Implementation Statement, covering the Plan Year from 6 April 2020 to 5 April 2021

The Trustee of the Citi (UK) Pension Plan (the "Plan") is required to produce a yearly statement (the "Statement") to set out how, and the extent to which, the Trustee has followed its Statement of Investment Principles ("SIP") during the Plan year, as well as details of any review of the SIP during the Plan year, subsequent changes made with the reasons for the changes, and the date of the last SIP review. Information is provided on the last review of the SIP in Section 1 and on the implementation of the SIP in Sections 2 below.

The Statement is also required to include a description of the voting behaviour during the Plan Year by, and on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf) and state any use of the services of a proxy voter during the Plan Year. This is provided in Section 3 below.

This Statement is based on the relevant SIPs that were in place for the Plan during the Plan Year and should be read in conjunction with these SIPs.

The SIPs in place during the Plan Year were:

- SIP dated 2 August 2019 for period between 6 April 2020 and 21 October 2020; and
- SIP dated 21 October 2020 for period between 21 October 2020 and 5 April 2021.

The SIPs are available here: https://epa.towerswatson.com/accounts/citi/public/ifa-resource/.

1. Last review of the SIP and changes made

The SIP was reviewed and updated during the Plan Year. The initial SIP was replaced on 21 October 2020 to:

- reflect the investment strategy changes that were implemented over three phases from November 2019 to May 2020, including providing details of new default arrangements created as a result, as required by Reg 2A of the Investment Regulations; and
- include additional wording that addresses the requirements of the SIP regulations, which implement the European Union Shareholder Rights Directive, for clients invested wholly in pooled funds – namely to set out the Trustee's policies on undertaking engagement activities and their arrangements with investment managers.

As part of these SIP updates during the Plan Year the employer was consulted and confirmed it was comfortable with the changes.

2. Implementation of policies in the SIP

a. Reviewing the investment arrangements

The Trustee's primary objectives for the Plan are to provide members with access to:

- an appropriate range of investment options, reflecting the membership profile of the Plan and the variety of ways that members can draw their benefits in retirement; and
- a main default investment option (the "Default") that the Trustee believes to be reasonable for those members that do not make their own investment decisions. The objective of the default option is to generate returns significantly above inflation whilst members are some distance from retirement, but then to switch automatically and gradually into lower risk investments to improve diversification and reduce volatility as members near retirement, maintaining the potential for a modest level of growth in excess of inflation.

The performance and strategy of the default arrangements and other investment options (two alternative lifestyle strategies and a self-select fund range) is reviewed at least every three years. The last review concluded outside of the Plan Year (14 June 2019) with implementation of the changes happening in the period from 27 November 2019 to 18 May 2020. As part of this strategy review, the Trustee considered the DC Section's membership profile and the variety of ways that members may draw their benefits in retirement. The review also considered the investment risks set out in Appendix 2 of the SIP. The Trustee also considered a wide range of asset classes for investment, taking into account the expected returns and risks associated with those asset classes as well as how these risks can be mitigated.

Based on the outcome of this analysis, the Trustee concluded that the Default, the Drawdown Lifestyle, has been designed to be in the best interests of the majority of the Plan's members and reflects the demographics of those members.

As part of this strategy review, the Trustee made sure the lifestyle strategies were adequately and appropriately diversified between different asset classes.

The next review is scheduled for 2022.

Details of the changes made in the Plan Year (or just before the Plan Year) as a result of the 2019 strategy review are set out below:

The Drawdown Lifestyle

The Trustee concluded that income drawdown remained an appropriate retirement target for the Default. The Trustee amended the underlying funds of the two white-labelled funds in the Default: the Growth Fund and the Pre-Retirement Fund. The Trustee increased the equity allocation in the Growth Fund and revised the asset allocation to make use of greater regional diversity. It also agreed an allocation to the Partners Group Generation Fund to improve the Fund's expected long-term risk-adjusted returns (implemented in November 2019). The Trustee reduced the allocation to bonds in the Pre-Retirement Fund and increased the allocation to alternative asset classes better suited to target income drawdown.

The Drawdown Lifestyle has met the charge cap restrictions over the Plan Year.

The Cash Lifestyle

The Trustee amended the Cash Lifestyle to incorporate the changes to the Growth Fund and Pre-Retirement Fund set out above. The Trustee also removed the existing Sterling Liquidity Fund – Active and introduced a new Cash Targeting Fund – Active, which targets a return above cash to help prevent the real value of members' pension pots being eroded by inflation.

The Cash Lifestyle has satisfied the charge cap restrictions over the Plan Year.

Sterling Liquidity Fund – Active

Within the Sterling Liquidity Fund – Active, the Trustee replaced the Standard Life Deposit & Treasury Pension Fund with the BlackRock Institutional Sterling Government Liquidity Fund as the Trustee concluded that the BlackRock Fund provided a better risk profile.

The Sterling Liquidity Fund – Active has satisfied the charge cap restrictions over the Plan Year.

