Statement of Investment Principles Implementation Statement

FOR THE YEAR ENDED 31 MARCH 2021

OVERVIEW

The Trustees of the ITB Pension Funds (the "Funds") are required to produce an annual statement to set out how, and the extent to which, the Trustees have followed the Statements of Investment Principles ("SIPs") for the Closed Fund and the Open Fund of the Funds during the year to 31 March 2021, as well as details of any review of the SIPs, subsequent changes made with the reasons for the changes, and the date of the last SIP review. Information is provided on the last review of the SIPs in Section 1 and on the implementation of the SIPs in Sections 2-11.

The Statement is also required to include a description of the voting behaviour during the year by, and on behalf of, the Trustees (including the most significant votes cast by the Trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 12.

This Statement uses the same headings as the Funds' SIPs dated January 2021 for the Open Fund and November 2019 for the Closed Fund and should be read in conjunction with them.

1. INTRODUCTION

The SIP for the Open Fund was reviewed and updated during the year in April 2020, September 2020 and January 2021 to reflect:

- the removal of the Aberdeen Standard Global Absolute Return Strategies Fund ("GARS") from all lifestyles and from the self-select fund range. The allocation to GARS in the lifestyles was replaced by an increased allocation to the L&G Multi-Asset Fund. Self-select members invested in GARS were moved to the L&G Multi-Asset Fund;
- an update to the Trustees' policy on financially material considerations (including environmental, social and governance factors), non-financial factors and engagement activities;
- changes to the LDI hedging portfolio as a result of a review of the LDI portfolio using updated liability cashflows from the 2019 Actuarial valuation, and a further subsequent change to reflect changes to the inflation assumptions underlying the technical provisions; and
- changes to the asset allocations to reflect the lower weighting to the buy-ins and increased weighting to the LDI portfolio as a proportion of total assets.

The SIP for the Closed Fund dated November 2019 was reviewed during the year, although no changes were made..

Further detail and the reasons for the changes to the Open Fund SIP are set out in Section 3 and 4. As part of the SIP update process, the sponsoring employers were consulted and confirmed they were comfortable with the changes.

The Trustees have, in their opinion, followed the policies in the Funds' SIPs during the year. The following Sections provide detail and commentary about how and the extent to which they did this. With regards to the voting and engagement policies during the year, the Trustees have continued to delegate to their investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes. The Trustees took a number of steps to review the Funds' existing managers and funds over the period, as described in Section 7 (Financially Material Considerations and Non-Financial Matters).

2. INVESTMENT OBJECTIVES

Progress against the long-term journey plan is reviewed as part of the quarterly performance monitoring reports. The Trustees are also able to view the progress on an ongoing basis using LCP Visualise online.

As at 31 March 2021, the DB Funds were broadly on track to achieve their respective longer-term objectives.

As part of the performance and strategy review of the DC default arrangement in November 2020 the Trustees considered the DC Section membership demographics and the variety of ways that members may draw their benefits in retirement from the Section.

Based on the outcome of this analysis, the Trustees concluded that the default option has been designed to be in the best interests of the majority of the DC Section members and reflects the demographics of those members.

The Trustees provide DC Section members with access to a range of investment options which they believe are suitable to members' needs and enable appropriate diversification. The Trustees have made available alternative lifestyle strategies and a self-select fund range to members covering all major asset classes as set out in the Open Fund SIP. The Trustees monitor the take up of these funds and it is limited. The Trustees have reminded members to review their investment holdings and check that they are suitable for their risk tolerances and retirement planning.

3. INVESTMENT STRATEGY

The Trustees, with the help of their advisers and in consultation with the sponsoring employers, reviewed the strategy for the Open Fund in 2020 and concluded that the target liability hedge ratio should be updated. This was implemented by making adjustments to the Fund's LDI portfolio.

As part of the Open Fund strategy review, the Trustees made sure the Fund's assets were adequately and appropriately diversified between different asset classes.

