee Members to consider are:

- Is there strong evidence to suggest the Council motion actively delivers either of these priorities?
- Could the Council motion actively work against both these priorities?
- Does a decision to divest unreasonably transfer investment risk decision-making directly to Pension Committee Members?
- Are there other options the Pensions Committee have explored, in training over the last eighteen months, that could potentially fulfil both priorities?

Expanded Secretary of States Guidance on Preparing and Maintaining Investment Strategy Statements:

“When making investment decisions, administering authorities must take proper advice and act prudently. In the context of the local government pension scheme, a prudent approach to investment can be described as a duty to discharge statutory responsibilities with care, skill, prudence and diligence. This approach is the standard that those responsible for making investment decisions must operate.



Although administering authorities are not subject to trust law, those responsible for making investment decisions must comply with general legal principles governing the administration of scheme investments. They must also act in accordance with ordinary public law principles, in particular, the ordinary public law of reasonableness. They risk challenge if a decision they make is so unreasonable that no person acting reasonably could have made it.

The law is generally clear that schemes should consider any factors that are financially material to the performance of their investments, including social, environmental and corporate governance factors, and over the long term, dependent on the time horizon over which their liabilities arise. Although schemes should make the pursuit of a financial return their predominant concern, they may also take purely non-financial considerations into account provided that doing so would not involve significant risk of financial detriment to the scheme and where they have good reason to think that scheme members would support their decision.

Investments that deliver social impact as well as a financial return are often described as “social investments”. In some cases, the social impact is simply in addition to the financial return; for these investments the positive social impact will always be compatible with the prudent approach. In other cases, some part of the financial return may be forgone in order to generate the social impact.

These investments will also be compatible with the prudent approach providing administering authorities have good reason to think scheme members share the concern for social impact, and there is no risk of significant financial detriment to the fund.

### **Summary of requirements**

In formulating and maintaining their policy on social, environmental and corporate governance factors, an administering authority:

1. Must take proper advice
2. Should explain the extent to which the views of their local pension board and other interested parties who they consider may have an interest will be taken into account when making an investment decision based on non-financial factors
3. Must explain the extent to which non-financial factors will be taken into account in the selection, retention and realisation of investments
4. Should explain their approach to social investments

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<u>Committee and Date</u>	<u>Item</u>
Pensions Committee	<b>10</b>
17 January 2022	Public
10.00am	

## CORPORATE GOVERNANCE MONITORING

**Responsible  
Officer**

Ben Driscoll

e-mail: [ben.driscoll@shropshire.gov.uk](mailto:ben.driscoll@shropshire.gov.uk) Tel: (01743)  
252079

### 1. Synopsis

- 1.1 The report is to inform members of Corporate Governance and socially responsible investment issues arising in the second quarter, 1<sup>st</sup> July 2021 to 30<sup>th</sup> September 2021.

### 2. Recommendations

- 2.1 Members are asked to accept the position as set out in the report, Manager Voting Reports at Appendix A (A1, A2 & A3) and BMO Global Asset Management Responsible Engagement Overlay Activity Report at Appendix B (B1 & B2).

## 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 also 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 & global equities portfolios.

## 7. Manager Voting Activity

- 7.1 Details of managers voting activity during the quarter relating to equity portfolios are attached (Appendix A; A1, A2 & A3).

## 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 (B1 & B2) 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 25 June 2021

Corporate Governance Monitoring report, Pensions Committee 17 September 2021

### **Cabinet Member**

N/A

**Local Member**

N/A

**Appendices**

A. Manager Voting Activity Reports (A1-A3).

B. BMO Global Asset Management Responsible Engagement Overlay Reports (B1-B2).

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# 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.

The summaries below are based on our internal research and analysis through engaging with each company on what we consider to be their material issues. The information has been included to evidence our ESG integration process. In each case, it is our view being presented and the information should not be relied upon.

The resiliency scores of "high", "average" or "low" provide a simplified indication of the more detailed scoring system we apply as part of our investment process.

The conviction scores provide a general indication of any changes in the absolute conviction levels we have in a particular holding. We use a sliding absolute scale in our investment process and scores of "higher" or "lower" in this report do not necessarily translate to "high" or "low" absolute conviction scores. The changes noted in this report reflect a change in conviction based on the recent quarter, which might not result in a change in weighting, especially if we expect further progress on engagement issues.

## **KPN**

We met with KPN, the Dutch telecommunications group, in July 2021.

### **Investment rationale**

KPN is a well-run, single country telco based in the Netherlands (NL). It offers converged packages of fixed and mobile connections. The Netherlands market has consolidated into three main players, KPN, VodafoneZiggo and T-Mobile. We believe KPN should benefit from market repair of the recently consolidated market, along with higher average revenue per user (ARPU), a higher net promoter score (NPS), and lower churn from its converged customer base. It should also benefit from significant free cash flow (FCF) growth as it reduces costs through digitisation while keeping capex flat. The group's new CEO (previously the COO) is executing a medium-term plan to grow FCF and eventually return the business to revenue growth. KPN's shares are currently cheap. We think there is substantial scope for re-rating as the group shows itself to be a steady grower with compounding FCF growth. The recently announced share buyback is a positive sign.

Areas of engagement	Potential impacts
Net Promoter Score (NPS) level	Social and financial
Cost savings	Financial and social
Public's view of KPN as a brand	Social
Medium term plan design	Governance and financial

### **Objectives of engagement**

- To understand the drivers behind customer satisfaction trends
- To understand better the cost savings and the group's simplification programme
- To get a feel for the approach of the CFO
- To communicate our thoughts on capital returns and the balance sheet
- To communicate our thoughts on the new management plan vs the previous one

### **Key issues and discussion**

#### **1) Customer NPS and churn management**

KPN's NPS was higher before the pandemic. Once Covid hit, customers relied on Wi-Fi and noticed many more problems, generating more service calls, which were handled by fewer staff. Customers' tolerance for problems started declining from last spring. The group has installed batteries to help with variation in the power supply and has also hired more support employees and mechanics, which is having a positive impact on the group's NPS by helping to lower the number of calls and complaints. KPN has also relaunched an app to enable customers to manage their account and book an engineer visit.

## **2) Successful execution of medium-term plans and returning KPN to FCF growth**

KPN is undertaking a comprehensive cost savings programme. It is simplifying and digitising its business, which is driving cost reductions and improving customer outcomes. The main areas of cost savings include new automated systems (which are helping to reduce overheads), a new app focusing on customer service, and the migration of its XS4ALL (internet service) brand onto the KPN corporate platform.

In terms of office space, KPN will keep small shops as long as competitors retain theirs. These will provide customers the opportunity to see new mobile phones and buy broadband. Some office space will still be used as employees will spend at least two days in the office each week. The group plans to close some of its offices as leases allow.

## **3) Successful turnaround of business units**

KPN has seen an increase in the number of SME clients taking three group products and targets further progress. It's also working to improve its cross selling of mobile services.

### **Our requests / feedback**

- We requested that KPN pay off its hybrid debt instruments as they become callable, where possible.
- We fed back that we supported KPN's buy-back as a way of returning excess cash to shareholders, since this shows discipline and builds trust with the market.

**Escalated issue(s):** None

**Outcomes from engagement:** None

**Any impacts on proxy voting:** No

**Resiliency score:** High (unchanged since last quarter)

KPN is run with a focus on customers, staff and suppliers, as well as shareholders. It is reducing costs and improving its offer by simplifying the business and by automating and digitising some of its operations. The group operates in a competitive market.

**Conviction score:** Unchanged (since last quarter)

KPN is turning itself around – it is now a much simpler business. There is a nice background drumbeat of cost savings, augmented by various projects to decommission old systems and networks, and rationalise real estate. Mass market revenues are back to growth and the group's SME unit is on target to stabilise later this year. Return on capital employed (ROCE) is gradually rising. Free cash flow (FCF) growth is constrained next year by a step-up in cash taxes, but beyond that, it should be around 10%+ per annum, with almost all FCF being returned to shareholders via dividends and the group's planned buyback.

### **Standard Chartered**

In August 2021, we met with the CFO and Investor Relations of Standard Chartered (STAN), the multinational banking and financial services group. STAN is mainly a corporate and commercial bank, focused on emerging markets, particularly in Asia.

### **Investment rationale**

STAN's business is fairly diversified in terms of revenue. Hong Kong and mainland China are its most important markets. The group has an experienced management team who have been working over the last five years to fix the problems created by the bank's prior period of rapid expansion. STAN is restructuring and simplifying the business, resulting in strong growth in income before the pandemic. STAN has been reducing exposure to commodity-related sectors (most lending to commodity companies is very short term) as these were a source of problems in 2015. There's also some positive early traction for its app bank, Mox.

<b>Areas of engagement</b>	<b>Potential impacts</b>
Group's relationship with China and Hong Kong	Social and financial
Credit cycle and returns potential	Financial



## **Objectives of engagement**

- To understand better the regulatory and political situation in mainland China and Hong Kong
- To understand better the returns potential of the business
- To discuss the current cycle

## **Key issues and discussion**

### **1) Increased shareholder returns following the pandemic**

There is some hard evidence of recovery coming through, as STAN's loans and advances were up about 6% in H1. Also, the bank is finding that corporates are generally managing to navigate the pandemic even if they have more debt on their balance sheets. If interest rates take time to return to pre-Covid levels, STAN thinks this could also help keep credit impairments lower.

STAN is also focused on returns. It feels it could eventually reach its 10% ROTE target if costs are tightly controlled and revenues gradually improve. Sources of income that are not balance sheet linked are attractive; where income is linked to the group's balance sheet (such as lending), the bank will look for the necessary collateral to reduce overall risk. Large multinational banks tend to be the least cost efficient due to variances in regulation across countries. STAN is focused on volume and on automation to make its size work.

Any potential M&A would need to be assessed in the context of returns and other uses of capital, such as buying back shares.

### **2) Global tensions between Hong Kong, China and the US**

STAN has operated in Hong Kong and China for 160 years. Its Chinese businesses are run by Chinese employees, not ex-pats. While the world worries about Hong Kong, there has not been a mass flight of people or businesses out of Hong Kong; the Hong Kong stock exchange is doing a record number of IPOs. STAN has improved its relationships in China both on the political and regulatory sides. The bank thinks it is regarded as genuinely apolitical. The greater bay area of China is likely to be one of the parts of the world with above average growth over the next few years. STAN has moved its loan book substantially over the last several years towards growing industries.

**Our requests:** None

**Outcomes:** None

**Escalated issue(s):** None

**Any impacts on proxy voting:** No

**Resiliency score:** Average (unchanged since last quarter)

STAN benefits from a strong and experienced management team and good market positions in its most important territories. It is highly regulated and must also manage political risks carefully. It is well capitalised with strong balance sheet metrics.

**Conviction score:** Unchanged (since last quarter)

STAN's end markets are arguably in a better position than five years ago and underlying GDP growth can help smooth the downturn caused by the virus. The recovery in STAN's business appears to be starting to come through in the numbers. The shares trade on a low valuation, with potential for a rerating if management can demonstrate sustainably higher returns.

# 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	43	
Number of resolutions	601	
Where we voted in line with Management	571	95.0
Where we have not voted in line with Management	30	5.0

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	4	0
Directors Related	4	1
Non-Salary Comp.	2	0
Reorg. and Mergers	0	0
Routine/Business	20	0
Total	30	1

Sources: Majedie, ISS (Institutional Shareholder Services)

# VOTING RECORD DETAILS

SECURITY NAME	MEETING DATE	MEETING TYPE	MAJEDIE VOTE
3I	01 Jul 2021	AGM	Against Resolution 15
ACCSYS TECHNOLOGIES	17 Sep 2021	AGM	Voted for all
ASHTED GROUP	16 Sep 2021	AGM	Voted for all
AUCTION TECHNOLOGY GROUP	20 Aug 2021	EGM	Voted for all
AUTO TRADER	17 Sep 2021	AGM	Voted for all
AVEVA	07 Jul 2021	AGM	Against Resolution 7
BLOOMSBURY PUBLISHING	21 Jul 2021	AGM	Voted for all
BYTES TECHNOLOGY GROUP	22 Jul 2021	AGM	Against Resolution 13
CAIRN ENERGY	19 Jul 2021	EGM	Voted for all
CARD FACTORY	28 Jul 2021	AGM	Voted for all
CURRYS	15 Sep 2021	AGM	Against Resolution 14
DIAGEO	30 Sep 2021	AGM	Against Resolution 16
DISCOVERIE GROUP	29 Jul 2021	AGM	Against Resolution 19
DR. MARTENS	29 Jul 2021	AGM	Against Resolution 14
DWF GROUP	28 Sep 2021	AGM	Against Resolution 16
ECO ANIMAL HEALTH GROUP	16 Sep 2021	AGM	Against Resolution 1
ELECTROCOMPONENTS	15 Jul 2021	AGM	Against Resolution 14
EQTEC	17 Aug 2021	AGM	Against Resolutions 1, 6, 7
FIRSTGROUP	13 Sep 2021	AGM	Against Resolution 18
FULLER SMITH & TURNER	23 Sep 2021	AGM	Against Resolutions 3, 10
GAMES WORKSHOP GROUP	15 Sep 2021	AGM	Voted for all
GB GROUP	29 Jul 2021	AGM	Voted for all
HOMESERVE	16 Jul 2021	AGM	Voted for all
KNIGHTS GROUP HOLDINGS PLC	21 Sep 2021	AGM	Voted for all
LIONTRUST ASSET MANAGEMENT	23 Sep 2021	AGM	Against Resolution 13
MARKS & SPENCER	06 Jul 2021	AGM	Against Resolution 18
MARLOWE HOLDINGS	15 Sep 2021	AGM	Voted for all
MITIE	27 Jul 2021	AGM	Against Resolution 14
MOONPIG GROUP	28 Sep 2021	AGM	Against Resolution 18
OXFORD INSTRUMENTS	21 Sep 2021	AGM	Voted for all
QINETIQ	21 Jul 2021	AGM	Against Resolution 14
RYANAIR	16 Sep 2021	AGM	Against Resolutions 4d, 4f
SPEEDY HIRE	09 Sep 2021	AGM	Against Resolution 19
STOCK SPIRITS	20 Sep 2021	Court	Voted for all
STOCK SPIRITS	20 Sep 2021	EGM	Voted for all
SUMO GROUP	10 Sep 2021	Court	Voted for all
SUMO GROUP	10 Sep 2021	EGM	Voted for all
TINYBUILD	26 Jul 2021	AGM	Against Resolutions 2, 5
VODAFONE	27 Jul 2021	AGM	Against Resolution 22
WATCHES OF SWITZERLAND GROUP	02 Sep 2021	AGM	Against Resolution 11
WM MORRISON	27 Aug 2021	Court	Voted for all
WM MORRISON	27 Aug 2021	EGM	Voted for all

SECURITY NAME	MEETING DATE	MEETING TYPE	MAJEDIE VOTE
YOURGENE HEALTH	28 Sep 2021	AGM	Against Resolution 9; Abstain on Resolution 3

Source: Majedie

## Principles proven in the market.

To view 5 year performance numbers please visit your Majedie intranet portal or for pooled funds mentioned in this report, please see the relevant fund factsheet by visiting [www.majedie.com/library](http://www.majedie.com/library).

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## LGPS Central - ACS

## EOS at Federated Hermes

### Engagement by region

Over the last quarter we engaged with **206** companies held in the LGPS Central - ACS portfolios on a range of **639** environmental, social and governance issues and objectives.

#### Global

We engaged with **206** companies over the last quarter.



■ Environmental **33.3%**  
 ■ Social and Ethical **22.1%**  
 ■ Governance **28.3%**  
 ■ Strategy, Risk and Communication **16.3%**

#### Australia & New Zealand

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



■ Environmental **41.7%**  
 ■ Social and Ethical **25.0%**  
 ■ Governance **33.3%**  
 ■ Strategy, Risk and Communication **1.0%**

#### Developed Asia

We engaged with **27** companies over the last quarter.



■ Environmental **34.3%**  
 ■ Social and Ethical **27.1%**  
 ■ Governance **27.1%**  
 ■ Strategy, Risk and Communication **11.4%**

#### Emerging & Developing Markets

We engaged with **32** companies over the last quarter.



■ Environmental **31.0%**  
 ■ Social and Ethical **12.6%**  
 ■ Governance **39.1%**  
 ■ Strategy, Risk and Communication **17.2%**

#### Europe

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



■ Environmental **32.6%**  
 ■ Social and Ethical **20.5%**  
 ■ Governance **27.3%**  
 ■ Strategy, Risk and Communication **19.7%**

#### North America

We engaged with **70** companies over the last quarter.



■ Environmental **33.3%**  
 ■ Social and Ethical **25.9%**  
 ■ Governance **23.5%**  
 ■ Strategy, Risk and Communication **17.3%**

#### United Kingdom

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



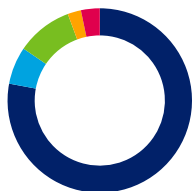
■ Environmental **34.9%**  
 ■ Social and Ethical **21.7%**  
 ■ Governance **33.7%**  
 ■ Strategy, Risk and Communication **9.6%**

## Engagement by theme

Over the last quarter we engaged with **206** companies held in the LGPS Central - ACS portfolios on a range of **639** environmental, social and governance issues and objectives.

### Environmental

Environmental topics featured in **33.3%** of our engagements over the last quarter.



- Climate Change **77.9%**
- Forestry and Land Use **6.6%**
- Pollution and Waste Management **9.9%**
- Supply Chain Management **2.3%**
- Water **3.3%**

### Social and Ethical

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



- Bribery and Corruption **1.4%**
- Conduct and Culture **8.5%**
- Diversity **25.5%**
- Human Capital Management **17.0%**
- Human Rights **42.6%**
- Labour Rights **5.0%**

### Governance

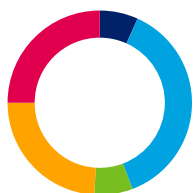
Governance topics featured in **28.3%** of our engagements over the last quarter.



- Board Diversity, Skills and Experience **23.2%**
- Board Independence **14.4%**
- Executive Remuneration **46.4%**
- Shareholder Protection and Rights **11.6%**
- Succession Planning **4.4%**

### Strategy, Risk and Communication

Strategy, Risk and Communication topics featured in **16.3%** of our engagements over the last quarter.



- Audit and Accounting **6.7%**
- Business Strategy **37.5%**
- Cyber Security **6.7%**
- Integrated Reporting and Other Disclosure **24.0%**
- Risk Management **25.0%**



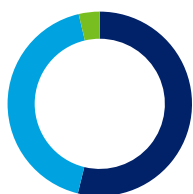
## LGPS Central - ACS

## EOS at Federated Hermes

Over the last quarter we made voting recommendations at **353** meetings (**3,781** resolutions). At **150** meetings we recommended opposing one or more resolutions. We recommended voting with management by exception at **13** meetings. We supported management on all resolutions at the remaining **190** meetings.

### Global

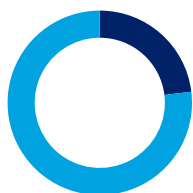
We made voting recommendations at **353** meetings (**3,781** resolutions) over the last quarter.



■ Total meetings in favour **53.8%**  
■ Meetings against (or against AND abstain) **42.5%**  
■ Meetings with management by exception **3.7%**

### Australia and New Zealand

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



■ Total meetings in favour **23.1%**  
■ Meetings against (or against AND abstain) **76.9%**

### Developed Asia

We made voting recommendations at **49** meetings (**366** resolutions) over the last quarter.



■ Total meetings in favour **67.3%**  
■ Meetings against (or against AND abstain) **30.6%**  
■ Meetings with management by exception **2.0%**

### Emerging and Frontier Markets

We made voting recommendations at **110** meetings (**823** resolutions) over the last quarter.



