Willis Towers Watson

ING UK Pension Fund: Defined Benefit Section
Annual Implementation Statement for the year ending 31 March 2021

July 2021

1. Introduction

This document is the Annual Implementation Statement ("the Implementation Statement") prepared by the Trustees of the ING UK Pension Fund (the "Fund") covering the Fund year to 31 March 2021, for the Fund's Defined Benefit ("DB") Section. The purpose of this statement is to:

- Detail any reviews of the SIP the Trustees have undertaken, and any changes made to the SIP over the year as a result of the review
- Set out the extent to which, in the opinion of the Trustees, the Fund's Statement of Investment Principles ("SIP") required under section 35 of the Pensions Act 1995, as amended, has been adhered to during the year
- Describe the voting behaviour by, or on behalf of, the Trustees over the year

A copy of this Implementation Statement will be made available on the following website: www.myingpension.com alongside the Fund's SIP.

2. Review of, and changes to the SIP

The Fund's SIP was updated twice over the Fund Year, with three relevant SIPs over the Fund Year:

1. September 2019 – this was the version in place as at the start of the Fund Year.
2. July 2020 – the Fund's SIP was updated in relation to the Department for Work and Pensions ("DWP") regulations coming into force from 1 October 2020, which required the Trustees to set out their policy in relation to their arrangements with asset managers including:
    - how the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustees' policies;
    - how that arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term;
    - how the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the Trustees' policies;
    - how the Trustees monitor portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range; and
    - the duration of the arrangement with the asset manager
3. February 2021 – the Fund's SIP was updated following a number of strategic changes to the DC investment options, which were executed in November 2020. These will be covered in a separate implementation statement dedicated to the DC section.

The February 2021 SIP is the version referenced in the following sections of this document, where we set out how the principles have been implemented. Where new policies have been added to the SIP that was in place at the start of the Fund Year, we have referenced how these have been implemented from the period of adoption to the end of the Fund Year.

3. Adherence to the SIP

Overall, the Trustees believe the policies outlined in the SIP have been adhered to during the Fund year. The remaining parts of this Implementation Statement set out details of how this has been achieved for the DB Section.

The Trustees have delegated responsibility for investment decisions to its Investment Committee ("IC"). In certain instances, the IC has been involved in activity which allow the Trustees to adhere to the SIP and this group has been referenced throughout this document in such instances.

Fund objectives

The Trustees have a long-term objective of ensuring that the Fund is able to provide the benefits set out in the Trust Deed. The Trustees seek to achieve this through investing in a diversified portfolio of assets, having taken account of the Fund's liabilities and its tolerance of risk in the context of the Trustees' evaluation of the Employer's covenant.

In line with the guidelines set out in the SIP, the Fund targets a level of return in excess of liabilities dependent on the funding level. Over the course of the year, the funding level remained above 105% corresponding to a target excess return of 0.5%. In accordance with the SIP, the IC has chosen to target this excess return on a prudent basis, which means the Fund targets a margin over the Excess Return Target. In practice, this has meant that the portfolio has targeted the excess return of c. 0.5% p.a. with a c. 70% confidence over the course of the Fund year.

On a quarterly basis, the IC reviewed the Fund's asset allocation, funding position and measures of the expected return and risk of the Fund's portfolio to ensure that these remained broadly consistent with the Fund's objectives.

Investment Principles

The Fund's assets are invested in a diversified portfolio with five components; Multi-Asset Funds, Equities, Legacy illiquid Assets, Liability Driven Investment ("LDI") and Cash. In May 2020, following the COVID-19 market volatility in Q1 2020, the IC reviewed the appropriateness of the Fund's investment strategy and asset allocation in the context of the Trustees' objectives. In doing so, they sought advice from the Fund's professional advisors, including the Investment Consultant, Willis Towers Watson. The review concluded that no major changes were required to the Fund's overall investment strategy given the level or return that was being targeted.

