The Bunzl Pension Plan

Chair of the Trustee's statement on Defined Contribution Matters

As the Defined Contribution section of the Bunzl Pension Plan (the 'DC section') is a money purchase plan, I am as Chair of the trustee company making an annual statement for the year ended 5 April 2020 to explain what steps have been taken by the trustee board with help from our professional advisors, to meet the governance standards. The law sets out what information has to be included in my statement and these areas are covered in the statement below. I am pleased to have the opportunity to explain what the Trustee Directors do to help to ensure the DC section is run as effectively as it can be. If you have any suggestions about what can be improved, please do contact Crispin Banner whose details are shown on page 3.

This statement is available at https://www.bunzl.com/~/media/Files/B/Bunzl-PLC/content-pdfs/chair-statement.pdf

Default investment arrangement

The default investment arrangement is provided for members who join the DC section and do not want to choose an investment option for their contributions. However, the Bunzl Pension Plan, including the DC section is closed to new entrants and as such no members have been or will be entered into an investment choice by default. The Plan is not used as a qualifying scheme for auto-enrolment purposes. At a trustee meeting on the 2 September 2015 the Trustee Directors decided to select the Legal & General investment management daily dealing diversified growth fund as the technical default fund for the DC section. The diversified growth fund's objective is to provide long-term investment growth through exposure to a diversified range of asset classes. The diversified growth fund is itself invested in other passive Legal & General funds and the decision on the balance of investments in the fund occurs once a year. The annual management charge of the fund is 0.30%. The latest review of the default investment fund was carried out in 2019.

Charges and transaction costs paid by members

The Company currently meets administration, member communication and advisory costs associated with operating the Plan.

The investment funds available cover a wide range of different investments and are all passive investment funds with Legal & General Investment Management. Charges related to investment management are deducted from members' funds. There are two different types of investment charges, the annual management charge ("AMC") and the total expense ratio ("TER"). The AMC is the fee applied by the investment manager for managing the individual funds. The TER will be the same or higher and includes any additional expenses associated with the running and management of the funds such as custody costs (which will vary slightly from time to time). In addition to ongoing charges, members may also incur transaction costs when switching their investments between the investment funds that are available.

The table below summarises charges and transaction costs of the DC section funds currently in use:

Fund name	**TER (% p.a.)**	**Transaction costs Total (%)**
Multi-Asset (formerly Consensus) Fund	0.2570	0.0422
Global Equity Fixed Weights (50:50) Index Fund	0.1835	0.0118
UK Equity Index Fund	0.1309	-0.0191
North America Equity Index Fund	0.2020	-0.0145
Europe (ex UK) Equity Index Fund	0.2596	0.0029
Japan Equity Index Fund	0.2268	-0.0036
Asia Pacific (ex Japan) Developed Equity Index Fund	0.2853	0.0084
Over 15 Year Gilts Index Fund	0.1002	0.0470
AAA-AA-A Corporate Bond All Stocks Index Fund	0.1508	-0.0477
Over 5 Year Index-Linked Gilts Index Fund	0.1003	0.1225
Cash fund	0.1254	0.0034
Diversified Fund	0.3165	-0.0172

The TER comprises AMC and additional fund expenses, for example custody costs, where applicable.
Transaction cost shown above are over the 12-month period to 31/03/2020.
Source: Legal & General.

Based on statutory guidance and in accordance with the regulatory requirements, the Trustee has prepared the following illustrations detailing the impact of the costs and charges typically paid by a member of the DC section on their retirement savings.

The illustrations below take into account the savings fund size, the real terms investment return gross of costs and charges, adjustments for the effect of costs and charges and the investment horizon.

To make this representative of the membership, the Trustee has based the first set of illustrations on assumptions that the typical member of the DC section is aged 50 years old, with an average pot size of £37,000. The Trustee has based the second set of illustrations on assumptions that the typical member of the DC section is aged 26 years old, with a pot size of £0.

