REVIEW OF PROXY VOTING 2021

Prepared by:
Minerva Analytics

August 2021

TABLE OF CONTENTS

Introduction

1.1 OVERVIEW OF THE REPORT

The report details the voting activities of the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) for the period 1 July 2020 to 30 June 2021. The report provides a snapshot on a region-by-region basis of how key resolutions were voted by NILGOSC and compares NILGOSC's voting activity with general shareholder voting.

The outcome of shareholder meetings held by companies in the NILGOSC portfolio has been collated by Minerva and the data subsequently analysed in terms of dissent. Minerva defines "dissent" to be where a vote is cast contrary to the management recommendation. Hence, where the management recommendation is to vote in favour, dissent is measured as the sum of against votes plus abstentions.

The most contentious resolutions are identified from this process, and the reasons for this dissent discussed by reference to Minerva's research and public sources of information. The NILGOSC voting activity is cross-referenced against these 'contentious' resolutions.

The structure of the report is described below:

Section 3 identifies the number of meetings and resolutions voted by NILGOSC and the voting direction in comparison to management recommendations.

The following sections, 4-8, examine the resolutions voted upon during the period under review on a region-by-region basis. It identifies the NILGOSC voting direction by resolution category and provides a snapshot of key resolutions and governance concerns in each category that attracted noteworthy shareholder dissent, in comparison to how NILGOSC voted.

Section 9 examines carbon disclosures within NILGOSC's global portfolios.

1.2 VOTING POLICY

NILGOSC has an agreed bespoke voting policy for which Minerva generates voting guidance for NILGOSC officers. NILGOSC's voting policy preferences are defined on Minerva's research and advisory systems, thereby producing a voting policy template which is applied uniquely and only to NILGOSC's accounts. The policy guidance is generated by expert analysis of governance and sustainability disclosures and the meeting business to be voted on by shareholders using Minerva's proprietary governance analytics template and database technology.

The voting policy template consists of a set of agreed criteria and actions to be taken in the event of any resolution having failed to meet NILGOSC's policy criteria. NILGOSC's policy takes a robust and objective approach to the guidance that it generates in order to ensure a consistent application of the fund's principles. Where the resolution in question is in line with the NILGOSC voting policy standards, the guidance is to vote 'For'. Where a concern is identified, the voting guidance will be determined by the voting policy system settings chosen by NILGOSC: most commonly 'Against', but sometimes 'Case by Case', while 'Abstain' is rarely used. These recommendations may or may not be carried out by the officers of the fund, who will take all available information into account when exercising NILGOSC's voting rights.

2. EXECUTIVE SUMMARY

2.1 REGIONS & COUNTRIES

NILGOSC voted at 185 shareholder meetings held by 163 companies annually (1 July 2020 to 30 June 2021). These companies are listed in the following jurisdictions:

UK & Ireland: Ireland and United Kingdom

Europe: Denmark, Finland, France, Germany, Netherlands, Spain, Switzerland

Japan: Japan

North America: Canada, United States

Rest of the World: Australia, China, Hong Kong, India, Mexico, New Zealand, Singapore, South Africa, South Korea, Thailand

2.2 UNITED KINGDOM AND IRELAND

NILGOSC voted at 38 meetings held by 30 companies in the UK & Ireland portfolio. The UK & Ireland region represented the third largest number of meetings voted and the second largest number of resolutions voted (508). All resolutions voted on in the region were proposed by management. NILGOSC voted in opposition to management on 76 (14.96%) of 508 resolutions. During the period there was one management-proposed resolution defeated. The resolution was a share issue authority request at Smith News plc which failed to receive a sufficient majority. The authority was put forward as a special resolution thereby requiring a 75% vote in favour to pass. Resolutions at Informa plc, to introduce a restricted share plan and to make consequential amendments, received the highest level of dissent in the portfolio, with both resolutions receiving over 40% dissent. NILGOSC voted against the resolutions due to concerns that executives would receive pay-outs based on less stringent targets under the new policy - with the underpinning conditions applied to the restricted shares not considered stretching - and with the board's approach to the 50% discount in award opportunity.

2.3 NORTH AMERICA

NILGOSC voted at 74 company meetings held by 71 North American companies. North America was the region with the largest number of events and the largest highest number of resolutions (907). NILGOSC voted in opposition to management on 344 (40.81%) of 843 management proposed resolutions. NILGOSC voted against 96.36% of remuneration reports, including three remuneration reports that were voted down by shareholders. The defeated resolution reports occurred at AT&T Inc, Electronic Arts Inc and Walgreens Boots Alliance Inc. There were 64 shareholder proposals put forward in the region and NILGOSC voted in favour of 63 (98.44%). Management recommended voting against all but one shareholder proposal. The Citrix Systems Inc Board provided no recommendation on a proposal requesting the removal of supermajority voting provisions. The Citrix Systems and eight further shareholder proposals were successful. This compares to three successful proposals in the previous year. The other successful shareholder proposals included requests for the shareholder right to take action by written consent, enhanced disclosure on political expenditure, amendments to shareholders' ability to call special meetings, on efforts to eliminate deforestation. NILGOSC supported all successful shareholder proposals in the region.

2.4 EUROPE

There were 23 shareholder meetings at 21 companies in the Europe portfolio, resulting in 355 resolutions. NILGOSC voted in opposition to management on 110 (31.25%) of 352 management proposed resolutions. One share issue authority requested at Kering SA was voted down by shareholders. There were three shareholder proposals in the and NILGOSC voted in favour of one such resolution. The proposal NILGOSC supported was put forward at Danish group Coloplast AS and requested the board complete an assessment of the viability of the company publishing country-by-country tax reporting in line with the Global Reporting Initiative's standards. The Coloplast board recommended shareholders support the proposal and it passed with 99.85% votes in favour.

2.5 JAPAN

NILGOSC voted at 113 resolutions at 10 AGMs in the Japan portfolio during the period under review. An overwhelming majority of Japanese companies prepare their accounts to a year end of 31 March, and Japanese corporate law stipulates that companies must hold a shareholder meeting within three months of the year-end. Due to this, the majority (70%) of AGMs were held in the month of June. Japan was the only region in which NILGOSC did not vote at a non-AGM corporate meeting. NILGOSC voted in opposition to management on 42 (37.50%) of 112 management proposed resolutions. All management proposed resolutions passed. There was one shareholder resolution proposed during the number as last year. The proposal was put forward at Nippon Telegraph & Telephone Corp, requesting the board remove director Naoki Shibutani from the board. NILGOSC voted against the proposal, considering the explanation provided by the board as to why Shibutani should stay as a director compelling. The resolution was defeated receiving only 3.66% support.

2.6 REST OF THE WORLD

NILGOSC voted at 40 events at 31 companies. There were 25 AGMs, 12 EGMs and three OGMs. The Rest of the World region represented the second largest number of meetings voted and the third largest number of resolutions voted (339). NILGOSC voted in opposition to management on 106 (31.27%) of 339 resolutions. All management resolutions There were no resolutions put forward by shareholders in the Rest of the World region during the period under review.

2.7 KEY POLICY ISSUES

NILGOSC voted contrary to management on 33.32% of resolutions (excluding one resolution with no management recommendation) during the annual period (1 July 2020 to 30 June 2021), demonstrating an active approach to share voting. This is an increase of 1.71 percentile points from last year's dissent of 31.61%.

The general average dissent level (i.e. the meeting results data) for the year was 4.88% (2020: 4.26%), thus it can be assumed that shareholders tend to support management to a considerable extent. Both NILGOSC and general average shareholder dissent levels have increased from the previous year.

During the period under review, 11 management-proposed resolutions where NILGOSC voted against were defeated (inclusive of say-on-pay frequency votes in the US) and NILGOSC supported 10 successful shareholder proposals. In the previous year, four management proposals NILGOSC opposed were defeated (all of which were say-on-pay frequency votes in the US) and NILGOSC supported three successful shareholder proposals.

NILGOSC opposed board related resolutions more than any other category. Almost half (43.78%) of all dissenting votes were within this category, with remuneration the next largest source of dissenting votes (23.65%), followed by audit & reporting (17.43%).

NILGOSC's voting policy preferences are defined on Minerva's research and advisory systems, thereby producing a voting policy template applied uniquely and only to NILGOSC's accounts. Where a company's governance practice varies from NILGOSC's voting policy template preference, a 'policy flag' is created. Analysis of the voting template settings allows for a study of the specific governance issues that have been flagged according to NILGOSC's governance preferences to identify the most common 'issues' at companies in the NILGOSC portfolio.

The overall majority of policy flags were recorded in the following resolution categories - board related resolutions had in aggregate 1,089 policy flags in comparison to 435 for remuneration, 372 for audit & reporting, 151 for capital, 78 for corporate actions, 74 for sustainability, and 60 for shareholder rights. Readers should note that a single resolution may have more than one policy flag, and the fact that board related resolutions accounted for 53.33% of resolutions voted, when considering the large number of board related policy flags. The overall number of policy flags, 2,259, is smaller than last year's count of 2,442. This is due to the lower number of resolutions voted during the year by NILGOSC (2,223 compared to 2,801), meaning a reduced opportunity for a policy flag.

Corporate governance is important to investors because it defines the system of checks and balances between the directors of the company and its owners. Hence, good governance is the first step to effective risk management and sustainable long-term returns. Although the volume (in absolute terms) of the most common governance concerns identified is heavily affected by the sheer number of director election resolutions compared to other types of resolution, readers should not dismiss the significance of board related considerations.

The election of directors, and the governance structures which they constitute on the board, is the lifeblood of accountability between boards and owners. It is the (non-executive) individuals on the board whose job it is to protect and look out for the interests of shareholders, so it follows that they are held accountable regularly and that a wide number of considerations are taken into account.

Remuneration continues to be a contentious issue and remuneration-related resolutions prove to be the most consistently contentious resolution category of those routinely and predominantly proposed by management. Remuneration packages are increasingly complex, with both fixed and variable elements. Voting decisions are based on the absolute levels of pay for the past year, the size of any increases proposed for the coming year and the alignment between performance targets and company strategy.

These two general themes taken together, namely remuneration and board issues, raise questions about the significance which many companies attribute to the quality of board input, as well as their approach and attitude towards pay for performance. These questions are on-going general concerns for shareholders and continue to spark debate and regulatory initiatives. In 2021, these themes continue to have heightened focus due to expectations on the corporate response to the coronavirus pandemic and the stakeholder experience.

It should be noted that key governance themes such as remuneration practices and board composition should be assessed over the longer term when looking for changes in company practices and should be considered to be an evolutionary process over time.

The coronavirus pandemic has continued to cause severe economic and social costs globally and the world and business landscapes have changed. Consequently, boards and investors are facing new and challenging decisions. The impact of the coronavirus crisis also presents an opportunity for businesses to focus on their environmental, social and governance (ESG) impact and performance.

Regulatory and good practice frameworks are encouraging investors to become more engaged than ever on a range of ESG issues and many investors have ramped up their marketing efforts to demonstrate alignment. What is not yet clear, however, is how far have these recommendations have filtered down into active ownership programs and been reflected in shareholder voting outcomes.

Executive pay continues to be a high-profile issue for companies, shareholders and stakeholders. The primary drivers behind shareholder dissent on executive pay appear to be remuneration complexity, base pay increases larger than the wider workforce, and the continuing impact of COVID-19 concerning the use of discretion and/or adjustments.

These trends suggest that executive remuneration continues to dominate the headlines and shareholder board engagement, potentially taking away time and focus from other governance and ESG issues. However, it appears that remuneration is increasingly being considered through an ESG lens, with a number of the highest dissent resolutions connected to ESG issues and questions over fairness and societal expectations on responsible business behaviour during the pandemic.

3. MEETINGS AND VOTING SNAPSHOT

3.1 MEETINGS AND RESOLUTIONS BY REGION

NILGOSC voted on 2,222 resolutions during the period under review, 1 July 2020 to 30 June 2021, across all markets.

Table 1: Total Number of Meetings and Resolutions by Region

REGION	MEETINGS HELD			TOTAL NUMBER OF RESOLUTIONS			AVG NO OF RESOLUTIONS		
	AGM	OTHER	TOTAL	AGM	OTHER	TOTAL	AGM	OTHER	TOTAL
North America	71	3	74	904	3	907	12.73	1.00	12.26
UK & Ireland	24	14	38	485	23	508	20.21	1.64	13.37
Europe	20	3	23	348	7	355	17.40	2.33	15.43
Rest of the World	25	15	40	254	85	339	10.16	5.67	8.48
Japan	10	-	10	113		113	11.30	-	11.30
TOTAL	**150**	**35**	**185**	**2,104**	**118**	**2,222**	**14.03**	**3.37**	**12.01**

Company law in most jurisdictions sets out certain mandatory business which must be put to the shareholders at an AGM. Such business typically includes; receiving of the annual report & accounts; director (re-)elections; director remuneration proposals; capital return proposals; and (re-)appointment and remuneration of auditors.

AGM business will also often contain resolutions to approve the issue of new share capital up to a certain maximum, along with an accompanying request for the dis-application of pre-emption rights. For this reason, a larger number of resolutions are proposed at AGMs on average, than are for other types of meetings.

