LGPS Central Limited

Quarterly Stewardship Update

FIRST QUARTER, 2021-22 (APRIL - JUNE 2021)

CHESHIRE PENSION FUND

Derbyshire Pension Fund

Leicestershire County Council PENSION FUND

Nottinghamshire County Council

SHROPSHIRE COUNTY PENSION FUND

Staffordshire Pension Fund Local Government Pension Scheme

West Midlands Pension Fund

Worcestershire Pension Fund

Responsible Investment & Engagement

LGPS Central's approach

LGPS Central's approach to Responsible Investment & Engagement carries two objectives:

OBJECTIVE #1

Support investment objectives

OBJECTIVE #2

Be an exemplar for RI within the financial services industry, promote collaboration, and raise standards across the marketplace

These objectives are met through three pillars:

*Our **Selection** of assets*

*Our **Stewardship** of assets*

*Our commitment to **Transparency and Disclosure***

This update covers LGPS Central's (LGPSC) *stewardship* activity. Our stewardship efforts are supplemented by global engagement and voting services provided by EOS at Federated Hermes (EOS). For more information please refer to our Responsible Investment & Engagement Framework and Annual Stewardship Report.

ADDITIONAL DISCLOSURES

Responsible Investment & Engagement Framework

Annual Stewardship Report

Voting Principles

Voting Disclosure

Voting Statistics

Signatory of:

PRI Principles for Responsible Investment

LGPS ADVISORY BOARD CODE OF TRANSPARENCY

01 Engagement and Stewardship Themes

The G7 economies[1] have struck a new agreement on taxing multinationals, designed to pave the way for a global accord at the next G20 meeting in November 2021. The G7 countries have all agreed a global minimum corporate tax rate of at least 15%, designed to reduce the incentive of large multinationals to shift profits to low-tax offshore havens. The move is aimed at getting multinationals, particularly tech giants, to pay more into government coffers which have been hit during the pandemic. World leaders have hailed the agreement, with US Treasury Secretary proclaiming that it "would end the race to the bottom in corporate taxation". Google, Amazon and Facebook have all said they welcomed the G7's move, though several non-governmental organisations have argued that the deal does not go far enough. This development is very welcome as we continue engagement with companies on tax transparency and responsible tax behaviour.

As reported in LGPS Central's Stewardship Update for Q4 2020-21, we co-signed a letter to the COP26 President asking for support to investors by seeking publication of key underlying assumptions and commodity price projections tied to a 1.5C scenario. The International Energy Agency's special report *Net Zero by 2050: a Roadmap for the Global Energy Sector* published on 18 May provides clarity in this regard. The roadmap highlights the gap between where we are and where the 1.5C scenario says we need to be. The IEA describes the energy transition as an all-hands-on-deck crisis that "hinges on a singular, unwavering focus from all governments—working together with one another, and with businesses, investors and citizens." "No new oil and natural gas fields are needed in our pathway, and oil and natural gas supplies become increasingly concentrated in a small number of low-cost producers". The IEA's mandate to "secure affordable energy supplies to foster economic growth" means fully deploying established clean resources, such as renewables and batteries, but also further developing technologies that make little to no impact today, including carbon capture, green hydrogen, and long-duration energy storage.

Below, we give examples of ongoing or new engagements which relate to the four Stewardship Themes that have been identified in collaboration with our Partner Funds. While the bulk of our engagement effort is centred around these themes, we also regularly cover other key ESG issues such as fair remuneration, board composition, and human rights. We have included two such examples in this update.

Our Stewardship Themes over the current three-year period (2020 – 23) are:

- Climate change
- Plastic
- Fair tax payment and tax transparency
- Technology and disruptive industries

This quarter our engagement set[2] comprised 679 companies with 1,578 engagement issues. The high number of engagement issues reflects the fact that April – June is Annual General Meeting (AGM) season for key markets and we or our partners frequently raise multiple issues with companies around the time of an AGM. These issues are not necessarily tied in with ongoing engagements or with specific engagement objectives[3]. Against 510 specific engagement objectives set by our stewardship provider, there was achievement of some or all engagement objectives on 138 occasions. Most engagements were conducted through letter issuance or remote company meetings at Chair, Board or senior management levels.