Typical member (aged 50)

	Most popular		**Lowest charge**		**Highest charge and Default Fund**	
	Multi-Asset (formerly Consensus) Fund		**Over 15 Year Gilts Index Fund**		**Diversified Fund**	
Year End	**Before charges**	**After charges**	**Before charges**	**After charges**	**Before charges**	**After charges**
1	41,819	41,701	40,458	40,412	41,809	41,676
3	51,826	51,420	47,271	47,123	51,790	51,337
5	62,345	61,579	53,950	53,687	62,277	61,422
10	91,057	89,033	70,080	69,477	90,875	88,619
15	123,586	119,697	85,430	84,417	123,231	118,906

Typical member (aged 50) contd.

	Lowest Expected Growth		**Highest Expected Growth**	
	Cash fund		***Global Equity Fixed Weights (50:50) Index Fund***	
Year End	**Before charges**	**After charges**	**Before charges**	**After charges**
1	40,453	40,402	42,005	41,925
3	47,256	47,091	52,470	52,195
5	53,924	53,630	63,575	63,051
10	70,020	69,346	94,391	92,974
15	85,328	84,198	130,127	127,347

Youngest member (aged 26)

	Most popular		**Lowest charge**		**Highest charge and Default Fund**	
	Multi-Asset (formerly Consensus) Fund		**Over 15 Year Gilts Index Fund**		**Diversified Fund**	
Year End	**Before charges**	**After charges**	**Before charges**	**After charges**	**Before charges**	**After charges**
1	2,347	2,340	2,309	2,307	2,346	2,339
3	7,220	7,178	6,860	6,845	7,217	7,171
5	12,342	12,236	11,322	11,284	12,334	12,215
10	26,324	25,902	22,096	21,960	26,288	25,818
15	42,164	41,167	32,349	32,063	42,077	40,967
20	60,109	58,217	42,106	41,623	59,940	57,837
25	80,438	77,261	51,392	50,669	80,150	76,623
30	103,469	98,532	60,228	59,228	103,016	97,544
35	129,560	122,291	68,636	67,327	128,887	120,842
39	152,909	143,283	75,070	73,492	152,011	141,372

Youngest member (aged 26) contd.

	Lowest Expected Growth		Highest Expected Growth	
	Cash fund		***Global Equity Fixed Weights (50:50) Index Fund***	
Year End	**Before charges**	**After charges**	**Before charges**	**After charges**
1	2,309	2,306	2,352	2,347
3	6,859	6,842	7,270	7,242
5	11,319	11,276	12,488	12,415
10	22,083	21,932	26,968	26,677
15	32,321	32,002	43,760	43,058
20	42,058	41,519	63,233	61,875
25	51,319	50,513	85,813	83,490
30	60,127	59,013	111,998	108,318
35	68,503	67,046	142,362	136,838
39	74,909	73,153	170,108	162,678

Notes

1) Projected pension pot values are in today's terms i.e. they represent the value of funds in 2020 and have not been adjusted for the effect of price inflation.
2) Projections are estimates and are not guaranteed.
3) Transaction costs are averaged using the 2 year periods to 31/03/2020 and 31/12/2018 and are shown below. Where transaction costs are negative, transaction costs have been assumed to be zero.
    a. Multi-Asset (formerly Consensus) Fund: 0.0261%
    b. Over 15 Year Gilts Index Fund: 0.0135%
    c. Diversified Fund: 0.00%
    d. Cash fund: 0.0017%
    e. Global Equity Fixed Weights (50:50) Index Fund: 0.0059%
4) The starting salary assumption for the typical and youngest member illustrations are £38,400 and £23,200, respectively. Both salary assumptions are expected to increase in line with price inflation at *2.5% p.a.*
5) Total contributions are assumed to be 10% p.a. of salary per year.
6) Price inflation is assumed to be 2.5% p.a.
7) The expected gross return above inflation for each fund is as follows:
    A. Multi-Asset (formerly Consensus) Fund*:* 2.5% p.a.
    B. Lowest charge fund: -1.0% p.a.
    C. Highest charge fund: 2.5% p.a.
    D. Lowest expected growth fund: -1.0% p.a.
    E. Highest expected growth fund: 3.0% p.a.