The Trustees, with the help of their advisers and in consultation with the sponsoring employers, also reviewed the DC strategy and performance of the default arrangement over the period. The Trustees reviewed membership data as part of the performance and strategy review of the DC default arrangement, to determine how members will choose to access their benefits as well as at what age they will access them. The Trustees also reviewed changes in overall member choices, behaviour and trends. Based on this analysis, the Trustees concluded that a lifestyle strategy targeting drawdown remained appropriate to the objectives and as a target retirement outcome. The Trustees also concluded that the alternative lifestyles remained suitable and that the self-select range was appropriate.

As part of the DC strategy review, the Trustees focused on the funds used within the growth phase of the lifestyle strategies, in particular around the overweight to UK equities compared to a market capitalisation-weighted index, and with regard to the extent to which climate risk is specifically addressed in the equity component. The Trustees also reviewed the appropriateness of the alternative investment options, the alternative lifestyles and self-select range. The Trustees decided to replace the global equity fund in the lifestyles with a climate-tilted global equity fund, which addresses climate risks and invests more in line with market capitalisation weights to reduce the UK equity bias. The Trustees decided to implement this by replacing the L&G Global Equity Market Weights 30:70 Index Fund with the L&G Low Carbon Transition Fund in all three lifestyle strategies and by adding the L&G Low Carbon Transition Fund to the self-select range. The SIP was updated shortly after the year end to reflect these changes.

The Trustees reviewed the extent to which the Fund's DC default arrangement was adequately and appropriately diversified between different asset classes and that the self-select options provide a suitably diversified range to choose from. The performance of the investment funds was also considered as part of the DC strategy review, which also included an assessment of the value members receive from the DC arrangements.

The Trustees monitor the DB Funds' asset allocation each quarter and compare this to the strategic asset allocation. Further detail of changes in the Funds' allocations are set out in Section 6.

4. CONSIDERATIONS IN SETTING THE INVESTMENT ARRANGEMENTS

When the Trustees reviewed the DB investment strategies (in July 2019 for the Closed Fund and in 2020 for the Open Fund), and the performance and strategy review of the DC default arrangement, they considered the investment risks set out in Appendix A of the SIPs. They also considered a wide range of asset classes for investment, taking into account the expected returns and risks associated with those asset classes as well as how these risks can be mitigated.

The Trustees reviewed their investment beliefs in 2019. As part of this, the investment adviser held an ESG training and discussion session which gathered the opinions of the Trustees.

As a result, the Trustees updated the investment beliefs in the SIP and following this, reviewed the investment managers' mandates to understand the extent to which ESG factors are incorporated in the Funds' investment arrangements.

5. IMPLEMENTATION OF THE INVESTMENT ARRANGEMENTS

The Funds' investment adviser monitors the investment managers on an ongoing basis, through regular research meetings. The investment adviser also monitors any developments at managers and informs the Trustees promptly about any significant updates or events they become aware of with regard to the Funds' investment managers that may affect the managers' ability to achieve their investment objectives. This includes any significant changes to the investment process or key staff for any of the funds the Funds invests in, or any material change in the level of diversification in the fund.

For the DB sections, the Trustees have not made any changes to their manager arrangements over the period.

For the DC section, in April 2020, the Trustees removed Aberdeen Standard GARS from all of the lifestyle strategies and the self-select fund range; there were a number of factors behind this decision including instability within the investment team and returns being behind target. The allocation to GARS in the lifestyles was replaced by an increased allocation to the L&G Multi-Asset Fund. Self-select members invested in GARS were moved to the L&G Multi-Asset Fund.

The Trustees regularly invite the Funds' investment managers to present at Investment Committee meetings, seeing each manager at least once every year. Over the period, the Trustees met with BlackRock, Allianz, Insight and L&G to discuss the Funds' investments.

The Trustees monitor the performance of the Funds' investment managers each quarter, using a quarterly performance monitoring report. Performance is considered in the context of the manager's benchmark and objectives.

The most recent quarterly report shows that all managers have produced performance broadly in line with expectations over the long-term.

During the year, the Trustees undertook a value for members assessment of the DC Section which assessed a range of factors, including the fees payable to managers which were found to be reasonable when compared against schemes with similar sized mandates. Overall, the Trustees believe that the investment managers provide good value for money.