■ Total meetings in favour **54.5%**  
■ Meetings against (or against AND abstain) **44.5%**  
■ Meetings with management by exception **0.9%**

### Europe

We made voting recommendations at **47** meetings (**592** resolutions) over the last quarter.



■ Total meetings in favour **42.6%**  
■ Meetings against (or against AND abstain) **55.3%**  
■ Meetings with management by exception **2.1%**

### North America

We made voting recommendations at **28** meetings (**279** resolutions) over the last quarter.



■ Total meetings in favour **28.6%**  
■ Meetings against (or against AND abstain) **67.9%**  
■ Meetings with management by exception **3.6%**

### United Kingdom

We made voting recommendations at **106** meetings (**1,645** resolutions) over the last quarter.

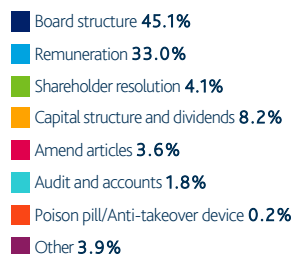
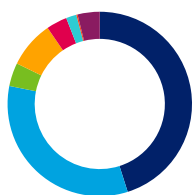


■ Total meetings in favour **62.3%**  
■ Meetings against (or against AND abstain) **29.2%**  
■ Meetings with management by exception **8.5%**

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

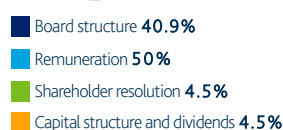
### Global

We recommended voting against or abstaining on **439** resolutions over the last quarter.



### Australia and New Zealand

We recommended voting against or abstaining on **22** resolutions over the last quarter.



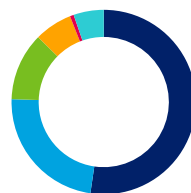
### Developed Asia

We recommended voting against or abstaining on **40** resolutions over the last quarter.



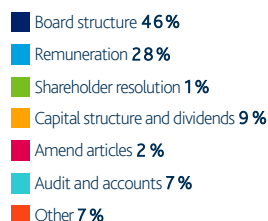
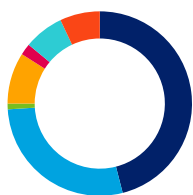
### Emerging and Frontier Markets

We recommended voting against or abstaining on **151** resolutions over the last quarter.



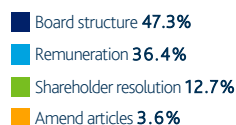
### Europe

We recommended voting against or abstaining on **100** resolutions over the last quarter.



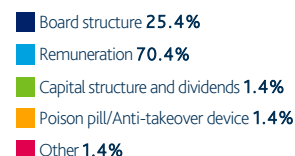
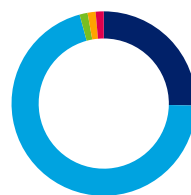
### North America

We recommended voting against or abstaining on **55** resolutions over the last quarter.



### United Kingdom

We recommended voting against or abstaining on **71** resolutions over the last quarter.





**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 within the company's Authorised Contractual Scheme (ACS).

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
20/07/2021	Lenovo Group Limited	Annual	Against	5,7 3b	Issue of equity raises concerns about excessive dilution of existing shareholders Overboarded/Too many other time commitments
30/07/2021	Link Real Estate Investment Trust	Annual	All For		
23/08/2021	Vitasoy International Holdings Limited	Annual	Against	3A1 5A 5C 3A2 3A3	Concerns related to approach to board gender diversity and concerns related to inappropriate membership of committees Insufficient/poor disclosure Issue of equity raises concerns about excessive dilution of existing shareholders Lack of independence on board Overboarded/Too many other time commitments
30/08/2021	Guotai Junan International Holdings Limited	Extraordinary Shareholders	All For		
27/07/2021	ITO EN, LTD.	Annual	All For		
29/07/2021	Ain Holdings, Inc.	Annual	All For		
04/08/2021	ASKUL Corp.	Annual	Against	2	Concerns related to shareholder rights
10/08/2021	TSURUHA Holdings, Inc.	Annual	All For		
17/08/2021	Activia Properties, Inc.	Special	All For		
19/08/2021	Kusuri No Aoki Holdings Co., Ltd.	Annual	Against	3 1.6	Insufficient/poor disclosure Lack of independence on board
20/08/2021	Oracle Corp Japan	Annual	Against	1	Concerns related to shareholder rights
24/08/2021	COSMOS Pharmaceutical Corp.	Annual	Against	2.1 3.2	Lack of independence on board Lack of independence on board
27/08/2021	Heiwa Real Estate REIT, Inc.	Special	Against	4.2	Lack of independent representation at board committees Lack of independence on board
31/08/2021	United Urban Investment Corp.	Special	All For		
07/09/2021	Japan Prime Realty Investment Corp.	Special	All For		
28/09/2021	Lasertec Corp.	Annual	Against	3.6,3.7	
28/09/2021	SHO-BOND Holdings Co., Ltd.	Annual	All For		
29/09/2021	Asahi Intecc Co., Ltd.	Annual	All For		
29/09/2021	Pan Pacific International Holdings Corp.	Annual	All For		
29/09/2021	TechnoPro Holdings, Inc.	Annual	All For		
29/09/2021	ULVAC, Inc.	Annual	Against	2.4	Lack of independence on board
13/07/2021	Mapletree Logistics Trust	Annual	Against	3	Issue of equity raises concerns about excessive dilution of existing shareholders
14/07/2021	Mapletree Industrial Trust	Annual	All For		
15/07/2021	Mapletree North Asia Commercial Trust	Annual	Against	3	Issue of equity raises concerns about excessive dilution of existing shareholders
15/07/2021	Singapore Post Ltd.	Annual	All For		
19/07/2021	NetLink NBN Trust	Annual	All For		
19/07/2021	NetLink NBN Trust	Annual	All For		
22/07/2021	Mapletree Commercial Trust	Annual	Against	3	Issue of equity raises concerns about excessive dilution of existing shareholders
22/07/2021	SATS Ltd.	Annual	All For		
23/07/2021	SIA Engineering Co. Ltd.	Annual	All For		
29/07/2021	Singapore Airlines Ltd.	Annual	All For		
30/07/2021	Singapore Telecommunications Limited	Annual	All For		
04/08/2021	Flex Ltd.	Annual	All For		
10/08/2021	CapitaLand Ltd.	Court	All For		

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
10/08/2021	CapitalLand Ltd.	Extraordinary Shareholders	All For		
23/08/2021	Sembcorp Marine Ltd.	Extraordinary Shareholders	All For		
10/09/2021	Singapore Press Holdings Ltd.	Extraordinary Shareholders	All For		
14/07/2021	Helixmith Co., Ltd.	Special	Against	1,2,4,2,5,2,6 3,6,3,7,4,5,1,5,2	SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes appropriate accountability or incentivisation SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes enhanced shareholder rights
20/07/2021	Mando Corp.	Special	All For		
26/07/2021	KEPCO Plant Service & Engineering Co., Ltd.	Special	All For		
10/08/2021	Korea Electric Power Corp.	Special	All For		
13/08/2021	SillaJen, Inc.	Special	Against	3	Insufficient/poor disclosure
31/08/2021	Solus Advanced Materials Co., Ltd.	Special	All For		
10/09/2021	Doosan Infracore Co., Ltd.	Special	All For		
16/09/2021	SK Innovation Co., Ltd.	Special	All For		
08/07/2021	Accton Technology Corp.	Annual	Against	3,1,3,6	
09/07/2021	Acer, Inc.	Annual	All For		
09/07/2021	SINBON Electronics Co., Ltd.	Annual	Against	4,2,4,3,4,4,4,5,4,6,4,7,4,8	Lack of independence on board
20/08/2021	Chunghwa Telecom Co., Ltd.	Annual	All For		
15/07/2021	AusNet Services Ltd.	Annual	Against	3 2a,2b	Apparent failure to link pay and appropriate performance Concerns related to approach to board gender diversity
28/07/2021	ALS Ltd.	Annual	Against	3 1	Apparent failure to link pay and appropriate performance Concerns related to approach to board gender diversity
29/07/2021	Macquarie Group Limited	Annual	Against	6	Concerns to protect shareholder value
01/09/2021	Metcash Limited	Annual	Against	3,4a,4b	Apparent failure to link pay and appropriate performance
22/09/2021	AGL Energy Limited	Annual	Against	6b	SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks
23/09/2021	Suncorp Group Limited	Annual	Against	1	Apparent failure to link pay and appropriate performance
29/09/2021	ASX Limited	Annual	Against	4 3b	Apparent failure to link pay and appropriate performance Concerns related to inappropriate membership of committees
12/07/2021	Kiwi Property Group Ltd.	Annual	All For		
29/07/2021	Ryman Healthcare Ltd.	Annual	Against	2,4 2,3	Lack of independence on board Lack of independence on board Concerns regarding Auditor tenure
12/08/2021	Xero Limited	Annual	All For		
18/08/2021	Fisher & Paykel Healthcare Corporation Limited	Annual	Against	4,5 1 2	Apparent failure to link pay & appropriate performance Concerns related to board gender diversity Concerns related to inappropriate membership of committees
19/08/2021	Infratil Ltd.	Annual	Against	4,5 1	Apparent failure to link pay & appropriate performance Concerns related to inappropriate membership of committees
23/09/2021	Mercury NZ Ltd.	Annual	All For		
02/07/2021	Man Wah Holdings Limited	Annual	Against	8,10	Issue of equity raises concerns about excessive dilution of existing shareholders
13/07/2021	VTech Holdings Ltd.	Annual	Against	7 3b	Apparent failure to link pay and appropriate performance Concerns related to approach to board gender diversityConcerns related to succession planning
14/07/2021	Johnson Electric Holdings Ltd.	Annual	Against	7,8 4c	Issue of equity raises concerns about excessive dilution of existing shareholders Lack of independence on board
18/08/2021	China Gas Holdings Limited	Annual	Against	3a5,6,7	
06/09/2021	Cafe de Coral Holdings Ltd.	Annual	Against	3,2 6 8	Concerns related to approach to board gender diversity Concerns related to succession planning Insufficient/poor disclosure Issue of equity raises concerns about excessive dilution of existing shareholders
11/08/2021	Sendas Distribuidora SA	Extraordinary Shareholders	All For		
20/09/2021	Petrobras Distribuidora SA	Extraordinary Shareholders	Abstain  Against	6,7,8,9,10,11,12,13 1,3,4,1,4,2,4,3,4,4,4,5,4,6,4, 7,4,8,4,9 2,7 14	Cumulative/slate voting in favour of individual candidates/slates Insufficient/poor disclosure Concerns related to approach to board gender diversity Concerns related to shareholder rights
05/07/2021	BizLink Holding, Inc.	Annual	Against	8,5 8,1,8,2,8,4	Concerns related to succession planning Lack of independence on board
25/07/2021	Pinduoduo, Inc.	Annual	Against	5,6	

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
28/07/2021	Chow Tai Fook Jewellery Group Ltd.	Annual	Against	3e 8 5,7	Concerns related to approach to board gender diversity Concerns related to potential conflict of interests and apparent failure to link pay and appropriate performance Issue of equity raises concerns about excessive dilution of existing shareholders
16/08/2021	WH Group Ltd. (HK)	Extraordinary Shareholders	All For		
17/08/2021	Want Want China Holdings Limited	Annual	Against	3a1 3a2 6,7	Concerns related to approach to board gender diversity Inadequate management of climate-related risks Issue of equity raises concerns about excessive dilution of existing shareholders
24/08/2021	Geely Automobile Holdings Limited	Extraordinary Shareholders	All For		
27/08/2021	Vietnam Enterprise Investments Ltd.	Annual	All For		
01/09/2021	Bilibili, Inc.	Extraordinary Shareholders	All For		
01/09/2021	Bilibili, Inc.	Special	All For		
08/09/2021	Zhongsheng Group Holdings Ltd.	Extraordinary Shareholders	All For		
17/09/2021	Alibaba Group Holding Ltd.	Annual	Against	1.1	Concerns related to inappropriate membership of committees
17/09/2021	Alibaba Group Holding Ltd.	Annual	Against	1.1	Concerns related to inappropriate membership of committees
23/09/2021	China Hongqiao Group Ltd.	Extraordinary Shareholders	All For		
28/09/2021	Tongcheng-Elong Holdings Ltd.	Extraordinary Shareholders	All For		
29/09/2021	Pinduoduo, Inc.	Extraordinary Shareholders	Against	1	Concerns to protect shareholder value
09/07/2021	Agricultural Bank of China Limited	Extraordinary Shareholders	All For		
12/07/2021	Huaxin Cement Co., Ltd.	Special	All For		
12/07/2021	Pharmaron Beijing Co., Ltd.	Extraordinary Shareholders	All For		
12/07/2021	Pharmaron Beijing Co., Ltd.	Special	All For		
14/07/2021	Shanghai Fosun Pharmaceutical (Group) Co., Ltd.	Extraordinary Shareholders	All For		
23/07/2021	China Longyuan Power Group Corp. Ltd.	Extraordinary Shareholders	All For		
23/07/2021	China Longyuan Power Group Corp. Ltd.	Special	All For		
29/07/2021	Industrial and Commercial Bank of China Limited	Extraordinary Shareholders	All For		
05/08/2021	Ping An Bank Co., Ltd.	Special	All For		
09/08/2021	Hangzhou Tigermed Consulting Co., Ltd.	Extraordinary Shareholders	All For		
11/08/2021	LONGi Green Energy Technology Co., Ltd.	Special	All For		
12/08/2021	Shanghai Pharmaceuticals Holding Co., Ltd.	Extraordinary Shareholders	All For		
12/08/2021	Shanghai Pharmaceuticals Holding Co., Ltd.	Special	All For		
20/08/2021	Gree Electric Appliances, Inc. of Zhuhai	Special	All For		
20/08/2021	Jiangsu Hengrui Pharmaceuticals Co., Ltd.	Special	All For		
20/08/2021	LB Group Co., Ltd.	Special	Against	3	Concerns related to shareholder rights
23/08/2021	Huaxin Cement Co., Ltd.	Special	All For		
30/08/2021	LB Group Co., Ltd.	Special	All For		
30/08/2021	WuXi AppTec Co., Ltd.	Extraordinary Shareholders	Against	1,2,3,4,5,6	Apparent failure to link pay and appropriate performance
06/09/2021	Shenzhen Desay Battery Technology Co., Ltd.	Special	All For		
10/09/2021	Focus Media Information Technology Co., Ltd.	Special	All For		
13/09/2021	Huaxin Cement Co., Ltd.	Special	All For		
13/09/2021	Zhejiang Supor Co., Ltd.	Special	All For		
15/09/2021	Haier Smart Home Co., Ltd.	Extraordinary Shareholders	All For		
15/09/2021	Haier Smart Home Co., Ltd.	Special	All For		
17/09/2021	Midea Group Co. Ltd.	Special	All For		
22/09/2021	Beijing Sinnet Technology Co., Ltd.	Special	All For		
23/09/2021	New China Life Insurance Co., Ltd.	Extraordinary Shareholders	All For		
24/09/2021	Kweichow Moutai Co., Ltd.	Special	Against	1 2 7	Concerns related to board gender diversity Concerns related to shareholder rights Concerns to protect shareholder value
24/09/2021	Shandong Weigao Group Medical Polymer Co. Ltd.	Extraordinary Shareholders	All For		
27/09/2021	Hangzhou Tigermed Consulting Co., Ltd.	Extraordinary Shareholders	All For		
27/09/2021	Hangzhou Tigermed Consulting Co., Ltd.	Special	All For		
28/09/2021	Haitong Securities Co., Ltd.	Extraordinary Shareholders	Against	1	Concerns related to board gender diversity

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
12/07/2021	Adani Ports & Special Economic Zone Ltd.	Annual	All For		
14/07/2021	Wipro Limited	Annual	All For		
17/07/2021	HDFC Bank Limited	Annual	All For		
20/07/2021	Housing Development Finance Corporation Limited	Annual	All For		
20/07/2021	Power Grid Corporation of India Limited	Extraordinary Shareholders	All For		
22/07/2021	Bajaj Auto Limited	Annual	Against	6 3,4 5	Apparent failure to link pay and appropriate performance Lack of independence on board Lack of independence on boardInsufficient basis to support a decision
23/07/2021	Biocon Limited	Annual	Against	5	Concerns to protect shareholder value
24/07/2021	HCL Technologies Limited	Special	All For		
27/07/2021	Torrent Pharmaceuticals Ltd.	Annual	Against	8,9	Apparent failure to link pay and appropriate performance
29/07/2021	Colgate-Palmolive (India) Limited	Annual	Against	2	Lack of independence on board
30/07/2021	Axis Bank Limited	Annual	All For		
30/07/2021	Tech Mahindra Limited	Annual	All For		
04/08/2021	Hero Motocorp Limited	Annual	Against	3,7,8	
05/08/2021	Larsen & Toubro Ltd.	Annual	Against	11,12 10	Apparent failure to link pay and appropriate performance Concerns related to approach to board gender diversity Overboarded/Too many other time commitments
06/08/2021	Bandhan Bank Ltd.	Annual	Against	5	Concerns related to approach to board gender diversity
06/08/2021	UPL Limited	Annual	Against	4	Lack of independence on board
17/08/2021	Eicher Motors Limited	Annual	Against	5,6	Apparent failure to link pay and appropriate performance
24/08/2021	Maruti Suzuki India Limited	Annual	Against	3 4,6,7	Concerns related to approach to board gender diversityLack of independence on board Lack of independence on board
25/08/2021	Cipla Limited	Annual	All For		
27/08/2021	Grasim Industries Ltd.	Annual	Against	4 3	Lack of independence on board Concerns related to approach to board gender diversity Lack of independence on board Overboarded/Too many other time commitmentsConcerns related to approach to board gender diversity
27/08/2021	HCL Technologies Limited	Annual	Against	6,7	
30/08/2021	Marico Limited	Annual	Against	5 2	Apparent failure to link pay and appropriate performance Lack of independence on board
31/08/2021	Sun Pharmaceutical Industries Limited	Annual	All For		
09/09/2021	GAIL (India) Limited	Annual	Against	3,5	
20/09/2021	Adani Ports & Special Economic Zone Ltd.	Court	Against	1	Concerns to protect shareholder value Concerns related to potential conflict of interests
24/09/2021	Power Grid Corporation of India Limited	Annual	Against	3,4,6	Lack of independence on board 2- Lack of independent representation at board committees
28/09/2021	Indraprastha Gas Limited	Annual	Against	6	Concerns related to approach to board gender diversity
28/09/2021	Mahanagar Gas Ltd.	Annual	Against	7 9	Concerns related to approach to board diversity Concerns related to succession planning
29/09/2021	Mphasis Limited	Annual	Against	6,7 8,9 3 4	Apparent failure to link pay and appropriate performance Apparent failure to link pay and appropriate performanceInsufficient/poor disclosure Concerns related to approach to board gender diversityLack of independence on board Lack of independence on board
23/09/2021	PT Bank Central Asia Tbk	Extraordinary Shareholders	All For		
14/07/2021	ICL Group Ltd.	Annual	Against	A,B1,B2	Administrative declaration
10/08/2021	Check Point Software Technologies Ltd.	Annual	All For		
13/09/2021	Bank Leumi Le-Israel Ltd.	Annual	Against	3,7,A,B1,B2	Administrative declaration
27/08/2021	Kuala Lumpur Kepong Bhd.	Extraordinary Shareholders	All For		
23/09/2021	Genting Bhd.	Annual	Against	5	Inadequate management of climate-related risks
15/07/2021	Fomento Economico Mexicano SAB de CV	Extraordinary Shareholders	All For		
21/07/2021	Orbia Advance Corp. SAB de CV	Ordinary Shareholders	Against	1,3	
05/08/2021	Industrias Penoles SAB de CV	Extraordinary Shareholders	Against	1	Insufficient/poor disclosure
31/08/2021	Grupo Financiero Inbursa SAB de CV	Extraordinary Shareholders	Against	1,2,3	Insufficient/poor disclosure
13/09/2021	Orbia Advance Corp. SAB de CV	Extraordinary Shareholders	All For		
24/09/2021	Arca Continental SAB de CV	Extraordinary Shareholders	Against	3	Insufficient basis to support a decision 2- Insufficient/poor disclosure
06/07/2021	KGHM Polska Miedz SA	Special	Against	5,1,5,2	Insufficient/poor disclosure
19/08/2021	MMC Norilsk Nickel PJSC	Special	All For		

