Lendlease UK Pension Scheme Implementation Statement, covering the Scheme Year from 1 April 2020 to 31 March 2021

Defined Benefit (DB) sections (Final Salary and Index Linked)

Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations ("the Regulations"). The Regulations require that the Trustee produces an annual implementation statement which outlines the following:

- A summary of the changes made to the Statement of Investment Principles ("SIP") over the Scheme year;
- Evidence on how the Trustee has fulfilled the objectives and policies included in the SIP over the Scheme year;
- Describe the voting behaviour by, or on behalf of the Trustee (including the most significant votes cast) during the scheme year and state any use of the services of a proxy voter during that year.

This Implementation Statement has been prepared by the Trustee and covers the Scheme year 1 April 2020 to 31 March 2021.

Materiality considerations

This statement does not disclose stewardship information on any investments in Liability Driven Investment, gilts, or cash due to the limited materiality of stewardship to those asset classes. Stewardship information relating to investments that were only invested in for part of the year have also not been disclosed. This statement does not disclose stewardship information on the equities the Scheme held at 31 March 2021 due to immateriality. Over the year, the Trustee undertook a de-risking exercise which involved redeeming almost all of the Scheme's equity holdings, keeping a minimal amount (<£500k) invested at Scheme year end.

Summary of changes to the SIP

The SIP was updated in September 2019 to take account of new regulations which came into effect from 1 October 2019. The regulations required the Trustee to include policies relating to Responsible Investment, Stewardship (e.g. voting and engagement) and non-financial factors such as members' views.

The SIP was reviewed and revised in August 2020 to take account of further regulatory changes which required the Trustee to outline policies regarding how they incentivise asset managers to achieve their long-term objectives, their policies on cost transparency, their policies on voting and stewardship, and how their policies align with that of the sponsoring employer in relation to sustainability.

The most recent SIP includes the changes outlined here (amongst other updates) and was agreed and approved by the Trustee ahead of the 1 October 2020 deadline.

The Trustee consulted with the Sponsor when making these changes and obtained written advice from Aon, the Trustee's investment adviser.

Meeting objectives and policies outlined in the SIP

The Trustee outlines in the Scheme's SIP several key objectives and policies.

The primary objective of the DB structure of the Scheme is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis.

The Trustee's overriding funding principles for the DB structure, and how these have been met by the Trustee are:

Overriding principle	Actions taken by the Trustee
The Trustee aims to invest the assets of the Scheme prudently in order that the benefits promised to members are provided	The Trustee monitors the investment strategy and funding position on a regular basis to ensure that sufficient assets are available to meeting short and long-term liabilities. Over the year, the Trustee de-risked the Scheme following a material improvement in the funding position and to protect the funding gains achieved.
The Trustee recognises that the key risk to the Scheme is that it has insufficient assets to provide for 100% of its liabilities ("funding risk"). The Trustee has identified a number of risks which have the potential to cause deterioration in the Scheme's funding level and therefore contribute to funding risk.	The Trustee assess the range of risks inherent in the Scheme's investment strategy on a regular basis and take action accordingly to reduce risk where appropriate. Over the period, the Scheme reduced risk materially by reducing growth asset exposure and increasing interest rate and inflation hedging to protect the Scheme's funding position as part of the latest actuarial valuation discussions.
The Trustee regularly monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the asset managers are aligned with the Trustee's policies	The Trustee receives regular updates from their advisers in relation to the performance of their investments and considers whether the investments remain consistent with their beliefs.
To ensure that there are always sufficient assets of the Scheme (at their realisable value) to meet 100% of benefits as they fall due for payment to members.	The Trustee, in conjunction with the Scheme's administrator and investment adviser, has ensured that there has been sufficient cash available to meet benefits as they fall due. Where necessary, the Trustee has disinvested assets.