[1] G7 members are Canada, France, Germany, Italy, Japan, United Kingdom and United States with the European Union as permanent participant.
[2] This includes engagements undertaken directly, in collaboration, and via our contracted Stewardship Provider.
[3] There can be more than one engagement issue per company, for example board diversity and climate change.

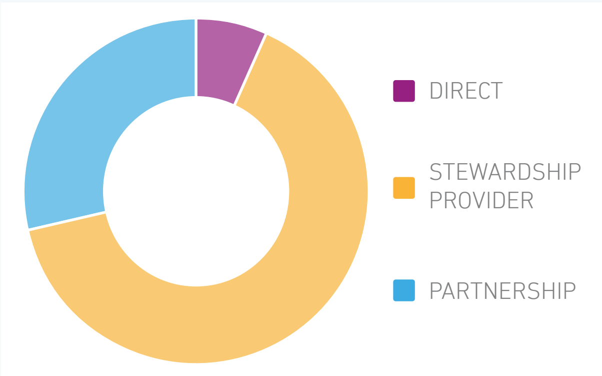
CLIMATE CHANGE ENGAGEMENTS

This quarter, our climate change engagement set comprised 247 companies with 310 engagements issues[4]. There was engagement activity on 298 engagement issues and achievement of some or all specific engagement objectives on 109 occasions.

The Transition Pathway Initiative (TPI) published its annual State of Transition report during the quarter. TPI is a tool set up to assess not just how companies manage climate change risk but where the companies are going in the future; their future carbon performance. 400 companies across 16 sectors have been assessed. The average management quality level of all companies assessed is now at 2.6, on a ranking from 0 to 4, with 4 being the highest. This means that companies are half-way between building capacity on climate change and "integrating climate change into operational decision-making". TPI's carbon performance assessment tests the alignment of company emissions/targets with the UN Paris Agreement goals, using three scenarios; 2015 Paris Pledges, 2°C, and Below 2°C. 15% of companies are aligned with the Below 2°C benchmark in 2050. The assessments done by TPI and its excellent research team at London School of Economics, Grantham Institute, are all publicly available and based on publicly available information. More companies are setting NZ by 2050 targets. Setting the target is the easy bit; acting, including defining short- and medium-term targets is harder. However, companies that have set targets are doing better than those that have not according to the State of Transition Report. LGPS Central continues as a member on TPI's Steering Committee and are able to shape how the tool develops to encompass e.g., the banking sector, corporate fixed income and sovereign debt.

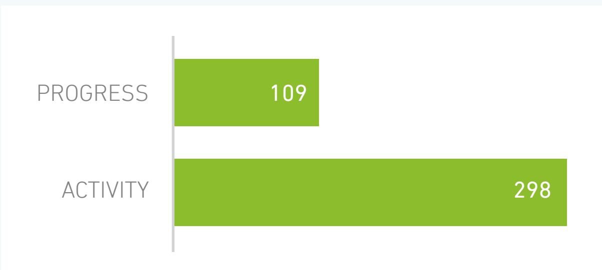
Through Climate Action 100+ we have engaged an **oil & gas major** that has recently outlined its proposal to become a net-zero business by 2050 or sooner. The company put forward an Energy Transition Plan for investors to vote on at their AGM during the quarter. The resolution passed with 88.7% support from shareholders and will allow shareholders an annual advisory vote to express whether sufficient progress has been made in delivering the plan. The company considers that their net-zero target aligns with a 1.5°C degree trajectory and that scope 3 emissions are included. However, we have some concerns around the lack of short- and medium targets that can back up the net-zero ambition, as well as an apparent reliance from the company on customers cutting consumption rather than the company cutting production to align with Paris. We would like more clarity from the company on their use of nature offsets[5] and Carbon Capture and Storage technologies and on how this will be achieved at the scale needed. A shareholder proposal requesting the company to set and publish targets for GHG emissions reduction in line with Paris was put to a vote at the AGM and received a healthy 30% support. LGPS Central voted against the Energy Transition Plan and for the shareholder proposal in order to signal that we are asking more also of leading companies in order to really see a step-change for the sector.