6. REALISATION OF INVESTMENTS

The Trustees review the DB Funds' net current and future cashflow requirements on a regular basis. The Trustees' policy is to have access to sufficient liquid assets in order to meet any outflows while maintaining a portfolio which is appropriately diversified across a range of factors, including suitable exposure to both liquid and illiquid assets.

In June 2020 (and subsequently in February 2021) the Trustees disinvested £1.9m (and £1.7m) from the Closed Fund's global equity fund and transferred the proceeds to Index-Linked Gilt funds in order to bring the portfolio closer to the strategic allocation following a strong rally in equities. The Trustees also disinvested £0.5m from Index-Linked Gilt funds in July 2020 to meet the cashflow requirements of the Closed Fund.

The actual asset allocation of the Open Fund DB Section did not deviate materially from the strategic allocation over the year. The Fund is currently winding down its property allocation, and the proceeds from the sale of one property managed by Fletcher King were received in June 2020 for £0.8m.

The Fund also receives income from the holding in Insight's Buy and Maintain Credit portfolio which is transferred to the Insight LDI portfolio to manage collateral and meet disinvestments for benefit payments. During the year, the Trustees disinvested £5.5m from the Insight LDI portfolio to meet the cashflow requirements of the Open Fund DB Section.

For the DC Section, all funds are dealt on a daily basis, which enables members to realise and change their investments readily.

7. FINANCIALLY MATERIAL CONSIDERATIONS AND NON-FINANCIAL MATTERS

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

In May 2020, the Trustees reviewed LCP's responsible investment (RI) scores for the Funds' managers and funds, along with LCP's qualitative RI assessments for each fund and red traffic lights to identify any managers of concern. These scores cover the manager's approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP's ongoing manager research programme and it is these that directly affect LCP's manager and fund recommendations. The manager scores and traffic lights are based on LCP's Responsible Investment Survey 2020. The Trustees were satisfied with the results of the review and no further action was taken.

Within the DC investment strategy review, consideration was given to ESG factors and climate change in particular. The Trustees decided to switch the equity fund to one that has lower exposures to companies with relatively high carbon emissions, as a way to mitigate the risks of climate change, which the Trustees consider to be a financially material factor.

8. VOTING AND ENGAGEMENT

This is covered in Section 7 above.

9. INVESTMENT GOVERNANCE, RESPONSIBILITIES, DECISION-MAKING AND FEES (APPENDIX C OF SIP)

As mentioned in Section 5, the Trustees assess the performance of the Funds' investments on an ongoing basis as part of the quarterly monitoring reports they receive.

The performance of the professional advisers is considered formally every three years by the Trustees.

The Trustees have put in place formal objectives for their investment adviser and will review the adviser's performance against these objectives on a regular basis. The last review was in November 2020 and the Trustees were satisfied with the performance.

10. POLICY TOWARDS RISK (APPENDIX A OF THE SIP)

Risks are monitored on an ongoing basis with the help of the investment adviser.

The Trustees maintain a risk register and this is discussed at quarterly meetings of the Funds' executive team, which are overseen by a Trustee sub-committee. The risk register is formally reviewed by the Trustees once a year.

The Trustees' policy for some risks, given their nature, is to understand them and to address them if it becomes necessary, based upon the advice of the Funds' investment adviser or information provided to the Trustees by the Funds' investment managers. These include credit risk, equity risk, currency risk and counterparty risk.

For the DB sections the Trustees invest the assets to produce an adequate long-term return. The Open Fund's interest rate and inflation hedging levels are monitored on an ongoing basis. In September 2020 and February 2021 the Trustees updated the target liability hedge ratio to around 100% of technical provisions, based on updated liability cashflows from the Scheme Actuary.

With regard to collateral adequacy risk within the Open Fund, the Trustees hold investments in the Insight Liquidity Fund alongside the LDI portfolio, to be used should the LDI manager require cash to be posted for a deleverage event.

For the DC section, with regard to the risk of inadequate returns, the Trustees make use of equity and equity-based funds, which are expected to provide positive returns above inflation over the long term. These are used in the growth phase of the default arrangement and are also made available within the self-select options. These funds are expected to produce adequate real returns over the longer term.