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
20/08/2021	Severstal PAO	Special	All For		
27/08/2021	Novolipetsk Steel	Special	All For		
09/09/2021	Magnit PJSC	Special	Against	2,14 2,3,2,4,2,6,2,7,2,10,2,11	Concerns related to approach to board gender diversity Cumulative/slate voting in favour of individual candidates/slates
13/09/2021	PhosAgro PJSC	Special	All For		
30/09/2021	ALROSA PJSC	Special	All For		
30/09/2021	Rosneft Oil Co.	Special	All For		
30/09/2021	Tatneft PJSC	Special	All For		
25/08/2021	Naspers Ltd.	Annual	Against	7,8 5,1,5,2,5,3,5,4,5,5 6,3 1,1,1,2,2,5,6 9 10	Apparent failure to link pay & appropriate performance Concerns about overall performance Concerns related to inappropriate membership of committees Concerns to protect shareholder value Issue of capital raises concerns about excessive dilution of existing shareholders Multiple voting rights
26/08/2021	MultiChoice Group Ltd.	Annual	Against	1 3,3	Apparent failure to link pay and appropriate performance Lack of independence on boardConcerns related to inappropriate membership of committees
02/09/2021	The Foschini Group Ltd.	Annual	Against	11,12 4	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance
05/08/2021	Osotspa Public Co. Ltd.	Extraordinary Shareholders	All For		
17/09/2021	Petkim Petrokimya Holding AS	Annual	Against	8,11	Insufficient/poor disclosure
07/07/2021	voestalpine AG	Annual	All For		
06/09/2021	Telekom Austria AG	Extraordinary Shareholders	Against	2,1 2,2 1	Insufficient/poor disclosure Lack of independence on board
10/09/2021	OMV AG	Extraordinary Shareholders	All For		
29/09/2021	Colruyt SA	Ordinary Shareholders	Against	2	Apparent failure to link pay and appropriate performance
08/09/2021	DSV A/S	Extraordinary Shareholders	Against	2,1	Issue of capital raises concerns about excessive dilution of existing shareholders
13/09/2021	SimCorp A/S	Extraordinary Shareholders	All For		
01/07/2021	Ubisoft Entertainment SA	Annual/Special	Against	6,7,8,9,10	Apparent failure to link pay & appropriate performance
06/07/2021	Kering SA	Ordinary Shareholders	All For		
22/07/2021	Electricite de France SA	Ordinary Shareholders	All For		
22/07/2021	Remy Cointreau SA	Annual/Special	Against	12,16,20,21 4	Apparent failure to link pay and appropriate performance Insufficient justification for related party transaction
28/07/2021	Alstom SA	Annual/Special	Against	5	Concerns related to Non-audit fees
28/07/2021	Soitec SA	Annual/Special	Against	8,9	Lack of independence on board 2- Lack of independent representation at board committees
06/08/2021	SEB SA	Ordinary Shareholders	Against	1,A	Insufficient/poor disclosure
24/09/2021	BNP Paribas SA	Ordinary Shareholders	All For		
08/07/2021	Fielmann AG	Annual	Against	7 6	Apparent failure to link pay and appropriate performance Issue of equity raises concerns about excessive dilution of existing shareholders
08/07/2021	Scout24 AG	Annual	Against	9	Concerns to protect shareholder value
22/07/2021	Volkswagen AG	Annual	Against	6 12 3,1,3,5,3,9,4,1,4,2,4,3,4,4,4, 7,4,9,4,11,4,12,4,14,4,15,4,1 6,4,17,4,20,10,1,10,2,11 5,1 5,2	Apparent failure to link pay and appropriate performance Concerns related to Non-audit fees Concerns to protect shareholder value Lack of independence on board Concerns related to succession planning Lack of independence on board Inadequate management of climate-related risks Lack of independent representation at board committees Concerns related to succession planning
30/09/2021	HELLA GmbH & Co. KGaA	Annual	Against	7 9	Apparent failure to link pay and appropriate performance Issue of equity raises concerns about excessive dilution of existing shareholders
22/07/2021	Alpha Services & Holdings SA	Annual	All For		
23/07/2021	Eurobank Ergasias Services & Holdings SA	Annual	Against	4 9	Apparent failure to link pay & appropriate performance Inappropriate bundling of election of directors on a single vote
30/07/2021	National Bank of Greece SA	Annual	All For		
10/09/2021	Folli Follie SA	Annual	All For		
01/07/2021	C&C Group Plc	Annual	Against	4b	Apparent failure to link pay & appropriate performance
16/07/2021	DCC Plc	Annual	All For		



Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
22/07/2021	UDG Healthcare Plc	Court	All For		
22/07/2021	UDG Healthcare Plc	Special	All For		
26/07/2021	Linde Plc	Annual	Against	3,4,5 1a 1h 1l	Apparent failure to link pay & appropriate performance Concerns about overall board structure Concerns about remuneration committee performance Concerns related to below-board gender diversity 2- Concerns related to board ethnic and/or racial diversity 3- Concerns related to board gender diversity
29/07/2021	Jazz Pharmaceuticals Plc	Annual	Against	1d 6 4,5	Concerns about overall board structure Concerns to protect shareholder value Issue of equity raises concerns about excessive dilution of existing shareholders
29/07/2021	STERIS Plc (Ireland)	Annual	All For		
26/08/2021	James Hardie Industries Plc	Annual	Against	2,8 3c	Apparent failure to link pay & appropriate performance Concerns related to board gender diversity
23/09/2021	Jazz Pharmaceuticals Plc	Extraordinary Shareholders	All For		
29/07/2021	B&M European Value Retail SA	Annual	Against	7,8 13	Apparent failure to link pay & appropriate performance Concerns about overall board structure
29/09/2021	L'Occitane International S.A.	Annual	Against	3,2 7 13,14 4A,4C	Concerns related to approach to board gender diversity Concerns to protect shareholder value Insufficient/poor disclosure Issue of equity raises concerns about excessive dilution of existing shareholders
09/07/2021	Prosus NV	Special	Against	1	Concerns to protect shareholder value
24/08/2021	Prosus NV	Annual	Against	2,8 10.1,10.2,10.3,10.4	Apparent failure to link pay & appropriate performance Concerns about overall board structure
29/09/2021	ASM International NV	Extraordinary Shareholders	All For		
30/09/2021	Aalberts NV	Extraordinary Shareholders	All For		
06/09/2021	Yara International ASA	Extraordinary Shareholders	All For		
13/07/2021	Industria de Diseno Textil SA	Annual	All For		
20/08/2021	Evolution AB	Extraordinary Shareholders	All For		
25/08/2021	Elekta AB	Annual	Against	13.3	Overboarded/Too many other time commitments
27/08/2021	Castellum AB	Extraordinary Shareholders	All For		
27/08/2021	Electrolux AB	Extraordinary Shareholders	All For		
07/08/2021	EMS-Chemie Holding AG	Annual	Against	3.2.2 7	Apparent failure to link pay and appropriate performance Insufficient/poor disclosure
08/09/2021	Compagnie Financiere Richemont SA	Annual	Against	8.3 6 4.1 9 4.2,4.5,4.10	Apparent failure to link pay & appropriate performance Concerns regarding Auditor tenure Concerns related to below-board gender diversity Insufficient/poor disclosure Lack of independent representation at board committees
08/09/2021	Logitech International S.A.	Annual	Against	2 5J A	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance Insufficient/poor disclosure
20/09/2021	Sulzer AG	Extraordinary Shareholders	Against	8 3.1,3.2.1,3.2.2,5.1,5.2,5.3	Insufficient/poor disclosure Lack of independence on board
05/08/2021	Saputo Inc.	Annual	Against	1.4	Concerns related to board ethnic and/or racial diversity
01/09/2021	Alimentation Couche-Tard Inc.	Annual	Against	3 2.2	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance Concerns related to board ethnic and/or racial diversity Concerns related to approach to board diversity Concerns to protect shareholder value Concerns related to succession planning
09/09/2021	Empire Company Limited	Annual	Against	1	Apparent failure to link pay and appropriate performance
16/07/2021	Marvell Technology, Inc.	Annual	Against	2 1i 1b	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance Concerns related to approach to board diversity
20/07/2021	Constellation Brands, Inc.	Annual	Against	3 1.4 1.7 4	Apparent failure to link pay & appropriate performance Concerns about remuneration committee performance Concerns related to inappropriate membership of committees SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks
23/07/2021	McKesson Corporation	Annual	All For		



Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
23/07/2021	VMware, Inc.	Annual	Against	2,3 4	Apparent failure to link pay and appropriate performance Issue of equity raises concerns about excessive dilution of existing shareholders
27/07/2021	VF Corp.	Annual	Against	2 1.11	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance
30/07/2021	Plug Power Inc.	Annual	Against	4 1.3 1.2	Apparent failure to link pay and appropriate performance Concerns about overall board structure Concerns about remuneration committee performance
03/08/2021	Kimco Realty Corporation	Special	All For		
04/08/2021	Xilinx, Inc.	Annual	Against	2 1.4	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance
10/08/2021	Qorvo, Inc.	Annual	Against	2 1.8 1.4, 1.7, 1.9	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance Concerns related to approach to board diversity Concerns related to approach to board diversity
11/08/2021	ABIOMED, Inc.	Annual	Against	2 1.1	Concerns about overall board structure
12/08/2021	Electronic Arts Inc.	Annual	Against	2 1f 4	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance Concerns to protect shareholder value
12/08/2021	Realty Income Corporation	Special	All For		
12/08/2021	VEREIT, Inc.	Special	All For		
18/08/2021	The J. M. Smucker Company	Annual	Against	3 1b	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance
24/08/2021	Microchip Technology Incorporated	Annual	Against	1.2	Concerns related to succession planning
10/09/2021	NetApp, Inc.	Annual	Against	2 1d 6	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance Concerns to protect shareholder value
14/09/2021	NortonLifeLock Inc.	Annual	Against	3 1e 4	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance Shareholder proposal promotes appropriate accountability or incentivisation
14/09/2021	Take-Two Interactive Software, Inc.	Annual	All For		
15/09/2021	Conagra Brands, Inc.	Annual	Against	3 1j	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance
20/09/2021	Intuitive Surgical, Inc.	Special	All For		
22/09/2021	Darden Restaurants, Inc.	Annual	Against	2 1.2 1.6	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance Concerns related to approach to board diversity
23/09/2021	Lamb Weston Holdings, Inc.	Annual	Against	2 1i 1b	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance Concerns related to approach to board diversity
27/09/2021	FedEx Corporation	Annual	Against	2 1k 4,7,8 5,6	Apparent failure to link pay & appropriate performance Concerns about remuneration committee performance SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes appropriate accountability or incentivisation SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes transparency
28/09/2021	General Mills, Inc.	Annual	All For		
29/09/2021	Cabot Oil & Gas Corporation	Special	All For		
21/07/2021	HarbourVest Global Private Equity Ltd.	Annual	All For		
30/07/2021	Sirius Real Estate Ltd.	Annual	All For		
03/08/2021	Syncona Ltd.	Annual	All For		
04/08/2021	Sequoia Economic Infrastructure Income Fund Ltd.	Annual	All For		
15/09/2021	Hipgnosis Songs Fund Ltd.	Annual	All For		
24/09/2021	BH Macro Ltd.	Annual	All For		
18/08/2021	NEPI Rockcastle Plc	Annual	Against	11,12 2.4	Apparent failure to link pay and appropriate performance Concerns related to approach to board gender diversity
18/08/2021	Playtech Plc	Special	Against	1	Concerns to protect shareholder value
08/07/2021	3i Infrastructure Plc	Annual	All For		
21/07/2021	Experian Plc	Annual	All For		

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
27/07/2021	Wizz Air Holdings Plc	Annual	Against	2,3,5 6 8,9	Apparent failure to link pay & appropriate performance Concerns related to board gender diversity 2- Concerns related to succession planning Overboarded/Too many other time commitments
01/07/2021	3i Group Plc	Annual	Against	2	Apparent failure to link pay & appropriate performance
01/07/2021	JD Sports Fashion Plc	Annual	Against	2,3,13 4 6	Apparent failure to link pay & appropriate performance Combined CEO/Chair 2- Concerns related to board ethnic and/or racial diversity 3- Overboarded/Too many other time commitments Concerns about remuneration committee performance 2- Concerns related to inappropriate membership of committees
01/07/2021	Trainline Plc	Annual	All For		
06/07/2021	Assura Plc	Annual	All For		
06/07/2021	Marks & Spencer Group Plc	Annual	All For		
07/07/2021	AVEVA Group Plc	Annual	Against	2 9	Apparent failure to link pay & appropriate performance Concerns related to board gender diversity
08/07/2021	Great Portland Estates Plc	Annual	All For		
08/07/2021	Land Securities Group Plc	Annual	Against	2	Apparent failure to link pay & appropriate performance
08/07/2021	Pets At Home Group Plc	Annual	Against	2	Apparent failure to link pay and appropriate performance
08/07/2021	Severn Trent Plc	Annual	All For		
08/07/2021	Templeton Emerging Markets Investment Trust Plc	Annual	All For		
08/07/2021	Worldwide Healthcare Trust Plc	Annual	All For		
09/07/2021	J Sainsbury Plc	Annual	All For		
09/07/2021	John Laing Group Plc	Court	All For		
09/07/2021	John Laing Group Plc	Special	All For		
09/07/2021	Melrose Industries Plc	Special	All For		
13/07/2021	LondonMetric Property Plc	Annual	All For		
13/07/2021	The British Land Co. Plc	Annual	All For		
14/07/2021	Burberry Group Plc	Annual	All For		
14/07/2021	LXI REIT Plc	Annual	All For		
15/07/2021	Airtel Africa Plc	Annual	All For		
15/07/2021	BT Group Plc	Annual	All For		
15/07/2021	Capita Plc	Special	All For		
15/07/2021	Electrocomponents Plc	Annual	All For		
16/07/2021	HomeServe Plc	Annual	Against	2 16	Apparent failure to link pay & appropriate performance Concerns regarding Auditor tenure
19/07/2021	Biffa Plc	Annual	Against	2	Apparent failure to link pay & appropriate performance
19/07/2021	Cairn Energy Plc	Special	All For		
19/07/2021	Spire Healthcare Group Plc	Court	All For		
19/07/2021	Spire Healthcare Group Plc	Special	All For		
20/07/2021	Fidelity China Special Situations Plc	Annual	All For		
20/07/2021	HICL Infrastructure PLC	Annual	All For		
21/07/2021	Caledonia Investments Plc	Annual	Against	2 16	Apparent failure to link pay and appropriate performance Concerns to protect shareholder value
21/07/2021	JPMorgan European Discovery Trust Plc	Annual	All For		
21/07/2021	QinetiQ Group plc	Annual	All For		
21/07/2021	Royal Mail Plc	Annual	All For		
21/07/2021	St. Modwen Properties Plc	Court	All For		
21/07/2021	St. Modwen Properties Plc	Special	All For		
22/07/2021	Big Yellow Group Plc	Annual	Against	2	Apparent failure to link pay and appropriate performance
22/07/2021	Bytes Technology Group Plc	Annual	Against	4	Concerns related to board gender diversity
22/07/2021	Edinburgh Investment Trust Plc	Annual	Against	6	Concerns related to inappropriate membership of committees
22/07/2021	Halma Plc	Annual	Against	4	Apparent failure to link pay & appropriate performance
22/07/2021	Pennon Group Plc	Annual	Against	3	Apparent failure to link pay & appropriate performance
22/07/2021	SSE Plc	Annual	All For		

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
22/07/2021	Telecom Plus Plc	Annual	Against	2 4 11	Apparent failure to link pay and appropriate performance Concerns about overall board structure Concerns related to inappropriate membership of committees
22/07/2021	Workspace Group Plc	Annual	All For		
23/07/2021	Personal Assets Trust Plc	Annual	All For		
23/07/2021	Premier Foods Plc	Annual	Against	2 5	Apparent failure to link pay and appropriate performance Concerns related to approach to board gender diversity
23/07/2021	United Utilities Group Plc	Annual	All For		
26/07/2021	Cranswick Plc	Annual	All For		
26/07/2021	National Grid Plc	Annual	All For		
27/07/2021	Mediclinic International Plc	Annual	All For		
27/07/2021	MITIE Group Plc	Annual	Against	2,3,19,20	Apparent failure to link pay and appropriate performance
27/07/2021	TR Property Investment Trust Plc	Annual	All For		
27/07/2021	Vodafone Group Plc	Annual	All For		
29/07/2021	CMC Markets Plc	Annual	Against	14	Apparent failure to link pay and appropriate performance
29/07/2021	Dr. Martens Plc	Annual	All For		
29/07/2021	Intermediate Capital Group Plc	Annual	All For		
29/07/2021	Johnson Matthey Plc	Annual	All For		
29/07/2021	Tate & Lyle Plc	Annual	All For		
04/08/2021	Ninety One Plc	Annual	Against	9,10,20 11	Apparent failure to link pay & appropriate performance Inadequate management of climate-related risks
05/08/2021	Investec Plc	Annual	Against	15,16	Apparent failure to link pay & appropriate performance
12/08/2021	BMO Global Smaller Companies PLC	Annual	All For		
20/08/2021	Auction Technology Group Plc	Special	All For		
27/08/2021	Prudential Plc	Special	All For		
31/08/2021	Just Group Plc	Special	All For		
01/09/2021	Polar Capital Technology Trust Plc	Annual	All For		
02/09/2021	The Monks Investment Trust Plc	Annual	All For		
02/09/2021	Watches of Switzerland Group Plc	Annual	All For		
03/09/2021	Berkeley Group Holdings Plc	Annual	Against	2	Apparent failure to link pay & appropriate performance
06/09/2021	GCP Student Living Plc	Court	All For		
06/09/2021	GCP Student Living Plc	Special	All For		
07/09/2021	DS Smith Plc	Annual	Against	4	Concerns related to ethnic and/or racial diversity
13/09/2021	FirstGroup Plc	Annual	Against	2,3	Apparent failure to link pay and appropriate performance
15/09/2021	Currys Plc	Annual	All For		
15/09/2021	Fidelity Special Values Plc	Special	All For		
15/09/2021	Games Workshop Group Plc	Annual	Against	10,11	Apparent failure to link pay & appropriate performance
16/09/2021	Ashtead Group Plc	Annual	Against	2,3,15	Apparent failure to link pay and appropriate performance
17/09/2021	Auto Trader Group Plc	Annual	Against	5 3	Concerns related to ethnic and/or racial diversity Save to Library Apparent failure to link pay and appropriate performance
17/09/2021	Baillie Gifford US Growth Trust Plc	Annual	Against	9	Concerns related to Non-audit fees
17/09/2021	Ferrexpo Plc	Special	Against	1	Concerns to protect shareholder value
17/09/2021	Smiths Group Plc	Special	All For		
20/09/2021	Redde Northgate Plc	Annual	Against	3 6	Apparent failure to link pay and appropriate performance Concerns related to approach to board gender diversity
21/09/2021	Meggitt Plc	Court	All For		
21/09/2021	Meggitt Plc	Special	All For		
21/09/2021	Oxford Instruments Plc	Annual	All For		
22/09/2021	Babcock International Group Plc	Annual	All For		
22/09/2021	Civitas Social Housing Plc	Annual	All For		
22/09/2021	IG Group Holdings Plc	Annual	All For		
23/09/2021	Kainos Group Plc	Annual	Against	2	Apparent failure to link pay & appropriate performance
23/09/2021	Liontrust Asset Management Plc	Annual	Against	3	Apparent failure to link pay and appropriate performance

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
28/09/2021	Moonpig Group Plc	Annual	All For		
29/09/2021	AO World Plc	Annual	Against	2,3 9	Apparent failure to link pay and appropriate performance Overboarded/Too many other time commitments
29/09/2021	Frasers Group Plc	Annual	Abstain Against	5 2,3,14	Concerns about overall performance Apparent failure to link pay and appropriate performance
30/09/2021	Diageo Plc	Annual	Against	2	Apparent failure to link pay & appropriate performance
30/09/2021	Tate & Lyle Plc	Special	All For		

Q3 2021

# ESG Impact Report

Global engagement to  
deliver positive change





# Our mission

We aim to use our influence to ensure:



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

In doing so, we seek to fulfil LGIM's purpose: to create a better future through responsible investing.



