E.M.I.A. Pension Scheme

# Annual Implementation Statement – Scheme year ending 5 April 2021

Adopted by the Trustee on 13 September 2021

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# Section 1: Introduction

This document is the Annual Implementation Statement ("the statement") prepared by the Trustee of the E.M.I.A. Pension Scheme ("the Scheme") covering the scheme year ("the year") to 5 April 2021.

The purpose of this statement is to set out:

- Details of how, and the extent to which, in the opinion of the trustees, the Scheme's engagement and voting policy (required under regulation 23c of the Occupational Pension Schemes Investment Regulations 2005) has been followed during the year;
- Describe the voting behaviour by, or on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) during the year and state any use of services of a proxy voter during that year.

The Scheme makes use of a wide range of investments; therefore, the principles and policies in the SIP are intended to be applied in aggregate and proportionately, focussing on areas of maximum impact.

The SIP is a document which outlines the Trustee's policies with respect to various aspects related to investing and managing the Scheme's assets including but not limited to: Investment managers, portfolio constructions and risks.

The latest version of the SIP can be found online here:
https://www.magairports.com/media/1666/emia-pension-scheme-sip-september-20.pdf

This statement reflects the Scheme year 6 April 2020 to 5 April 2021. The SIP linked above reflects the latest version of the SIP which is dated September 2020.

# Section 2: How the Trustee has adhered to its engagement and voting policies

The Trustee's policies on voting and engagement, as stated in the SIP are:

- The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments and to encourage the investment managers to exercise those rights. The investment managers are expected to be able to provide regular reports for the Trustee detailing their voting activity. The Trustee will take corporate governance policies into accounting when appointing and reviewing such investment managers.

- The Trustee expects their manager(s) to sign up to their local stewardship code, in keeping with good practice. The Trustee will monitor the activities of all their managers on a regular basis with respect to relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and ESG* impact of underlying holdings. However, the Trustee appreciates that its applicability may be limited for certain asset classes. These matters are kept under review by the Trustee, in consultation with their investment consultant and investment managers.

- Should the Trustee's monitoring process reveal that a manager's portfolio is not aligned with the Trustee's policies, the Trustee will engage with the manager further to encourage alignment. This monitoring process includes specific consideration of the sustainable investment/ESG characteristics of the portfolio and managers' engagement activities. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the manager will be terminated and replaced.

- For most of the Scheme's investments, the Trustee expects the investment managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods. The Trustee invests in certain strategies (e.g. hedge fund strategies or government bonds) where such engagement is not deemed appropriate, due to the nature of the strategy and/or the investment time horizon underlying decision making. The appropriateness of the Scheme's allocation to such mandates is determined in the context of the Scheme's overall objectives.

* ESG stands for Environmental, Social and Governance and refers to the three central factors in measuring the sustainability and societal impact of an investment in a company or business.

As the investment managers of pooled funds, in which the Scheme is invested, are generally responsible for exercising voting rights and as the Trustee otherwise delegates responsibility for the exercising of voting rights to the Scheme's investment managers, it is the responsibility of the Trustee to monitor, review and engage with investment managers with respect to how they have undertaken these activities.

The same policy applies to corporate engagement with the management of companies the Scheme is invested in. Given the investment in pooled funds, the Trustee has delegated corporate engagement to the Scheme's investment managers. The Trustee monitors, reviews and engages with the managers on how they have undertaken these activities.

During the period, the Trustee has assessed their holdings in pooled equity funds and received advice from their appointed investment adviser on the same.  As a result of this review, they have disinvested fully from the LGIM UK Equity Index Fund and LGIM overseas equity funds and invested the proceeds into the LGIM MSCI ACWI Adaptive Capped ESG Index Fund.  A number of considerations were taken into account in making this decision, including a positive view of the ESG aspect of the new equity fund that the Trustee has chosen to invest in.

In November 2020 the Trustee met virtually with both Towers Watson Investment Management and Arcmont to receive updates from both managers on their investments.  The Trustee took this opportunity to receive updates from both managers on their approach to taking ESG factors into account when investing.

As outlined in the SIP, the Trustee recognises the UK Stewardship Code 2020 and monitors the Scheme's investment managers' adherence to the Code. TWIM and LGIM are both signatories to the code. Their latest statements of compliance can be found via the links below:

TWIM: https://www.willistowerswatson.com/en-GB/Insights/2020/03/sustainable-investment-policy

LGIM: https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/uk-stewardship-code.pdf

As set out in section 4, the Trustee believes that the Scheme's engagement policy as outlined in the SIP has been adhered to over the Scheme year and will continue to monitor the investment managers' stewardship practices on an ongoing basis.

# Section 3: Voting information

The Scheme is invested in a diverse range of asset classes. However, this document focusses on the equity investments which have voting rights attached.

The Scheme's equity holdings as at the end of the year are held in pooled investment funds and are managed on a passive basis relative to a defined index. Therefore, the voting entitlements in these funds lie with the investment managers.

The Scheme's equity holdings are invested with two investment managers, Towers Watson Investment Management ("TWIM") and Legal & General Investment Management ("LGIM"), in the following pooled investment funds:

- **Towers Watson Investment Management Partners Fund**: The Scheme was invested in this fund for the full year.

- **LGIM UK, North America, Europe (ex UK), Japan, Asia Pacific and Emerging Markets Equity Funds**: The Scheme disinvested from these funds on 9 September 2020 but the Trustee has included voting activity for this fund as they were invested for part of the year to 5 April 2021.

- **LGIM MSCI ACWI Adaptive Capped ESG Index Fund:** The Scheme chose to invest in this fund from 9 September 2020. The Trustee has included voting records for this fund for the full year as a more complete representation of the voting history of this fund.

As set out in the SIP, the Trustee's policy is to delegate the exercising of rights (including voting and stewardship) and the integration of ESG considerations in day-to-day decisions to the Scheme's investment managers. This section sets out the voting activities of the Scheme's equity investment managers over the year, including details of the investment managers' use of proxy voting.

All fund managers have their own voting policies that determine their approach to voting and the principles they follow when voting on investors' behalf. All investment managers also use voting proxy advisors which aid in their decision-making when voting. Details are provided in appendices 1 and 2.

