TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2020

Implementation Statement

Section1: Introduction

This document is the Annual Implementation Statement ("the Statement") prepared by the Trustee of the Goldman Sachs UK Retirement Plan ("the Plan") covering the period from 1 January 2020 to 31 December 2020 (the "Plan Year").

The purpose of this Statement is to:

- Detail any reviews of the Plan's Statement of Investment Principles ("SIP") that the Trustee has undertaken over the Plan Year, and any changes made to the SIP as a result of the review
- Set out the extent to which, in the opinion of the Trustee, the Plan's SIP has been followed during the year
- Describe the voting behaviour by, or on behalf of, the Trustee over the year.

The Plan 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.

A copy of this Statement will be made available on the following website alongside the Plan's SIP:

https://www.gspensions.co.uk/

In summary, the Trustee considers that all of the policies and principles in the SIP were adhered to over the Plan Year.

TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2020

Section 2: SIP reviews and changes over the year

The SIP was reviewed and updated during the Plan Year, with the relevant versions over the year listed below:

1. July 2019 – This was the version in place from the start of the Plan Year until the review in September 2020.

2. September 2020 – This is the most recent version of the SIP which was formally adopted by the Trustee on 29 September 2020 and published on the website.

The majority of the changes made to the SIP over the year can broadly be categorised as follows:

- Added new sections and wording in relation to the fiduciary arrangements of the Defined Benefit ("DB") Section.

- Split out the Defined Contribution ("DC") Section from the main DB Section.

- Added new wording for compliance with the October 2020 SIP requirements regarding alignment with investment managers, particularly the Trustee's policies on:

  - how the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustee's policies;

  - how that 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;

  - 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;

  - how the Trustee monitors portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range; and

  - the duration of the arrangement with the asset manager.

Changes were also made to the division of responsibilities, including:

- The appointment of a Fiduciary Strategy Manager and a Fiduciary Implementation Manager (together, the "Fiduciary Managers") in relation to the DB Section. This replaced the single Fiduciary Manager which had a more limited set of delegated responsibilities focussed on portfolio implementation and reporting.

  The Fiduciary Strategy Manager has discretion to manage the Plan's Strategic Asset Allocation ("SAA") and risk overlays with the objective of maximising the probability of achieving the Plan's investment objective set by the Trustee.

  The primary responsibility of the Fiduciary Implementation Manager is to manage the Plan's assets on a discretionary basis against the SAA that has been set by the Fiduciary Strategy Manager, with the aim of outperforming the SAA within specified investment guidelines. It is also responsible for the selection, de-selection and ongoing management of the relationship with the Investment Managers.

- The appointment of a Fiduciary Manager Oversight Consultant to monitor the performance of the Fiduciary Managers and advise on their ongoing performance and suitability.

TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2020

- The establishment of a Finance and Investment Committee ("FIC") to advise the Trustee on investment-related issues within the guidelines set out under the SIP, replacing the Pension Investment Committee ("PIC").

- Changes to the Investment Consultant's responsibilities in relation to the DB Section to include advising the Trustee and the FIC on the SIP, the high level investment strategy, and the appointment (and dismissal) and monitoring of Investment Managers for those assets that fall outside the remit of the Fiduciary Managers.

- In addition, the Trustee set objectives for the Fiduciary Managers and the Fiduciary Manager Oversight Consultant to comply with the Competition and Markets Authority ("CMA") requirements.

The changes also reflected strategic changes implemented by the Plan, including:

- a restructure of the DB Section's portfolio by the Fiduciary Implementation Manager to achieve the SAA set out by the Fiduciary Strategy Manager.

- amending the SIP to detail the risk guidelines for managing the Plan's economic exposures to the Goldman Sachs group.

- updates to the legacy DC Section following the transfer of the main DC Section to the primary Master Trust DC provider.

TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2020

Section 3: Adherence to the SIP

Overall, the Trustee believes the policies outlined in the SIP have been adhered to during the Plan Year. This section provides a summary of how the policies were implemented during the year.

DB Investment Objectives and Long-term Policy

The Trustee has identified objectives for the DB Section of the Plan which are detailed in the "Objectives and Long-term Policy" section of the SIP. The Trustee is satisfied that the objectives as set out in this section of the SIP have been followed based on the holistic review of the Plan's investment strategy completed in 2020.

The Plan's investment policy is structured to support these objectives and the Plan has adopted a SAA to meet the objectives. The SAA for the Plan's Defined Benefit assets as at 31 December 2020 is summarised below:

Asset class	% allocation of Total Plan Assets
Return seeking assets	**53.0**
(Including but not limited to public equities, public fixed income, listed real estate, listed infrastructure, hedge funds, alternative risk premia, illiquid & other similar assets as deemed suitable)	
Liability matching and Downside Risk Management assets	**47.0**
(Including UK government bonds, interest rate swaps, inflation swaps, equity options and cash)	
Total Allocation	**100.0**

In addition, there was a change made to the structure of these investments during 2020 with the transition into fiduciary management.

As part of the Downside Risk Management strategy which is overseen by the Fiduciary Strategy Manager, the Plan implemented an equity options strategy based on a basket of equity indices which broadly reflects their global market capitalisation weights. The strategy had a notional value of around £100 million. The main intention of the options strategy is to protect the Plan against substantial falls in the equity market. While the options strategy was in place on 31 December 2020, it was subsequently closed out on 19 March 2021.

The Trustee monitors the liability profile of the Plan and regularly reviews, in conjunction with the Fiduciary Managers and the Plan Actuary, the appropriateness of its investment strategy in relation to the nature and duration of the Plan's liabilities.

The Trustee completed contracting with the Fiduciary Managers in May 2020 and the Fiduciary Implementation Manager completed transitioning the management of the assets in-line with the Plan's target SAA, including a restructuring of the Liability Driven Investments (LDI) portfolio, by the middle of October 2020, operating under a "care and maintenance" period between May and October 2020. As such all oversight in respect of the portfolio under the new arrangements performed by the Fiduciary Implementation Manager noted below reflects the period from when new managers selected by the Fiduciary Implementation Manager were first invested and the period following the end of the Care and Maintenance Period.

