Annual Implementation Statement – Scheme year ending 30 September 2020

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Section 1: Introduction

This document is the Annual Implementation Statement ("the statement") prepared by the Trustee of the Yorkshire and Clydesdale Bank Pension Scheme ("the Scheme") covering the Scheme year ("the year") from 1 October 2019 to 30 September 2020.

The purpose of this statement is to set out:

- Details of how and the extent to which, in the opinion of the Trustee, the Trustee's policies on engagement and voting (as set out in the Statement of Investment Principles (the "SIP")) have been adhered to during the year; and
- A description of voting behaviour (including the most significant votes made on behalf of the Trustee) and any use of a proxy voter during the year.

The SIP is a document which outlines the Trustee's policies with respect to various aspects related to investing and managing the Scheme's assets including but not limited to: investment managers, portfolio construction and risks.

The latest version of the SIP can be found online here

This statement reflects the Scheme year 1 October 2019 to September 2020. The SIP linked above reflects the latest version of the SIP which is dated September 2020. Prior to this version, the SIP which covered the majority of Scheme year was dated July 2019.

Following a review of the July 2019 SIP in 2020, the Trustee made the following changes which are reflected in the September 2020 version:

- Included a new policy to send all of the Scheme's underlying investment managers a version of the SIP annually and to require the managers to comment on the consistency of their management of the assets with the relevant policies.
- Included a new policy to monitor the level of portfolio turnover of the Scheme's underlying investment funds and related costs.
- Highlighted the Trustee's general approach to investment management fee structures and how these align with the long-term objectives of the Scheme.
- Highlighted the Trustee's use of a covenant adviser to assess and manage the relationship and dialogue between the Trustee and the Principal Employer.
- Revised the documentation of the Trustee's policies with respect to Environmental, Social and Governance ('ESG') risk.

Section 2: How the Trustee has adhered to its engagement and voting policies

The Trustee's policies on voting and engagement, as stated in the SIP are:

- The Trustee policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers. The Trustee recognises the UK Stewardship Code 2020 as best practice and encourages its investment managers to comply with the UK Stewardship Code 2020 or explain where they do not adhere to this policy.

- When considering the appointment of new managers, and reviewing existing managers, the Trustee, together with its investment advisers, looks to take account of the approach taken by managers with respect to sustainable investing. This includes considering voting policies and engagement on relevant matters (i.e. the capital structure of investee companies, actual and potential conflicts of interest and other stakeholders), as well as how managers take account of ESG-related risks in their management of the Scheme's assets, and the consistency of this approach with the Trustee's own beliefs.

- Should the Trustee's monitoring process reveal that a manager's portfolio is not aligned with the Trustee's policies, the Trustee will engage with the manager further to encourage alignment. This monitoring process includes, but is not limited to, specific consideration of the sustainable investment/ESG characteristics of the portfolio and managers' engagement activities. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the manager will be terminated and replaced.

- For most of the Scheme's investments, the Trustee expects the investment managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods. The Trustee invests in certain strategies where such engagement is not deemed appropriate, due to the nature of the strategy and/or the investment time horizon underlying decision making. The appropriateness of the Scheme's allocation to such mandates is determined in the context of the Scheme's overall objectives.

- The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. When assessing a manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate a manager's appointment based purely on short term performance. However, a 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.

As the investment managers of pooled funds, in which the Scheme is invested, are generally responsible for exercising voting rights and as the Trustee otherwise delegates responsibility for the exercising of voting rights to the Scheme's investment managers, it is the responsibility of the Trustee to monitor, review and engage with investment managers with respect to how they have undertaken these activities.

The same policy applies to corporate engagement with the management of companies the Scheme is invested in. Corporate engagement is the responsibility of the managers of pooled funds and is otherwise delegated to the Scheme's investment managers because the Trustee believes that those managers are best placed to manage this engagement. The Trustee monitors, reviews and engages with the managers on how they have undertaken these activities.

Over the year, the Trustee has undertaken a number of actions in line with these policies as set out below:

- Throughout the year, the Trustee met with a number of the Scheme's investment managers (details below).

- The Trustee's investment adviser produces sustainable investment reports for the Scheme's managers which include information on how the investment managers consider environmental, social and governance factors in their investment process. The reports also include information on the voting and engagement practices of the managers. At each of these meetings, the Trustee reviewed the managers' sustainable investment report ahead of the manager presentation and subsequently discussed relevant topics with managers.