Annuity Targeting Fund

Within the Annuity Targeting Fund, the Trustee replaced the existing underlying funds with the LGIM Pre-Retirement Inflation Sensitive Fund, which is a specialist annuity matching fund that better reflects the needs of members who are sensitive to the impacts of inflation on their income and are intending to buy annuities in the future.

The Annuity Targeting Fund is considered a default arrangement for governance purposes only and therefore does not need to meet the charge cap restrictions.

Growth Fund

Within the Growth Fund, the Trustee increased the equity allocation and its regional diversity. An allocation to the Partners Group Generation Fund, which invests in illiquid assets, was also made (in November 2019) in order to help improve the Fund's long-term risk-adjusted returns.

The Growth Fund is considered a default arrangement for governance purposes only and therefore does not need to meet the charge cap restrictions.

Pre-Retirement Fund

Within the Pre-Retirement Fund, the Trustee reduced the allocation to bonds and increased the allocation to alternative asset classes better suited to target income drawdown.

The Pre-Retirement Fund is considered a default arrangement for governance purposes only and therefore does not need to meet the charge cap restrictions.

Diversified Growth Fund – Semi Passive

The Trustee concluded that no changes were required within the Diversified Growth Fund – Semi Passive and that the underlying fund was adequately and appropriately diversified between different asset classes.

The Diversified Growth Fund – Semi Passive is considered a default arrangement for governance purposes only and therefore does not need to meet the charge cap restrictions.

Other lifestyle strategies

The Trustee also implemented the changes to the Growth Fund and Pre-Retirement Fund mentioned above within the Annuity Lifestyle. Within the Annuity Targeting Fund, the Trustee replaced the current underlying funds with the LGIM Pre-Retirement Inflation Sensitive Fund, a specialist annuity matching fund.

Self-select fund range

The Trustee's review of the self-select fund range concluded that there was some duplication of fund options in the self-select fund range. The Trustee removed the following funds in May 2020:

- UK Smaller Companies Equity Fund – Active
- Short Dated Government Bond Fund – Active
- Diversified Growth Fund – Active

The ongoing suitability of the fund managers used within the self-select fund range was also reviewed.

During the Plan year, the Trustee also monitored take up of the self-select fund range on a quarterly basis, which has been high in comparison to the market.

Finally, the SIP states the "Trustee will also review periodically the relevant members' use of their options at retirement or on taking benefits from the Plan to check whether assumptions made about how members access their benefits are borne out in practice." The Trustee is monitoring this on an ongoing basis and no specific actions have been taken during this Plan Year.

b. Manager selection, review and monitoring

The Trustee appointed one new investment manager (Aegon) over the Plan year and invested in one new fund with a manager (Baillie Gifford) that had a pre-existing relationship with the Plan. Before appointing the managers, the Trustee received information on the investment process, investment philosophy, the investment team, the manager's approach to responsible investment and stewardship, as well as past performance.

The Trustee appointed Aegon to manage the Property mandate within the self-select fund range for the Plan following the review of the Plan's lifestyle strategies and self-select fund range on 14 June 2019 in which the Trustee agreed to replace Threadneedle and Aberdeen Standard as the underlying managers within the Property Fund – Active. The implementation of this change was delayed due to the suspension of the Property Fund - Active during the Covid pandemic. The Trustee obtained formal written advice from its investment adviser, LCP, before investing in the Aegon DC Active Beta Property Fund and made sure the investment portfolio of the Fund chosen was suitable and appropriate for the Plan. The transition finalised in December 2020, following the re-opening of the underlying funds of the Property Fund – Active.

The Plan's investment adviser, LCP, monitors the investment managers on an ongoing basis, through regular research meetings. The investment adviser monitors any developments at managers and informs the Trustee promptly about any significant updates or events they become aware of with regard to the Plan's investment managers that may affect the managers' ability to achieve their investment objectives. This includes any significant changes to the investment process or key staff for any of the funds the Plan invests in, or any material change in the level of diversification in the fund.   As part of investment manager meetings, the Plan's investment adviser monitors the extent to which managers are acting in accordance with the Trustee's investment philosophy, including the degree to which managers are integrating the Trustee's views on responsible investment (see section d below for more information).

The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods. The Trustee does this by monitoring the performance of the Plan's investment managers on a quarterly basis through a quarterly performance monitoring report provided by the Plan's investment adviser. The report shows the performance of each manager over the quarter, 1 year and 3 years. Performance is considered in the context of the manager's benchmark and objectives.

During the Plan Year, the Trustee also reviewed the underlying manager of the UK Equity Fund – Active. The Fund experienced sustained periods of poor performance which was recognised as part of the quarterly performance monitoring report, as well as some changes to key personnel changes, which were reported to the Trustee following the ongoing monitoring and research meetings conducted by the Trustee's investment adviser. In March 2020, the Trustee agreed that a full review of the Fund was necessary with a view to identifying whether there was a more suitable fund to replace Majedie over the long-term. The Trustee concluded its review in June 2020 and decided to replace the underlying manager. As a result, and on the advice of its investment adviser, the Trustee's removed the Majedie UK Equity Fund and replaced it with the Baillie Gifford UK Equity Focus Fund. When evaluating the Baillie Gifford UK Equity Focus Fund, the Trustee's investment adviser incorporated considerations such as portfolio turnover into the advice provided to the Trustee, as is expected from the Trustee when receiving advice on the Plan's investment mandates. These changes occurred on 14 October 2020.

