# 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 2021. This statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 (as amended) and the guidance published by the Pensions Regulator.

The statement is based on, and should be read in conjunction with, the relevant versions of the SIP that were in place for the Plan Year, which were the SIP dated August 2019 (covering the period between April 2020 and August 2020) and the SIP dated September 2020 (covering the period between September and April 2021).

## 2. Investment Objectives

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set. The key objectives of the Plan included in the SIP are as follows:

**DC Section**

The Trustee recognises that individual members have differing investment needs and has thus adopted the following objective: "To make available a range of investment vehicles which should meet the varying investment needs and risk tolerances of Plan members".

In arriving at this objective the Trustee has considered the following risks:

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.

**DB Section**

The Trustee believes its prime duty is to endeavour to ensure that Plan members receive their promised benefits. To that end 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. The Trustee believes the Company is committed to meeting the promised benefits and that the Company is financially strong.

The Trustee has discussed investment strategy with the Company and in doing so has taken into account the current investment return assumptions implicit in the actuarial valuation. The Trustee has sought to achieve a balance between minimising risk and helping the Company to keep the reported costs of providing the pension benefits to a level acceptable to the Company. To that end the Trustee has an objective of achieving a return that is at least in line with the assumptions underlying the actuarial valuation.

The Trustee has targeted a long term funding goal of being fully funded on a self sufficiency basis and aims to reach and secure this goal (if returns match investment assumptions) by 2027.

## 3. Review of the SIP

During the year the Trustee reviewed the Plan's SIP. A revised SIP was signed in September 2020 in order to reflect new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019 to include policies in relation to:

- How the arrangements with the asset managers incentivise the asset managers to align investment strategies and decisions with the Trustee's policies in SIP.
- How those arrangements incentivise the asset managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.
- How the method (and time horizon) of the evaluation of asset managers' performance and the remuneration for asset management services are in line with the Trustee's policies mentioned in the SIP.
- How the Trustee monitors portfolio turnover costs incurred by the asset managers and how they define and monitor targeted portfolio turnover or turnover range.
- The duration of the arrangement with the asset managers.

The revised SIP signed in September 2020 was also updated for the topics highlighted below:

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

## 4. Assessment of the policies in the SIP for the year to 5 April 2021

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.

| Requirement | Policy | In the year to 5 April 2021 |
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| 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.* | No new investments were implemented over the period and no section 36 advice was provided for the DB Section. |
| 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.*<br>*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.*<br>*The default investment option in place for this Plan 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 DB 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.<br>Over the 12 months to 5 April 2021, there were no changes to the Trustee's investment strategy in respect of the DB Section.<br>Over the 12 months to 5 April 2021, there were no changes to the Trustee's investment strategy in respect of the DC Section.<br>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.<br>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.*<br>*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 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.<br>The Trustee receives a quarterly investment performance report which monitors the risk and return of options within the Scheme.<br>For the DB section, the Trustee has determined an overall benchmark allocation for the LGIM's Equity Portfolio assets (c.9% of the total Plan assets as at 31 March 2021). |

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| | *In the DB Section, the Trustee believes active managers can add value but that it is prudent not to rely wholly on active management and thus the Trustee employs a mixture of active and passive management. The Trustee delegates day-to-day investment management to three managers. The Plan's manager structure is revised as appropriate in order to maintain consistency with the risk and return targets and investment objectives.* | The overall benchmark allocation of the Plan's DB Section Equity assets invested with LGIM is split between 40% UK Equities and 60% Overseas Equities.<br>To implement the strategic benchmark for the DB Section, the Trustee has also determined tolerance ranges within which the investment managers may operate; these guidelines are set out in Section 3.2.of the SIP.<br>The Trustee regards the broad distribution of the DB Section's assets to be appropriate for the Plan's objectives and liability profile. |
| 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.*<br>*Within the DC Section of the Plan the Trustee has considered the following specific risks (as outlined in section 4.1 of the SIP):*<br>*i. That inadequate investment returns lead to a low level of pension.*<br>*ii. That relative market movement, particularly in the years close to retirement, leads to a reduction in members' anticipated pension and cash lump sum.*<br>*iii. That active investment managers can underperform markets.*<br>*For the DB section, the Trustee considers the following risks on section 2.4 of the SIP:*<br>*i. The risk that the ongoing funding position will be unduly volatile.*<br><br>*ii. The risk that there would be insufficient assets to meet a Planss accrued liabilities in the event a Plan was discontinued.*<br><br>*iii. The risk associated with employing active managers.* | 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.<br>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.<br>During the year to 5 April 2021, the Trustee considered additional risks that were highlighted as part of the global pandemic and updated its policies and risk management accordingly.<br>The risks associated with the DB section are detailed in section 2.4. of the SIP. The Trustee manages these risks through a combination of retaining expert advisors, setting the overall investment strategy based on expert advice and with consideration to the circumstances of the Plan. The Trustee regularly monitors the investment performance of the Plan's assets, monitoring the relative value of the Plan's assets and liabilities and communicating with the sponsoring employer to understand its position with respect to the Plan and the Plan's funding.<br>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.*<br>*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.*<br>*In designing the default, the Trustee has explicitly considered* | 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.<br>Within the DB section, the Trustee receives investment performance reports on a quarterly basis, which present investment and benchmark performance information over 3 months, 1 year and 3 years. The Trustee reviews the absolute performance, relative performance against a suitable benchmark and against the manager's stated target performance (over the relevant time period) on a net of fees basis. The Trustee's focus is primarily on long term performance but short term performance is also reviewed. Over the 3 years to 31 March 2021, the DB section of the Plan has returned 7.9% relative to a |