Together, the investment and non-investment risks set out in Appendix A of the SIPs give rise generally to funding risk. The Trustees formally consider the impact of changes in market conditions on the Funds' funding position as part of their review of an annual actuarial report. On a triennial basis the Trustees review the funding position allowing for changes in membership and other experience. The Trustees also informally monitor the funding position of the Open Fund more regularly, as they have the ability to monitor this daily through LCP's Visualise online funding model.

The following risks are covered earlier in this Statement: diversification risk in Sections 3 and 5, investment manager risk and excessive charges in Section 5, illiquidity/marketability risk in Section 6 and ESG risks in Section 7.

11. INVESTMENT MANAGER ARRANGEMENTS (APPENDIX B OF THE SIP)

This section of the SIPs sets out arrangements with investment managers and there are no specific policies in this section that require explanation about how they are implemented.

12. DESCRIPTION OF VOTING BEHAVIOUR DURING THE YEAR

All of the Trustees' holdings in listed equities are within pooled funds and the Trustees have delegated the exercise of voting rights to the investment managers. Therefore, the Trustees are not able to direct how votes are exercised and the Trustees themselves have not used proxy voting services over the year.

In this section we have sought to include voting data on the funds that hold equities as follows:

Closed Fund:

- BlackRock Aquila Life MSCI World Fund

Open Fund – DB Section:

- Allianz Best Styles Global AC Equity Fund
- Insight Maturing Buy and Maintain Funds*

*The Insight Maturing Buy and Maintain Funds do not hold listed equities nor usually have any voting rights, but are included in the Statement as Insight made an extraordinary vote during the year.

The Closed Fund and Open Fund DB Section also invest in a number of other investments but either the manager confirmed no voting opportunities (e.g. BlackRock Buy and Maintain Credit fund) or voting disclosures were not relevant for the asset class (e.g. LDI, property and index-linked gilts).

Open Fund - DC Section:

- HSBC Islamic Global Equity Index Fund
- L&G Ethical Global Equity Index Fund
- L&G Global Equity (30:70) Index Fund – 75% GBP Currency Hedged
- L&G Multi-Asset Fund

For the DC Section we have included the funds used in the default strategy and self-select funds which hold physical equities that convey voting rights.

Aberdeen Standard Investments were unable to provide voting data for the Aberdeen Standard Global Absolute Return Strategies (GARS) Fund. However, this fund was held only between 1 April 2020 and 29 April 2020 within the reporting period.

In addition to the above, the Trustees contacted Legal and General, to ask if any of the assets held by the DC Section that do not have listed equities had voting opportunities over the period. L&G has confirmed that there were no voting opportunities for the funds that do not have listed equities.

12.1 Description of the voting processes by each manager

CLOSED FUND

BlackRock

BlackRock has voting guidelines which it applies to ensure that it takes into account each company's unique circumstances. BlackRock's voting decisions are based on research, and it also takes into account clients' perspectives.

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS), which consists of three regional teams – Americas, Asia-Pacific, and Europe, Middle East and Africa. The analysts within each team determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BIS team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines.

BlackRock subscribes to research from proxy advisory firms Institutional Shareholder Services ("ISS") and Glass Lewis, although it notes that this is only one of many inputs into its vote analysis process, and it does not blindly follow the advisory firms' recommendations. Other sources of information BlackRock uses include the company's own reporting (such as the proxy statement and the website), its engagement and voting history with the company, and the views of its active investors, public information and ESG research.

BlackRock uses ISS's electronic platform to execute its vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, BlackRock works with proxy research firms who apply its proxy voting guidelines to filter out routine or non-contentious proposals and refer to them any meetings where additional research and engagement might be required to inform their voting decision.

OPEN FUND – DB SECTION

Allianz

Allianz Global Investors ("Allianz") approach to corporate governance and proxy voting is set out in its Global Corporate Governance Guidelines. The Guidelines outline Allianz's expectations with regard to corporate governance practices at investee companies, including composition and effectiveness of corporate boards, shareholder rights, capital related authorities, executive compensation, quality of external audit, and sustainability-related issues.