Other types of meetings include: Extraordinary General Meeting or a Special General Meeting where a special resolution is the substance of a meeting (i.e. a resolution which requires a special level of support or turnout); Court Meetings which are technically called by a Court of Law (most commonly in the UK when there is a need to approve a Scheme of Arrangement), rather than by management; and Class Meetings where only shareholders of a specified class of share are able to vote.

3.2 NILGOSC VOTING VS MANAGEMENT RECOMMENDATION

Where we use the term 'Dissent' or 'Opposition', this is the result of having added up all votes cast differently to the management recommendation, represented as a percentage of all votes cast ('Against' plus 'Abstain' votes where management recommended a 'For' vote, and 'For' votes where management recommended 'Against').

NILGOSC uses its voting rights as a means of expressing concern over corporate governance issues and fulfilling its fiduciary duty to members. NILGOSC voted against management recommendation on 33.32% of all resolutions (not including one shareholder proposal where management provided no recommendation). In the case of shareholder proposals, this figure was over 90%.

The overwhelming number of resolutions were proposed by management, with 3.06% of resolutions proposed by shareholders, slightly up from the previous year (2.71%). NILGOSC's policy was to support those shareholder proposals which sought governance improvements in cases where compelling arguments were made by the proponent and where the proposal followed market good practice.

The majority of shareholder resolutions were proposed in North America (94.12%), where, in the absence of a corporate governance code, active shareholders make use of shareholder resolutions as a tool to try and improve corporate governance practices at companies. The remaining shareholder proposals took place in Europe (3) and Japan (1).

3.3 NILGOSC ANNUAL VOTING

Table 2: NILGOSC Annual Voting Direction

MANAGEMENT RECOMMENDATION	NILGOSC VOTING				
	FOR	ABSTAIN	WITHHOLD	AGAINST	TOTAL
For	1,468	7	46	624	**2,145**
No recommendation	1	-	-	-	**1**
Abstain	1	9	-	-	**10**
Against	62	-	-	4	**66**
TOTAL	**1,532**	**16**	**46**	**628**	**2,222**

***Data Note**: Due to the timing of the appointment of a new Emerging Markets Equity Manager, 12 events were voted by the new manager's proxy voting provider. Some of the companies were held in an existing account resulting in two different sets of votes being cast at one shareholder meeting; this included a 'For' vote being cast on a resolution by the manager and an 'Against' vote cast on the same resolution by NILGOSC. For the purposes of this report, NILGOSC's actively voted against management vote has been included in the analyses.*

NILGOSC believes that there should be no grey area when it comes to voting and therefore has a policy of not abstaining. The 'Abstain' votes in the table above were mainly due to say-on-pay frequency proposals at US Companies. Technically, it is a single resolution at which investors have to choose amongst three options - annual, biennial and triennial – to determine the frequency of a say-on-pay vote. NILGOSC voted for an annual frequency, and 'abstained' on the biennial and triennial frequency alternatives.

3.4 GENERAL RESOLUTION CATEGORY ANALYSIS

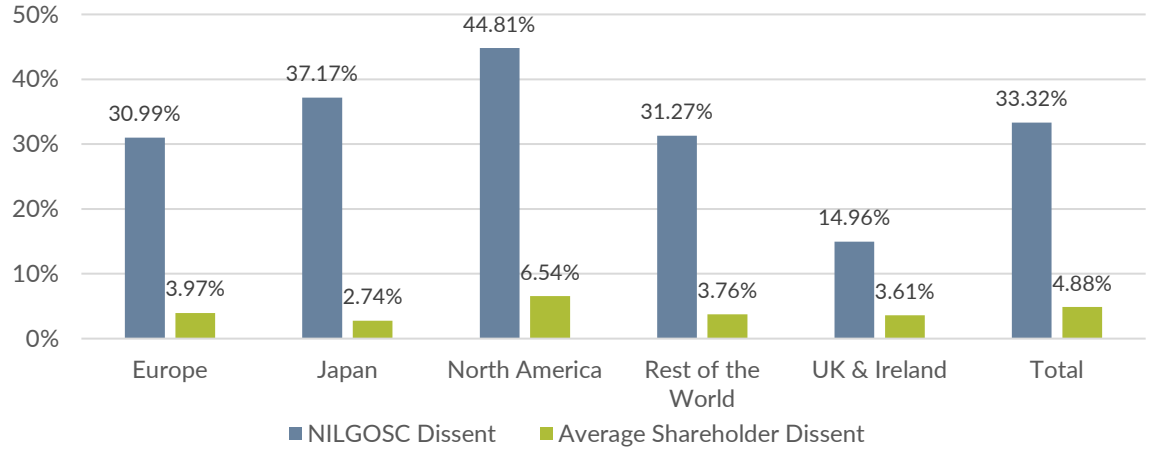
Table 3 shows the most common categories of resolutions at meetings voted at the companies within the NILGOSC portfolio on an annual basis. Minerva calculates the average dissent figure by aggregating all the poll data (expressed in terms of percentage of votes cast 'For') on all resolutions of that type, then dividing the aggregate figure by the number of resolutions. In most cases, this gives an accurate statistical indication of the dissent that a typical resolution type attracts, relative to others.

Table 3: Annual NILGOSC Dissent by Resolution Category

RESOLUTION CATEGORY	TOTAL NUMBER OF RESOLUTIONS PROPOSED	NILGOSC DISSENT*	AVERAGE SHAREHOLDER DISSENT**
Audit & Reporting	271	47.60%	1.82%
Board	1,185	27.34%	3.82%
Capital	299	18.06%	4.69%
Corporate Actions	43	16.28%	8.24%
Other	1	100.00%	-
Remuneration	262	66.79%	7.85%
Shareholder Rights	105	18.27%	9.76%
Sustainability	56	55.36%	17.37%
TOTAL	**2,222**	**33.32%**	**4.88%**

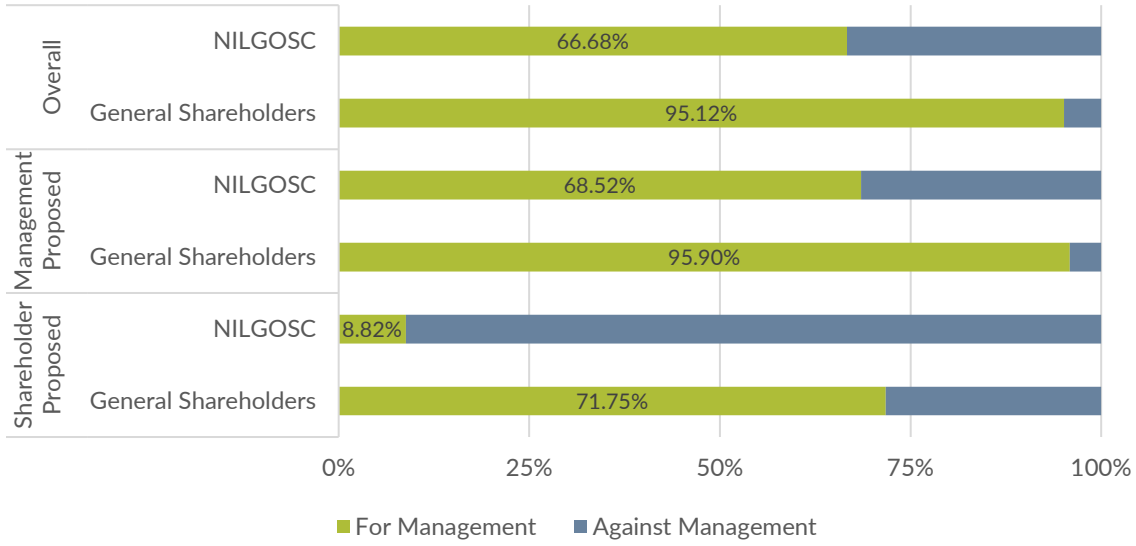
**NILGOSC Dissent excludes resolutions where management provided no recommendation. **Average Shareholder Dissent calculated from resolutions in respect of which shareholder voting results were available. No poll data was collected for one Any Other Business resolution in the 'Other' category at PTT Public Company, as no shareholders proposed an agenda item for consideration.*

Figure 1: NILGOSC Dissent by Region



In some global markets, poll data is made available on a lesser degree by companies, though Minerva are seeing a gradual improvement. In markets where it is not compulsory to report meeting results, companies may choose not to do so. As of August 2021, Minerva has been able to collect poll data in respect of 92.75% of all resolutions. On a regional basis, Minerva has collected voting results for 72.86% of the Rest of the World portfolio at the time of analysis and over 90% in each of the other portfolios.

Figure 2: NILGOSC Dissent by Resolution Proponent



When looking at the general average dissent levels (i.e. the meeting results data), it is clear that shareholders in general support management to a considerable extent. Recent developments indicate that shareholders are 'picking' their battles, resulting in a small number of high-profile significant dissent levels. Average dissent across all resolutions was 4.88% - in other words, an approval rating of more than 95%. In terms of management proposed resolutions, general shareholder dissent stood at 4.10% whereas, for shareholder proposed resolutions, it stood at a much higher level of 28.25%. This shows that shareholders are more likely to oppose management by supporting a shareholder-proposed resolution than by opposing a management-proposed resolution.

The data shows that NILGOSC is much more active in expressing concerns through its votes at corporate meetings than the average shareholder, voting against management recommendation on 740 occasions, which constitutes an overall average opposition level of 33.32% (when excluding one resolution where management provided no recommendation). As with the general shareholder pattern, NILGOSC's dissent figure for shareholder proposed resolutions was higher than that for resolutions proposed by management, 91.18% compared to 31.48%. It is recognised that public sector pension funds do tend to have a much higher propensity to oppose management on resolutions than the general shareholder average.

4. UK & IRELAND

4.1 SUMMARY

- NILGOSC voted at 38 meetings held by 30 companies in the UK & Ireland region. UK & Ireland represented the second highest number of meetings voted and the second highest number of resolutions voted (508).
- NILGOSC voted in opposition to management on 76 (14.96%) of 508 management proposed resolutions.
- One share issue authority with the dis-application of pre-emption rights requested by the board of Smith News plc was defeated after the resolutions failed to obtain a sufficient majority (75%).
- There were no resolutions put forward by shareholders in the UK & Ireland region during the period under review.

4.2 DISSENT BY RESOLUTION CATEGORY

Table 4 below notes the number of resolutions opposed by NILGOSC as a percentage by resolution category.

Table 4: NILGOSC Dissent by Resolution Category UK & Ireland

RESOLUTION CATEGORY	RESOLUTIONS	NILGOSC DISSENT	AVERAGE SHAREHOLDER DISSENT*	NILGOSC ACTION
Board	210	10.48%	2.79%	All votes cast against management in the category related to director (re-)elections due to issues including board and committee composition, director independence, and attendance concerns.
Capital	109	5.50%	4.09%	NILGOSC opposed 36.36% of dividend resolutions, due to the dividend being considered too high in comparison to profits. The remaining oppositional votes within this category concerned share buyback authority requests.
Audit & Reporting	70	18.57%	1.30%	NILGOSC opposed 41.67 % of resolutions to approve report & accounts. NILGOSC also opposed 8.70% of resolutions seeking to (re-)elect auditors and 4.35% of resolutions to approve audit fees.
Remuneration	65	53.85%	6.76%	NILGOSC opposed 58.33% of remuneration reports, 62.50% of remuneration policy approvals and 73.33% of LTIP resolutions.
Shareholder Rights	29	0.00%	4.95%	NILGOSC voted in-line with management on all shareholder rights-related resolutions.
Sustainability	17	0.00%	4.90%	NILGOSC voted in-line with management on all sustainability-related resolutions.
Corporate Actions	8	0.00%	5.68%	NILGOSC voted in-line with management on all corporate actions-related resolutions.

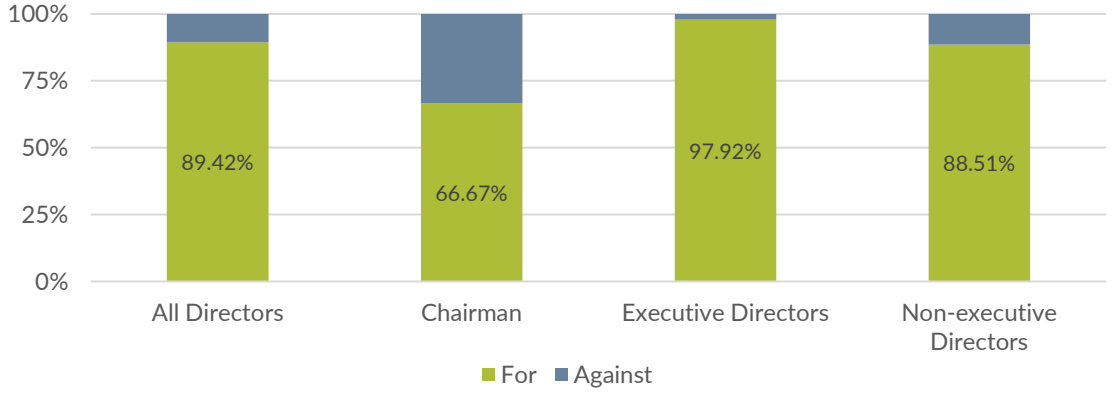
** Based on NILGOSC portfolio and voting results availability.*

4.3 BOARD

The high proportion of resolutions pertaining to board matters is directly linked to the fact that director (re-) elections in the UK are frequently (indeed preferably) conducted on an individual basis (i.e. one resolution per director) and regularly form part of the common or mandatory business for an AGM.

