Implementation Statement, covering the Plan Year from 6 April 2020 to 5 April 2021

The Trustee of the Senior plc Pension Plan (the "Plan") is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed its Statement of Investment Principles ("SIP") during the Plan Year, as well as details of any review of the SIP during the Plan Year, 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 SIP in Section 1 and on the implementation of the SIP in Sections 2-11 below.

The Statement is also required to include a description of the voting behaviour during the Plan Year by, and on behalf of, trustees (including the most significant votes cast by 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 is based on and uses the same headings as the Plan's SIP which was in place during the Plan Year - dated 4 June 2020. This Statement should be read in conjunction with the SIP which can be found here: statement_of_investment_principles_june_2020.pdf (seniorplc.com)

The Plan's assets include a small DC arrangement and some AVCs (but AVCs are excluded from the Implementation Statement on materiality grounds as the majority of these funds are held in a with-profits fund).

1. Introduction

The SIP was reviewed and updated during the Plan Year on 4 June 2020 to include additional wording to reflect the implementation of the European Union Shareholder Rights Directive. The strategy section was also updated to reflect the Trustee's approach to hedging and the intended future de-risking of the Plan. Further detail and the reasons for these changes are set out in Section 3. As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes.

The Trustee has, in its opinion, followed the policies in the Plan's SIP during the Plan Year. The following Sections provide detail and commentary about how and the extent to which it has done so.

2. Investment objectives

The Plan's funding position is reviewed as part of the performance monitoring reports provided to the Trustee by its investment adviser. The Trustee is also able to view the progress on an ongoing basis using LCP Visualise online (a tool provided by the Plan's investment adviser which show key metrics and information on the Plan).

As at 5 April 2021 the Plan was ahead of the funding position expected based on projections from the previous actuarial valuation.

3. Investment strategy

The Trustee did not review the DB investment strategy over the period. The Plan remained invested broadly in line with the strategic allocation set out in the SIP and the Trustee applied cashflows to rebalance the Plan's asset allocation towards the strategic allocation.

4. Considerations in setting the investment arrangements

The Trustee did not review the DB investment strategy over the period.

5. Implementation of the investment arrangements

The Trustee has not made any changes to their manager arrangements over the period.

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

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The Trustee invites the Plan's investment managers to present at Trustee meetings, seeing each manager approximately once every three years. Over the period, the Trustee did not meet with any of the Plan's investment managers.

The Trustee was comfortable with all of its investment manager arrangements over the Plan Year.

The Trustee monitors the performance of the Plan's investment managers on a regular basis. Particularly, it receives quarterly reports from each of its investment managers, as well as around two performance monitoring reports produced by their investment consultant. The report shows the performance of each manager over a variety of reporting periods. Performance is considered in the context of the manager's benchmark and objectives

The most recent performance monitoring report shows that all return-seeking asset managers have produced performance broadly in line with expectations over the period.

6. Realisation of Investments

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

Over the Plan Year, the Trustee used cashflow in conjunction with a benchmark agreement with Legal & General to help keep the Plan's assets in line with the strategic asset allocation.

The Plan's administrator, Mercer, oversaw the Plan's outgoings and, when necessary, arranged small disinvestments to meet outgoings.

7. Financially material considerations and non-financial matters

As part of its advice on the selection and ongoing review of the investment managers, the Plan's 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 January 2021, the Trustee received training from LCP on climate-tilted equity funds which include features to mitigate climate risks that are inherent in equity markets. The Trustee requested and received a follow up session that took place after the end of the period covered by this statement.

8. Stewardship

This is covered in Section 7 above.

9. Investment governance, responsibilities, decision-making and fees (Appendix 1 of SIP)

As mentioned in Section 5, the Trustee assesses the performance of the Plan's investments on an ongoing basis as part of the reporting it receives (see section 5).

The performance of the professional advisers is considered on an ongoing basis by the Trustee.

The Trustee has put in place formal objectives for its investment adviser and will review the adviser's performance against these objectives on a regular basis. The last review of the adviser's performance against the objectives took place in January 2021. The Trustee was satisfied with the outcome of the review.

10. Policy towards risk (Appendix 2 of SIP)

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

The Trustee maintains a risk register and this is discussed at regular Trustee meetings.

The Trustee's 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 Plan's investment adviser or information provided to the Trustee by the Plan's investment managers. These include credit risk, equity risk, currency risk and counterparty risk.