The below table sets out the voting activity of the Scheme's equity investment managers, on behalf of the Trustee, over the year. All information is provided by the managers, and the Trustee understands this to the best available information from each manager. Note that assets were disinvested from LGIM UK and Overseas Equity Funds on 9 September 2020, and invested in the LGIM Adaptive Capped ESG Index Fund from the 9 September. Voting information has been provided for the full year to 31 March 2021 for each of these funds, based on what was available from the managers.

| Manager and strategy | Voting activity |
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| **Legal and General Investment Manager** – Japan Equity Index Fund | Number of meetings at which the manager was eligible to vote: 551<br><br>Number of resolutions on which manager was eligible to vote: 6,518<br><br>Percentage of eligible votes cast: 100.00%<br><br>Percentage of votes with management: 86.08% |

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| | Percentage of votes against management: 13.92%<br><br>Percentage of votes abstained from: 0.00%<br><br>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 5.85%<br><br>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy advisor: 0.21% |
| **Legal and General Investment Manager** – Europe (ex UK) Equity Index Fund | Number of meetings at which the manager was eligible to vote: 686<br><br>Number of resolutions on which manager was eligible to vote: 11,412<br><br>Percentage of eligible votes cast: 99.89%<br><br>Percentage of votes with management: 84.21%<br><br>Percentage of votes against management: 15.26%<br><br>Percentage of votes abstained from: 0.53%<br><br>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 4.35%<br><br>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy advisor: 0.40% |
| **Legal and General Investment Manager** – North America Equity Index Fund | Number of meetings at which the manager was eligible to vote: 794<br><br>Number of resolutions on which manager was eligible to vote: 9,495<br><br>Percentage of eligible votes cast: 100.00%<br><br>Percentage of votes with management: 71.79%<br><br>Percentage of votes against management: 28.17%<br><br>Percentage of votes abstained from: 0.04%<br><br>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 7.75%<br><br>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy advisor: 0.32% |
| **Legal and General Investment Manager –** Asia Pacific (ex Japan) Developed Equity Index Fund | Number of meetings at which the manager was eligible to vote: 534<br><br>Number of resolutions on which manager was eligible to vote:3,774<br><br>Percentage of eligible votes cast: 100.00%<br><br>Percentage of votes with management: 74.22% |

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| | Percentage of votes against management: 25.76%<br><br>Percentage of votes abstained from: 0.03%<br><br>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 10.12%<br><br>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy advisor: 0.21% |
| **Legal and General Investment Manager –** MSCI ACWI Adaptive Capped ESG Index Fund | Number of meetings at which the manager was eligible to vote: 3,523<br><br>Number of resolutions on which manager was eligible to vote: 40,566<br><br>Percentage of eligible votes cast: 99.95%<br><br>Percentage of votes with management: 81.47%<br><br>Percentage of votes against management: 17.92%<br><br>Percentage of votes abstained from: 0.61%<br><br>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 5.83%<br><br>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy advisor: 0.25% |
| **Legal and General Investment Manager –** UK Equity Index Fund | Number of meetings at which the manager was eligible to vote: 943<br><br>Number of resolutions on which manager was eligible to vote: 12,574<br><br>Percentage of eligible votes cast: 100.00%<br><br>Percentage of votes with management: 92.94%<br><br>Percentage of votes against management: 7.05%<br><br>Percentage of votes abstained from: 0.01%<br><br>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 3.27%<br><br>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy advisor: 0.80% |
| **Legal and General Investment Manager** – World Emerging Markets Equity Index Fund | Number of meetings at which the manager was eligible to vote: 3,998<br><br>Number of resolutions on which manager was eligible to vote: 36,036<br><br>Percentage of eligible votes cast: 99.89%<br><br>Percentage of votes with management: 85.23%<br><br>Percentage of votes against management: 13.40% |

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| | Percentage of votes abstained from: 1.38%<br><br>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 5.07%<br><br>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy advisor: 0.02% |
| **Towers Watson Investment Management Limited –** Partners Fund | Number of meetings at which the manager was eligible to vote: 463<br><br>Number of resolutions on which manager was eligible to vote: 6,150<br><br>Percentage of eligible votes cast: 99.00%<br><br>Percentage of votes with management: 88.00%<br><br>Percentage of votes against management: 6%<br><br>Percentage of votes abstained from: 6%<br><br>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 24%<br><br>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy advisor: 8% |

*Voting statistics are out of total eligible votes and are sourced from the investment managers LGIM and TWIM.

The following table outlines several significant votes cast by the Scheme's investment managers on the Trustee's behalf. The table includes the investment managers' commentary on their rationale and their views of the implications of their votes.

| **Significant votes cast** | **Coverage in portfolio** |
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| **Company: Olympus Corporation**<br><br>**Meeting date: 30 July 2020**<br><br>**Management resolution:** Resolution 3.1: Elect Director Takeuchi, Yasuo at the company's annual shareholder meeting held on 30 July 2020.<br><br>**How the manager voted**: Against<br><br>**Rationale**: Japanese companies in general have trailed behind European and US companies, as well as companies in other countries, in ensuring more women are appointed to their boards. The lack of women is also a concern below board level. LGIM have for many years promoted and supported an increase of women on boards, at the executive level and below.<br><br>On a global level we consider that every board should have at least one female director. We deem this a de minimis standard. Globally, we aspire to all boards comprising 30% women. Last year in February we sent letters to the largest companies in the MSCI Japan which did not have any women on their boards or at executive level, indicating that we expect to see at least one woman on the board. One of the companies targeted was Olympus Corporation. In the beginning of 2020, we announced that we would commence voting against the chair of the nomination committee or the most senior board member (depending on the type of board structure in place) for those companies included in the TOPIX100. We opposed the election | **Legal and General Investment Manager** – Japan Equity Index Fund GBP Currency Hedged |

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| of this director in his capacity as a member of the nomination committee and the most senior member of the board, in order to signal that the company needed to take action on this issue.<br><br>**Outcome:** 94.90% of shareholders supported the election of the director<br><br>**Rationale for classifying as significant:** This vote is deemed significant as LGIM considers it imperative that the boards of Japanese companies increase their diversity. | |
| **Company: Toshiba Corp.**<br><br>**Meeting date: 18 March 2021**<br><br>**Management resolution:**<br>• Resolution 1: Appoint Three Individuals to Investigate Status of Operations and Property of the Company<br>• Resolution 2: Amend Articles to Mandate Shareholder Approval for Strategic Investment Policies including Capital Strategies<br><br>**How the manager voted**: For both resolutions<br><br>**Rationale**: Toshiba Corp's extraordinary general meeting (EGM) was precipitated by a significant decline in trust between its shareholders and management team following recent controversies, including allegations of abnormal practices and behaviour by the company surrounding its July 2020 AGM. As a result, the company faced two independent shareholder resolutions at the EGM calling for it to introduce remedies that would restore confidence and trust in the company's governance, management and strategy.<br><br>LGIM supported the resolution calling for the appointment of investigators to address doubts over the company's 2020 AGM conduct and vote tallying. We believe the enquiry, which is unlikely to be a burden on the company, will be an important step in rebuilding trust between shareholders and the company's executive team and board. We also supported the shareholder resolution mandating the company to present its strategic investment policy to a shareholder vote in order to send a clear message to the Toshiba Board and executive team: shareholders expect increased transparency and accountability.<br><br>**Outcome:**<br><br>Resolution 1 was passed with 57.9% of participating shareholders in support. The company promptly put investigators in place and set up a confidential hotline for any individuals who are willing to provide information.<br><br>Resolution 2, in respect to the company's capital allocation and strategic investment policy received 39.3% support and did not pass. However, the vote serves to send a clear signal to the board and executive team that shareholders expect increased transparency and accountability.<br><br>**Rationale for classifying as significant:** The vote was high profile and controversial. | **Legal and General Investment Manager –** MSCI ACWI Adaptive Capped ESG Index Fund |
| **Company: Fast Retailing Co. Limited**<br><br>**Meeting date: 26 November 2020**<br><br>**Management resolution:** Resolution 2.1: Elect Director Yanai Tadashi.<br><br>**How the manager voted**: Against<br><br>**Rationale**: Japanese companies in general have trailed behind European and US companies, as well as companies in other countries in ensuring more women are appointed to their boards. A lack of women employed is also a concern below board level. LGIM has for many years promoted and supported an increase of appointing more women on boards, at the executive level and below.<br><br>On a global level we consider that every board should have at least one female director. We deem this a de minimis standard. Globally, we aspire to all boards comprising 30% women. In the beginning of 2020, we announced that we would vote against the chair of the nomination committee or the most senior board member (depending on the type of board structure in place) for companies included in the TOPIX100 where these standards were not upheld. We opposed the election of this director in his capacity as a member of the | **Legal and General Investment Manager –** MSCI ACWI Adaptive Capped ESG Index Fund |

