REVIEW OF PROXY VOTING 2023

PREPARED BY MINERVA ANALYTICS
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NILGOSC
NORTHERN IRELAND LOCAL GOVERNMENT OFFICERS'
SUPERANNUATION COMMITTEE

MINERVA
ANALYTICS

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1. 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 2022 to 30 June 2023. 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 Analytics Ltd (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 are 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, 4-6, 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 7 examines climate 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. The policy takes a robust and objective approach to the guidance that it generates in order to ensure a consistent application of NILGOSC's principles. Where the resolution in question is in line with the 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 (except in certain markets where it is the only voting option available to express opposition or dissent). These recommendations may or may not be carried out by NILGOSC's officers, who will take all available information into account when exercising NILGOSC's voting rights.

2. EXECUTIVE SUMMARY

2.1 REGIONS & COUNTRIES

NILGOSC voted at 203 shareholder meetings held by 151 companies over the period (1 July 2022 to 30 June 2023). The companies are listed in the following jurisdictions:

Europe: Denmark, France, Germany, Netherlands, Switzerland, United Kingdom

North America: Canada, United States

Rest of the World: Brazil, China, Hong Kong, India, Indonesia, Japan, Mexico, Peru Singapore, South Africa, South Korea, Taiwan and Thailand.

2.2 EUROPE

There were 15 shareholder meetings at 14 companies in the Europe portfolio, resulting in 325 resolutions. NILGOSC voted in opposition to management on 89 (27.47%) of 324 management-proposed resolutions. There was one resolution put forward by shareholders in the Europe portfolio (filed at Novo Nordisk AS). The proposal asked the firm to reduce the prices of vital medicines. The Board stated that the prices reflect the innovation and risks undertaken by in development; and are set and agreed with health authorities and buyers around the world. NILGOSC supported the Board's recommendation, voting against the proposal. It was defeated receiving less than 1% shareholder support.

2.3 NORTH AMERICA

NILGOSC voted at 76 company meetings held by 71 North American companies. North America was the region with the highest number of resolutions (1,097) and the second highest number of events (76). NILGOSC voted in opposition to management on 412 (42.96%) of 959 management-proposed resolutions. NILGOSC voted against all remuneration reports in the region, including four remuneration reports that were voted down by shareholders. The defeated remuneration reports occurred at CME Group Inc, Illumina Inc, Netflix Inc and Take Two Interactive Software Inc. NILGOSC also voted against one management-proposed director candidate at Illumina Inc that failed to receive majority support. NILGOSC voted 'For' on 100 (72.46%) of 138 shareholder proposals. NILGOSC supported six successful shareholder proposals during the period. The successful proposals included one proposal asking for a shareholder vote on severance pay, one proposal requesting the removal of supermajority voting provisions, one proposal requesting the shareholder right to nominate directors ('proxy access'), one proposal asking for a report on worker safety and well-being, one proposal asking for a report on the effectiveness of the company's diversity and inclusion efforts, and one proposal asking for a report on plastic packaging use.

2.4 REST OF THE WORLD

NILGOSC voted at 112 events at 66 companies. There were 63 Annual General Meetings (AGMs), 36 Extraordinary General Meetings (EGMs), nine Ordinary General Meetings (OGMs), three Court Meetings and one General Meeting (GM). The Rest of the World region represented the largest number of meetings voted and the second largest number of resolutions voted (886). NILGOSC voted in opposition to management on 316 (35.79%) of 883 resolutions. No management-proposed resolutions opposed by NILGOSC were defeated. The only management-proposed items that were unsuccessful in the region were procedural items (i.e., where there were multiple options to select the voting method to be used on director elections and only one could pass). There were three shareholder proposals in the Rest of the World region, and all were filed at Japan-listed Secom Co Ltd's AGM. NILGOSC supported two of the proposals; a proposal seeking a strengthening of director shareholding requirements and a proposal seeking increased board independence. All three proposals were unsuccessful.

2.5 KEY POLICY ISSUES

NILGOSC voted contrary to management on 39.82% of resolutions during the period (1 July 2022 to 30 June 2023), demonstrating an active approach to share voting. This is a decrease of 3.04% from last year's dissent of 42.86%. The general average dissent level (i.e., the meeting results data) for the year was 7.21% (2022: 6.31%), thus it can be assumed that shareholders tend to support management to a considerable extent.

During the period under review, six management-proposed resolutions, where NILGOSC voted against management recommendations were defeated (inclusive of one say-on-pay frequency vote in the US), and NILGOSC supported six successful shareholder proposals. In the previous year, 10 management proposals NILGOSC opposed were defeated (including two say-on-pay frequency votes in the US) and NILGOSC supported nine successful shareholder proposals.

NILGOSC opposed board-related resolutions more than any other category. Almost half (45.16%) of all dissenting votes were within this category, with audit & reporting (21.65%) the next largest source of dissenting votes (21.72%), followed by remuneration (20.02%).

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 1,206 policy flags; 687 for remuneration; 618 for audit & reporting; 146 for sustainability; 131 for capital; 79 for corporate actions; 45 for shareholder rights; seven for political activity; two for charitable activity; and two for 'other'. Readers should note that a single resolution may have more than one policy flag, and that board-related resolutions accounted for 51.00% of resolutions voted, when considering the large number of board-related policy flags. The overall number of policy flags, 2,923, is larger than last year's count of 2,815, due to changes in holdings within NILGOSC's global portfolio this year, compared to last. The overall proportion of resolutions with a policy flag has however actually fallen (56.20% compared to 57.84%).

For many of the issues identified in the analysis, portfolio companies will have provided explanations for non-compliance, in-line with the principle of "comply-or-explain". These explanations may, in some cases, be accepted, although NILGOSC has 'red lines' on certain governance matters.

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 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.

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.

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 ongoing general concerns for shareholders and continue to spark debate and regulatory initiatives. In 2023, these themes continue to have heightened focus due to expectations on the corporate response to the coronavirus pandemic recovery, the energy crisis and war in Ukraine, and the stakeholder experience in light of cost-of-living challenges.

3. MEETINGS AND VOTING SNAPSHOT

3.1 MEETINGS AND RESOLUTIONS BY REGION

NILGOSC voted on 2,308 resolutions during the period under review, 1 July 2022 to 30 June 2023, 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
Europe	14	1	15	324	1	325	23.14	1.00	21.67
North America	71	5	76	1,086	11	1,097	15.30	2.20	14.43
Rest of the World	63	49	112	691	195	886	10.97	3.98	7.91
TOTAL	**148**	**55**	**203**	**2,101**	**207**	**2,308**	**14.20**	**3.76**	**11.37**

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 (EGM) or a Special General Meeting (SGM) 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 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' and 'Abstain' 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 39.82% of all resolutions. In the case of shareholder proposals, this figure was over 70%.

The overwhelming number of resolutions were proposed by management, however, 6.15% of resolutions were proposed by shareholders, less than the proportion last year (7.19%). 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.

Of the 142 shareholder resolutions voted by NILGOSC during the year, 138 were in North America (last year: 100%), where, in the absence of a corporate governance code, active shareholders make use of shareholder resolutions as a tool to try and improve environmental, social and governance practices at companies. There were three shareholder resolutions proposed in the Rest of the World region and one in Europe.

3.3 NILGOSC ANNUAL VOTING

Table 2: NILGOSC Annual Voting Direction

MANAGEMENT RECOMMENDATION	NILGOSC VOTING				
	FOR	ABSTAIN	WITHHOLD	AGAINST	TOTAL
For	1,271	6	763	48	2,088
Abstain	2	74	-	-	76
Against	102	2	37	3	144
TOTAL	**1,375**	**82**	**800**	**51**	**2,308**

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 certain markets which allow abstentions as the only voting option to oppose a resolution and say-on-pay frequency proposals at US Companies. Technically, this 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. On all say-on-pay frequency proposals, NILGOSC voted for an annual frequency, and 'abstained' on the biennial and triennial frequency alternatives.