Other than the ones detailed above, the Trustee was comfortable with all of its investment manager arrangements over the Plan Year.

During the Plan Year, the Trustee also undertook a value for members assessment which assessed a range of factors, including the fees payable to managers in respect of the DC Section, which were, in general, found to be low when compared against other DC schemes. As part of the value for members assessment the Trustee also evaluated the long-term transaction costs incurred by members to ensure that they are appropriate and enable it to query any transaction costs considered to be higher than expected with the relevant investment managers. Portfolio turnover across all of the Plan's investment managers is also reported on a quarterly basis through a quarterly performance monitoring report.

c. Realisation of investments

It is the Trustee's policy to invest in funds that offer daily dealing to enable members to readily realise and change their investments. All of the funds which the Trustee offered during the Plan Year were daily priced.

d. Financially material considerations and non-financial matters

As part of its advice on the selection and ongoing review of the investment managers, the Plan's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations), voting and engagement.

In March 2020, the Trustee reviewed LCP's responsible investment (RI) scores for the Plan's existing managers and funds (including those used in the Plan's Default), along with LCP's qualitative RI assessments for each fund and red flags for any managers of concern. These scores cover the manager's approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP's ongoing manager research programme and it is these that directly affect LCP's manager and fund recommendations. The manager scores and red flags are based on LCP's RI Survey 2020. As part of the review, the Trustee was also provided with LCP's view on what a good manager looks like in terms of RI, headline results of the 2020 survey and how manager scores on the whole have changed since the previous RI Survey in 2018.

Overall, the Trustee was satisfied with the results of the review, including in relation to the funds within the Default, except as explained here. The Trustee requested that its investment adviser, LCP, engages with BlackRock due to the low fund score for the BlackRock Aquila Life Market Advantage Fund. LCP engaged with BlackRock about this and was informed that changes will be made to the way in which the Fund is run to better integrate ESG. This was reported back to the Trustee following the March 2020 Defined Contribution Committee meeting.

The BlackRock Aquila Life Market Advantage Fund has historically gained exposure to markets almost exclusively through derivatives, meaning BlackRock has not had voting rights for those holdings and engagement with companies has been more difficult. BlackRock has started to switch its equity holdings from index futures to low carbon or sustainable funds that hold physical stocks and is looking into ways it can improve its approach to ESG in other asset classes. So far it has transitioned its small cap exposure to a low carbon sleeve of physical holdings. This change goes some way to help address climate risk within the Fund and provides greater opportunity for voting and engagement.

As part of all investment strategy changes, including those detailed above, the Trustee's investment adviser reviews the RI credentials of any fund recommendations that are made to the Trustee. Fund RI credentials also feed into the ongoing monitoring of the suitability of funds used by the Plan.

The Trustee has not taken into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments during the Plan Year. The Trustee recognises that some members may wish for ethical matters to be taken into account in their investments and therefore it has made available the Ethical Fund – Active as an investment option to members. The Ethical Fund – Active invests in the BMO F&C Responsible Global Equity Fund.

The Trustee did not review its investment beliefs in the Plan Year but attended an ESG training session with both its legal and investment adviser in Q1 2021 in which the Trustee's beliefs were discussed. The Trustee will formally review its investment beliefs as part of the next triennial strategy review scheduled for 2022.

e. Stewardship

The Trustee has, in its opinion, followed the Plan's voting and engagement policies during the Plan Year, by continuing to delegate to their investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes. The Trustee took a number of steps to review the Plan's existing managers and funds over the period, as described above.

The UK Stewardship Code was considered as part of the LCP 2020 RI survey, which was presented to the Trustee during March 2020. Fulcrum and Partners Group are the Plan's only investment managers not to have signed up to the UK Stewardship Code. Fulcrum was removed from the default lifestyle, for reasons other than not being signed up to the UK Stewardship Code, as part of the agreed changes following the latest strategy review. The change was implemented just before the Plan Year on 2 March 2020.

Partners Group confirmed that it is not a signatory to the UK Stewardship Code, given that the Code only applies to UK funds and mainly covers listed investments (of which Partners Group only has one fund registered in the UK and the percentage exposure of listed investments in the fund is usually below 15% as the fund has a clear focus on private market assets).

f. Performance assessment (paragraph 8 of Appendix 1 of SIP)

The Trustee assesses the performance of the Plan's investments on an ongoing basis as part of the quarterly monitoring reports it receives.

The performance of the professional advisers is considered on an ongoing basis by the Trustee. The Trustee reviewed the Plan's DC investment adviser in Q2 2020 and administrator in Q3 2020, retaining the services of the current providers in both instances. The Trustee will undertake a review of the Plan's auditor, investment platform provider, and post-retirement master trust solution in Q3/Q4 2021.