The 2018 UK Corporate Governance Code removed the small company exemption on annual re-elections meaning the number of director elections in the market is expected to increase. During the period covered in this report, 41.34% of all resolutions proposed in this market related to director elections.

Figure 3: NILGOSC Director Elections Voting Direction UK & Ireland



4.3.1 Chairman

The chair leads the board and is responsible for its overall effectiveness in directing the company. NILGOSC held the chair accountable for concerns in governance practices, particularly in cases where the board chair also held a key committee role, or where independence concerns were held with the director.

It is relatively common for the board chair to also chair the nomination committee in the UK and NILGOSC will vote against the committee chair where concerns are held with nomination committee oversight. Accordingly, the most common reasons for against votes on the board chair related to where the chair also served as chair of the nomination committee and concerns were held with the progress on board gender diversity and where no gender and/or ethnic diversity target had been disclosed. The next most common policy concern was the board chair being considered non-independent. Chairman (re-)elections received average general shareholder dissent of 4.68%.

4.3.2 Executive Directors

NILGOSC voted against one executive director election during the period, this compares to five last year. NILGOSC voted against the re-election of TalkTalk Telecom Group plc's chairman Charles Dunstone as Dunstone served as chairman in an executive capacity. NILGOSC considers that it is the board's role to hold executive management accountable and accordingly, the board chair should be seen as a separate role to that of an executive director. The resolution received 8.22% shareholder dissent, notably above the average 0.92% dissent recorded on executive director elections in the region.

4.3.3 Non-executive Directors

The UK Code recommends that at least half the board, excluding the chair, should be comprised of independent non-executive directors. NILGOSC evaluates directors' independence and votes against directors in cases where an independence issue is identified, and the company's explanation is not found satisfactory. Non-executive directors received average general shareholder dissent of 3.22%.

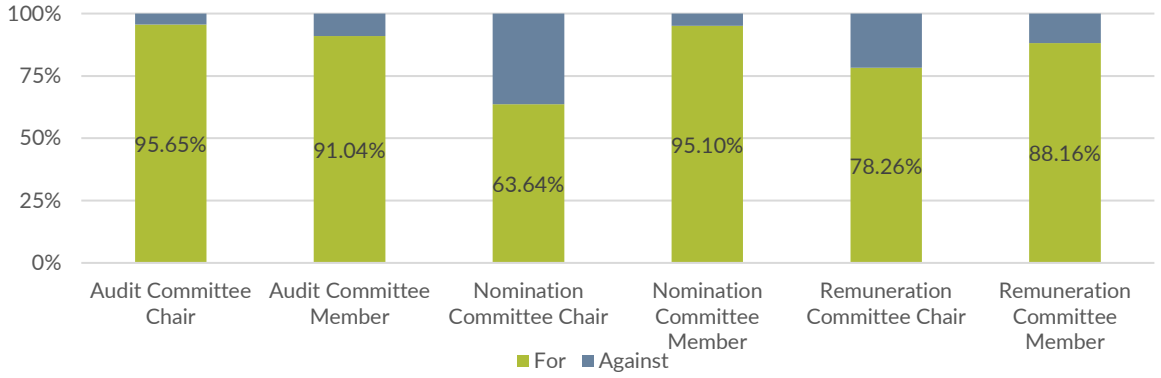
NILGOSC opposed 20.00% of (re-)elections of lead independent directors. Many lead independent directors are members of committees and may act as committee chairs, so when an independence issue was identified for such a director, or concerns were held with a committee's oversight functioning, NILGOSC voted against their (re-)election. Lead independent directors received average shareholder dissent of 3.05%.

Table 5: High Shareholder Dissent – Directors UK & Ireland

COMPANY	DIRECTOR	DISSENT	OUTCOME	NILGOSC VOTE	COMMENTS
Ryanair Holdings plc	Michael Cawley	28.33%	Passed	**Against**	The nominee was non-independent and there was an insufficient number of independent directors on the Board and its committees.
Ryanair Holdings plc	Howard Millar	27.12%	Passed	**Against**	The nominee was non-independent and there was an insufficient number of independent directors on the Board and its committees.
Britvic plc	William Eccleshare	26.85%	Passed	**Against**	The nominee held a significant number of other directorships.
Ryanair Holdings plc	Julie O'Neill	19.73%	Passed	**Against**	The nominee was non-independent and there was an insufficient number of independent directors on the Board and its committees.
Mothercare plc	Clive Whiley	17.96%	Passed	**Against**	The nominee served as Chairman and NILGOSC held concerns with his independence and the lack of lead independent director on the board. Additionally, concerns were held with the progress in increasing board diversity.

4.3.4 Board Committees

Figure 4: NILGOSC Board Committees Voting Direction UK & Ireland



As Figure 4 shows, NILGOSC is generally more likely to vote against the chair of a committee rather than its individual members – other than in the case of audit committees. The chairman of a committee is more likely to be held accountable and responsible where governance concerns are highlighted relating to the committee's remit. The average general shareholder dissent for the (re-)election of committee chairs was 3.95%, with nomination committee chairs receiving 4.78%, remuneration committee chairs 3.56%, and audit committee chairs 2.96%.

Audit Committee – NILGOSC voted against audit committee chairs and members where independence issues had been identified. Audit committee independence is important in the consideration of not only the approval of the report & accounts but also the election of auditors and their remuneration, as well as the management of internal control. Independence of participants on this committee is central to a company's reporting function.

Nomination Committee – NILGOSC voted against nomination committee chairs and members where the nominee was considered non-independent, and the committee was not majority independent. In addition, NILGOSC voted against committee chairs where concerns were held in relation to board diversity, including the lack of disclosure of a diversity policy, the lack of disclosure of a gender and/or ethnic diversity target, and overall poor progress on female board representation.

Remuneration Committee - NILGOSC voted against remuneration committee members when potential independence issues threatened objective and independent pay-setting. NILGOSC also holds committee chairs accountable for ongoing remuneration concerns, such as instances where NILGOSC votes against consecutive remuneration resolutions at a company.

4.4 REMUNERATION

Remuneration is, on average, the most contentious issue at a typical UK company AGM. This is perhaps partly because the disclosure regime which applies to executive and board remuneration is so demanding that there is an abundance of information about how much the UK's top board members get paid. These figures therefore often grab the headlines and consequently attract a relatively high level of opposition from shareholders.

NILGOSC will support companies with remuneration policies and payments that are compatible with the best interests of shareholders. Other considerations relevant to remuneration practice include the role and composition of the remuneration committee, often with a focus on independence, along with appropriate peer review in order to be able to set the company within a meaningful wider context.

During the 2020 and 2021 voting seasons a number of companies have adjusted their approach to executive and director remuneration in response to the economic impact of the pandemic. The most common changes have included a temporary reduction in base pay, a freeze in salary rates and a delay in target setting. Other companies also adjusted incentive pay outcomes, with some deferring annual bonus pay-outs or even cancelling the bonus in full.

Shareholders expect executive remuneration to be aligned with the overall experience of the company, its shareholders, employees, and other stakeholders. Institutional guidelines have set out an expectation that the use of Government support (i.e. furlough support), staff redundancies, raising additional capital from shareholders and the suspension of dividends and/or share buybacks should be reflected in remuneration outcomes. Some investors consider that companies that have used furlough support should not pay an annual bonus until the furlough money has been paid back.

4.4.1 Remuneration Reports and Remuneration Policies

Remuneration reports attracted an average shareholder dissent level of 9.12% during the period under review in the UK & Ireland region. NILGOSC opposed 58.33% of remuneration reports. NILGOSC opposed 62.50% of remuneration policy resolutions and such resolutions received 8.86% average shareholder dissent.

Table 6: High Shareholder Dissent – Remuneration Reports and Policies UK & Ireland

COMPANY	DISSENT	OUTCOME	NILGOSC VOTE	COMMENTS
Informa plc (Policy)	41.15%	Passed	**Against**	Concerns included a lack of performance conditions for long-term incentives and a high level of incentive pay opportunity.
Imperial Brands plc (Report)	40.81%	Passed	**Against**	Concerns included incomplete disclosure of performance conditions, the high level of incentive pay opportunity, the overlap of performance metrics in incentive plans, and no ESG related performance targets in incentive pay.
Ryanair Holdings plc (Report)	35.42%	Passed	**Against**	Concerns included a lack of alignment of directors and shareholders' interests, incomplete disclosure of performance targets, and no ESG related performance targets in incentive pay.
Ferguson plc (Report)	25.42%	Passed	**Against**	Concerns included a lack of alignment of interests between executives and shareholders, incomplete disclosure of performance conditions, lack of a post-departure share retention policy, the high level of incentive pay available, and no ESG related performance targets in incentive pay.
TalkTalk Telecom Group plc (Report)	13.87%	Passed	**Against**	Concerns included a weak alignment of directors and shareholders' interests, incomplete disclosure of performance conditions, the high level of incentive pay available, and no ESG related performance targets in incentive pay

Due to the three-year cyclical nature of policy votes, there were 16 policy votes during the year compared to 28 last year. It should be noted that not all policy votes in the UK region are actually binding. This is due to companies incorporated outside the UK (e.g. in Bermuda, Jersey, Guernsey, and Ireland) not being subject to the UK regulations, although a number of such companies have voluntarily put forward a remuneration policy for a vote. Such "voluntary" pay policy resolutions may not necessarily be of a binding nature.

4.4.2 Long-term Incentive Plans

Approval (or re-approvals) of share plans attracted an average general shareholder dissent across the market of 5.11%. NILGOSC voted against 11 of 15 approvals of long-term incentive plans (LTIP). The common themes for voting against these plans were concerns over the length of the vesting and/or performance period, multiple plans in place creating complexity in pay, and the overall level of short-term and long-term incentive pay opportunity.

A resolution at Informa plc, seeking shareholder approval of the replacement of its LTIP with a restricted share plan, received 41.47% shareholder dissent. NILGOSC opposed the resolution due to concerns that executives would receive payouts based on less stringent targets - with the underpinning conditions applied to the restricted shares considered insufficiently stretching – and with the board's approach to the 50% discount in award opportunity not aligning with good practice guidelines.

4.5 AUDIT & REPORTING

This category covers approvals of report & accounts, auditor (re-)elections and auditor remuneration – common items in the UK market and generally considered non-contentious. This year, resolutions to approve the report & accounts attracted more dissent than other resolutions in this category (1.88% compared to an overall average of 1.30% in the category).

NILGOSC voted 'Against' 41.67% of report & accounts approvals. The most common reasons for voting against the report & accounts related to sustainability issues, including no independent verification of the company's ESG reporting and no reference to the UN Sustainable Development Goals in corporate disclosures. One resolution opposed by NILGOSC at Mothercare plc received over 10% dissent. NILGOSC voted against the resolution due to concerns regarding sustainability reporting, a lack of disclosure to indicate non-executive only meetings are held, and a lack of clarity on the board performance evaluation process.

The role of the external auditor is critical in ensuring shareholders are receiving properly verified information from the company. If the independence of the auditors, or those on the audit committee responsible for their appointment and working with them, may be called into question, this is a matter of some potential concern. A recent series of high-profile corporate collapses in the UK, including BHS, British Steel, Carillion, Thomas Cook and Patisserie Valerie, have resulted in audit quality and auditor independence coming under heightened scrutiny from stakeholders. These collapses have resulted in a spate of regulatory initiatives, including the 2019 Brydon Review and the recent Department of Business, Energy and Industrial consultation on government proposals on restoring trust in audit and corporate governance.

NILGOSC did not support two auditor (re-)elections and one resolution to approve auditor fees. The contributing factors were concerns regarding audit tender and rotation, a lack of a break-down of non-audit work performed by the auditor, and the undertaking of material tax-related services by the auditor. Auditor elections received average shareholder dissent of 1.59% and auditor remuneration approvals received 0.46% average dissent during the period.

4.6 CAPITAL

4.6.1 Capital Authorities

Companies routinely include in their regular AGM business a general authority to issue new shares during the forthcoming year, as well as a certain percentage being issuable without pre-emption rights. These requests are sought to provide flexibility in the capital structure and to allow companies to respond quickly should there be a requirement for additional capital. Good practice guidelines have been published by UK institutional investor bodies, and NILGOSC generally expects companies to comply with these guidelines.

In the UK market it is routine for companies to seek a general authority to issue shares with pre-emption rights for up to 66% of the issued share capital (comprising a 33% general authority and an additional 33% rights authority) and authority to issue shares without pre-emption rights for up to 10% of the issued share capital in

aggregate (comprising a 5% general authority and an additional 5% to be used only in relation to acquisitions or specified capital investments). In addition, it is common for financial institutions, credit institutions and investment firms to seek additional share issue authorities in relation to regulatory capital requirements.

