ING UK Pension Fund: Defined Contribution 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 Contribution ("DC") 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 followed 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 SIP was reviewed and updated twice during the Fund year, with a revised version first being published as at July 2020, and a subsequent update made in February 2021. The changes made in July were as follows:

- Revisions to the previous version of the Trustees' policies in relation to financially material considerations relevant to the Fund's DC investment options, including Environmental, Social and Governance ("ESG") considerations, and the extent to which these are taken into account in the selection, retention and realisation of investments. Specifically, the policy was revised to reference matters such as the capital structure of investee companies, actual and potential conflicts of interest, the interests of other stakeholders, and the ESG impact of underlying holdings

- New wording which was added to the SIP to detail the Trustees' policy in respect of their arrangements with the DC Section's asset managers, stating that the fees paid to the investment managers are expressed as a proportion of assets under management, and that the Trustees expect managers to invest with a medium to long time horizon using their engagement activity to drive improved performance over these periods.

- New wording which was added to detail the Trustees' policy on monitoring the costs incurred in managing the DC Section's assets including the costs associated with portfolio turnover, and the Trustees' policy in respect of managing ongoing relationships with investment managers.

- A statement that the Legal & General Investment Management ("LGIM") Cash Fund will be treated as a default option following the suspension of the LGIM Hybrid Property (70:30) (Active and Passive) Fund and subsequent redirection of active members' contributions (where alternative investment selections were not made by these members), along with the Trustees' rationale for why the decision to undertake this redirection was in the best interests of members.

The changes made in February 2021 were made following a number of strategic changes to the DC investment options which were executed in November 2020, and included:

- A revision to the description of the lifecycle matrix to reflect the switch from the Schroders Diversified Growth Fund to the LGIM Diversified Fund.

- A statement that the LGIM Diversified Fund will be treated as a default option and the Trustees' rationale for why the decision to map self-select assets to this fund was in the best interests of members.

- A statement noting the addition of the LGIM MSCI ACWI Adaptive Capped ESG Index Fund to the Fund's DC self-select range.

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 Trustee 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 DC Section of the Fund. These details relate to those parts of the SIP which set out the Trustees' policies.

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

Fund Objectives

The key investment objective for the Fund's Defined Contribution Section is to provide a suitable investment framework to allow members to save for retirement. To meet this objective the Trustees offer members the choice from a number of "lifecycle" options (one of which is the default option) as well as a range of self-select funds. This gives members a diversified range of options to meet a range of investment needs and risk/return objectives.

The Trustees have sought advice from their investment consultant throughout the year including at meetings of the Board of Trustees and of the IC.

Investment Principles

A triennial strategy review of all the DC investment options was last carried out during the Fund year ending 31 March 2019, with a further review therefore due in the Fund year ending 31 March 2022. Whilst a full triennial investment strategy review was not undertaken in the year to 31 March 2021 which is covered by this implementation statement, during the year the IC and the Trustees implemented two changes to the DC Section's investment options as follows:

- Replaced the Schroders Diversified Growth Fund with the LGIM Diversified Fund in the Fund's lifecycles and self-select fund range.

- Introduced a new fund with an explicit focus on ESG and sustainable investment factors in the self-select range; the LGIM MSCI ACWI Adaptive Capped ESG Index Fund.

The new self-select fund has an explicit focus on ESG and its portfolio is tilted to improve its sustainable investment credentials, as well as adopting a differentiated approach to stock weighting to reduce the concentration risk found in market capitalisation weighted equity portfolios.

Investment Managers

During the Fund year the Trustees also negotiated and implemented a 20% discount to the annual management charges levied by LGIM for the majority of the DC Section's funds which was implemented in November 2020.

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.

Responsible Investment and Stewardship

During the year the IC reviewed performance monitoring reports provided by their investment consultant, which included the investment consultant's research on (and rating of) the DC Section's investment managers, a key feature of which is an evaluation of each investment manager's sustainable investment capabilities. In addition, at the March 2021 IC meeting the IC received a presentation from LGIM which included detail on its approach to corporate governance and sustainable investment. The IC will consider how to enhance this monitoring in future years.