The Trustee is satisfied that the policies outlined in the SIP in relation to the DB Section have been followed during the Plan Year and the justification for this is set out below:

TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2020

SIP Policy Area	Approach	Implementation during Plan Year
Suitability and Diversification	**3.2:** The Trustee's policy is to seek to achieve their objectives through investing in a diversified mixture of return seeking and liability matching assets. The Trustee recognises that the returns on equities, while expected to be greater over the long term than those on bonds, are likely to be more volatile. Appropriate diversification across asset classes should help provide the level of returns required by the Plan to meet its liabilities at an acceptable level of risk for the Trustee and the Firm, and an acceptable level of cost to the Firm.	The Plan's SAA as set by the Fiduciary Strategy Manager is diversified across and within the return seeking and liability matching assets. The Trustee received a Satisfactory Investments Letter as at 31 December 2020 confirming the suitability of the investments outside the mandate of the Fiduciary Implementation Manager.
Monitoring of the Plan's objectives and long-term policies	**3.3:** The Trustee intends to monitor and manage the asset allocation in-line with a "journey planning" approach. This approach is expected to involve maintaining broadly the current level of investment risk provided the covenant remains strong and the Plan remains broadly on its projected journey plan, and it is expected to involve de-risking the Plan's assets as the funding position improves over time. The Trustee, on advice of the FIC and in discussion with the Firm, will revisit the appropriateness of the journey plan and investment objectives from time to time (typically in-line with or after each Actuarial Valuation).	In 2020 the Trustee, working with the Plan's Investment Consultant, carried out a review of the DB Section's investment strategy based on a roll-forward of the results from the 31 December 2018 actuarial valuation. This resulted in an update to the Plan's journey plan which aims to achieve 102% funding on the SONIA + 0.8% pa basis by 2036. As part of this, the Trustee agreed to adopt a new SAA with plans to consider derisking gradually should the funding position achieve a number of milestones along the journey plan. The Fiduciary Strategy Manager is given responsibility for reviewing and maintaining the SAA on an ongoing basis. The transition of assets to align with the new SAA and ranges associated with the SAA was carried out by the Fiduciary Implementation Manager within a "care and maintenance" period over Q2 of 2020 and was completed by the beginning of October 2020 occurring in several stages over Q2 of 2020. Following the completion of the transition, the Fiduciary Implementation Manager took responsibility for the day-to-day management of the portfolio.

TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2020

Liquidity and realising investments	**3.5.6:** The Trustee's policy is that there will be sufficient investments in liquid or readily realisable assets to meet cash flow requirements in foreseeable circumstances so that the realisation of assets will not disrupt the Plan's overall investments, where possible.	The Fiduciary Implementation Manager balances a desire to remain invested with a need to maintain liquidity to meet cashflow requirements and rebalancing. The portfolio has been constructed and managed with an appropriate degree of liquidity to allow this balance to be achieved.
Sustainable investments and stewardship	**3.6:** The Trustee has prepared a Sustainable Investment policy for the Plan dated July 2020, with guidance from the Fiduciary Strategy Manager. The aim of the policy is to set out the Trustee's beliefs around sustainable investing, provide a framework to help with the implementation of the Trustee's investment strategy by the Fiduciary Implementation Manager, and provide a basis on which to monitor the sustainability of the Plan.	The Fiduciary Implementation Manager has selected appropriate investment products to implement the SAA. The Fiducairy Implementation Manager's selection process for investment managers includes the consideration of ESG factors where deemed relevant as part of the criteria which may be taken into consideration in their research and selection of investment managers and investments included in the portfolio.
	3.7: The Trustee has delegated responsibility for the selection, retention and realisation of investments to the Plan's Investment Managers, the majority of which are overseen by the Fiduciary Implementation Manager. The Trustee has also delegated responsibility for the exercising of rights (including voting rights) attaching to investments to the Investment Managers. However, the Trustee and Fiduciary Implementation Manager recognise that an investment's long-term financial success is influenced by a range of financially material factors including environmental, social and governance (ESG) issues.	When selecting and reviewing the performance of investment managers, the Fiduciary Implementation Manager has taken into account the managers' stewardship and ESG polices relative to both both the Fiduciary Implementation Manager's and the Trustee's SI policies. Generally investment managers are responsible for exercising votes on the Trustee's behalf. Several managers were selected in order to reflect aspects of the Sustainable Investment Policy. The Fiduciary Implementation Manager will provide ESG factor reporting and manager ESG reporting but did not provide this in 2020 given the short period between completing the transition and the year end.

Incentivising Investment Managers to align their investment strategy and decisions with the Trustee's investment policies as set out in the SIP	**3.13:** To maintain alignment, the Plan's Fiduciary Implementation Manager is provided with the most recent version of the Plan's Statement of Investment Principles and the Trustee's policy on sustainable investment on an annual basis and is required to explicitly confirm that the Plan's assets are managed in line with the Trustee's policies as outlined in these documents.	The Fiduciary Implementation Manager has managed the assets in line with the September 2020 SIP over the period from completing implementation of the revised SAA to the end of the year as they apply to the areas over which it has discretion and responsibility.
Incentivising Investment Managers to base their decisions on assessments of the medium to long-term financial performance of an issuer of debt or equity, and to engage with those issuers to improve their medium to long-term performance	**3.14:** For most of the Plan's investments, the Trustee expects the Fiduciary Implementation Manager to appoint Investment Managers with a medium to long time horizon, consistent with the Plan's time horizon. **3.15:** In particular areas such as equity and credit, the Trustee expects the Fiduciary Implementation Manager to work with Investment Managers who will use their engagement activity to drive improved performance over medium to long term periods within the wider context of long-term sustainable investment. **3.16:** The Trustee notes that the Fiduciary Strategy Manager may allocate to, or the Fiduciary Implementation Manager may invest in, certain strategies, for example derivative based alternative risk premia strategies, where such engagement is not appropriate or practical, due to the nature of the investment. The Trustee expects that the size and appropriateness of the Plan's allocation to such mandates to be consistent with the Plan's overall objectives.	The Fiduciary Implementation Manager selects investment managers and negotiates their fees on behalf of the Trustees and ensures (where possible) that investment managers' investment guidelines and restrictions align to this statement and focus on medium to long-term performance in order to align manager actions to the Trustee's investment time horizons where appropriate. The Fiduciary Implementation Manager also seeks to appoint managers who use any rights associated with the investment to drive better long-term financial and non-financial outcomes (including on ESG and stewardship matters) but this is not appropriate for some elements of the portfolio.
Evaluating the Investment Managers' performance and the remuneration for asset management services	**3.17:** Investment Managers are generally paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement. The Trustee expects the Fiduciary Implementation Manager to consider the fee structures of Investment Managers and the alignment of interests created by these fee structures as part of its investment decision making process, both on the appointment of an Investment Manager and on an ongoing basis.	The Fiduciary Implementation Manager considered the fee structures of newly appointed managers and believes they are appropriately structured to align interests.