In order to help companies raise equity capital to stay solvent during the pandemic, the Pre-Emption Group issued a statement recommending that investors, on a case-by-case basis, consider supporting issuances by companies of up to 20% of their issued share capital on a temporary basis instead of the routine 10%. The additional flexibility was first recommended in March 2020 and subsequently extended to the end of November 2020.

NILGOSC opposed 7.69% of resolutions pertaining to share buybacks. NILGOSC opposed authorities where there were concerns about the potential creeping control by a company's largest shareholder and where Earnings per Share (EPS) was utilised as a performance measure in the incentive elements of the executive pay packages and there was no assurance that EPS targets would be adjusted to reflect the impact of the share buybacks. Share buyback related proposals received average general shareholder dissent of 2.24%.

4.6.2 Dividends

NILGOSC opposed management on four dividend approvals because the proposed dividend was not covered by earnings. Dividend related proposals are normally common items in the UK market and are generally considered non-contentious, they received average shareholder dissent of 0.42%. NILGOSC also registers dissent at companies by either opposing the chairman or the adoption of the report & accounts where a dividend has been paid and no resolution is put forward to approve the distribution.

As the economic impact of the coronavirus on business, several UK-listed companies have sought to preserve cash by cancelling and/or suspending dividends. While shareholders will recognise the need for companies to retain cash and build liquidity, the suspension of dividends will be a real worry for income dependent investors such as pension funds. Where dividends are cancelled, a number of institutional investors expect boards to consider how this should be reflected in executive pay decisions to ensure equitable treatment of executives and shareholders.

4.7 SUSTAINABILITY

NILGOSC believes that good corporate governance includes the management of ESG issues. Failure to address these issues can lead to higher operating costs, reputational damage and subsequent loss of confidence and shareholder value. The growth in importance of ESG considerations in investment decisions heightens the profile of ESG information provided by companies and hence increases the need for its veracity. As more investors use ESG information in their decisions, it follows that such information should be subject to levels of verification equivalent to those of more traditional disclosures such as financial updates and governance reports.

NILGOSC votes against report & account resolutions where there are ESG disclosure concerns highlighted by Minerva's Say on Sustainability assessment. The assessment examines the way in which the governance of ESG issues is managed by a company, taking into account; disclosure and transparency, management processes, risk management, stakeholder relations, audit & verification, and participation in public initiatives.

During the reporting period, all resolutions in the Sustainability category consisted of approvals of an authority to incur EU political expenditure. UK company law requires companies to seek shareholder approval for political expenditure in the EU. The legislation encompasses more than just donations to political parties and includes expenditure towards the realisation of political aims such as political lobbying and trade association memberships. Accordingly, UK incorporated companies routinely seek approval at AGMs for EU political expenditure authorities as a compliance exercise to avoid inadvertent infringement of the legislation. NILGOSC will support such requests provided there is assurance that no political donations to political parties will be made.

5. NORTH AMERICA

5.1 SUMMARY

- During the reporting period, NILGOSC voted at 74 company meetings held by 71 North American companies. North America was the region with the highest number of events and the highest number of resolutions (907).
- NILGOSC voted in opposition to management on 344 (40.81%) of 843 management proposed resolutions.
- Three remuneration reports opposed by NILGOSC were voted down by shareholders during the period.
- NILGOSC voted 'For' 63 (98.44%) of 64 shareholder proposals. Management provided no recommendation on one shareholder proposal.
- There were nine successful shareholder proposals during the period. The successful proposals included two resolutions requesting the removal of supermajority voting provisions, two resolutions requesting the shareholder right to take action by written consent, two resolutions asking for enhanced disclosure on political expenditure, one resolution requesting an amendment to shareholders' ability to call special meetings, one resolution asking for greater reporting on climate risks, and one resolution asking for a report on efforts to eliminate deforestation.

5.2 DISSENT BY RESOLUTION CATEGORY

Table 7 below shows the number of resolutions opposed by NILGOSC as a percentage by resolution category.

Table 7: NILGOSC Dissent by Resolution Category North America

RESOLUTION CATEGORY	RESOLUTIONS	NILGOSC DISSENT	AVERAGE SHAREHOLDER DISSENT*	NILGOSC ACTION
Board	623	32.26%	4.28%	Over 95% of opposing votes concerned director elections. NILGOSC supported all board-related shareholder proposals voted on.
Remuneration	105	78.10%	10.33%	NILGOSC voted against 96.36% of remuneration reports and all LTIP related resolutions. NILGOSC supported four shareholder proposals.
Audit & Reporting	76	80.26%	3.20%	NILGOSC voted against 83.82% of auditor (re-)elections and four report & accounts approvals.
Sustainability	32	96.88%	27.58%	All Sustainability resolutions were proposed by shareholders. NILGOSC supported all but one.
Shareholder Rights	30	58.62%	23.49%	NILGOSC voted against two article amendments seeking the ability to hold virtual only general meetings. NILGOSC also supported 15 shareholder proposals seeking enhanced shareholder rights.
Capital	24	37.50%	4.10%	NILGOSC voted against 46.15% of share issue authorities. NILGOSC also opposed two share buyback authorities and one treasury share related resolution.
Corporate Actions	17	29.41%	15.33%	All of NILGOSC's oppositional votes in the corporate actions category were via support for shareholder proposals.

**Based on NILGOSC portfolio and voting results availability.*

Companies in the United States are incorporated in individual states, as each US state has its own company law. This means there is no independent national corporate governance code, as in, for example, the FRC's UK Corporate Governance Code. Companies in the United States region are therefore subject to a much higher

potential variance of general governance standards compared with the UK context, which partly explains why NILGOSC's dissent was higher in this region as compared to the UK.

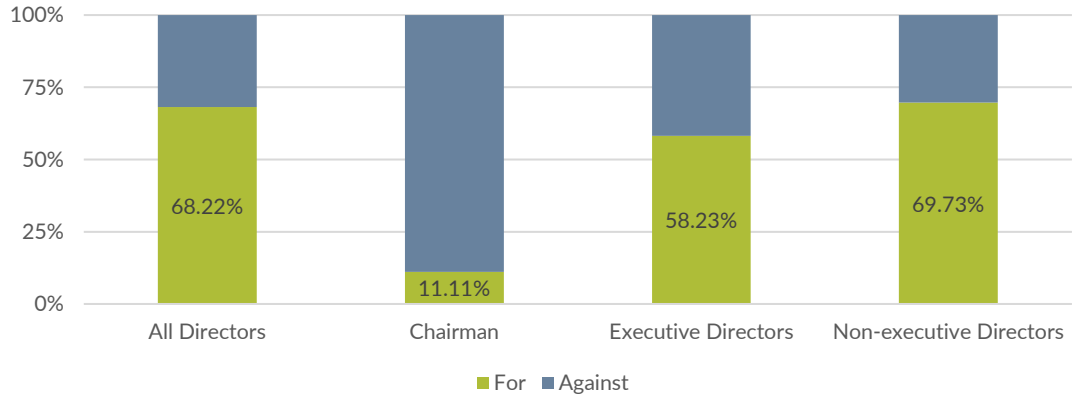
5.3 BOARD

The United States Council of Institutional Investors (CII) Corporate Governance Policies and guidance published by the Canadian Coalition for Good Governance (CCGG) recommend that at least two-thirds of the board should comprise independent directors. NILGOSC will vote against directors if the board falls short of this level of independent representation.

Some 72.95% of resolutions in North America proposed by management dealt with the board and 12.50% of shareholder proposed resolutions likewise.

Good practice recommends for directors in uncontested elections to be elected by a majority of the votes cast and for plurality voting to apply to contested elections. An election is contested when there are more director candidates than there are available board seats. It is common in the United States market for shareholders to put forward resolutions requesting a change in the method of voting used on director elections with the majority vote standard generally considered best practice. It is also considered good practice for directors to stand for (re-)election annually, although several North American companies still appoint directors on three-year terms.

Figure 5: NILGOSC Director Elections Voting Direction North America



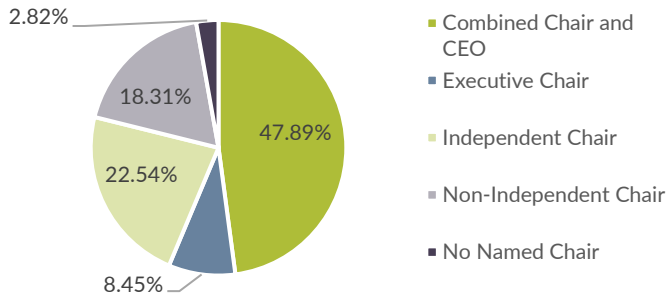
5.3.1 Executive Directors and Chairman

NILGOSC opposed 88.89% of board chair (re-)elections. The two most common reasons for opposition were independence concerns, typically due to the combined chairman and CEO roles and serving in an executive capacity; and Minerva's Say on Sustainability Grade. The average general shareholder dissent on the (re-) elections of chairs and executive directors was 5.75% and 3.61% respectively.

The board's role is to hold the executive management accountable, and accordingly, NILGOSC believes that the board chair should be seen as a separate role to that of an executive director with operational responsibilities. The CII Policies recommend that the board should be chaired by an independent director and the CEO and chairman roles should be combined only in very limited circumstances. If combined, the board should name a lead independent director to ensure a structure that provides an appropriate balance between the powers of the CEO and those of the independent directors.

While the number of companies separating the roles of board chair and CEO has grown over the years, 47.89% of companies in NILGOSC's North America portfolio combined the roles. Whilst 40.85% of companies had a non-executive chair, 44.82% of the non-executive chairs had a potential independence issue identified, such as being a former executive or having long tenure. Two companies did not have a named board chair at the time of voting (NVIDIA Corp and Netease Inc).

Figure 6: NILGOSC Chairman Independence North America



5.3.2 Non-executive directors

NILGOSC opposed 41.77% of non-executive director (re-)elections. NILGOSC primarily voted against non-executives where independence issues were identified with the director and the board, or a board committee, was considered insufficiently independent. Both NILGOSC and Minerva apply tenure of 15 years as an additional criterion when assessing independence in North America, resulting in a stricter policy application than the typical US and Canadian standards. Shareholder dissent on non-executive director (re-)elections averaged 3.96%.

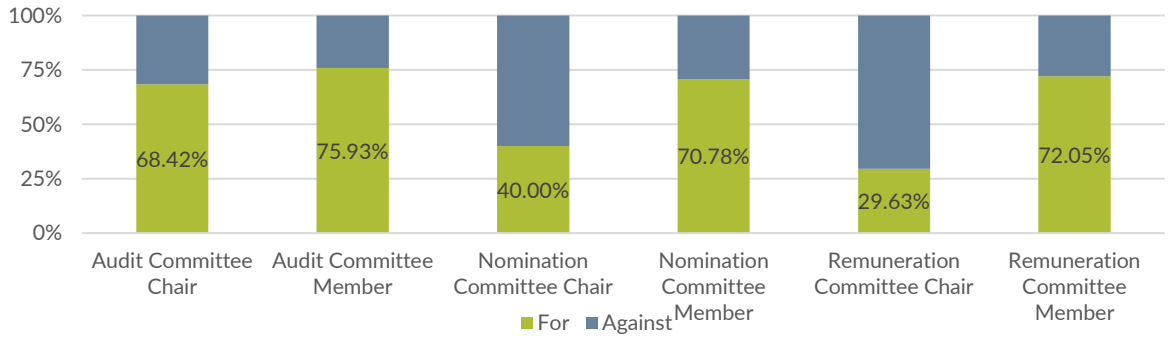
NILGOSC voted against 60.00% of lead independent director (re-)elections. The vast majority of cases were due to the nominee being considered non-independent or where the nominee chaired a committee and concerns were held with the committee's oversight functions, such as remuneration structure and disclosure issues. Lead independent director (re-)elections received average dissent of 6.52%.

Table 8: High Shareholder Dissent – Directors North America

COMPANY	DIRECTOR	DISSENT	OUTCOME	NILGOSC VOTE	COMMENTS
Netflix Inc	Richard Barton	72.82%	Passed	**Withhold**	The nominee was considered non-independent and served on the Audit Committee. Concerns were also held with the Board's responsiveness to successful shareholder proposals. Due to the use of plurality voting on director elections, Barton was re-elected despite the high level of shareholder dissent.
Electronic Arts Inc	Jay Hoag	30.25%	Passed	**Against**	The nominee served as Chair of the Remuneration Committee and ongoing concerns were held with remuneration.
Logitech International SA	Riet Cadonau	26.06%	Passed	**Against**	The nominee held a significant number of other directorships.
Alphabet Inc	Ann Mather	21.51%	Passed	**Against**	The nominee was considered non-independent and served as Chair of the Audit Committee.
Alphabet Inc	John Doerr	20.09%	Passed	**Against**	The nominee was considered non-independent and served as a member of the Remuneration Committee.