# 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 while seeking to benefit from emerging opportunities. We aim to safeguard 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 ensure companies are well-positioned for sustainable growth, and to prevent market behaviour that destroys long-term value. 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 support strategies that can deliver long-term success.

## Promoting market resilience

As a long-term investor for our clients, we believe 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 influence and scale to ensure that issues impacting the value of our clients' investments are recognised and appropriately managed. This includes working with key policymakers, such as governments and regulators, and collaborating with asset owners to bring about positive change.





## Action and impact

In the third quarter of 2021, we continued to engage with companies on a wide range of topics, from diversity to anti-microbial resistance. This report contains details of our key activity during the period, including engagement campaigns, key votes and our ongoing collaboration with policymakers.



# Environmental | Social | Governance

# ESG: Environment

## IPCC report

In August, the Intergovernmental Panel on Climate Change (IPCC) – the United Nations body for assessing the science related to climate change – released the first instalment of its **Sixth Assessment Report** on climate change. Released ahead of the upcoming climate summit in Glasgow, known as COP26, it served as a timely reminder that climate change is already a reality, and that recent heat waves, flash floods and wildfires can be directly linked to it. It is also going to get worse as more greenhouse gas emissions are released into the atmosphere.

However, alongside this stark message, the report establishes a clear solution that would ensure we do not have to face the worst of these climate impacts. In short, reduce emissions rapidly, and reach net-zero emissions by around 2050 in order to stabilise temperatures at 1.5°C above pre-industrial levels.

We know this is not an easy feat but the report reinforces our commitment to working with clients, investee companies, tenants and policymakers to support this goal. The cost of global inaction will rapidly become unbearable. Policymakers, investors and companies must step up – inaction is not an option.

## Physical risk campaign

The Sixth Assessment Report gave a stark message that global warming is expected to exceed 1.5°C within 20 years and that we must increase planning for the physical impacts of climate change. Even if global warming is limited to 1.5°C, there would still be a tangible impact felt globally. Flooding and wildfires across Europe, the US and Australia in recent months highlight the urgency of understanding the physical risks and assessing the direct and indirect impacts on companies and investment portfolios.

That is why we joined more than 50 investors representing US\$10tn in collective assets<sup>1</sup> to set out **expectations of companies** when it comes to addressing physical climate risks and opportunities. The group of investors wrote to 50 highly exposed companies to ask them to meet these expectations, including planning for multiple climate scenarios, integrating adaptation into business decisions, and providing enhanced Task Force on Climate-related Financial Disclosures (TCFD) reporting.



1. As of September 2021



**Flooding and wildfires across Europe, the US and Australia highlight the physical risks, with direct and indirect impacts, on companies and investment portfolios.**

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## Future World Protection List letters

LGIM has long prioritised company engagement over exclusion. However, when combined with engagement and voting, targeted exclusions can also be a very powerful tool.

Through [LGIM's Future World Protection List](#) (FWPL), we exclude from our Future World fund range and select funds – including the L&G ETF core equity range – perennial violators of UN Global Compact Principles.<sup>2</sup> Through engagement with UN Global Compact violators, we aim to improve standards and support them to make the changes required to come off the list.

Over the past two years we have seen nine companies reinstated into funds after having made necessary improvements to become 'UNGC compliant'. They include **Mitsubishi Motors Corporation\***, **Volkswagen AG\***, and **Severstal PAO\***.

Following the publication of the updated FWPL earlier this year and ahead of the forthcoming half-yearly update, we have written to the chairs of 11 companies at risk of non-compliance, or already non-compliant, to communicate our expectations and request further dialogue.

2. As well as coal and controversial weapons companies.

\*For illustrative purposes only. Reference to any particular security is on a historical basis and does not mean that the security is currently held or will be held within an LGIM portfolio. Such references do not constitute a recommendation to buy or sell any security. Capital at risk.



**Through engagement with UN Global Compact violators, we aim to improve standards and support them to make the changes required to come off the list.**



# Environmental | Social | Governance

# ESG: Social

## Nasdaq ruling on diversity

In December 2020 in the US, Nasdaq proposed [a new listing rule](#) to require all companies on its US exchange to publicly disclose consistent, transparent, diversity statistics on their board of directors. Additionally, the rules would require companies to have, or explain why they do not have, at least two diverse directors, including:

- one who self-identifies as female
- one who self-identifies as either an underrepresented minority (based on a US-centric definition) or LGBTQ+

LGIM publicly supported the proposal as it aligns with our diversity expectations for company boards. These rules will give investors a better understanding of the approach that companies take to board diversity. The US Securities and Exchange Commission (SEC) approved the ruling in August 2021.<sup>3</sup>

## FCA consultation on diversity on boards and executive committees

In July, the Financial Conduct Authority (FCA) released a consultation paper on [‘Diversity and inclusion on company boards and executive committees’](#).<sup>4</sup> The purpose of the consultation is to improve transparency for investors around the diversity of listed company boards and executive management teams.

Under the proposals, companies will be required to disclose in their annual financial report whether they meet specific board diversity targets on a ‘comply or explain’ basis.

The proposed targets are:

- at least 40% of the board should be women (including those who self-identify as women)
- at least one senior board position (chair, CEO, CFO or SID) should be a woman (including those who self-identify as women)
- at least one board member should be from a non-white ethnic minority background

Companies will also be required to publish data on the composition of their board and most senior level of executive management by gender and ethnic background. They will also need to provide detail on how any diversity policies apply to the key committees of the board, and take into account wider diversity characteristics (such as ethnicity, sexual orientation, disability and socio-economic background).

The proposed targets align with the Hampton-Alexander review – a government-backed initiative into increasing the number of women in senior positions in FTSE 350 companies – and the Parker Review – a look at the ethnic diversity of UK boards. However, the FCA is suggesting a target of 40% women on boards, which is higher than the 30% target specified by the Hampton-Alexander review. The proposals are intended to increase transparency for investors by establishing comparable information on the diversity of boards and executive management, which can be used to assess progress.

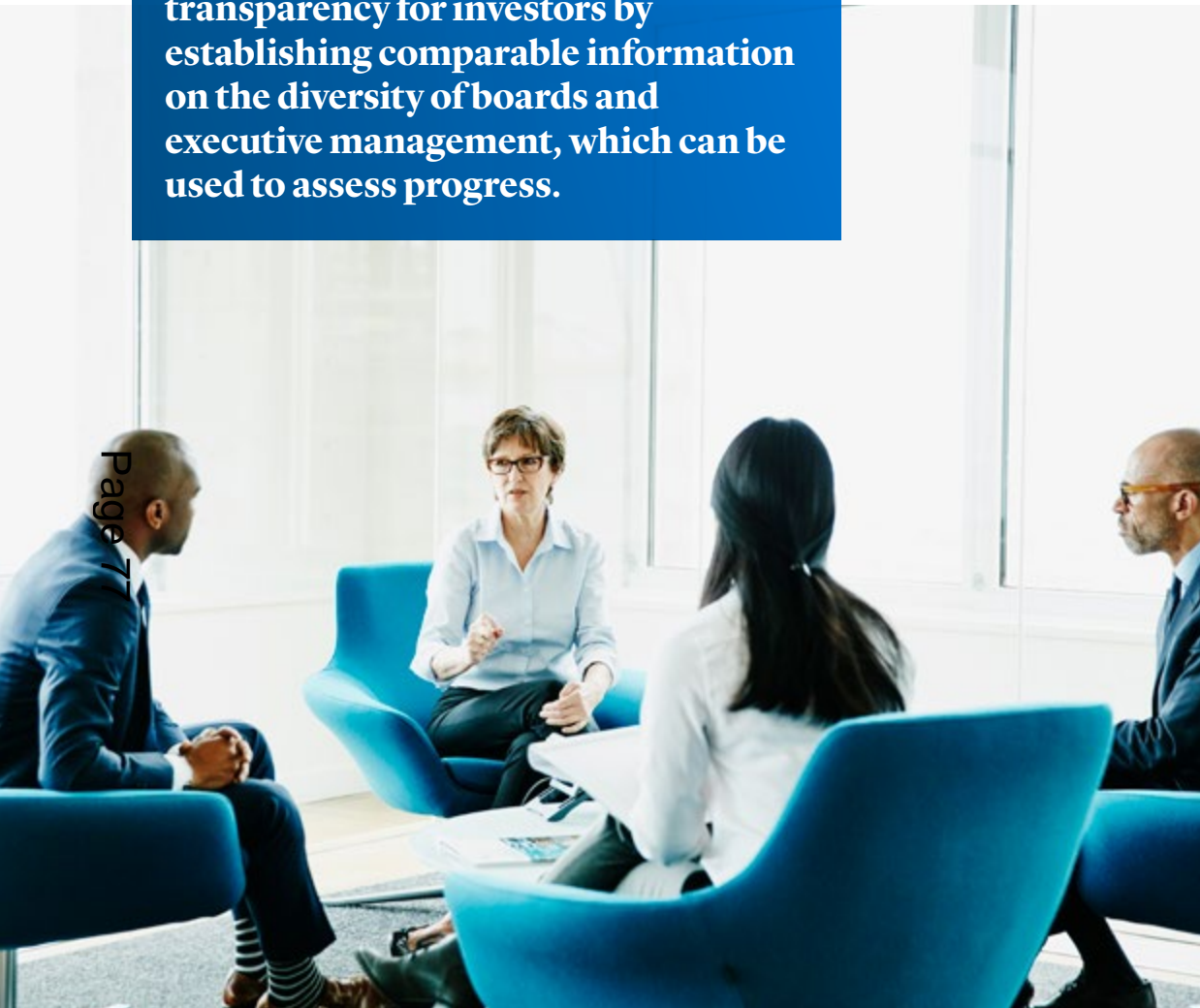
LGIM will be submitting a response to the consultation and it is proposed that the changes will apply to accounting periods starting on or after 1 January 2022, so reporting will start to be seen in annual financial reports in early 2023. However, the FCA is encouraging companies to consider making disclosure on a voluntary basis in annual financial reports published before then.

3. US Securities and Exchange Commission as at 6 August 2021: [SEC.gov | Statement on the Commission's Approval of Nasdaq's Proposal for Disclosure about Board Diversity and Proposal for Board Recruiting Service](#)

4. Financial Conduct Authority as at 27 July 2021: CP21/24: [Diversity and inclusion on company boards and executive committees | FCA](#)

\*For illustrative purposes only. Reference to any particular security is on a historical basis and does not mean that the security is currently held or will be held within an LGIM portfolio. Such references do not constitute a recommendation to buy or sell any security. Capital at risk.

**The proposals are intended to increase transparency for investors by establishing comparable information on the diversity of boards and executive management, which can be used to assess progress.**



## **FCA/PRA/Bank of England consultation on diversity and inclusion in the financial sector**

In July, the FCA, Prudential Regulation Authority and the Bank of England released a consultation paper entitled 'Diversity and inclusion in the financial sector'.<sup>5</sup> These organisations' aim is for the financial system to better support the economy through well run firms and sound financial markets that can meet the diverse needs of their consumers. Topics on which the consultation sought input included: data; measuring progress; accountability; policies and practices; linking diversity and inclusion to remuneration.

LGIM has responded with input from relevant parts of the business, including the Investment Stewardship team.

## **Transformation in the real estate sector**

John Hoepfner, head of US stewardship and sustainable investments, Legal & General Investment Management America, participated in a series of meetings organised by the [Institute for Market Transformation](#) (IMT) to establish a framework to help transform the real estate sector to be more sustainable and resilient for all stakeholders. Our team, along with large real estate firms, regulators and advocacy groups contributed to the ambitious vision which was ultimately grounded in 10 principles for real estate leadership. See the full report [here](#).

5. Financial Conduct Authority as at 8 October 2021: [DP 21/2: Diversity and inclusion in the financial sector – working together to drive change](#) | FCA



**We seek to address AMR with our investee companies in sectors that can play a key role. We have started by focusing on the often-overlooked water utility companies.**

## AMR - Water utilities

In our first [blog](#) on anti-microbial resistance (AMR), we highlighted the phenomenon as an increasingly material issue for investors. We continue to believe that without coordinated action today, AMR may be the next global health event and the financial impact could be significant. As such, we seek to address this issue with our investee companies in sectors that can play a key role. We have started by focusing on the often-overlooked water utility companies.

The overuse and inappropriate use of many antimicrobials (including antibiotics) in human and veterinary medicine, animal agriculture and aquaculture, as well as discharges from pharmaceutical production facilities are often associated with an uncontrolled release and disposal of antimicrobial agents. These include antibiotics into our water systems, be that our clean water, wastewater, or rivers and seas. This process leads to the extensive presence of agents, which can persist for extended periods of time and, if not treated correctly, can reappear in the water systems that provide our drinking water. In other words, there needs to be a monitoring system in place. While the infrastructure of, for example, wastewater treatment plants has improved over the last century, waste sanitation and management systems have not been designed to manage AMR concerns. We believe a first step is to ensure that water utility companies have effective monitoring systems in place to detect agents such as antibiotic resistant bacteria and antibiotic resistant genes.

In order to better understand standard global market practices, we sent an open letter to over 20 investee companies in the regions of Asia, Europe (including UK), North and South America, setting out our concerns and seeking dialogue. We have met and had open and frank discussions with several of these companies. We were disappointed to learn that very little monitoring is currently undertaken in this area, mainly because there are no national (or international) regulatory requirements or incentive to do so. Going forward, we will look at how we might influence the regulatory landscape in this area. We are also working together with our peers within the Investor Action on AMR [initiative](#) on this area.

Solving the AMR challenge within water systems is complex and is a challenge that will require collaboration and knowledge-sharing across the water sector itself, but also across other sectors and stakeholders. As we learn more about AMR and ways to address it, the window of opportunity in which to act remains open, but we must act soon.



## Nutrition – Access to Nutrition Initiative

LGIM signed up to the **Access to Nutrition Initiative** (ATNI) in February 2021. ATNI aims to drive change by tracking and guiding the food industry's attempts to tackle undernutrition, obesity and diet-related chronic diseases at the local and global levels. ATNI publishes a global Access to Nutrition index (the Global Index) every two to three years. The purpose of the Global Index is to track the contribution of the world's largest food and beverage manufacturers to address the interrelated global nutrition challenges of undernutrition, micro-nutrient deficiencies, obesity and diet-related diseases. The 2021 Global Index is its fourth iteration. The companies included are assessed on their commitments, practices, and disclosures with regards to governance and management; the production and distribution of healthy, affordable, accessible products; and how they influence consumer choices and behaviour.

Following the launch of ATNI's 2021 Global Index we are now actively involved in the 2021-2022 collaborative investor engagement programme that engages with 20 global food companies. We have participated in the first round of initial contact with all companies via written communications and have now started to have one-to-one meetings with investee companies, challenging them on their current scores and how they can improve.

## Medical oxygen roundtables – a follow-up

In the second quarter of 2021 we highlighted our participation in and support to the Access to Medical Oxygen roundtables, organised by the Access to Medicine Foundation and Every Breath Counts Coalition. Following the latest roundtable in June and the announcement of the world's largest medical oxygen suppliers to collaborate with the COVID-19 'Oxygen Emergency Taskforce' we decided to write to all of those investee companies who participated to clearly confirm our support for actions they are taking. We have been encouraged by the responses we received.

## Significant votes

<b>Company name:</b> Frasers Group plc*		
<b>ISIN:</b> GB00B1QH8P22	<b>Market cap:</b> £3.2bn as at 18 October 2021 (Refinitiv)	<b>Sector:</b> General retail
<b>Issue identified:</b>	Frasers did not meet the requirements of the Modern Slavery Act 2015. LGIM views this as a failure of governance.	
<b>Summary of the resolution:</b>	To receive and adopt the report & accounts (Resolution 1). 29 September 2021.	
<b>How LGIM voted:</b>	LGIM voted against.	
<b>Rationale for the decision:</b>	<p>LGIM's corporate governance policy requires all UK-listed companies to meet the requirements of the Modern Slavery Act 2015.</p> <p>Section 54 of the Act requires companies to provide a statement setting out the steps they have taken to ensure that slavery and human trafficking is not taking place in their own operations or within their supply chain. In addition, the statement should be signed by the board of directors.</p> <p>LGIM will sanction any company that has failed to meet the requirements of the Act for two consecutive years. Not only do we consider this to be serious governance failing, we see this as both a humanitarian crisis and a risk to a company's operating model. In 2016, it is estimated that there were more than 40 million cases of modern slavery globally; the true figure today is thought to be significantly higher,</p> <p>LGIM is part of a collaborative engagement group that is trying to ensure UK companies comply with this legislation.</p>	
<b>Outcome:</b>	<p>While engagement with the company suggests it will be compliant with the requirements of section 54 by the end of this year, we considered this to be insufficient cause to change our vote.</p> <p>Only 0.41% of the shareholders voted against this resolution. That said, over 64% of the company's issued share capital is owned by the founder of the company.<sup>6</sup></p>	
<b>Why is this vote significant?</b>	This vote was significant because it relates to one of LGIM's engagement themes: Human Rights/Inequality.	

6. Frasers Group PLC, 9 September 2021

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# Environmental | Social | Governance



# ESG: Governance

## LGIM again acknowledged as UK Stewardship Code signatory

LGIM has been a signatory to the UK Stewardship Code since the Code's inception in 2012. We were involved in the consultation ahead of the publication of the 2020 UK Stewardship Code, to improve stewardship disclosures in the industry to the benefit of clients and, more broadly, to ensure an effective market.



**We are proud to again be nominated a signatory and will seek to continually improve our disclosures to clients and the market ahead of next year's application.**

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In our response to the 2020 Code, this year we again provided full disclosures of our stewardship activities for the year, underlying policies and outcomes on behalf of our clients and stakeholders. We did so via the publication of our [2020 Active Ownership Report](#), which is provided – alongside additional case studies – on our website [landing page](#) and is updated annually.

On 6 September 2021, the Financial Reporting Council (FRC) published the [list](#) of confirmed signatories to the UK Stewardship Code, which included LGIM alongside a much-reduced cadre of asset managers, asset owners and service providers. We are proud to again be nominated a signatory and will seek to continually improve our disclosures to clients and the market ahead of next year's application.

A summary table showing how LGIM applies the 12 Principles of the Stewardship Code is available on our website, [here](#).

## Updated Japan Stewardship Code statement

LGIM is an active proponent of the benefits of stewardship codes globally to improve the quality of stewardship and ownership across the markets in which we invest. For example, we have been a strong supporter of the Japan Stewardship Code since its inception in 2014. LGIM's statement on how Legal & General Investment Management (Holdings) and its subsidiary companies in the institutional investment and/or asset management business comply with the principles and guidance of the Code is updated annually. The most recent update was made this summer and is available on the LGIM and LGIM Japan websites.