NILGOSC 'Withheld' its vote on resolutions where it was the only contrary voting option available to register dissent. Such instances occurred at shareholder meetings in the North America region where shareholders could either vote 'For' or 'Withhold' on a resolution.

3.4 GENERAL RESOLUTION CATEGORY ANALYSIS

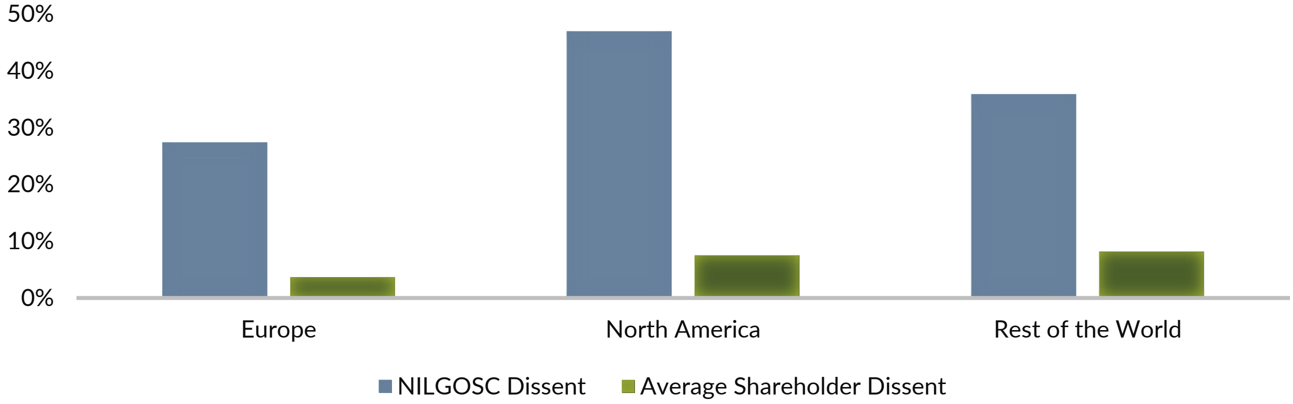
Table 3 shows the most common categories of resolutions at meetings voted at the companies within the NILGOSC portfolio on an annual basis. Minerva calculates the average dissent figure by aggregating all the poll data (expressed in terms of percentage of votes cast 'For') on all resolutions of that 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	283	70.32%	2.37%
Board	1177	35.26%	7.14%
Capital	163	12.88%	3.17%
Charitable Activity	2	0.00%	1.48%
Corporate Actions	74	6.76%	3.03%
Other	2	100.00%	-
Political Activity	9	66.67%	14.62%
Remuneration	356	52.12%	8.45%
Shareholder Rights	155	14.84%	11.45%
Sustainability	87	71.11%	20.85%
TOTAL	**2308**	**39.82%**	**7.21%**

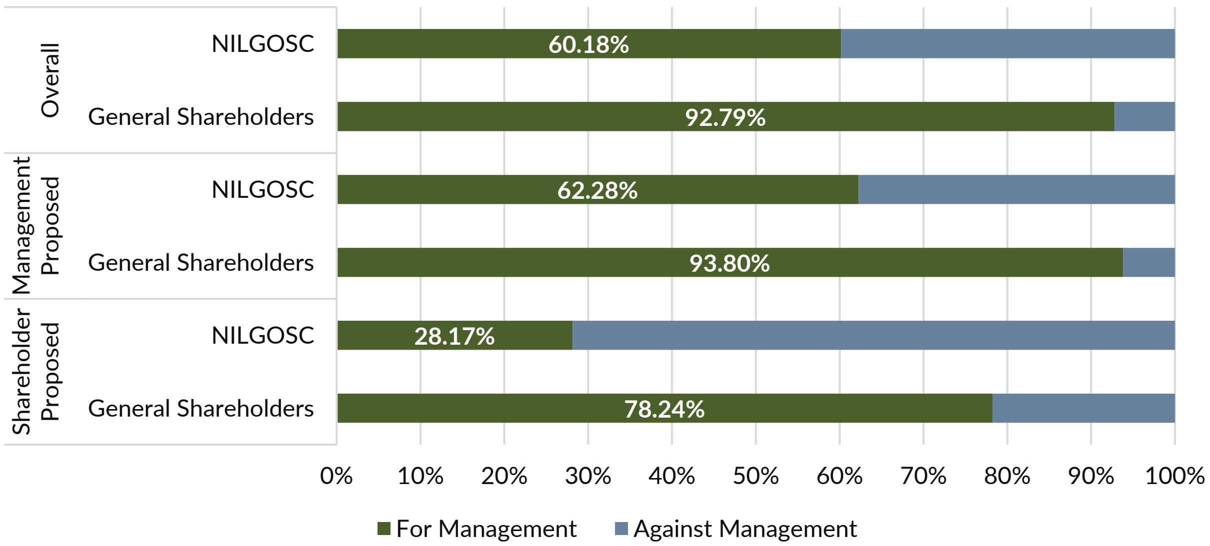
** Average Shareholder Dissent calculated from resolutions in respect of which shareholder voting results were available. No poll data was collected for two Any Other Business resolutions in the 'Other' category, as no shareholders proposed an agenda item for consideration.*

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 2023, Minerva has been able to collect poll data in respect of 93.50% of all resolutions. On a regional basis, Minerva has collected voting results for at least 85% of resolutions in each of the individual 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 7.21% - in other words, an approval rating of more than 92%. In terms of management-proposed resolutions, general shareholder dissent stood at 6.20% whereas, for shareholder-proposed resolutions, it stood at a much higher level of 21.76%. 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 919 occasions, which constitutes an overall average opposition level of 39.82%. As with the general shareholder pattern, NILGOSC’s dissent figure for shareholder-proposed resolutions were higher than that for resolutions proposed by management, 71.83% compared to 37.72%. 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. EUROPE

4.1 SUMMARY

- During the reporting period, there were 15 shareholder meetings in the Europe portfolio held by 14 companies, resulting in 325 resolutions (324 were management proposed and one was shareholder proposed).
- NILGOSC voted in opposition to management on 89 (27.47%) of 324 management proposed resolutions.
- There was one resolution put forward by shareholders in the Europe portfolio during the period under review. The proposal was filed at Novo Nordisk AS and asked the firm to reduce the prices of vital medicines. The board stated that the prices charged for Novo Nordisk's products reflect the innovation and risks undertaken by Novo Nordisk in development, and that the prices are set and agreed with health authorities and buyers around the world and recommended shareholders to oppose the proposal. NILGOSC did not support the proposal and it received 0.10% shareholder support.

4.2 DISSENT BY RESOLUTION CATEGORY

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

Table 4: NILGOSC Dissent by Resolution Category Europe

CATEGORY	RESOLUTIONS	NILGOSC DISSENT	AVERAGE SHAREHOLDER DISSENT*	NILGOSC ACTION
Board	154	27.92%	3.14%	The majority of NILGOSC's oppositional votes concerned director elections and the discharge of directors from liability.
Capital	55	14.55%	3.96%	NILGOSC opposed 13.79% of share issue authorities and 37.50% of share buyback authorities. NILGOSC also opposed one dividend approval due to concerns with dividend cover.
Remuneration	43	46.51%	6.43%	NILGOSC opposed 78.57% of remuneration reports and 75.00% of remuneration policy approvals. NILGOSC also voted against 80.00% of resolutions to approve the amount to be paid to an individual executive director.
Shareholder Rights	37	10.81%	4.75%	NILGOSC voted against four article amendments seeking the introduction of the ability to hold virtual-only meetings.
Audit & Reporting	32	40.63%	1.03%	NILGOSC voted against 64.29% of auditor (re-) elections and 28.57% of report & accounts resolutions.
Political Activity	1	0.00%	1.03%	NILGOSC voted in line with management on all political activity-related resolutions.
Sustainability	1	0.00%	0.36%	NILGOSC voted in line with management on all sustainability-related resolutions.
Corporate Actions	1	0.00%	7.26%	NILGOSC voted in line with management on all corporate actions-related resolutions.