5.3.3 Board Committees

Figure 7: NILGOSC Board Committees Voting Direction North America



Audit Committee - NILGOSC opposed the (re-)election of chairs and members of audit committees in instances where the nominee was considered non-independent, having considered explanations from the company. In addition, NILGOSC held committee chairs accountable in instances where concerns were held with the external auditor's tenure and independence.

Nomination Committee - NILGOSC holds the chairs of nomination committees accountable for board composition concerns, including a lack of independence and a lack of gender diversity. NILGOSC also voted against chairs and members of nomination committees where the nominee was considered non-independent, and the committee was insufficiently independent.

Remuneration Committee - NILGOSC opposed the (re-)election of chairs and members of remuneration committees in instances where the nominee was considered non-independent, having considered explanations from the company. NILGOSC also registered dissent on committee chairs where significant concerns were held with remuneration practices, particularly if there was no 'say on pay' resolution at the AGM. Due to market practice in North America differing to a UK investor's perspective on remuneration good practice, NILGOSC voted against a notable number of remuneration committee chairs.

5.4 REMUNERATION

In the United States, a 'say on pay' advisory vote is taken on the remuneration of the named executive officers. These are defined as being a company's CEO and the four most highly compensated executive officers who were serving as executive officers at the end of fiscal year. The entitlement of the directors to remuneration is not conditional upon the approval of this resolution. However, most companies who have previously received significant levels of dissent have taken remedial steps. The vote takes in both forward looking policy and the details of the amounts paid in respect of the year.

This is a different approach to the UK market where the remuneration report is voted on to approve the remuneration of all directors (and none below board level). There is no regular opportunity available to vote on non-executive director remuneration in North America.

Companies are required to have a 'say on pay' vote at least every three years, with the frequency to be voted on by shareholders. This resolution is proposed in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act 2010, which requires quoted companies to provide shareholders with a non-binding shareholder advisory vote on named executive officers' compensation at least once every three years.

The 'say on pay' frequency resolution is non-binding and must be submitted to a vote at intervals of no more than six years. The options are annual, biennial, and triennial. The resolution has majority requirements with the frequency receiving the most votes in favour considered to be passed.

Due to the cyclical nature of the frequency votes, only six companies held a vote during the year compared. NILGOSC voted in accordance with good practice recommendations and supported the annual frequency in each case and the annual frequency was successful in five instances. The triennial option was successful at Peloton Interactive Inc after the board recommended shareholders support a three-year say on pay.

5.4.1 Remuneration of Named Executive Officers ('Say-on-Pay')

North American remuneration policies typically contain many practices seen as unacceptable in other markets such as the UK. This divergence in practice resulted in NILGOSC opposing 96.88% of remuneration reports in the region. Based on company disclosures, there was an average dissent of 11.84% on remuneration report.

This year three say on pay votes in the region were defeated in comparison to no defeats in the previous reporting period. Netflix has received high dissent on remuneration in consecutive years, including a defeat in 2019, indicating the board has not fully addressed shareholder concerns.

Table 9: High Shareholder Dissent – Remuneration Reports North America

COMPANY	DISSENT	OUTCOME	NILGOSC VOTE	COMMENTS
Electronic Arts Inc	74.59%	**Defeated**	**Against**	Concerns included alignment between executive and shareholder interests, granting of special retention awards, performance conditions did not apply to all long-term incentive awards and had a short vesting period, a high level of incentive pay available, and excessive termination provisions.
Walgreens Boots Alliance Inc	58.20%	**Defeated**	**Against**	Concerns included alignment between executive and shareholder interests, the use of discretion to adjust for the impact of COVID-19 on incentive pay outcomes, performance conditions did not apply to all long-term incentive awards and had a short vesting period, a high level of incentive pay available, and excessive termination provisions.
AT&T Inc	52.15%	**Defeated**	**Against**	Concerns included alignment between executive and shareholder interests, granting of special promotional and retention awards, performance conditions did not apply to all long-term incentive awards, a high level of incentive pay available, and excessive termination provisions.
Netflix Inc	49.41%	Passed	**Against**	Concerns included alignment between executive and shareholder interests, a lack of response to shareholder concerns, long-term incentive awards are not subject to performance conditions, a high level of incentive pay available, and excessive termination provisions.

5.4.2 Incentive Pay

Approval (or re-approvals) of LTIPs attracted an average general shareholder dissent across the market of 13.83%. NILGOSC voted against all LTIP resolutions. Two companies received over 20% dissent on resolutions to increase the number of shares available for issuance under a share plan: Intuitive Surgical Inc and Shopify Inc. The most common issues for voting against were:

- The minimum vesting period and/or performance period was considered too short.
- A large individual limit under the plan (both on a face value and expected value basis).
- Non-executive directors could participate in the scheme.
- The plan allowed for the vesting of awards on favourable terms in the event of a change of control.
- There were concerns as to whether the performance targets were sufficiently stretching.

5.5 AUDIT & REPORTING

5.5.1 Auditor Elections

There is no legal requirement for auditor election to be put to a shareholder vote in most US states but increasing numbers of companies seek the ratification of the auditor appointment, seeing it as good practice. This is largely a non-contentious item within the region given the highly stringent regulatory and compliance requirements imposed on the auditors and companies to safeguard auditor independence by the US Securities and Exchange Commission.

Auditor (re-)election resolutions attracted average shareholder dissent of 3.55% and NILGOSC voted against 83.82% of such resolutions. The most common policy issue related to auditor tenure and no recent, or planned, audit tender. Unlike other markets there are no regulatory requirements in the US or Canada on mandatory audit rotation, such as in the EU, resulting in a number of companies having the same auditor in place for an extended period of time.

5.5.2 Reports and Accounts

Only five report & accounts resolutions were proposed in the North America region, which was due to the jurisdiction of incorporation and relevant legal requirements of the companies in question. A number of US listed companies are incorporated in Europe and are therefore required to submit their report & accounts for

shareholder approval. The resolutions received average dissent of 0.46% and NILGOSC opposed four of the report & account approvals due to sustainability disclosure concerns.

5.6 SHAREHOLDER RIGHTS

5.6.1 Shareholder Rights

NILGOSC voted against two resolutions seeking shareholder approval of an amendment of the articles of association to permit virtual only shareholders' meetings. Historically, institutional investors have been opposed to the use of virtual meetings and view the AGM as an important forum at which the Board is publicly accountable. Whilst investors have backed the online switch during the pandemic, there may be concerns as to whether this temporary pandemic-related measure will become the new normal. Some organisations have started to develop practical suggestions on how virtual meetings can be held in a way that leverages technology to enfranchise shareholders. For example, the International Corporate Governance Network (ICGN) has published a discussion paper on the future of annual general meetings. There could be an expectation that companies will utilise hybrid meetings – a mix of online and physical - when the opportunity arises

5.7 SHAREHOLDER PROPOSALS

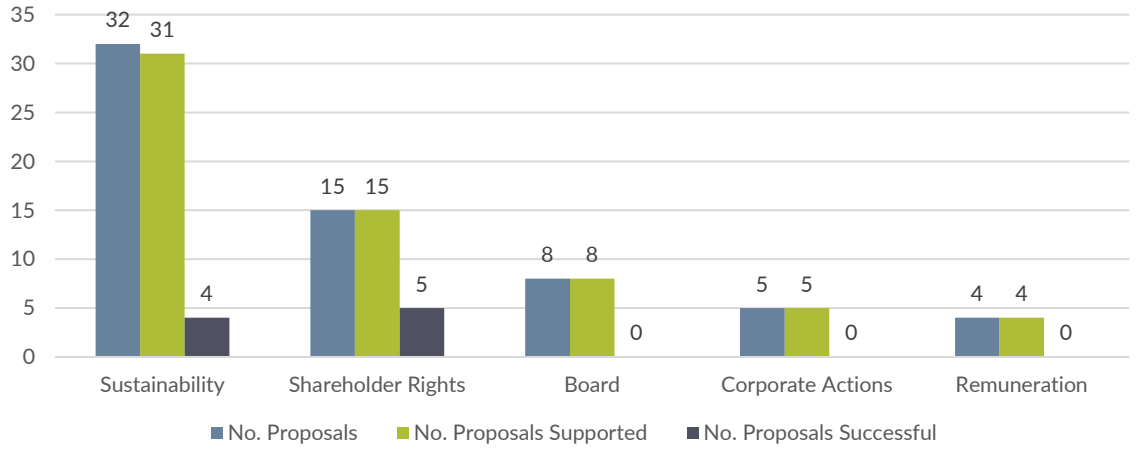
NILGOSC voted on 64 shareholder resolutions in the North America portfolio during the reporting period, this compares to 73 last year. Shareholder proposals are resolutions put forward by shareholders who want the board of a company to implement certain measures, for example around environmental, social and governance practices. Although they are generally not binding, they are a powerful way to advocate publicly for change on policies such as climate change. A minority are binding, such as proposals to amend the articles of association (rather than requesting the board to do so) and thus may be subject to a higher majority.

NILGOSC supports shareholder proposals which are in the best interests of shareholders as a whole, which follow good practice guidelines, and are not duplicative of existing measures.

This year shareholders continued to put forward proposals on sustainability concerns, with proposals relating to human rights & workforce and environmental practices (including climate change) the most numerous. Proposals concerning shareholder rights received the highest level of support.

This year shareholder proposals received greater levels of support than seen in previous years and nine proposals were successful, representing 13.85% of shareholder proposals. In the previous reporting period three proposals were successful out of 73 proposals (4.11%). Shareholder resolutions received average support (i.e. votes cast in favour) of 30.33%, an increase from 26.90% in the previous year.

Figure 8: Shareholder Proposals – North America



SUSTAINABILITY	In the Sustainability category there were 32 shareholder proposals and 12 related to human rights & workforce issues. These proposals covered topics such as gender & ethnic pay gap reporting, employee diversity disclosure, racial audits, and human rights policy and practices and NILGOSC supported all 12. These proposals received average support of 24.36%. There were six proposals concerning environmental practices, all of which NILGOSC supported. These proposals covered topics such as climate change, deforestation and food waste. The environmental proposals received 17.16%% average support. There were five proposals on political activity, namely enhanced disclosure on, or prohibition of, political donations and/or lobbying. The political activity proposals received average shareholder support of 46.56% and NILGOSC supported four. The remaining proposals covered various ESG issues, including online content governance, board ESG expertise, health risks caused by the sale of tobacco, and how pharmaceutical companies intend to take public financial support for the development of COVID-19 vaccines into account when making decisions that affect access to such products. NILGOSC supported all the remaining proposals in this category. There were four successful shareholder proposals in the Sustainability category, with two requesting enhanced disclosure on political contributions (Netflix Inc and Omnicom Inc), one requesting a climate transition report (Booking Holdings Inc) and one requesting a report on efforts to eliminate deforestation (Procter & Gamble Co).
BOARD	Six of the board-related shareholder proposals requested the adoption of a policy requiring the chair to be an independent director. NILGOSC supported all such proposals and they received average support of 30.48%. There were two proposals concerning election procedure, one on proxy access (the right for shareholders to nominate directors) and the other asking Amazon.com Inc's nomination committee to consider hourly associates when drawing up the initial list of board candidates.
CORPORATE ACTIONS	There were five shareholder proposals in the Corporate Actions category and the resolutions received average support of 8.23%, the lowest support rate of all categories. All five resolutions related to matters regarding company purpose and strategy. Three resolutions requested the company to transition to a public benefit corporation, one asked for a report on competition risk and strategy, and one asked for a report on company strategy, purpose and stakeholder engagement. NILGOSC supported all of the proposals in this category.
SHAREHOLDER RIGHTS	The shareholder rights proposals voted by NILGOSC consisted of the right for shareholders to act by written consent (8), the right for shareholders to call a special meeting (3), the removal of supermajority voting provisions (2) and a recapitalisation plan to introduce the one-share, one-vote principle (2). NILGOSC supported all proposals in the category, and they received average support of 45.92%. There were five successful proposals in the Shareholder Rights category, 33% of the resolutions. Two of the proposals requested the removal of supermajority voting requirements and the introduction of the simple majority voting standard (Citrix Systems Inc and Netflix Inc), two requested the adoption of the right to take action by written consent (Borgwarner Inc and Electronic Arts Inc), and one requested a lowering of the threshold required to call special shareholder meetings (Dollar General Corp).
REMUNERATION	All remuneration related shareholder proposals were defeated; such resolutions averaged 22.49% support. NILGOSC supported four proposals, and these concerned the adoption of robust clawback provisions, the incorporation of sustainability metrics in incentive pay, consideration of the CEO employee pay ratio when setting remuneration, and requiring a shareholder vote on severance pay.

6. EUROPE

6.1 SUMMARY

- During the reporting period, there were 23 shareholder meetings in the Europe portfolio held by 21 companies, resulting in 355 resolutions.
- NILGOSC voted in opposition to management on 110 (31.25%) of 352 management proposed resolutions.
- One share issue authority requested by Kering SA was voted down by shareholders.
- There were three shareholder proposals in the region. NILGOSC voted in favour of a successful shareholder proposal at Coloplast AS. The proposal asked the company to produce country-by-country tax reporting and the board recommended shareholders to support the resolution. NILGOSC voted against the other two shareholder proposals, and neither were successful.