Throughout the remainder of the year, in conjunction with their professional advisors, the IC periodically consider the mix between these assets to ensure that the liquidity, expected return, cost and risk are in line with the Trustees' objectives. This is most evident at the quarterly Trustees and IC meetings.

The Trustees and the IC took the following steps over the year to help maintain the portfolio in line with the Investment Principles set out in the SIP:

- Fully redeemed its holding in the Schroders Diversified Growth Fund and invested the proceeds in the LGIM Diversified Fund, as a lower-cost, passive-like alternative in August 2020
- Updated its liability hedging programme to better reflect the characteristics of the liabilities in June 2020
- Restructured the Fund's liability hedging arrangements with Insight into a lower cost solution in June 2020
- Reviewed the Fund's allocation at the August 2020 IC meeting to cash to ensure the portfolio was sufficiently liquid and that cash was appropriate invested

- Reviewed the Fund’s Total Expense Ratio (“TER”) and how it has evolved through time at the December 2020 IC meeting

Investment Managers

Due to the Fund’s strong funding position, commensurately low risk investment strategy and the IC’s desire to maintain simplicity within the portfolio, the Fund makes use of a small number of investment managers. These managers invest in a range of instruments that provide the Fund with a diverse range of exposures to generate a return and hedge the interest rate and inflation risks arising from the Fund’s liabilities. As at 31 March 2020, the Fund had material (greater than 0.5% of assets) exposure to five investment managers. This reduced to four investment managers as at 31 March 2021.

The Trustees consider their choice of investment managers as suitable having received appropriate advice from their professional advisors, including the Fund’s Investment Consultant. In line with the policy of appointing managers with a medium to long term time horizon, the Fund’s investment managers largely remained the same throughout the year. This in turn allows investment managers to take a longer-term approach to investing, including engagement with issuers of debt and equity, with a view to improving investment outcomes over the long term. Whilst there were some changes to the underlying investment managers, no managers were terminated based on short-term performance alone. The following activity took place over the year to help ensure the portfolio best reflected the policies related to investment managers in the SIP.

- Fully redeemed its holding in the Schroders Diversified Growth Fund and invested the proceeds in the LGIM Diversified Fund, as a lower-cost, passive-like alternative in August 2020
- Received total fund Section 36 letters confirming that the Fund’s investments are satisfactory in accordance with the 1995 Pensions Act
- Have delegated the responsibility for selection of specific investments to an appointed investment manager through the use of pooled investment vehicles for all the Fund’s assets
- Reviewed the long, medium and short-term performance of Investment Managers during quarterly IC meetings. Performance was monitored relative to an appropriate market benchmark where one was available or an appropriate return objective where a market benchmark was not available
- Invited two investment managers where the Fund has a material allocation (Towers Watson Investment Management (“TWIM”) and LGIM) to IC meetings to help with ongoing monitoring.

Responsible Investment and Stewardship

The Trustees utilise advice from the Investment Consultant to help assess ESG issues with the Fund’s assets and to monitor the managers from an ESG perspective. Whilst this did not lead to any changes to the Fund’s investments, the policies and processes described in this section of the SIP have impacted the Fund’s investment in numerous ways:

- They were embedded in the advice and recommendations received from the Investment Consultant.
- The Fund invested in one new pooled fund over the year (switched from Schroders Diversified Growth Fund into LGIM Diversified Fund) and engagement and sustainability policies were considered as part of that appointment process.
- The Fund’s standalone allocation to equities tracks an index which contains an ESG tilt (i.e. overweighting exposure to companies which have positive ESG metrics) and excludes particularly poor areas such as controversial weapons.
- The IC met with representatives from TWIM in August 2020. As well as exploring the management and performance of the portfolio, part of the presentation was focused on how sustainable investment is embedded into the TWIM Partners Fund investment process.
    - For example, consideration of an underlying manager’s approach to sustainable investment and how it integrates consideration of ESG factors into the investment decisions forms part of TWIM’s assessment of the managers, which influences the manager selection process. Also, within the equity allocation of the Partners Fund, EOS at Federated Hermes is employed to provide voting advice to the equity