Investment monitoring takes place on a quarterly basis with a monitoring reports being provided to the Trustee by Aon. These reports are;

Quarterly Monitoring Report ("QMR"), which includes;

- Absolute performance and performance relative to the benchmark and investment objective over the quarter, one year, three year and since inception periods
- Details of the causes of the change in the funding level, such as asset performance, liability movements and cashflows
- Asset allocation relative to the previous quarter
- Commentary on the performance and any relevant management or portfolio developments, including strategic changes
- Overview of any transitions over the quarter
- Economic market review and outlook
- ESG rating by manager

Monthly Dashboard which monitors the following;

- Change in the monthly technical provisions and solvency funding level
- Change in asset valuation
- Updates on ongoing tasks such as triennial Actuarial Valuation progress

Strategy

Overriding principle	Actions taken by the Trustee
When choosing the Scheme's planned asset allocation strategy, the Trustee considered written advice from their investment advisors and, in doing so, addressed the following: ▪ The need to consider a full range of asset classes. ▪ The risks and rewards of a range of alternative asset allocation strategies. ▪ The suitability of each asset class in context of the required return and risk appetite of the Trustee and sponsor Company. ▪ The need for appropriate diversification. ▪ The need for appropriate liquidity, with an appropriate proportion of the assets held being readily realisable if required.	A detailed investment strategy review last took place over 2018. During this review, the appropriate level of risk and return to be taken was considered, as were a range of potential portfolios. The Sponsoring Employer was consulted when setting the investment strategy. The Trustee is due to complete its next triennial investment review in 2021 following the 2020 Actuarial Valuation.

Implementation

Overriding principle	Actions taken by the Trustee
The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk").	The Trustee and its advisers considered this mismatching risk when setting the investment strategy and monitors the LDI portfolio (which hedges 100% of interest rate and inflation risk as a proportion of Technical Provision liabilities) on an ongoing basis.
The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities ("cash flow risk").	The Trustee and its advisers have received regular updates from the administration team regarding the Scheme's cashflow position and whether a disinvestment from the Scheme's assets will be required to meet upcoming cashflow requirements. This is well managed, taking into account the timing of future payments in order to minimise the probability that this risk occurs.

The failure by the asset managers to achieve the rate of investment return assumed by the Trustee ("manager risk").	This risk is considered by the Trustee and its advisers both upon the initial appointment of the asset managers and on an ongoing basis thereafter. The Trustee receives quarterly reporting on each of the Scheme's managers performance and on any relevant updates.
The failure to spread investment risk ("risk of lack of diversification").	The Trustee and its advisers considered this risk when setting the Scheme's investment strategy. The Trustee has appointed a fiduciary manager that has been in place over the majority of 2020 that assists in providing diversification from investing in a number of underlying managers and asset classes.
The possibility of failure of the Scheme's sponsoring employers ("covenant risk").	The Trustee and its advisers considered this risk when setting investment strategy and has consulted with the sponsoring employer as to the suitability of the proposed strategy.
The risk of fraud, poor advice or acts of negligence ("operational risk").	The Trustee has sought to minimise such risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced, and that suitable liability and compensation clauses are included in all contracts for professional services received. The Trustee has provided the Scheme's investment advisor with a set of objectives as per the relevant CMA order, some of which assess the quality of advice and operational performance of the advisor.
The risk of currency fluctuations significantly impacting the Scheme ("currency risk")	The Trustee recognises the Scheme's liabilities are in Sterling. Where assets are invested in non-sterling currencies consideration is given to hedging the currency risk where practical and appropriate. The Trustee hedged some of the US dollar, euro and Swiss franc currency exposure within the equity portfolio back to sterling to reduce risk.

The Trustee has concluded, on balance and having received and considered relevant advice, that the SIP has been followed during the Scheme year.

Scheme Stewardship activities over the year

This statement does not disclose stewardship information on the equities the Scheme held at 31 March 2021 due to immateriality. Over the year, the Trustee undertook a de-risking exercise which involved redeeming almost all of the Scheme's equity holdings, keeping a minimal amount (<£500k) invested at Scheme year end.

Because of this de-risking, throughout the year, there was no intention to hold any significant amounts of equity investments beyond the short term. Since the equity investments were managed through pooled investment vehicles, all the Trustee's equity voting rights were delegated to its investment managers by default. The investment managers were instructed to follow the Trustee's investment and stewardship policies (contained in the Trustee's SIP) where possible and report to the Trustee when these policies were not followed. The Trustee considers that no significant votes were cast on its behalf (given the materially low level of equities that the de-risking was targeting prior to the Scheme's year-end).