The Trustee last reviewed the effectiveness of its decision making and governance processes in December 2018 in which it was revealed that the views of minority groups and the younger generation could be better represented. This concern has been addressed during the Plan Year by having co-optees attend the quarterly Engagement Committee meetings, where they can voice their opinions and share feedback on agenda items as well as communication formats and topics.

g. Policy towards risk (Appendix 2 of SIP)

Risks are monitored on an ongoing basis with the help of the investment adviser. The Trustee maintains a risk register, and this is discussed at quarterly meetings.

The Trustee's approach to identifiable risks, given their nature, is to understand them and to address them if it becomes necessary, based upon the advice of the Plan's investment adviser or information provided to the Trustee by the Plan's investment managers. These include credit risk, equity risk, currency risk, and counterparty risk.

Beginning in Q1 2020, market volatility increased and remained at higher-than-average levels through much of the Plan Year. As a result, the Trustee obtained guidance from its investment adviser about whether any changes were needed to the investment strategy and if any of the investment risks mentioned in the SIP had increased. The Trustee, in conjunction with its investment adviser, recognised the long-term nature of pension investments and agreed not to make any changes due to the short-term market volatility. The Trustee monitors risks inherent in the investment strategy on a quarterly basis as part of quarterly performance reporting.

With regard to the risk of inadequate returns, the Trustee makes use of equity and equity-based funds, which are expected to provide positive returns above inflation over the long-term. These funds are used in the growth phase of the default option and are also made available within the self-select options. These funds are expected to produce adequate real returns over the long-term.

3. Description of voting behaviour during the Plan Year

All of the Trustee's' holdings in listed equities are within pooled funds and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the Plan Year.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, on the Plan's funds that hold equities as follows:

- LGIM UK Equity Index Fund
- LGIM North American Equity Index Fund
- LGIM Europe (ex-UK) Equity Index Fund
- LGIM Japan Equity Index Fund
- LGIM Asia Pacific (ex-Japan) Developed Equity Index Fund
- LGIM Diversified Fund
- JP Morgan Emerging Markets Fund
- BlackRock Aquila Life Market Advantage Fund ("ALMA")
- Partners Group Generation Fund
- BMO F&C Responsible Global Equity Fund

We have only included those funds that are components of funds considered a 'default' for governance purposes, plus the Plan's self-select RI fund. Given that the majority of members are invested in a default arrangement, the Trustee believes this approach to be appropriate.

The Trustee is satisfied that for the period covered by this statement, there is no voting information missing. The Trustee is also comfortable that no manager conflicts have been identified which require action.

3.1 Description of the voting processes

LGIM

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

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

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

LGIM's Investment Stewardship team uses Institutional Shareholder Services' ("ISS") 'ProxyExchange' electronic voting platform to electronically vote. All voting decisions are made by LGIM and it does not outsource any part of the strategic decisions. The use of ISS' recommendations are to augment LGIM's own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of the Investment Association's Institutional Voting Information Services (IVIS) to supplement the research reports received from ISS for UK companies when making specific voting decisions.

To ensure LGIM's proxy provider votes are in accordance with its position on ESG, LGIM has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM considers are minimum best practice standards that all companies globally should observe, irrespective of local regulation or practice.

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

BlackRock

Voting decisions are made by members of the BlackRock Investment Stewardship team with input from the wider investment team as required, in accordance with BlackRock's Global Corporate Governance and Engagement Principles and custom market-specific voting guidelines.

BlackRock takes a case-by-case approach to the items put to a shareholder vote. Analysis is informed by internally developed proxy voting guidelines, its pre-vote engagement with the company, its research, and any situational factors for a particular company.

BlackRock aims to vote at all shareholder meetings of companies in which its clients are invested. In cases where there are significant obstacles to voting, such as share blocking or requirements for a power of attorney, BlackRock will review the resolutions to assess the extent of the restrictions on voting against the potential benefits. BlackRock generally prefers to engage with the company in the first instance where there are concerns and give management time to address the issue.

BlackRock will vote in favour of proposals where it supports the approach taken by a company's management or where it has engaged on matters of concern and anticipates management will address them. BlackRock will vote against management proposals where it believes the board or management may not have adequately acted to advance the interests of long-term investors. BlackRock ordinarily refrains from abstaining from both management and shareholder proposals, unless abstaining is the valid vote option (in accordance with company by-laws) for voting against management, there is a lack of disclosure regarding the proposal to be voted, or an abstention is the only way to implement its voting intention.

Whilst BlackRock does subscribe to research from the proxy advisory firms, ISS and Glass, Lewis & Co ("Glass Lewis"), this is just one among many inputs into its voting decision process. BlackRock primarily uses proxy research firms to transform corporate governance information and analysis into a concise, easily reviewable format so that BlackRock's investment stewardship analysts can readily identify and prioritise those companies where its own additional research and engagement would be beneficial. Other sources of information BlackRock uses include the company's own reporting (such as the proxy statement and the website), its engagement and voting history with the company, the views of its active investors, public information and ESG research.