Risk

The Trustees take advice from their investment consultant in relation to identifying and mitigating risks associated with DC investments. The Trustees provide the Fund's members with a member guide and information on all the investment funds, which includes an explanation of the risks associated with investing.

The Trustees monitor the performance of all the investment funds via quarterly report provided by their investment consultant. This provides the Trustees with a breakdown of the returns of the funds and their benchmarks over various time periods.

The Trustees' policy is to offer DC Section members investment options that can be readily realised to allow members to access funds quickly and easily. That said, the DC Section does offer one investment option, the LGIM Hybrid Property (70:30) (Active and Passive) Fund, which invests in assets that may not be readily realisable in adverse market conditions due to liquidity and valuation issues.

Immediately prior to beginning of the Fund year the LGIM Hybrid Property (70:30) (Active and Passive) Fund was suspended due to the economic and market environment that arose as a result of the Covid-19 pandemic. The Trustees communicated with members and redirected contributions to the LGIM Cash Fund where members did not make an active alternative investment selection, thereafter treating this as a default option. The suspension of the LGIM Hybrid Property (70:30) (Active and Passive) Fund was lifted in October 2020, and the Trustees communicated this as part of the communication in respect of the transition project and annual management charge reduction issued in October 2020.

Other Matters

The Trustees hold a number of separate legacy additional voluntary contribution ("AVC") arrangements. These arrangements have historically provided members of the Defined Benefit Section of the Fund the ability to purchase additional benefits on a money purchase basis and are held with Aegon, Aviva, Prudential, ReAssure (formerly Legal & General), Standard Life and Utmost Life and Pensions. The Trustees last reviewed these arrangements in the Fund year ending 31 March 2020 and have agreed to communicate with the individuals invested in these legacy AVC arrangements to offer them the option of transferring these benefits into the DC Section investment options.

4. Voting information

The Trustees' policy is to delegate responsibility for the exercising of ownership rights (including voting rights) attaching to investments to the investment managers. When considering the appointment of new managers, and reviewing existing managers, the Trustees, together with their investment consultant, look to take account of the approach taken by managers with respect to sustainable investing including voting policies and engagement, where relevant.

Further information on the voting and engagement activities of the DC Section's managers is presented below, including a description of those votes considered significant by the investment managers. Note, we have only included details for funds for which voting data is relevant (i.e. equity funds or multi-asset funds with a material underlying equity allocation), where assets were held at the end of the reporting period. LGIM's rationale for its voting behaviour for those votes it has deemed significant has been included in the information presented in the tables below, and where references to "we" are made these refer to LGIM, not the Trustees.

LGIM 30:70 Global Equity Hedged	
Voting activity	Number of votes eligible to cast: 79,697 Percentage of eligible votes cast: 99.87% Percentage of votes with management: 84.31% Percentage of votes against management: 15.69% Percentage of votes abstained from: 0.70%
Most significant votes cast	**<u>Company:</u>** Walgreens Boots Alliance, Inc. **<u>Meeting Date:</u>** 28 January 2021 **<u>Resolution:</u>** Resolution 3: Advisory vote to ratify named executive officer's compensation. **<u>Company Management Recommendation:</u>** For **<u>How the manager voted:</u>** LGIM voted against the resolution. **<u>Rationale:</u>** 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. **<u>Outcome of the vote:</u>** The resolution failed to get a majority support as 52% of shareholders voted against.