Training

Prior to this year and during 2020 the Trustee received responsible investment (RI) training sessions and updates from Aon which provided the Trustee with an overview of responsible investing and the evolving regulatory requirements. During the year the Trustee reviewed the investment strategy and made some changes to its investments. During the process the Trustee considered the importance of stewardship activity and appropriate consideration of Environmental, Social and Governance (ESG) factors in its investment decision making.

Updating the Stewardship Policy

In line with regulatory requirements, to expand the SIP for policies such as cost transparency and incentivising managers, the Trustee also reviewed and expanded the Stewardship policy in 2020. The updated wording in the

SIP illustrates how the Trustee recognises the importance of its role as a steward of capital, as well as indicating how the Trustee would review the suitability of the Scheme's investment managers and other considerations relating to voting and methods to achieve their Stewardship policy.

Ongoing Monitoring

Investment monitoring takes place on a quarterly basis with a monitoring reports being provided to the Trustee by Aon. The reports include ESG ratings and highlight any areas of concern, or where action is required. The ESG rating system is for buy rated investment strategies and is designed to assess whether investment managers integrate responsible investment and more specifically ESG considerations into their investment decision making process. The ESG ratings are based on a variety of qualitative factors, starting with a proprietary due diligence questionnaire, which is completed by the fund manager. Aon's researchers also conduct a review of the managers' responsible investment related policies and procedures, including a review of their responsible investment policy (if they have one), active ownership, proxy voting and/or stewardship policies. After a thorough review of the available materials, data and policies, as well as conversation with the fund manager, the lead researcher will award an ESG rating, which is subject to peer review using an agreed reference framework. Ratings will be updated to reflect any changes in a fund's level of ESG integration or broader responsible investment developments.

The investment in the Aon Investments Limited (AIL) Diversified Liquid Credit fund is a multi-manager fund where all the underlying funds are 'Buy' rated by Aon with each underlying fund assessed for ESG considerations as described above.

Third party proxy voting services information – Equity

This section covers proxy voting information for the Trustee's equity managers during the Scheme year.

Baillie Gifford

Baillie Gifford's governance and sustainability team oversees its voting analysis and execution in conjunction with its investment managers. It uses research from third party proxy service providers, Institutional Shareholders Services ("ISS") and Glass Lewis for information purposes and does not delegate or outsource any of their stewardship activities, follow or rely upon proxy service providers' recommendations when deciding how to vote on its clients' shares. All client voting decisions are made in-house in line with its in-house policy. Baillie Gifford also has specialist proxy service providers in the Chinese and Indian markets to provide it with more nuanced market specific information.

Baillie Gifford analyses all meetings in-house in line with their governance & sustainability principles and guidelines. It believes that voting should be investment led, because how it votes is an important part of the long-term investment process. Baillie Gifford endeavour to vote every one of its clients' holdings in all markets.

Dodge & Cox

Dodge & Cox uses the proxy advisory firm, ISS, to provide notification and research related to proxy voting. ISS also implements the proxy voting decisions made by Dodge & Cox.

Dodge & Cox also utilises proxy research provided by Glass Lewis to assist in the decision making process. The firm's proxy officer takes note of proxy research prior to voting according to the Dodge & Cox proxy voting policy. Proxy vote recommendations may also be ratified by a securities analyst when deemed appropriate by the proxy officer.

Exceptions (including potential conflicts of interest that arise or when deemed appropriate by the proxy officer) may be referred to the proxy policy committee for review.

Further information on their proxy voting can be found here: Dodge & Cox Funds Proxy Voting Policy Revised February 18, 2021 (dodgeandcox.com)

GQG Partners ("GQG")

GQG's portfolio management team is responsible for proxy voting decisions. The majority of proxy votes are initiated by company management, routine in nature, and voted in accordance with GQG's proxy voting policy.

Some proxy votes warrant an escalated review by GQG. The categories warranting a review generally represent proxies that are strategic to the investee company. In these cases GQG escalates the proxy votes to a designated GQG investment analyst with the responsibility to ensure that those proxies are being voted in the best interests of GQG's clients. An example of some of the categories of proxies that are escalated are: takeover related, corporate governance and shareholder rights.