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| nomination committee and the most senior member of the board, in order to signal that the company needed to act on this issue.<br><br>**<u>Outcome:</u>** Fail<br><br>**<u>Rationale for classifying as significant:</u>** LGIM considers it imperative that the boards of Japanese companies increase their diversity. | |
| **<u>Company:</u> Lagardère**<br><br>**<u>Meeting date:</u> 5 May 2020**<br><br>**<u>Management resolution:</u>** Shareholder resolutions A to P. Activist Amber Capital, which owned 16% of the share capital at the time of engagement, proposed 8 new directors to the Supervisory Board (SB) of Lagardère, as well as to remove all the incumbent directors (apart from two 2019 appointments).<br><br>**<u>How the manager voted</u>**: LGIM voted in favour of five of the Amber-proposed candidates (resolutions H,J,K,L,M) and voted off five of the incumbent Lagardère SB directors (resolutions B,C,E,F,G).<br><br>**<u>Rationale</u>**: Proposals by Amber were due to the opinion that the company strategy was not creating value for shareholders, that the board members were not sufficiently challenging management on strategic decisions, and for various governance failures. The company continues to have a commandite structure; a limited partnership, which means that the managing partner has a tight grip on the company, despite only having 7 % share capital and 11% voting rights.<br><br>LGIM engages with companies on their strategies, any lack of challenge to these, and with governance concerns. The company strategy had not been value-enhancing and the governance structure of the company was not allowing the SB to challenge management on this. Where there is a proxy contest, LGIM engages with both the activist and the company to understand both perspectives. LGIM engaged with both Amber Capital, where we were able to speak to the proposed new SB Chair, and also Lagardère, where we spoke to the incumbent SB Chair. This allowed us to gain direct perspectives from the individual charged with ensuring their board includes the right individuals to challenge management.<br><br>**<u>Outcome:</u>** Even though shareholders did not give majority support to Amber's candidates, its proposed resolutions received approx. between 30-40% support, a clear indication that many shareholders have concerns with the board. (Source: ISS data)<br><br>**<u>Rationale for classifying as significant:</u>** LGIM noted significant media and public interest on this vote given the proposed revocation of the company's board. | **Legal and General Investment Manager** – Europe (ex UK) Equity Index Fund |
| **<u>Company:</u> Amazon**<br><br>**<u>Meeting date:</u> 27 May 2020**<br><br>**<u>Management resolution:</u>** Shareholder resolutions 5 to 16<br><br>**<u>How the manager voted</u>**: Of 12 shareholder proposals, we voted to support 10. We looked into the individual merits of each individual proposal, and there are two main areas which drove our decision-making: disclosure to encourage a better understanding of process and performance of material issues (resolutions 5, 6, 7, 8, 10, 13, 15 and 16) and governance structures that benefit long-term shareholders (resolutions 9 and 14).<br><br>**<u>Rationale</u>**: In addition to facing a full slate of proxy proposals, in the two months leading up to the annual meeting, Amazon was on the front lines of a pandemic response. The company was already on the back foot owing to the harsh workplace practices alleged by the author of a seminal article in the New York Times published in 2015, which depicted a bruising culture. The news of a string of workers catching COVID-19, the company's response, and subsequent details, have all become major news and an important topic for our engagements leading up to the proxy vote. Our team has had multiple engagements with Amazon over the past 12 months. The topics of our engagements touched most aspects of ESG, with an emphasis on social topics: • Governance: Separation of CEO and board chair roles, plus the desire for directors to participate in engagement meetings • Environment: Details about the data transparency committed to in their 'Climate Pledge' • Social: Establishment of workplace culture, employee health and safety The allegations from current and former employees are worrying. Amazon employees have consistently reported not feeling safe at work, that paid | **Legal and General Investment Manager** – North America Equity Index Fund |

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| sick leave is not adequate, and that the company only provides an incentive of $2 per hour to work during the pandemic. Also cited is an ongoing culture of retaliation, censorship, and fear. We discussed with Amazon the lengths the company is going to in adapting their working environment, with claims of industry leading safety protocols, increased pay, and adjusted absentee policies. However, some of their responses seemed to have backfired. For example, a policy to inform all workers in a facility if COVID-19 is detected has definitely caused increased media attention.<br><br>**Outcome:** Resolution 5 to 8, and 14 to 16 each received approx. 30% support from shareholders. Resolutions 9 and 10 received respectively 16.7 and 15.3% support. Resolution 11 received 6.1% support. Resolution 12 received 1.5 % support. Resolution 13 received 12.2% support. (Source: ISS data)<br><br>**Rationale for classifying as significant:** The market attention was significant leading up to the AGM, with:<br>• 12 shareholder proposals on the table – the largest number of any major US company this proxy season •Diverse investor coalitions submitting and rallying behind the proposals, including global, different types of investors and first time co-filers/engagers<br>• Substantial press coverage – with largely negative sentiment related to the company's governance profile and its initial management of COVID-19<br>• Multiple state treasurers speaking out and even holding an online targeted pre-annual meeting investor forum entitled 'Workplace & Investor Risks in Amazon.com, Inc.'s COVID-19 Response' Anecdotally, the Stewardship team received more inquires related to Amazon than any other company this season. | |
| **Company: Amazon**<br><br>**Meeting date: 27 May 2020**<br><br>**Management resolution:** Shareholders proposal requesting an additional reduction in threshold for calling a special meeting. Shareholders are requesting 20%. Current threshold is 30%.<br><br>**How the manager voted:** For<br><br>**Rationale**: We support managements recommendation in decreasing the current threshold from 30% to 25% was in the best interests of the Company and its shareholders. Lowering the threshold to 20% as suggested increases the risk of special meetings being called by a few shareholders focused on narrow or short-term interests.<br><br>**Outcome:** Defeated<br><br>**Rationale for classifying as significant:** We selected this vote as "significant" because the company was a large position in the strategy and the proposal was more important to the long term value of the business compared to other proposals for that company. | **Towers Watson Investment Managers –** Partners Fund |
| **Company: Amazon**<br><br>**Meeting date: 26 May 2020**<br><br>**Management resolution:** Shareholders proposal for report on lobbying payments and policy.<br><br>**How the manager voted:** For<br><br>**Rationale**: Promotes transparency<br><br>**Outcome:** N/A<br><br>**Rationale for classifying as significant:** We consider ESG factors to be a major factor influencing the long-term predictability and sustainability of a company's revenue and earnings growth. | **Towers Watson Investment Managers –** Partners Fund |