6.2 DISSENT BY RESOLUTION CATEGORY

Table 10 notes the number of resolutions opposed by NILGOSC as a percentage by resolution category.

Table 10: NILGOSC Dissent by Resolution Category Europe

CATEGORY	RESOLUTIONS	NILGOSC DISSENT	AVERAGE SHAREHOLDER DISSENT*	NILGOSC ACTION
Board	159	20.75%	3.90%	The majority of NILGOSC's oppositional votes concerned director elections. NILGOSC also opposed board committee appointments when independence concerns were held.
Capital	68	32.35%	4.79%	NILGOSC opposed 51.63% of share issue authorities and 45.45% of share buyback authorities.
Remuneration	52	65.38%	5.22%	NILGOSC opposed 92.31% of remuneration reports and 100% of remuneration policy approvals. NILGOSC also voted against 42.86% of resolutions to approve the amount to be paid to an individual executive or a collective.
Audit & Reporting	46	41.30%	1.67%	NILGOSC voted against 57.89% of auditor (re-)elections and 35.00% of report & accounts resolutions.
Shareholder Rights	22	4.55%	3.95%	NILGOSC voted against one article amendment due to concerns regarding a deviation from the principle of 'one-share, one-vote.'
Corporate Actions	4	25.00%	4.96%	NILGOSC voted against a resolution at Hermès International SCA to authorise the board to decide on merger transactions due to concerns regarding dilution and anti-takeover provisions.
Sustainability	4	0.00%	1.39%	NILGOSC voted in-line with management on the sole sustainability-related resolution.

** Based on NILGOSC portfolio and voting results availability.*

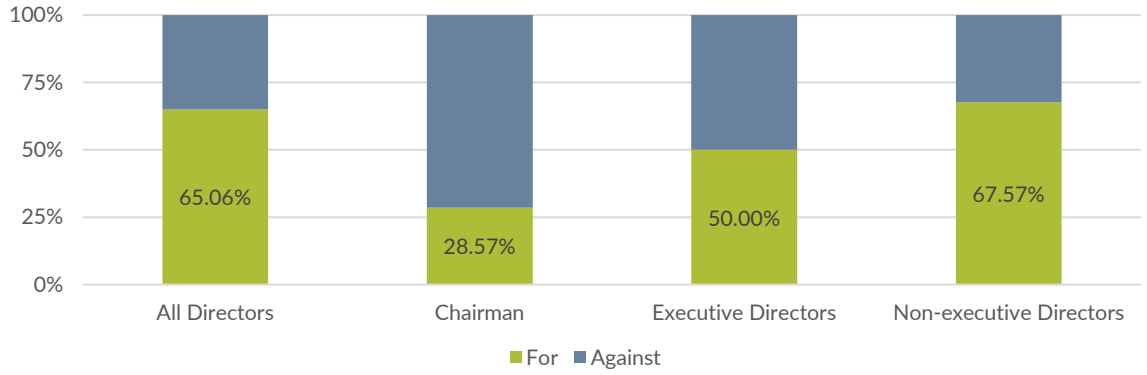
6.3 BOARD

The table below sets out an element of different governance principles in Europe regarding board composition:

Table 11: Europe Board Structures

BOARD STRUCTURE	COMMENTS
UNITARY BOARD	There is a single board comprising both executive and non-executive directors. This system is prevalent in France, Spain, and Italy. Some Scandinavian markets operate a unitary board, although there are no executives on the board.
DUAL BOARD	The two-tier system, found typically in Germany and Austria, is also widespread in Denmark, Finland, Netherlands, Norway, Poland, and Switzerland. This system consists of a supervisory board of non-executives and a separate management board of executives. In certain markets, such as Austria and Germany, the supervisory board must consist of both employee representatives and directors elected by shareholders.
ITALIAN SYSTEM	Italian companies may choose a system comprising the board of directors and the board of statutory auditors. The board of statutory auditors undertakes monitoring functions, including of adherence to company law and the company's articles, the adequacy of the company's organisational structure and the implementation of corporate governance arrangements. They are responsible for supervising the financial reporting, internal control, and risk management systems

Figure 9: NILGOSC Director Elections Voting Direction Europe



6.3.1 Executive Directors and Chairmen

NILGOSC voted against 71.43% of board chair elections in the Europe region. The most common policy concerns related to chair independence, such as serving as combined CEO and chair or having previously served as the CEO. Additionally, NILGOSC held the chair accountable when a company's capital structure included a deviation from the one-share one-vote principle. NILGOSC believes that all shareholders should be treated equally, and that companies' ordinary shares should provide one vote for each share, and companies should facilitate the owners' rights to vote.

NILGOSC voted against 50.00% of executive directors with the majority of cases being where the director also served as the chair of the board. NILGOSC considers board chairs should serve in a non-executive capacity and be demonstrably independent. The average dissent for board chairs and executive director (re-)elections was 6.99% and 4.23% respectively.

6.3.2 Non-Executive Directors

NILGOSC voted against 32.43% of non-executives standing for (re-)election and the average general shareholder dissent was 3.96%. The common reasons for NILGOSC's oppositional votes were concerns regarding a non-executive director's independence and composition of the board and/or committee, or where the director served on a committee and there were concerns with the committee's functioning. Other factors considered included instances where a nominee held a significant number of other directorships thereby raising aggregate time commitment concerns and/or where the individual did not attend as many board meetings as expected.

Table 12: High Shareholder Dissent – Directors Europe

COMPANY	COUNTRY	DIRECTOR	DISSENT	OUTCOME	NILGOSC VOTE	COMMENTS
Nestlé SA	Switzerland	Kasper Rørsted	38.31%	Passed	**Against**	The nominee held a significant number of other directorships and had board meeting attendance concerns.
SGS SA	Switzerland	Ian Gallienne	35.98%	Passed	**Against**	The nominee was considered non-independent, and concerns were held with the level of independence on the Board and its Committees. Both the resolutions to elect Gallienne to the Board and to the Remuneration Committee received high dissent.
SGS SA	Switzerland	Shelby du Pasquier	25.48%	Passed	**Against**	The nominee was considered non-independent, and concerns were held with the level of independence on the Board and its Committees.
Geberit AG	Switzerland	Albert Baehny	16.40%	Passed	**Against**	NILGOSC considers that company boards should display a clear division of responsibilities at the top and were concerned that the nominee served as CEO prior to being appointed as Chairman.
Deutsche Wohnen SE	Germany	Florian Stetter	16.22%	Passed	**Against**	The nominee was considered non-independent and served as chairman of the Audit Committee.

6.4 REMUNERATION

Across Europe the shareholder approvals on remuneration differ widely between markets. The EU Shareholder Rights Directive II introduced new 'say on pay' rules including an annual advisory vote on the remuneration report and a vote on the remuneration policy at least every four years. Member States have discretion to decide whether the policy vote will operate on a binding or advisory basis. Notably, France has opted to make the remuneration report a binding vote. The revised directive also states that the remuneration policy should contribute to the company's overall business strategy, long-term interests and sustainability. Member states had until 10 June 2019 to transpose the directive into law and the legislative changes have resulted in an increased number of remuneration resolutions in the region.

6.4.1 Remuneration Amount

In certain EU markets shareholders have the ability to vote on the individual and/or aggregate amounts paid to directors. For example, in France shareholders are provided with a binding vote on the variable and exceptional remuneration granted to an executive during the financial year. While in Switzerland shareholders have a binding vote on the aggregate fixed and variable remuneration paid to the board of directors and the executive committee.

There were 14 votes in total, nine of which concerned aggregate approvals and five of which concerned individual approvals. Overall, NILGOSC opposed 42.86% of the resolutions and the average dissent level was 4.22%. No resolution received significant dissent during the reporting period.

6.4.2 Remuneration Reports and Remuneration Policies

NILGOSC opposed 92.31% of remuneration reports and all remuneration policies voted on in the European region. The average general shareholder dissent was 8.09% and 7.75% respectively.

Table 13: High Shareholder Dissent – Remuneration Reports and Remuneration Policies Europe

COMPANY	COUNTRY	DISSENT	OUTCOME	NILGOSC VOTE	COMMENTS
Deutsche Telekom AG (Policy)	Germany	27.30%	Passed	**Against**	Concerns included incomplete disclosure of performance conditions, the high level of incentive pay available, excessive severance provisions, lack of disclosure regarding dilution and the use of extraordinary bonus awards.
Koninklijke Ahold Delhaize NV (Report)	Netherlands	21.43%	Passed	**Against**	Concerns included incomplete disclosure of performance conditions, inadequate disclosure regarding clawback provisions, lack of disclosure regarding salary rates, the high level of incentive pay available and awarded during the year, and lack of post-departure share retention requirements for directors.
Geberit AG (Report)	Switzerland	15.05%	Passed	**Against**	Concerns included incomplete disclosure of performance conditions, lack of disclosure regarding salary rates, an overlap of performance metrics in the annual bonus and long-term incentives, no share ownership requirements, and no ESG related performance targets in incentive pay.

6.5 AUDIT & REPORTING

6.5.1 Reports & Accounts

NILGOSC opposed 35% of resolutions to approve the report & accounts in Europe and the average general shareholder dissent was 0.34%.

The common issues contributing to NILGOSC oppositional votes was cases where there were no disclosures to indicate that non-executive only meetings took place, the company had not conducted an external board performance evaluation within the last three years and/or did not provide disclosure regarding whether a board performance evaluation process was in place.

6.5.2 Auditor Elections

NILGOSC opposed 11 of 19 auditor (re-)election resolutions in the European market. The most common reasons for opposition related to concerns over auditor tenure and no recent, or planned, audit tender; as well disclosure concerns regarding non-audit fees. Auditor (re-)election resolutions received average shareholder dissent of 3.45% in the European market.

6.6 CAPITAL

6.6.1 Capital Authorities

NILGOSC opposed 51.61% of share issue authorities sought in the European region and such resolutions received average shareholder dissent of 8.52%. The regulatory systems on share issues differ widely between markets, with multiple authorities often sought in France – each for a different purpose. In Austria, Switzerland and Germany, authorities to issue shares and to dis-apply pre-emption rights are often combined into one resolution, although there may be multiple resolutions as authorities relate to specific types of share issuance and capital types.

The most common reasons for dissent were when the overall ceiling in respect of share capital increases without pre-emption rights exceeded NILGOSC's policy guidelines (10% of the share capital) or that duration of the authority was considered too long.

NILGOSC opposed 45.45% of resolutions allowing companies to make market purchases of their own shares. Concern regarding creeping control was a factor in each of the buyback authorities opposed by NILGOSC, with concern over the size of an authority's maximum purchase price also a common issue. The average general shareholder dissent on share buybacks was 2.03%.

6.6.2 Shareholder Proposal

NILGOSC supported a shareholder proposal requesting the Coloplast AS Board to complete an assessment of the viability of Coloplast to publish corporate country-by-country tax reporting in line with the Global Reporting Initiative's standards (GRI 2017: Tax) starting from the financial year 2021/22. The proposal asked for the findings of the assessment to be made public before the 2021 AGM.

The GRI Tax Standard is the first global standard for comprehensive tax disclosure at the country-by-country level. It supports public reporting of a company's business activities and payments in tax jurisdictions, as well as their approach to tax strategy and governance.

The Tax Standard was developed in response to concerns over the impact tax avoidance has on the ability of governments to fund services and support sustainable development, and to give clarity on how much companies contribute to the tax income of the countries where they operate.

The Coloplast Board of Directors recommended shareholders vote for the proposal as it stated it was supportive of increasing transparency around the company's tax reporting. The proposal was successful, receiving 99.85% shareholder support.

7. JAPAN

7.1 SUMMARY

- NILGOSC voted on 113 resolutions at 10 AGMs in the Japan portfolio during the period under review.
- An overwhelming majority of Japanese companies prepare their accounts to a year end of 31 March, and Japanese corporate law stipulates that companies must hold a shareholder meeting within three months of the year-end. Due to this the majority (70%) of AGMs were held in the month of June.
- NILGOSC voted in opposition to management on 42 (37.50%) of 112 management proposed resolutions. All management proposed resolutions passed.
- There was one shareholder resolution proposed during the period. The proposal was put forward at Nippon Telegraph & Telephone Corp and requested the removal of director Naoki Shibutani from the Board. NILGOSC considered the Board's explanation on why Shibutani should stay as a director compelling and voted against the resolution. The resolution was defeated receiving 3.66% support.

7.2 DISSENT BY RESOLUTION CATEGORY

Table 14 below notes the number of resolutions opposed by NILGOSC as a percentage by resolution category.