Monitoring turnover costs and fees incurred by Investment Managers and how the Trustee defines and monitors targeted portfolio turnover	**3.18:** The Trustee expects the Fiduciary Implementation Manager to review and report on the costs incurred in managing the Plan's assets regularly, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual Investment Manager level, the Trustee expects the Fiduciary Implementation Manager to have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.	The Fiduciary Implementation Manager provided a) ex ante MiFID cost estimates prior to executing the Fiduciary Management agreement, b) details following the transition process of expected ex ante manager fees and expenses and c) reporting setting out the costs associated with the transition process and the ex ant and will over time provide an annual Ex-Post Costs and Charges Summary.

TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2020

DC Investment Objectives and Long-term Policy

The Appendix to the Statement of Investment Principles sets out the principle responsibilities and investment policy objectives of the Trustee for the DC Section of the Plan. The Plan's Defined Contribution Section is a legacy arrangement with a relatively small population of members that were not transferred to the Firm's primary Master Trust Defined Contribution provider. The Section is not open to new members and currently offers 4 investment funds that provide a suitable range of investment options.

The Trustee is satisfied that the policies outlined in the SIP in relation to the DC Section have been followed during the Plan Year and the justification for this is set out below:

SIP Policy Area	Approach	Implementation during Plan Year
Monitoring of the Plan's objectives and long-term policies	The Trustee conducts investment strategy reviews at least triennially and receives investment advice on an ongoing basis to assess the suitability of the Plan's portfolio. **B.14:** As the DC Section only invests via pooled investment funds, the Trustee will ensure the investment objectives and guidelines of the fund are consistent with its own policies and objectives (as relevant to the investment fund in question).	The Plan's Investment Consultant carried out a review to determine whether the current DC investment strategy remained appropriate in the context of the membership and their expected retirement behavior and needs. The review concluded, in November 2020, that the members who had previously been defaulted into the Equity Fund, and were expected to purchase an annuity at retirement, would benefit from being reminded that the Equity Fund did not de-risk prior to retirement and members should consider if moving into the Annuity Lifestyle would be better in order to help manage annuity pricing risk in the lead up to retirement. Subject to members' response to the reminder the Trustee would consider whether a bulk transfer to the Annuity Lifestyle should be undertaken for these members. The review also concluded that the self-select fund range remained sufficient and appropriate for the DC membership.
Diversification and suitability	**B.17:** The funds currently offered are invested in specific asset classes. The majority of the options invest in passive index-tracking funds and, in these circumstances, the assets are deemed to be adequately diversified within the relevant asset class. **B.18:** Advice is taken from the Investment Consultant to ensure that the range of funds made available to members, and the benchmarks for each fund, are suitable for the Plan.	Whilst the Trustee recognises that no one option will be suitable for all members, they have made the decision to make available one "lifecycle" strategy where members' investments are initially allocated to equities and are progressively switched into bonds and cash as retirement approaches. A Satisfactory Investments Letter is issued whenever a new Investment Manager is appointed. No new Investment Managers were appointed during the Plan Year.

Liquidity and realising investments	**B.19:** The members' accounts are held in funds which can generally be realised readily to provide pension benefits on retirement, or earlier on transfer to another pension arrangement.	The insurance policy through which the Trustee allows members to invest provides the required level of liquidity by allowing daily dealing. The responsibility for buying and selling investments has been delegated to the Investment Managers.
	B.20: Neither the Investment Managers nor the Trustee will borrow money or act as a guarantor for the purpose of providing liquidity (unless it is a temporary measure to expedite standard settlement periods).	The day-to-day activities which the Investment Managers carry out are governed by the managers' pooled fund agreements; these are reviewed from time to time to ensure that the operating instructions, guidelines and restrictions remain appropriate.
Sustainable investments and stewardship	**B.21:** The Trustee, in consultation with the Investment Consultant, consider Environmental, Social and Governance (ESG) risks and opportunities, including climate change and stewardship, as financially material over the long-term and relevant to the Plan's investment strategy. The Trustee considers these issues as part of its broader risk management processes, when reviewing the Plan's investment strategy. The Trustee's policy currently is not to consider non-financial matters. **B.22:** The Trustee delegates day-to-day investment decisions including integration of financially material ESG risks and opportunities (including climate change) to the Investment Managers (as appropriate to the investment approach of the managers). The Trustee also delegates responsibility for exercising ownership rights (including voting rights and engagement activities) to the Investment Managers.	As part of the DC investment strategy review carried out in 2020, the Trustee reviewed a Sustainable Investment Report produced by the Investment Consultant. This report contained a traffic light rating for the Investment Manager's assessment on integration, as well as data on voting and engagement as at 31 December 2019. The report showed that the Engagement traffic light had reduced from Strength to Neutral. The report also revealed that while the Investment Manager's stewardship team had undertaken some proactive and interesting industry initiatives in recent times, the Investment Consultant remained concerned that it was relatively under-resourced given the breadth of coverage, and approach to engagement on fixed income assets is weak. The Investment Consultant has engaged further with the Investment Manager on these issues over the course of the Plan Year.

	B.23: When selecting new Investment Managers, the Trustee, together with the Investment Consultant, will consider the approach taken by Investment Managers with respect to sustainable investing, including their approach to ESG integration and stewardship. ESG factors are not currently integrated into the majority of the Plan's exposure to equities and bonds, which is primarily invested on a passive basis in line with broad market indices in the default and alternative lifestyle options. **B.24:** The Trustee expects the Plan's Investment Managers to have effective stewardship, both through voting and engagement, on relevant matters such as the capital structure of investee companies, actual and potential conflicts of interest, other stakeholders and the ESG impact of underlying holdings.	
Incentivising Investment Managers to align their investment strategy and decisions with the Trustee's investment policies as set out in the SIP	**B.30:** The DC Section's investment options are accessed by members through a platform arrangement provided by the Platform Provider. The Trustee is not involved in the Investment Manager's day to day method of operation and therefore cannot directly influence the performance target. However, they will assess the performance and review the continued use of each fund and will obtain and consider advice on retained investments where appropriate. A set of objectives has been developed for each arrangement consistent with their benchmark and investment approach. (These are, of course, simply objectives and the rate of return cannot be guaranteed.)	Should the Trustee's monitoring process reveal that a manager's portfolio is not aligned with the Trustee's policies, the Investment Consultant will, on behalf of the Trustee, engage with the manager further to encourage alignment. No such issues were observed during the Plan Year.

TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2020

Incentivising Investment Managers to base their decisions on assessments of the medium to long-term financial performance of an issuer of debt or equity, and to engage with those issuers to improve their medium to long-term performance	**B.15:** When assessing an Investment Manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate an Investment Manager's appointment based purely on short-term performance. However, an Investment Manager's appointment could be terminated within a shorter timeframe due to other factors, such as a significant change in business structure or the investment team.	The default strategy and the performance of the default arrangement are reviewed at least every three years and were last reviewed during the fourth quarter of 2020. The Trustee's reviews concluded that the default arrangements were performing broadly as expected and are consistent with the aims and objectives of the default as stated above.
Evaluating the Investment Managers' performance and the remuneration for asset management services	**B.31:** Each Investment Manager should achieve its objective in the majority of periods under consideration. It is not expected that each Investment Manager will achieve their targets in every period. However, the Investment Manager should demonstrate that the skill it exercises on the portfolio is consistent with its target given the levels of risks adopted. **B.31:** Members of the Plan bear the investment management charges on the funds in which they invest, plus an additional charge levied by the Platform Provider for services they provide on the platform. These fees are charged on an ad valorem basis by adjustment to the unit prices within the funds, calculated daily on the value of the fund on a particular day. The Trustee believes the charging structure is appropriate and in line with standard market practice.	The Trustee is satisfied that the default strategy remains appropriate following an analysis undertaken by its advisers based on membership demographics and how they take benefits at retirement. In addition to the strategy review, the Trustee reviews the net fund performance of the default arrangement(s) against their objectives on a quarterly basis.

Monitoring turnover costs and fees incurred by Investment Managers and how the Trustee defines and monitors targeted portfolio turnover	**B.16:** The Trustee reviews the costs incurred in managing the Plan's assets on a regular basis, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual investment manager level, the Trustee will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that type of fund.	The Trustee sets out the on-going charges borne by members in the Chair's statement, which are annual fund management charges plus any additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the total expense ratio (TER). The TER is paid by the members and is reflected in the unit price of the fund. The Trustee also separately discloses transaction cost figures that are borne by members. In this context, the transaction costs are those incurred when the Plan's Investment Managers buy and sell assets within their funds. For the period covered by this Statement, the member-borne charges for the Scheme's default arrangement complied with the charge cap.

Risk management and compliance

In the SIP, the Trustee recognises several risks involved in the investment of the Plan's DB and DC assets. The risks are considered when setting the investment policies and SAA, and managed on an on-going basis. Reporting on some of these risks is provided in the FundWatch reports prepared for the Trustee each quarter.

The Trustee established an Integrated Risk Management ("IRM") policy during the Plan Year with advice and guidance from the Plan Actuary, Investment Consultant and Covenant Advisor. The IRM policy, taken together with the Plan's risk register, seeks to ensure that the Trustee manages the Plan's risks on an integrated basis such that the investment strategy achieves the funding target required to minimise the Plan's reliance on the Sponsor covenant.

TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2020

Section 4: Voting and engagement

The Trustee's policy on voting and engagement is set out in the SIP.

The Trustee delegates responsibility for the exercising of rights (including voting rights) attaching to investments to the Investment Managers. In relation to the DB Section, the Trustee expects the Fiduciary Implementation Manager to appoint Investment Managers with effective stewardship, both through voting and engagement, on relevant matters such as the capital structure of investee companies, actual and potential conflicts of interest, other stakeholders and the ESG impact of underlying holdings. The Trustee also expects the Fiduciary Implementation Manager to appoint Investment Managers with an expectation of a long-term partnership, which encourages active ownership of the Plan's assets.

Significant votes

When considering the requirement to report on significant votes for investment managers, the Plan could consider either adopting the individual manager's approach for reporting significant votes or the Trustee could look to filter the votes. This could be done by filtering by:

- Size – based on the amount invested by the Plan.
- Whether asset managers have voted against management
- Whether the vote is a shareholder or management resolution. The latter tends to be less significant and/or controversial.

In respect of the DB section the Trustees approach to determining what defines "significant votes" was to rely on each manager's definition.

The sections below set out the voting activities of the Plan's Investment Managers, including any votes cast on the Trustee's behalf, and provides detail on the Investment Managers' use of proxy voting and examples of votes that they deem to be significant. Assets such as fixed income and cash have been excluded as they do not have voting rights attached or voting is not applicable. The sections are split across the DB and DC sections.

TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2020

Overview of DB section voting and engagement:

The Plan's DB section holds a set of diversified exposures across multiple asset classes and through various structures. For the purposes of this section the Plan's holdings have been split into the following categories in respect of the treatment of voting behaviour:

- **Delegated to manager:** Asset classes such as equities with significant voting responsibilities where this has been delegated to the manager to exercise.
- **Delegated to manager – asset class with limited voting exposure:** An asset class where the manager has ownership of the vote but by its nature the asset class has limited or no voting expected, for example fixed income assets or hedge funds. For the purposes of this report the Trustees have not reported on the limited voting activity in these asset classes but expect the Fiduciary Implementation Manager to take into account engagement policies in respect of managers for these asset classes when selecting managers and assessing performance.
- **N/A – no voting exposure:** Asset classes that by their nature have no voting exposure.

The table below sets out at a high level the asset classes and weights with voting applicability:

Asset Class	Weight	Voting Applicability
Equities	25.8%	Delegated to manager - voting set out below
Fixed Income	54.0%	Delegated to manager – limited voting exposure
Alternatives	16.2%	Delegated to manager – limited voting exposure
Passive exposures with no votes	4.1%	No voting exposure
Total:	100.0%	

In order to collate voting data the Fiduciary Implementation Manager contacted the managers in the portfolio to request appropriate voting information. For asset classes other than equities, information is generally less available with many managers noting that voting doesn't apply to their asset class / strategy or noting that they have been awaiting additional clarity on industry standards for collating voting information before building capabilities to provide voting information. The information provided therefore represents the best efforts approach to obtain voting information in respect of equity allocations. The Trustees expect that as the industry alights on standardised disclosures, more information will be forthcoming.