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| **<u>Company:</u> AmerisourceBergen Corporation**<br><br>**<u>Meeting date:</u> 11 March 2021**<br><br>**<u>Management resolution:</u>** Resolution 3: Advisory Vote to Ratify Named Executive Officers' Compensation<br><br>**<u>How the manager voted</u>**: Against<br><br>**<u>Rationale</u>**: During the same year the Company recorded a $6.6 billion charge related to opioid lawsuits, its CEO's total compensation was approximately 25% higher than the previous year. By excluding the settlement costs, the Compensation Committee ensured executive pay was not impacted by an operating loss of $5.1bn (on unadjusted basis). LGIM has in previous years voted against executives' pay packages due to concerns over the remuneration structure not comprising a sufficient proportion of awards assessed against the company's performance. We voted against the resolution to signal our concern over the overall increased compensation package during a year that the company recorded a $6.6bn charge related to opioid lawsuits and a total operating loss of $5.1 billion.<br><br>**<u>Outcome:</u>** The resolution encountered a significant amount of oppose votes from shareholders, with 48.36% voting against the resolution and 51.63% supporting the proposal.<br><br>**<u>Rationale for classifying as significant:</u>** LGIM considers it imperative that pay structures are aligned with company performance and that certain expenses over which directors have control and influence should not be allowed to be excluded in the calculation of their pay, in particular if these would be detrimental to the executive director(s) in question. | **Legal and General Investment Manager –** MSCI ACWI Adaptive Capped ESG Index Fund |
| **<u>Company:</u> Cardinal Health**<br><br>**<u>Meeting date:</u> 4 November 2020**<br><br>**<u>Management resolution:</u>** Resolution 3, Advisory Vote to Ratify Named Executive Officers' Compensation.<br><br>**<u>How the manager voted</u>**: Against<br><br>**<u>Rationale</u>**: The company paid out an above target bonus to the CEO, the same year it recorded a total pre-tax charge of $5.63 billion ($5.14 billion after tax) for expected opioid settlement costs during the fiscal year ended 30 June, 2020. The Compensation Committee excluded the settlement costs from the earnings calculations which resulted in executive pay being boosted. Further, the current CEO was head of pharma globally during the worst years of the opioid crisis. Accountability would therefore have been expected. LGIM has in previous years voted against executives' pay packages due to concerns over the remuneration structure not comprising a sufficient proportion of awards assessed against the company's performance. We voted against the resolution to signal our concern over the bonus payment to the CEO in the same year the company recorded the charge for expected opioid settlement.<br><br>**<u>Outcome:</u>** The resolution encountered a significant amount of oppose votes from shareholders, with 38.6% voting against the resolution and 61.4% supporting the proposal.<br><br>**<u>Rationale for classifying as significant:</u>** We believe it is imperative that pay structures are aligned with company performance and that certain expenses over which directors have control and influence should not be allowed to be excluded in the calculation of their pay, in particular if these would be detrimental to the executive director(s) in question. | **Legal and General Investment Manager –** MSCI ACWI Adaptive Capped ESG Index Fund |
| **<u>Company:</u> ExxonMobil**<br><br>**<u>Meeting date:</u> 27 May 2020**<br><br>**<u>Management resolution:</u>**<br><br>• Resolution 1.10 Elect Director Darren W. Woods – (MSCI ACWI Adaptive Capped ESG Index Fund)<br><br>**<u>How the manager voted</u>**: Against both<br><br>**<u>Rationale</u>**: In June 2019, under our annual 'Climate Impact Pledge' ranking of corporate climate leaders and laggards, we announced that we will be removing ExxonMobil from our Future World fund range, and will be voting against the chair of the board. Ahead of the company's annual general meeting in May 2020, we also announced we will be supporting | **Legal and General Investment Manager** – North America Equity Index Fund |

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| shareholder proposals for an independent chair and a report on the company's political lobbying. Due to recurring shareholder concerns, our voting policy also sanctioned the reappointment of the directors responsible for nominations and remuneration.<br><br>**Outcome:** 93.2% of shareholders supported the re-election of the combined chair and CEO Darren Woods. Approximately 30% of shareholders supported the proposals for independence and lobbying. (Source: ISS data)<br><br>**Rationale for classifying as significant:** We voted against the chair of the board as part of LGIM's 'Climate Impact Pledge' escalation sanction. | |
| **Company: The Procter & Gamble Company (P&G)**<br><br>**Meeting date: 13 October 2020**<br><br>**Management resolution:** Resolution 5 : Report on effort to eliminate deforestation.<br><br>**How the manager voted**: For<br><br>**Rationale**: P&G uses both forest pulp and palm oil as raw materials within its household goods products. The company has only obtained certification from the Roundtable on Sustainable Palm Oil for one third of its palm oil supply, despite setting a goal for 100% certification by 2020. Two of their Tier 1 suppliers of palm oil were linked to illegal deforestation. Finally, the company uses mainly Programme for the Endorsement of Forest Certification (PEFC) wood pulp rather than Forestry Stewardship Council (FSC) certified wood pulp. Palm oil and Forest Pulp are both considered leading drivers of deforestation and forest degradation, which is responsible for approximately 12.5% of greenhouse gas emissions that contribute to climate change. The fact that Tier 1 suppliers have been found to have links with deforestation calls into question due diligence and supplier audits. Only FSC certification offers guidance on land tenure, workers', communities and indigenous people's rights and the maintenance of high conservation value forests. LGIM engaged with P&G to hear its response to the concerns raised and the requests raised in the resolution. We spoke to representatives from the proponent of the resolution, Green Century. In addition, we engaged with the Natural Resource Defence Counsel to fully understand the issues and concerns. Following a round of extensive engagement on the issue, LGIM decided to support the resolution. Although P&G has introduced a number of objectives and targets to ensure their business does not impact deforestation, we felt it was not doing as much as it could. The company has not responded to CDP Forest disclosure; this was a red flag to LGIM in terms of its level of commitment. Deforestation is one of the key drivers of climate change. Therefore, a key priority issue for LGIM is to ensure that companies we invest our clients' assets in are not contributing to deforestation.<br><br>LGIM has asked P&G to respond to the CDP Forests Disclosure and continue to engage on the topic and push other companies to ensure more of their pulp and wood is from FSC certified sources.<br><br>**Outcome:** The resolution received the support of 67.68% of shareholders (including LGIM).<br><br>**Rationale for classifying as significant:** It is linked to LGIM's five-year strategy to tackle climate change and attracted a great deal of client interest. | **Legal and General Investment Manager –** MSCI ACWI Adaptive Capped ESG Index Fund |
| **Company: Tyson Foods**<br><br>**Meeting date: 11 February 2021**<br><br>**Management resolution:** Resolution 4: Report on Human Rights Due Diligence<br><br>**How the manager voted**: Against<br><br>**Rationale**: A shareholder-led resolution requested that the company produce a report on Tyson's human rights due diligence process.<br><br>The pandemic highlighted potential deficiencies in the application of its human rights policies. The following issues have been highlighted as giving grounds to this assessment: strict attendance policies, insufficient access to testing, insufficient social distancing, high line speeds and non-comprehensive COVID-19 reporting.<br><br>Furthermore, it is believed that there have been over 10,000 positive cases and 35 worker deaths. As such, the company is opening itself up to undue human rights and labour rights violation risks.<br><br>Tyson is already subject to litigation for wrongful death of an employee filed by the family of the deceased. Additionally, there is a United States Department of Agriculture complaint for | **Legal and General Investment Manager –** MSCI ACWI Adaptive Capped ESG Index Fund |