*ENGAGEMENT VOLUME BY **TYPE***



- 310 engagements in progress
- Majority of engagements undertaken via CA100+
- TPI State of Transition report shows that companies with climate targets make better transition progress

*ENGAGEMENT VOLUME BY **OUTCOME***



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

[5] A carbon offset is a reduction in emissions of carbon dioxide or other greenhouse gases made in order to compensate for emissions made elsewhere.

PLASTIC ENGAGEMENTS

This quarter our single-use plastics engagement set comprised 30 companies with 51 engagement issues[6]. There was engagement activity on 39 engagements and achievement of some or all engagement objectives on 19 occasions.

We have continued our engagement with six **packaging companies** through a sub-group of the PRI plastics working group led by Dutch investor Achmea Investment Management. The investor group has put forward expectations of companies to set targets for their use of sustainable materials and to: clearly disclose progress against those targets; clearly outline the initiatives they are using to reduce plastic pollution; ensure full alignment between the company's sustainable materials strategy and carbon emissions reduction strategy; and include sustainability-related performance KPIs in executive remuneration. Overall, we have seen high receptiveness to the engagement from these companies. All of them are experiencing greater interest/higher demand from their customer base for sustainability (e.g., re-used plastic) though with variations across regions and sectors they serve.

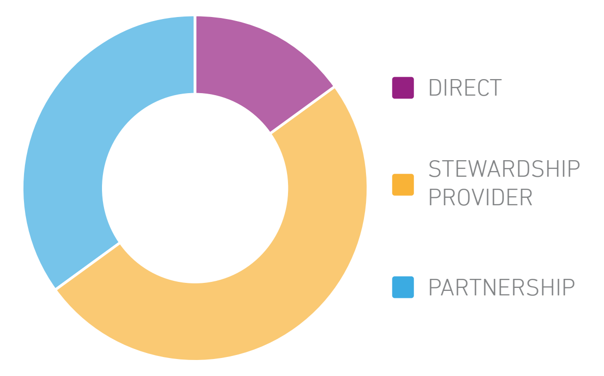
As part of the collaborative project, we engaged an **Australian packaging company** on their strategy and roadmap to use more sustainable packing. The company has set a target for all plastic packaging to be recyclable or reusable by 2025. We probed the company on which solutions and materials will help achieve this target and it is clear that recyclability plays the biggest part. The company is working with clients to identify individual roadmaps for a "plastic transition" and acknowledges that this is work in progress with varying product protection needs (e.g., perishable goods) and sustainability standards creating technical challenges. There is ongoing collaboration between the company and waste management industry participants, looking at product barriers (what makes a product valuable for recycling) and flexible packaging collection infrastructure. The company is showing leadership on sustainability and circularity, but we would like to see more detailed disclosure on their solutions and progress against targets, more ambitious targets beyond 2025 including alternative materials, and clear reflection of sustainability targets in remuneration.

MICRO-PLASTICS ENGAGEMENT PROJECT TARGETING WASHING MACHINE MANUFACTURERS

Through an engagement project led by First Sentier Investors and supported by 30 investors, we seek to encourage domestic and commercial washing machine manufacturers to add filter technology as standard to all new washing machines produced by the end of 2023. This is in order to help combat microplastics pollution to the environment, a problem caused in large proportion by synthetic textiles which release microfibres (a type of microplastic) when washed. Devices are already available to hinder this pollution, which can most effectively be stopped through a built-in washing machine filter that captures microfibers within the washing machine, thereby stopping them entering waterways.

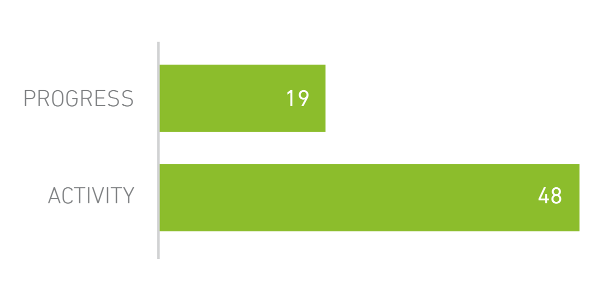
A first round of engagements with 18 target companies have been concluded by the investor group. Initial discussions indicate that some manufacturers are willing to take leadership on providing a solution to this plastic pollution problem by adding microfibre filters to new machines, while some will require guidance from regulators before acting. Next steps for the investor collaboration will include raising the profile of the engagement, developing a workshop on industry best practice, engaging with manufacturers but also their industry trade groups, as well as focusing on policy developments. The investor collaboration is supported by the Marine Conservation Society.