## Changes to pay principles

Every year, in the third quarter, LGIM publishes its revised **principles on executive pay** for the UK market. This year, we also updated the standalone principles on executive pay for North America.

Income inequality is a material ESG theme for LGIM because we believe there is a real opportunity for companies to help employees feel more valued, lead healthier lives and be more productive if they are paid fairly.

This year, both the UK and North American principles on executive pay emphasise the importance remuneration committee being aware of the real living wage rates in the regions in which the majority of their employees are located and to question management if the company is not meeting these expectations. Similarly, they should question management whether all employees are offered the opportunity to work at least 15 hours per week. These are small but important steps to help lift low paid employees out of in-work poverty.

In the UK policy, we expanded the section on ESG and pay to help those companies that were looking to introduce an ESG metric into their executive compensation.

The shareholding requirement section of the UK policy was simplified by removing all aspirational targets and any disincentive for companies to set meaningful and high shareholding guidelines because of concerns of having to set equally high post exit shareholding requirements.

The North American policy makes clear that LGIM will no longer support compensation payments being made when the total shareholder return is below the company's median peer benchmark. In addition, we want companies to stop the annual release of share options; these should be held for a longer period to ensure they are considered a long-term incentive. We have also asked for performance-based pay to represent 65% of the total long-term incentive pay.

## Non-executive director event

We held our annual non-executive event in September, where almost 200 non-executive directors from the UK, EU and US heard our views on the hot ESG topics that top of our agenda going into 2022. We covered a range of topics including climate strategies and disclosures, future ESG regulation, the importance of paying a living wage, as well as areas such as biodiversity, tax and political donations.

## Significant votes

**Company name:** Volkswagen AG\*

**ISIN:** DE0007664039

**Market cap:** EUR 122bn, as at 18 October 2021 **(Refinitiv)**

**Sector:** Automobiles

<b>Issue identified:</b>	Continued engagement regarding the diesel emissions scandal.
<b>Summary of the resolution:</b>	Resolution 3.1 to 4.21 – approve discharge of management board and supervisory board members.
<b>How LGIM voted:</b>	Against.
<b>Rationale for the decision:</b>	<p>We voted against the annual formal discharge of the management board and supervisory board. While LGIM notes the progress made by the company in its strategy towards the transition to a lower emission world, we remain concerned about the company's handling of the diesel emissions scandal of 2015 and its overall governance structure.</p> <p>In particular, we note a lack of transparency regarding the handling of the crisis, including any lessons learnt by the boards, how sufficient internal control mechanisms have been put in place, and any progress made around improvement of corporate culture.</p>
<b>Outcome:</b>	99.5% of shareholders supported the resolutions. LGIM will continue to monitor and engage with the company. <sup>7</sup>
<b>Why is this vote significant?</b>	A vote against the discharge of responsibility of both the management and supervisory boards is a rare step in LGIM's escalation policy.

<sup>7</sup> Volkswagen Aktiengesellschaft, Annual General Meeting as at 22 July 2021

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## M&A – Vectura Group plc\* & Philip Morris International\*

This is a very controversial deal. At the end of May the board of Vectura Group plc (Vectura) disclosed that The Carlyle Group (**Carlyle**)\*, a private equity firm, had put in a bid for the company, which the board had accepted. In July, the board was surprised to receive a higher bid from Philip Morris International (PMI), the tobacco company. Carlyle increased its bid a month later and received unequivocal support from some of Vectura's top 10 shareholders. A few days later PMI increased its bid further. Following PMI's increase, the UK Takeover Panel announced a five-day auction. The last time this happened was in 2018 during the **Comcast**\* and **Walt Disney**\* bidding war for **Sky plc**\*. The auction was called off a day later when Carlyle indicated that their bid was final.

During this highly sensitive bid process, LGIM spent considerable time reviewing the competing ESG factors and financials, while engaging with the senior management at both Vectura and PMI. We came to the conclusion that, based on the information available to us, the sale of our shares was the optimal result for our clients, investors and the futures of both companies. Furthermore, we have consistently engaged with PMI up to this point to encourage it to broaden the business and to diversify its interests away from tobacco.

We will continue to monitor, engage and hold the PMI board to account on the execution of its global transition strategy, including Beyond Nicotine and moving towards a smoke-free future.

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# Public policy update

As a long-term investor, LGIM has a responsibility to ensure that global markets operate efficiently, to protect the integrity of the market, and to foster sustainable and resilient economic growth. LGIM helps to identify key systemic failures and providing practical advice in the early stages of policymaking. In this regard, LGIM focuses its ESG policy engagements on three key pillars that we believe are of greatest importance to the market and the global economy: i) Corporate governance and stewardship standards; ii) Achieving Paris Agreement and net-zero targets; and iii) Green and sustainable finance policy and regulation. Below is a summary of key engagements over the past quarter.



## United Kingdom

Over the past quarter, LGIM has engaged with the UK government on some key ESG issues. For example, we contributed to the Department for Business, Energy & Industrial Strategy's (BEIS) long-awaited **consultation** on 'Restoring trust in audit and corporate governance'. Overall, we are supportive of the intentions of the government's consultation and share its desire to make the UK an attractive market for shareholders, investors and broader stakeholders through high quality and transparent audit and corporate governance activities. Our view is that the approach and timelines that are adopted for their implementation are critical to success, and that the early establishment and empowerment of the Audit, Reporting and Governance Authority (ARGA) is crucial to ensure the reforms and the associated standards are suitably embedded in the relevant professional and corporate bodies.

LGIM has been engaging with the various ESG-related workstreams and consultations that the FCA have launched. For example, LGIM recently inputted into two consultations relating to the expansion of reporting in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Overall, we welcome these proposals and the direction of travel the FCA is taking, although, we have highlighted some areas of concerns. One particular area of concern is the availability of reliable, consistent, and comparable ESG data from corporates across the both public and private markets.

LGIM, both independently and in collaboration with partners, is also engaging on other ESG topics in the UK, including but not limited to: next steps in the Lord Hill review e.g. the FCA's **CP21/21**: Primary Markets Effectiveness Review (that is looking at limited dual class share structures and free float requirements); the UK Taxonomy; say on climate; sustainability labelling; green and sustainable bond standards; ESG data providers; and broader sustainability disclosure requirements.





## European Union

Over the last quarter, LGIM has been engaging the European Commission (EC) on various ESG policy related topics. For example, we have collaboratively engaged with other investors on the EU Taxonomy, particularly in relation the agricultural sector, alignment on net zero, and ensuring that the original independent scientific-based recommendations are not weakened through political processes.

We have also **engaged** through the UN's Principles for Responsible Investment team on ensuring the EC develops a robust Corporate Sustainability Reporting Directive (CRSD). We outlined six important areas which the EU should consider when taking their proposal forward, specifically on: extension of scope; double materiality and integrated reporting; assurance; standard setting and harmonisation; single electronic formatting; and the timeline for development.

In July, we also provided **some thoughts** on the release of the EU's new sustainable finance strategy.



## Japan

LGIM was invited to participate in a one-on-one interview earlier this year to provide input for a study commissioned by the Ministry of Economy, Trade and Industry (METI) on corporate governance and stewardship in Japan. The **final report** is now available on the METI website with additional **details** provided by **PwC\*** Japan.

Separately, LGIM responded to a Tokyo Stock Exchange **survey** on institutional investor perceptions of English disclosures by Japanese companies. We stated our expectation for English disclosures and audited financial statements to be made available to investors before the AGM. We also emphasised that companies that move the AGM to later in the year will have our support, which is consistent with our past **messaging**.

LGIM also took part in a **public consultation** on the draft Sixth Strategic Energy Plan. LGIM's submission presented views on the share of renewables in the power mix, the phasing out of coal-fired power plants regardless of efficiency, the need for a transparent and inclusive discussion on nuclear power, the addition of intensity targets, and our support for science-based carbon pricing, while also endorsing the **public statement** from the Japan Climate Leaders' Partnership.



## United States

In July, LGIM America and the Environmental Defense Fund (EDF) **announced** a partnership to activate business leadership to net zero. The two organisations will collaborate on policy and corporate engagements and leverage each other's expertise and influence.

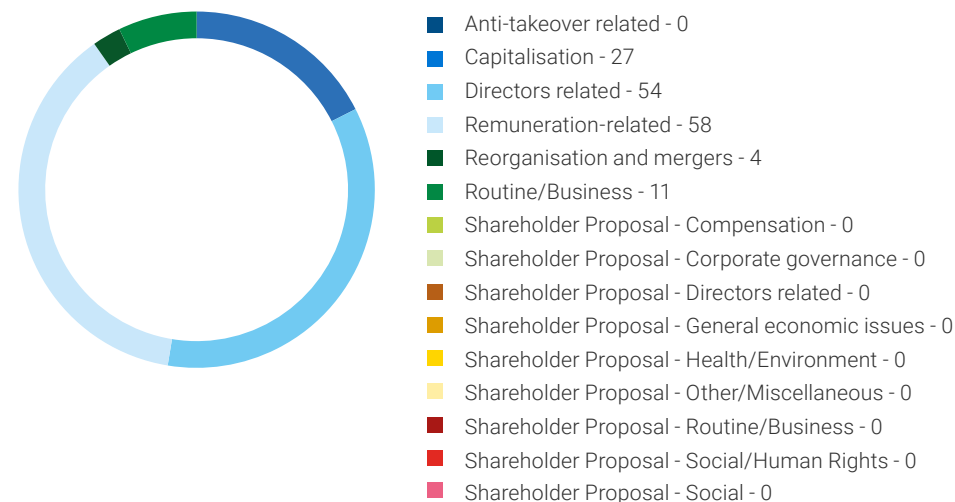
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# Regional updates

## UK - Q3 2021 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	100	0	0
Capitalisation	533	27	0
Directors related	988	54	0
Non-Salary compensation	169	58	0
Reorganisation and mergers	40	4	0
Routine/Business	665	11	0
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate governance	0	0	0
Shareholder Proposal - Directors 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
<b>Total</b>	<b>2495</b>	<b>154</b>	<b>0</b>
Total resolutions	2649		
No. AGMs	146		
No. EGMs	50		
No. of companies voted on	181		
No. of companies where voted against management/abstained on at least one resolution	77		
% of companies where at least one vote against management (includes abstentions)	43%		

### Votes against management



### Number of companies voted for/against management



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

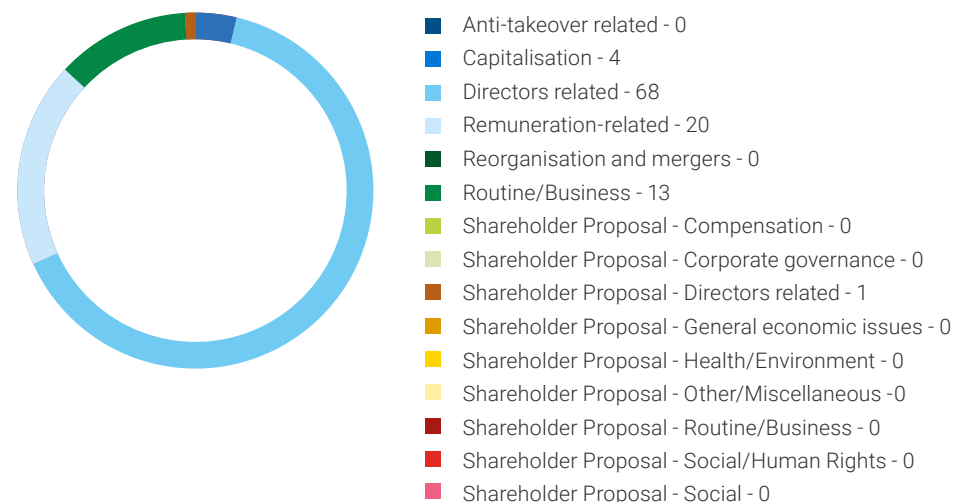
**LGIM voted against at least one resolution at 43% of UK companies over the quarter.**



## Europe - Q3 2021 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	0	0	0
Capitalisation	37	4	0
Directors related	96	68	1
Non-Salary compensation	44	20	0
Reorganisation and mergers	4	0	0
Routine/Business	117	13	0
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate governance	0	0	0
Shareholder Proposal - Directors related	0	1	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	0	0
Shareholder Proposal - Social/Human rights	0	0	0
Shareholder Proposal - Social	0	0	0
<b>Total</b>	<b>299</b>	<b>106</b>	<b>1</b>
Total resolutions	406		
No. AGMs	20		
No. EGMs	13		
No. of companies voted on	32		
No. of companies where voted against management/abstained on at least one resolution	21		
% of companies where at least one vote against management (includes abstentions)	66%		

### Votes against management



### Number of companies voted for/against management



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

**LGIM voted against at least one resolution at 66% of European companies over the quarter.**



Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	7	1	0
Capitalisation	8	2	0
Directors related	195	55	0
Non-Salary compensation	13	29	0
Reorganisation and mergers	4	0	0
Routine/Business	17	15	0
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate governance	0	1	0
Shareholder Proposal - Directors related	3	2	0
Shareholder Proposal - General economic issues	0	0	0
Shareholder Proposal - Health/Environment	0	0	0
Shareholder Proposal - Other/Miscellaneous	0	3	0
Shareholder Proposal - Routine/Business	0	2	0
Shareholder Proposal - Social/Human rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	247	110	0
Total resolutions	357		
No. AGMs	28		
No. EGMs	6		
No. of companies voted on	33		
No. of companies where voted against management/abstained on at least one resolution	28		
% of companies where at least one vote against management (includes abstentions)	85%		

Category	Count
Anti-takeover related	1
Capitalisation	2
Directors related	55
Remuneration-related	29
Reorganisation and mergers	0
Routine/Business	15
Shareholder Proposal - Compensation	0
Shareholder Proposal - Corporate governance	1
Shareholder Proposal - Directors related	2
Shareholder Proposal - General economic issues	0
Shareholder Proposal - Health/Environment	0
Shareholder Proposal - Other/Miscellaneous	3
Shareholder Proposal - Routine/Business	2
Shareholder Proposal - Social/Human Rights	0
Shareholder Proposal - Social	0

5	28
■ No. of companies where we supported management	■ No. of companies where we voted against management

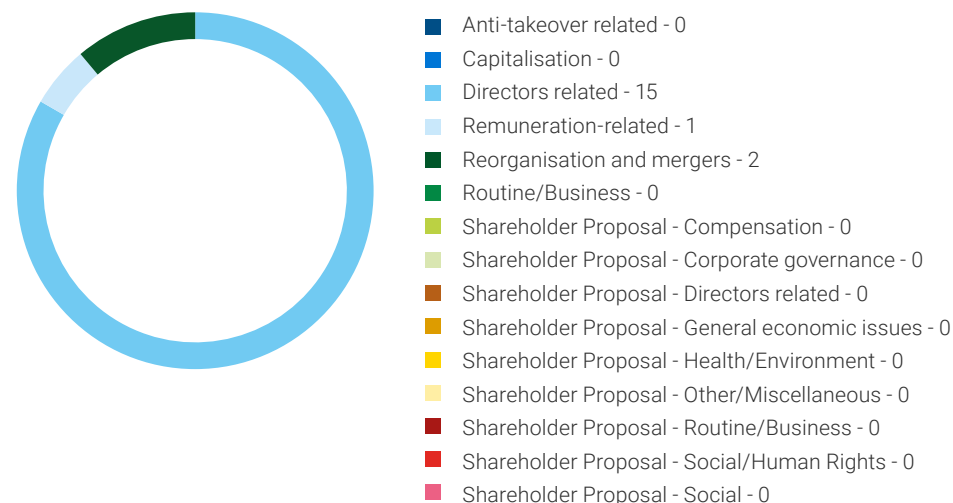
**LGIM voted against at least one resolution at 85% of North American companies over the quarter.**



## Japan - Q3 2021 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	0	0	0
Capitalisation	0	0	0
Directors related	108	15	0
Non-Salary compensation	7	1	0
Reorganisation and mergers	6	2	0
Routine/Business	10	0	0
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate governance	0	0	0
Shareholder Proposal - Directors 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
<b>Total</b>	<b>131</b>	<b>18</b>	<b>0</b>
Total resolutions	149		
No. AGMs	13		
No. EGMs	3		
No. of companies voted on	16		
No. of companies where voted against management/abstained on at least one resolution	9		
% of companies where at least one vote against management (includes abstentions)	56%		

### Votes against management



### Number of companies voted for/against management



■ No. of companies where we supported management  
■ No. of companies where we voted against management

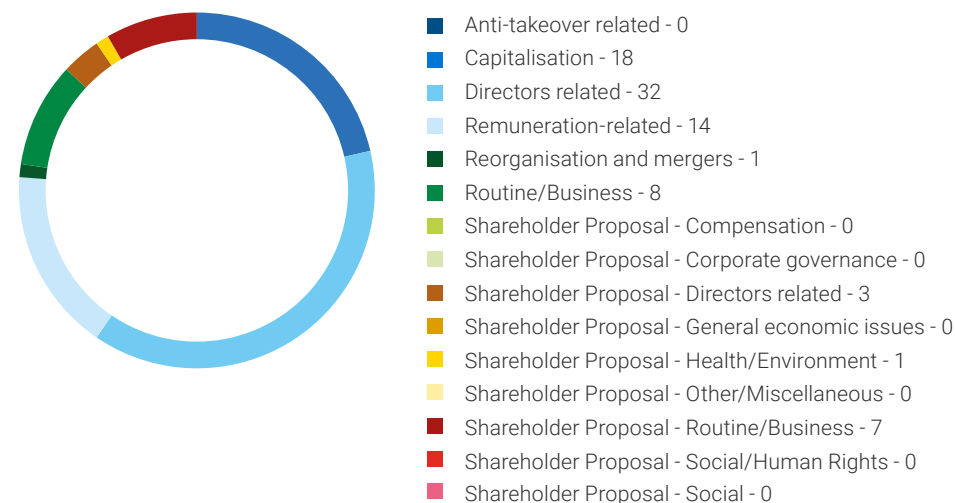
**LGIM voted against at least one resolution at 56% of Japanese companies over the quarter.**



## Asia Pacific - Q3 2021 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	0	0	0
Capitalisation	35	18	0
Directors related	113	32	0
Non-Salary compensation	28	14	0
Reorganisation and mergers	11	1	0
Routine/Business	72	8	0
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate governance	0	0	0
Shareholder Proposal - Directors related	4	3	0
Shareholder Proposal - General economic issues	0	0	0
Shareholder Proposal - Health/Environment	0	1	0
Shareholder Proposal - Other/Miscellaneous	0	0	0
Shareholder Proposal - Routine/Business	3	7	0
Shareholder Proposal - Social/Human rights	0	0	0
Shareholder Proposal - Social	0	0	0
<b>Total</b>	<b>266</b>	<b>84</b>	<b>0</b>
Total resolutions	350		
No. AGMs	35		
No. EGMs	14		
No. of companies voted on	48		
No. of companies where voted against management/abstained on at least one resolution	29		
% of companies where at least one vote against management (includes abstentions)	60%		