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| failure to protect employees of colour who are disproportionately affected by Covid-19, and two Federal Trade Commission (FTC) complaints for misleading representations about worker treatment, the nature of relationships with farmers, and conditions at poultry farms in its supply chain. LGIM believes that companies in which we invest our clients' capital should uphold their duty to ensure the health and safety of employees over profits. While the company has health and safety, and code of conduct, policies in place and may have introduced additional policies to protect employees during the pandemic, there was clearly more it could have done. This is indicated by the reported complaints and rates of infection among its employee population.<br><br>We believe that producing this report is a good opportunity for the board to re-examine the steps they have taken and assess any potential shortfalls in safety measures so that they can improve controls and be better prepared for any future pandemic or similar threat.<br><br>**Outcome:** The resolution failed to get a majority support as only 17% of shareholders supported it.<br><br>**Rationale for classifying as significant:** Our clients were particularly interested in the outcome of this vote. | |
| **Company: Qantas Airways**<br><br>**Meeting date: 23 October 2020**<br><br>**Management resolution:**<br><br>• Resolution 3: Approve participation of Alan Joyce in the Long-Term Incentive Plan.<br>• Resolution 4: Approve Remuneration Report<br><br>**How the manager voted**: Against resolution 3, For resolution 4<br><br>**Rationale**:<br><br>The COVID crisis has had an impact on the Australian airline company's financials. In light of this, the company raised significant capital to be able to execute its recovery plan. It also cancelled dividends, terminated employees and accepted government assistance. The circumstances triggered extra scrutiny from LGIM as we wanted to ensure the impact of the COVID crisis on the company's stakeholders was appropriately reflected in the executive pay package. In collaboration with our Active Equities team, LGIM's Investment Stewardship team engaged with the Head of Investor Relations of the company to express our concerns and understand the company's views. The voting decision ultimately sat with the Investment Stewardship team.<br><br>We supported the remuneration report (resolution 4) given the executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the long-term incentive plan (LTIP), in light of the pandemic. However, our concerns as to the quantum of the 2021 LTIP grant remained, especially given the share price at the date of the grant and the remuneration committee not being able to exercise discretion on LTIPs, which is against best practice.<br><br>We voted against resolution 3 to signal our concerns.<br><br>**Outcome:**<br><br>About 90% of shareholders supported resolution 3 and 91% supported resolution 4. The meeting results highlight LGIM's stronger stance on the topic of executive remuneration, in our view.<br><br>**Rationale for classifying as significant:** It highlights the challenges of factoring in the impact of the COVID situation into the executive remuneration package. | **Legal and General Investment Manager –** MSCI ACWI Adaptive Capped ESG Index Fund |

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| **<u>Company:</u> Samsung Electronics**<br><br>**<u>Meeting date:</u> 17 March 2021**<br><br>**<u>Management resolution:</u>**<br><br>• Resolution 2.1.1: Elect Park Byung-gook as Outside Director<br>• Resolution 2.1.2: Elect Kim Jeong as Outside Director<br>• Resolution 3: Elect Kim Sun-uk as Outside Director to Serve as an Audit Committee Member<br><br>**<u>How the manager voted</u>**: Against all three resolutions<br><br>**<u>Rationale</u>**: In January 2021, Lee Jae-yong, the vice chairman of Samsung Electronics and only son of the former company chairman, was sentenced to two years and six months in prison for bribery, embezzlement and concealment of criminal proceeds worth about KRW 8.6 billion. Lee Jae-yong was first sentenced to five years in prison in August 2017 for using the company's funds to bribe the impeached former President Park Geun-hye. While Lee was released from prison, he was not acquitted of the charges. Based on the court's verdict, Lee actively provided bribes and implicitly asked then president Park to use her power to help his smooth succession. The court further commented that the independent compliance committee established in January 2020 has yet to become fully effective. LGIM engaged with the company ahead of the vote. However, we were not satisfied with the company's response that ties have been severed. We are concerned that Lee Jae-yong continues to make strategic company decisions from prison. Additionally, we were not satisfied with the independence of the company board and that the independent directors are really able to challenge management. LGIM voted against the resolutions as the outside directors, who should provide independent oversight, have collectively failed to remove criminally convicted directors from the board. The inaction is indicative of a material failure of governance and oversight at the company.<br><br>**<u>Outcome:</u>** The meeting results are not yet available.<br><br>**<u>Rationale for classifying as significant:</u>** This was a high-profile vote, which has such a degree of controversy that there is high client and/or public scrutiny and the sanction vote was a result of a direct or collaborative engagement. | **Legal and General Investment Manager –** MSCI ACWI Adaptive Capped ESG Index Fund |
| **<u>Company:</u> Imperial Brands plc**<br><br>**<u>Meeting date:</u> 3 February 2021**<br><br>**<u>Management resolution:</u>** Resolutions 2 and 3, respectively, Approve Remuneration Report and Approve Remuneration Policy.<br><br>**<u>How the manager voted</u>**: Against both resolutions<br><br>**<u>Rationale</u>**: The company appointed a new CEO during 2020, who was granted a significantly higher base salary than his predecessor. A higher base salary has a consequential ripple effect on short- and long-term incentives, as well as pension contributions. Further, the company did not apply best practice in relation to post-exit shareholding guidelines as outlined by both LGIM and the Investment Association. An incoming CEO with no previous experience in the specific sector, or CEO experience at a FTSE100 company, should have to prove her or himself beforehand to be set a base salary at the level, or higher, of an outgoing CEO with multiple years of such experience. Further, we would expect companies to adopt general best practice standards. Prior to the AGM, we engaged with the company outlining what our concerns over the remuneration structure were. We also indicated that we publish specific remuneration guidelines for UK-listed companies and keep remuneration consultants up to date with our thinking.<br><br>**<u>Outcome:</u>** Resolution 2 (Approve Remuneration Report) received 40.26% votes against, and 59.73% votes of support. Resolution 3 (Approve Remuneration Policy) received 4.71% of votes against, and 95.28% support.<br><br>**<u>Rationale for classifying as significant:</u>** We are concerned over the ratcheting up of executive pay; and we believe executive directors must take a long-term view of the company in their decision-making process, hence the request for executives' post-exit shareholding guidelines to be set. | **Legal and General Investment Manager –** MSCI ACWI Adaptive Capped ESG Index Fund |