All proxy voting research and initial voting recommendations are generated on the basis of Allianz's own proxy voting policy. Proxy voting research is provided by ISS. Allianz uses the electronic proxy voting platform provided by ISS to cast its votes. In addition, Allianz has access to MSCI ESG research and corporate governance indicators, as well as sell-side analysis that its uses to supplement its analysis and assessment.

Insight

Insight has a proxy voting policy which sets out its approach to voting on resolutions, and is designed around best-practice standards which Insight believes are essential to delivering long term value to shareholders.

Insight uses the services of Minerva Analytics ("Minerva") for the provision of proxy voting services and votes at meetings where it is deemed appropriate and responsible to do so. Minerva provides research expertise and voting tools through proprietary IT systems allowing Insight to take voting decisions. Independent corporate governance analysis is drawn from thousands of market, national and international legal and best practice provisions from jurisdictions around the world. The research provides advance notice of voting events and rules-based analysis to ensure contentious issues are identified. Minerva analyses any resolution against Insight-specific voting policy templates which will determine the direction of the vote.

Insight utilises Minerva to analyse resolutions against Insight-specific voting policy templates to determine the direction of the vote, where applicable. During 2020, Insight voted with the recommendation of Minerva 100% of the time. Minerva monitors company meeting agendas and items to be voted on. It reviews each vote against Insight's specific criteria and provides a recommendation for each item. Insight then votes in line with the recommendations of Minerva and documents where it makes a voting decision against the recommendation. The rationale for, abstaining or voting against the voting recommendation is retained on the Minerva platform on a case-by-case basis.

OPEN FUND – DC SECTION

HSBC Global Asset Management (UK) Limited

The legal right to the underlying votes lies with the directors of the HSBC Islamic Global Equity Index Fund and they have delegated execution of this voting to HSBC Global Asset Management (UK) Limited.

The directors exercise their voting rights as an expression of stewardship for client assets. They have global voting guidelines which protect investor interests and foster good practice, highlighting independent directors, remuneration linked to performance, limits on dilution of existing shareholders and opposition to tactics used by target companies designed to prevent or discourage hostile takeover attempts.

They use the ISS to assist with the global application of its voting guidelines. ISS reviews company meeting resolutions and provides recommendations highlighting resolutions which contravene HSBC guidelines. They review voting policy recommendations according to the scale of their overall holdings. The bulk of holdings are voted in line with the recommendation based on HSBC guidelines.

The directors regard the votes against management recommendation as the most significant. With regards to climate, in their engagement they encourage companies to disclose their carbon emissions and climate-related risks in line with the recommendations of the Task Force on Climate-related Financial Disclosure. Where companies in energy intensive sectors have persistently failed to disclose their carbon emissions and climate risk governance, the directors will generally vote against the re-election of the Chair. They also generally support shareholder resolutions calling for increased disclosure on climate-related issues.

Legal & General Investment Management ("LGIM")
All decisions are made by LGIM's Investment Stewardship team and in accordance with LGIM's 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.

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to vote clients' shares electronically. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. Their use of ISS recommendations is purely to augment their own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services to supplement the research reports that they receive from ISS for UK companies when making specific voting decisions.

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

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

12.2 Summary of voting behaviour over the Year

A summary of voting behaviour over the year is provided in the table below for the DB Funds.

	FUND 1	FUND 2	FUND 3
Manager name	Insight	BlackRock	Allianz GI
Fund name	Maturing Buy and Maintain Funds	Aquila Life MSCI World Fund	Best Styles Global AC Equity Fund
Total size of fund at end of reporting period	£1,333m	£7,790m	£121.7m
Value of Funds assets at end of reporting period	£95.9m	£11.4m	£27.0m
Number of holdings at end of reporting period	225	1,562	573
Number of meetings eligible to vote	3	1,091	407
Number of resolutions eligible to vote	5	15,759	5,742
% of resolutions voted	100.0%	90.7%	98.6%
Of the resolutions on which voted, % voted with management	100.0%	92.7%	75.2%
Of the resolutions on which voted, % voted against management	0.0%	6.5%	23.8%
Of the resolutions on which voted, % abstained from voting	0.0%	0.8%	1.0%
Of the meetings in which the manager voted, % with at least one vote against management	0.0%	N/A*	N/A*
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	0.0%	N/A*	N/A*

* Manager does not currently track these statistics

A summary of voting behaviour over the year is provided in the table below for the DC Section of the Open Fund.