  managers as well as to engage directly with companies that represent key holdings within the portfolio (further information is provided in the Voting and Engagement section below).
  - In addition to effective stewardship, a number of the investments within the TWIM Partners Fund are specifically aligned with longer-term, sustainable investment themes. One example discussed at the meeting was an active UK forest sequestration opportunity, in which the Fund invested over the reporting period. This opportunity seeks to repurpose existing land by planting trees with the intention of locking away carbon for the long term. This is expected to generate returns from land value enhancement and government grants as it helps the UK achieve its ambitious climate change strategy.
- The IC met with representatives from Legal and General Investment Management ("LGIM") in March 2021, who delivered a training session on their approach to Sustainability as it relates to the manager's equity, LDI and multi-asset mandates.
- Through the engagement undertaken by the Investment Consultant, the Trustees expect the Fund's investment managers to sign up to local Stewardship Codes and to act as responsible stewards of capital as applicable to their mandates.
- The Investment Consultant reviewed and reported on the total fees and costs incurred by the Fund through its investments. As part of its review, the Investment Consultant also reported to the IC on the costs associated with portfolio turnover, including a consideration of whether realised turnover within investment strategies was consistent with the individual manager's expectations and within the Investment Consultant's expectations given its knowledge and understanding of the asset class and peers.

Risk

Given the strong funding position, the Fund targets the minimum amount of return in excess of its liabilities. This low level of return means that the Fund is running a commensurately low level of risk. The IC monitors and reviews the investment risks of the Fund in conjunction with the Investment Consultant at regular IC meetings.

4. Voting information

The Fund is invested across a diverse range of asset classes which carry different ownership rights, for example fixed income whereby these holdings do not have voting rights attached. Therefore, voting information was only requested from the Fund's equity managers. The Fund invested in the following funds, which invest in equities, over the year to 31 March 2021:

- Towers Watson Investment Management ("TWIM") Partners Fund
- Legal & General Investment Management ("LGIM") Diversified Fund
- Schroders Life Diversified Growth Fund
- LGIM Adaptive Capped ESG Equity Fund (GBP hedged and unhedged)

The Trustees have not set any specific guidelines around manager voting. As set out in the SIP, the Trustees' policy is to delegate the exercising of rights (including voting and stewardship) and the integration of ESG considerations into day-to-day decisions to the Fund's investment managers. This section sets out the voting activities of the above investment managers of the Fund over the year, including details of the investment managers' use of proxy voting.

The Fund's investment managers have their own voting policies, which determine their approach to voting, and the principles they follow when voting on investors' behalf. All investment managers also use voting proxy advisers, which aid in their decision-making when voting. Details are summarised in the table below outlining those votes considered significant by the investment managers, and where references to "*we*" are made these refer to the manager, not the Trustees. Note, we have only included details for funds where assets were held at the end of the reporting period.

<table>
<tr><th colspan="2">LGIM MSCI ACWI Adaptive Capped ESG Index Fund</th></tr>
<tr><td>Voting activity</td><td>Number of votes eligible to cast: 40,566
Percentage of eligible votes cast: 99.95%
Percentage of votes with management: 81.47%
Percentage of votes against management: 17.92%
Percentage of votes abstained from: 0.61%</td></tr>
<tr><td>Most significant votes cast</td><td><u>Company:</u> Barclays

<u>Meeting Date:</u> 7 May 2020

<u>Resolution:</u>
Resolution 29 Approve Barclays' Commitment in Tackling Climate Change
Resolution 30 Approve ShareAction Requisitioned Resolution

<u>Company Management Recommendation:</u> For

<u>How the manager voted:</u>
LGIM voted for resolution 29, proposed by Barclays and for resolution 30, proposed by ShareAction.