At least annually, GQG's trading research and execution working group together with the designated proxy review investment analyst reviews any votes that were inconsistent with GQG's proxy voting policy and the recommendations of GQG's proxy voting service provider, ISS, to consider whether any changes should be made to GQG's proxy voting policy.

Engagement activity – Fixed income

The Scheme is invested in fixed income securities through its arrangement with Aon Investments Limited ("AIL") in their fund of fund approach. AIL selects the underlying fixed income investment managers on behalf of the Trustee.

Whilst voting rights are not applicable to fixed income mandates, the Trustee recognises that debt investors have significant capacity for engagement with issuers of debt. Debt financing is continuous, and therefore a vested interest on the part of debt issuers to ensure that institutional investors are satisfied with the issuer's strategic direction and policies. Whilst upside potential may be naturally limited, in comparison to equities, downside risk mitigation and credit quality is a critical part of investment decision-making.
As a result, fixed income managers are becoming increasingly influential in their ability to encourage positive change. The Trustee believes that engagements of this nature are key to reducing ESG risks within the Scheme's portfolio, as well as having the added benefit of contributing to the transition towards a low carbon economy.

The following section demonstrates some of the engagement activity being carried out by AIL and the underlying appointed managers over the year.

AIL

AIL have undertaken a considerable amount of engagement activity over the period. AIL held around 35 ESG specific "deep-dive" meetings in 2020 with most of their equity and fixed income managers across all delegated funds in which AIL's clients invest. At these meetings, AIL discussed the voting and engagement activities undertaken by the investment managers during calendar year 2019, highlighting areas of improvement and discussing manager strategy in the area of RI moving forward. Similar meetings have been ongoing through the beginning of 2021.

Aon Solutions UK Limited ("Aon") also actively engage with investment managers and this is used to support AIL in their fiduciary services.

Engagement example:

An example of an engagement carried out during the reporting year by AIL was with a US-based fixed income manager that lacked an RI policy, a metric for scoring securities on ESG criteria nor public commitments to invest responsibly. Following AIL's engagement with the manager on these issues, they quickly took action by hiring an ESG consultant, who has since assisted them with formalising a process for assessing ESG risks and opportunities. Tangible improvements have been made in working with third parties to analyse ESG risks and making a public commitment to RI by becoming a signatory to the Principles for Responsible Investment - the world's leading proponent of ESG and a global standard setter for better practice.

Voting information on this manager is not applicable due to the nature of this type of investment.

Robeco

Robeco is focused on improving business conduct and function of the companies they invest in. They carry out extensive baseline research on the companies they invest in, measure changes in company performance relative to engagement objectives and allow three years for engagement. Any cases closed unsuccessfully are considered for potential exclusion.

Over the last few years, Robeco has engaged a number of times with senior employees of a multinational oil company. The focus of the engagement was to encourage the company to take action to contribute towards preventing global warming rising above 2 degrees Celsius, as then the world, and therefore industries, will be increasingly exposed to significant transitional and physical risks.

In 2020, the company announced their aim to reduce the net carbon footprint of its energy products by around half by 2050. Robeco was supportive of these goals but continued to encourage the company to set short term targets and link these to remuneration packages. In addition to announcing their long-term goal, Robeco agreed a joint statement with the company who agreed to start setting shorter term targets. Robeco believes the company now leads the sector in terms of their planning and positioning for energy transition as they look to move to lower carbon products and solutions.

Schroders

At a firm level, Schroders is currently engaging with banks on their fossil fuel financing. Schroder's credit team, along with a number of equity teams, selected around 50 banks in Europe, North America and Asia for deeper analysis and engagement. Following each engagement, Schroders highlighted three to four objectives they would like the bank to work on over the next 12 months. Examples included:

- Development of a commitment to align the banks financing activities with the goals of the Paris agreement.
- Reviewing and strengthening the bank's fossil fuel policies in line with the latest science and/or good practice.
- Development of the TCFD/climate risk reporting, including disclosure of additional climate metrics.