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| | *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.* | benchmark of 7.5%. The Trustee notes that the deviation in performance is primarily due to the Global Equity manager, Cantillon, and the Multi-Asset Credit manager, Apollo. No actions were taken by the Trustee over the prior year in respect of manager appointments for the DB section.<br>Over the 3 years to 31 March 2021, the DC section of the Plan has returned between 0.34% and 17.53% relative to the benchmarks of 0.36% and 17.69% 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 | *In the DB Section, the Trustee recognises that in order to help achieve their investment objectives they are able to tolerate a degree of illiquidity within the Plan's asset portfolio. At present, most of the assets of the Plan are held in pooled funds and are realisable at short notice through the sale of units if liquidity is required.*<br>*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.*<br>*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 general the Plan's investment managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments, within parameters stipulated in the relevant appointment documentation and pooled fund prospectuses. 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.<br>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).<br>Over the 12 months to 5 April 2021, some assets were disinvested as plan sponsor and member contributions weren´t sufficient to cover outgoings.<br>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.*<br>*The Trustee has given appointed investment managers full* | The investment performance report is reviewed by the Trustee on a quarterly basis – this includes ratings (both general and specific ESG) from the investment adviser. Where rated by Mercer, all of the DB managers remained highly rated during the year.<br>The Plan'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 principles on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. When implementing a new manager, they would consider the integration of ESG in to the manager's process.<br>The investment performance report includes how each investment manager is delivering against their specific mandates. |

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| | *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.*<br>*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 key voting activity for the Plan's equity holdings are show in the section 5 of this statement. |
| The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments | *The Trustee notes that non-financial factors can affect various investment risks which are borne by members and may under-perform other funds with broader-based investment approaches. Fund managers are otherwise only expected to take non-financial factors into account when these do not conflict with the financial interests of members and the Plan's investment objectives.* | No actions were taken throughout the year to 5th April 2021 regarding the DB section. |
| 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.<br><br>Investment managers are expected to provide voting summary reporting (where applicable) on a regular basis and at least annually. The reports are reviewed by the Trustee to ensure that they align with the Trustee's policy.<br><br>Over the prior 12 months, the Trustee has not actively challenged the managers on their voting activity.<br>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.<br><br>The Trustee does not use the direct services of a proxy voter.<br><br>The key voting and engagement activity for the Plan's equity holdings are show in the section 5 of this document.<br><br>With this information, the Trustee believes investment managers are voting responsibly on their behalf and in line with the Trustee's investment beliefs. |
| 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 | *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.* | Investment managers are expected to provide reporting on a regular basis, at least annually including stewardship monitoring results. These are reviewed by the Trustee.<br>As the Plan invests solely in pooled funds, the Trustee expects their investment managers to engage with the investee companies on their behalf.<br>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 |