Core financial transactions

The Trustee Directors seek to ensure that important financial transactions such as investing contributions, transferring assets and making payments from the DC section are processed promptly and accurately. Since January 2015 the administration of the DC section has been provided by Bunzl plc. The Trustee Directors receive from the administrator monthly updates covering all the financial transactions of the Plan. Member contributions from each employing company are checked by the administrator for accuracy and to ensure they are received and invested in an agreed time frame. I am pleased that in the last Plan year there have been no material administration issues, which need to be reported here by the Trustee Directors. The processes and controls in place with the administrator aim to ensure that the financial transactions, which are important to members are dealt with properly.

Trustee knowledge and understanding

The law requires the Trustee board to possess, or have access to sufficient knowledge and understanding to run the DC section effectively. We take our training and development responsibilities seriously and keep a record of the training completed by each member of the Board. The training record is reviewed regularly to identify any gaps in knowledge and understanding across the Board as a whole. Trustee Directors are all required to complete the Pensions Regulator training guide and attend training courses. In addition further training sessions are also provided as required.

Member nominated Trustee Directors are selected by an interview panel including the Plan's actuary.

As a result of the training and selection activities, which have been completed by the Trustee Directors individually and collectively as a board and taking into account the professional advice available to the Trustee Directors. I am confident that the combined knowledge and understanding of the board enables us to exercise properly our functions as the trustee of the DC section.

Signed for and on behalf of the Trustee of the Bunzl Pension Plan on 3 November 2020

D J Breeze

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Chair of the Trustee

Annual Implementation Statement

1. Introduction

This statement sets out how, and the extent to which, the Statement of Investment Principles ("SIP") produced by the Trustee has been followed during the year to 5 April 2020. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 (as amended) and the guidance published by the Pensions Regulator.

2. Review of the SIP

During the year the Trustee reviewed the Plan's SIP. A revised SIP was signed in August 2019 in order reflect new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2018 to include policies in relation to:

- Financially material considerations (including environmental, social and governance considerations, and explicitly climate change).
- The extent to which non-financial matters are taken into account.
- The approach to stewardship (including engagement) of investments.

3. Assessment of the policies in the SIP for the year to 5 April 2020

The information provided in this section highlights the work undertaken by the Trustee during the year, and longer term where relevant, and how this followed the Trustee's policies in the SIP. The SIP is attached as an Appendix and sets out the policies referenced below.