** 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 Novartis AG, as no shareholders proposed any agenda item for consideration the resolution was withdrawn.*

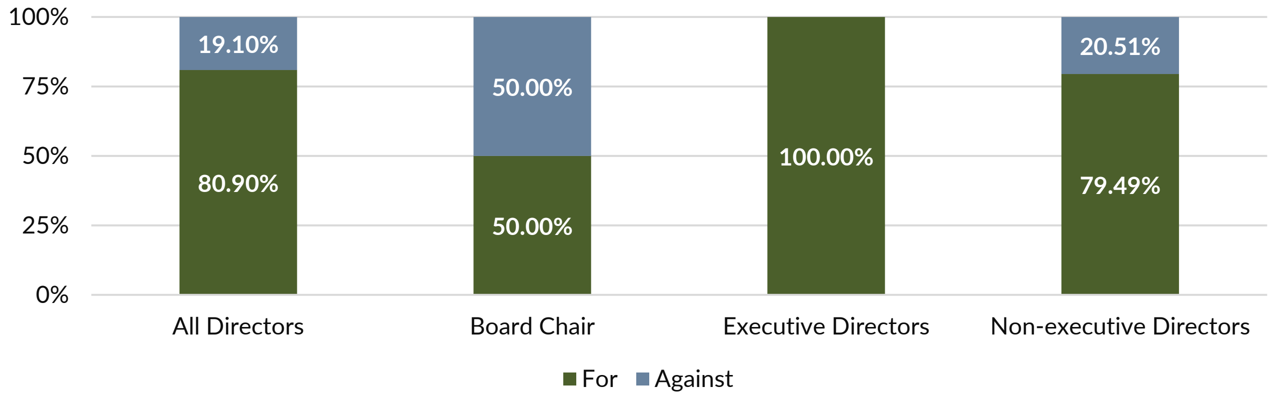
4.3 BOARD

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

Table 5: 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 3: NILGOSC Director Elections Voting Direction Europe



4.3.1 Executive Directors and Board Chairs

NILGOSC voted against 50.00% of board chair elections in the Europe region. The most common policy concerns related to chair independence, such as having previously served as the CEO. NILGOSC also held the chair accountable for concerns regarding board operational issues, including a lack of regular external board performance evaluations and where there were no disclosures to indicate non-executive-only meetings were held without executive directors present. NILGOSC voted in favour of all executive director elections in the reporting period. The average dissent for board chairs and executive director (re-)elections was 6.55% and 2.43% respectively.

4.3.2 Non-Executive Directors

NILGOSC voted against 20.51% of non-executives standing for (re-)election and the average general shareholder dissent was 3.32%. The common reasons for NILGOSC's oppositional votes were concerns regarding a non-executive director's independence and composition of the board and/or a board committee, where the director served on a committee and there were concerns with the committee's functioning, or where a nominee held a significant number of other directorships thereby raising aggregate time commitment concerns.

Table 6: High Shareholder Dissent – Directors Europe

COMPANY	COUNTRY	DIRECTOR	DISSENT	OUTCOME	NILGOSC VOTE	COMMENTS
SGS SA	Switzerland	Ian Gallienne	22.79%	Passed	**Against**	The nominee held a significant number of other directorships and there were independence concerns.
Geberit AG	Switzerland	Albert Baehny	17.19%	Passed	**Against**	The nominee served as Chair of the Board and was considered non-independent and there had also not been an external Board performance evaluation within the last three years
Nestlé SA	Switzerland	Paul Bulcke	9.29%	Passed	**Against**	NILGOSC considers that company boards should display a clear division of responsibilities at the top and was concerned that the nominee served as CEO prior to being appointed as Chair. Concerns were also held with the lack of a recent external Board performance evaluation.

4.4 REMUNERATION

Across Europe, 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 with varying approaches.

4.4.1 Remuneration Reports and Remuneration Policies

NILGOSC opposed 78.57% of remuneration reports and 75.00% remuneration policies voted on in the European region. The average general shareholder dissent was 9.90% and 4.97% respectively.

Table 7: High Shareholder Dissent – Remuneration Reports and Remuneration Policies Europe

COMPANY	COUNTRY	DISSENT	OUTCOME	NILGOSC VOTE	COMMENTS
Novartis AG (Report)	Switzerland	19.35%	Passed	**Against**	Concerns included incomplete disclosure of performance conditions, overlap of performance metrics under the bonus plan and LTIP, high bonus cap, and the fact that some elements of incentive pay were pensionable. The high level of incentive pay awarded during the year, potentially excessive severance provisions and lack of disclosure around dilution limits.
Nestlé SA (Report)	Germany	17.84%	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 the level of incentive pay awarded during the year.
Allianz SE (Report)	Germany	17.06%	Passed	**Against**	Concerns included a weak alignment of interests between executives and shareholders, incomplete disclosure of performance targets, potentially excessive severance provisions, high levels of incentive pay available and historic payout levels, when viewed against Company performance, suggesting that stretching targets have generally not been set for either the annual bonus or the LTIP.

4.5 AUDIT & REPORTING

4.5.1 Reports & Accounts

NILGOSC opposed 28.57% of resolutions to approve the report & accounts in Europe and the average general shareholder dissent was 0.33%.

The common issues contributing to NILGOSC's oppositional votes were cases where NILGOSC considered the level of sustainability disclosure provided by a company to be inadequate and/or a lack of disclosures to indicate that non-executive-only meetings took place.

4.5.2 Auditor Elections

NILGOSC opposed nine of 14 auditor (re-)election resolutions in the European market. The most common reasons for opposition related to instances where there was no disclosure to indicate the external auditor has taken account of climate risks in their report and concerns regarding the disclosure provided on non-audit fees and services. Auditor (re-)election resolutions received average shareholder dissent of 2.02% in the European portfolio.

4.6 CAPITAL

4.6.1 Capital Authorities

NILGOSC opposed 13.79% of share issue authorities sought in the European region and such resolutions received average shareholder dissent of 7.06%. 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), where duration of the authority was considered too long (more than three years), and due to concerns regarding the impact issuances may have on shareholder rights, due to the capital structure including a deviation from the one-share one-vote principle.

NILGOSC opposed 37.50% of resolutions allowing companies to make market purchases of their own shares. Concerns regarding creeping control and the size of the maximum purchase price were the factors for NILGOSC's oppositional votes. The average general shareholder dissent on share buybacks was 1.61%.

NILGOSC also opposed a resolution to appropriate the profit and to approve the dividend for the year ended 31 December 2022 at Novartis AG due to concerns the dividend was too high in comparison to profits, thereby raising concerns over capital allocation strategy.

5. NORTH AMERICA

5.1 SUMMARY

- During the reporting period, NILGOSC voted at 76 company meetings held by 71 North American companies. North America was the region with the highest number of resolutions (1,097) and the second highest number of events (76).
- NILGOSC voted in opposition to management on 412 (42.96%) of 959 management proposed resolutions.
- Four remuneration reports and one director election opposed by NILGOSC were voted down by shareholders during the period.
- NILGOSC voted 'For' on 100 (72.46%) of 138 shareholder proposals.
- NILGOSC supported six successful shareholder proposals during the period. The successful proposals were as follows: one proposal asking for a shareholder vote on severance pay; one proposal requesting the removal of supermajority voting provisions; one proposal requesting the shareholder right to nominate directors ('proxy access'); one proposal asking for a report on worker safety and well-being; one proposal asking for a report on the effectiveness of the company's diversity and inclusion efforts; and one proposal asking for a report on plastic packaging use.