Most significant votes cast	**Company:** Samsung Electronics **Meeting Date:** 17 March 2021 **Resolution:** Resolution 2.1.1: Elect Park Byung-gook as Outside Director Resolution 2.1.2: Elect Kim Jeong as Outside Director Resolution 3: Elect Kim Sun-uk as Outside Director to Serve as an Audit Committee Member **Company Management Recommendation:** For **How the manager voted:** LGIM voted against all three resolution. **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 his smooth 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, we were not satisfied with the company's response that ties have been severed. We are concerned that Lee Jae-yong continues to make strategic company decisions from prison. Additionally, we were 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. **Outcome of the vote:** The meeting results are not yet available.
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)

LGIM World (ex UK) Equity Index Fund	
Voting activity	Number of votes eligible to cast: 37,840 Percentage of eligible votes cast: 99.83% Percentage of votes with management: 80.25% Percentage of votes against management: 19.16% Percentage of votes abstained from: 0.60%
Most significant votes cast	**Company:** Qantas Airways Limited **Meeting Date:** 23 October 2020 **Resolution:** 1. Approve participation of Alan Joyce in the Long-Term Incentive Plan 2. Approve remuneration report. **Company Management Recommendation:** For **How the manager voted:** Against 1, and supported 2. **Rationale:** The COVID crisis has had an impact on the Australian airline company's financials. In light of this, the company raised significant capital to be able to execute its recovery plan. It also cancelled dividends, terminated employees and accepted government assistance. The circumstances triggered extra scrutiny from LGIM as we wanted to ensure the impact of the COVID crisis on the company's stakeholders was appropriately reflected in the executive pay package. In collaboration with our Active Equities team, LGIM's Investment Stewardship team engaged with the Head of Investor Relations of the company to express our concerns and understand the company's views. The voting decision ultimately sat with the Investment Stewardship team. We supported the remuneration report (resolution 4) given the executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the long-term incentive plan (LTIP), in light of the pandemic. However, our concerns as to the quantum of the 2021 LTIP grant remained, especially given the share price at the date of the grant and the remuneration committee not being able to exercise discretion on LTIPs, which is against best practice. We voted against resolution 1 to signal our concerns **Outcome of the vote:** About 90% of shareholders supported resolution 3 and 91% supported resolution 4.
Most significant votes cast	**Company:** Whitehaven Coal **Meeting Date:** 22 November 2020 **Resolution:** Resolution 6 Approve capital protection. Shareholders are asking the company for a report on the potential wind-down of the company's coal operations, with the potential to return increasing amounts of capital to shareholders. **Company Management Recommendation:** For **How the manager voted:** For **Rationale:** The role of coal in the future energy mix is increasingly uncertain, due to the competitiveness of renewable energy, as well as increased regulation: in Q4 2020 alone three of Australia's main export markets for coal – Japan, South Korea and China – have announced targets for carbon neutrality around 2050. LGIM has publicly advocated for a 'managed decline' for fossil fuel companies, in line with global climate targets, with capital being returned to shareholders instead of spent on diversification and growth projects that risk becoming stranded assets. As the most polluting fossil fuel, the phase-out of coal will be key to reaching these global targets.

	Outcome of the vote: The resolution did not pass, as a relatively small amount of shareholders (4%) voted in favour. However, the environmental profile of the company continues to remain in the spotlight: in late 2020 the company pleaded guilty to 19 charges for breaching mining laws that resulted in 'significant environmental harm'. As the company is on LGIM's Future World Protection List of exclusions, many of our ESG-focused funds – and select exchange-traded funds – were not invested in the company.
Most significant votes cast	**Company:** Lagardère **Meeting Date:** 5 May 2020 **Resolution:** Shareholder resolutions A to P. Activist Amber Capital, which owned 16% of the share capital at the time of engagement, proposed 8 new directors to the Supervisory Board (SB) of Lagardère, as well as to remove all the incumbent directors (apart from two 2019 appointments). **Company Management Recommendation:** For **How the manager voted:** LGIM voted in favour of five of the Amber-proposed candidates (resolutions H,J,K,L,M) and voted off five of the incumbent Lagardère SB directors (resolutions B,C,E,F,G). **Rationale:** Proposals by Amber were due to the opinion that the company strategy was not creating value for shareholders, that the board members were not sufficiently challenging management on strategic decisions, and for various governance failures. The company continues to have a commandite structure; a limited partnership, which means that the managing partner has a tight grip on the company, despite only having 7 % share capital and 11% voting rights. LGIM engages with companies on their strategies, any lack of challenge to these, and with governance concerns. The company strategy had not been value-enhancing and the governance structure of the company was not allowing the SB to challenge management on this. Where there is a proxy contest, LGIM engages with both the activist and the company to understand both perspectives. LGIM engaged with both Amber Capital, where we were able to speak to the proposed new SB Chair, and also Lagardère, where we spoke to the incumbent SB Chair. This allowed us to gain direct perspectives from the individual charged with ensuring their board includes the right individuals to challenge management. **Outcome of the vote:** Even though shareholders did not give majority support to Amber's candidates, its proposed resolutions received approx. between 30-40% support, a clear indication that many shareholders have concerns with the board. (Source: ISS data).