Requirement	Policy	In the year to 5 April 2020
Securing compliance with the legal requirements about choosing investments	*Trustee obtains advice from their investment advisor, enabling the Trustee to choose investment vehicles that can fulfil the Plan's investment objectives. In the Trustee's opinion this is consistent with the requirements of Section 36 of the Pensions Act 1995.*	The Trustee received advice from its investment advisors where required. No new investments were implemented over the period.
Kinds of investments to be held	*For the DB section, the Trustee's approach to investment involves considering firstly the least risk approach in terms of asset strategy and secondly the attitude of the sponsoring Company towards investment risk.* *For the DC section, the Trustee's approach to investment involves considering firstly the least costly approach in terms of asset strategy and secondly the attitude of the members towards investment risk.* *The default investment option in place for this scheme has been chosen as the Legal & General Diversified Growth Fund, as detailed in section 4.3 of the SIP. The Trustee has made available a range of individual self-select fund options for investment in addition to the default investment option, as outlined in section 4.2 of the SIP. A range of asset classes has been made available, including: equities, diversified growth funds, multi-asset fund, gilts, index-linked gilts, corporate bonds and a cash fund. The Trustee has for the time being decided not to employ active managers. As such all the investment vehicles are passive index tracking funds.*	The basis of the Trustee's strategy is to divide the Plan's assets between a "growth" portfolio, comprising assets such as Equities, and a "matching" portfolio, comprising assets such as UK Gilts, UK index Linked Gilts and Corporate bonds. The Trustee regards the basic distribution of the assets to be appropriate for the Plan's objectives and liability profile. Over the 12 months to 5 April 2020, there were no changes to the Trustee's investment strategy in respect of the DB Section. Over the 12 months to 5 April 2020, there were no changes to the Trustee's investment strategy in respect of the DC Section. The default investment option was subject to its formal triennial review in February 2019. Although this review was not undertaken during this Scheme year, it represents an important exercise for the Trustee that covers the majority of the investment policies the Trustees' have in place. The investments (fund type, management style and asset allocations) used in the default strategy were reviewed as part of this exercise. No changes were made following this review and the investment held in the default strategy is consistent with the SIP. As part of the triennial review, the Trustee also undertook a review of the alternative investments available to members along with a review of the self-select fund range. The Trustee concluded that the available range of funds/types of investments available to members continued to be appropriate and provided members options across the risk/return spectrum. The details of the types of investment referenced in the SIP remains consistent with the fund range offered to members.
The balance between different kinds of investments	*Within the DC section, members can combine the investment funds in any proportion in order to achieve the desired level of return and risk in line with their own attitude towards, and tolerance of risk.* *Within the default arrangement assets are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole. The assets are invested in the diversified growth fund with LGIM. The selection, retention and realisation of assets are delegated to the underlying fund manager.*	The DC default investment option is reviewed on a triennial basis. The date of the last review was February 2019. Given the use of a single fund as the default, the underlying asset allocation is delegated to the manager LGIM, however the ongoing suitability of this fund is was assessed. This confirmed that the fund was appropriate to meet the stated aims and objectives of the default. A review of self-select options also formed part of the triennial investment review - no changes were made to the self-select fund range as a result of this review. The Trustee receives a quarterly investment performance report which monitors the risk and return of options within the Scheme.

Risks, including the ways in which risks are to be measured and managed	*The Trustee recognises risk (both investment and operational) from a number of perspectives in relation to the self-select funds and the default investment option.* *Within the DC Section of the Plan the Trustee has considered the following specific risks (as outlined in section 4.1 of the SIP):* *i. That inadequate investment returns lead to a low level of pension.* *ii. That relative market movement, particularly in the years close to retirement, leads to a reduction in members' anticipated pension and cash lump sum.* *iii. That active investment managers can underperform markets.*	As detailed in the risk section in the SIP, the Trustee considers both quantitative and qualitative measures for these risks when deciding investment policies, strategic asset allocation, the choice of fund managers / funds / asset classes. The Plan also maintains a risk register of the key risks, including the investment risks. This rates the impact and likelihood of the risks and summarise existing mitigations and additional actions. The Trustee concluded that the investment risks set out in its risk register are being appropriately managed and measured.
Expected return on investments	*For the DB section, the funds invested are expected to provide an investment return that is at least in line with the assumptions underlying the actuarial valuation.* *For the DC section, the funds are invested passively and are expected to provide an investment return that is broadly in line with the benchmarks of the underlying those used by the investment manager.* *In designing the default, the Trustee has explicitly considered the trade-off between risk and expected returns. The objective of the default is to generate returns in excess of inflation in a mix of assets with a moderate investment risk mitigate by investing in a wide range of diversified asset classes. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members, as detailed in section 4.3 of the SIP.*	The investment performance report is reviewed by the Trustee on a quarterly basis. The investment performance report includes how each investment manager is delivering against their specific mandates. Over the 3 years to date, the DB section of the Plan has returned 5.3% relative to a benchmark of 4.2%. The Trustee notes that the deviation in performance is primarily due to the Global Equity manager, Cantillon. No actions were taken by the Trustee over the prior year in respect of manager appointments for the DB section. Over the 3 years to 31 March 2020, the DC section of the Plan has returned between 2.05% and (1.11)% relative to the benchmarks of (1.25)% and 7.96% of the various funds available to the members for investment. The Trustee notes that the deviation in performance is primarily due to the timing of trades performed by Legal & General Investment Management. No actions were taken by the Trustee over the prior year in respect of manager appointments for the DC section.