The fiduciary Implementation Manager will continue to work with managers to seek to ensure appropriate information is being collated and provided and that as industry standards evolve, managers also evolve the information provided. The ability of a manager to provide more granular data may become part of the Manager selection criteria. The Trustees believe that for asset classes where voting is a key aspect of ownership (mainly equities) the Stewardship policy, which substantially delegates voting to individual managers, has been followed as set out in the tables set out below.

The information is set out in the below tables:

- **Table1:** Managers where voting is delegated to the manager and underlying assets provide ownership of votes
- **Table 2:** Managers where voting is delegated to the manager but for an asset class with limited voting exposure or no voting exposure
- **Table 3:** Details of significant votes by manager.

Where the table sets out "For" / "Against" this indicates that the manager voted for / against the company board's recommendations for each item. Additionally, where managers have provided information noting votes for which they have used proxy voting services, this has also been indicated.

TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2020

Table 1: Managers where voting is delegated to the manager

Manager	Asset Class	Active / Passive	Investment Type	Funding Date	31 December 2020 Portfolio Weight	Total votes	For	Against	Abstain / Do not vote	Proxy Advisor Used
Manager 1	Public Equity	Passive	Fund	Prior to 2020	0.0%	8,446	6,701	1,504	241	8,446
Manager 2	Public Equity	Passive	Fund	Prior to 2020	6.1%	31,550	26,086	3,460	2,004	31,550
Manager 3	Public Equity	Passive	Separate Account	Prior to 2020	5.5%	18,791	16,976	1,526	289	18,791
Manager 4	Public Equity	Active	Separate Account	Prior to 2020	1.4%	1,073	889	148	36	1,072
Manager 5	Public Equity	Active	Separate Account	Aug-20	0.8%	157	153	3	1	0
Manager 6	Public Equity	Active	Separate Account	Aug-20	0.6%	2,266	2,140	120	6	2,266
Manager 7	Public Equity	Active	Separate Account	Sep-20	3.1%	13	11	2	0	13
Manager 8	Public Equity	Active	Separate Account	Sep-20	1.5%	42	39	2	1	42
Manager 9	Public Equity	Active	Separate Account	Sep-20	1.6%	4	2	2	0	4
Manager 10	Real Estate	Active	Separate Account	Jul-20	2.7%	107	97	8	2	93
Manager 11	Infrastructure	Active	Separate Account	Jul-20	2.6%	4	0	4	0	4

TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2020

Table 2: Asset classes where voting is delegated to the manager but for an asset class with limited voting exposure or no voting exposure

Asset Class	Number of Managers	Investment Type	31 Dec 2020 Portfolio Weight
Fixed Income	4	Funds	5.2%
Alternatives	3	Funds	5.5%
Liability Hedging	1	Separate Account	48.3%
Private Return Generating	6	Funds	4.4%

TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2020

Table 3: Details of significant votes

In the following pages tables below the Trustees set out what they believe to be the most significant votes undertaken by managers on their behalf over the period. The Trustees approach to determining what defines "significant votes" was to rely on each manager's definition.

Note, the tables below set out all votes that managers deemed to be significant for those managers who provided this information.

Manager 1:

The manager was unable to provide a breakdown of the voting history for the Plan's specific investments and noted they are working in order to provide this information in future. However, the manager did provide significant detail as to the voting across its large investment platform setting out detailed voting history across all public equity exposures and additional granular information in respect of its stewardship and engagement policies and how these have been implemented over the period.

Manager 2:

Manager 2 identifies "significant votes" for the purposes of Shareholder Rights Directive II as follows:

1) All votes on environmental related shareholder proposals.
2) All votes on compensation proposals where we voted against the company management's recommendation.
3) All against votes on the re-election of board members due to poor ESG perf performance of their companies.
4) All against votes on the re-election of board members due to poor compliance with the local corporate governance score of their companies.

As a result of the above criteria paired with the large number of holdings in the Plan's investments with Manager 2, the below tables summarise the key categories of the votes identified as "significant":

Vote Category	Abstain	Against	For	Grand Total
Compensation	79	281		360
Director Election		59		59
SH - E&S Proposal	12	66	3	81
SH - Environmental Proposal	23	105	24	152
Grand Total	114	511	27	652

TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2020

Manager 3:

Vote Date	Proposal Text	Vote Instruction	Vote Commentary/ rationale
30/4//2020	Director election	Against	A vote against this proposal is warranted due to the lack of gender diversity on the board.
13/5/2020	Director election	Against	A vote against this proposal is warranted due to the lack of gender diversity on the board.
13/5/2020	Director election	Against	A vote against this proposal is warranted due to the lack of gender diversity on the board.
13/5/2020	Director election	Against	A vote against this proposal is warranted due to the lack of gender diversity on the board.
13/5/2020	Director election	Against	A vote against this proposal is warranted due to the lack of gender diversity on the board.
13/5/2020	Director election	Against	A vote against this proposal is warranted due to the lack of gender diversity on the board.
13/5/2020	Director election	Against	A vote against this proposal is warranted due to the lack of gender diversity on the board.

Manager 4:

Vote Date	Proposal Text	Vote Instruction	Vote Commentary/ rationale
11/5/2020	Fix Number of and Elect Directors, and Approve Their Remuneration	Against	A vote against this proposal is warranted due to the lack of gender diversity on the board.
15/5/2020	Director election	Against	A vote against this proposal is warranted due to the lack of gender diversity on the board.
15/5/2020	Director election	Against	A vote against this proposal is warranted due to the lack of gender diversity on the board.
30/6/2020	Director election	Against	A vote against this proposal is warranted due to the lack of gender diversity on the board.
30/6/2020	Director election	Against	A vote against this proposal is warranted due to the lack of gender diversity on the board.

Manager 5:

The manager did not provide information relating to significant votes cast.

Manager 6:

Climate Related

1. Vote AGAINST the approval of Capital Protection:

Proposal 6b was to require disclosure of the plan to demonstrate how the company will wind up its oil and gas production assets and operations which is their key business line. This was brought forward by an existing minority shareholder who argues that the company needs to make a case for the demand for its products and how will this fit in with the Paris Climate Accord.