For banks that have already made progress in the areas, their discussions have focused on the robustness and evolution of their measurement and target-setting methodologies. Schroders have said it is still too early to assess the impact of their discussions, however they have had good response from banks so far. Out of the 50 banks contacted over the last 6 months, they have met with 21 by the end of March 2021.

Aegon

Through AIL the Scheme invests in European Asset Backed Securities ("ABS") managed by Aegon. For Aegon, ESG analysis forms a critical aspect of its risk mitigation analysis. This is at the collateral, the originator and country of domicile levels, where each level is scored between one (best) and five (worst), with a weighted average taken to form their overall ESG score for the ABS bond.

Aegon's engagement efforts can be categorized as policy-based, thematic or product support. There are many reasons why Aegon start an engagement with a company. For example, it could be to improve performance and promote companies' long-term financial performance, improve ESG disclosure or maximise positive sustainability outcomes.

At a firm level, Aegon have engaged with a steel company regarding climate change. Their goal was to develop a transition plan to reduce their greenhouse gas emissions consistent with the Paris Agreement and implement a climate governance framework.

Aegon sent an engagement letter on behalf of the Climate Action 100+ investor group and met with top executives of the company. Aegon also represented a group of investors at the company's Annual General Meeting in discussions on lobbying practices, science-based targets and scenario planning and then followed up with them after the release of the company's first climate action report.

As a result of the engagement, the CEO committed to join the Energy Transitions Commission and announced that their first Carbon Action report will contain a scenario analysis. The company will set a 2030 target in 2020 but said that further progress needed to be made with the methodology before it could set a science-based target. The company released its first climate action report addressing many concerns Aegon raised. Aegon will continue to engage with the company and pursue more transparency on their commitments and governance.

Barings

In 2020, Barings launched a proprietary system that allows their investment teams to record and monitor their engagements with companies across asset classes. Barings expects this system to materially improve their reporting and transparency around engagements in future.

Barings regularly transacts with a particular asset backed securities ("ABS") lender and has a strong relationship with its management. Barings recently took the opportunity to engage with this issuer on transparency of reporting. Barings believe that thorough transparency and disclosure in ABS deals is crucial for investors and the market as a whole. Barings recommended that this issuer increase their transparency and reporting in line with the European

Union's risk retention regulation. The issuer took this feedback seriously and have incorporated this additional information in their recent deals. This gave Barings the conviction to continue to invest with this issuer. Barings hope to influence other issuers through engagement and champion the efforts of greater transparency for ABS investors.

Insight

Insight proactively engages on industry and regulatory issues that have implications for their clients and the wider market. These include the transition from LIBOR, central clearing for European pension schemes and RPI reform.

Over 2020, Insight engaged with pub and restaurant chain Marston's on cost reduction measures, governance and food safety. Insight identified various potential ESG risks to Marstons' business; some heightened by the forced pub closures related to Covid-lockdowns. While there are various food safety sourcing risks for pubs in general, given interest coverage covenants were waived due to forced pub closures, there is increased focus on other securitisation covenants such as around pub sales, cashflow retention etc. ensuring full compliance. Nevertheless, the company's board structure proved to be strong and diverse. In terms of labour management, there were concerns around job losses following forced pub closures. Most employees were furloughed; the company did not plan any job cuts as a result, although they did not provide benefits for staff that were ill, which is understandable given the burden on their business model.

Insight engaged with Marston's to evaluate how they were planning on mitigating these risks. Insight will continue to monitor Marston's, however they are comfortable maintaining their position based on the engagement and will be monitoring improvements made. Marston's are also part of the FTSE4 Good ESG score index, an external metric of key sustainability factors. Their score improved to 3.3 in 2020 from 2.7 in 2019 and is something the business is actively engaged in monitoring and improving.

Engagement – Alternative Assets

Over the year, the Scheme was invested in alternative assets such as fund of hedge funds and infrastructure and these types of investments do not have voting rights.

While the Trustee acknowledges that the ability of alternative managers to engage and influence companies may be less direct then in comparison to equity managers, from the information received it is encouraging that the managers are aware and active in their role as a steward of capital.

The following examples demonstrate some of the engagement activities being carried out on behalf of the Scheme over the year.