5.2 DISSENT BY RESOLUTION CATEGORY

Table 8 below shows the number of resolutions opposed by NILGOSC as a percentage by resolution category.

Table 8: NILGOSC Dissent by Resolution Category North America

RESOLUTION CATEGORY	RESOLUTIONS	NILGOSC DISSENT	AVERAGE SHAREHOLDER DISSENT*	NILGOSC ACTION
Board	663	39.97%	6.08%	Over 95% of NILGOSC's opposing votes concerned director elections. NILGOSC supported 13 of 19 board-related shareholder proposals.
Remuneration	213	43.19%	7.71%	NILGOSC voted against all remuneration reports and all LTIP related resolutions. NILGOSC supported 10 shareholder proposals.
Sustainability	89	71.91%	21.08%	All Sustainability resolutions were proposed by shareholders. NILGOSC supported 71.91% of the proposals.
Audit & Reporting	77	92.21%	3.43%	NILGOSC voted against 98.55% of auditor (re-) elections and three report & accounts approvals.
Shareholder Rights	24	45.83%	10.15%	NILGOSC voted against four article amendments seeking the introduction of the ability to hold virtual-only meetings. NILGOSC also supported seven shareholder proposals seeking enhancements to governance and shareholder rights practices.
Capital	15	20.00%	1.92%	NILGOSC voted against two share issue authorities and one share buyback authority.
Political Activity	8	75.00%	16.32%	All of NILGOSC's oppositional votes in the category were via support for shareholder proposals asking for enhanced transparency on political expenditure and/or lobbying.
Corporate Actions	8	0.00%	0.15%	NILGOSC voted in-line with management on all corporate actions-related resolutions.

**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 Financial Reporting Council'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 other developed markets, which partly explains why NILGOSC's dissent was higher in the North American region as compared to Europe.

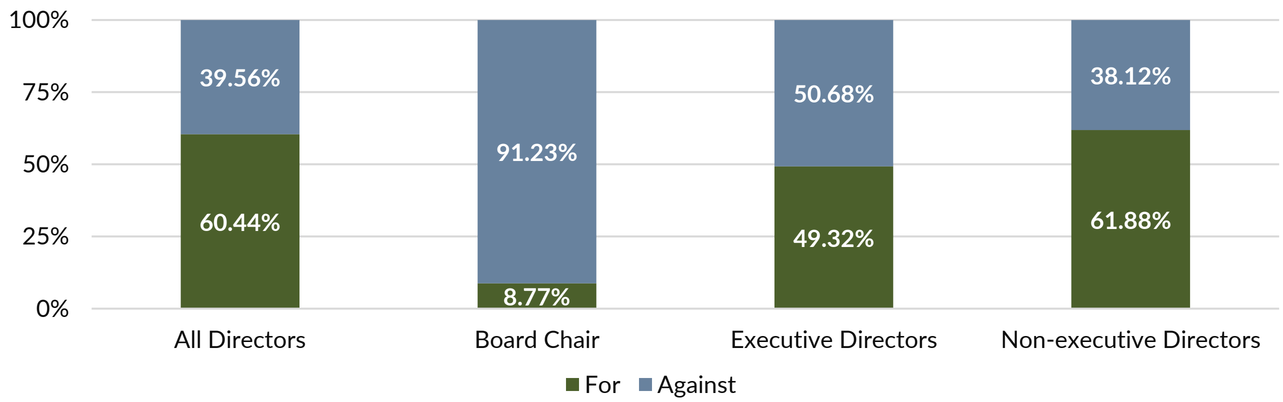
5.3 BOARD

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 non-independent directors if the board falls short of this level of independent representation.

Some 67.15% of resolutions in North America proposed by management dealt with the board and 13.77% 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 4: NILGOSC Director Elections Voting Direction North America



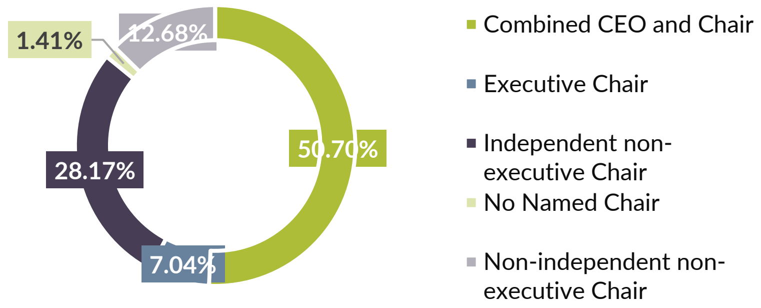
5.3.1 Executive Directors and Board Chairs

NILGOSC opposed 91.23% of board chair (re-)elections. The two most common reasons for opposition were independence concerns, typically due to: the combined chair and chief executive officer (CEO) roles, and/or 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 7.09% and 4.65% 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 chair 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, 50.70% of companies in NILGOSC's North America portfolio combined the roles. Whilst 40.85% of companies had a non-executive chair, 31.03% of the non-executive chairs had a potential independence issue identified, such as being a former executive or having long tenure. One company did not have a named board chair at the time of voting (NVIDIA Corp).

Figure 5: NILGOSC Board Chair Independence North America



5.3.2 Non-executive directors

NILGOSC opposed 38.12% of non-executive director (re-)elections. NILGOSC primarily voted against non-executives where independence issues were identified with the director and the board, or where 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 5.60%.

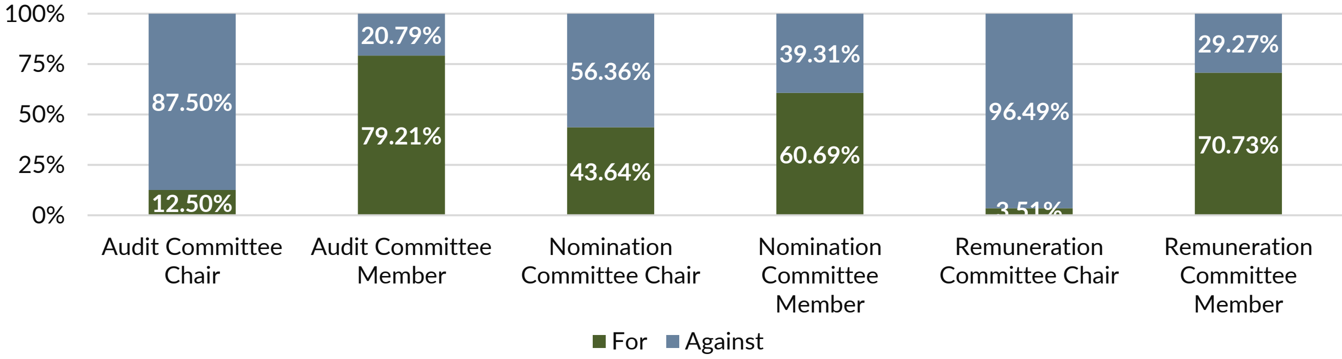
NILGOSC voted against 68.75% of lead independent director (re-)elections. The vast majority of cases were due to the nominee being considered non-independent or where the nominee chaired a committee and concerns were held with the committee's oversight functions, such as remuneration structure and disclosure issues. Lead independent director (re-)elections received average dissent of 8.78%.