With regard to the risk of inadequate returns, the Plan's strategic asset allocation is determined to provide an expected return in excess of what is implied by the Plan's discount rate on the Technical Provisions basis. The

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best estimate expected return on the Plan's strategic asset allocation was gilts + 1.1% pa. The expected return on the Plan's assets was expected to be sufficient to produce the return needed over the long-term.

With regard to the risk of investment managers underperforming, the Trustee manages this by taking professional advice before appointing managers, as well as receiving regular updates from its investment consultant.

11. Investment manager arrangements (Appendix 3 of SIP)

There are no specific policies in this section of the Plan's SIP.

12. Description of voting behaviour during the Plan Year

All of the Trustee's holdings in listed equities are within pooled funds and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the Plan Year.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, on the Plan's funds that hold equities as follows:

DB Section

- Legal & General Investment Management UK Equity Index
- Legal & General Investment Management World (ex UK) Equity Index GBP Hedged
- Pyrford Global Total Return Fund

DC Section

- Legal & General Investment Management Global Equity FW 60:40 Index

For the DC Section, the Plan only offers one fund for investment.

The Trustee has sought to obtain the relevant voting data for Sections 12.2 and 12.3, from all of the investment managers listed above, however please note that Legal & General only produce voting data on a quarterly basis, so data for this manager is provided in the Statement as at 31 March 2021 (the closest quarter end).

In addition to the above, the Trustee contacted Legal & General in relation to the Plan's other investments that don't hold listed equities, to ask if any of the assets held by the Plan had voting opportunities over the period. Legal & General do not provide voting information for funds that do not hold equities, but commentary on how their voting and engagement policy applies across asset classes is set out in Section 12.4.

12.1 Description of the voting processes

The trustee asked the Plan's investment managers a number of questions in relation to their voting policies. The responses from the managers are recorded below:

Legal & General

What is your policy on consulting with clients before voting?

> *"LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients.*
>
> *Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries."*

Please provide an overview of your process for deciding how to vote.

"All decisions are made by LGIM's Investment Stewardship team and in accordance with our relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies."

How, if at all, have you made use of proxy voting services?

"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."

What process did you follow for determining the "most significant" votes?

"As regulation on vote reporting has recently evolved with the introduction of the concept of 'significant vote' by the EU Shareholder Rights Directive II, LGIM wants to ensure we continue to help our clients in fulfilling their reporting obligations. We also believe public transparency of our vote activity is critical for our clients and interested parties to hold us to account.

For many years, LGIM has regularly produced case studies and/ or summaries of LGIM's vote positions to clients for what we deemed were 'material votes'. We are evolving our approach in line with the new regulation and are committed to provide our clients access to 'significant vote' information.

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- *High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;*
- *Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;*
- *Sanction vote as a result of a direct or collaborative engagement;*
- *Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.*

We provide information on significant votes in the format of detailed case studies in our quarterly ESG impact report and annual active ownership publications.

The vote information is updated on a daily basis and with a lag of one day after a shareholder meeting is held. We also provide the rationale for all votes cast against management, including votes of support to shareholder resolutions."

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Pyrford

What is your policy on consulting with clients before voting?

> *"For investors within our pooled Fund, the Pyrford Global Total Return Fund, all votes are carried out in line with our bespoke proxy voting policy. Segregated clients can apply their own voting criteria to their mandate. Pyrford do not consult with clients prior to voting however we are always happy to hear our client's views on upcoming votes."*

Please provide an overview of your process for deciding how to vote.

> *"Pyrford's policy is to consider every resolution individually and to cast a proxy on each issue. The sole criterion for reaching these voting decisions is being in the best interests of the client. This is part of Pyrford's broader fiduciary responsibility to its clients."*

How, if at all, have you made use of proxy voting services?

> *"Pyrford have appointed ISS Proxy Voting Services to monitor meetings data and to produce a voting schedule based upon individual client proxy voting guidelines, or Pyrford's guidelines where a client does not provide their own. While we consider ISS to be providing us a 'proxy advisor' service, Pyrford's portfolio managers have the final authority to decide on how votes are cast in line with the relevant guidelines."*

What process did you follow for determining the "most significant" votes?

> *"At Pyrford we believe that all proxy votes are important and aim to vote on all ballots received on behalf of our clients. All proxy votes are reviewed by our ESG Forum on a quarterly basis. Those deemed to be "significant" are where we believe the outcome could have a meaningful impact on shareholder returns over our five-year investment horizon. These could include management and board appointments and compensation, decisions affecting capital structure as well as company responses to social, environmental or competitive pressures. A sample of those applying to the fund are in the enclosed report, full public disclosure on all votes executed and our policy can be found on our company website.*
>
> *In the enclosed report, we have provided a sample list at Fund level. In this submission we have only included votes against management, however, for future submissions we may include a wider sample including votes with management on significant issues."*

12.2 Summary of voting behaviour over the Plan Year

A summary of voting behaviour over the period is provided in the table below.