ENGAGEMENT VOLUME BY TYPE



- 51 engagements during the quarter
- Engagement with six companies on their global sustainable packaging targets continues
- Micro-plastics engagement targeting washing machine manufacturers off to promising start

ENGAGEMENT VOLUME BY OUTCOME



[6] There can be more than one plastic-related engagement issue per company.

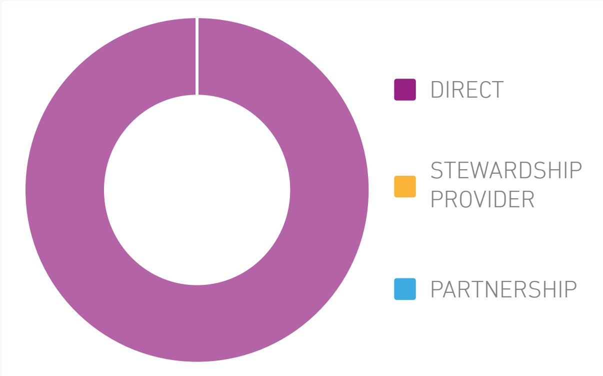
FAIR TAX PAYMENT AND TAX TRANSPARENCY ENGAGEMENTS

This quarter, our tax transparency engagement set comprised seven companies with seven engagement issues. There was engagement activity on two engagements and achievement of some or all engagement objectives on both occasions.

Through a PRI tax working group, we have co-signed a letter to the European Parliament supporting a draft directive on public country-by-country reporting (CBCR) in the EU. We view it as vital that multinational companies provide disaggregated information on taxes paid in all countries and across operations. The proposal would require public reporting of certain information such as revenues, number of employees, profit or loss before tax, tax accrued and paid, accumulated earnings, stated capital and tangible assets. Many companies already provide revenue, profit and tax paid by territory which is submitted to tax authorities. This is best practice under existing OECD Base Erosion and Profit Shifting guidelines, which means that companies already collect the data and can provide it to stakeholders more broadly. CBCR is crystallising as best practice in tax transparency, for instance through a Global Reporting Initiative Tax Standard which was launched in early 2020. While only a minority of multinationals currently provide shareholders and other stakeholders CBCR, those that do view it as an opportunity to "demystify" tax and have expressed to us that it has largely been well received by stakeholders.

We met with a **multinational pharmaceutical company** to discuss several ESG issues, including responsible tax behaviour, environmental protection, ethics and transparency. The company has established a tax policy and explained that the Audit Committee assesses its approach to tax. We discussed existing and emerging tax standards, for instance through the OECD Base Erosion and Profit Shifting (BEPS) project, which the company appears to take an active part in. A recommendation under BEPS Pillar 2 is a minimum tax for multinational companies (MNEs) on their global income, with the objective of preventing MNEs from diverting taxable income to low tax jurisdictions. The company is engaging directly with OECD through a Pharma group specifically on how deferred taxation will work for multinationals and on how the risk taken in Research & Development is rewarded. We would like to see the company share tax-relevant Country-by-Country Reporting (CBCR) with shareholders so that we can make a meaningful assessment of their tax behaviour. We were not convinced by their argument that this level of information can easily be misinterpreted and will continue to encourage the company to broaden its transparency in this regard. The company takes a holistic approach to environmental protection, assessing and managing climate change and climate resilience, water stewardship and waste management. Life-cycle assessments are done for all products coming to market in order to understand the natural resource footprint. The company uses an eco-dashboard on its website which is updated on a quarterly basis. Furthermore, the company has set an 'Ambition Zero Carbon' strategy to eliminate emissions by 2025 and be carbon negative across the entire value chain by 2030. A similarly holistic approach is taken to ethics and transparency, with a Global Ethics and Compliance programme that encompasses privacy, safety and health of employees, inclusion and diversity, life-long learning and expectations of suppliers to elevate broader ethical business conduct.