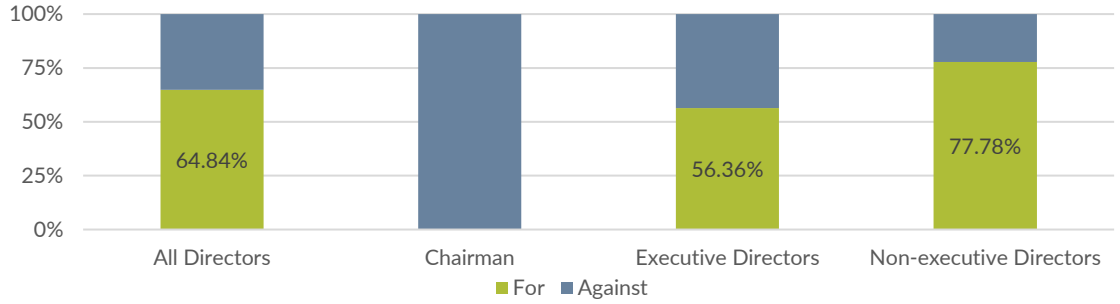
Table 14: NILGOSC Dissent by Resolution Category Japan

CATEGORY	RESOLUTIONS	NILGOSC DISSENT	AVERAGE SHAREHOLDER DISSENT*	NILGOSC ACTION
Board	94	35.11%	2.83%	All of NILGOSC's oppositional votes in the board category concerned director elections. The most common cause was board independence concerns.
Remuneration	9	88.89%	3.08%	NILGOSC voted against eight of nine remuneration-related resolutions.
Audit & Reporting	7	14.29%	2.01%	NILGOSC voted against a resolution to appropriate profits due to concerns regarding dividend cover.
Shareholder Rights	2	0.00%	0.63%	NILGOSC voted in-line with management on all shareholder rights-related resolutions.
Capital	1	0.00%	0.26%	NILGOSC voted in-line with management on all capital -related resolutions.

**Based on NILGOSC portfolio and voting results availability.*

7.3 BOARD

Figure 10: NILGOSC Director Elections Voting Direction Japan



In line with market good practice NILGOSC set its independence requirement at one-third independent directors in the Japan market. NILGOSC registered its dissent in cases where there were too few independent non-executive directors on companies' boards by opposing the (re-)election of executive directors and non-independent non-executive directors.

NILGOSC opposed all board chair elections in the Japan market. The most common reasons for opposition were that the chair was considered non-independent, typically because the chair served in an executive capacity; and the board had insufficient independent representation. Chair (re-)elections received average shareholder dissent of 5.86% and executive director (re-)elections 3.23%.

NILGOSC also opposed non-independent directors who sat on board committees where committee composition concerns were held, as well as non-independent corporate auditors where the statutory auditor board was not majority independent. Non-executive directors averaged 2.20% dissent and corporate auditors 4.47%.

Table 15: High Shareholder Dissent – Directors Japan

COMPANY	DIRECTOR	DISSENT	OUTCOME	NILGOSC VOTE	COMMENTS
Pan Pacific International Holdings Ltd	Isao Kubo	28.23%	Passed	**Against**	The nominee was non-independent, and the Board was insufficiently independent.
Pan Pacific International Holdings Ltd	Naoki Yoshida	16.10%	Passed	**Against**	The nominee was non-independent, and the Board was insufficiently independent.
Nitori Holdings Co Ltd	Akio Nitori	8.47%	Passed	**Against**	The nominee was non-independent, and the Board was insufficiently independent.
Pan Pacific International Holdings Ltd	Akio Ariga	7.87%	Passed	**Against**	The nominee was non-independent, and the Board was insufficiently independent.
Pan Pacific International Holdings Ltd	Hideki Moriya	5.93%	Passed	**Against**	The nominee was non-independent, and the Board was insufficiently independent.

Table 16 summarises Japanese board structures.

Table 16: Japan Board Structures

BOARD STRUCTURE	EXPLANATION
CORPORATE AUDITORS SYSTEM	This is the dominant structure in Japan. The board of directors has ultimate responsibility for administration of the company's affairs and monitoring of the execution of business by directors. Companies with this system are not obliged to appoint an independent director, although company law requires companies to provide an explanation if none are appointed and the Governance Code recommends boards to have at least two independent directors. The board of corporate auditors must include some outside corporate auditors and is independent of the company's finance and reporting functions. The corporate auditors make decisions concerning audit policies, duty assignments and other relevant matters. Each corporate auditor attends board of directors' meetings and other important meetings, audits the execution of duties by the directors and reports to shareholders.
COMMITTEE SYSTEM	This system is based around a unitary board with audit, nomination and remuneration committees given the authority to make decisions on issues including candidates for the board, audits concerning the business execution of directors and executive officers, and compensation for directors and executive managing directors. Under the committee system, the directors are primarily responsible for the oversight of management. This system resembles the board structure seen in the UK and other markets and an increasing number of companies are adopting it.
SUPERVISORY SYSTEM	In this structure, a supervisory committee comprised of three or more directors, with a majority of outside directors, audit the management of the company instead of a corporate auditor board. Such directors have a term of office of two years, rather than the one-year term for other directors and are appointed by shareholders separately from other directors. Supervisory committee members are also directors and can therefore vote at board meetings.

7.4 REMUNERATION

There were nine remuneration-related resolutions in the Japan market, five concerned LTIP awards, two concerned the aggregate limit on director remuneration, one concerned non-executive fees and one sought approval of a special retirement bonus. NILGOSC voted against eight resolutions due to a lack of individualised remuneration disclosure and the non-disclosure of the performance conditions used under LTIPs. The remuneration resolutions received average dissent of 3.08%. The resolution to approve the payment of a special retirement bonus to Fujifilm Holdings Corp's outgoing CEO Shigetaka Komori was the only item to receive dissent of over 10% (15.80%); NILGOSC voted against the resolution.

8. REST OF THE WORLD

8.1 SUMMARY

- During the reporting period, NILGOSC voted at 40 events at 31 companies. There were 25 AGMs, 12 EGMs and three OGMs.
- NILGOSC voted in opposition to management on 106 (31.27%) of 339 resolutions.
- All management proposed resolutions passed in the region.
- There were no resolutions put forward by shareholders in the Rest of the World region during the period under review.

8.2 DISSENT BY RESOLUTION CATEGORY

Table 17 below notes the number of resolutions opposed by NILGOSC as a percentage by resolution category.

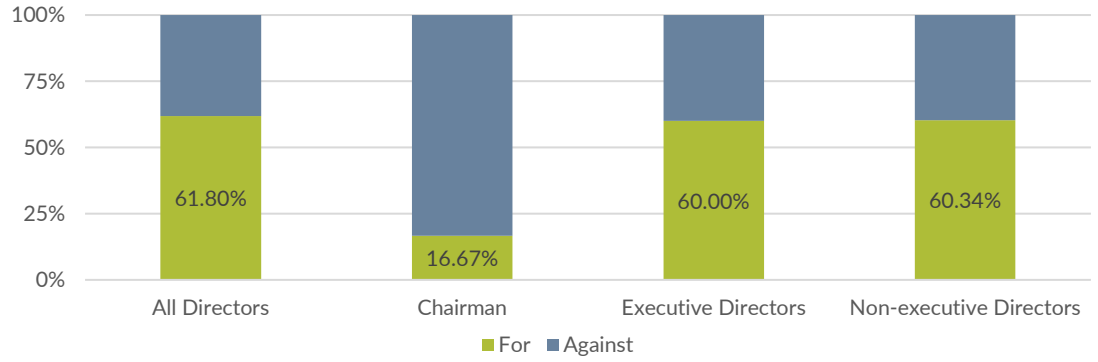
Table 17: NILGOSC Dissent by Resolution Category Rest of the World

RESOLUTION CATEGORY	RESOLUTIONS	NILGOSC DISSENT %	AVERAGE SHAREHOLDER DISSENT*	NILGOSC ACTION
Board	99	35.35%	3.99%	All oppositional votes in the category related to director election resolutions where NILGOSC had concerns with the composition of the board or with the individual director candidate.
Capital	97	17.53%	6.01%	NILGOSC opposed 41.58% of share buybacks and 15.25% of resolutions to issue shares.
Audit & Reporting	72	48.61%	0.67%	NILGOSC opposed 56.82% of report & account resolutions and 55.56% of auditor (re-)elections.
Remuneration	31	51.61%	7.26%	NILGOSC voted against both remuneration reports and 62.50% of LTIP resolutions in the region. In addition, NILGOSC opposed both resolutions seeking approval of a share award to an individual director and 40.00% of non-executive remuneration resolutions.
Shareholder Rights	22	4.55%	0.63%	NILGOSC opposed a resolution to amend the articles of association due to insufficient disclosures provided by the company in respect of the proposed amendments.
Corporate Actions	14	7.14%	0.28%	NILGOSC opposed a resolution seeking approval of the provision of external guarantees to subsidiaries due to disclosure concerns.
Sustainability	3	0.00%	0.47%	NILGOSC supported all sustainability-related resolutions in the Rest of the World region.

**Based on NILGOSC portfolio and voting results availability. There was one resolution in the 'Other' category. The resolution was to conduct any other business presented at the AGM of PTT Public Company, as no shareholders proposed any agenda item for consideration the resolution was withdrawn.*

8.3 BOARD

Figure 11: NILGOSC Director Elections Voting Direction Rest of the World



NILGOSC voted against five of six board chair (re-)election resolutions and shareholder dissent averaged 3.82%. The most common issues were that the board chair was not independent, and no lead independent director had been appointed; and there was no disclosure to suggest that non-executives held meetings without the executives present.

NILGOSC typically opposed executive director (re-)elections within the Rest of the World portfolio where the nominee held an excessive number of other directorships or when the executive director also served as chair of the board. Executive directors averaged general shareholder dissent of 3.15%.

In the India market companies combine the resolution to elect an executive to the board with the approval of their contractual entitlement to remuneration. NILGOSC voted against executive elections in the market where concerns were held with the nominee's proposed remuneration terms.

NILGOSC voted against non-executive directors in instances where the board and/or committee composition subsequent to that appointment would have fallen short of recommended local market good practice due to independence concerns. Other issues included committee specific issues, such as the audit committee's oversight of audit fees, as well as overboarding and attendance concerns. NILGOSC voted against 39.66% of non-executive directors standing for (re-)election. The average general shareholder dissent on non-executive directors was 4.64%.

NILGOSC voted against all resolutions to elect directors by way of a slate in the Rest of the World portfolio. NILGOSC considers it good practice for directors to be elected on an individual basis, rather than by way of slate which limits individual director accountability.

Table 18: High Shareholder Dissent – Directors Rest of the World

COMPANY	COUNTRY	DIRECTOR	DISSENT	OUTCOME	NILGOSC VOTE	COMMENTS
China Resources Land Ltd	Hong Kong	Yan Wang	49.46%	Passed	**Against**	The nominee held a significant number of other directorships, was non-independent and sat on key committees.
China Resources Land Ltd	Hong Kong	Kam To Wan	18.84%	Passed	**Against**	The nominee held a significant number of other directorships, was non-independent and sat on key committees.
Ping An Insurance (Group) Company of China Ltd	China / Hong Kong	Xiaoping Yang	14.07%	Passed	**Against**	The nominee was non-independent and sat on the Audit Committee.
Ping An Insurance (Group) Company of China Ltd	China / Hong Kong	Chearavanont Soopakij	11.13%	Passed	**Against**	The nominee held a significant number of other directorships, was non-independent and sat on key committees.
China Resources Land Ltd	Hong Kong	Y (Andrew) Yan	10.26%	Passed	**Against**	The nominee was non-independent and sat on the Audit and Remuneration Committees.

8.4 REMUNERATION

8.4.1 Remuneration Reports

NILGOSC voted against both remuneration report approvals in the Rest of the World. There were no remuneration policy resolutions voted on by NILGOSC in the region during the period due to the differing market practices across the region. The resolution to approve the remuneration report at Australian mining business South32 Ltd received 21.17% dissent. NILGOSC voted against the resolution due to concerns with the alignment of executive pay with shareholder interests and the high level of incentive pay available to the CEO.

8.4.2 Level of Director's Fees

NILGOSC voted against 40.00% of resolutions pertaining to the level of director fees. The most common issues were remuneration not being disclosed on an individual basis and non-executives receiving remuneration other than director fees. NILGOSC continues to push companies to provide adequate disclosures on remuneration and considers aggregate remuneration disclosures insufficient to take informed voting decisions.

8.4.3 Incentive Pay

NILGOSC opposed both resolutions seeking to grant a share award to an individual director due to concerns with the length of the applicable performance period. NILGOSC also voted against five of eight LTIP resolutions and one employee share plan due to concerns regarding the disclosure on the plan's operation and the performance conditions applicable to executive awards. The resolutions received average dissent of 13.98%. One resolution received over 20% dissent, the grant of share awards to the CEO of South32 Ltd (21.26%). NILGOSC had concerns regarding the size of the grant of shares and the length of the performance period.

8.5 AUDIT & REPORTING

8.5.1 Report & Accounts

NILGOSC voted against 56.82% of report & account approvals and such resolutions averaged 0.48% dissent. The most common concerns related to sustainability reporting and a lack of disclosure on whether non-executive directors met independently of the executives or if a board evaluation process was in place. In a number of cases the lack of availability of an English language version of the annual report in advance of the AGM was a contributing factor. It remains a matter of concern for institutional investors that the annual report and meeting materials are available in English in a timely fashion ahead of the proxy voting deadline.