<u>Rationale:</u>
The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers. We are particularly grateful to the Investor Forum for the significant role it played in coordinating this outcome.

<u>Outcome of the vote:</u>
Resolution 29 - supported by 99.9% of shareholders
Resolution 30 - supported by 23.9% of shareholders (source: Company website)</td></tr>
<tr><td>Most significant votes cast</td><td><u>Company:</u> Medtronic plc

<u>Meeting Date:</u> 11 December 2020

<u>Resolution:</u>
Resolution 3 Advisory Vote to Ratify Named Executive Officers' Compensation.

<u>Company Management Recommendation:</u> For

<u>How the manager voted:</u>
LGIM voted against the resolution.

<u>Rationale:</u>
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.

<u>Outcome of the vote:</u>
The voting outcome was as follows: For: 91.73%; against: 8.23%.</td></tr>
<tr><td>Most significant votes cast</td><td><u>Company:</u> Olympus Corporation

<u>Meeting Date:</u> 30 July 2020

<u>Resolution:</u></td></tr>
</table>

	Resolution 3.1: Elect Director Takeuchi, Yasuo at the company's annual shareholder meeting held on 30 July 2020. **Company Management Recommendation:** For **How the manager voted:** LGIM voted against the resolution. **Rationale:** Japanese companies in general have trailed behind European and US companies, as well as companies in other countries, in ensuring more women are appointed to their boards. The lack of women is also a concern below board level. LGIM have for many years promoted and supported an increase of women on boards, at the executive level and below. On a global level we consider that every board should have at least one female director. We deem this a de minimis standard. Globally, we aspire to all boards comprising 30% women. Last year in February we sent letters to the largest companies in the MSCI Japan which did not have any women on their boards or at executive level, indicating that we expect to see at least one woman on the board. One of the companies targeted was Olympus Corporation. In the beginning of 2020, we announced that we would commence voting against the chair of the nomination committee or the most senior board member (depending on the type of board structure in place) for those companies included in the TOPIX100. We opposed the election of this director in his capacity as a member of the nomination committee and the most senior member of the board, in order to signal that the company needed to take action on this issue. **Outcome of the vote:** 94.90% of shareholders supported the election of the director.

LGIM Diversified Fund	
Voting activity	Number of votes eligible to cast: 115,604 Percentage of eligible votes cast: 98.98% Percentage of votes with management: 81.72% Percentage of votes against management: 17.71% Percentage of votes abstained from: 0.56%
Most significant votes cast	**Company:** Walgreens Boots Alliance, Inc. **Meeting Date:** 28 January 2021 **Resolution:** Resolution 3: Advisory vote to ratify named executive officer's compensation. **Company Management Recommendation:** For **How the manager voted:** LGIM voted against the resolution. **Rationale:** The company's compensation committee applied discretion to allow a long-term incentive plan award to vest when the company had not even achieved a threshold level of performance. This is an issue because investors expect pay and performance to be aligned. Exercising discretion in such a way during a year in which the company's earnings per share (EPS) declined by 88% caused a significant misalignment between pay and performance. LGIM had a constructive engagement with the company in November 2020; however, it failed to mention the application of discretion during that call. We found this surprising given the significant impact it had on compensation, which