ENGAGEMENT VOLUME BY *TYPE*



- Seven engagements during the quarter
- Collaboration with peer European investors to engage a selection of companies across vulnerable sectors continues
- We co-signed a letter to the European Parliament supporting a draft directive on public country-by-country reporting (CBCR) in the EU

ENGAGEMENT VOLUME BY *OUTCOME*

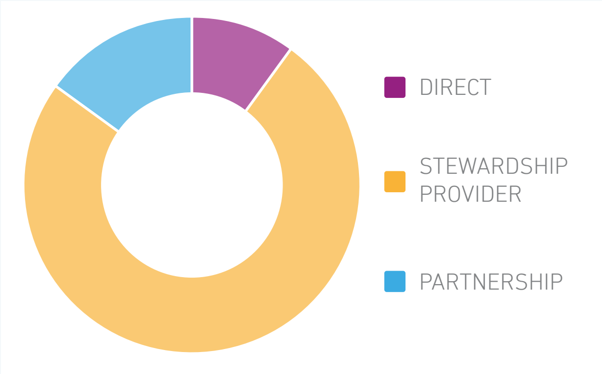
TECHNOLOGY AND DISRUPTIVE INDUSTRIES

This quarter our technology and disruptive industries engagement set comprised 31 companies with 48 engagements issues. There was engagement activity on 40 engagement issues and achievement of some or all engagement objectives on 11 occasions.

LGPSC has continued participation in a collaborative investor engagement, led by the Council on Ethics to the Swedish National Pension Funds, discussing human rights risks with a group of American technology companies[7]. During the quarter, the investor group, supported by the PRI secretariat, has focused on engagement with industry standard setters including the Sustainability Accounting Standards Board (SASB) and the UN High Commissioner for Human Rights (OHCHR). The collaboration held a meeting with SASB to feed into the SASB Governance in the Internet Media and Services Industry consultation. A separate interactive panel discussion was held with OHCHR on the role and responsibility of institutional investors in promoting the uptake of the UN Guiding Principles on Business and Human Rights (UNGPs) among digital technology companies. Engagement with the technology companies including **Google (Alphabet)**, **Amazon**, **Apple**, **Facebook**, **Microsoft** and **Twitter** will continue during 2021 and be based on the recently launched Investor Expectations on human rights. We have over the last two years engaged some of the same companies, Facebook, Twitter and Alphabet, specifically on the issue of social media content moderation. Without a doubt, the platforms have all moved to strengthen controls to prevent the live streaming and distribution of objectional content. However, it is a difficult job for investors to assess if these changes are appropriate for the scale of the problem. Therefore, the collaboration has commissioned some external research (due Q3 2021) to help with this assessment. The success or failure of the social media companies in moderating content and preventing abuse is likely to determine whether users stay on the platforms or move towards alternatives. In addition, if the platforms are perceived as unable or unwilling to effectively moderate user-submitted content, we expect regulation will ensue. We expect the outsourced research will have some core recommendations for the social media companies. The plan is to distribute it to the companies and hold a further round of engagement meetings before taking final stock of the engagement project and objectives achieved over this period.

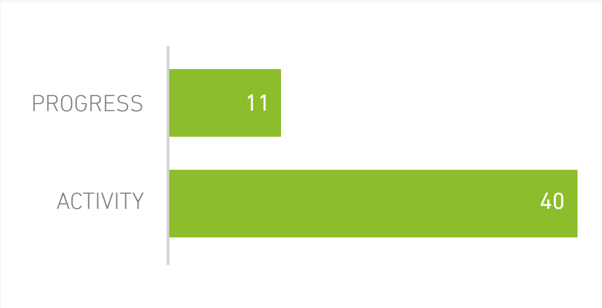
On our behalf, EOS at Federated Hermes engaged an **Asian Technology Hardware & Equipment** company on several ESG issues including human resources and treatment of Uyghur workers. The company has established a new strategy to move into areas such as robotics and electric vehicles. EOS requested the company disclose more about how these growth areas will be considered in terms of the net-zero strategy. As regards human resources, we note that the company has made good progress in its disclosures, but there is room for improvement for instance in providing more audit details, and more on employee engagement and grievances. Specifically, on Uyghur workers, the Company had the Responsible Business Alliance conduct a Validated Audit Process and published a report in October 2020 indicating that no workers from the autonomous region[8] were employed at the time of the audit. The Company did not provide any details about how this process was carried out but offered the report as evidence. The Company also addressed questions about student workers, sharing its updated code of conduct about conditions to protect and monitor student workers. Engagement will continue to follow up regarding human capital management and working conditions in general.