### Votes against management



### Number of companies voted for/against management



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

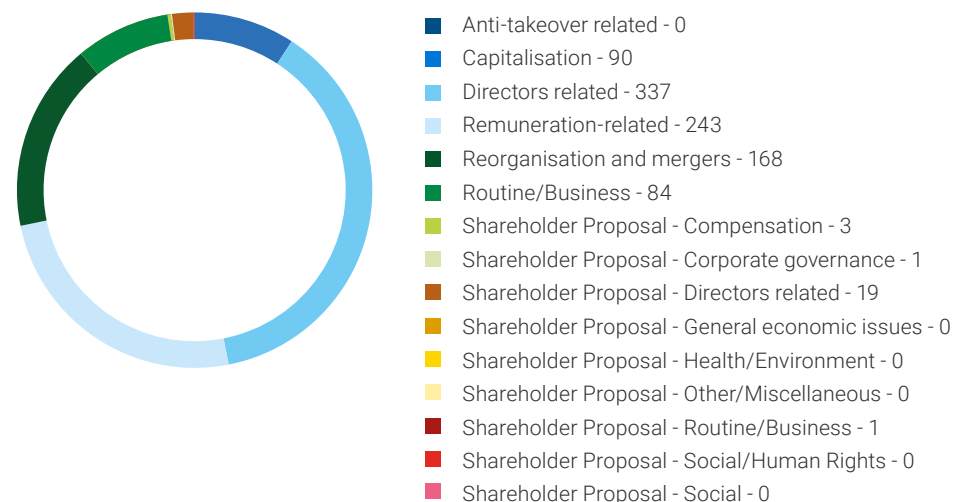
**LGIM voted against at least one resolution at 60% of Asia Pacific companies over the quarter.**



## Emerging markets - Q3 2021 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	1	0	0
Capitalisation	837	90	0
Directors related	1008	337	32
Non-Salary compensation	108	243	0
Reorganisation and mergers	467	168	0
Routine/Business	889	84	0
Shareholder Proposal - Compensation	0	3	0
Shareholder Proposal - Corporate governance	3	1	0
Shareholder Proposal - Directors related	130	19	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	21	1	0
Shareholder Proposal - Social/Human rights	0	0	0
Shareholder Proposal - Social	0	0	0
<b>Total</b>	<b>3464</b>	<b>946</b>	<b>32</b>
Total resolutions	4442		
No. AGMs	209		
No. EGMs	393		
No. of companies voted on	569		
No. of companies where voted against management/abstained on at least one resolution	292		
% of companies where at least one vote against management (includes abstentions)	51%		

### Votes against management



### Number of companies voted for/against management



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

**LGIM voted against at least one resolution at 51% of emerging market companies over the quarter.**

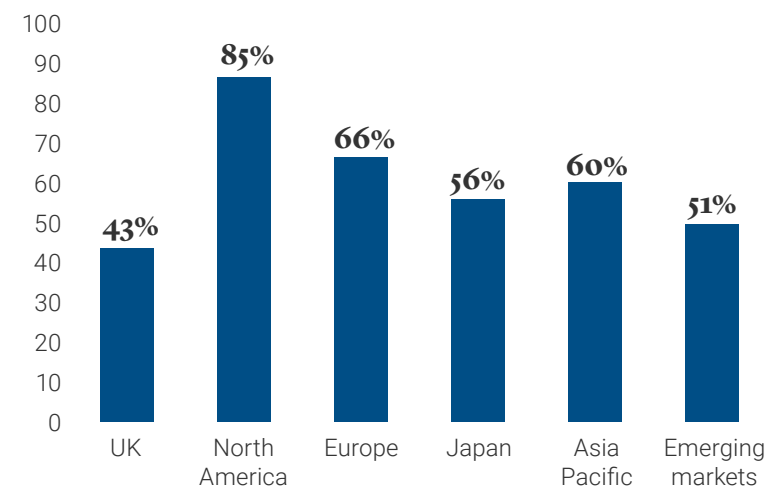




## Global - Q3 2021 voting summary

Proposal category	Total for	Total against	Total abstentions	Total
Anti-takeover related	108	1	0	109
Capitalisation	1450	141	0	1591
Directors related	2508	561	33	3102
Non-Salary compensation	369	365	0	734
Reorganisation and mergers	532	175	0	707
Routine/Business	1770	131	0	1901
Shareholder Proposal - Compensation	0	3	0	3
Shareholder Proposal - Corporate governance	3	2	0	5
Shareholder Proposal - Directors related	137	25	0	162
Shareholder Proposal - General economic issues	0	0	0	0
Shareholder Proposal - Health/Environment	0	1	0	1
Shareholder Proposal - Other/Miscellaneous	0	3	0	3
Shareholder Proposal - Routine/Business	25	10	0	35
Shareholder Proposal - Social/Human rights	0	0	0	0
Shareholder Proposal - Social	0	0	0	0
Total resolutions	6902	1418	33	8353
No. AGMs				451
No. EGMs				479
No. of companies voted on				879
No. of companies where voted against management/abstained on at least one resolution				456
% of companies where at least one vote against management (includes abstentions)				52%

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



Number of companies voted for/against management



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



# Global engagement summary

In Q3 2021, the Investment Stewardship team held

153



engagements

with

143

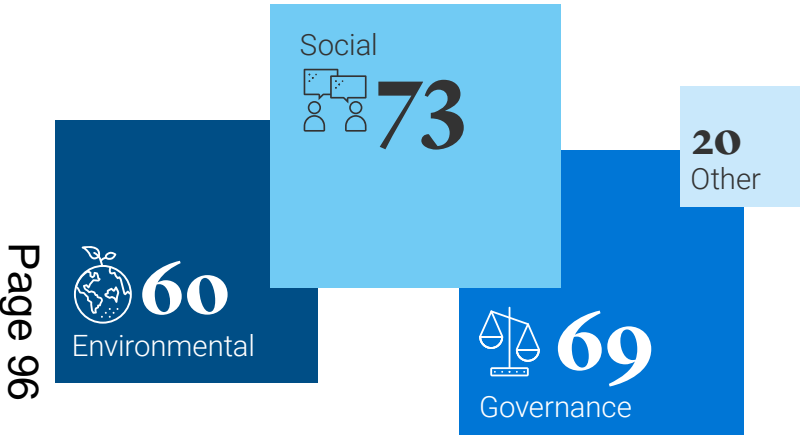


companies

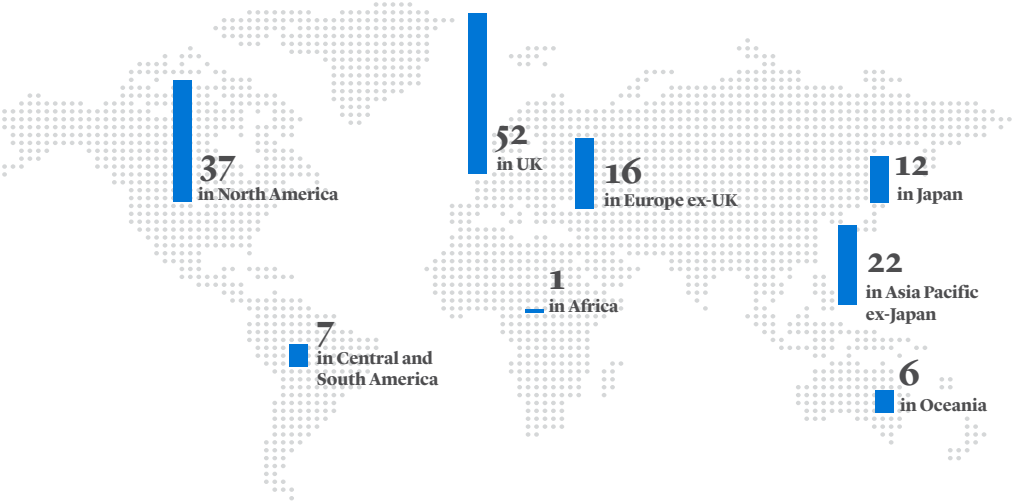
(vs. 112 engagements with 91 companies last quarter)

Breaking down the engagement numbers

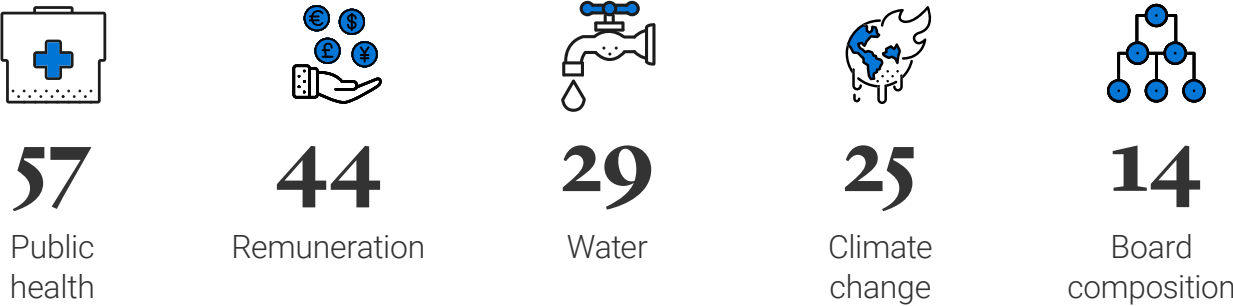
Breakdown of engagement by themes



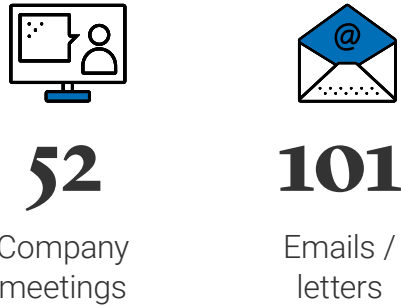
Regional breakdown of engagements



Top five engagement topics\*



Engagement type



\*Note: an engagement can cover more than a single topic

# Contact us

For further information about LGIM, please visit [lgim.com](http://lgim.com) or contact your usual LGIM representative



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# Shropshire County Council

## Q3 2021

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

The latest report from the Intergovernmental Panel on Climate Change (IPCC) has served as a stark reminder of the need for urgent and bold action on climate change. The landmark study, which the UN Secretary General called “a code red for humanity”, warns that we are at imminent risk of hitting the internationally-agreed threshold of 1.5 degrees above pre-industrial levels in the near term. Unless rapid and deep reductions in carbon and other greenhouse gas emissions occur in the coming decades, achieving the goals of the Paris Agreement will be beyond reach.

We continue to dedicate significant resources to our engagement efforts on climate change, particularly through investor collaborations, pushing companies to pursue the most ambitious emissions reduction paths. We remain hopeful that deep cuts in emissions could help stabilise rising temperatures.

Finally, we would like to remind our readers that we have been and will continue to be part of the collective investor voice calling on governments to be visionary and ambitious in the way they approach the upcoming Glasgow COP26 negotiations. Strong action now is essential to set the world on a trajectory to a more stable climate and a healthier planet.

### Setting best practice in managing physical climate risks

#### Investor collaboration

BMO Global Asset Management joined investors representing US\$10 trillion in assets to contact 50 highly-exposed companies in industries including food, consumer goods and transportation, setting out our expectations on the management of physical climate risks. This was accompanied by a new report published by the Institutional Investors Group on Climate Change (IIGCC), ‘Building Resilience to a Changing Climate’, which sets out investor views on best practice in this area.

The four key areas for action highlighted in this publication are:

- Establishing a climate governance framework which considers physical risks and opportunities alongside transition risk;
- Undertaking physical climate risk and opportunity assessments;
- Developing and implementing a strategy for building climate resilience; and
- Identifying and reporting against risk, opportunity and impact metrics to demonstrate progress over time

### Decarbonising the steel industry

#### Investor collaboration

Steelmaking is highly relevant to the decarbonisation agenda, due to its dual role of supporting the low carbon transition and being an emissions-intensive sector. The uncertainty of low carbon technology development and the high capital cost to deploy them are two pertaining issues often mentioned by companies in the industry.

Recognising these challenges, the Institutional Investors Group on Climate Change gathered a group of investors, including BMO GAM, to develop a net zero steel strategy. In a dedicated publication, Global Sector Strategies: Investor interventions to accelerate net zero steel, the investor group highlighted several key measures that should be taken by the steel companies in the future, including investing in low emission steelmaking capacity that utilises green hydrogen and/or carbon capture and storage technology. On the other hand, the strategy also calls for systematic investor engagement on the steel value chain, for example to engage downstream customers on “green” steel purchasing, to accelerate technological advancement.

### Engaging on ‘net zero’

In the run-up to COP26, we are continuing to focus our climate change engagement on the objective of achieving net zero global greenhouse gas emissions by 2050, in line with the goal of limiting the average temperature rise to 1.5 degrees Celsius.

We expect that the analysis of net zero alignment will support the deeper integration of climate risks and opportunities into investment portfolios, through the use of new data sets and analytical techniques. The emphasis on engagement coming out of the methodologies so far developed will add further impetus to investor stewardship, particularly beyond the Climate Action 100+ companies already under intensive focus. Whilst encouraging companies to take on a ‘net zero’ ambition is important, this alone has little value without a robust implementation strategy. A key framework here is the Climate Action 100+ Net Zero Company Benchmark, which sets out best practice expectations – including setting net zero-aligned short and medium-term targets; implementation of strategy; and governance oversight of climate actions.

Finally, efforts to address data gaps, including through our participation in the CDP’s annual Non-Disclosure Campaign should support better company disclosure, also building on progress made by the Task Force on Climate-related Financial Disclosures.

## China's oil majors join forces to tackle methane emissions

### Investor collaboration

Methane emissions are the second-largest cause of global warming today. These emissions, which have a significant warming potential, come from a range of anthropogenic and natural sources, including from the energy sector – mainly from oil, natural gas, coal and biofuel combustion. Emissions remain high as implementing abatement options quickly and at scale remains a challenge. While methane tends to receive less attention than carbon dioxide, reducing methane emissions will be critical to avoid the worst effects of climate change.

In this context, we welcome the **China Oil and Gas Enterprises Methane Emissions Control Alliance**, jointly initiated by oil & gas exploration and production majors **PetroChina**, **Sinopec** and **CNOOC**, with four other companies in the industry, including **China Resources Gas**, as its founding members. The Alliance will help support China's efforts to meet its 2060 carbon neutral target.

## New agreement to protect garment workers in Bangladesh

### Multi-stakeholder collaboration

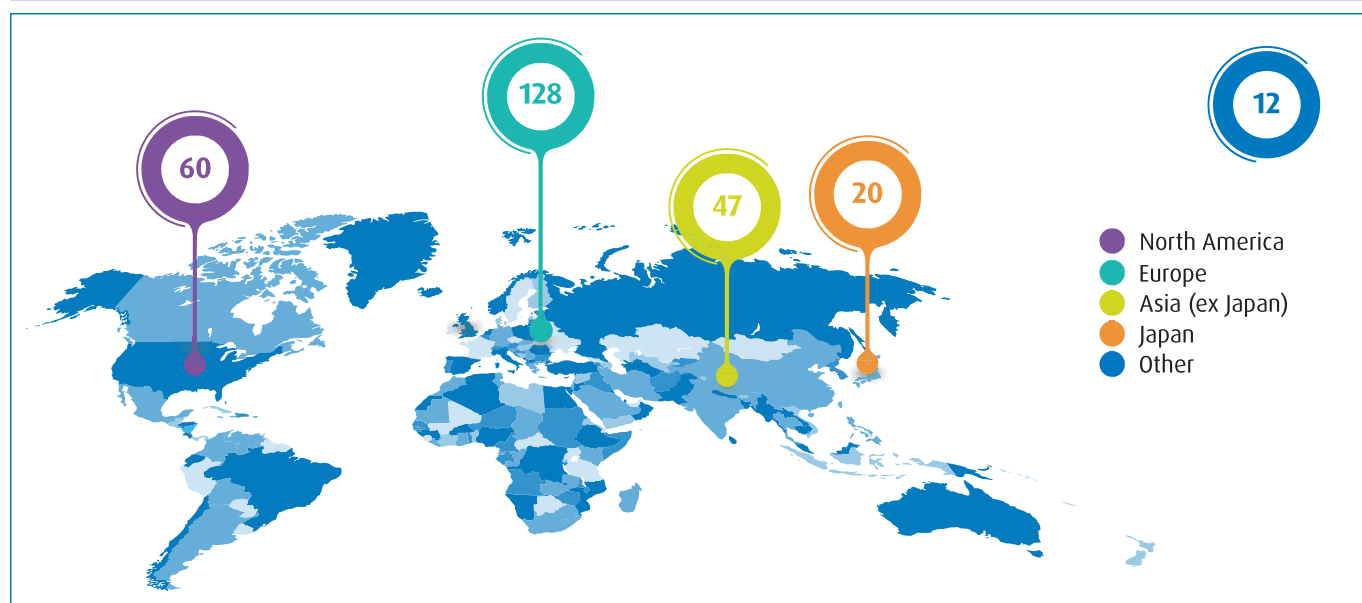
In August 2021, international brands, unions and the Bangladeshi garment industry came together to enact the **International Accord for Health and Safety in the Textile and Garment Industry** ("International Accord"). In the run up to the signing of this initiative, we wrote to nineteen companies that were signatories to the original **Bangladesh Accord on Fire and Building Safety** that was launched in 2013 right after the Rana Plaza factory collapse. We asked companies that they reaffirm their commitment to the Accord model.

The new agreement commits to focus on the health and safety program in Bangladesh, and to build a credible industry wide compliance and accountability mechanism. It also intends to extend the International Accord model to other regions, streamline the arbitration process that enforces the Accord's terms, and expand the scope of the agreement to address human rights due diligence.

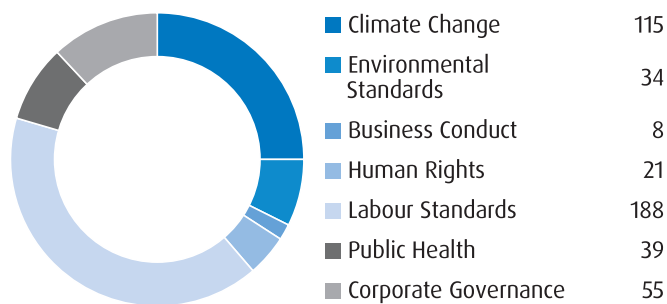
## Companies engaged this quarter

Number of Engagements	Companies Engaged	Milestones achieved	Countries covered
361	267	75	33

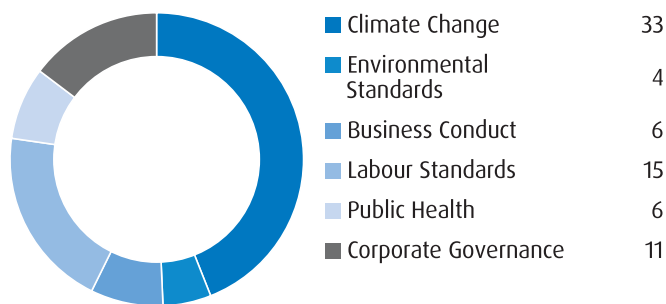
## Companies engaged by region



## Companies engaged by issue \*\*



## Milestones achieved by issue



\* reo® is currently applied to €414.439bn / £355.671bn / US\$490.986bn\* as at 30 June 2021.

\*\* 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. 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.

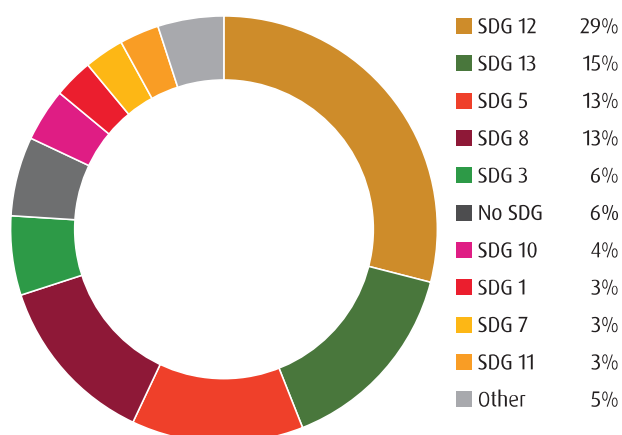


## Engagements and Sustainable Development Goals (SDGs)

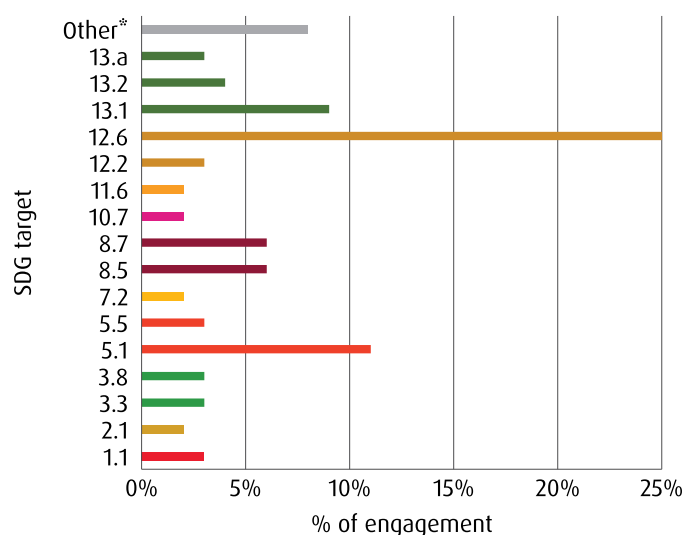
The 17 Sustainable Development Goals (SDGs) were developed by the UN and cross-industry stakeholders with a view to providing a roadmap towards a more sustainable world.