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| **<u>Company:</u> Pearson**<br><br>**<u>Meeting date:</u> 18 September 2020**<br><br>**<u>Management resolution:</u>** Resolution 1: Amend remuneration policy was proposed at the company's special shareholder meeting, held on 18 September 2020.<br><br>**<u>How the manager voted</u>**: Against<br><br>**<u>Rationale</u>**: Pearson issued a series of profit warnings under its previous CEO. Yet shareholders have been continuously supportive of the company, believing that there is much value to be gained from new leadership and a fresh approach to their strategy. However, the company decided to put forward an all-or-nothing proposal in the form of an amendment to the company's remuneration policy. This resolution at the extraordinary general meeting (EGM) was seeking shareholder approval for the grant of a co-investment award, an unusual step for a UK company, yet if this resolution was not passed the company confirmed that the proposed new CEO would not take up the CEO role. This is an unusual approach and many shareholders felt backed into a corner, whereby they were keen for the company to appoint a new CEO, but were not happy with the plan being proposed. However, shareholders were not able to vote separately on the two distinctly different items, and felt forced to accept a less-than-ideal remuneration structure for the new CEO. LGIM spoke with the chair of the board earlier this year, on the board's succession plans and progress for the new CEO. We also discussed the shortcomings of the company's current remuneration policy. We also spoke with the chair directly before the EGM and relayed our concerns that the performance conditions were weak and should be re-visited, to strengthen the financial underpinning of the new CEO's award. We also asked that the post-exit shareholding requirements were reviewed to be brought into line with our expectations for UK companies. In the absence of any changes, LGIM took the decision to vote against the amendment to the remuneration policy.<br><br>**<u>Outcome:</u>** At the EGM, 33% of shareholders voted against the co-investment plan and therefore, by default, the appointment of the new CEO.<br><br>**<u>Rationale for classifying as significant:</u>** Pearson has had strategy difficulties in recent years and is a large and well-known UK company. Given the unusual approach taken by the company and our outstanding concerns, we deem this vote to be significant. | **Legal and General Investment Manager –** MSCI ACWI Adaptive Capped ESG Index Fund |
| **<u>Company:</u> Barclays**<br><br>**<u>Meeting date:</u> 7 May 2020**<br><br>**<u>Management resolution:</u>**<br>• Resolution 29: Approve Barclays' Commitment in Tackling Climate Change<br>• Resolution 30: Approve ShareAction Requisitioned Resolution<br><br>**<u>How the manager voted</u>**: Voted for both<br><br>**<u>Rationale</u>**: The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers. We are particularly grateful to the Investor Forum for the significant role it played in coordinating this outcome.<br><br>**<u>Outcome:</u>**<br>• Resolution 29 - supported by 99.9% of shareholders<br>• Resolution30 - supported by 23.9% of shareholders (source: Company website).<br><br>**<u>Rationale for classifying as significant:</u>** Since the beginning of the year there has been significant client interest in our voting intentions and engagement activities in relation to the 2020 Barclays AGM. We thank our clients for their patience and understanding while we undertook sensitive discussions and negotiations in private. We consider the outcome to be extremely positive for all parties: Barclays, ShareAction and long-term asset owners such as our clients**.** | **Legal and General Investment Manager –** UK Equity Index Fund |

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| **<u>Company:</u> Meditronic plc**<br><br>**<u>Meeting date:</u> 11 December 2020**<br><br>**<u>Management resolution:</u>** Resolution 3 Advisory Vote to Ratify Named Executive Officers' Compensation.<br><br>**<u>How the manager voted</u>**: Against<br><br>**<u>Rationale</u>**: Following the end of the financial year, executive directors were granted a special, one-off award of stock options to compensate for no bonus being paid out during the financial year. LGIM voted against the one-off payment as we are not supportive of one-off awards in general and in particular when these are awarded to compensate for a payment for which the performance criterion/criteria were not met. Prior to the AGM we engaged with the company and clearly communicated our concerns over one-off payments.<br><br>**<u>Outcome:</u>** The voting outcome was as follows:<br>For: 91.73%; against: 8.23%.<br><br>**<u>Rationale for classifying as significant:</u>** We believe it is contrary to best practice in general and our pay principles in particular to award one-off awards, especially if they are to compensate for a forgone payment. | **Legal and General Investment Manager –** MSCI ACWI Adaptive Capped ESG Index Fund |
| **<u>Company:</u> Walgreens Boots Alliance, Inc.**<br><br>**<u>Meeting date:</u> 28 January 2021**<br><br>**<u>Management resolution:</u>** Resolution 3: Advisory vote to ratify named executive officer's compensation.<br><br>**<u>How the manager voted</u>**: Against<br><br>**<u>Rationale</u>**: The company's compensation committee applied discretion to allow a long-term incentive plan award to vest when the company had not even achieved a threshold level of performance. This is an issue because investors expect pay and performance to be aligned. Exercising discretion in such a way during a year in which the company's earnings per share (EPS) declined by 88% caused a significant misalignment between pay and performance. LGIM had a constructive engagement with the company in November 2020; however, it failed to mention the application of discretion during that call. We found this surprising given the significant impact it had on compensation, which was discussed, giving the company an opportunity to raise this. LGIM does not generally support the application of retrospective changes to performance conditions. Although the company was impacted by COVID, many of its shops remained open as they were considered an essential retailer. The company did not provide sufficient justification for the level of discretion applied which resulted in the payment of 94,539 shares or approximately \$3.5m to the CEO in respect of the 2018-2020 award, which would otherwise have resulted in zero shares vesting.<br><br>**<u>Outcome:</u>** The resolution failed to get a majority support as 52% of shareholders voted against.<br><br>**<u>Rationale for classifying as significant:</u>** It was high-profile and controversial. | **Legal and General Investment Manager –** MSCI ACWI Adaptive Capped ESG Index Fund |
| **<u>Company:</u> International Consolidated Airlines Group**<br><br>**<u>Meeting date:</u> 7 September 2020**<br><br>**<u>Management resolution:</u>** Resolution 8: Approve Remuneration Report' was proposed at the company's annual shareholder meeting held on 7 September 2020.<br><br>**<u>How the manager voted</u>**: Against<br><br>**<u>Rationale</u>**: The COVID-19 crisis and its consequences on international transport have negatively impacted this airline company's financial performance and business model. At the end of March 2020, LGIM addressed a private letter to the company to state our support during the pandemic. We also encouraged the board to demonstrate restraint and discretion with its executive remuneration. As a result of the crisis, the company took up support under various government schemes. The company also announced a 30% cut to its workforce. On the capital allocation front, the company decided to withdraw its dividend for 2020 and sought shareholder approval for a rights issue of €2.75 billion at its 2020 AGM in order to strengthen its balance sheet. The remuneration report for the financial year to 31 December 2019 was also submitted to a shareholder vote. We were concerned about the level of bonus payments, which are 80% to 90% of their salary for current executives and 100% of their | **Legal and General Investment Manager –** UK Equity Index Fund |