Since the Scheme year end, the Trustee has undertaken a full review of the sustainable investment reports produced by the Trustee's investment adviser for all of the Scheme's pooled investment funds.

- In April 2020, the SIP was sent to all of the Scheme's investment managers. The Trustee highlighted its policies with respect to Sustainable Investing and Voting and Engagement, and asked the investment managers to set out their approach to sustainable investment, including voting and engagement, and to highlight any areas where they believed their fund's approach to be inconsistent with the Trustee's policies.

  All of the Scheme's managers provided a response. The Trustee reviewed the managers responses at a meeting in July 2020. Following the review, the Trustee concluded that they were satisfied that there were no obvious misalignments between managers' policies and the Trustee's policies.

- Since the year end in October 2020, the Trustee received a training session on Sustainable Investment. At this session, the Scheme's Sponsor presented a session explaining the sustainable investment targets they have in place. The Trustee agreed to consider the Sponsor's policies when determining further actions they wish to take with respect to the Scheme.

  The Scheme's investment adviser also presented a session on Sustainable Investment which covered training on the voting process that investment managers undertake, considerations around climate change and investment, and regulation around sustainable investment for UK pension schemes.

  In addition to the actions above the Trustee's investment adviser provides ratings for each of the Scheme's investment managers. These ratings are reviewed (and updated where necessary) on a quarterly basis and include considerations relating to sustainable investment. Any changes in these ratings or the investment adviser's opinion of a fund is communicated to the Trustee.

As set out in section 4, the Trustee believes that the Scheme's engagement policy as outlined in the SIP has been adhered to over the Scheme year and will continue to monitor the investment managers' stewardship practices on an ongoing basis.

Section 3: Voting information

The Scheme is invested in a diverse range of asset classes. However, this document focusses on the equity investments which have voting rights attached.

The Scheme's equity holdings as at the end of the year are held in pooled investment funds and are managed on a passive basis relative to a defined index. Therefore, the voting entitlements in these funds lie with the investment managers.

The Scheme's equity holdings are invested with two investment managers, BlackRock and Legal & General Investment Management ("LGIM"), in the following pooled investment funds:

- **BlackRock Aquila Life UK Equity Fund**: pooled fund that invests in listed UK equities and tracks a market capitalisation-based index.

- **BlackRock Aquila Life World ex UK Equity Fund**: pooled fund that invests in listed World ex UK equities and tracks a market capitalisation based index.

- **BlackRock iShares Emerging Market Equity Fund**: pooled investment fund which invests in Emerging Market listed equities and tracks a market capitalisation based index.

- **LGIM Infrastructure Equity MFG Fund**: pooled investment fund which invests in listed equities of infrastructure companies globally and tracks a bespoke index determined by Magellan.

As set out in the SIP, the Trustee's policy is to delegate the exercising of rights (including voting and stewardship) and the integration of ESG considerations in day-to-day decisions to the Scheme's investment managers. This section sets out the voting activities of the Scheme's equity investment managers over the year, including details of the investment managers' use of proxy voting.

BlackRock and LGIM have their own voting policies that determine their approach to voting and the principles they follow when voting on investors' behalf. Both investment managers also use voting proxy advisers which aid in their decision-making when voting. Details are summarised in the table below:

Manager	Use or proxy adviser services:
BlackRock	BlackRock subscribes to research from the proxy advisery firms Institutional Shareholder Services (ISS) and Glass Lewis which contribute to, but do not determine, BlackRock's voting decisions which are made by the BlackRock internal stewardship team. BlackRock primarily uses proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that their investment stewardship team can readily identify and prioritise those companies where BlackRock's own additional research and engagement would be beneficial. They do not follow any single proxy research firm's recommendations.
LGIM	LGIM's Investment Stewardship team uses Institutional Shareholder Services' (ISS) electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decision. LGIM use ISS recommendations to augment their own research. LGIM's internal investment stewardship team also use research reports of Institutional Voting

	Information Services (IVIS) to supplement the research reports that they receive from ISS for UK companies when making specific voting decisions. LGIM have a custom voting policy in place which includes specific voting instructions which apply to all markets globally. LGIM have the ability to override any vote decisions which are based on this custom voting policy if they see fit.