Table 9: High Shareholder Dissent – Directors North America

COMPANY	DIRECTOR	DISSENT	OUTCOME	NILGOSC VOTE	COMMENTS
Illumina Inc	John Thompson	65.58%	**Defeated**	**Withhold**	The nominee served as Board Chair and concerns were held with the composition of the board and the lack of a recent external board performance evaluation.
CME Group Inc	Charles Carey	45.50%	Passed	**Against**	The nominee was considered non-independent and served as Chair of the Remuneration Committee. Ongoing concerns were also held with remuneration.
CME Group Inc	Daniel Glickman	38.09%	Passed	**Against**	The nominee was considered non-independent and served on the key committees and the Board was insufficiently independent.
Tesla Inc	Ira Ehrenpreis	36.68%	Passed	**Against**	The nominee was considered non-independent and served as Chair of the Nomination and Remuneration Committee. Ongoing concerns were also held with remuneration and board diversity oversight.
CME Group Inc	Terry Savage	36.39%	Passed	**Against**	The nominee was considered non-independent and served on the key committees and the Board was insufficiently independent.

5.3.3 Board Committees

Figure 6: NILGOSC Board Committees Voting Direction North America



As Figure 6 shows, NILGOSC is generally more likely to vote against the chair of a committee rather than its individual members. The chair 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 8.22%, with nomination committee chairs receiving 10.07%, remuneration committee chairs 8.55%, and audit committee chairs 6.11%.

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 from 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 the fiscal year. The entitlement of the directors to remuneration is not conditional upon the approval of this resolution. However, most companies that 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. 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 to hold 'say on pay' votes on an annual, biennial, or triennial basis. 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, 40 companies held a vote during the year compared to only one in the previous year. NILGOSC voted in accordance with good practice recommendations and supported the annual frequency in all cases. 38 of the companies recommended shareholders to support an annual frequency and the annual frequency option was successful in each case. The exceptions to this were at Berkshire Hathaway Inc and Tesla Inc. Both boards recommended a triennial frequency. Whilst the triennial frequency passed at Berkshire Hathaway, the annual frequency was successful at Tesla.

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

North American remuneration policies typically contain many practices viewed as unacceptable in other markets, such as in Europe. This divergence in practice resulted in NILGOSC opposing 100% of remuneration reports in the region. Based on company disclosures, there was an average dissent of 15.43% on remuneration report approvals.

NILGOSC incorporates consideration of the Minerva Total Remuneration Assessment when voting on executive remuneration. The Minerva Total Remuneration Assessment looks at four key policy elements of executive reward: alignment, quantum, contracts, and dilution. Companies are assigned a grade on a scale of A to F and NILGOSC will vote against companies assessed as having poor remuneration governance.

This year NILGOSC voted against four say on pay votes in the region that were defeated, up from three in the previous reporting period. Netflix has received high dissent on remuneration in consecutive years, including defeats in 2019 and 2022, indicating the board has not fully addressed shareholder concerns.

Table 10: High Shareholder Dissent – Remuneration Reports North America

COMPANY	DISSENT	OUTCOME	NILGOSC VOTE	COMMENTS
Illumina Inc	86.13%	**Defeated**	**Against**	Concerns included the overall remuneration structure, a lack of disclosures to indicate that the Remuneration Committee considers ESG issues when setting performance targets for incentive remuneration and pay ratio concerns.
Netflix Inc	71.25%	**Defeated**	**Against**	Concerns included the overall remuneration structure, a lack of disclosures to indicate that the Remuneration Committee considers ESG issues when setting performance targets for incentive remuneration, pay ratio concerns and lack of response to shareholder concerns.
CME Group Inc	67.92%	**Defeated**	**Against**	Concerns included the overall remuneration structure, a lack of disclosures to indicate that the Remuneration Committee considers ESG issues when setting performance targets for incentive remuneration, pay ratio concerns and lack of response to shareholder concerns.
Take Two Interactive Software Inc	58.10%	**Defeated**	**Against**	Concerns included the overall remuneration structure and a lack of disclosures to indicate that the Remuneration Committee considers ESG issues when setting performance targets for incentive remuneration.
Zoom Video Communications Inc	36.49%	Passed	**Against**	Concerns included the overall remuneration structure, a lack of disclosures to indicate that the Remuneration Committee considers ESG issues when setting performance targets for incentive remuneration and pay ratio concerns.

5.4.2 Incentive Pay

Approval (or re-approvals) of Long-term Incentive Plans (LTIPs) attracted average general shareholder dissent across the market of 6.24%. NILGOSC voted against all LTIP resolutions. One company received over 10% dissent: Electronic Arts Inc. The most common issues for NILGOSC's oppositional votes were: a short vesting and/or performance period; the scheme allowed for the vesting of awards on favourable terms in the event of a change of control i.e., where options would vest without reference to performance; and the fact that non-executive directors could participate in the scheme.

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 3.64% and NILGOSC voted against 98.55% of such resolutions. The most common policy issue related to auditor tenure and no recent, or planned, audit tender. Unlike other markets, such as in the European Union, there are no regulatory requirements in the US or Canada on mandatory audit rotation, resulting in a number of companies having the same auditor in place for an extended period of time. Another common concern was that there was no disclosure to indicate the external auditor had taken account of climate risks in their report.

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 approval. The resolutions received average dissent of 0.45% and NILGOSC opposed three of the report & account approvals due to concerns regarding sustainability disclosure concerns or due to there being no say on pay item on the AGM agenda.

5.6 SHAREHOLDER RIGHTS

5.6.1 Virtual Meetings

NILGOSC voted against four resolutions seeking shareholder approval of an amendment of the articles of association. The proposed article amendments opposed occurred at BioNTech SE and Nio Inc and concerned the ability to hold virtual-only shareholder 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 backed the online switch during the coronavirus 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 has published a discussion paper on the future of annual general meetings. There could be an expectation that companies utilise hybrid meetings – a mix of online and physical - when the opportunity arises. NILGOSC will support article amendments seeking the ability to hold virtual meetings provided the articles state virtual-only meetings will be held only in exceptional circumstances, such as due to pandemic restrictions.

5.7 SHAREHOLDER PROPOSALS

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 voted on 138 shareholder resolutions in the North America portfolio during the reporting period, this compares to 166 in 2022 and 64 in 2021.

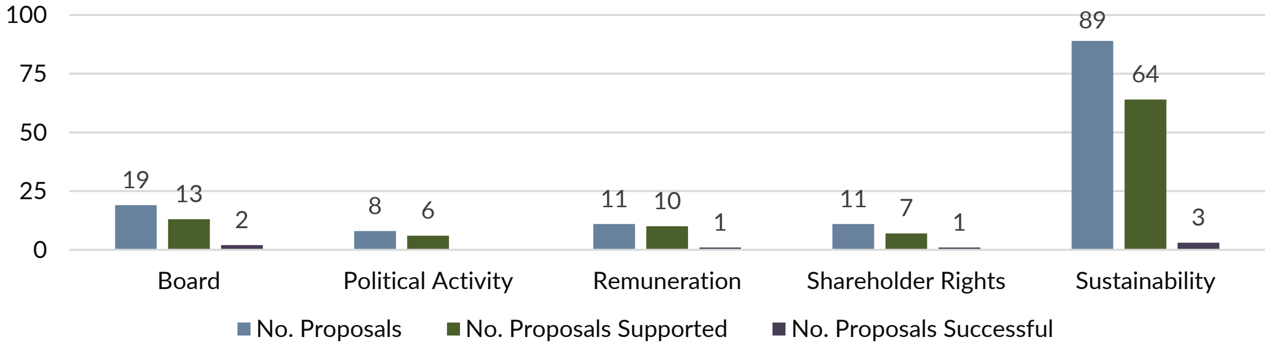
The US Securities Exchange Commission ("SEC") has had an impact on the number of shareholder proposals coming to a vote in the market in recent years. Following the SEC's release of Staff Legal Bulletin No. 14L in November 2021, US-listed companies are faced with a significantly lower likelihood of obtaining approval to exclude shareholder proposals from the voting agenda meaning a greater number of proposals came to a vote in the 2022 and 2023 AGM seasons.