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| salary for the departing CEO. We noted that the executive directors took a 20% reduction to their basic salary from 1 April 2020. However, whilst the bonuses were determined at the end of February 2020 and paid in respect of the financial year end to December 2019, LGIM would have expected the remuneration committee to exercise greater discretion in light of the financial situation of the company, and also to reflect the stakeholder experience (employees and shareholders). Over the past few years, we have been closely engaging with the company, including on the topic of the succession of the CEO and the board chair, who were long-tenured. This engagement took place privately in meetings with the board chair and the senior independent director. This eventually led to a success, as the appointment of a new CEO to replace the long-standing CEO was announced in January 2020. A new board chair: an independent non-executive director, was also recently appointed by the board. He will be starting his new role in January 2021.<br><br>**Outcome:** 28.4% of shareholders opposed the remuneration report.<br><br>**Rationale for classifying as significant:** LGIM considers this vote significant as it illustrates the importance for investors of monitoring our investee companies' responses to the COVID crisis. | |
| **Company: SIG plc.**<br><br>**Meeting date: 9 July 2020**<br><br>**Management resolution:**<br><br>Resolution 5: Approve one-off payment to Steve Francis proposed at the company's special shareholder meeting held on 9 July 2020.<br><br>**How the manager voted**: Against<br><br>**Rationale**: The company wanted to grant their interim CEO a one-off award of £375,000 for work carried out over a two-month period (February - April). The CEO agreed to invest £150,000 of this payment in acquiring shares in the business, and the remaining £225,000 would be a cash payment. The additional payment was subject to successfully completing a capital-raising exercise to improve the liquidity of the business. The one-off payment was outside the scope of their remuneration policy and on top of his existing remuneration, and therefore needed shareholder support for its payment. LGIM does not generally support one-off payments. We believe that the remuneration committee should ensure that executive directors have a remuneration policy in place that is appropriate for their role and level of responsibility. This should negate the need for additional one-off payments. In this instance, there were other factors that were taken into consideration. The size of the additional payment was a concern because it was for work carried over a two-month period, yet was equivalent to 65% of his full-time annual salary. £225,000 was to be paid in cash at a time when the company's liquidity position was so poor that it risked breaching covenants of a revolving credit facility and therefore needed to raise additional funding through a highly dilutive share issue.<br><br>**Outcome:** The resolution passed. However, 44% of shareholders did not support it. We believe that with this level of dissent the company should not go ahead with the payment.<br><br>**Rationale for classifying as significant:** The vote is high-profile and controversial. | **Legal and General Investment Manager –** UK Equity Index Fund |
| **Company: Plus500 ltd.**<br><br>**Meeting date: 16 September 2020**<br><br>**Management resolution:** Resolution 17: Approve Special Bonus Payment to CFO Elad Even-Chen at the company's special shareholder meeting held on 16 September 2020.<br><br>**How the manager voted**: Against<br><br>**Rationale**: At its AGM on 16 September 2020, Plus500 proposed a number of pay-related proposals for shareholder approval. Amongst these, the board recommended the approval of a substantial discretionary bonus offered to the CFO of around ?4.2 million (around $1.2 million), for his successful work with Israeli tax authorities over a number of years, resulting in a significant tax-saving for shareholders. The bonus is in addition to his annual variable pay and outside the normal bonus structure. LGIM does not support one-off discretionary bonuses (or transaction bonuses) as these are not within the approved policy to reward the achievement of pre-set targets. Moreover, discussions with tax authorities and the obtaining of preferential tax structures for the company are seen as part of a CFO's day-to-day job and should not be remunerated separately. Instead, a preferential tax treatment will benefit future | **Legal and General Investment Manager –** MSCI ACWI Adaptive Capped ESG Index Fund |

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| performance and will therefore be rewarded within annual bonus and long-term incentives in future performance years.<br><br>**<u>Outcome:</u>** Given the level of shareholder dissent, Resolution 17 was withdrawn ahead of the AGM, while all the other resolutions were passed. The company stated that: 'The board and the remuneration committee consider that a bonus is appropriate given the outstanding efforts of [the CFO].'As such, Plus500 intends to again propose the resolution for shareholder approval at the EGM to cover 2021 director pay (as is required under Israeli law).<br><br>**<u>Rationale for classifying as significant:</u>** There was a level of media interest regarding the withdrawal of the resolution. This, combined with the other shortcomings of this company in relation to the expectations of a company listed in London, make this a significant vote. Shareholder dissent to the resolution was sufficiently high that the proposal was withdrawn ahead of the AGM; this will result in the company being included in the UK Investment Association's Public Register. | |
| **<u>Company:</u> Facebook, Inc.**<br><br>**<u>Meeting date:</u> 27 May 2020**<br><br>**<u>Management resolution:</u>** Require Independent Board Chair<br><br>**<u>How the manager voted</u>**: For<br><br>**<u>Rationale</u>**: We believe the company would benefit from independent oversight to help manage potential conflicts of interest between management and shareholders.<br><br>**<u>Outcome:</u>** Fail, with 19.5% voting "For."<br><br>**<u>Rationale for classifying as significant:</u>** Shareholder proposals to require an independent chair are common in the US. We selected this vote as representative of this class of proposals with regard to our engagement and vote on such matters. The outcome of the vote was also representative of our experience on similar proposals over the year in question. | **Towers Watson Investment Managers –** Partners Fund |
| **<u>Company:</u> Alphabet Inc.**<br><br>**<u>Meeting date:</u> 3 June 2020**<br><br>**<u>Management resolution:</u>** Establish Human Rights Risk Oversight Committee<br><br>**<u>How the manager voted</u>**: For<br><br>**<u>Rationale</u>**: A vote FOR this proposal was warranted because continued controversies call into question the extent to which the existing board structure provides adequate oversight on risks the company's technologies present to human rights, which, in turn, creates risks for the company in terms of retaining high-level employees and retaining a good reputation in the eyes of users and advertisers. Also, given the pervasive role of Google in society this should be undertaken.<br><br>**<u>Outcome:</u>** Proposal rejected with 83.74% majority.<br><br>**<u>Rationale for classifying as significant:</u>** Corporate Governance | **Towers Watson Investment Managers –** Partners Fund |
| **<u>Company:</u> Mastercard**<br><br>**<u>Meeting date:</u> 16 June 2020**<br><br>**<u>Management resolution:</u>** Advisory vote on executive compensation<br><br>**<u>How the manager voted</u>**: For<br><br>**<u>Rationale</u>**: We support the NEO compensation as described in the proxy statement.<br><br>**<u>Outcome:</u>** Approved<br><br>**<u>Rationale for classifying as significant:</u>** We selected this vote as "significant" because the company was a large position in the strategy and the proposal was more important to the long term value of the business compared to other proposals for that company. | **Towers Watson Investment Managers –** Partners Fund |