Global Infrastructure Partners ("GIP")

GIP's stewardship policy is embedded throughout their ESG Policy in which it is stated that:

"GIP is committed to being best-in-class in ESG practices. To demonstrate our commitment, GIP became a signatory to the United Nations Principles for Responsible Investing ("UNPRI") in 2020, providing third party assurance internally and externally of our ESG performance. While GIP has always been aligned with the UNPRI principles through incorporating ESG considerations into our investment analysis, decision-making and ownership policies and practices, we believe that officially applying these principles reinforces our long-held commitment to ESG and leads to better quality investment outcomes. As part of this commitment, GIP will continue encouraging our portfolio companies via its active ownership and stewardship approach to advance GIP's ESG-related principles in a manner consistent with their fiduciary duties"

Engagement example:

2020 represented the first year of Pacific National's (Australia's largest private rail freight operator) three-year Modern Slavery action plan to comply with Australia's Modern Slavery Act and to reduce the potential risks of modern slavery in its operations and supply chain. Pacific National's journey started with identification of potential risks of modern slavery within its operations and its supply chain and continued with Board and Executive Leadership support of the detailed three-year plan. The company updated its Code of Conduct, created a Supplier Code of Conduct and communicated its expectations and values related to modern slavery and human rights to its employees and contractors. Pacific National's newly established cross-functional Modern Slavery Working Group oversees and implements the action plan and is responsible for managing the risk and implementation of the plan across the organization.

Pacific National’s actions are in line with GIP’s own actions. GIP has assessed not only modern slavery risks and their impact on business operations and supply chains of their portfolio companies, but also the modern slavery risks in GIP’s own business operations. GIP currently provides a statement under the UK Modern Slavery Act and is expected to do the same under the Australian Modern Slavery Act.

Voting information on this manager is not applicable due to the nature of this type of investment.

Blackstone Group (“Blackstone”)

The majority of Blackstone’s assets under management are invested with third-party hedge fund managers. They consider ESG factors during their manager due diligence process and may choose not to invest in or to redeem from an underlying manager due to ESG concerns. Blackstone seek to engage underlying managers to make sure they are aware of the value of ESG integration in their portfolios and emphasise its importance to Blackstone's investors.

Blackstone has conducted over 100 conversations with managers to educate them on ESG integration and to encourage them to adopt an authentic ESG policy. They have helped and continue to help numerous managers in this regard, by hosting ESG roundtable events and by providing ESG resources, including guides, templates, and information around third-party rating providers. Blackstone tracks the effectiveness of these engagement efforts through managers’ adoptions of ESG policies and enhancements of ESG programs, with monthly reports provided to their senior management.

An example of engagement was with a long/short equity manager who had formally adopted an ESG policy in September 2020. Blackstone provided resources to the manager to supplement their policy adoption process. The manager has recently hired a dedicated ESG professional to oversee their ESG program and quantitative model which analyses and scores ESG data at issuers in the firm's investable universe. These ESG considerations are incorporated into investment decisions across the manager's products.

Blackstone is currently evaluating becoming a Principles for Responsible Investment (“PRI”) signatory at the firm level. Based on their conversations with the PRI, Blackstone’s Hedge Fund Solutions business is not permitted to become a signatory independently of the rest of the firm. Blackstone is in active communication with the PRI to discuss best practices around ESG integration at hedge funds and hedge fund allocators.

While Blackstone is not currently a signatory to the PRI, they do embrace many of the principles and state that transparency and disclosure are important to the way they aim to do business.

Voting information on this manager is not applicable due to the nature of this type of investment.

Summary

Based on the activity over the year by the Trustee and its service providers, the Trustee is of the opinion that the stewardship policy has been implemented effectively in practice. The Trustee notes that its relevant investment managers were able to disclose strong evidence of engagement activity.

The Trustee expects continued improvements in disclosures over time in line with the increasing expectations on investment managers and their significant influence to generate positive outcomes for the Scheme through considered voting and engagement.

Defined Contribution Section (Personal Investment)

The Trustee of the Lendlease UK Pension Scheme (the "Scheme") 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 Scheme Year, as well as details of any review of the SIP during the Scheme 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 2-13 below.

The Statement is also required to include a description of the voting behaviour during the Scheme 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 14 below.