As outlined in the SIP, the Trustee recognises the UK Stewardship Code 2020 and monitors the Scheme's investment managers adherence to the Code. BlackRock and LGIM are both signatories to the code. Their latest statement of compliance can be found via the links below:

BlackRock: https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-statementoncompliance-uk-stewardshipcode.pdf

LGIM: https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/uk-stewardship-code.pdf

The below table sets out the voting activity of the Scheme's equity investment managers, on behalf of the Trustee, over the year:

Manager and strategy	Portfolio structure	Voting activity
BlackRock UK Equity (0.4% of assets at year end)	Pooled equity fund	Number of meetings at which the manager was eligible to vote: 1,140 Number of resolutions on which manager was eligible to vote: 15,414 Number of votes cast: 14,974 Percentage of eligible votes cast: 97% Percentage of votes with management: 92% Percentage of votes against management: 6% Percentage of votes abstained from: 2%
BlackRock World ex-UK Equity (7.8% of assets at year end)	Pooled equity fund	Number of meetings at which the manager was eligible to vote: 2,158 Number of resolutions on which manager was eligible to vote: 26,685 Number of votes cast: 25,119 Percentage of eligible votes cast: 94% Percentage of votes with management: 93% Percentage of votes against management: 6% Percentage of votes abstained from: 0%
BlackRock Emerging Markets Equity (0.9% of assets at year end)	Pooled equity fund	Number of meetings at which the manager was eligible to vote: 2,325 Number of resolutions on which manager was eligible to vote: 21,808 Number of votes cast: 21,138 Percentage of eligible votes cast: 97% Percentage of votes with management: 88% Percentage of votes against management: 9%

		Percentage of votes abstained from: 3%
LGIM Infrastructure Equity MFG Fund (2.0% of assets at year end)	Pooled listed infrastructure fund	Number of meetings at which the manager was eligible to vote: 83 Number of resolutions on which manager was eligible to vote: 1,071 Number of votes cast: 1,037 Percentage of eligible votes cast: 97% Percentage of votes with management: 85% Percentage of votes against management: 15% Percentage of votes abstained from: 0% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 79% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 12%

*Voting statistics are out of total eligible votes and are sourced from the investment managers BlackRock and LGIM

The following table outlines a number of significant votes cast by the Scheme's investment managers on the Trustee's behalf. The commentary set out below is based on detail in the relevant manager's reports on the votes cast:

- LGIM did not report any significant votes cast within the LGIM Infrastructure Equity MFG Fund over the year to 30 September 2020.

- BlackRock reported on the most significant votes cast within the funds managed on behalf of the Scheme over the year to 30 September 2020, including the rationale for the voting decision and the outcome of the vote. A number of these key votes is set out below. The votes shown were chosen taking account of the size of the allocations to the companies affected as a percentage of each pooled fund, whether the votes were against management resolutions and whether the votes were in respect of shareholder resolutions.

Significant votes cast	Coverage in portfolio
<u>Company: Alphabet Inc</u> <u>Meeting date: 3 June 2020</u> Company summary: Alphabet is a collection of businesses, the largest of which is Google. Google is a global technology platform for advertisers, agencies, and publishers to power their digital marketing offerings. Google diversifies its revenues beyond advertising through other businesses including Google Cloud, Google Play, hardware, and YouTube. Alphabet reports all non-Google entities collectively as ‘Other Bets’, which are emerging businesses at various stages of development, ranging from those in the research and development phase to those that are in the beginning stages of commercialisation. **1.** Management resolution: 1.8 Elect Director Ann Mather Company management recommendation: For How the manager voted: Against Rationale: BlackRock expect non-CEO directors to serve on a total of no more than four public company boards. Since Ms. Mather sits on five public boards, BlackRock consider her overcommitted and therefore voted against her re-election to the Board of Directors. **2.** Shareholder Resolution: To approve recapitalisation plan for all stock to have one-vote per share Company management recommendation: Against How the manager voted: For Rationale: BlackRock strongly prefer a ‘one vote for one share’ capital structure for publicly traded companies as this structure provides control proportionate to shareholders’ capital at risk and therefore is more aligned with BlackRock’s clients’ interests. BlackRock recognise the potential benefits of dual class shares to newly public companies as they establish themselves but believe that these structures should have a specific and limited duration for well-established public companies such as Alphabet.	BlackRock World-ex UK Equity
<u>Company: Amazon</u> <u>Meeting date: 23 May 2020</u> Company summary: Amazon serves consumers, sellers, developers, enterprises and content creators across multiple platforms and products. The company has approximately 800,000 full-time and part-time employees. Shareholder resolutions: multiple (12): Item 5: Create a report on effects of food waste Item 6: Create a report on customer use of certain technologies Item 7: Report on potential customer misuse of certain technologies Item 8: Report on efforts to restrict certain products Item 9: Request for a mandatory independent board chair policy Item 10: Create an alternative report on gender/racial pay Item 11: Report on certain community impacts Item Item 12: Report on viewpoint discrimination Item 13: Create a report on promotion data Item 14: Request for a reduction in threshold for calling special shareholder meetings	BlackRock World-ex UK Equity