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| persons about relevant matters) | *Outside of those exercised by investment managers on behalf of the Trustees, no other engagement activities are undertaken.* | actions have had on the portfolio through investment reporting.<br>The Trustee requested that the investment managers confirm compliance with the principles of the UK Stewardship Code, as well as other memberships or coalitions related to ESG or climate change; these are set out in section 6 of this document. |
| How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustee policies | *In line with the Defined Benefit section of the SIP, investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class for which they are selected.*<br>*With regard to the DC section, the Trustee will seek to ensure that, in aggregate, its portfolio is consistent with the policies set out in this Statement, in particular those required under regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations (2005). As the Trustee invests in pooled investment vehicles, they accept that they have no ability to specify the risk profile and return targets of the investment manager, but appropriate mandates can be selected to align with the overall investment strategy.* | The Trustee considers the method of remunerating investment managers to be consistent with incentivising them to make decisions based on assessments of medium to long-term financial and non-financial performance of the issuer of debt or equity. By encouraging a medium to long-term investment time horizon, it will in turn encourage the investment managers to engage with issuers of debt and equity in order to improve their performance in the medium to long-term.<br><br>Within the DB section, the Trustee is comfortable with the managers' likelihood of achieving the expected return and risk characteristics required for the asset class for which they are selected. |
| How the arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term. | *According to section 5 of the SIP, the Trustee aims to meet with the investment managers as deemed appropriate, to discuss performance and other investment related matters (including integration of ESG and climate change into the investment process and voting and engagement activities). As part of this, the Trustee will challenge decisions that appear out of line with the Plan's stated objectives and/or policies. To assist with this, the Trustee considers its investment adviser's assessment of how each investment manager embeds ESG considerations into its investment process and explores how it aligns with its responsible investment policy. This is monitored on a quarterly basis as part of the Plan's performance reporting.*<br><br>*The investment managers are aware that their continued appointment is based on the* | The investment managers are aware that their continued appointment is based on the success in delivering the mandate for which they have been appointed over the long term. Consistent periods of underperformance or excessive tracking error for passive funds, could lead to the investment manager being reviewed and/or terminated.<br><br>Within the DB Section, the Trustee is comfortable with the investment managers' long-term performance, as most managers have either outperformed or performed in line with their targets over the 3 years to 31 March 2021. The only exceptions were Apollo Multi Asset Credit and LGIM UK Corporate Bonds. However, both managers outperformed their targets over the year to 31 March 2021. |

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| | *success in delivering the mandate for which they have been appointed over the long term. Consistent periods of underperformance or excessive tracking error for passive funds, could lead to the investment manager being reviewed and/or terminated.*<br><br>*The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Plan's assets. For most of the DC Section 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.* | |
| How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the Trustee's policies | *As part of the regular reporting, the Trustee receives performance reports from the investment adviser on a quarterly basis, which present performance information over 3 months, 1 year and 3 year periods. They also receive investment manager performance reports on a quarterly basis. The Trustee reviews the absolute performance, relative performance against a suitable index used as the benchmark, and against the investment manager's stated target performance (over the relevant time period). The Trustee's focus is on long term performance but will review an investment manager if there are short term performance or operational concerns.*<br><br>*If an investment manager is not meeting performance objectives, or their investment objectives for the mandate have changed, the Trustee will review the fund appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives and may ask the manager to review their fees.*<br><br>*The Trustee considers the method of remunerating investment managers to be consistent with incentivising them to make decisions based on assessments of medium to long-term financial and non-financial performance of the* | Within the DB section, some mandates are actively managed and the managers are incentivised through remuneration and have pre agreed performance targets. The Trustee will review the appropriateness of using actively managed funds (on an asset class basis) regularly. The Trustee includes 1-year and 3-year performance metrics in the quarterly performance reports, and considers manager performance over longer time periods. |