LGIM MSCI ACWI Adaptive Capped ESG Index Fund	
Voting activity	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%
Most significant votes cast	**Company:** Barclays **Meeting Date:** 7 May 2020 **Resolution:** Resolution 29 Approve Barclays' Commitment in Tackling Climate Change Resolution 30 Approve ShareAction Requisitioned Resolution **Company Management Recommendation:** For **How the manager voted:**

	LGIM voted for resolution 29, proposed by Barclays and for resolution 30, proposed by ShareAction. **Rationale:** The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers. We are particularly grateful to the Investor Forum for the significant role it played in coordinating this outcome. **Outcome of the vote:** Resolution 29 - supported by 99.9% of shareholders Resolution 30 - supported by 23.9% of shareholders (source: Company website)
Most significant votes cast	**Company:** Medtronic plc **Meeting Date:** 11 December 2020 **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:** 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 of the vote:** The voting outcome was as follows: For: 91.73%; against: 8.23%.
Most significant votes cast	**Company:** Olympus Corporation **Meeting Date:** 30 July 2020 **Resolution:** 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 Japan Equity Index Fund	
Voting activity	Number of votes eligible to cast: 6,518 Percentage of eligible votes cast: 100.00% Percentage of votes with management: 86.08% Percentage of votes against management: 13.92% Percentage of votes abstained from: 0.00%
Most significant votes cast	**Company:** Fast Retailing Co. Limited. **Meeting Date:** 26 November 2020 **Resolution:** Resolution 2.1: Elect Director Yanai Tadashi. **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. A lack of women employed is also a concern below board level. LGIM has for many years promoted and supported an increase of appointing more women on boards, at the executive level and below. On a global level we consider that every board should have at least one female director. We deem this a de minimis standard. Globally, we aspire to all boards comprising 30% women. In the beginning of 2020, we announced that we would vote against the chair of the nomination committee or the most senior board member (depending on the type of board structure in place) for companies included in the TOPIX100 where these standards were not upheld. We opposed the election of this director in his capacity as a member of the nomination committee and the most senior member of the board, in order to signal that the company needed to act on this issue. **Outcome of the vote:** 28.4% of shareholders opposed the remuneration report.
Most significant votes cast	**Company:** Toshiba Corp. **Meeting Date:** 18 March 2021 **Resolution:** Resolution 1: Appoint Three Individuals to Investigate Status of Operations and Property of the Company Resolution 2: Amend Articles to Mandate Shareholder Approval for Strategic Investment Policies including Capital Strategies **Company Management Recommendation:** For **How the manager voted:** LGIM voted for the resolutions. **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. We believe 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. We 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. **Outcome of the vote:** Resolution 1 was passed with 57.9% of participating shareholders in support. The company promptly put investigators in place and set up a confidential hotline for any individuals who are willing to provide information. Resolution 2, in respect to the company's capital allocation and strategic investment policy received 39.3% support and did not pass. However, the vote serves to send a clear signal to the board and executive team that shareholders expect increased transparency and accountability.
Most significant votes cast	**Company:** Olympus Corporation **Meeting Date:** 30 July 2020 **Resolution:** 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 Europe (ex UK) Equity Index Fund	
Voting activity	Number of votes eligible to cast: 11,412 Percentage of eligible votes cast: 99.89% Percentage of votes with management: 84.21% Percentage of votes against management: 15.26% Percentage of votes abstained from: 0.53%
Most significant votes cast	**Company:** Lagardère **Meeting Date:** 5 May 2020 **Resolution:** Shareholder resolutions A to P. Activist Amber Capital, which owned 16% of the share capital at the time of engagement, proposed 8 new directors to the Supervisory Board (SB) of Lagardère, as well as to remove all the incumbent directors (apart from two 2019 appointments). **Company Management Recommendation:** For **How the manager voted:** LGIM voted in favour of five of the Amber-proposed candidates (resolutions H,J,K,L,M) and voted off five of the incumbent Lagardère SB directors (resolutions B,C,E,F,G). **Rationale:** Proposals by Amber were due to the opinion that the company strategy was not creating value for shareholders, that the board members were not sufficiently challenging management on strategic decisions, and for various governance failures. The company continues to have a commandite structure; a limited partnership, which means that the managing partner has a tight grip on the company, despite only having 7 % share capital and 11% voting rights. LGIM engages with companies on their strategies, any lack of challenge to these, and with governance concerns. The company strategy had not been value-enhancing and the governance structure of the company was not allowing the SB to challenge management on this. Where there is a proxy contest, LGIM engages with both the activist and the company to understand both perspectives. LGIM engaged with both Amber Capital, where we were able to speak to the proposed new SB Chair, and also Lagardère, where we spoke to the incumbent SB Chair. This allowed us to gain direct perspectives from the individual charged with ensuring their board includes the right individuals to challenge management. **Outcome of the vote:** Even though shareholders did not give majority support to Amber's candidates, its proposed resolutions received approx. between 30-40% support, a clear indication that many shareholders have concerns with the board. (Source: ISS data)