Realisation of investments	*The Trustee considers the liquidity of the investment in the context of the likely needs of members.* *For the DC Section The selection, retention and realisation of assets are delegated to the underlying fund manager, as detailed in section 4.3 of the SIP.* *Assets in the default option are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.*	For the DB Section, in the event the Trustee needs to realise assets to meet benefits outgoings, decisions on sourcing the disinvestment are made on a case-by-case basis. The Plan's assets are all currently liquid and could be redeemed with one week (for LGIM) or one months' notice (for Cantillon and Apollo). Over the 12 months to 5 April 2020, some assets were disinvested as scheme sponsor and member contributions weren´t sufficient to cover outgoings. For the DC Section, in the event the Trustee needs to realise assets to meet benefits outgoings, decisions on sourcing the disinvestment are made on a case-by-case basis. The Trustee also receives an administration report on a monthly basis to confirm and ensure that core financial transactions are processed within SLAs and regulatory timelines. As confirmed in the Chair Statement, the Trustee are satisfied that all requirements were met throughout the year.
Financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments	*The Trustee believes that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.* *The Trustee has given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate code and UK stewardship code.* *The Trustee also intends to challenge their investment managers on the implementation of their ESG polices as and when they see them for regular review meetings.*	The investment performance report is reviewed by the Trustee on a quarterly basis. The Scheme's SIP includes the Trustee's policy on Environmental, Social and Governance ('ESG') factors, stewardship and Climate Change. This policy sets out the Trustee's beliefs on ESG and climate change. When implementing a new manager, they would consider the integration of ESG in to the manager's process. The investment performance report includes how each investment manager is delivering against their specific mandates.
The exercise of the rights (including voting rights) attaching to the investments	*Investment managers are expected to evaluate these factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments in line with their own corporate governance policies and current best practice.*	The Trustee has delegated voting rights to the investment managers. Over the prior 12 months, the Trustee has not actively challenged the managers on their voting activity. Further details on voting and engagement activity for the equity managers within the DB Section (LGIM and Cantillon) are set out in the next section. Within the DC Section, the funds which contain equities are: the Multi-Asset Fund, the Diversified Growth Fund, the UK Equity Index Fund, the North American Equity Index Fund, the Japan Equity Index Fund, the Pacific Basin (ex Japan) Equity Index Fund, then European (ex UK) Equity Index Fund and a Global Equity (50:50) Index Fund.

Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, trustees would monitor and engage with relevant persons about relevant matters)	*Investment managers are expected to evaluate these factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments in line with their own corporate governance policies and current best practice. Outside of those exercised by investment managers on behalf of the Trustees, no other engagement activities are undertaken.*	As the Plan invests solely in pooled funds, the Trustee expects their investment managers to engage with the investee companies on their behalf. At present, when investment managers present to the Trustee they are asked to provide details of key engagement activity (where relevant) and the impact the actions have had on the portfolio through investment reporting. Further details on voting and engagement activity are set out in the next section.

4. Voting and Engagement Activity

The voting policy of both equity managers in the DB section have been considered by the Trustee and the Trustee deems it consistent with its investment beliefs.

LGIM – Passive Equity

Voting undertaken over the prior year is summarised in the table below:

Voting Information

Fund	Votes cast			Significant vote examples
	Votes in total [1]	**Votes against management endorsement**	**Abstentions**	
LGIM UK Equity	11,091	716	0	*BP PLC* – Vote in support of the Climate Action 100+ Shareholder Resolution on Climate Change Disclosures. LGIM and other major shareholders put forward a proposal calling on BP to explain how its strategy is consistent with the Paris Agreement on climate change. *FIRSTGROUP* – Vote in support of removing a Director. The performance of the company had been weak for a number of years. On June 2019, shareholder activist Coast Capital convened a shareholder meeting to appoint seven directors to the board of the company and remove six company directors including the board chair and the chief executive.
LGIM North America Eq. Index - GBP Hedged	8,355	1,825	0	*No significant votes*