Partners Group

Voting decisions are made in line with Partners Group's Proxy Voting Directive which sets out Partners Group's principles and general approach to proxy voting considerations that frequently arise for its Liquid Private Markets Investments. These principles are applied with discretion, taking into account the range of considerations, local corporate governance practises, and applicable regulations specific to a particular company and the individual ballot item.

Partners Group uses global proxy voting service provider, Glass Lewis, who have been instructed to vote in line with Partners Group's Proxy Voting Directive. Wherever the recommendations for Glass Lewis, the proxy voting directive, and the company's management differ, Partners Group vote manually on those proposals.

JP Morgan

JP Morgan vote in line with their voting policy as they are given voting rights (in their role as mangers) by their clients.

JP Morgan use a third-party corporate governance data provider, ISS ProxyExchange, to receive meeting notifications, provide company research, process its votes and obtain voting recommendations. The recommendations provided by ISS ProxyExchange form only the starting point for JP Morgan's proprietary thinking, and all of its voting decisions are made on a case-by-case basis by in-house specialists in conjunction with the Analyst and/or Fund Manager in reference to the JP Morgan Asset Management Corporate Governance Policy and Voting Guidelines.

BMO

BMO Global Asset Management's ("BMO GAM") expectations of corporate governance standards at investee companies are embodied in its Global Corporate Governance Guidelines. These guidelines are translated into detailed proxy voting policies, including 25 market/regional variations that take into consideration local legal and regulatory environments as well as local codes of best practice.

BMO GAM partner with ISS for routine votes, who implement BMO GAM's in-house and bespoke regional policies (using BMO GAM's detailed voting rules). ISS supplies BMO GAM with custom research based on BMO GAM's own in-house corporate governance guidelines (which are updated annually based on country-specific best practice standards) and with an electronic voting platform for proxy execution. BMO GAM also subscribes to research on FTSE All-Share companies provided by IVIS.

Voting policies take account of different market practices and are applied in a pragmatic fashion that reflects an integrated understanding of local and international good practice.

BMO GAM's specialist governance team has an average industry experience of 13 years. Workflow is structured on a regional rather than sectoral basis, reflecting how governance standards are routed in local company law and best practice codes. BMO GAM deploys its specialist governance team on the most complex and sensitive cases, and partner with ISS to deliver voting on the more simple, routine votes through the careful and consistent application of detailed in-house voting policies.

In certain cases, vote decisions are arrived at through consultation with the internal investment teams. In addition, controversial high-profile meetings can be escalated to the Proxy Working Group, which contains representatives from each part of BMO GAM.

For regional or local high-profile issues, BMO GAM pro-actively advises its clients on its intention to vote well in advance of the meeting. BMO GAM's clients then have the option to state their preference and vote differently. Clients receive detailed vote reports including vote comments. In addition, full vote reports are online, including reasons for BMO GAM's decisions.

BMO GAM can accommodate clients invested through segregated mandates who want to vote, by exception, on particular resolutions in a manner different to our approach. This request would need to be triggered by the client. Clients who wish to monitor voting decisions outside the normal reporting cycle can receive a preview of voting intentions for an entire portfolio or a subset of holdings. Alternatively, clients can have access to the ISS platform on a read-only basis.

3.2 Summary of voting behaviour over the Plan Year

A summary of voting behaviour over the period is provided in the table below.

	Fund 1	Fund 2	Fund 3	Fund 4	Fund 5
Manager name	LGIM	LGIM	LGIM	LGIM	LGIM
Fund name	UK Equity Index Fund[1]	North American Equity Index Fund[1]	Europe (ex-UK) Equity Index Fund[1]	Asia (ex-Japan) Equity Index Fund[1]	Japan Equity Index Fund[1]
Total size of fund at end of reporting period	£21,983m	£41,197m	£13,714m	£6,055m	£7,626m
Approximate value of Plan's assets at Plan Year end	£135.8m	£215.8m	£179.1m	£112.9m	£61.4m
Number of equity holdings at end of reporting period	598	662	461	404	509
Number of meetings eligible to vote	943	794	686	534	551

Number of resolutions eligible to vote	12,574	9,495	11,412	3,774	6,518
% of resolutions voted	100%	100%	100%	100%	100%
Of the resolutions on which voted, % voted with management	93%	72%	84%	74%	86%
Of the resolutions on which voted, % voted against management	7%	28%	15%	26%	14%
Of the resolutions on which voted, % abstained from voting	0%	0%	1%	0%	0%
Of the meetings in which the manager voted, % with at least one vote against management	3%	8%	4%	10%	6%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	1%	0%	0%	0%	0%