LGIM Asia Pacific (ex Japan) Developed Equity Index Fund	
Voting activity	Number of votes eligible to cast: 3,774 Percentage of eligible votes cast: 100.00% Percentage of votes with management: 74.22% Percentage of votes against management: 25.76% Percentage of votes abstained from: 0.03%
Most significant votes cast	**Company:** Qantas Airways Limited **Meeting Date:** 23 October 2020 **Resolution:**

	1. Approve participation of Alan Joyce in the Long-Term Incentive Plan 2. Approve remuneration report. **Company Management Recommendation:** For **How the manager voted:** Against 1, and supported 2**.** **Rationale:** The COVID crisis has had an impact on the Australian airline company's financials. In light of this, the company raised significant capital to be able to execute its recovery plan. It also cancelled dividends, terminated employees and accepted government assistance. The circumstances triggered extra scrutiny from LGIM as we wanted to ensure the impact of the COVID crisis on the company's stakeholders was appropriately reflected in the executive pay package. In collaboration with our Active Equities team, LGIM's Investment Stewardship team engaged with the Head of Investor Relations of the company to express our concerns and understand the company's views. The voting decision ultimately sat with the Investment Stewardship team. We supported the remuneration report (resolution 4) given the executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the long-term incentive plan (LTIP), in light of the pandemic. However, our concerns as to the quantum of the 2021 LTIP grant remained, especially given the share price at the date of the grant and the remuneration committee not being able to exercise discretion on LTIPs, which is against best practice. We voted against resolution 1 to signal our concerns **Outcome of the vote:** About 90% of shareholders supported resolution 3 and 91% supported resolution 4.
Most significant votes cast	**Company:** Samsung Electronics **Meeting Date:** 17 March 2021 **Resolution:** Resolution 2.1.1: Elect Park Byung-gook as Outside Director Resolution 2.1.2: Elect Kim Jeong as Outside Director Resolution 3: Elect Kim Sun-uk as Outside Director to Serve as an Audit Committee Member **Company Management Recommendation:** For **How the manager voted:** LGIM voted against all three resolutions. **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 his smooth 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, we were not satisfied with the company's response that ties have been severed. We are concerned that Lee Jae-yong continues to make strategic company decisions from prison. Additionally, we were 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. **Outcome of the vote:** The meeting results are not yet available.
Most significant votes cast	**Company:** Whitehaven Coal **Meeting Date:** 22 November 2020 **Resolution:** Resolution 6 Approve capital protection. Shareholders are asking the company for a report on the potential wind-down of the company's coal operations, with the potential to return increasing amounts of capital to shareholders. **Company Management Recommendation:** For **How the manager voted:** For **Rationale:** The role of coal in the future energy mix is increasingly uncertain, due to the competitiveness of renewable energy, as well as increased regulation: in Q4 2020 alone three of Australia's main export markets for coal – Japan, South Korea and China – have announced targets for carbon neutrality around 2050. LGIM has publicly advocated for a 'managed decline' for fossil fuel companies, in line with global climate targets, with capital being returned to shareholders instead of spent on diversification and growth projects that risk becoming stranded assets. As the most polluting fossil fuel, the phase-out of coal will be key to reaching these global targets. **Outcome of the vote:** The resolution did not pass, as a relatively small amount of shareholders (4%) voted in favour. However, the environmental profile of the company continues to remain in the spotlight: in late 2020 the company pleaded guilty to 19 charges for breaching mining laws that resulted in 'significant environmental harm'. As the company is on LGIM's Future World Protection List of exclusions, many of our ESG-focused funds – and select exchange-traded funds – were not invested in the company.