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| | *issuer of debt or equity. By encouraging a medium to long-term investment time horizon, it will in turn encourage the investment managers to engage with issuers of debt and equity in order to improve their performance in the medium to long-term.*<br><br>*For the Defined Contribution Section, the Trustee reviews the investment manager fees as part of the annual Value for Members ("VfM") assessment.* | |
| How the Trustee monitor portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range. | *The Trustee does not currently actively monitor the portfolio turnover costs of the main DB assets. Portfolio turnover costs refer to those costs incurred due to the buying, selling, lending or borrowing of investments. The Trustee will receive MiFID II reporting from their investment managers, which includes portfolio turnover information, but does not currently analyse the information. The Trustee will continue to monitor industry improvements concerning the reporting of portfolio turnover costs. In future, the Trustee may ask investment managers to report on portfolio turnover costs explicitly. They may assess this by comparing portfolio turnover across the same asset class, on a year-on-year basis for the same fund, or relative to the investment manager's specific portfolio turnover range in the investment guidelines or prospectus.*<br><br>*For the Defined Contribution Section, the Trustee considers portfolio turnover costs as part of the annual Value for Members ("VfM") assessment.* | For the DB section, there were no transitions at the overall portfolio level. Whenever there is an asset transition at the overall portfolio level, the Trustee receives indication from the investment consultant, Mercer, confirming expected and actual portfolio turnover costs. |
| The duration of the arrangement with the asset manager | *The Trustee is a long term investor and is not looking to change the investment arrangements on a frequent basis.*<br><br>*With regard to the DB section, there is no set duration for the investment manager appointments. The Trustee will retain an investment manager unless there is a strategic change to the overall strategy that no longer requires exposure to that asset class or investment manager; or the investment manager appointment has been reviewed and the Trustee has* | For DB, the Trustee reviews the arrangement with the asset managers in case of continuous periods of underperformance, as well as during the triennial actuarial valuation. |

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| | *decided to terminate the mandate.*<br><br>*With regard to the DC section, the Trustee recognises the long-term nature of defined contribution pension investments and chooses funds which are expected to deliver sustainable returns over the Plan members' investment horizon. All the funds are open-ended with no set end date for the arrangement. The Fund Range and Default Strategy are reviewed on at least a triennial basis - The Trustee expects that each fund will be used for at least three years, this being the period over which performance of the fund can be appropriately evaluated and the costs of change amortised, although all funds are subject to ongoing review against various financial and non-financial metrics in addition to their continued appropriateness within the investment strategy. A manager's appointment may be terminated if it is no longer considered to be optimal nor have a place in the default strategy or general fund range.* | |

## 5. Voting and Engagement Activity

**The voting policy of both equity managers 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, along with a sample of significant votes as provided by the investment manager.

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.

**Voting Information**

| Fund | DB/DC | Votes cast | | | Significant vote examples |
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| | | Votes in total | Votes against management endorsement | Abstentions | |
| LGIM UK Equity | DB & DC | 12,574 | 886 | 1 | *RANK GROUP – a vote "for" was cast on the approval of the remuneration report. The company and its stakeholders have been impacted by the COVID crisis. As an active owner and responsible investor, LGIM wants to ensure this is reflected in the executive remuneration package paid for this year. In addition, in 2018 the company granted 'block awards' long-term incentives (LTI) to the executives and committed not to grant any LTI awards until financial year 2022.*<br><br>*PLUS500 LTD – a vote "against" was cast on the approval of a special bonus. 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 $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.* |
| LGIM North America Eq. Index - GBP Hedged | DB & DC | 9,495 | 2,675 | 4 | *THE PROCTER & GAMBLE COMPANY (P&G) – a vote "for" was cast on the reporting the effort to eliminate deforestation. LGIM engaged with P&G to hear its response to the concerns raised and the requests raised in the resolution. Following a round of extensive engagement on the issue, LGIM decided to support the resolution.*<br><br>*EXXONMOBIL – a vote "against" was cast on the election of a Director. Ahead of the company's annual general meeting in May 2020, LGIM announced they would be supporting shareholder proposals for an independent chair and a report on the company's political lobbying. Due to recurring shareholder concerns, their voting policy sanctioned the reappointment of the directors responsible for nominations and remuneration.* |
| LGIM Europe (ex UK) Index - GBP Hedged | DB & DC | 11,399 | 1,741 | 60 | *LAGARDÈRE – a vote "for" was cast in a shareholders resolution proposing new directors to the Supervisory Board. The company strategy had not been* |

