ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

Financial Year Ending 31 December 2020

Introduction

This statement sets out how, and the extent to which, the Stewardship policy in the Statement of Investment Principles (SIP) produced by the Trustee has been followed during the year to 31 December 2020. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the guidance published by the Pensions Regulator.

Trustee's Investment Objectives

The Trustee believes it is important to consider the policies in place in the context of the investment objectives it has set.

The Trustee's primary investment objective for the Scheme is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

In doing so, the Trustee aims to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.

The Trustee also ensures that its investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

Policy on ESG, Stewardship and Climate Change

The Trustee understands that it must consider all factors that have the potential to impact upon the financial performance of the Scheme's investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Scheme's SIP includes the Trustee's policies on ESG factors, stewardship and climate change. The policies were last reviewed in August 2020 when it received investment training on this topic and the Trustee intends to undertake further investment training in the coming year. The Trustee keeps its policies under regular review, with the SIP subject to review at least triennially.

The Trustee recognises that a proportion of the Scheme's assets are invested on a passive basis, which limits the investment manager's ability to take active decisions on whether to hold securities based on the investment manager's considerations of ESG factors, including climate change. Nonetheless, the Trustee can confirm that it has acted in accordance with the SIP in relation to voting and engagement activities over the year under review.

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (CONTINUED)

Scheme’s Investment Structure

The Scheme’s main investment is via a Trustee Investment Policy (TIP) with Mobius Life Limited (Mobius). Mobius provides an investment platform and enables the Scheme to invest in pooled funds managed by third party investment managers. As such, the Trustee has no direct relationship with the Scheme’s underlying investments managers. The Trustee has the responsibility of monitoring the pooled funds, in conjunction with advice received from their investment advisor, Mercer.

Engagement

In the year to 31 December 2020, the Trustee has not actively engaged with Mobius or the underlying pooled fund managers on matters pertaining to ESG, stewardship or climate change. However, the performance monitoring reports produced by Mercer include ESG specific ratings of the funds held (with ratings derived by Mercer) and this will help to determine whether any further action should be taken. The Trustee is also working with Mercer to consider actions that can be taken to engage with the investment managers going forward.

Voting Activity

The Trustee has delegated their voting rights to the Scheme’s investment managers. The Trustee has not been asked to vote on any specific matters over the Scheme year.

Nevertheless, this Statement sets out a summary of the key voting activity of the pooled funds for which voting is possible (i.e. all funds that include physical equity holdings).

The Trustee notes that best practice in developing a statement on voting and engagement activity is evolving and will take on board industry activity in this area before the production of next year’s statement.

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (CONTINUED)

The table on the following pages sets out a summary of the key voting activity over the financial year:

Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant vote examples
		Votes in total	Votes against management endorsement	Abstentions		
Threadneedle Multi Asset	**ISS and Glass Lewis,** Institutional Voting Information Service - for recommendations only.	6789 resolutions (98.5% votes cast)	5.88%	3.62%	Threadneedle consider a significant vote to be any dissenting vote i.e. where a vote is cast against (or where we abstain/withhold from voting) a management-tabled proposal, or where we support a shareholder-tabled proposal not endorsed by management.	**Facebook, Inc.:** Vote 'for' the organisation to report on Median Gender/Racial Pay Gap **Rationale:** Material social risk for business and therefore in shareholders' interests. **Outcome of vote:** Fail **Implications:** Active stewardship (engagement and voting) continues to form an integral part of Threadneedles research and investment process. **Significance**: See definition
Baillie Gifford Multi Asset	**ISS and Glass Lewis** – for research and recommendations only. Baillie Gifford makes its own voting decisions.	696 resolutions eligible for (95.98 votes cast)	7.93%	1.8%	The list below is not exhaustive, but exemplifies potentially significant voting situations: — Baillie Gifford's holding had a material impact on the outcome of the meeting — The resolution received 20% or more opposition and Baillie Gifford opposed — Egregious remuneration — Controversial equity issuance — Shareholder resolutions that Baillie Gifford supported and received 20% or more support from shareholders — Where there has been a significant audit failin	**EDP Renovaveis** – Vote 'AGAINST' electing a particular director. **Rationale**: Opposed the election of a director due to the lack of independence and diversity on the board. **Outcome of vote:** Pass **Implications:** Baillie Gifford have taken action on the election of directors at the company since the 2018 AGM. Their concerns are regarding the attendance record of some directors, a lack of board independence and diversity. They have spoken to the company a number of times

					— Where we have opposed mergers and acquisitions — Where we have opposed the financial statements/annual report — Where we have opposed the election of directors and executives.	regarding these concerns and continue to raise the issue and take action where possible. As the company has an 82% controlling shareholder, Baillie Gifford's ability to influence is limited, however they believe it important to hold the board accountable for their concerns. **Significance:** This resolution is significant because we opposed the election of a director.
LGIM Global Equity Fixed Weights (60:40) Index Fund - GBP Currency Hgd	**Institutional Shareholder Services (ISS)** – recommendations only. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions.	43,630 resolutions eligible for (99.97 votes cast)	16.19%	0.10%	• High profile vote which has such a degree of controversy that there is high client and/or public scrutiny; • Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote; • Sanction vote as a result of a direct or collaborative engagement; • Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.	**Pearson*:*** a vote 'against' amending the remuneration policy. **Rational for vote:** 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.

LGIM also spoke with the chair directly before the EGM, and relayed their concerns 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 LGIM's expectations for UK companies. In the absence of any changes, LGIM took the decision to vote against the amendment to the remuneration policy.

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

Implications of outcome: LGIM will continue to monitor the company

LGIM Global Equity Fixed Weights (40:60) Index Fund	**Institutional Shareholder Services (ISS) –** recommendations only. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions.	48,638 resolutions eligible for (99.59 votes cast)	15.94%	0.43%	• High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny; • Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote; • Sanction vote as a result of a direct or collaborative engagement; • Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.	**Medtronic plc:** a vote 'against' ratifying Named Executive Officers' Compensation. **Rational for vote:** 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. **Outcome:** The voting outcome was as follows: For: 91.73%; against: 8.23%. **Implications of outcome:** LGIM will continue to monitor the company.