LGIM World Emerging Markets Equity Index Fund	
Voting activity	Number of votes eligible to cast: 36,036 Percentage of eligible votes cast: 99.89% Percentage of votes with management: 85.23% Percentage of votes against management: 13.40% Percentage of votes abstained from: 1.38%
Most significant votes cast	The manager produced this comment "There were no significant votes made in relation to the securities held by this fund during the reporting period."

LGIM North America Equity Index Fund	
Voting activity	Number of votes eligible to cast: 9,495 Percentage of eligible votes cast: 100.00% Percentage of votes with management: 71.79% Percentage of votes against management: 28.17% Percentage of votes abstained from: 0.32%
Most significant votes cast	**<u>Company:</u>** Walgreens Boots Alliance, Inc. **<u>Meeting Date:</u>** 28 January 2021 **<u>Resolution:</u>** Resolution 3: Advisory vote to ratify named executive officer's compensation. **<u>Company Management Recommendation:</u>** For **<u>How the manager voted:</u>** LGIM voted against the resolution. **<u>Rationale:</u>** 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. **<u>Outcome of the vote:</u>** The resolution failed to get a majority support as 52% of shareholders voted against.
Most significant votes cast	**<u>Company:</u>** AmerisourceBergen Corporation **<u>Meeting Date:</u>** 11 March 2021 **<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>** 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. **<u>Outcome of the vote:</u>** 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	**<u>Company:</u>** ExxonMobil **<u>Meeting Date:</u>** 27 May 2020 **<u>Resolution:</u>** Resolution 1.10 Elect Director Darren W. Woods **<u>Company Management Recommendation:</u>** For **<u>How the manager voted:</u>** LGIM voted against the resolution. **<u>Rationale:</u>** 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. **<u>Outcome of the vote:</u>** 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)

LGIM UK Equity Index Fund	
Voting activity	Number of votes eligible to cast: 12,574 Percentage of eligible votes cast: 100.00% Percentage of votes with management: 92.94% Percentage of votes against management: 7.05% Percentage of votes abstained from: 0.01%
Most significant votes cast	**<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.