	FUND 1	FUND 2	FUND 3	FUND 4
Manager name	HSBC Global Asset Management (UK) Limited	Legal & General Investment Management	Legal & General Investment Management	Legal & General Investment Management
Fund name	Islamic Global Equity Index Fund	Ethical Global Equity Index Fund	Global Equity (30:70) Index Fund – 75% Currency Hedged	Multi Asset Fund
Total size of fund at end of reporting period	£1.5bn	£0.1bn	£1.0bn	£15.0bn
Value of Funds assets at end of reporting period	£10,475	£417,401	£18,067,127	£14,634,069
Number of holdings at end of reporting period	103	1,008	4,553	6,530
Number of meetings eligible to vote	109	1,274	7,515	11,238
Number of resolutions eligible to vote	1,597	18,215	79,697	114,616
% of resolutions voted	91.6%	99.9%	99.9%	99.8%
Of the resolutions on which voted, % voted with management	87.8%	83.7%	84.3%	81.7%
Of the resolutions on which voted, % voted against management	12.2%	16.0%	15.0%	17.7%
Of the resolutions on which voted, % abstained from voting	0.0%	0.3%	0.7%	0.6%
Of the meetings in which the manager voted, % with at least one vote against management	54.9%	5.1%	5.4%	6.4%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	8.4%	0.6%	0.3%	0.2%

12.3 Most significant votes over the Funds Year

Commentary on the most significant votes over the year, from the selection of the Funds' investment managers who hold listed equities, is set out below. The Trustees' criteria for what is a significant vote will develop over time with input from its investment adviser and investment managers.

For the purposes of this report, the Trustees have interpreted "most significant votes" to mean the votes which relate to investments with the highest percentage allocation in each fund. Where information for more than three votes was provided, we have included the three votes in each fund which represent the highest portion of the fund.

Commentary has been provided by the investment managers, with the exception of Aberdeen Standard which was unable to provide voting information on an individual vote basis.

CLOSED FUND

BlackRock

ALPHABET, June 2020 **Vote**: Against **Summary of resolution**: Elect Director Ann Mather	**Rationale**: BlackRock has a longstanding focus on board effectiveness. Board members should be able to contribute effectively to the board as corporate strategy evolves and business conditions change, and all directors, regardless of tenure, must demonstrate appropriate engagement in their duties. Serving on an excessive number of boards limits a director's capacity to focus on issues important to each company. BlackRock expects 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 considered her to be overcommitted and voted against her re-election to the Board of Directors.
AMAZON, May 2020 **Vote**: For all management proposals, against shareholder proposals **Summary of resolution:** Multiple (AGM – 4 management, 12 shareholder proposals)	**Rationale:** BlackRock voted for all management proposals including all director elections, the ratification of auditors, and the advisory resolution to approve executive compensation as it had no concerns relating to these items. BlackRock also voted for management's proposal to lower the stock ownership threshold for shareholders to request a special meeting from 30% to 25%. BlackRock voted against all shareholder proposals as it felt, after thorough review of the company's existing disclosures, along with insights gleaned from multiple engagements, that Amazon was actively addressing those material issues raised by the various shareholder proposals. BlackRock will continue to engage with the company regarding the governance of and reporting on material business risks and opportunities.
FACEBOOK, May 2020 **Vote:** Against **Summary of resolution:** Elect Director Marc L. Andreessen	**Rationale:** BlackRock voted against Mr. Andreessen as he serves on the audit committee and BlackRock did not consider him independent. BlackRock considered Mr. Andreessen to be affiliated as he is a founding partner at Andreessen Horowitz which has held significant stakes in companies acquired by Facebook (e.g. Instagram, Oculus, and wit.ai). BlackRock believes all members of key committees, including audit, should be independent.