Item 15: Request for a specific supply chain report format Item Item 16: Request for additional reporting on lobbying Company management recommendation: Against all shareholder resolutions How the manager voted: Against all shareholder resolutions Rationale: After thorough review of the company's existing disclosures, along with insights gleaned from multiple engagements, BlackRock determined that Amazon is actively addressing the material issues raised by the various shareholder proposals. Some of the proposals were too prescriptive in their request for additional information, such as requesting an alternative report on gender/racial pay in addition to the one the company already publishes. For a subset of the proposals, including the request for a report on customer use of certain technologies and an additional report on lobbying, the company is already meeting the best practices guidelines. BlackRock's engagements with Amazon include a range of material issues including the topics raised in the shareholder proposals. Amazon has demonstrated a commitment to adopting best practices in corporate governance (e.g. 90% board independence, 50% board gender diversity, and balanced board tenure) and included plans to improve disclosure on food waste and food diversion management, efforts to monitor the use of certain technologies and enforce compliance with its product policies.	
Company: The Boeing Company Meeting date: 27 April 2020 Company summary: The Boeing Company is an American aerospace company which manufactures commercial aeroplanes and defence, space and security systems such as military aircrafts and weapon systems. Management resolution: Re-election of 4 directors: Arthur D. Collins Jr, Edmund P. Giambastiani Jr, Susan C. Schwab and Ronald A. Williams Company management recommendation: For How the manager voted: Against Rationale: BlackRock voted against the re-election of the four board members due to the board's failure to exercise sufficient oversight of management strategy and corporate culture, which contributed to the fatal 737 MAX crashes in 2018 and 2019 which resulted in the deaths of 346 people. An investigative report issued by the U.S. House Committee on Transportation and Infrastructure identified several central themes from the accidents, including a problematic "culture of concealment" that led Boeing to withhold crucial information from pilots, airlines, and the Federal Airline Association (FAA) and downplay safety precautions. These directors were on the board at the time of the strategic decision to amend the 737 to the 737 MAX in August 2011. While the company has created oversight structures that aim to mitigate risks that resulted in the crisis, BlackRock hold these directors accountable for board decisions and their failure to exercise sufficient risk oversight of management strategy and corporate culture, which contributed to the crashes and had significant adverse, material impact on the company and, consequently, its shareholders. BlackRock believe that voting against these directors is warranted for the aforementioned reasons, and that doing so may help to promote a culture of accountability at the board level. Since the crisis, changes have been made to the board and senior management, including the addition of three new board members, a new CEO, and a new independent non-executive chair of the board. In addition to the board and management changes, a series of structural changes were made to emphasise central reporting and enhanced focus on safety and design, including a permanent safety oversight committee of the board.	BlackRock World-ex UK Equity

<u>Company: Exxon Mobil Corporation</u> <u>Meeting date: 27 May 2020</u> Company summary: Exxon Mobil Corporation is an American multinational oil and gas corporation and is engaged in the exploration, development and distribution of oil, gas and petroleum products. **1.** Management resolution: Re-election of Directors Angela F. Braly and Kenneth C. Frazie Company management recommendation: For How the manager voted: Against Rationale: BlackRock voted against the re-election of Angela F. Braly for insufficient progress on Taskforce for Climate-related Financial Disclosures (‘TCFD’) reporting and related action. BlackRock voted against the re-election of Kenneth C. Frazie for insufficient progress on TCFD reporting and for the failure to provide investors with confidence that the board is composed of the appropriate mix of skill sets and can exercise sufficient independence from the management team to effectively guide the company in assessing material risks to the business. **2.** Shareholder resolution: Require Independent Board Chair Company management recommendation: Against How the manager voted: For Rationale: The shareholder proposal requests that the company establish an Independent Board Chair position in place of the present Lead Independent Director structure by appointing one of the independent members of the board to the Chair position. Mr Frazier, Chair of the Nominating and Governance Committee, stepped into the Lead Independent Director Role this year however BlackRock have concerns regarding the board’s responsiveness to shareholder feedback and concerns regarding climate risk management. BlackRock do not have confidence that this enhanced role on paper will lead to a demonstrable increase in independent leadership. BlackRock’s governance and voting guidelines do not normally necessitate an Independent Chair however BlackRock believe that the board would benefit from a more robust independent leadership structure hence the vote *For* the shareholder proposal.	BlackRock World-ex UK Equity
<u>Company: Barclays Plc</u> <u>Meeting date: 7 May 2020</u> Company summary: Barclays is a British universal bank operating as two divisions, Barclays UK and Barclays International, supported by its service company, Barclays Execution Services. Its businesses include consumer banking, payments operations around the world, and a full service global corporate and investment bank. 1. Management resolution: Approve Barclays' commitment to tackling climate change Company management recommendation: For How the manager voted: For 2. Shareholder resolution: Approve ShareAction requisitioned resolution Company management recommendation: Against How the manager voted: Against Rationale: In January 2020, a coalition of investors filed a shareholder resolution asking Barclays to set and disclose targets to phase out the provision of financial services to the energy sector, as well as electric and gas utility companies that are not aligned with articles 2.1(a) and 4.1 of the Paris Agreement (the shareholder resolution). Following engagement with its shareholders and other stakeholders, including BlackRock, Barclays announced on 30th March 2020 updated ambitions with respect to tackling climate change.	BlackRock UK Equity