	Fund 6	Fund 7	Fund 8	Fund 9	Fund 11
Manager name	LGIM	JP Morgan	BlackRock	Partners Group	BMO
Fund name	LGIM Diversified Fund[1]	Emerging Markets Equity Fund[1]	Aquila Life Market Advantage[1 7]	Generations Fund[2 3]	F&C Responsible Global Equity[6]
Total size of fund at end of reporting period	£11,098m	£3,071m	£1,713m	£605m	£1,104m
Approximate value of Plan's assets at Plan year end	£24.6m	£130.3m	£220.2m	£95.5m	£12.8m
Number of equity holdings at end of reporting period	6,642	75	2,779	61	49
Number of meetings eligible to vote	11,362	92	2,979	66	51
Number of resolutions eligible to vote	115,604	803	28,532	884	685

% of resolutions voted	99%	92%	94%	95%	97%
Of the resolutions on which voted, % voted with management	81%	93%	91%	91%	79%
Of the resolutions on which voted, % voted against management	18%	5%	9%	6%	21%
Of the resolutions on which voted, % abstained from voting	1%	2%	2%	3%	0%
Of the meetings in which the manager voted, % with at least one vote against management	6%	20%	N/A[4]	30%	76%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	0%	3%	N/A[5]	3%	19%

[1] Total size of fund, number of equity holdings and voting data shown are as at 31 March 2021 as the manager only reports these figures at quarter end.

[2] The Partners Group voting data relates only to the listed equity holdings and does not include the private equity holdings.

[3] Partners Group only provides voting/engagement data for the Generations Fund twice a year (30 June and 31 December), given the Fund's private markets focus. Therefore, voting data shown is as at 31 December 2020.

[4] Abstained votes are counted as votes against management.

[5] BlackRock does not follow any single proxy research firm's voting recommendations, though it subscribes to two research firms.

[6] Voting data shown is as at 31 March 2021 as the manager only reports these figures at quarter end.

[7] BlackRock has confirmed that the figures provided for related fields (namely 'of the resolutions on which voted, % of the resolutions which voted with management', 'of the resolutions on which voted, % voted against management', and 'of the resolutions on which voted, % abstained from voting') do not always sum to 100% or the total of the % of resolutions on which BlackRock was eligible to vote. This is due to how the totals for each individual field are calculated for votes with and votes against management in the vote reports.

3.3 Most significant votes over the Plan Year

Commentary on the most significant votes over the period is set out below. We have interpreted "most significant votes" to mean those that:

- might have a material impact on future company performance;

- the investment manager believes to represent a significant escalation in engagement;
- impact a material fund holding, although this would not be considered the only determinant of significance, rather it is an additional factor;
- have a high media profile or are seen as being controversial; and
- the Plan or the sponsoring company has a particular interest in.

The Trustee has selected a maximum of two significant votes for each manager that aim to cover a range of environmental, social, and governance issues. In some cases, managers have reported less than two significant votes over the Scheme Year.

LGIM UK Equity Index Fund

Pearson, UK, September 2020. Vote: Against

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

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. LGIM also discussed the shortcomings of the company's current remuneration policy. LGIM also spoke with the chair directly before the EGM and relayed its concern that the performance conditions were weak and should be re-visited, to strengthen the financial underpinning of the new CEO's award. LGIM also asked that the post-exit shareholding requirements were reviewed to be brought into line with its expectations for UK companies. In the absence of any changes, LGIM took the decision to vote against the amendment to the remuneration policy.

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 deemed this vote to be significant.

Mitchells & Butlers, UK, March 2021. Vote: Against all resolutions

Summary of resolutions:

1. Authorise Issue of Equity in Connection with the Open Offer Resolution
2. Authorise Issue of Shares Pursuant to the Open Offer at a Discount to Middle Market Price
3: Authorise Implementation of Open Offer

Rationale: Given the current COVID restrictions and their impact on this pub & restaurant company’s financials, the company sought shareholder approval for an equity raise through an underwritten Open Offer in March 2021. Three of the company’s major shareholders came together and consolidated their holdings under a new holding company, Odyzean Limited. They together hold approximately 55% of the issued share capital of Mitchells & Butlers and, therefore, the majority of votes. As well as taking up their own share of the Open Offer, the concert party committed to underwrite any remaining offer shares not taken up by existing shareholders. LGIM opposed Open Offer given its concerns about the influence of the newly incorporated holding company, Odyzean Limited, over LGIM’s investee company's governance and the interests of minority investors. This concern was heightened by the announcement of expected changes to the structure and independence of the board as stated in the prospectus. LGIM would have expected a fair traditional rights issue to protect minority investors. LGIM also noted that the concert party was able to buy deeply discounted shares without paying a control premium through its underwriting of the open offer.

LGIM took the rare step of opposing a capital raise given its serious concerns for minority shareholders’ rights and, therefore, deemed this vote significant.

LGIM North American Equity Index Fund

The Procter & Gamble Company (P&G), US, October 2020. Vote: For

Summary of resolution: Report on effort to eliminate deforestation.

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. LGIM spoke to representatives from the proponent of the resolution, Green Century. In addition, LGIM 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 its business does not impact deforestation, LGIM 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 it invest its 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.

This vote was deemed significant by LGIM because it is linked to LGIM's five-year strategy to tackle climate change and attracted a great deal of client interest.