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| | | | | | *value-enhancing and the governance structure of the company was not allowing the SB to challenge management on this.* |
| LGIM Japan Equity Index - GBP Hedged | DB & DC | 6,518 | | 0 | *OLYMPUS CORPORATION – a vote "against" was cast on the election of a Director at the company's annual shareholder meeting to signal the company needed action on more female representation on the Board of Directors. 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>*FAST RETAILING CO. LIMITED – a vote "against" was cast on the election of a Director to signal the company needed action on more female representation on the Board of Directors.* |
| LGIM Asia Pacific (ex Japan) Dev. Index - GBP Hedged | DB & DC | 3,774 | 972 | 1 | *QANTAS AIRWAYS LIMITED – a vote "for" was cast in the approval of a Remuneration Report. The COVID crisis had 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. LGIM's Investment Stewardship team engaged with the Head of Investor Relations of the company to express their concerns and understand the company's views.*<br><br>*WHITEHAVEN COAL – a vote "for" was cast in the approval of capital protection regarding the potential wind-down of the company's coal operations. LGIM has publicly advocated for a 'managed decline' for fossil fuel companies, in line with global climate targets, with capital being returned to shareholders instead of spent on diversification and growth projects that risk becoming stranded assets.* |
| LGIM Global Emerging Markets Index | DB | 44,674 | 7,183 | 613 | *SAMSUNG ELECTRONICS – a vote "against" was cast on the election of three directors. 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.* |

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| Diversified Growth Fund | DC | 114,425 | 20,473 | 647 | *INTERNATIONAL CONSOLIDATED AIRLINES GROUP – Voted against the Remuneration Report, which contemplated bonuses to the executive team despite the COVID-19 crisis and its consequences on international transport, which have negatively impacted this airline company's financial performance and business model. 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).*<br><br>*BARCLAYS – Voted for a resolution to approve Barclay's Commitment in Tackling Climate Change. The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers. LGIM are particularly grateful to the Investor Forum for the significant role it played in coordinating this outcome.* |
| Multi-Asset Fund | DC | 114,341 | 20,298 | 642 | *EXXONMOBIL – a vote "against" was cast on the election of a Director. Ahead of the company's annual general meeting in May 2020, LGIM announced they would be supporting shareholder proposals for an independent chair and a report on the company's political lobbying. Due to recurring shareholder concerns, their voting policy sanctioned the reappointment of the directors responsible for nominations and remuneration*<br><br>*LAGARDÈRE – a vote "for" was cast in a shareholders resolution proposing new directors to the Supervisory Board. 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.* |
| Global Equity (50:50) Index Fund | DC | 44,667 | 7,278 | 67 | *WHITEHAVEN COAL – Voted in favor of a shareholder proposal asking the company for a report on the potential wind-down of the company's coal operations, with the potential to return increasing amounts of capital to shareholders.*<br><br>*THE PROCTER & GAMBLE COMPANY (P&G) – a vote "for" was cast on the reporting the effort to eliminate deforestation. LGIM engaged with P&G to hear its response to the concerns raised and the requests raised in the resolution. Following a round of extensive engagement on the issue, LGIM decided to support the resolution.* |

LGIM relies on the service of proxy advisor, ISS, but have developed and implemented their custom policies. 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.

**Cantillon – Active Global Equity**

Voting undertaken over the prior year is summarised in the table below, along with a sample of significant votes as provided by the investment manager.

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.

**Voting Information**

| Fund | Votes cast | | | Significant vote examples |
|---|---|---|---|---|
| | **Votes in total** | **Votes against management endorsement** | **Abstentions(1)** | |
| Cantillon Active Global Equity | 756 | 31 | 20 | *FACEBOOK – A vote "against" was cast on a Management Proposal to Approve Non-Employee Director Compensation Policy. ISS recommended voting against management's proposal to approve the Director Compensation Policy, which sets out the annual compensation of non-employee directors. Cantillon agreed with ISS's view that a vote against this proposal was warranted. The proposed director pay program would provide relatively large compensation for directors compared to board members at other companies in the same market index and industry sector. The proposal also provided for onboarding equity grants to new directors valued at $1m, which was outsized and not in line with the company's peers or general market practices.*<br><br>*ALPHABET – A vote "against" was cast on a Management Proposal to Amend Omnibus Stock Plan. ISS recommended voting against a management proposal relating to the amendment of Alphabet's amended and restated 2012 stock plan. Cantillon agreed with ISS's view that a vote against this proposal was warranted. The concerns on the omnibus stock plan related to the estimated cost, plan features and grant practices. Specifically, the plan provided for the transferability of stock options without shareholder approval (negative override); the plan* |