8.5.2 Auditor Elections

NILGOSC opposed 10 of 18 (55.56%) auditor (re-)election resolutions in the region. The most common reasons for opposition related to concerns over tenure and no recent, or planned, audit tender; a lack of disclosure regarding audit and non-audit fees; and the provision of material non-audit related services. Auditor (re-)election resolutions received average shareholder dissent of 1.44%.

8.6 CAPITAL

NILGOSC voted against 15.25% of requested share issue authorities in the region with the primary reason being that the authority sought for the dis-application of pre-emption rights exceeded 10% of the share capital. Share issue resolutions received average dissent of 11.65%. There were 11 authority requests opposed by NILGOSC that received over 10% dissent and all of these were at companies listed on the Hong Kong market.

NILGOSC also opposed 41.48% of proposals to allow a company to make market purchases of its own shares and such resolutions received average dissent of 1.81%. The key issue for opposition concerned creeping control concerns in respect of a major shareholder that could see an increase in the percentage of the share capital they held.

9. SUSTAINABILITY DISCLOSURE

Climate change has been a key issue of focus from both investors and regulators in recent years. Following the Paris climate agreement, investors cannot overlook the implications for investment risks and returns amidst a shift in market sentiments towards a transition to a low carbon economy.

Climate change is already impacting economies and markets today. The Stern Review on the Economics of Climate Change estimates that left unabated, the global costs of climate inaction are equivalent to losing between 5 and 20% of global gross domestic product each year, now and forever. Climate action has been internationally prioritised as Goal 13 of the United Nations Sustainable Development Goals (SDGs), a framework for overcoming global challenges such as poverty and public health, all inextricably linked to climate change. A 2014 report published by the United Nations Conference on Trade and Development estimated achieving the SDGs requires a shift in global investments of US$5 to US$7 trillion per year until 2030, with climate-related costs of inaction valued at US$1 trillion per year.

How companies are aligning their business models to the climate goals of the Paris Agreement, and responding to climate change risks and opportunities are therefore important to investors.

9.1 TCFD RECOMMENDATIONS

The G20's Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) has developed voluntary, consistent climate-related financial risk disclosures to help investors, lenders, insurers, and other stakeholders understand, measure and respond to climate change risks. Since its launch, the TCFD has become the de facto climate framework for global regulators, including the UK. The TCFD framework recommends companies to make public disclosures, i.e. in annual reports, on:

- **Governance**: The organisation's governance around climate-related risks and opportunities.
- **Strategy**: The actual and potential impacts of climate-related risks and opportunities on the organisation's business, strategy and financial planning.
- **Risk Management**: The processes used by the organisation to identify, assess, and manage climate-related risks.
- **Metrics and Targets**: The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

NILGOSC supports the recommendations of the TCFD and encourages the companies it is invested in to comply with them and report their climate risks under the framework. NILGOSC's corporate governance research provider Minerva Analytics Ltd is an accredited supporting company of TCFD.

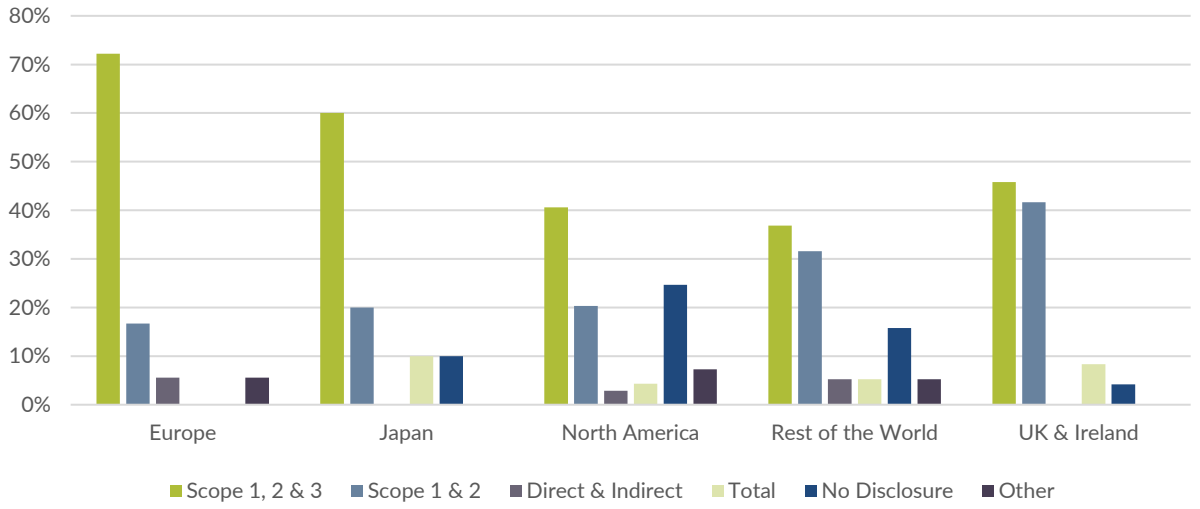
9.2 CARBON DISCLOSURE

An analysis of the carbon disclosures of NILGOSC's global portfolios identified that:

- No disclosure of emissions data remained highest amongst North American companies, with a quarter (24.64%) providing no disclosure. The North America region also displayed a lack of consistency in how companies reported emissions data, making comparability problematic. For example, companies in the region were more likely to report on emissions efficiency or emissions saved from certain projects only, or the percentage change in emissions efficiency year-on-year.
- The only UK company which failed to report emissions data was not listed on a Main Market of the London Stock Exchange (LSE), which means that, in accordance with the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2019, the company was not required to report on its greenhouse gas emissions.

- Scope 1 & 2/scope 1, 2 & 3 reporting rates were highest amongst UK and European companies (UK: 87.50%, Europe: 88.89%).

Figure 12: Regional Carbon Disclosure



Four companies chose to disclose direct & indirect emissions, including Agricultural Bank of China Ltd (Rest of the World), ZTO Express (Cayman) Inc, Hormel Foods Corp (both North America) and Prosegur Compania de Seguridad SA (Europe). Direct & indirect emissions comprise 100% of emissions from activities by a company and also include emissions from certain other activities, such as contracted drilling activities. Whilst the companies did disclose all required data as per IPIECA guidelines for reporting greenhouse gas emissions, their method of disclosure prevents comparisons with other companies.

10. CONCLUSION

As direct owners of shares, NILGOSC can have a positive influence on the running of the companies it invests in. Most shares give their owners a right to vote on some company decisions, such as whether to take over another company or approve executive remuneration. Voting usually takes place at each company's AGM.

Voting shares is therefore a pivotal tool through which shareholders can voice their opinion and act as good stewards. Should an investor use its governance preferences purely as a means of selecting companies in which to invest, the choice would be between compromising the investible universe of companies (not a choice which sits comfortably alongside the fiduciary obligation to maximise returns on investment) or compromising the values of the investor.

There is therefore a fiduciary duty for investors, especially public sector pension funds who hold shares on behalf of thousands of individual members, to hold management to account for the corporate culture of some of the largest companies as economic actors and for their social and environmental impact. Many of the voting rights shareholders have today have been granted over time with company law developments, often in response to public policy problems caused by failures of governance.

The 2020 and 2021 voting seasons have taken place in unprecedented times and the coronavirus pandemic may also impact future regulatory initiatives. Companies have postponed shareholder meetings and amended the articles of association to allow for online only meetings. Companies have also taken action to protect balance sheets and preserve cash resources by suspending dividends and buybacks and reducing executive and employee remuneration.

The pandemic is also helping increase awareness that companies must focus on long-term sustainability and environmental factors over short-term profits. These factors are complicating board decision-making, challenging the shareholder-centric model of governance and emphasising to companies the need for the social licence to operate.

This year initiates the first five-year review of the Paris Agreement, delayed by a year due to COVID-19, in which each country is expected to update their Nationally Determined Contributions. With COP26 almost upon us in November 2021, responsible investors everywhere are looking to align themselves with the international climate conference. Climate risks have tangible financial implications for asset owners and asset managers alike, giving them a key role to play in driving progress in the transition to a low-carbon world. A number of reactive initiatives have emerged to support climate aware investors, such as The Transition Pathway Initiative (TPI) and the Institutional Investors Group on Climate Change (IIGCC).

One approach to climate stewardship that has recently attracted attention is the 'Say on Climate' initiative launched in 2020 by the Children Investment Fund Foundation. The Say on Climate calls for annual disclosure of emissions and a plan to reduce emissions, and an annual shareholder vote on the climate transition plan. Despite being a newly emerged initiative, it has already succeeded in getting a shareholder vote on climate plans on the agenda of companies in several major markets in 2021. The emergence of the Say on Climate global initiative is a clear indication of the increasing relevance of climate change to investors and companies, and we can expect to report on voting activity on Say on Climate votes in the next reporting period.

In total, NILGOSC voted contrary to management recommendation on 33.32% of resolutions, demonstrating an active approach to voting. NILGOSC's dissent is broken down as follows:

- 31.48% of management sponsored resolutions were voted contrary to management recommendation; and
- 91.18% of shareholder sponsored resolutions were voted contrary to management recommendation.

NILGOSC's dissent has increased by 1.71 percentile points from last year's dissent level of 31.61% and is 28.44 percentile points higher than general shareholders. Average general shareholder dissent also increased, 4.88% compared to 4.26% in the previous year. Accordingly, NILGOSC's dissent level continues to stand significantly higher than the average shareholder.

Notably, resolutions which NILGOSC opposed management on received 9.12% dissent, more than three times the dissent for resolutions where NILGOSC supported management (2.75%). This highlights that NILGOSC has a robust voting policy which is consistent and aligned with other investors' governance concerns. At the same time, it is recognised that public sector pension funds do tend to have a much higher propensity to oppose management on resolutions than the general shareholder average.

There were 68 shareholder proposals put forward during the year, down from 76 last year. The lower number of shareholder proposals is due to the overall lower number of resolutions voted, 2,222 compared to 2,801. The actual proportion of resolutions proposed by shareholders has slightly increased, at 3.06% of resolutions compared to 2.71% in 2020. The vast majority of shareholder resolutions continue to be proposed in North America (94.12%), where, in the absence of a national corporate governance code, active shareholders make use of shareholder resolutions as a tool to try and improve corporate governance and sustainability practices at companies. The remaining shareholder proposals took place in Europe (3) and Japan (1).

Key Shareholder Votes

NILGOSC opposed 11 management-proposed resolutions that were defeated (inclusive of eight say-on-pay frequency votes in the US) during the reporting period. NILGOSC voted against three remuneration reports in the US market that were voted down by shareholders. The resolutions occurred at AT&T Inc, Electronic Arts Inc and Walgreens Boots Alliance Inc.

NILGOSC supported nine successful shareholder-proposed resolutions targeted at improving shareholder rights and sustainability practices:

- **Sustainability**: two proposals requesting enhanced disclosure on political contributions (Netflix Inc and Omnicom Inc), one proposal requesting a climate transition report (Booking Holdings Inc), one proposal requesting a report on efforts to eliminate deforestation (Procter & Gamble Co), and one proposal requesting the adoption of GRI standards in tax reporting (Coloplast AS).
- **Shareholder Rights**: two proposals requesting the removal of supermajority voting requirements (Citrix Systems Inc and Netflix Inc), two proposals requesting the adoption of the right to take action by written consent (Borgwarner Inc and Electronic Arts Inc), and one proposal requesting a lowering of the threshold required to call special shareholder meetings (Dollar General Corp).

Board and remuneration related resolutions continue to be most flagged by NILGOSC's voting template, which is reflected in NILGOSC's dissent levels in these categories. Taken together, board and remuneration resolutions accounted for 67.43% (2020: 71.98%) of all NILGOSC's dissenting votes. Hence it may be plausible to question whether companies attribute significance to the quality of board input, as well as their approach and attitude towards pay for performance.

Director (re-)elections are the key point of accountability between the board and shareholders. It is the (non-executive) individuals on the board whose job it is to protect and look out for the interests of shareholders, so it follows that they are held accountable and that a wide number of considerations are taken into account. 43.78% of all NILGOSC's contrary votes were on board related resolutions and NILGOSC opposed management on 27.34% of all board resolutions.

The second most common group of policy issues identified relate to remuneration. Remuneration packages are increasingly complex, with both fixed and variable elements. Variable pay performance is measured over annual and (typically) three-year periods with multiple performance metrics often utilised. Voting decisions are based on the absolute levels of pay for the past year, the size of any increases proposed for the coming year and the alignment between performance targets and company strategy.

Key issues that investors considered when assessing remuneration committee decisions this year included the pandemic's impact on the company's wider employee population; the financial impacts on the business, including the need to preserve cash and take-up government aid; and the shareholder experience through share price performance and dividend decisions.

The debate on corporate governance continues to grow in importance, and the quality of governance scrutiny, and the perception of its importance, is on the increase. It is up to asset owners like the Northern Ireland Local Government Officers' Superannuation Committee to ensure that the quality and focus of this scrutiny is maintained by professional investors.