We voted against this proposal as the company plans to be part of the solution for providing access to reliable and affordable energy, while focusing on limiting greenhouse gases. The company is focusing on gas, which they believe will continue to be of importance and play a key role in a low carbon future. The company uses the IEA (International Energy Agency) to look at supply and demand as far out as 2040.

The company has set new targets focusing on carbon emission reduction with new 5-year target to reduce emissions by 25% relative to FY18 benchmarked levels by the electrification of a field, flare management plant, Leak Detection and Repair program as well as other efficiencies. The company has taken appropriate measures in showing the current and future demands for its gas, commits to disclosure about climate change and will conduct more scenario analysis on an ongoing basis.

2. Vote FOR the approval of the Allocation of Income and Dividends of EUR 0.52 per Share and the Increase in the Dividend by Partially Changing the Profit Carried Forward in Accordance with Agenda Item 2 or if Rejected, Approve Investment in Green Projects:

Shareholders voted on whether they wanted the dividend to be increased from EUR 0.52/sh to EUR 0.53/sh. If NO, the extra EUR 0.01/sh, would equate to E1.8m of funds to be invested in green projects. We voted to increase the dividend after engaging with management on the topic. The issue with the green projects is that they do not have a high enough projected return and through our engagement we believe there is better uses for the capital to earn a higher return for shareholders. Also, the company has not increased its dividend since 2016, with the payout ratio of sub 30% for the last 3 years, thus we believed it was important to increase the dividend for the company to stay competitive with its peers.

Non-Climate Related

3. Vote AGAINST the approval of their Remuneration Policy and the Second Section of the Remuneration Report given the company does not provide sufficient information on the performance criteria used to determine short-term incentives as well as new long -term incentive plan.

The company has also failed to establish a remuneration committee which we believe is highly important. As the plan is cash-based and not linked to the market price of company shares, shareholders are not called to approve it under a separate item. The company engages in the production and sale of cement, ready-mix concrete and natural aggregates in Europe and NA markets. Currently, a family controls 44.2% of the company so we expect it to be challenging to overturn management proposal, but we are pushing for higher level of transparency and disclosure for minority shareholders.

4. Vote AGAINST the approval of their Remuneration Report.

The company has issued a discretionary bonus to be awarded to their CEO, which under the normal remuneration scheme would not have be payable/awarded. It was particularly concerning to us as we did not feel it adequately took all employees or stakeholders into consideration in light of the recent announcement of ~1,000 job redundancies and the issuance of GBP 300 million in paper under the UK Government's COVID Corporate Financing Facility while most pilots and flight crews also took a 15% pay cut amid the pandemic.

5. Vote AGAINST Remuneration Report:

The Executive Chair for the company received a significant increase in the bonus payment follow a strong year. This issue is the lack of disclosure to support the payment made and that at least a portion is cash settled. The group should also focus on basing bonus plans by more than a single year worth of performance and a long term sustainable goal.

6. Voted AGAINST Remuneration Policy:

The group raised the percentages of the long term incentive pay potential versus salary. There should be more guidelines on shareholding practices and perhaps a step away from significant portions being paid out in cash.

7. Voted AGAINST Re-Elect a Director:

The director is important to the Company but separating the Chief Executive and Board Chair is a standard policy. The group needs to better explain this structure and why it remains appropriate.

TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2020

Manager 7:

Vote Date	Proposal Text	Vote Instruction	Vote Commentary/ rationale
29/10/2020	Fix the number of Directors at Nine	FOR	
29/10/2020	Elect Director	FOR	
29/10/2020	Elect Director	FOR	
29/10/2020	Elect Director	FOR	
29/10/2020	Elect Director	FOR	
29/10/2020	Elect Director	FOR	
29/10/2020	Elect Director	FOR	
29/10/2020	Elect Director	FOR	
29/10/2020	Elect Director (Chair of compensation committee)	AGAINST	Voted AGAINST due to concerns about remuneration committee performance and dissatisifcation with executive level compensation.
29/10/2020	Elect Director	FOR	
29/10/2020	Advisory vote to ratify Named Executive Officers' Compensation	AGAINST	Voted AGAINST, primarily due to the lack of a clawback provision which we viewed as an important omission of the proposed structure. Also given that the company's performance is dependent on milestone achievements, we believe that the metrics used to determine the thresholds are insufficient and would benefit from adding project specific parameters.
29/10/2020	Amend Omnibus Stock plan	FOR	
29/10/2020	Ratify Auditors	FOR	

Manager 8:

No significant Votes Cast during the relatively short period invested.

Manager 9:

No significant Votes Cast during the relatively short period invested.

TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2020

Manager 10:

Vote Date	Proposal Text	Vote Instruction	Vote Commentary/ rationale
Nov-20	Re-election of 2 directors	Against	A vote against this resolution is warranted because both are members of the remuneration committee and problematic pay practices have been observed. Additionally, shareholders may have concerns in relation to one director's prior executive roles and one director's prior non-executive roles at where corporate governance concerns have been identified.
Nov-20	Grant of options under companies share option scheme	Against	A vote against this resolution is warranted because the company could be considered a mature company, and the limit under the scheme, together with other share incentive schemes of the company, exceeds 5 percent of the company's issued capital; the scheme lacks meaningful vesting periods; performance conditions have not been disclosed; and the directors eligible to receive options under the scheme are involved in its administration.

Manager 11:

The manager did not provide information relating to significant votes cast.

TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2020

Overview of DC section voting and engagement:

Significant Votes: DC Section

Plan Section	Manager and strategy	Portfolio structure	Voting activity	Most significant votes cast	Use of proxy voting
DC	LGIM Global Equity Market Weights (30:70) Index Fund – GBP 75% Hedged	Fund of fund	Number of eligible votes: 77,223 Percentage of eligible votes cast: 99.69% Percentage of votes with management: 84.53% Percentage of votes against management: 14.75% Percentage of votes abstained from: 0.72%	Qantas Airways Limited Whitehaven Coal International Consolidated Airlines Group Lagardere Pearson SIG plc. Barclays Rank Group Meditronic plc Plus500 ltd. Olympus Corporation Fast Retailing Co. Limited. Amazon Cardinal Health ExxonMobil The Procter & Gamble Company (P&G)	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. 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.

TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2020

Most significant vote – Vote 1: Qantas Airways Limited

Resolution: Resolution 3 Approve participation of Alan Joyce in the Long-Term Incentive Plan; Resolution 4 Approve Remuneration Report.