In July 2022, the SEC proposed further amendments to the substantive bases for the exclusion of shareholder proposals which narrowed a company's ability to exclude shareholder proposals on substantial implementation, duplication, and resubmission grounds. The SEC targeted approval of these amendments by October 2023, which means the 2024 proxy season could see further changes in how companies approach no-action requests. Additionally, the Financial Services Committee of the US House of Representatives recently formed a Republican ESG Working Group, which has identified reforming the Rule 14a-8 no-action request process as a key priority of the Working Group's focus on reforming the proxy voting system for retail investors.

NILGOSC values the right of shareholders to submit proposals to company general meetings. NILGOSC will vote in favour of shareholder proposals that promote good corporate citizenship while enhancing long-term shareholder value, sustainability, and good governance. NILGOSC will vote against shareholder proposals that are misaligned with these principles and proposals that, in its assessment, are considered duplicative of existing company disclosure, practice and policy; or are too prescriptive and seek to micromanage the company.

This year shareholders continued to put forward proposals on sustainability concerns, with proposals relating to human rights & workforce and environmental practices (including climate change) being the most numerous.

Figure 7: Shareholder Proposals – North America



This year shareholder proposals received a lower level of average support than in the previous year, with average support (i.e., votes cast in favour) of 20.32% compared to 22.86% in the previous year – representing a consecutive decline in average shareholder support on shareholder proposals. NILGOSC supported six successful proposals, representing 4.35% of all shareholder proposals voted. In the previous reporting period NILGOSC supported nine successful proposals out of 166 proposals (5.42%). A shareholder-proposed dissident director candidate proposed at Illumina Inc also received majority support, although NILGOSC did not back the candidate, in line with the board's recommendation.

Table 11: Shareholder Proposals in North America

SUSTAINABILITY	In the Sustainability category, there were 89 shareholder proposals with 45 relating to human rights & workforce issues. These proposals covered topics such as gender & ethnic pay gap reporting, employee diversity disclosure, racial equity audits, and human rights policy and practices, and NILGOSC supported 31 of them. These proposals received average support of 20.12%. There were 29 proposals concerning environmental practices, of which NILGOSC supported 22. These proposals covered topics such as climate change, water risk management and the use of plastics. The environmental proposals received 17.76%% average support. The remaining proposals covered various ESG issues, including online content governance, board ESG expertise, responsible tax practice, animal welfare, and how pharmaceutical companies approach drug access and pricing. NILGOSC supported 11 of the remaining proposals in this category. NILGOSC supported three successful Sustainability shareholder proposals: one requested a report on worker safety and well-being (Dollar General Corp), one requested a report on the effectiveness of the diversity, equity, and inclusion efforts (Expeditors International of Washington Inc), and one requested a report on the use of plastic packaging (General Mills Inc).
BOARD	10 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 31.36%. NILGOSC supported two proposals concerning proxy access (the right for shareholders to nominate directors) and one asking Amazon to consider appointing an employee representative director.
POLITICAL ACTIVITY	There were eight 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 14.88% and NILGOSC supported six of the proposals.
SHAREHOLDER RIGHTS	The shareholder rights proposals supported by NILGOSC consisted of the right for shareholders to call a special meeting (3), recapitalisation plans to introduce the one-share, one-vote principle (1), the removal of supermajority voting provisions (1), requiring the board to seek shareholder approval prior to amending bylaw provisions concerning proxy access (1), and asking for greater engagement between the board and non-insider shareholders (1). Shareholder rights-related proposals received average support of 18.02%. NILGOSC supported one successful proposal in the category. The proposal was filed at AbbVie Inc and requested the replacement of supermajority voting requirements with the simple majority voting standard.
REMUNERATION	There were 11 remuneration-related shareholder proposals; such resolutions averaged 24.53% support and one was successful. NILGOSC supported 10 proposals, and these concerned five proposals asking the remuneration committee to consider employee pay and conditions when setting executive compensation, three asking for a shareholder vote on severance pay (including a successful proposal at Expeditors International of Washington Inc), and two asking for strengthened clawback provisions.

6. REST OF THE WORLD

6.1 SUMMARY

- During the reporting period, NILGOSC voted at 112 events at 66 companies. There were 63 AGMs, 36 EGMs, nine OGMs, three Court Meetings and one GM.
- NILGOSC voted in opposition to management on 316 (35.79%) of 883 resolutions.
- No management-proposed resolutions opposed by NILGOSC were defeated. The only items that were unsuccessful were procedural items (i.e., where there were multiple options to select the voting method to be used on director elections).
- There were three resolutions put forward by shareholders in the Rest of the World region during the period under review. All three items occurred at Japan-listed Secom Co Ltd, and none were successful. NILGOSC supported two of the proposals; a proposal seeking a strengthening of director shareholding requirements and a proposal seeking an increase to the level of independent representation on the board to a majority.

6.2 DISSENT BY RESOLUTION CATEGORY

Table 12 below notes the number of resolutions opposed by NILGOSC as a percentage by resolution category.

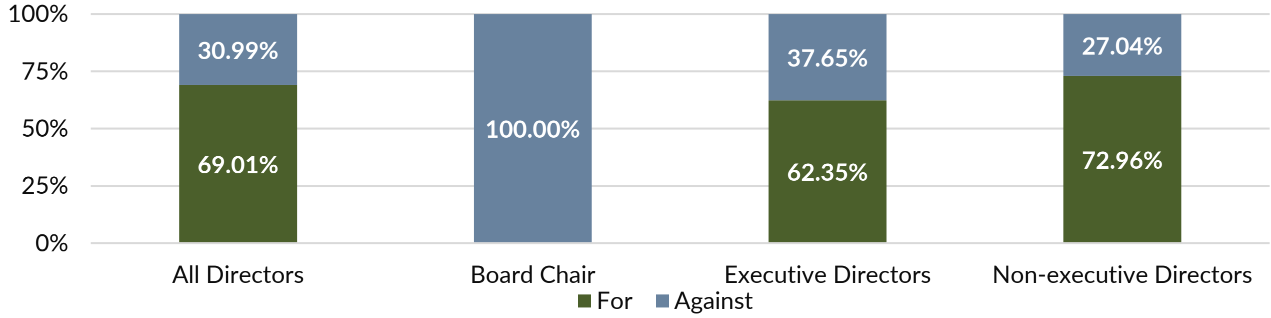
Table 12: NILGOSC Dissent by Resolution Category Rest of the World

RESOLUTION CATEGORY	RESOLUTIONS	NILGOSC DISSENT %	AVERAGE SHAREHOLDER DISSENT*	NILGOSC ACTION
Board	360	29.72%	5.58%	The majority (96.26%) of NILGOSC's oppositional votes in the category related to director elections where NILGOSC had concerns with the composition of the board or with the individual director candidate. NILGOSC supported one board-related shareholder proposal.
Audit & Reporting	174	66.09%	2.36%	NILGOSC opposed 88.04% of report & account resolutions and 87.50% of auditor (re-)elections.
Remuneration	97	74.23%	4.95%	NILGOSC voted against all remuneration reports and remuneration policies proposed. In addition, NILGOSC opposed 74.42% of LTIP approvals and 73.68% of non-executive remuneration resolutions. NILGOSC supported one remuneration-related shareholder proposal.
Shareholder Rights	94	8.51%	8.58%	NILGOSC opposed six resolutions to amend the articles of association due to concerns with disclosure and/or the impact on shareholder rights.
Capital	93	10.75%	4.90%	NILGOSC opposed 32.00% of share buybacks. NILGOSC also opposed one share issue authority and one dividend approval.
Corporate Actions	65	7.69%	3.18%	NILGOSC opposed three related party transaction approvals and two items seeking approval of corporate strategy due to concerns the proposals could expose the company to unnecessary risks and/or insufficient information was provided.
Charitable Activity	2	0.00%	0.05%	NILGOSC voted in line with management on all charitable activity-related resolutions.