LGIM Europe (ex UK) Index - GBP Hedged	6,563	1,192	32	*BAYER AG* – Vote against the discharge of Management Board for Fiscal 2018. Following Bayer's acquisition of Monsanto, it had to pay millions in several court cases where Monsanto's weedkiller was linked to causing cancer. LGIM suggested that these incidents should have a bearing on remuneration. *ESSILORLUXOTTICA* – Vote in support of the election of three board nominees. In 2018, Essilor merged with Luxottica. In March 2019 an internal disagreement between the two heads of the merged entity occurred. Two of the company's shareholders – Comgest and Valoptec – put forward three board nominees in a bid to break the impasse. LGIM publicly announced the support for the board nominees ahead of the AGM.
LGIM Japan Equity Index - GBP Hedged	6,650	712	0	*No significant votes*
LGIM Asia Pacific (ex Japan) Dev. Index - GBP Hedged	2,820	674	0	*HYUNDAI MOBIS and HYUNDAY MOTOR*– Vote in support of electing members of the Audit Committee. In March 2018, the Hyundai group announced a restructure involving Hyundai Mobis and Hyundai Motor. These plans have been challenged by Elliot Management, by putting forward its own proposals for the two businesses, that included establishing separate compensation and governance committees, and appointing directors who were not already on the group's boards. LGIM decided to support all the resolutions put forward. With regards to Hyundai Mobis, LGIM noted the risk of a potential conflict of interest with one nominee and decided not to support their election. *KOREAN AIRLINES* – Vote against election of the Inside and Outside Director. LGIM opposed the re-election of the chair of Korean Air Lines Cho Yang-ho, as they had concerns about his ability to conduct the company given his indictment for embezzlement, breach of trust, tax evasion, financial scams, and irregular payments to family members.

LGIM Global Emerging Markets Index	27,543	5,090	354	*METRO BANK* – Vote against re-election of a Director. LGIM had long-standing concerns regarding Metro Bank due to a lack of independent directors on its board, poor gender diversity, a pay structure not in line with best practice standards, and failure to manage conflicts of interest. In 2019, LGIM concerns were compounded by the disclosure of material accounting errors within the bank's loan books. *HYUNDAI MOBIS and HYUNDAY MOTOR*– Vote in support of electing members of the Audit Committee. In March 2018, the Hyundai group announced a restructure involving Hyundai Mobis and Hyundai Motor. These plans have been challenged by Elliot Management, by putting forward its own proposals for the two businesses, that included establishing separate compensation and governance committees, and appointing directors who were not already on the group's boards. LGIM decided to support all the resolutions put forward. With regards to Hyundai Mobis, LGIM noted the risk of a potential conflict of interest with one nominee and decided not to support their election.

(1)The voting activity relates to 2019, full year and the first quarter of 2020

LGIM relies on the service of proxy advisor, ISS, but have developed and implemented their custom policies. In 2019, over 40% of votes against directors were cast against the recommendations of both ISS and company management. LGIM has introduced a custom voting policy which will cover developed markets in Europe and the rest of the world (excluding France, the UK, Japan, Hong Kong and Brazil, for which they have separate voting policies). LGIM continues to develop and follow their own policies rather than adopt those of third parties, as these may not fully reflect the nuances of companies, their future commitments or LGIM own engagement activity. Such policies also may be focused on a particular country, rather than being global in nature.