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.

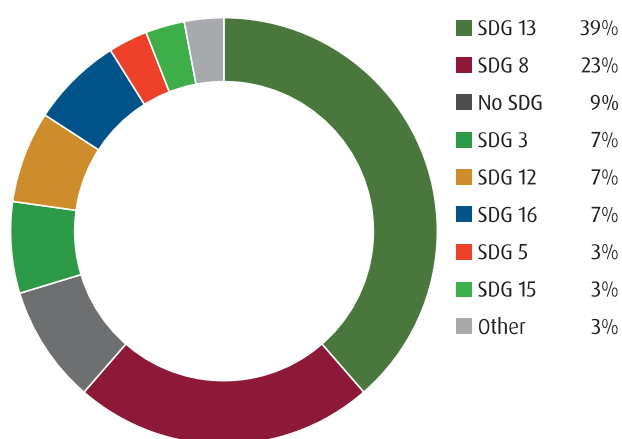
Engagement: SDG level



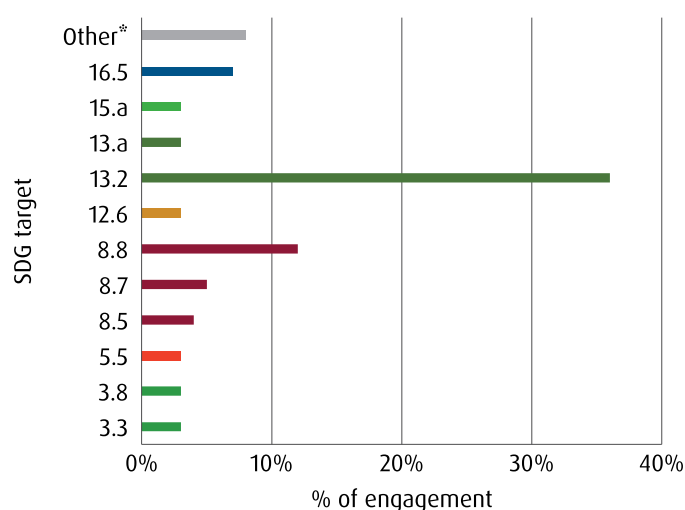
Engagement: SDG target level



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.

Name	Sector	ESG Rating	Response to engagement	Themes engaged						
				Climate Change	Environmental Stewardship	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
AbbVie Inc	Health Care		Poor							
Alleghany Corp	Financials		Adequate							
Amazon.com Inc	Consumer Discretionary		Poor							
Aroundtown SA	Real Estate									
Bandai Namco Holdings Inc	Consumer Discretionary									
Barclays PLC	Financials		Good							
Capital One Financial Corp	Financials									
China Construction Bank Corp	Financials		Poor							
Cintas Corp	Industrials									
Danske Bank A/S	Financials		Good							
Dominion Energy Inc	Utilities		Good							
DSV A/S	Industrials									
Eli Lilly & Co	Health Care									
Fresenius SE & Co KGaA	Health Care		Good							
Hannover Rueck SE	Financials									
Honda Motor Co Ltd	Consumer Discretionary									
Intesa Sanpaolo SpA	Financials		Good							
Kansai Electric Power Co Inc/The	Utilities									
Keyence Corp	Information Technology		Adequate							
Marriott International Inc/MD	Consumer Discretionary									
Moncler SpA	Consumer Discretionary									
Mondelez International Inc	Consumer Staples									
National Australia Bank Ltd	Financials									
Reliance Industries Ltd	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: 

Name	Sector	ESG Rating	Response to engagement	Themes engaged						
				Climate Change	Environmental Stewardship	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Royal Dutch Shell PLC	Energy		Good							
Saudi Arabian Oil Co	Energy									
SMC Corp	Industrials									
Suncor Energy Inc	Energy									
UnitedHealth Group Inc	Health Care		Adequate							
Universal Health Services Inc	Health Care									
Wells Fargo & Co	Financials		Adequate							
Wesfarmers Ltd	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: Red rated

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

Name	Country	Sector	Priority company	Themes engaged						
				Climate Change	Environmental Stewardship	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Airbus SE	France	Industrials								
Alleghany Corp	United States	Financials	✓	●						
America Movil SAB de CV	Mexico	Communication Services					●			
Bandai Namco Holdings Inc	Japan	Consumer Discretionary	✓		●			●		
Bio-Rad Laboratories Inc	United States	Health Care							●	
China Shenhua Energy Co Ltd	China	Energy						●		
Chongqing Changan Automobile Co Ltd	China	Consumer Discretionary						●		
CSX Corp	United States	Industrials		●						
Formosa Plastics Corp	Taiwan	Materials		●						
Hualan Biological Engineering Inc	China	Health Care				●				●
JD Sports Fashion PLC	United Kingdom	Consumer Discretionary			●					
Korea Electric Power Corp	South Korea	Utilities		●						
Kweichow Moutai Co Ltd	China	Consumer Staples						●		
Largan Precision Co Ltd	Taiwan	Information Technology						●		
Marriott International Inc/MD	United States	Consumer Discretionary	✓	●	●		●	●		
PetroChina Co Ltd	China	Energy						●		
Pfizer Inc	United States	Health Care						●	●	
SAIC Motor Corp Ltd	China	Consumer Discretionary						●		
Saudi Arabian Oil Co	Saudi Arabia	Energy	✓					●		
Siemens Healthineers AG	Germany	Health Care						●	●	
Surgutneftegas PJSC	Russia	Energy						●		
Swatch Group AG/The	Switzerland	Consumer Discretionary		●						
Tatneft PJSC	Russia	Energy						●		
Thermo Fisher Scientific Inc	United States	Health Care					●	●	●	●
Tingyi Cayman Islands Holding Corp	China	Consumer Staples							●	
Uniper SE	Germany	Utilities		●				●		
UnitedHealth Group Inc	United States	Health Care	✓			●		●	●	

## 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: ●

Name	Country	Sector	Priority company	Themes engaged						
				Climate Change	Environmental Stewardship	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Universal Health Services Inc	United States	Health Care	✓			●			●	●
Volkswagen AG	Germany	Consumer Discretionary		●				●		
Wells Fargo & Co	United States	Financials	✓					●		
Youngor Group Co Ltd	China	Real Estate						●		
Zhejiang Semir Garment Co Ltd	China	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: Orange rated

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

Name	Country	Sector	Priority company	Themes engaged						
				Climate Change	Environmental Stewardship	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
AbbVie Inc	United States	Health Care	✓					●	●	
Aboitiz Equity Ventures Inc	Philippines	Industrials		●						
Alibaba Group Holding Ltd	China	Information Technology						●		●
Amazon.com Inc	United States	Consumer Discretionary	✓				●	●		
Anhui Conch Cement Co Ltd	China	Materials						●		
ANTA Sports Products Ltd	China	Consumer Discretionary					●	●		
Bayer AG	Germany	Health Care		●	●			●		
Beijing Sinnet Technology Co Ltd	China	Information Technology		●	●			●		●
China Mengniu Dairy Co Ltd	Hong Kong	Consumer Staples		●					●	
China Petroleum & Chemical Corp	China	Energy						●		
China Resources Gas Group Ltd	Hong Kong	Utilities		●					●	
Costco Wholesale Corp	United States	Consumer Staples		●	●			●		
Deutsche Telekom AG	Germany	Communication Services					●	●		
Dollar Tree Inc	United States	Consumer Discretionary						●		
EOG Resources Inc	United States	Energy						●		
Eurofins Scientific SE	Luxembourg	Health Care							●	
Falabella SA	Chile	Consumer Discretionary						●		
Fresenius Medical Care AG & Co KGaA	Germany	Health Care						●		
Fresenius SE & Co KGaA	Germany	Health Care	✓				●	●		
Godrej Consumer Products Ltd	India	Consumer Staples			●		●			
Great Wall Motor Co Ltd	China	Consumer Discretionary						●		
Guangzhou Automobile Group Co Ltd	China	Consumer Discretionary						●		
Inner Mongolia Yili Industrial Group Co Ltd	China	Consumer Staples							●	
Invitation Homes Inc	United States	Real Estate		●						
IOI Corp Bhd	Malaysia	Consumer Staples						●		
Japan Exchange Group Inc	Japan	Financials		●				●		
Johnson & Johnson	United States	Health Care						●		

## 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: ●

Name	Country	Sector	Priority company	Themes engaged						
				Climate Change	Environmental Stewardship	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Kansai Electric Power Co Inc/The	Japan	Utilities	✓	●						
Keyence Corp	Japan	Information Technology	✓							●
Medtronic PLC	Ireland	Health Care		●						
MISC Bhd	Malaysia	Industrials		●						
Moderna Inc	United States	Health Care							●	
Mohawk Industries Inc	United States	Consumer Discretionary			●			●		
Nan Ya Plastics Corp	Taiwan	Materials		●						
Nemetschek SE	Germany	Information Technology						●		
Norfolk Southern Corp	United States	Industrials		●						
Orpea SA	France	Health Care						●		●
Pegatron Corp	Taiwan	Information Technology						●		
PerkinElmer Inc	United States	Health Care							●	
Rational AG	Germany	Industrials						●		
Reliance Industries Ltd	India	Energy	✓	●						●
Sanofi	France	Health Care		●				●	●	
SK Innovation Co Ltd	South Korea	Energy								●
SMC Corp	Japan	Industrials	✓							●
Stellantis NV	Netherlands	Consumer Discretionary		●						
Tenaga Nasional Bhd	Malaysia	Utilities		●						
Torrent Pharmaceuticals Ltd	India	Health Care		●				●	●	●
United Internet AG	Germany	Information Technology						●		
US Bancorp	United States	Financials						●		
Walmart Inc	United States	Consumer Staples		●	●			●		
Waste Connections Inc	United States	Industrials		●						

#### ESG Risk Rating:

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

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



# Engagements and Your Fund: Yellow rated

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

Name	Country	Sector	Priority company	Themes engaged						
				Climate Change	Environmental Stewardship	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Activision Blizzard Inc	United States	Information Technology								
Alcon Inc	Switzerland	Health Care								
Aroundtown SA	Luxembourg	Real Estate	✓							
Bank of America Corp	United States	Financials								
Bayerische Motoren Werke AG	Germany	Consumer Discretionary								
Bechtle AG	Germany	Information Technology								
BHP Group Ltd	Australia	Materials								
BioMerieux	France	Health Care								
boohoo Group PLC	United Kingdom	Consumer Discretionary								
BP PLC	United Kingdom	Energy								
Bristol-Myers Squibb Co	United States	Health Care								
Capital One Financial Corp	United States	Financials	✓							
China Construction Bank Corp	China	Financials	✓							
Cintas Corp	United States	Industrials	✓							
Citigroup Inc	United States	Financials								
Continental AG	Germany	Consumer Discretionary								
Covestro AG	Germany	Materials								
Daimler AG	Germany	Consumer Discretionary								
Dali Foods Group Co Ltd	China	Consumer Staples								
Danaher Corp	United States	Health Care								
Delta Air Lines Inc	United States	Industrials								
Deutsche Post AG	Germany	Industrials								
Dominion Energy Inc	United States	Utilities	✓							
DSV A/S	Denmark	Industrials	✓							
Eli Lilly & Co	United States	Health Care	✓							
FUCHS PETROLUB SE	Germany	Materials								
Grifols SA	Spain	Health Care								

## 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: ●

Name	Country	Sector	Priority company	Themes engaged						
				Climate Change	Environmental Stewardship	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
HelloFresh SE	Germany	Consumer Discretionary						●		
KION Group AG	Germany	Industrials						●		
Knight-Swift Transportation Holdings Inc	United States	Industrials		●						
LyondellBasell Industries NV	United States	Materials		●						
Mastercard Inc	United States	Information Technology						●		
Merck & Co Inc	United States	Health Care							●	
Mitsubishi UFJ Financial Group Inc	Japan	Financials		●						
Mondelez International Inc	United States	Consumer Staples	✓		●		●	●		
National Australia Bank Ltd	Australia	Financials	✓					●		
Nestle India Ltd	India	Consumer Staples								●
Nestle SA	Switzerland	Consumer Staples		●						
Nippon Express Co Ltd	Japan	Industrials		●						
Nippon Steel Corp	Japan	Materials						●		
Nissin Foods Holdings Co Ltd	Japan	Consumer Staples		●						
Ping An Insurance Group Co of China Ltd	China	Financials		●				●		
POSCO	South Korea	Materials		●						
QIAGEN NV	Netherlands	Health Care						●	●	
RWE AG	Germany	Utilities						●		
Ryman Healthcare Ltd	New Zealand	Health Care						●		●
Sartorius AG	Germany	Health Care						●		
Scout24 AG	Germany	Information Technology						●		
Shenzhou International Group Holdings Ltd	China	Consumer Discretionary						●		
Shoprite Holdings Ltd	South Africa	Consumer Staples						●		
STERIS PLC	United States	Health Care						●	●	●
Sumitomo Metal Mining Co Ltd	Japan	Materials						●		
Sumitomo Mitsui Financial Group Inc	Japan	Financials								●
Suncor Energy Inc	Canada	Energy	✓					●		
Techtronic Industries Co Ltd	Hong Kong	Consumer Discretionary		●				●		●
Tencent Holdings Ltd	China	Information Technology		●						
TotalEnergies SE	France	Energy		●			●			
Tyson Foods Inc	United States	Consumer Staples						●		
Vulcan Materials Co	United States	Materials						●		

#### ESG Risk Rating:

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

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

# Engagements and Your Fund: Green rated

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

Name	Country	Sector	Priority company	Themes engaged						
				Climate Change	Environmental Stewardship	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Abrdn Plc	United Kingdom	Financials								●
adidas AG	Germany	Consumer Discretionary						●		
Adobe Inc	United States	Information Technology		●				●		●
Air Liquide SA	France	Materials		●						
Ajinomoto Co Inc	Japan	Consumer Staples		●						
Allianz SE	Germany	Financials						●		
Arkema SA	France	Materials		●						
ASML Holding NV	Netherlands	Information Technology						●		●
Associated British Foods PLC	United Kingdom	Consumer Staples					●	●		
AstraZeneca PLC	United Kingdom	Health Care						●		
Australia & New Zealand Banking Group Ltd	Australia	Financials						●		
AXA SA	France	Financials								●
Banco Bradesco SA	Brazil	Financials		●				●		
Bank Central Asia Tbk PT	Indonesia	Financials		●	●					●
Bank of Nova Scotia	Canada	Financials						●		
Barclays PLC	United Kingdom	Financials	✓	●	●					●
BASF SE	Germany	Materials						●		
Beiersdorf AG	Germany	Consumer Staples						●		
Bellway PLC	United Kingdom	Consumer Discretionary								●
Brenntag SE	Germany	Industrials						●		
Bunge Ltd	United States	Consumer Staples			●					
Burberry Group PLC	United Kingdom	Consumer Discretionary			●		●	●		
Campbell Soup Co	United States	Consumer Staples		●						
Carl Zeiss Meditec AG	Germany	Health Care						●		
Centrica PLC	United Kingdom	Utilities		●						●
CIMB Group Holdings Bhd	Malaysia	Financials		●						
Cisco Systems Inc/California	United States	Information Technology						●		●

## 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: ●

Name	Country	Sector	Priority company	Themes engaged						
				Climate Change	Environmental Stewardship	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Clorox Co/The	United States	Consumer Staples		●						
Commerzbank AG	Germany	Financials			●			●		
Compass Group PLC	United Kingdom	Consumer Discretionary					●	●	●	
Covivio	France	Real Estate		●						
Credicorp Ltd	Peru	Financials						●		
Credit Agricole SA	France	Financials								●
Credit Suisse Group AG	Switzerland	Financials					●			
Danone SA	France	Consumer Staples							●	
Danske Bank A/S	Denmark	Financials	✓					●		
Deutsche Bank AG	Germany	Financials						●		
Deutsche Boerse AG	Germany	Financials						●		
Deutsche Lufthansa AG	Germany	Industrials						●		
Deutsche Wohnen SE	Germany	Real Estate		●						
E.ON SE	Germany	Utilities						●		
eBay Inc	United States	Information Technology						●		
Eisai Co Ltd	Japan	Health Care							●	
Evonik Industries AG	Germany	Materials						●		
Fast Retailing Co Ltd	Japan	Consumer Discretionary					●			
Ferguson PLC	United Kingdom	Industrials						●		
Firstgroup PLC	United Kingdom	Industrials		●						
Flutter Entertainment PLC	Ireland	Consumer Discretionary								●
Galp Energia SGPS SA	Portugal	Energy		●						
GEA Group AG	Germany	Industrials						●		
General Mills Inc	United States	Consumer Staples							●	
GlaxoSmithKline PLC	United Kingdom	Health Care						●		
Goldman Sachs Group Inc/The	United States	Financials		●				●		
Hannover Rueck SE	Germany	Financials	✓					●		
HeidelbergCement AG	Germany	Materials						●		
Henkel AG & Co KGaA	Germany	Consumer Staples						●		
Hewlett Packard Enterprise Co	United States	Information Technology					●			
Honda Motor Co Ltd	Japan	Consumer Discretionary	✓	●				●		●
HSBC Holdings PLC	United Kingdom	Financials						●		●
Industria de Diseno Textil SA	Spain	Consumer Discretionary						●		
Infineon Technologies AG	Germany	Information Technology		●				●		
ING Groep NV	Netherlands	Financials						●		
Inpex Corp	Japan	Energy						●		
International Flavors & Fragrances Inc	United States	Materials		●	●			●		