Tyson Foods, US, February 2021. Vote: For

Summary of resolution: Report on Human Rights Due Diligence

Rationale: A shareholder-led resolution requested that the company produce a report on Tyson's human rights due diligence process. The pandemic highlighted potential deficiencies in the application of its human rights policies. The following issues have been highlighted as giving grounds to this assessment: strict attendance policies, insufficient access to testing, insufficient social distancing, high line speeds and non-comprehensive Covid-19 reporting. Furthermore, it is believed that there have been over 10,000 positive cases and 35 worker deaths. As such, the company is opening itself up to undue human rights and labour rights violation risks. Tyson is already subject to litigation for wrongful death of an employee filed by the family of the deceased. Additionally, there is a United States Department of Agriculture complaint for failure to protect employees of colour who are disproportionately affected by Covid-19, and two Federal Trade Commission (FTC) complaints for misleading representations about worker treatment, the nature of relationships with farmers, and conditions at poultry farms in its supply chain. LGIM believes that companies in which it invests its clients' capital should uphold their duty to ensure the health and safety of employees over profits. While the company has health and safety, and code of conduct, policies in place and may have introduced additional policies to protect employees during the pandemic, there was clearly more it could have done. This is indicated by the reported complaints and rates of infection among its employee population. LGIM believes that producing this report is a good opportunity for the board to re-examine the steps it has taken and assess any potential shortfalls in safety measures so that it can improve controls and be better prepared for any future pandemic or similar threat.

This vote was deemed significant by LGIM because its clients were particularly interested in the outcome of this vote.

LGIM Europe (ex UK) Equity Index Fund

Lagardere, France, May 2020. Vote: LGIM voted in favour of five of the Amber-proposed candidates and voted off five of the incumbent Lagardere SB directors.

Summary of resolution: 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).

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 any 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 LGIM was able to speak to the proposed new SB Chair, and also Lagardere, where LGIM spoke to the incumbent SB Chair. This allowed LGIM to gain direct perspectives from the individual charged with ensuring their board includes the right individuals to challenge management.

This vote was deemed significant because LGIM noted significant media and public interest on this vote given the proposed revocation of the company's board.

LGIM Asia Pacific (ex Japan) Equity Index Fund

Whitehaven Coal, Australia, October 2020. Vote: For

Summary of resolution: 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.

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.

This vote was deemed significant because LGIM because it received media scrutiny and is emblematic of a growing wave of green shareholder activism.

Samsung Electronics, South Korea, March 2021. Vote: Against all resolutions

Summary of resolutions:

1. Elect Park Byung-gook as Outside Director
2. Elect Kim Jeong as Outside Director Resolution
3: Elect Kim Sun-uk as Outside Director to Serve as an Audit Committee Member

Rationale: In January 2021, Lee Jae-yong, the vice chairman of Samsung Electronics and only son of the former company chairman, was sentenced to two years and six months in prison for bribery, embezzlement, and concealment of criminal proceeds worth about KRW 8.6 billion. Lee Jae-yong was first sentenced to five years in prison in August 2017 for using the company's funds to bribe the impeached former President Park Geun-hye. While Lee was released from prison, he was not acquitted of the charges. Based on the court's verdict, Lee actively provided bribes and implicitly asked then president Park to use her power to help smooth his succession. The court further commented that the independent compliance committee established in January 2020 has yet to become fully effective. LGIM engaged with the company ahead of the vote. However, LGIM was not satisfied with the company’s response that ties have been severed. LGIM is concerned that Lee Jae-yong continues to make strategic company decisions from prison. Additionally, LGIM was not satisfied with the independence of the company board and that the independent directors are really able to challenge management. LGIM voted against the resolutions as the outside directors, who should provide independent oversight, have collectively failed to remove criminally convicted directors from the board. The inaction is indicative of a material failure of governance and oversight at the company.

This vote was deemed significant by LGIM because it was a high-profile vote, which has such a degree of controversy that there is high client and/or public scrutiny and the sanction vote was a result of a direct or collaborative engagement.

LGIM Japan Equity Index Fund

Olympus Corporation, Japan, July 2020. Vote: Against

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

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 has for many years promoted and supported an increase of women on boards, at the executive level and below. On a global level LGIM consider that every board should have at least one female director. LGIM deems this a *de minimis* standard. Globally, LGIM aspires to all boards comprising 30% women. Last year in February LGIM 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 it expects to see at least one woman on the board. One of the companies targeted was Olympus Corporation. In the beginning of 2020, LGIM announced that it 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. LGIM 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.

This vote was deemed significant because LGIM considers it imperative that the boards of Japanese companies increase their diversity.

Fast Retailing Co. Limited., Japan, November 2020. Vote: Against

Summary of resolution: Elect Director Yanai Tadashi.

Rationale: Same as above resolution.

This vote was deemed significant because LGIM considers it imperative that the boards of Japanese companies increase their diversity.

LGIM Diversified Fund

A number of the votes deemed significant in relation to the LGIM Diversified Fund are those related to the underlying regional equity funds, listed separately in this statement. In addition, LGIM has deemed the following votes significant in relation to the LGIM Diversified Fund.