OPEN FUND – DB SECTION

Allianz

APPLE, February 2021

Vote: Against

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

Rationale: Allianz considered the nominees non-independent because of tenure on board of 13 years or more. Allianz believes that the board's Remuneration and Nomination committees should be at least majority independent and comprise directors who have qualifications, experience, skills and capacity to effectively contribute to the committee's work. Allianz also encourages the appointment of a Lead Independent Director to ensure appropriate checks and balances on the Board, support the Chairman, implement an orderly succession plan for the Chairman, and act as a point of contact for shareholders, non-executive directors and senior executives where normal channels of communication through the board Chairman are considered inappropriate.

MICROSOFT CORPORATION, December 2020

Vote: Against

Summary of resolutions: Advisory vote to Ratify Names Executive Officers' Compensation and Ratify Deloitte & Touche LLP as Auditors.

Rationale: *Against Executive Officers' Compensation*: Allianz supports management incentive plans where incentive awards are subject to robust performance targets and encourages all companies to require that the management build substantial shareholding in the company to better align their interests with the interests of shareholders. Allianz also believes that all incentive awards should be time pro-rated and tested for performance, including in the event of an early termination due to the change of control. Termination payments following a change of control should be similar to those available under normal circumstances. Allianz expects clear disclosure of KPIs under all management incentive plans to enable investors to better assess the link between management incentives and corporate strategy and performance. Allianz encourages companies to consider a five-year performance period for long-term incentive plans or introducing an additional holding period.

Against Deloitte & Touche LLP as Auditors: Allianz considers it prudent for companies to tender the audit mandate at least every 10 years and to change the auditor after 20 years to ensure auditor independence and benefit from a fresh perspective that a new auditor brings. There is also a mounting evidence from companies that rotated their external auditors in the past five years of the improvement in the quality of audits both before and after the transition of the auditor.

AMAZON.COM, INC, May 2020

Vote: For

Summary of resolution: Human Rights Risk Assessment, Health Harms to Communities of Colour and Lobbying Payments and Policy

Rationale: Allianz noted that the proposal was warranted as additional disclosure of the company's direct and indirect lobbying-related expenditures and oversight mechanisms would help shareholders better assess the risks and benefits associated with the company's participation in the public policy process.

Insight

INTU, November 2020 and March 2021

Vote: For

Summary of resolution: To ensure Intu retains a stable financial platform.

Rationale: Insight confirmed there had been several consent solicitations as the business was reshaped under new management. The solicitation in November 2020 was a change to the legal language in the bonds which covered clarifying how proceeds would be distributed in the event a property is sold. The new payment priority reflects the new super-senior money raised in 2020. The solicitation in March 2021 was to waive the event of default which would have been triggered by the non-payment of coupons. The coupon interest has been added to the principal payable upon maturity. These measures will ensure that Intu retains a stable financial platform during the implementation of its long-term financial restructuring.

Other information: Insight has confirmed that voting wouldn't usually be applicable to the Maturing Buy and Maintain Funds as rights are not attached to the holdings. This was an atypical situation relating to the financing required for that specific holding.

OPEN FUND – DC SECTION

HSBC Global Asset Management (UK) Limited

ALPHABET INC., March 2020.

Vote: For

Summary of resolution: Approve Recapitalization Plan for all Stock to Have One-vote per Share

Rationale: HSBC support the principle of one share-one vote as it believes that this is the best means of ensuring accountability to all shareholders, in the long-term interest of the company.

HSBC considered this vote to be relevant on the basis it was cast against the management recommendation and covered a relevant shareholder right issue.

FACEBOOK INC., May 2020.

Vote: For

Summary of resolution: Report on Median Gender/ Racial Pay Gap

Rationale: HSBC favour transparency around gender pay as it believes this can encourage appropriate management of the issue.

HSBC considered this vote to be relevant on the basis it was cast against the management recommendation and covered a relevant issue affecting the company's governance and social reputation.

EXXON MOBILE CORPORATION, May 2020.