Approximate size of the fund's holding as at the date of the vote: Not provided

Guidance – Proxy: Not provided

Action: Against Resolution 3; For Resolution 4

Rationale:
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. 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. We voted against resolution 3 to signal our concerns.

"Most significant" criteria: LGIM considers this a significant vote as it highlights the challenges of factoring in the impact of the COVID situation into the executive remuneration package.

Outcome:
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 LGIM's view.

Implications: LGIM will continue its engagement with the company.

Most significant vote – Vote 2: Whitehaven Coal

Resolution: Resolution 6 Approve capital protection. Shareholders are 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.

Approximate size of the fund's holding as at the date of the vote: Not provided

Guidance – Proxy: Not provided

Action: For

Rationale:
The role of coal in the future energy mix is increasingly uncertain, due to the competitiveness of renewable energy, as well as increased regulation: in Q4 2020 alone three of Australia's main export markets for coal - Japan, South Korea and China - have announced targets for carbon neutrality around 2050. 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. As the most polluting fossil fuel, the phase-out of coal will be key to reaching these global targets.

"Most significant" criteria: LGIM considers this a significant vote as it received media scrutiny and is emblematic of a growing wave of green shareholder activism.

Outcome:
The resolution did not pass, as a relatively small amount of shareholders (4%) voted in favour. However, the environmental profile of the company continues to remain in the spotlight: in late 2020 the company pleaded guilty to 19 charges for breaching mining laws that resulted in significant environmental harm. As the company is on LGIM's Future World Protection List of exclusions, many of LGIM's ESG-focused funds and select exchange-traded funds were not invested in the company.

Implications: LGIM will continue to monitor this company.

Most significant vote – Vote 3: International Consolidated Airlines Group

Resolution: Resolution 8: Approve Remuneration Report' was proposed at the company's annual shareholder meeting held on 7 September 2020.

Approximate size of the fund's holding as at the date of the vote: Not provided

Guidance – Proxy: Not provided

Action: Against

Rationale:
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 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.

"Most significant" criteria: LGIM considers this a significant vote as it illustrates the importance for investors of monitoring its investee companies' responses to the COVID crisis.

Outcome:
28.4% of shareholders opposed the remuneration report.

Implications: LGIM will continue to engage closely with the renewed board.

TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2020

Most significant vote – Vote 4: Lagardere

Resolution: 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 Lagardere, as well as to remove all the incumbent directors (apart from two 2019 appointments).

Approximate size of the fund's holding as at the date of the vote: Not provided

Guidance – Proxy: Not provided

Action: LGIM voted in favour of five of the Amber-proposed candidates (resolutions H,J,K,L,M) and voted off five of the incumbent Lagardere SB directors (resolutions B,C,E,F,G)

Rationale:
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. 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 Lagardere, 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.

"Most significant" criteria: LGIM noted significant media and public interest on this vote given the proposed revocation of the company's board.

Outcome:
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).

Implications: LGIM will continue to engage with the company to understand its future strategy and how it will add value to shareholders over the long term, as well as to keep the structure of SB under review.

Most significant vote – Vote 5: Pearson

Resolution: 'Resolution 1: Amend remuneration policy' was proposed at the company's special shareholder meeting, held on 18 September 2020.

Approximate size of the fund's holding as at the date of the vote: Not provided

Guidance – Proxy: Not provided

Action: Against

Rationale:
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.

"Most significant" criteria: 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 LGIM's outstanding concerns, LGIM deem this vote to be significant.

Outcome:
At the EGM, 33% of shareholders voted against the co-investment plan and therefore, by default, the appointment of the new CEO.

Implications: Such significant dissent clearly demonstrates the scale of investor concern with the company's approach. It is important that the company has a new CEO, a crucial step in the journey to recover value; but key governance questions remain which will now need to be addressed through continuous engagement.

Most significant vote – Vote 6: SIG plc.

Resolution: 'Resolution 5: Approve one-off payment to Steve Francis' proposed at the company's special shareholder meeting held on 9 July 2020.

Approximate size of the fund's holding as at the date of the vote: Not provided

Guidance – Proxy: Not provided

Action: Against

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 out 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.

"Most significant" criteria: LGIM considers this a significant vote as it was high-profile and controversial.

Outcome:
The resolution passed. However, 44% of shareholders did not support it. LGIM believes that with this level of dissent the company should not go ahead with the payment.

Implications: LGIM intends to engage with the company over the coming year to find out why this payment was deemed appropriate and whether they made the payment despite the significant opposition.

Most significant vote – Vote 7: Barclays

Resolution: Resolution 29 - Approve Barclays' Commitment in Tackling Climate Change Resolution 30 - Approve ShareAction Requisitioned Resolution.

Approximate size of the fund's holding as at the date of the vote: Not provided

Guidance – Proxy: Not provided

Action: For Resolution 29; For Resolution 30

Rationale:
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.

"Most significant" criteria: Since the beginning of the year there has been significant client interest in LGIM's voting intentions and engagement activities in relation to the 2020 Barclays AGM. LGIM thanks its clients for their patience and understanding while it undertook sensitive discussions and negotiations in private. It considers the outcome to be extremely positive for all parties: Barclays, ShareAction and long-term asset owners such as LGIM's clients.

Outcome:
Resolution 29 - supported by 99.9% of shareholders Resolution 30 - supported by 23.9% of shareholders (source: Company website).

Implications: The hard work is just beginning. LGIM's focus will now be to help Barclays on the detail of their plans and targets, more detail of which is to be published this year. LGIM plans to continue to work closely with the Barclays board and management team in the development of their plans and will continue to liaise with ShareAction, Investor Forum, and other large investors, to ensure a consistency of messaging and to continue to drive positive change.

Most significant vote – Vote 8: Rank Group

Resolution: Resolution 2 Approve the remuneration report; and resolution 3 Approve remuneration policy.