	Outcome of the vote: Resolution 29 - supported by 99.9% of shareholders
Most significant votes cast	**Company:** Pearson **Meeting Date:** 18 September 2020 **Resolution:** Resolution 1: Amend remuneration policy was proposed at the company's special shareholder meeting, held on 18 September 2020. **Company Management Recommendation:** For **How the manager voted:** LGIM voted against the resolution. **Rationale:** Pearson issued a series of profit warnings under its previous CEO. Yet shareholders have been continuously supportive of the company, believing that there is much value to be gained from new leadership and a fresh approach to their strategy. However, the company decided to put forward an all-or-nothing proposal in the form of an amendment to the company's remuneration policy. This resolution at the extraordinary general meeting (EGM) was seeking shareholder approval for the grant of a co-investment award, an unusual step for a UK company, yet if this resolution was not passed the company confirmed that the proposed new CEO would not take up the CEO role. This is an unusual approach and many shareholders felt backed into a corner, whereby they were keen for the company to appoint a new CEO, but were not happy with the plan being proposed. However, shareholders were not able to vote separately on the two distinctly different items, and felt forced to accept a less-than-ideal remuneration structure for the new CEO. LGIM spoke with the chair of the board earlier this year, on the board's succession plans and progress for the new CEO. We also discussed the shortcomings of the company's current remuneration policy. We also spoke with the chair directly before the EGM, and relayed our concerns that the performance conditions were weak and should be re-visited, to strengthen the financial underpinning of the new CEO's award. We also asked that the post-exit shareholding requirements were reviewed to be brought into line with our expectations for UK companies. In the absence of any changes, LGIM took the decision to vote against the amendment to the remuneration policy. **Outcome of the vote:** At the EGM, 33% of shareholders voted against the co-investment plan and therefore, by default, the appointment of the new CEO.
Most significant votes cast	**Company:** Imperial Brands plc **Meeting Date:** 3 February 2021 **Resolution:** Resolutions 2 and 3, respectively, Approve Remuneration Report and Approve Remuneration Policy. **Company Management Recommendation:** For **How the manager voted:** LGIM voted against both the resolutions. **Rationale:** The company appointed a new CEO during 2020, who was granted a significantly higher base salary than his predecessor. A higher base salary has a consequential ripple effect

	on short- and long-term incentives, as well as pension contributions. Further, the company did not apply best practice in relation to post-exit shareholding guidelines as outlined by both LGIM and the Investment Association. An incoming CEO with no previous experience in the specific sector, or CEO experience at a FTSE100 company, should have to prove her or himself beforehand to be set a base salary at the level, or higher, of an outgoing CEO with multiple years of such experience. Further, we would expect companies to adopt general best practice standards. Prior to the AGM, we engaged with the company outlining what our concerns over the remuneration structure were. We also indicated that we publish specific remuneration guidelines for UK-listed companies and keep remuneration consultants up to date with our thinking. **Outcome of the vote:** Resolution 2 (Approve Remuneration Report) received 40.26% votes against, and 59.73% votes of support. Resolution 3 (Approve Remuneration Policy) received 4.71% of votes against, and 95.28% support.

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	**<u>Company:</u>** AmerisourceBergen Corporation **<u>Meeting Date:</u>** 11 March 2021 **<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>** 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. **<u>Outcome of the vote:</u>** 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	**<u>Company:</u>** ExxonMobil **<u>Meeting Date:</u>** 27 May 2020 **<u>Resolution:</u>** Resolution 1.10 Elect Director Darren W. Woods **<u>Company Management Recommendation:</u>** For **<u>How the manager voted:</u>** LGIM voted against the resolution. **<u>Rationale:</u>** 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. **<u>Outcome of the vote:</u>** 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)

LGIM Property Fund	
Voting activity	Number of votes eligible to cast: 4,121 Percentage of eligible votes cast: 99.83% Percentage of votes with management: 82.84% Percentage of votes against management: 16.80% Percentage of votes abstained from: 0.36%
Most significant votes cast	The manager produced this comment “There were no significant votes made in relation to the securities held by this fund during the reporting period.”

In respect of the use of proxy voting, LGIM has confirmed that "LGIM’s Investment Stewardship team uses ISS’s ‘ProxyExchange’ electronic voting platform to electronically vote clients’ shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. 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."

The Trustees have also attempted to obtain voting and engagement information from the Fund’s legacy AVC providers but were unable to obtain this information from these providers at the date this statement was produced.

5. Conclusion

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