**Based on NILGOSC portfolio and voting results availability. There was one resolution in the 'Other' category.*

6.3 BOARD

Figure 8: NILGOSC Director Elections Voting Direction Rest of the World



NILGOSC voted against all board chair (re-)election resolutions and shareholder dissent averaged 18.21%. The most common issues were that the board chair was not independent, and no lead independent director had been appointed; the chair served in an executive capacity; the board chair previously served as CEO; there was insufficient disclosure on board evaluation; 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 8.69%.

Additionally, in the Japanese market, NILGOSC opposed executive directors where the board was considered insufficiently independent. In the Indian 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 and the nomination committee's oversight of gender diversity, as well as over-boarding and attendance concerns. NILGOSC voted against 27.04% of non-executive directors standing for (re)election. The average general shareholder dissent on non-executive directors was 11.04%.

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 13: High Shareholder Dissent – Directors Rest of the World

COMPANY	COUNTRY	DIRECTOR	DISSENT	OUTCOME	NILGOSC VOTE	COMMENTS
Foshan Haitian Flavouring & Food Company Ltd	China	Cheng Xue	38.49%	Passed	**Against**	The nominee was considered non-independent, and concerns were held with the level of independence on the Board and its Committees.
	China	Pang Kang	17.06%	Passed	**Against**	The nominee served as combined CEO and Chair, concerns were held with Board independence, and no recent external board evaluation.
Suzhou Maxwell Technologies Co Ltd	China	Zhou Jian	17.03%	Passed	**Against**	The nominee served as Chair and was considered non-independent and no lead independent director had been appointed, no disclosure on non-executive-only meetings, and no recent external board evaluation.

6.4 REMUNERATION

6.4.1 Remuneration Reports

NILGOSC voted against all three remuneration report approvals in the Rest of the World and against both remuneration policy resolutions voted on in the region. The approvals of the remuneration report and the remuneration policy at South Africa-listed Clicks Group Ltd were the only items to receive over 20% shareholder dissent. NILGOSC voted against the remuneration resolutions at Clicks Group Ltd due to concerns over the structure and disclosure of remuneration, as well as the remuneration committee's lack of response to shareholder concerns, as the Company has received consecutive high dissent on remuneration.

6.4.2 Level of Director's Fees

NILGOSC voted against 73.68% 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 make informed voting decisions.

6.4.3 Incentive Pay

NILGOSC voted against 32 of 43 LTIP resolutions due to concerns regarding the lack of disclosure of an upper limit for individual awards, the length of the vesting and performance conditions applicable to executive awards, a lack of disclosure on the applicable performance conditions, and the fact that non-executive directors could participate in the scheme.

The LTIP resolutions received average dissent of 17.82%. The resolution to approve changes to the Board's Share-Based Incentive Plan at TOTVS SA only narrowly passed receiving 49.22% votes against. NILGOSC opposed the Plan due to concerns the performance period was too short.

6.5 AUDIT & REPORTING

6.5.1 Report & Accounts

NILGOSC voted against 88.04% of report & account approvals and such resolutions averaged 2.10% dissent. The most common concerns related to an inadequate level of sustainability reporting, no say on pay resolution 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.

6.5.2 Auditor Elections

NILGOSC opposed 28 of 32 (87.50%) 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; no disclosure to indicate the external auditor has taken account of climate risks in their report; 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 2.56%.

6.6 CAPITAL

NILGOSC opposed 32.00% of proposals to allow a company to make market purchases of its own shares and such resolutions received average dissent of 1.44%. 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.

NILGOSC voted against one authority to issue shares in connection to a scrip dividend scheme. NILGOSC were concerned that the scrip dividend was not related to the cash dividend. NILGOSC also opposed management on one dividend approval because the proposed dividend was not covered by earnings.

6.7 SHAREHOLDER RIGHTS

6.7.1 Article Amendments

NILGOSC opposed six resolutions seeking shareholder approval to amend the articles of association. NILGOSC opposed article amendments where the company had not disclosed marked-up article changes and/or a summary of the proposed article amendments in the meeting materials, and where the proposal sought to permit the holding of virtual-only general meetings absent exceptional circumstances.

Disclosure concerns also contributed to NILGOSC's opposition to resolutions in the Corporate Actions category. Where a company does not provide sufficient background data in respect of a resolution concerning a related party transaction, or another type of transaction to enable an informed voting decision to be made, NILGOSC will generally vote against the resolution.

7. CLIMATE DISCLOSURE

Climate change has been a key issue of focus for 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 the 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.

Climate change remains a strong topic of debate in discussions between shareholders, companies, and lobbyists at company AGMs. Despite controversies such as the crisis in the energy market and windfall profits, support for climate ambition remains strong. 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.

7.1 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. The TCFD framework recommends companies 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 has been a TCFD signatory since 2020, and supports its recommendations, encouraging 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.

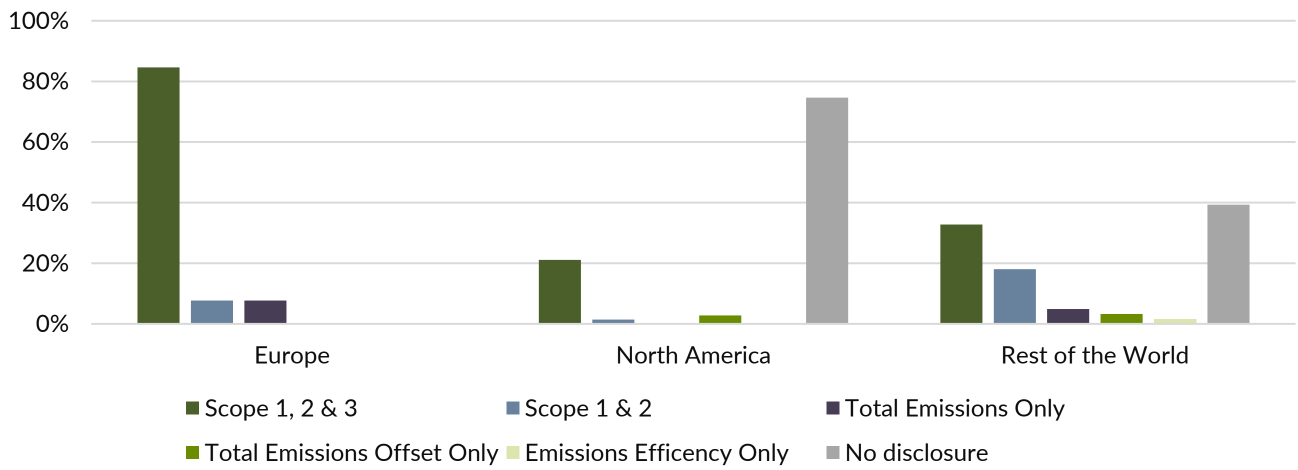
This year saw a clear majority (71.72%) of the companies that held an AGM which NILGOSC voted on during the reporting period making a specific reference to the TCFD framework. The proportion of companies referencing the TCFD framework is 14.47 percentile points higher than in 2022 (57.25%). Proportionally, the highest percentage of companies reporting against the TCFD was in Europe (92.31%), followed by North America (74.65%) and finally the Rest of the World (63.93%).