Approximate size of the fund's holding as at the date of the vote: Not provided

Guidance – Proxy: Not provided

Action: For Resolution 2; For Resolution 3

Rationale:
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. After review of the remuneration policy, the remuneration committee asked shareholders to adopt a new LTI structure with the first award under this plan to be made in the 2021 financial year. We decided to support the remuneration report, which looks back at the remuneration earned during the financial year. We noted the remuneration committee's decision to apply a 20% deduction and cancel the planned increase of salaries of the executives and fees of the board members. No annual bonus was granted, given the performance of the company. LGIM was comfortable that the impact of COVID-19 had been appropriately reflected in the remuneration of the executives and therefore decided to support the remuneration report. Regarding the remuneration policy, our direct engagement with the company allowed us to better understand the rationale for the proposed changes to the LTIP. We took into account their concerns around retention, and the fact that there would be a substantial gap in the vesting of any long-term incentives if this plan was not approved. Notably, that the structure of the proposed LTIP was in line with LGIM's remuneration principles.

"Most significant" criteria: LGIM considers this a significant vote as it illustrates the complexity of remuneration practices and the importance of engagement. The media also expected this shareholder meeting would trigger a substantial amount of votes against.

Outcome:
90.79% of shareholders supported resolution 2 and 96.4% supported resolution 3. However, it should be noted that a majority shareholder owned 56.15% of the voting rights shortly before the time of the vote. This remains an interesting outcome given the recommendation of a vote against both resolutions by influential proxy voting agency ISS.

Implications: LGIM's engagement with the company on the topic of remuneration led to an informed vote decision by LGIM.

Most significant vote – Vote 9: Medtronic plc

Resolution: Resolution 3 - Advisory Vote to Ratify Named Executive Officers' Compensation.

Approximate size of the fund's holding as at the date of the vote: Not provided

Guidance – Proxy: Not provided

Action: Against

Rationale:
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.

"Most significant" criteria: LGIM believes it is contrary to best practice in general and its pay principles in particular to award one-off awards, especially if they are to compensate for a forgone payment.

Outcome:
The voting outcome was as follows: For: 91.73%; against: 8.23%.

Implications: LGIM will continue to monitor this company.

Most significant vote – Vote 10: Plus500 ltd.

Resolution: 'Resolution 17: Approve Special Bonus Payment to CFO Elad Even-Chen' at the company's special shareholder meeting held on 16 September 2020.

Approximate size of the fund's holding as at the date of the vote: Not provided

Guidance – Proxy: Not provided

Action: Against Resolution – We voted against the special bonus based on the belief that such transaction bonuses do not align with the achievement of pre-set targets. Separately, LGIM also voted against an amendment to the company's remuneration policy, which continues to allow for the flexibility to make one-off awards and offers long-term incentives that remain outside best market practice in terms of long-term performance alignment.

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 performance and will therefore be rewarded within annual bonus and long-term incentives in future performance years.

"Most significant" criteria: 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.

Outcome:
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).

Implications: LGIM will continue to monitor the company.

Most significant vote – Vote 11: Olympus Corporation

Resolution: 'Resolution 3.1: Elect Director Takeuchi, Yasuo' at the company's annual shareholder meeting held on 30 July 2020.

Approximate size of the fund's holding as at the date of the vote: Not provided

Guidance – Proxy: Not provided

Action: Against

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. 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 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.

"Most significant" criteria: This vote is deemed significant as LGIM considers it imperative that the boards of Japanese companies increase their diversity.

Outcome:
94.90% of shareholders supported the election of the director.

Implications: LGIM will continue to engage with and require increased diversity on all Japanese company boards.

TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2020

Most significant vote – Vote 12: Fast Retailing Co. Limited.

Resolution: Resolution 2.1: Elect Director Yanai Tadashi.

Approximate size of the fund's holding as at the date of the vote: Not provided

Guidance – Proxy: Not provided

Action: Against

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. 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 nomination committee and the most senior member of the board, in order to signal that the company needed to act on this issue.

"Most significant" criteria: LGIM considers it imperative that the boards of Japanese companies increase their diversity.

Outcome:
Shareholders supported the election of the director.

Implications: LGIM will continue to engage with and require increased diversity on all Japanese company boards, including Fast Retailing.

Most significant vote – Vote 13: Amazon

Resolution: Shareholder resolutions 5 to 1.

Approximate size of the fund's holding as at the date of the vote: Not provided

Guidance – Proxy: Not provided

Action: 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).

Rationale:
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 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.

"Most significant" criteria: The market attention was significant leading up to the AGM, with: 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. Substantial press coverage with largely negative sentiment related to the company's governance profile and its initial management of COVID-19. 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.

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).

Implications: Despite shareholders not giving majority support to the raft of shareholder proposals, the sheer number and focus on these continues to dominate the landscape for the company. LGIM's engagement with the company continues as LGIM pushes it to disclose more and to ensure it is adequately managing its broader stakeholders, and most importantly, its human capital.

Most significant vote – Vote 14: Cardinal Health

Resolution: Resolution 3, Advisory Vote to Ratify Named Executive Officers' Compensation.

Approximate size of the fund's holding as at the date of the vote: Not provided

Guidance – Proxy: Not provided

Action: Against

Rationale:
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.

"Most significant" criteria: LGIM believes 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.

Outcome:
The resolution encountered a significant amount of oppose votes from shareholders, with 38.6% voting against the resolution and 61.4% supporting the proposal.

Implications: LGIM continues to engage with US companies on their pay structures and has published specific pay principles for US companies.

Most significant vote – Vote 15: ExxonMobil

Resolution: Resolution 1.10 - Elect Director Darren W. Woods.

Approximate size of the fund's holding as at the date of the vote: Not provided

Guidance – Proxy: Not provided

Action: Against

Rationale:
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 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.

"Most significant" criteria: LGIM voted against the chair of the board as part of LGIM's 'Climate Impact Pledge' escalation sanction.

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).

Implications: LGIM believes this sends an important signal, and will continue to engage, both individually and in collaboration with other investors, to push for change at the company. LGIM's voting intentions were the subject of over 40 articles in major news outlets across the world, including Reuters, Bloomberg, Les Échos and Nikkei, with a number of asset owners in Europe and North America also declaring their intentions to vote against the company.

TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2020

Most significant vote – Vote 16: The Procter & Gamble Company (P&G)

Resolution: Resolution 5 Report on effort to eliminate deforestation.

Approximate size of the fund's holding as at the date of the vote: Not provided

Guidance – Proxy: Not provided

Action: For

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. 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.

"Most significant" criteria: It is linked to LGIM's five-year strategy to tackle climate change and attracted a great deal of client interest.

Outcome:
The resolution received the support of 67.68% of shareholders (including LGIM).

Implications: LGIM will continue to engage with P&G on the issue and will monitor its CDP disclosure for improvement.