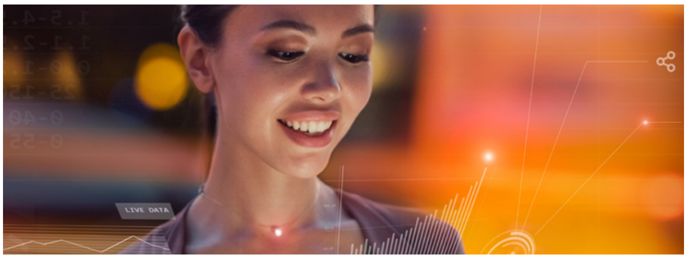
*ENGAGEMENT VOLUME BY **TYPE***



- 48 engagements in progress
- Development of Human Rights expectations for technology companies
- Encouraging steps taken by social media platforms to strengthen controls to prevent the live streaming and distribution of objectional content

*ENGAGEMENT VOLUME BY **OUTCOME***





[8] Xinjiang Uyghur Autonomous Region (XUAR)

Examples of engagement outside of stewardship themes

COMBATTING MODERN SLAVERY

We have this quarter continued participation in the engagement project convened by Rathbones during Q1 of 2021, to engage 62 FTSE350 companies asking for Modern Slavery Act compliance. According to the Act, companies over a certain size (turnover of more than £36 million per year) have to post a modern slavery statement on their website. Furthermore, they must have a process in place by which the statement is approved by the board; signed by a director; and reviewed annually. As per end June 2021, all companies have responded and 55 are now compliant. Initial positive responses have given an opening for meetings to discuss companies' approaches to modern slavery. This is an important step beyond the initial ask of compliance with the Modern Slavery Act, to focus on the content of the statement and to enable investors an understanding of the key risks facing individual companies. In June, we joined Rathbones in engagement with a **UK retailer** that is taking a robust and holistic approach to tackling modern slavery, seeing it in the larger perspective of human rights risk. The company has recently assessed its net-zero climate strategy and chosen to broaden this to include social risks, with the aim of capturing the interlinkages that exist between environmental and social factors. Human rights as a theme is getting specific attention through a working group with a direct line to the company Board. In 2017, the company established a Modern Slavery Risk tool which has since been extended to include all human rights risks. The tool is both product and region specific and it is possible to select specific risks (for instance gender, forced labour, child labour) but also assess the broader risk picture. The company described the tool as very useful, and strives to continue embedding it further in its business functions. Areas of increasing concern in relation to modern slavery are transport and haulage, as well as sea freight. We commended the company for its detailed modern slavery statement and for the high level of transparency around high-risk areas.

DIVERSITY AND RACIAL EQUALITY

Our external stewardship provider, EOS at Federated Hermes, has engaged companies across regions, including UK and US, on representation of women and ethnic minorities on boards and amongst leadership teams. During voting season, we opposed FTSE 100 chairs in the UK at five meetings for failing to meet minimum expectations for racial diversity on boards. Shareholder proposals filed with several US companies urged each board to oversee a racial equity audit analysing the company's impacts on non-white stakeholders and communities of colour. Globally, we opposed the re-election of directors deemed most responsible[9] due to concerns about insufficient diversity. In the US, where we expect women and ethnic minorities to make up at least 40% of the board at the largest companies, we opposed 39% of nominating committee chairs, including at **Kinder Morgan**, **Thermo Fisher Scientific** and **Discovery**.

In the UK, we continued to push for greater gender diversity on boards and among executives/leadership teams. We expect FTSE 350 boards in the UK to have reached 33% female representation, for FTSE 100 companies to have at least one woman on the executive committee, and for women to comprise at least 20% of the executive committee and its direct reports. We opposed the directors responsible (typically the board chair) at companies that fell below our expectations, such as at **Ocado**, **Imperial Brands** and **Glencore**.