	was discussed, giving the company an opportunity to raise this. LGIM does not generally support the application of retrospective changes to performance conditions. Although the company was impacted by COVID, many of its shops remained open as they were considered an essential retailer. The company did not provide sufficient justification for the level of discretion applied which resulted in the payment of 94,539 shares or approximately $3.5m to the CEO in respect of the 2018-2020 award, which would otherwise have resulted in zero shares vesting. **Outcome of the vote:** The resolution failed to get a majority support as 52% of shareholders voted against.
Most significant votes cast	**Company:** AmerisourceBergen Corporation **Meeting Date:** 11 March 2021 **Resolution:** Resolution 3: Advisory Vote to Ratify Named Executive Officers' Compensation **Company Management Recommendation:** For **How the manager voted:** LGIM voted against the resolution. **Rationale:** During the same year the Company recorded a $6.6 billion charge related to opioid lawsuits, its CEO's total compensation was approximately 25% higher than the previous year. By excluding the settlement costs, the Compensation Committee ensured executive pay was not impacted by an operating loss of $5.1bn (on unadjusted basis). LGIM has in previous years voted against executives' pay packages due to concerns over the remuneration structure not comprising a sufficient proportion of awards assessed against the company's performance. We voted against the resolution to signal our concern over the overall increased compensation package during a year that the company recorded a $6.6bn charge related to opioid lawsuits and a total operating loss of $5.1 billion. **Outcome of the vote:** The resolution encountered a significant amount of oppose votes from shareholders, with 48.36% voting against the resolution and 51.63% supporting the proposal.
Most significant votes cast	**Company:** ExxonMobil **Meeting Date:** 27 May 2020 **Resolution:** Resolution 1.10 Elect Director Darren W. Woods **Company Management Recommendation:** For **How the manager voted:** LGIM voted against the resolution. **Rationale:** In June 2019, under our annual 'Climate Impact Pledge' ranking of corporate climate leaders and laggards, we announced that we will be removing ExxonMobil from our Future World fund range, and will be voting against the chair of the board. Ahead of the company's annual general meeting in May 2020, we also announced we will be supporting shareholder proposals for an independent chair and a report on the company's political lobbying. Due to recurring shareholder concerns, our voting policy also sanctioned the reappointment of the directors responsible for nominations and remuneration. **Outcome of the vote:**

	93.2% of shareholders supported the re-election of the combined chair and CEO Darren Woods. Approximately 30% of shareholders supported the proposals for independence and lobbying. (Source: ISS data)

TWIM Partners Fund	
Voting activity	Number of votes eligible to cast: 6,150 Percentage of eligible votes cast: 98.58% Percentage of votes with management: 87.64% Percentage of votes against management: 6.37% Percentage of votes abstained from: 6.05%
Most significant votes cast	**Company:** Alphabet Inc. **Meeting Date:** 3 June 2020 **Resolution:** Establish Human Rights Risk Oversight Committee **Company Management Recommendation:** Against **How the manager voted:** The manager voted for the resolution **Rationale:** A vote for the proposal was warranted because continued controversies call into question the extent to which the existing board structure provides adequate oversight on risks the company's technologies present to human rights, which, in turn, creates risks for the company in terms of retaining high-level employees and retaining a good reputation in the eyes of user and advertisers. Also, given the pervasive role of Google in society this should be undertaken. **Outcome of the vote:** Proposal rejected with an 83.74% majority.
Most significant votes cast	**Company:** Facebook, Inc. **Meeting Date:** 27 May 2020 **Resolution:** Require Independent Board Chair **Company Management Recommendation:** Against **How the manager voted:** The manager voted for the resolution **Rationale:** The manager believed the company would benefit from independent oversight to help manage potential conflicts of interest between management and shareholders **Outcome of the vote:** The resolution encountered a significant amount of oppose votes from shareholders, with only 19.5% voting for the resolution.
Most significant votes cast	**Company:** Amazon **Meeting Date:** 27 May 2020

	Resolution: Shareholders proposal requesting an additional reduction in the threshold for calling a special meeting. Shareholders are requesting 20% but the current threshold is 30%. **Company Management Recommendation:** For **How the manager voted:** The manager voted for the Resolution **Rationale:** The manager supported Amazon's recommendations in decreasing the current threshold from 30% to 25% was in the best interests of the Company and its shareholders Lowering the threshold to 20% as suggested increases the risk of special meetings being called by a few shareholders focussed on narrow or short-term interests. **Outcome of the vote:** Proposal was defeated

5. Conclusion

In line with the reasons mentioned above, the Trustees consider that all SIP policies and principles were adhered to during the year.