	Fund 1	Fund 2	Fund 3	Fund 4
Manager name	Legal & General	Legal & General	Pyrford	Legal & General
Fund name	UK Equity Index	World (ex UK) Equity Index GBP Hedged	Global Total Return Fund	Global Equity FW 60:40 Index
Total size of fund at end of reporting period (£m)	21,983.17	5,050.55	2,141.62	1,548.63
Value of Plan assets at end of reporting period (£m)	4.28	28.77	41.09	0.23
Number of holdings at end of reporting period	598	2,540	60	2,858
Number of meetings eligible to vote	943	3,243	60	3,641
Number of resolutions eligible to vote	12,574	37,840	861	44,680
% of resolutions voted	100.00%	99.83%	88.15%	99.97%
Of the resolutions on which voted, % voted with management	92.94%	80.25%	95.26%	83.56%

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Of the resolutions on which voted, % voted against management	7.05%	19.16%	7.74%	16.29%
Of the resolutions on which voted, % abstained from voting	0.01%	0.60%	0.00%	0.15%
Of the meetings in which the manager voted, % with at least one vote against management	3.27%	6.35%	43.33%	5.46%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	0.80%	0.27%	1.32%	0.44%

Note: Figures may not sum due to rounding

12.3 Most significant votes over the Plan Year

Commentary on the most significant votes over the period, from the Plan's asset managers who hold listed equities, is set out below. We have included three significant votes for each fund, selecting those with the highest % holding in each fund where this information is available, or otherwise including the first three votes provided by the manager.

Legal & General

A description of how Legal & General determine most significant votes is set out in Section 12.1.

UK Equity Index

- **International Consolidated Airlines Group, September 2020. Vote:** Against. **Outcome of the vote:** Approved.

  Summary of resolution: Resolution 8: Approve Remuneration Report' was proposed at the company's annual shareholder meeting held on 7 September 2020.

  Rationale: "*The COVID-19 crisis and its consequences on international transport have negatively impacted this airline company's financial performance and business model. At the end of March 2020, LGIM addressed a private letter to the company to state our support during the pandemic. We also encouraged the board to demonstrate restraint and discretion with its executive remuneration. 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.*

  We were concerned about the level of bonus payments, which are 80% to 90% of their salary for current executives and 100% of their salary for the departing CEO. We 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, we have 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 will be starting his new role in January 2021."

  Criteria against which this vote has been assessed as "most significant": "*LGIM considers this vote significant as it illustrates the importance for investors of monitoring our investee companies' responses to the COVID crisis.*"

- **Imperial Brands Plc, February 2021. Vote:** Against. **Outcome of the vote:** Approved

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Summary of resolution: Resolutions 2 and 3, respectively, Approve Remuneration Report and Approve Remuneration Policy.

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.*"

Criteria against which this vote has been assessed as "most significant": "*We are concerned over the ratcheting up of executive pay; and we believe executive directors must take a long-term view of the company in their decision-making process, hence the request for executives' post-exit shareholding guidelines to be set.*"

- **Pearson, September 2020. Vote:** Against. **Outcome of the vote:** Approved.

  Summary of resolution: Resolution 1: Amend remuneration policy was proposed at the company's special shareholder meeting, held on 18 September 2020.

  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."

  Criteria against which this vote has been assessed as "most significant": "*Pearson has had strategy difficulties in recent years and is a large and well-known UK company. Given the unusual approach taken by the company and our outstanding concerns, we deem this vote to be significant.*"

<u>World (ex UK) Equity Index GBP Hedged</u>

- **Quantas Airways Limited, October 2020. Vote:** Against, For **Outcome of the vote:** Both Approved

  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 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 3 to signal our concerns."*

Criteria against which this vote has been assessed as "most significant": *"It highlights the challenges of factoring in the impact of the COVID situation into the executive remuneration package."*

- **Whitehaven Coal, November 2020. Vote:** For. **Outcome of the vote**: Rejected

  Summary of 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.

  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."*

  Criteria against which this vote has been assessed as "most significant": *"It highlights the challenges of factoring in the impact of the COVID situation into the executive remuneration package."*

- **Lagardère, May 2020. Vote:** For. **Outcome of the vote**: Rejected

  Summary of 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).

  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."