#### 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: ●

Name	Country	Sector	Priority company	Themes engaged						
				Climate Change	Environmental Stewardship	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Intesa Sanpaolo SpA	Italy	Financials	✓	●						
J Sainsbury PLC	United Kingdom	Consumer Staples						●	●	
JPMorgan Chase & Co	United States	Financials						●		
Kerry Group PLC	Ireland	Consumer Staples		●						
Kirin Holdings Co Ltd	Japan	Consumer Staples		●	●		●			
Knorr-Bremse AG	Germany	Industrials						●		
Koninklijke Vopak NV	Netherlands	Energy		●						
LANXESS AG	Germany	Materials		●				●		
LEG Immobilien SE	Germany	Real Estate		●				●		
Legal & General Group PLC	United Kingdom	Financials								●
Lite-On Technology Corp	Taiwan	Information Technology		●						
Lloyds Banking Group PLC	United Kingdom	Financials		●	●		●			●
Logitech International SA	Switzerland	Information Technology		●						
Lonza Group AG	Switzerland	Health Care		●						
Marico Ltd	India	Consumer Staples								●
Marks & Spencer Group PLC	United Kingdom	Consumer Discretionary							●	
Merck KGaA	Germany	Health Care						●		
Moncler SpA	Italy	Consumer Discretionary	✓					●		
Muenchener Rueckversicherungs-Gesellschaft AG in Muenchen	Germany	Financials						●		
Natwest Group PLC	United Kingdom	Financials								●
NextEra Energy Inc	United States	Utilities		●						
Nokia Oyj	Finland	Information Technology		●						
Novartis AG	Switzerland	Health Care		●	●	●		●	●	●
Novo Nordisk A/S	Denmark	Health Care							●	
NVIDIA Corp	United States	Information Technology						●		●
Ocado Group PLC	United Kingdom	Consumer Discretionary						●		●
PayPal Holdings Inc	United States	Information Technology						●		
Public Service Enterprise Group Inc	United States	Utilities		●						
Puma SE	Germany	Consumer Discretionary						●		
Renesas Electronics Corp	Japan	Information Technology		●						
Roche Holding AG	Switzerland	Health Care		●	●					
Rohm Co Ltd	Japan	Information Technology		●						
Royal Dutch Shell PLC	Netherlands	Energy	✓	●						
SAP SE	Germany	Information Technology						●		
Schroders PLC	United Kingdom	Financials								●
Siemens AG	Germany	Industrials						●		
Siemens Energy AG	Germany	Industrials						●		

**ESG Risk Rating:**

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

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

Name	Country	Sector	Priority company	Themes engaged						
				Climate Change	Environmental Stewardship	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Sika AG	Switzerland	Materials		●						
SITC International Holdings Co Ltd	Hong Kong	Industrials		●						
Smurfit Kappa Group PLC	Ireland	Materials						●		
Solvay SA	Belgium	Materials		●						
Standard Chartered PLC	United Kingdom	Financials								●
STMicroelectronics NV	Switzerland	Information Technology		●						
Symrise AG	Germany	Materials						●		
Sysmex Corp	Japan	Health Care							●	
Taiwan Semiconductor Manufacturing Co Ltd	Taiwan	Information Technology		●	●	●		●		●
Taylor Wimpey PLC	United Kingdom	Consumer Discretionary		●						●
TeamViewer AG	Germany	Information Technology						●		
Telefonica SA	Spain	Communication Services						●		
Temenos AG	Switzerland	Information Technology								●
Tesco PLC	United Kingdom	Consumer Staples			●			●		
Texas Instruments Inc	United States	Information Technology		●				●		●
UBS Group AG	Switzerland	Financials		●		●		●		
Unilever PLC	United Kingdom	Consumer Staples							●	●
Vonovia SE	Germany	Real Estate		●				●		
Weir Group PLC/The	United Kingdom	Industrials						●		
Wesfarmers Ltd	Australia	Consumer Staples	✓		●			●		
Win Semiconductors Corp	Taiwan	Information Technology		●	●			●		●
WPP PLC	United Kingdom	Consumer Discretionary								●
Zalando SE	Germany	Consumer Discretionary						●		●

#### ESG Risk Rating:

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

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

# Milestones and Your Fund

The table below highlights the companies with which we have recorded milestones on your behalf in the past quarter and which you currently hold within your portfolio. Milestones are engagement outcomes which we have identified and is rated on the extent to which it protects 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
★★★★											
Banco Bradesco SA	Brazil	Financials		<div><div></div></div>	<div><div></div></div>						
Banco Santander SA	Spain	Financials		<div><div></div></div>	<div><div></div></div>						
Bank of China Ltd	China	Financials		<div><div></div></div>	<div><div></div></div>						
BNP Paribas SA	France	Financials		<div><div></div></div>	<div><div></div></div>						
CIMB Group Holdings Bhd	Malaysia	Financials		<div><div></div></div>	<div><div></div></div>						
Credit Suisse Group AG	Switzerland	Financials		<div><div></div></div>	<div><div></div></div>						
Deutsche Bank AG	Germany	Financials		<div><div></div></div>	<div><div></div></div>						
Deutsche Post AG	Germany	Industrials		<div><div></div></div>	<div><div></div></div>						
Ecopetrol SA	Colombia	Energy		<div><div></div></div>	<div><div></div></div>						
ING Groep NV	Netherlands	Financials		<div><div></div></div>	<div><div></div></div>						
Marriott International Inc/MD	United States	Consumer Discretionary	✓	<div><div></div></div>	<div><div></div></div>						
Mizuho Financial Group Inc	Japan	Financials		<div><div></div></div>	<div><div></div></div>						
National Australia Bank Ltd	Australia	Financials	✓	<div><div></div></div>	<div><div></div></div>						
Royal Bank of Canada	Canada	Financials		<div><div></div></div>	<div><div></div></div>						
SK Innovation Co Ltd	South Korea	Energy		<div><div></div></div>	<div><div></div></div>						
Toronto-Dominion Bank/The	Canada	Financials		<div><div></div></div>	<div><div></div></div>						
★★★											
Amazon.com Inc	United States	Consumer Discretionary	✓	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>					
Bayer AG	Germany	Health Care		<div><div></div></div>	<div><div></div></div>						
China Petroleum & Chemical Corp	China	Energy		<div><div></div></div>	<div><div></div></div>						
China Resources Gas Group Ltd	Hong Kong	Utilities		<div><div></div></div>	<div><div></div></div>						
SITC International Holdings Co Ltd	Hong Kong	Industrials		<div><div></div></div>	<div><div></div></div>						
Tractor Supply Co	United States	Consumer Discretionary		<div><div></div></div>	<div><div></div></div>						

## 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: ●



Name	Country	Sector	Priority company	ESG Rating	Themes engaged						
					Climate Change	Environmental Stewardship	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
★											
China Mengniu Dairy Co Ltd	Hong Kong	Consumer Staples		●		●					
Citigroup Inc	United States	Financials		●	●						
Credit Agricole SA	France	Financials		●	●						
Goldman Sachs Group Inc/The	United States	Financials		●		●					
HSBC Holdings PLC	United Kingdom	Financials		●	●						
JPMorgan Chase & Co	United States	Financials		●	●						
Morgan Stanley	United States	Financials		●	●						
Societe Generale SA	France	Financials		●	●						
Sumitomo Mitsui Financial Group Inc	Japan	Financials		●	●						
Swedbank AB	Sweden	Financials		●	●						
Tencent Holdings Ltd	China	Information Technology		●	●	●					
UBS Group AG	Switzerland	Financials		●	●						

#### ESG Risk Rating:

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

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



## Committee and Date

Pensions Committee

17 January 2022

10.00am

## Item

**11**

Public

## **PENSIONS ADMINISTRATION MONITORING REPORT**

**Responsible Officer:** Debbie Sharp

Email: [Debbie.sharp@shropshire.gov.uk](mailto:Debbie.sharp@shropshire.gov.uk)

Tel: (01743) 252192

### **1. Synopsis**

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

### **2. Executive Summary**

- 2.1. Detail is provided on team workloads and performance. Small backlogs are appearing due to staff vacancies. Updates are given on; pension dashboards and the LGPS; the 2022 pension increase of 3.1%; the employers meeting held on 22 November 2021; the pensions taxation webinar run on 8 October 2021 and Kemi Badenoch replacing Luke Hall as minister with LGPS responsibilities.
- 2.2. The committee is asked to ensure they have completed the Pension Regulator's eight training modules.
- 2.3. Highlight data is provided from the published SF3 data which includes the market value of LGPS funds in England and Wales on 31 March 2021 was £332.7 billion, with 6.1 million members.

### **3. Recommendations**

- 3.1. Members are asked to accept the position as set out in the report.

## **REPORT**

### **4. Risk Assessment and Opportunities Appraisal**

#### **4.1. 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.

4.2. Human Rights Act Appraisal

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

4.3. Environmental Appraisal

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

## 5. Financial Implications

- 5.1. 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 did not need to and having its data called into question by the fund actuary. LGPS having to fully index GMPs will increase costs for the fund going forward. Further compliance with TPR code has highlighted areas where further costs could be incurred.

## 6. Climate change appraisal

- 6.1. Energy and fuel consumption: No effect  
Renewable energy generation: No effect  
Carbon offsetting or mitigation: No effect  
Climate Change adaptation: No effect

## 7. Performance and Team Update

- 7.1. The team's output and performance level to October 2021 is attached at **Appendix A**. The report shows either single standalone tasks or tasks that are part of a case. Cases are a complete process that hold steps (tasks) to be undertaken for a procedure to be completed.
- 7.2. Outstanding tasks and cases have risen quite sharply during the last quarter, particularly in the last month. In October 2021, employers submitted their monthly data return for September 2021. There was a big increase in new starter notifications and post changes. In September, it is expected that there will be increased staffing changes with school-based staff at the start of a new academic year, but the numbers seen increased more than usual.

- 7.3. Although outstanding cases have risen, the numbers of processes processed and completed has also risen including the number completed on time.
- 7.4. Workloads are currently higher than expected for leavers. Especially, in areas such as calculation of deferred benefits, aggregation, and deferred refunds. This is due to staff vacancies not being filled during the last quarter, together with staff holidays during the Summer and priority work being undertaken on producing annual benefit statements and pensions savings statements on time. Work on areas such as these cannot be captured in the performance statistics as not everything can be work-flowed.
- 7.5. At the last committee meeting, it was reported that four new posts were being advertised. The recruitment process has been completed for all four posts and commencement dates for the new recruits have been arranged. In addition, the team has seen a few resignations resulting in further vacancies.
- 7.6 Pensions dashboards are inching closer, and data will need to be accurate when dashboards become available, to minimise disruption. Draft regulations from the DWP are expected in early 2022. This follows on from the enactment earlier this year of the Pension Schemes Act 2021. The draft regulations will provide more information about the data standards, what data will have to be supplied and how pension providers will need to provide it. Next steps will then be for the fund to start preparing for dashboard onboarding by considering whether there is need to use an ISP? to connect to the dashboard ecosystem, cleansing data and ensuring there are adequate resources to prepare for the dashboard connection.
- 7.6. The ONS has announced that the annual rate of CPI inflation as at September 2021 was 3.1%. This number will be used for pension increases in the LGPS in April 2022.

## 8. Help Desk Statistics

- 8.1. The below table shows statistics on the work undertaken by the helpdesk team not covered by the workflow system and reported with the wider team statistics in **Appendix A**.

	<b>August 2021</b>	<b>September 2021</b>	<b>October 2021</b>
Telephone calls received to helpdesk team	831	781	673
% of calls answered	92%	91%	93%
Emails received to <a href="mailto:pensions@shropshire.gov.uk">pensions@shropshire.gov.uk</a>	1013	1174	944

% of emails responded to within 3 working days	100%	100%	100%
My Pension Online activation keys issued	172	108	85
Member updates made through My Pension Online	1106	682	542
Opt out requests directly dealt with by helpdesk	18	45	17
Incoming post received and indexed to the pensions administration system	2644	3327	2742
1-2-1 video appointment's held with scheme members	38	72	54
Users visiting the website	9337	8858	8480

## 9. Communications and Governance

- 9.1. 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 2021, a total of 46% active, 39% deferred and 41% of pensioner members were registered to view their records on 'My Pension Online'.
- 9.2. The employers' meeting took place on 22 November 2021. This on-line meeting was advertised to all contacts listed at participating scheme employers. The fund actuary presented to employers on their initial thoughts about the upcoming 2022 actuarial valuation, covering: the background to the valuation, the outlook for future contributions including the impact of key events such as Covid-19 and McCloud and overview of process of timings. A pension administration update was also provided. All committee and board members are invited to join.
- 9.3. A pensions taxation webinar took place on 8 October 2021, hosted by our actuary Mercers. In total there were 52 attendees, which included fund officers for continuous professional development. A survey was given out after the meeting to scheme members and the results showed that:
- 50% had not attended previously
  - 100% either agreed or strongly agreed that they now have a better understanding of pension tax
  - 71% would strongly recommend a colleague attends this webinar if they are impacted by pension tax allowances

- 90% found their pension saving statements easy to understand
  - 92% either agreed or strongly agreed that the webinar helped them to understand what decisions they have to make if they have an annual allowance tax liability and how to go about declaring this
  - 96% felt they have a better understanding of what is their responsibility and what is the responsibility of the fund
  - 62% felt they could not work out their tax liability if the fund did not provide this support
  - 96% either agreed or strongly agreed that they would like the fund to offer 1-2-1 guidance sessions
- 9.4. HMRC announced, on budget day, a variety of measures on the issue of McCloud and the potential impact to individual public sector scheme members. The expectation is that these measures will exempt members "from the tax that may be due on the compensation they receive" and protect members from both annual and lifetime allowance tax impacts. The policy paper suggests the changes will "limit the administrative burden" for members. It is hoped this will be true for LGPS funds as well.
- 9.5. The retired members bi-annual newsletter InTouch was sent to the home addresses of all pensioner members at the end of November 2021. Updates in this edition cover the fund's pledge to protect members from pension scams, where to find more information on the fund's approach to responsible investment, and updates from Jean Smith (Pensioner Representative) and John Hall (Chair of Pensions Board).
- 9.6. In 2020, the fund's usual annual meeting could not go ahead due to restrictions in place because of the Covid-19 pandemic. This meeting is a key part of the fund's communication strategy and officers are currently investigating if a virtual meeting can be held, to provide an update early in 2022.
- 9.7. Fund officers have been working with Pension Board members to create an 'Introduction to the LGPS' guide which will be used to provide an overview guide for new officers, pension board and pension committee members and employers. Due to its size, the guide will be shared with members by email.
- 9.8. The Ministry of Housing, Communities and Local Government ("MHCLG") has rebranded and will now be known as the Department for Levelling Up, Housing and Communities ("DLUHC"). The former minister with LGPS responsibilities for England and Wales, Luke Hall, has been replaced by Kemi Badenoch.

## 10. Employer performance

- 10.1. 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 2021	September 2021	October 2021
i-Connect data	98%	98%	97%
Monthly contributions	97%	99%	98.5%
Monthly deficit	98%	97%	97%

## 11. Cyber security

- 11.1. 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.
- 11.2. There is no current data available from Shropshire Council's IT team regarding the number of cyber-attacks for the last quarter.
- 11.3. Fund officers are working on introducing a fund cyber security policy. A presentation was given by Shropshire Council's lead officer in this area to the Pension Board on what the Council currently does for the fund.

## 12. The Pensions Regulators Toolkit

- 12.1. Earlier in the year members were asked to complete the eight modules in The Pension Regulators (TPR) Public Sector Pensions toolkit and download their development record for recording. The toolkit is an e-learning program for anyone managing Public Sector pension schemes. A reminder was sent to members to complete the eight modules within the e-learning program by 30 November 2021. If this deadline is not possible, members were asked to contact the team to discuss an alternative deadline. To date, two members of the pensions committee have completed all eight modules.



### 13. Scheme Advisory Board Update

- 13.1 The England & Wales Scheme Advisory Board (SAB) confirmed on 15 October that they are not recommending any benefit structure changes based on the outcome of their 2016 cost management process (which is separate from the centrally run HMT process). This confirms the SAB's approach that was set out in their letter to DLUHC in August 2021; no increase in the cost of benefits and no implementation of backdated benefit changes. The SAB restated its determination to revisit Tier 3 ill-health provisions and the contribution rate payable by the lowest paid members. Consideration of these potential future benefit changes will be done separately from any cost management process.

### 14. SF3 Data Published –LGPS data for all of England and Wales

- 14.1 On 27 October 2021, DLUHC published Local Government Pension Scheme statistics (SF3 statistics) for England and Wales: 2020 to 2021. Highlights include:
- total expenditure of £13.4 billion
  - total income of £17.2 billion, an increase of 7.5 per cent on 2019/20
  - employer contributions increased by 32.46 per cent on 2019/20 to 10.2 billion
  - employee contributions of £2.4 billion
  - the market value of LGPS funds in England and Wales on 31 March 2021 was £332.7 billion, an increase of 22.14%
  - there were 6.1 million scheme members on 31 March 2021, 2.0 million active members, 1.8 million pensioners and 2.2 million deferred members
  - there were 82,567 retirements in 2020/21, a decrease of 6.4 per cent compared with 2019/20.

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

Pensions Committee Meeting 17 September 2021 Pensions Administration Report

**Cabinet Member (Portfolio Holder)**

N/A

**Local Member**

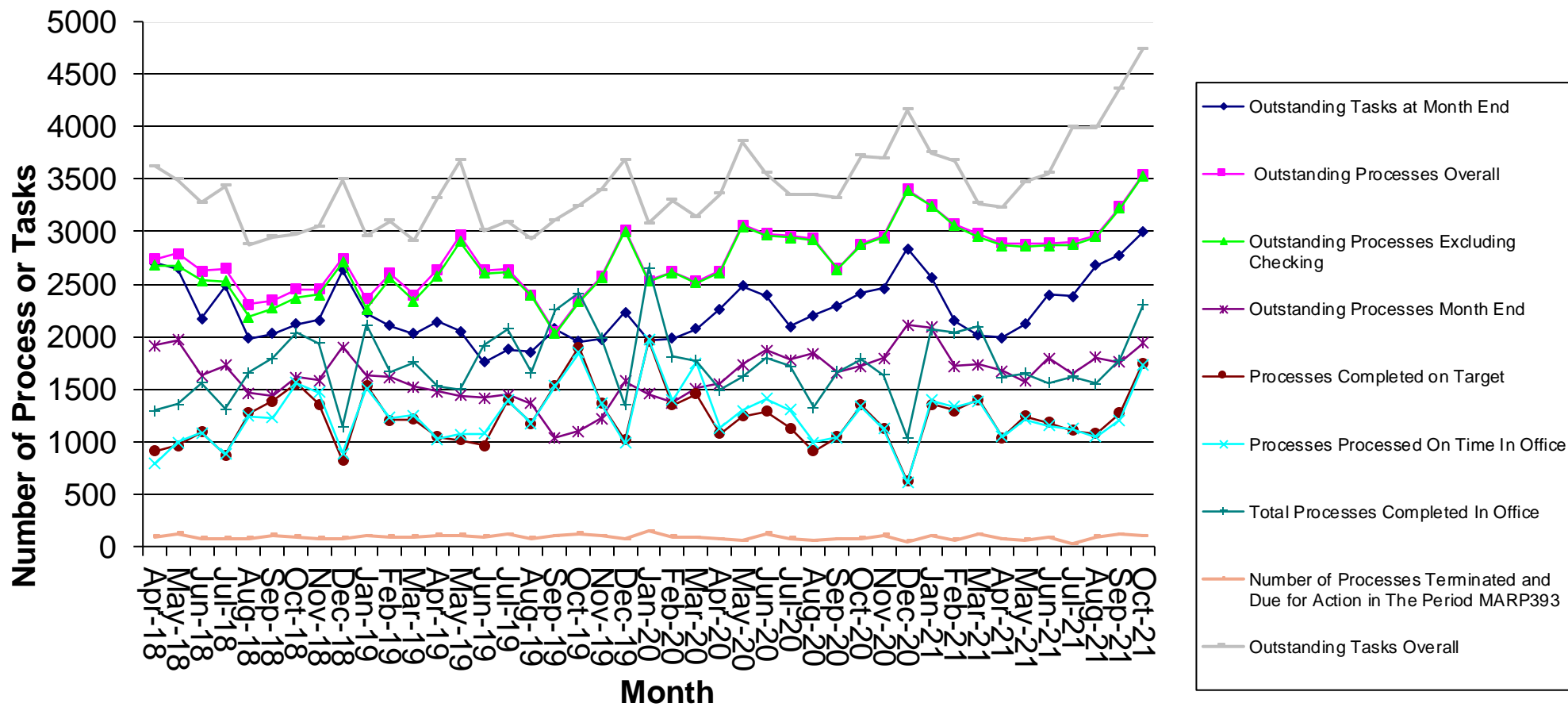
N/A

**Appendices**

Appendix A – Performance Chart

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Process and Task Statistics



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