Cardinal Health, US, November 2020. Vote: Against

Summary of resolution: Advisory Vote to Ratify Named Executive Officers' Compensation.

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. LGIM voted against the resolution to signal its concern over the bonus payment to the CEO in the same year the company recorded the charge for expected opioid settlement.

This vote was deemed significant because 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 excluded in the calculation of their pay, in particular if these would be detrimental to the executive director(s) in question.

Toshiba Corp, Japan, March 2021. Vote: For all resolutions

Summary of resolutions:

1. Appoint Three Individuals to Investigate Status of Operations and Property of the Company
2. Amend Articles to Mandate Shareholder Approval for Strategic Investment Policies including Capital Strategies

Rationale: Toshiba Corp's extraordinary general meeting (EGM) was precipitated by a significant decline in trust between its shareholders and management team following recent controversies, including allegations of abnormal practices and behaviour by the company surrounding its July 2020 AGM. As a result, the company faced two independent shareholder resolutions at the EGM calling for it to introduce remedies that would restore confidence and trust in the company's governance, management, and strategy. LGIM supported the resolution calling for the appointment of investigators to address doubts over the company's 2020 AGM conduct and vote tallying. LGIM believes the enquiry, which is unlikely to be a burden on the company, will be an important step in rebuilding trust between shareholders and the company's executive team and board. LGIM also supported the shareholder resolution mandating the company to present its strategic investment policy to a shareholder vote in order to send a clear message to the Toshiba Board and executive team: shareholders expect increased transparency and accountability.

This vote was deemed significant because LGIM believes it was high profile and controversial.

JP Morgan Emerging Markets Equity Fund

IndusInd Bank Limited, India, September 2020. Vote: Against

Summary of resolution: Elect Sanjay Khatau Asher as director.

Rationale: J. P. Morgan Asset Management voted against the election of Sanjay Khatau Asher due to number of additional directorships held at other companies.

This vote was deemed significant by JP Morgan because of the resolution type.

Bid Corp. Ltd., South Africa, November 2020. Vote: Against

Summary of resolution: Approve remuneration policy.

Rationale: J. P. Morgan Asset Management voted against approving the remuneration policy, due to the fact the company has modifying awards under the existing long-term incentive plan, without reference to performance criteria.

This vote was deemed significant by JP Morgan because of the relative size of scheme holdings in the companies involved – taking account of the size of the mandates and the companies' weights within them.

BlackRock ALMA

Exxon Mobil Corporation, US, May 2020. Vote:

1. Against
2. For

Summary of resolution:

1. Elect Director Angela F. Braly and Director Kenneth C. Frazier.
2. Require Independent Board Chair.

Rationale: Voted against both director Angela F. Braly and director Kenneth C. Frazier for insufficient progress on TCFD aligned reporting and related action. BlackRock also voted against Director Kenneth C. Frazier for failing to provide investors with confidence that the board is composed of the appropriate mix of skillsets and can exercise sufficient independence from the management team. BlackRock voted for the Independent Chair proposal on account of its belief that the board would benefit from a more robust independent leadership structure.

Chevron Corporation, US, May 2020. Vote: For

Summary of resolution: Report on climate lobbying aligned with Paris Agreement Goals.

Rationale: BlackRock voted in favour of this proposal, as greater transparency into the company's approach to political spending and lobbying as aligned with their stated support for the Paris Agreement will help articulate consistency between private and public messaging in the context of managing climate risk and the transition to a lower-carbon economy.

Partners Group Generations Fund

Ferrovial, Spain, April 2020. Vote: Against

Summary of resolution: Remuneration report, intending to provide shareholders information and a voice on the implementation of the remuneration policy.

Rationale: Inadequate disclosure of performance targets linked to remuneration, no deferral of annual bonus to management, and sizeable equity rewards to controlling shareholder/executive chair.

This vote was deemed significant due to the size of the holding within the Fund.

BMO F&C Responsible Global Equity Fund

eBay Inc., US, June 2020. Vote: Against

Summary of resolution: Advisory Vote to Ratify Named Executive Officers' Compensation.

Rationale: All exceptional awards should be clearly linked to performance and demonstrate shareholder value creation in addition to and above that expected of directors as a normal part of their jobs. In addition, incentive awards to executives should include robust performance targets that reward strong performance and drive shareholder value over a sufficiently long period of time defined as at least three years.

Apple Inc, US, February 2021. Vote: Against

Summary of resolution: Elect Director Al Gore, Art Levinson and Andrea Jung.

Rationale: Boards where more than a third of directors have served for more than 12 years lack balance. The nominating committee should take action to ensure an appropriately fresh board and reduce the proportion of long-standing directors to reduce the risk of entrenchment. Furthermore, directors with long board tenures should not serve on committees that require absolute independence. The compensation committee should be independent, and this director's membership could hamper the committee's impartiality and effectiveness. The nomination committee should be majority independent, and this director's membership could hamper the committee's impartiality and effectiveness.

Date: **21.09.2021**