  Criteria against which this vote has been assessed as "most significant": *"LGIM noted significant media and public interest on this vote given the proposed revocation of the company's board."*

<u>Global Equity FW 60:40 Index</u>

- **Quantas Airways Limited, October 2020. Vote:** Against, For **Outcome of the vote**: Both Approved

  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 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.*

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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 3 to signal our concerns."

Criteria against which this vote has been assessed as "most significant": *"It highlights the challenges of factoring in the impact of the COVID situation into the executive remuneration package."*

- **Whitehaven Coal, November 2020. Vote: For. Outcome of the vote:** Rejected

  Summary of 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.

  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."*

  Criteria against which this vote has been assessed as "most significant": *"It highlights the challenges of factoring in the impact of the COVID situation into the executive remuneration package."*

- **International Consolidated Airlines Group, September 2020. Vote:** Against. **Outcome of the vote:** Approved.

  Summary of resolution: Resolution 8 'Approve Remuneration Report' was proposed at the company's annual shareholder meeting held on 7 September 2020

  Rationale: *"The COVID-19 crisis and its consequences on international transport have negatively impacted this airline company's financial performance and business model. At the end of March 2020, LGIM addressed a private letter to the company to state our support during the pandemic. We also encouraged the board to demonstrate restraint and discretion with its executive remuneration. 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. We were concerned about the level of bonus payments, which are 80% to 90% of their salary for current executives and 100% of their salary for the departing CEO. We 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, we have 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 will be starting his new role in January 2021."

  Criteria against which this vote has been assessed as "most significant": *"LGIM considers this vote significant as it illustrates the importance for investors of monitoring our investee companies' responses to the COVID crisis."*

Pyrford

A description of how Pyrford determines most significant votes is set out in Section 12.1.

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- **GlaxoSmithKline Plc, June 2020. Vote:** Against. **Outcome of the vote**: Approved

  Summary of resolution: Approve remuneration policy

  Rationale: *"A vote AGAINST the resolution is warranted as the incumbent US based Executive Director's pension arrangements subsist at a level significantly higher than that of the wider workforce, and there is no disclosed plan towards alignment over time"*

  Criteria against which this vote has been assessed as "most significant": See Section 12.1

- **British American Tobacco plc, April 2020. Vote:** Against. **Outcome of the vote**: Approved

  Summary of resolution: Advisory Vote to Ratify Named Executive Officers' Compensation - Approve Remuneration Report

  Rationale: *"A vote AGAINST the remuneration report is considered warranted on account of the following: - CEO Jack Bowles was granted a 9.5% salary increase for FY2020. - From FY2020, the new CFO's LTIP award has been increased to 400% of salary, up from 350% of salary previously (albeit on a lower salary rate than his predecessor)."*

  Criteria against which this vote has been assessed as "most significant": See Section 12.1

- **Vodafone Group Plc, July 2020. Vote:** Against. **Outcome of the vote**: Resolution withdrawn

  Summary of resolution: Re-elect David Thodey as Director

  Rationale: *"A vote AGAINST the re-election of David Thodey is considered warranted: - In addition to his role as a NED of Vodafone, he holds board positions at three other publicly listed companies, including two board chair roles. This is a significant number of outside time commitments and may raise questions regarding his ability to devote sufficient time to his role at Vodafone."*

  Criteria against which this vote has been assessed as "most significant": See Section 12.1

12.4 Votes in relation to assets other than listed equity

The following comments were provided by Legal & General in relation to their funds that don't hold listed equities:

> *"While the core principles of responsible investing apply to every mandate we manage, the way in which they are integrated depends on multiple factors, such as client objectives and guidelines, the asset class, the industry sector and geographical footprint, as well as the type of instrument and the intended holding period. The process of integrating ESG considerations can differ depending whether the investment strategy is index or active, as the elements of fundamental analysis allow for more specific sources of information.*
>
> *For our active investment teams, the integration of ESG-related criteria in the assessment of companies is not intended to result in any negative or exclusion lists. Rather, it aims to enhance our ability to discern between likely outperformers and underperformers within each sector; its ultimate purpose is to support the process of equity or bond selection.*
>
> *For index funds with ESG-linked objectives, we believe the most suitable form to apply ESG criteria is to reflect minimum standards of best practice. By effectively penalising laggards who fall below minimum standards, this reduces the risk of being over-exposed to such companies.*
>
> *For the rest of our index funds, we are wholly committed to encouraging companies to improve their management of ESG issues. We integrate our thoughts and the consideration of ESG risks and investment opportunities into our communication and constructive engagement with individual companies. We believe that well-governed companies are more likely to provide better returns for our clients over the long term."*