[9] Most responsible refers to their role within e.g., specific committees within the Board, any committee that would have oversight/responsibility related to diversity and inclusion throughout the organisation.

02 Voting

POLICY

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

With the 2021 AGM season ending, it is clear that there is increasing pressure on companies, in all sectors, to address climate change and other ESG factors within their business models. While shareholder proposals for ESG topics permeated all sectors, climate change resolutions in the Energy sector have featured most prominently in the headlines. Around 20 companies, primarily European but also some Canadian companies, put climate transition plans to a vote at their respective AGMs. All plans were passed by shareholders with support ranging from 88% to 99% support. We welcome this trend but view it as critical that companies report on progress against transition plans and that this progress is assessed against credible benchmarks, such as the newly established Climate Action 100+ Benchmark. Alongside these management-led resolutions, we saw unique shareholder revolt at U.S. oil giant ExxonMobil. An activist hedge fund, Engine No.1, successfully replaced three of ExxonMobil's Board members, following concerns the Company was failing to implement a viable climate change strategy. The independent board members received support from some of ExxonMobil's largest shareholders – BlackRock, Vanguard and State Street – a significant signal to other companies in the Oil & Gas sector. ExxonMobil's closest rival, Chevron, is also under scrutiny for its currently lack-lustre energy transition, and a 'Follow This' shareholder resolution requiring the reduction of Scope 3 emissions passed with 61% of shareholder support. This AGM season, we also saw proposals for racial equity audits, and as impacts of the coronavirus pandemic continue to be felt around the world, scrutiny of companies' treatment of employees and executive pay remain high on the agenda.

COMMENTARY

Between April and June 2021, we:

- Voted at 1,981 meetings (27,434 resolutions) globally
- Opposed one or more resolutions at 1,342 meetings
- Voted with management by exception at 85 meetings and abstained at six meetings.
- Supported management on all resolutions at the remaining 548 meetings.

A full overview of voting decisions for securities held in portfolios within the Company's Authorised Contractual Scheme (ACS) – broken down by market, issues and reflecting number of votes against and abstentions – can be found here.

EXAMPLES OF VOTING DECISIONS

We voted against the election of Yang Siu Shun as Director on the Board of **Tencent Holdings Ltd**. The female director ratio at Tencent is 12% after the AGM. We expect any company we invest in, regardless of region, to take a pro-active approach on diversity. In China/Hong Kong, we view it as reasonable to expect at least 20% female board representation by 2021. Tencent has only one female board member out of eight. Given that a board space might be opening up, we view this as a good time to signal that investors are serious about gender diversity. Further to this, we voted against two resolutions that would allow issuance of equity without pre-emptive rights and reissuance of repurchased shares, which would exceed 10 percent. In line with LGPS Central Voting Principles, we aim to avoid unnecessary dilution of our shares and seek to preserve our rights of pre-emption (right of first refusal). While we understand the Company's need for flexibility, we would only support such a general authority up to 10% of the share capital, unless there is a specific purpose, which is not the case. Although resolutions 5 and 7 were passed by the Tencent AGM, a clear opposition was voiced by 31.9% and 31.6% of shareholders who voted against.

At Barclays' AGM we voted against a shareholder proposal asking **Barclays** to set emissions reduction targets and to phase out the provision of financial services to fossil fuel projects and companies, in line with the Paris Agreement. LGPS Central has engaged Barclays actively through a ShareAction-led collaboration during 2020 centred around the asks in a shareholder proposal which we co-filed in January 2020. Dialogue has been constructive, and the company seems receptive to investor input and dialogue. While we did not support this year's shareholder proposal, put forward by Market Forces (MF), we feel that we have ample opportunity to continue the engagement expressing our expectations. The MF proposal can be interpreted to go further than the shareholder proposal LGPS Central co-filed at Barclays's 2020 AGM, in that certain projects and companies are considered not in line with Paris from the outset. In the 2020 proposal there was an explicit reference to phasing out of finance to non-Paris aligned energy and utility companies. Barclays has made progress in developing its climate strategy, putting forward a new methodology, BlueTrack, for determining alignment with the goals of the Paris Agreement for the energy and power sectors, including relevant 2025 targets. This sector-based approach is consistent with expectations on banks which have recently been launched by the Institutional Investor Group on Climate Change. We view it as important to recognise the progress made by Barclays over the last year and the intended improvements.