LGIM defines significant voting as:

- High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

Cantillon – Active Global Equity

Voting undertaken over the prior year is summarised in the table below:

Voting Information

Fund	Votes cast			Significant vote examples [2]
	Votes in total [1]	Votes against management endorsement	Abstentions	
Cantillon Active Global Equity	769	40	45	*SS&C* - ISS recommended a vote against two proxies concerning compensation. Despite ISS recommendation to vote against the proposals, Cantillon reviewed the proxies and decided to vote in line with management the issue of compensation because: 1) the compensation pool is capped at 5% of EBITDA; and 2) Cantillon is comfortable with management discretion on compensation for executives within a fixed cap structure. *FACEBOOK* – Vote against a proposal on the CEO's compensation. The CEO's security fees, already excessive in 2017, more than doubled in 2018, reaching a total of $20 million. Additionally, multiple problematic pay practices limited the effectiveness of the NEOs' compensation programs. *ALPHABET* – Vote against proposal to amend the company's omnibus stock plan. A vote against the proposal was warranted, based on the following key factors: the plan allowed the transferability of stock options without shareholder approval; the plan cost was excessive, the three-year average burn rate was excessive; disclosure of change in control (CIC) vesting treatment was incomplete; the plan permitted liberal recycling of shares; and the plan allowed broad discretion to accelerate vesting.

(1) The voting activity relates to 2019, full year and the first quarter of 2020.

(2) The significant voting activity is related to 2019 full year. Significant votes are reported annually in the annual statement on the Implementation of Cantillon's Shareholder Engagement Policy and the 2020 statement is not yet available.

Cantillon uses research and proxy-related services provided by Institutional Shareholder Services (ISS) to assist them with the mechanics of voting. ISS uses a shareholder maximisation philosophy for most of their clients (including Cantillon), which means they recommend the vote most likely to create value for equity holders in the long term. They also analyse the corporate governance implications of each proxy vote. In cases where ISS recommends a vote against management, Cantillon typically contacts the company directly to better understand the issues. Cantillon do not automatically follow ISS's recommendations and may take a different view once they have considered all the issues.

Cantillon defines significant voting as:

- Votes where the company scores very poorly on ISS's Governance Quality Score(*) and ISS has recommended voting against a management proposal;
- And which, in the view of Cantillon's investment team, are significant.

(*)ISS's Governance QualityScore is derived from publicly disclosed data and reporting on company governance disclosure, risk and performance. Scores indicate decile risk among relative index and region. Scores are calculated at each pillar by summing the factor scores in that pillar. Not all factors and not all subcategories have equal weight.

The voting policy of the equity manager in the DC section has been considered by the Trustee and the Trustee deems it consistent with its investment beliefs.

LGIM – Passive Equity

Voting undertaken over the prior year is summarised in the table below:

Voting Information

Fund	Votes cast			Significant vote examples
	Votes in total [1]	**Votes against management endorsement**	**Abstentions**	
Diversified Growth Fund	82,471	14,447	222	*BP PLC* – Vote in support of the Climate Action 100+ Shareholder Resolution on Climate Change Disclosures. LGIM and other major shareholders put forward a proposal calling on BP to explain how its strategy is consistent with the Paris Agreement on climate change. *BAYER AG* – Vote against the discharge of Management Board for Fiscal 2018. Following Bayer's acquisition of Monsanto, it had to pay millions in several court cases where Monsanto's weedkiller was linked to causing cancer. LGIM suggested that these incidents should have a bearing on remuneration. *ESSSILORLUXOTTICA* – Vote in support of the election of three board nominees. In 2018, Essilor merged with Luxottica. In March 2019 an internal disagreement between the two heads of the merged entity occurred. Two of the company's shareholders – Comgest and Valoptec – put forward three board nominees in a bid to break the impasse. LGIM publicly announced the support for the board nominees ahead of the AGM.
UK Equity Index Fund	11,816	751	0	*BP PLC* – Vote in support of the Climate Action 100+ Shareholder Resolution on Climate Change Disclosures. LGIM and other major shareholders put forward a proposal calling on BP to explain how its strategy is consistent with the Paris Agreement on climate change. *FIRSTGROUP* – Vote in support of removing a Director. The performance of the company had been weak for a number of years. On June 2019, shareholder activist Coast Capital convened a shareholder meeting to appoint seven directors to the board of the company and remove six company directors including the board chair and the chief executive.
North American Equity Index Fund	9.014	1,961	0	*No significant votes*
Japan Equity Index Fund	6,710	717	0	*No significant votes*
Asia Pacific (ex Japan) Developed Equity Index Fund	2,934	728	0	*No significant votes*