Vote: For

Summary of resolution: Require Independent Board Chairman

Rationale: HSBC regard the role of Chairman of the board as extremely important; it is time-consuming and requires a particular perspective. Whilst HSBC recognise that the role is often combined with that of CEO in some markets, HSBC believe that the roles should normally be distinct and separate.

Separation of the roles of CEO and Chairman is an important governance principle. It has particular relevance at Exxon Mobil as HSBC are concerned that the company has not yet sufficiently addressed the strategic challenge of transition to a low carbon economy and believe that increased independent board representation could help with this.

Legal & General Investment Management

QANTAS AIRWAYS LIMITED, October 2020.

Vote: Against resolution 3 and supported resolution 4

Summary of resolution: Resolution 3 - Approve participation of Alan Joyce in the Long-Term Incentive Plan. Resolution 4 - Approve Remuneration Report.

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 they 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 their Active Equities team, LGIM's Investment Stewardship team engaged with the Head of Investor Relations of the company to express concerns and understand the company's views. The voting decision ultimately sat with the Investment Stewardship team. LGIM 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, LGIM's 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. LGIM voted against resolution 3 to signal their concerns.

INTERNATIONAL CONSOLIDATED AIRLINES GROUP, September 2020.

Vote: Against

Summary of resolution: Resolution 8 - Approve Remuneration Report

Rationale: The COVID-19 crisis and its consequences on international transport have negatively impacted this airline company's financial performance and business model. As a result of the crisis, the company took up support under various government schemes. The company also announced a 30% cut to its workforce. On the capital allocation front, the company decided to withdraw its dividend for 2020 and sought shareholder approval for a rights issue of €2.75 billion at its 2020 AGM in order to strengthen its balance sheet. The remuneration report for the financial year to 31 December 2019 was also submitted to a shareholder vote. LGIM was concerned about the level of bonus payments, which are 80% to 90% of salary for current executives and 100% of salary for the departing CEO. LGIM noted that the executive directors took a 20% reduction to their basic salary from 1 April 2020. However, whilst the bonuses were determined at the end of February 2020 and paid in respect of the financial year end to December 2019, LGIM would have expected the remuneration committee to exercise greater discretion in light of the financial situation of the company, and also to reflect the stakeholder experience (employees and shareholders). Over the past few years, LGIM has been closely engaging with the company, including on the topic of the succession of the CEO and the board chair, who were long-tenured. This engagement took place privately in meetings with the board chair and the senior independent director. This eventually led to a success, as the appointment of a new CEO to replace the long-standing CEO was announced in January 2020. A new board chair: an independent non-executive director, was also recently appointed by the board. He started his new role in January 2021.

PEARSON, September 2020.

Vote: Against

Summary of resolution: Resolution 1 - Amend remuneration policy

Rationale: Pearson issued a series of profit warnings under its previous CEO. Yet shareholders have been continuously supportive of the company, believing that there is much value to be gained from new leadership and a fresh approach to their strategy. However, the company decided to put forward an all-or-nothing proposal in the form of an amendment to the company's remuneration policy. This resolution at the extraordinary general meeting (EGM) was seeking shareholder approval for the grant of a co-investment award, an unusual step for a UK company, yet if this resolution was not passed the company confirmed that the proposed new CEO would not take up the CEO role. This is an unusual approach and many shareholders felt backed into a corner, whereby they were keen for the company to appoint a new CEO, but were not happy with the plan being proposed. However, shareholders were not able to vote separately on the two distinctly different items, and felt forced to accept a less-than-ideal remuneration structure for the new CEO.
LGIM spoke with the chair of the board earlier this year, on the board's succession plans and progress for the new CEO. LGIM also discussed the shortcomings of the company's current remuneration policy. LGIM also spoke with the chair directly before the EGM, and relayed their concerns that the performance conditions were weak and should be re-visited, to strengthen the financial underpinning of the new CEO's award. LGIM also asked that the post-exit shareholding requirements were reviewed to be brought into line with their expectations for UK companies. In the absence of any changes, LGIM took the decision to vote against the amendment to the remuneration policy.