We voted against the Chair of the Board at the AGM of **Rio Tinto** due to the Board's failure to understand and review risk and culture in the period leading up to the destruction of Juukan Gorge, Western Australia. Furthermore, the Board failed to act in a timely and proportionate manner to address the fallout from the destruction of the archaeologically significant sites. An Australian Parliamentary inquiry was carried out to investigate Rio Tinto's actions and found the destruction to be "inexcusable". We also opposed the remuneration policy and reports. It is disappointing that a key issue that has prevented us from supporting the policy and report in previous years, the heavy focus on Total Shareholder Return in in the Long-term Incentive Plan (LTIP), remains in the new policy. We do not believe this reflects the company's strategy, priorities or stakeholders. We also have concern over the LTIP payments made to the departed CEO, which was 20 percent above what he received the previous year in which no major incidents akin to Juukan Gorge had occurred. A positive element to the remuneration policy is the inclusion of additional ESG metrics, which we welcome.

At the AGM of **NextEra**, we voted against executive pay and also against Kirk Hachigian who is Chair of the compensation committee. We find it concerning that executive pay is in the top quartile, that options capable of vesting in a short time frame are included in the long-term incentive plan, and the auto-accelerated vesting of awards in the severance arrangement. The CEO's incentive was paid at the maximum value of $4.8m, which is a high quantum. We supported Director Rudy Schupp in his capacity as Chair of the nominations committee in light of the Company's commitment to share further climate disclosure. NextEra is planning to set medium and long-term climate goals later this year and is likely to pursue validating these new goals with the Science-Based Targets Initiative in the next two years. Encouragingly, NextEra will publish a TCFD-aligned climate chapter in its ESG report this year, which will include a 1.5C scenario analysis. NextEra was not challenged on its corporate lobbying at this year's AGM, as was the case at the 2019 and 2020 AGMs. The Company has made some progress on this and has committed to providing an annual review of its trade association memberships alongside committing to an annual disclosure update 180 days after the close of calendar year. It is hoped that this will further improve the company's level of transparency, as despite improvements, current disclosures still do not provide investors with sufficient assurance that lobbying activities are fully aligned with the Paris agreement.

At the AGM of **Facebook**, we voted for two governance-related shareholder proposals, one asking that the company recapitalise to one share one vote and the other, that it has an independent board chair. These are core tenets of good corporate governance for any company in any market and also clearly stated expectations in LGPSC Voting Principles. We also supported a proposal asking Facebook to report on how it combats online child sexual exploitation. We voted against a shareholder proposal requesting that the board nominate a director candidate who is both independent and an expert in human rights. We normally do not support the election of a director whose sole attribute as a board member is expertise on one subject matter. In the case of human rights at Facebook, we however supported the same proposal which was put to the 2020 AGM to reinforce our expectations of the Company in respect of management of objectionable content. The Company's response to our collaborative engagement on social media content control including objectionable content has improved during 2020 and Facebook has taken very encouraging steps to manage and mitigate risks. This includes conducting human rights training for all members of staff; developing a Code of Conduct; establishing a Human Rights Defender Working Group which now meets regularly; and producing an annual Human Rights Disclosure Report. With these actions/processes, the Board will be better able to oversee human rights risks and the need for specific expertise is less urgent, hence our decision to vote against the proposal.

LGPS CENTRAL LIMITED'S

Partner Organisations

LGPS Central actively contributes to the following investor groups :

30% Club GROWTH THROUGH DIVERSITY

BVCA British Private Equity & Venture Capital Association

CDP DISCLOSURE INSIGHT ACTION

Climate Action 100+ Global Investors Driving Business Transition

Federated Hermes

IIGCC Institutional Investors Group on Climate Change

ICGN International Corporate Governance Network

Local Authority Pension Fund Forum

PENSIONS FOR PURPOSE

PRI Principles for Responsible Investment

Transition Pathway Initiative

THE INVESTOR FORUM

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