Barclays proposed its own resolution (the management resolution) at its annual general meeting (AGM) to commit the company to a strategy, with targets, for alignment of its entire financing portfolio to the goals of the Paris Agreement. Barclays has committed to provide further details of the strategy by the end of the year.	
<u>Company: BHP Group Plc/Limited</u> <u>Meeting date: 14 October 2020 (BHP Group Plc) and 15 October 2020 (BHP Limited)</u> Company summary: BHP engages in the exploration, development, production and processing of iron ore, metallurgical coal, copper, oil and natural gas. BHP is headquartered in Melbourne, Australia, and operates under a dual-listed company structure with two parent companies (BHP Group Limited and BHP Group Plc), but functions as a single economic entity. 1.Shareholder resolution: Amend constitution of BHP Group Limited as required under Australian voting rules Company management recommendation: Against How the manager voted: Against Rationale: The resolution calls for an amendment to the company's constitution is first necessary to allow for the subsequent non-binding resolution to be voted upon. A group of shareholders owning 5% of voting shares or 100 shareholders (with no minimum holding size or length of holding period) may file a resolution. BlackRock is not generally supportive of this type of constitutional amendment resolution, as the relative ease of the filing process increases the risk that these types of proposals are potentially distracting, time-consuming or are submitted by shareholders whose interests may not be necessarily aligned with those of the broader shareholder base. 2.Shareholder resolution: Approve review of advocacy activities and suspension of memberships of industry associations where COVID-19 related advocacy is inconsistent with Paris Agreement Goals Company management recommendation: Against How the manager voted: For Rationale: The proposal asks the company to be rigorous in its assessment of the policy positions of industry associations of which it is a member, encouraging it to develop and further enhance its "climate leadership" strategy. Given the global pandemic and resulting economic uncertainty, this is increasingly an important matter for companies' resilience and long-term financial performance. BlackRock has previously highlighted BHP as an 'industry leader' on climate-related issues and this view remains unchanged. The company's climate standards go beyond the Paris Agreement Goals. BlackRock supported the shareholder proposal to signal the importance of the opportunity for BHP to continue to use its leadership position to constructively influence its trade associations to further advance the global energy transition. BlackRock highlight that support for this resolution is not a signal of dissatisfaction with BHP and their management of material ESG issues.	BlackRock World-ex UK Equity BlackRock UK Equity