| | | | | |
|---|---|---|---|---|
| | | | | *cost was excessive as was the three-year average burn rate; the disclosure of change-in-control vesting treatment was incomplete; the plan permitted liberal recycling of shares and the plan allowed broad discretion to accelerate vesting.*<br><br>*ALPHABET – A vote "against" was cast on an Advisory Vote to Ratify Named Executive Officers' Compensation. ISS recommended voting against a management proposal relating to the approval of compensation awarded to named executive officers. Cantillon agreed with ISS's view that a vote against this proposal was warranted. The concerns regarding the newly appointed CEO's compensation related to the issuance of outsized equity awards totalling nearly $250m. The majority of the grants were time-based and disclosure around the rationale for an award of this magnitude was limited. In addition, the portion of the CEO's grant that was performance-related merely required median Total Shareholder Return performance, which is not particularly rigorous. Such sizable award opportunities should carry rigorous performance criteria. More generally, Cantillon continues to have concerns around pay magnitude and overall pay not being strongly performance-based. These recurring concerns evidence poor stewardship of the company's pay programs by the compensation committee.* |

(1) Includes votes withheld.

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.

(*)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.

**Apollo**

Apollo's Total Return Fund invests primarily in fixed income securities, which have no voting rights attached. Regarding engagement activity, they have been boosting their engagement activities with underlying management teams. This is evidenced by the over 540 ESG reports that Apollo has gathered from companies in which it invests as a firm. With regards to the Total Return Fund, Apollo has conducted 31 engagements over the period, covering Environmental, Social and Governance topics.

## 6. ESG Integration and Engagement

**LGIM**

LGIM are signatories of the UK Stewardship Code. In addition, LGIM are targeting net-zero emissions by 2050 or sooner and have their own Climate Impact Pledge. The manager already produces a TCFD report. In 2020, LGIM was ranked highest among asset managers for their approach to climate change in a review by NGO ShareAction, with the UN-backed Principles for Responsible Investment (PRI) also selecting LGIM as part of its 'leaders group' on climate change.

An example of engagement from LGIM during 2020 was the engagement with Procter & Gamble (P&G) regarding their efforts towards deforestation. 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 suppliers of palm oil were linked to illegal deforestation. 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 two suppliers have been found to have links with deforestation calls into question due diligence and supplier audits. LGIM engaged with P&G to hear its response to the concerns raised. LGIM has asked P&G to respond to the CDP Forests Disclosure and continue to engage on the topic as well as pushing other companies to ensure more of their pulp and wood is from certified sources.

**Cantillon**

Cantillon are signatories of the UK Stewardship Code. Cantillon have not yet made a decision as to whether or not it will be a signatory of the new UK Stewardship Code 2020. Cantillon became a signatory to the UNPRI in June 2010. Cantillon have not been involved in any other collaborative groups related to ESG and stewardship, and have not undertaken any public policy work during the year to 5 April 2021.

Cantillon engage with companies in which they invest. One example of such an engagement was with Equifax (US, consumer credit reporting). In April 2020, Cantillon had a call with Equifax's 'governance' team to talk about their upcoming proxy vote and other compensation, legal, and regulatory matters. Cantillon noted that ISS scored EFX very poorly on "Carbon and Climate" in their ESG matrix, mainly because of insufficient data and disclosure. The governance team told them that they have been trying to calculate more information on emissions, but this requires time and resources. The manager asked the governance team to report to the CEO that they think improving Equifax's ESG disclosure would be worthwhile and said Cantillon would reinforce that advice in our next direct conversation with the CEO. EFX has since begun to devote more resources to ESG disclosure

**Apollo**

Currently, Apollo are not signatories to the UK Stewardship code. While Apollo supports the principles of the Code, they do not consider it appropriate to conform at this time. However, Apollo is a signatory to UNPRI and the IFC Operating Principles for Impact Management. Apollo has also aligned its 2019 ESG Annual Report with the UN Sustainable Development Goals ("SDGs") and the Global Reporting Initiative ("GRI") Standards

On an ad hoc basis, Apollo engage with external stakeholders such as peers and business partners, clients, governments, and NGOs about ESG risk in credit investing and speak publicly on ESG at events and conferences. In addition, Apollo is a member of the Loan Syndications and Trading Association, will participate in the Global Investment Summit ("Building a Green Future Together") and have written several articles on ESG for diverse publications, including Pensions & Investments.

One example of Apollo's engagement occurred with a Media company, where, at the Board meeting, Apollo discussed overall health of the organisation as well as diversity and inclusion. The Company has established a Diversity Advisory Council and Employee Resources Groups to increase representation particularly among the leadership team. Following Apollo's engagement, Gannett has set a goal of 50%+ workforce consisting of underrepresented groups by 2025 and increasing diversity at the director level and above.