7.2 CARBON DISCLOSURE

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

- Not disclosing emissions data for the financial year under review was highest amongst North America-based organisations, with 74.65% making no statement of any nature. However, the majority of the companies (84.90%) that did not disclose data for the financial year under review, did disclose data from the previous financial year. Accordingly, there is a regional timeliness issue in carbon disclosures.
- Within the Rest of the World region eight of the nine Japanese companies had 'no disclosure', with only one, Shimano Inc, disclosing total emissions (combined Scope 1+2). Companies in the market often do not publish the standalone sustainability report for the financial year under review until after the AGM has been held, meaning up-to-date carbon data is not available at the time of voting. The lack of timeliness in disclosure impacts shareholders' ability to make informed voting decisions on climate risk management. In the Rest of the World region, companies listed in Brazil, Hong Kong, India, and Singapore were the more likely to disclose emissions by Scope 1, 2 & 3.
- From the perspective of industry trends, disclosure of scope 1, 2 & 3 emissions were most notable amongst the 'Banks' group, which could be due to the high regulatory standards for the industry. No disclosure of any kind for the financial year under analysis was highest among 'Software' companies, including several large companies such as Adobe Inc (56%, C), Cloudflare Inc (38%, D) and Microsoft Corp (69%, B). Although this year, Shopify Inc (37%, D) had gone to the effort to produce a sustainability report for their stakeholders, disclosing scope 1,2 & 3 emissions and committing to carbon neutrality.
- Scope 1, 2 & 3 emissions reporting rates were found highest amongst European companies (84.62%), whilst disclosure of Scope 1 & 2 only was highest in Rest of the World (18.03%). European Companies had the highest proportion of companies providing total emissions only (7.69%).

Figure 9: Regional Carbon Disclosure



No company disclosed direct and indirect emissions this year. One company disclosed emissions efficiency: (Grupo Aeroportuario Del Pacifico SAB de CV), four companies reported total emissions only; and four companies reported total emissions offset only. Both last year and this year the subjects of this group analysis included industry magnate Amazon.com. Whilst two years ago it disclosed scope 1, 2 and 3 emissions, (if only one year's data), this year and last year, the company's disclosure of carbon emissions was not up to date at the time of the analysis.

8. 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 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.

Recent AGM seasons have been impacted by major external events, including the coronavirus pandemic, the war in Ukraine, and the energy crisis. Consequently, boards and investors are facing new and challenging decisions. NILGOSC believes the impact of the coronavirus crisis and pandemic recovery also presents an opportunity for businesses to focus on their environmental, social and governance impact and performance.

Shareholders and stakeholders have been paying close attention to the governance of ESG issues and expect boards to demonstrate how they oversee the management of ESG risks and opportunities. This is reflected in the large number of ESG-related shareholder proposals voted on in recent AGM seasons, the increasing number of companies incorporating ESG issues into executive remuneration and establishing dedicated ESG oversight committees, a changing regulatory environment, and growing expectations about the role companies play in society.

Shareholder proposals have become a prominent part of stewardship, and proposals on diversity & inclusion, human rights, reproductive rights, pay equity, environmental considerations, and political activity continue to be key areas of focus. In particular, climate change continues to be a prominent area for shareholder activism.

Climate risks have tangible financial implications for investors, which gives them a key role to play in driving progress in the transition to a low-carbon world. As the risk of climate inaction becomes clear, investors have begun calling for proactive climate-related disclosures, moving away from retroactive, year-end climate reporting. Companies have come under increasing pressure to align business models with the Paris Agreement goals, which call for global warming to be capped at 1.5°C compared with pre-industrial levels.

In recent years, shareholders have found themselves voting on a record number of climate-related resolutions – both proposed by shareholders and by management. However, there has been a decline in general shareholder support on climate proposals, and ESG proposals more widely. The decline can be attributed to: changes in SEC rules allowing for more prescriptive shareholder proposals to reach the ballot; and the impact of the war in Ukraine on the global economy leading investors to give companies more leniency on their climate initiatives.

Another contributing factor to the fall in shareholder support has been the rise of anti-ESG activism. There has been an increase in "anti-ESG shareholder proposals", which are similar to "pro-ESG" proposals but involve different rationales, motivations, and consequences if they are approved. These proposals tend to receive low support (less than 10% on average) and therefore drag the overall average support on shareholder proposals down. Whilst the anti-ESG proposals themselves have not attracted material support, the increased rhetoric and legislation action around ESG, such as the passing of state laws in the US prohibiting the use of ESG factors in making investment and business decisions, may be contributing to the lower levels of support seen on pro-ESG shareholder proposals. Due to the changing political environment, institutional investors may be being more cautious with their votes, wishing to avoid attention and targeting by politicians.

It is anticipated that shareholder proposals will continue to be a contested arena going forward. Climate-related proposals are likely to continue to be a dominant theme, but with a growing number of proposals on certain other environmental topics, such as deforestation and water risk, and social issues and worker rights. At the same time, shareholders are increasingly willing to hold individual directors accountable for perceived failures in ESG risk management and strategy.

In total, NILGOSC voted contrary to management recommendation on 39.82% of resolutions, demonstrating an active approach to voting.

NILGOSC's dissent is broken down as follows:

- 37.72% of management-sponsored resolutions were voted contrary to management recommendation; and
- 71.83% of shareholder-sponsored resolutions were voted contrary to management recommendation.

NILGOSC's dissent has decreased by 3.04 percentile points from last year's dissent level of 42.86% although is 32.61 percentile points higher than general shareholders. Average general shareholder dissent for the year stood at 7.21%, a 0.90 percentile increase from last year's 6.31% dissent figure. Accordingly, NILGOSC's dissent level continues to stand significantly higher than the average shareholder.

Notably, resolutions which NILGOSC opposed management on received 10.56% dissent, more than double the dissent for resolutions where NILGOSC supported management (4.96%). 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.

Key Shareholder Votes

NILGOSC opposed six management-proposed resolutions that were defeated (inclusive of one say-on-pay frequency vote in the US) during the reporting period. NILGOSC voted against four remuneration reports that were voted down by shareholders. The resolutions occurred at CME Group Inc, Illumina Inc, Netflix Inc and Take Two Interactive Software Inc. Additionally, NILGOSC backed the successful annual say on pay frequency vote at Tesla despite the Board's backing of a triennial frequency. NILGOSC also voted against the re-election of Illumina Inc's Chair John Thompson which was voted down by shareholders.

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

- **Sustainability:** one proposal requesting a report on worker safety and well-being (Dollar General Corp), one proposal requesting a report on the effectiveness of diversity, equity, and inclusion efforts (Expeditors International of Washington Inc) and one proposal requesting a report on the use of plastic packaging (General Mill Inc).
- **Shareholder Rights:** one proposal requesting the removal of supermajority voting requirements (AbbVie Inc).
- **Board:** one proposal requesting the shareholder ability to nominate directors (Tesla Inc).
- **Remuneration:** one proposal asking for a shareholder vote on severance payments (Expeditors International of Washington Inc).

Audit & reporting, 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, audit & reporting, board, and remuneration resolutions accounted for 86.83% 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 and oversight of audit and accountability issues.

A key factor for NILGOSC's dissenting votes in the audit & reporting category was when there was no disclosure to indicate the external auditor has taken account of climate risks in their audit report. The financials define profitability and drive executive remuneration, so ensuring they properly reflect climate-related risks is crucial. Investment decisions, both by companies and investors, depend on the numbers disclosed in the audited financial statements. Whilst good practice on accounting for climate change is still emerging, it is a growing area of focus for responsible investor groups such as the Principles for Responsible Investment and Climate Action 100+ and investor engagement and voting activities.

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.