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| **<u>Company:</u> Pegasystems Inc.**<br><br>**<u>Meeting date:</u> 18 June 2020**<br><br>**<u>Management resolution:</u>** Elect Director Peter Gyenes<br><br>**<u>How the manager voted</u>**: Against<br><br>**<u>Rationale</u>**: 1.02. "Against" Peter Gyenes -- While Mr. Gyenes is a technology industry veteran and is well-acquainted with PEGA's business (having held a board seat since 2009), his most recent executive experience dates back to fifteen years ago. As such, the company may be better served by appointing a director with more recent experience and positive diversity attributes.<br><br>**<u>Outcome:</u>** Elected<br><br>**<u>Rationale for classifying as significant:</u>** Voted against management and against long-time director | **Towers Watson Investment Managers –** Partners Fund |
| **<u>Company:</u> Great Wall Motor**<br><br>**<u>Meeting date:</u> 25 May 2020**<br><br>**<u>Management resolution:</u>** Amendments to Articles of Association<br><br>**<u>How the manager voted</u>**: Against<br><br>**<u>Rationale</u>**: Shortened notice period as shareholders should given enough time to consider items before general meetings<br><br>**<u>Outcome:</u>** For<br><br>**<u>Rationale for classifying as significant:</u>** Against management | **Towers Watson Investment Managers –** Partners Fund |
| **<u>Company:</u> Wuliangye Yibin Co Ltd**<br><br>**<u>Meeting date:</u> 29 May 2020**<br><br>**<u>Management resolution:</u>** Related Party transactions: 2020 estimated continuing connected transactions<br><br>**<u>How the manager voted</u>**: Against<br><br>**<u>Rationale</u>**: The proposed related-party transactions include a financial service agreement with the group finance company which may expose the company to unnecessary risks. There are inherent risks associated with the financial services to be provided under this proposal.<br><br>**<u>Outcome:</u>** 72.87%<br><br>**<u>Rationale for classifying as significant:</u>** Against policy guidelines to vote in favour of Related party Transactions | **Towers Watson Investment Managers –** Partners Fund |
| **<u>Company:</u> Ping An Insurance (Group) Co. of China**<br><br>**<u>Meeting date:</u> 25 March 2021**<br><br>**<u>Management resolution:</u>** To consider and approve the resolution regarding the proposed grant of general mandate by the general meeting to the board to issue H shares, that is, the grant of a general mandate to the board to allot, issue and deal with additional H shares not exceeding 20 percent of the total H shares of the Company in issue, representing no more than 8.15 percent of the total number of issued shares of the Company, at a relevant price represents a discount (if any) of no more than 10 percent to the benchmark price (instead of a discount of 20 percent as limited under the rules governing the listing of securities on the stock exchange of Hong Kong Limited) and authorize the board to make corresponding amendments to the Articles of Association of the Company as it thinks fit so as to reflect the new capital structure upon the allotment or issuance of shares.<br><br>**<u>How the manager voted</u>**: Against<br><br>**<u>Rationale</u>**: We routinely vote against the ability to issue shares<br><br>**<u>Outcome:</u>** 69.96%<br><br>**<u>Rationale for classifying as significant:</u>** Material issue - Issuance can be dilutive for existing shareholders | **Towers Watson Investment Managers –** Partners Fund |

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| <u>**Company:**</u> **General Electric Company**<br><br><u>**Meeting date:**</u> **5 May 2020**<br><br><u>**Management resolution:**</u> Advisory Vote to Ratify Named Executive Officers' Compensation<br><br><u>**How the manager voted**</u>: For<br><br><u>**Rationale**</u>: ISS recommends voting against Culp's incentive package. The stock grants are potentially large, but the task at hand is monumental, requiring real ownership from the CEO. Hence a vote for is justified in our view. Base salary of $2.5m not at all excessive in a US large cap industrial context (less than 50% of peers).<br><br><u>**Outcome:**</u> Pass<br><br><u>**Rationale for classifying as significant:**</u> Voted against ISS | **Towers Watson Investment Managers –** Partners Fund |

# Section 4: Conclusion

The Trustee believes that the Scheme's engagement policy as outlined in the SIP has been adhered to over the Scheme year.

Following monitoring of the Scheme's investment managers over the year, and reviewing the voting information outlined in this statement, the Trustee is satisfied that TWIM and LGIM are effective stewards of the Scheme's assets. Note that the Scheme disinvested all assets with LGIM UK and Overseas equity on 9 September 2020 so monitoring of these funds will not be ongoing.

The Trustee will continue to monitor the remaining investment managers' stewardship practices on an ongoing basis.

# Appendix 1: TWIM’s voting policy

**TWIM’s voting policy is provided below**

**“Policy on consulting clients:**

As the Partners Fund is a multi-asset fund investing solely in external managers, voting rights are exercised via the underlying managers. TWIM does however implement a further level of oversight and engagement at the Fund level. TWIM have a vast global manager research team who specifically rate the underlying managers on their approach to integration of ESG factors, of which voting (where applicable) is a critical component. TWIM engage with managers where their practice is not appropriate and will, if required, terminate the relationship with the underlying manager if necessary.

In the context of the Towers Watson Global Equity Focus Fund, the global active equity mandate Partners is invested in, we have engaged with EOS at Federated Hermes to provide voting recommendation to enhance engagement and achieve responsible ownership. Where they choose to vote differently to the EOS recommendation, the underlying managers’ rationale must be noted and if required, can be discussed further with EOS. However, the underlying managers hold the ultimate voting authority.

**Process for deciding how to vote:**

N/A

**Use of proxy voting services:**

We partner with EOS at Federated Hermes to provide voting recommendation to enhance engagement and achieve responsible ownership as part of our global active equity mandate. More information on EOS at Federated Hermes can be found in their website.
*https://www.hermes-investment.com/uki/stewardship/* ”

# Appendix 2: LGIM's voting policy

**LGIM's voting policy is provided below**

**"Policy on consulting clients:**

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

**Process for deciding how to vote:**

All decisions are made by LGIM's Investment Stewardship team and in accordance with our relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

**Use of proxy voting services:**

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. Our use of ISS recommendations is purely to augment our own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that we receive from ISS for UK companies when making specific voting decisions.

To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.

We retain the ability in all markets to override any vote decisions, which are based on our custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action."