European (ex UK) Equity Index Fund	7,473	1,367	30	*BAYER AG* – Vote against the discharge of Management Board for Fiscal 2018. Following Bayer's acquisition of Monsanto, it had to pay millions in several court cases where Monsanto's weedkiller was linked to causing cancer. LGIM suggested that these incidents should have a bearing on remuneration. *ESSSILORLUXOTTICA* – Vote in support of the election of three board nominees. In 2018, Essilor merged with Luxottica. In March 2019 an internal disagreement between the two heads of the merged entity occurred. Two of the company's shareholders – Comgest and Valoptec – put forward three board nominees in a bid to break the impasse. LGIM publicly announced the support for the board nominees ahead of the AGM.
Global Equity (50:50) Index Fund	37,648	5,481	37	*BP PLC* – Vote in support of the Climate Action 100+ Shareholder Resolution on Climate Change Disclosures. LGIM and other major shareholders put forward a proposal calling on BP to explain how its strategy is consistent with the Paris Agreement on climate change. *METRO BANK* – Vote against re-election of a Director. LGIM had long-standing concerns regarding Metro Bank due to a lack of independent directors on its board, poor gender diversity, a pay structure not in line with best practice standards, and failure to manage conflicts of interest. In 2019, LGIM concerns were compounded by the disclosure of material accounting errors within the bank's loan books. *BAYER AG* – Vote against the discharge of Management Board for Fiscal 2018. Following Bayer's acquisition of Monsanto, it had to pay millions in several court cases where Monsanto's weedkiller was linked to causing cancer. LGIM suggested that these incidents should have a bearing on remuneration. *ESSSILORLUXOTTICA* – Vote in support of the election of three board nominees. In 2018, Essilor merged with Luxottica. In March 2019 an internal disagreement between the two heads of the merged entity occurred. Two of the company's shareholders – Comgest and Valoptec – put forward three board nominees in a bid to break the impasse. LGIM publicly announced the support for the board nominees ahead of the AGM. *FIRSTGROUP* – Vote in support of removing a Director. The performance of the company had been weak for a number of years. On June 2019, shareholder activist Coast Capital convened a shareholder meeting to appoint seven directors to the board of the company and remove six company directors including the board chair and the chief executive.

LGIM use ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM who do not outsource any part of the strategic decisions. Additionally, being seen to identify, manage and mitigate both actual and perceived conflicts is essential to LGIM's activities, so that clients understand their interests are always put first. The management of conflicts is important in building long-term relationships with the companies in which they invest, as in order to drive change and have an impact on the market they need to be seen as a trusted, fair and transparent investor. It is therefore important for LGIM to have a robust conflicts of interest policy in place.

LGIM's direct engagement with companies is a way they seek to identify ESG risks and opportunities. On-going dialogue with companies is a fundamental aspect of LGIM's responsible investment commitment. LGIM aims to raise the performance of the whole market through our ESG capability and engagement of companies globally. LGIM tackle difficult and inter-connected ESG issues that materially impact the value of our clients' assets. Regular monitoring of companies assists LGIM in identifying change. In the case of unsuccessful engagements, the team will assess where problems arose and what new approach can be employed. As a large and long-term investor, LGIM can maintain the pressure on companies over many years, and apply a multi-layered escalation strategy. Progress on engagement activity is peer reviewed at weekly team meetings and monthly individual meetings with the Director of Corporate Governance. The regular review process ensures engagement is progressing as expected or requires escalation. The voting process LGIM has established works alongside this engagement process, as voting action is taken where engagement does not produce satisfactory results, and the results are publicly disclosed.

LGIM defines significant voting as:

- High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.