<u>Company: Royal Dutch Shell Plc</u> <u>Meeting date: 19 May 2020</u> Company summary: Royal Dutch Shell plc (Shell) is an energy company based in the Netherlands and is dual-listed in the United Kingdom and the Netherlands. Shareholder resolution: Request Shell to set and publish targets for greenhouse gas ('GHG') emissions Company management recommendation: Against How the manager voted: Against Rationale: The shareholder proposal requested that Shell set and publish targets across scope 1, 2 and 3 emissions, aligned with the Paris Agreement. The proponent argued that Shell's ambition to reduce its net carbon intensity by 50% by 2050 in a growing energy system would not ultimately lead to the level of absolute emissions reduction necessary to achieve the goals of the Paris Agreement. The proponent asked for more "aspirational" targets. BlackRock believe Shell is a leader among its peers regarding existing disclosures. The company makes comprehensive climate-related disclosures in a dedicated climate report. BlackRock reviewed these disclosures and they were consistent with expectations. Since the submission of the shareholder proposal, Shell has updated its climate commitments to more aggressively reduce its carbon footprint, and to become a "net-zero emissions energy business" by 2050 or sooner which includes targets across scope 1,2 and 3 emissions.	BlackRock UK Equity
<u>Company: Yanzhou Coal Mining Company</u> <u>Meeting date: 9 December 2020</u> Company summary: Yanzhou Coal Mining Company (Yanzhou Coal) is primarily engaged in the coal mining, coal railway transportation and coal chemical businesses, with coal mining accounting for 95% of its pre-tax earnings in 2019. The company is 56.01% controlled by its state-owned parent Yankuang Group and is dual listed in Shanghai and Hong Kong. Management resolution: To consider and approve equity interests and assets transfer agreement between Yankuang Group Company Limited and Yanzhou Coal Mining Company Limited and to approve the transactions contemplated thereunder Company management recommendation: For How the manager voted: Against Rationale: Yanzhou Coal's rationale for making the acquisition, namely to expand its coal chemical business and to extend the industrial chain for profit enhancement, is noted by BlackRock however, BlackRock believes it is in their clients' best long-term economic interests to vote against the proposed acquisition due to two primary concerns: 1. The underlying valuation for the terms of the transaction – BlackRock question the methodology used to value coal mining rights and believe the company's valuation method does not take into account evolving coal market dynamics including potential regulatory developments and China's aspiration to become carbon neutral by 2060. 2. Management's oversight of potential stranded asset risks – Yanzhou Coal is a state owned enterprise and did not articulate how the acquisition of coal related assets align to China's goals in relation to carbon exposure.	BlackRock iShares Emerging Markets Equity

Section 4: Conclusion

The Trustee believes that the Scheme's engagement policy as outlined in the SIP has been adhered to over the Scheme year.

Following monitoring of the Scheme's investment managers over the year, and reviewing the voting information outlined in this statement, the Trustee is satisfied that BlackRock and LGIM are acting in the Scheme members' best interests and are effective stewards of the Scheme's assets.

The Trustee will continue to monitor the investment managers' stewardship practices on an ongoing basis.

Appendix 1: BlackRock's voting policy

Overview of voting process for deciding how to vote

- BlackRock's approach to corporate governance and stewardship is explained in their Global Corporate Governance and Engagement Principles. These high-level Principles are the framework for their, market-specific voting guidelines, which are published on the BlackRock website. The Principles describe BlackRock's philosophy on stewardship (including how they monitor and engage with companies), their voting policy, their approach to stewardship matters and how BlackRock deal with conflicts of interest.

- These apply across relevant asset classes and products as permitted by investment strategies. BlackRock reviews our Global Corporate Governance & Engagement Principles annually and updates them as necessary to reflect in market standards, evolving governance practice and insights gained from engagement over the prior year.

- BlackRock's Global Corporate Governance & Engagement Principles available on their website: https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf

BlackRock proxy voting decision process

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS), which consists of three regional teams – Americas ("AMRS"), Asia-Pacific ("APAC"), and Europe, Middle East and Africa ("EMEA") - located in seven offices around the world.

Analysts with each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Corporate Governance and Engagement Principles and custom market-specific voting guidelines.

While BlackRock subscribe to research from the proxy advisery firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one among many inputs into our vote analysis process, and BlackRock do not blindly follow their recommendations on how to vote.

BlackRock primarily use proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that our investment stewardship analysts can readily identify and prioritise those companies where our own additional research and engagement would be beneficial. Other sources of information we use include the company's own reporting (such as the proxy statement and the website), engagement and voting history with the company, and the views of our active investors, public information and ESG research.

BlackRock's third-party platform for vote execution

We use Institutional Shareholder Services' (ISS) electronic platform to execute our vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, BlackRock work with proxy research firms who apply our proxy voting guidelines to filter out routine or non-contentious proposals and refer to us any meetings where additional research and possibly engagement might be required to inform our voting decision.

Appendix 2: LGIM's voting policy

Policy on consulting clients:

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our 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 the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

Process for deciding how to vote:

All decisions are made by LGIM's Investment Stewardship team and in accordance with our 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 ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

Use of proxy voting services:

LGIM's Investment Stewardship team uses ISS's 'Proxy Exchange' 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. Our use of ISS recommendations is purely to augment our own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that we receive from ISS for UK companies when making specific voting 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. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.

We retain the ability in all markets to override any vote decisions, which are based on our 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 us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.