This Statement uses the same headings as the Scheme's SIP dated 30 September 2020 and should be read in conjunction with the SIP. Since the end of the Scheme Year an updated SIP designed to be more member friendly has been produced by the Scheme's communications advisors, LikeMinds.

1. Introduction

The SIP was reviewed and updated over the period 1 April 2020 to 31 March 2021 (the "Scheme Year") on 30 September 2020 to reflect the Passive UK Equity Fund becoming a default strategy as a result of mapping members without consent from the Active UK Equity Fund to the Passive UK Equity Fund on 19 May 2020. In addition, updates were made to the policies on the asset managers arrangements, stewardship and cost transparency to align with the SIP prepared for the DB Section of the Scheme. The Scheme's Investment Policy Implementation Document ("IPID") was also updated to reflect the closure of the Active UK Equity Fund and the change in underlying allocation of the Active Global Equity Fund from 50% Invesco UK High Income Fund and 50% BNY Mellon Long Term Global Equity Fund to 100% BNY Mellon Long Term Global Equity Fund. Further detail and the reasons for these changes are set out in Section 3 below. 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 Scheme's SIP during the Scheme Year. The following Sections provide detail and commentary about how and the extent to which it did this.

2. Investment objectives

As part of the annual member review conducted in September 2020 and the strategy review of the default arrangement on 4 March 2021, the Trustee considered the DC Section membership demographics and the variety of ways that members may draw their benefits in retirement from the Scheme. Based on the outcome of this analysis, the Trustee concluded that whilst 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, there were some enhancements that could be made. More details about this review and its conclusions are set out below in Section 3.

The Trustee also provides members with access to a range of investment options covering most major asset classes, which it believes are suitable for this purpose and enable appropriate diversification. The Trustee has made available alternative lifestyle strategies and a self-select fund range to members covering all major assets classes. The Trustee monitors the take up of these funds and it is limited. The Trustee has reminded relevant members to review their investment holdings and check they are suitable for their risk tolerances and retirement planning.

3. Investment strategy

The Trustee reviewed the Invesco High Income Fund, the sole underlying fund in the Active UK Equity Fund and one of two underlying funds in the Active Global Equity Fund, in May 2018 following concerns over appropriateness of the Fund and consistent underperformance over the longer term. After considering possible alternatives, the Trustee agreed to remove the Active UK Equity Fund from the Scheme’s fund range and to remove the Invesco High Income Fund from the white-labelled Active Global Equity Fund, increasing the allocation of the remaining underlying fund (the BNY Mellon Longer Term Global Equity Fund) accordingly. These changes were implemented in May 2020.

The Trustee reviewed the Ethical Equity Fund in November 2020 as part of a wider review into how ESG is incorporated into the Scheme. Following presentations in January 2021 from potential managers, the Trustee agreed to replace the current underlying fund, the BMO Responsible UK Equity Fund, with the WHEB Sustainability Fund. This change is scheduled to be implemented in May 2021.

The Trustee, with the help of its advisers, formally reviewed the strategy and performance of the default arrangement, alternative lifestyle arrangements, and the range of self-select investment options on 4 March 2021. The Trustee concluded that they continue to believe that most members will drawdown their benefits in retirement and so the objective of the default arrangement remains appropriate. The Trustee reviewed the strategic design and asset allocation of the default arrangement and concluded that it also remains appropriate for members. The risk profile of the default and at retirement allocation were also reviewed and the Trustee concluded that all remain appropriate for members. As part of this review the Trustee also made sure the Scheme's default arrangement and alternative lifestyle arrangements are adequately and appropriately diversified between different asset classes, are achieving their objectives as set out in the SIP, and that the self-select options provide a suitably diversified range to choose from.

In the next Scheme Year, the Trustee is considering where it may be possible to include climate considerations further in the growth phase of the default strategy.

4. Considerations made in determining the investment arrangements

When the Trustee undertook a performance and strategy review of the default on 4 March 2021, it considered the investment risks set out in Appendix 2 of the DC section of the SIP. It 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 Trustee has not formally reviewed its investment beliefs over the Scheme Year. However, it engaged in a workshop led by Aon, to discuss financially material and non-financial aspects of responsible investment. It also received training on climate-related risks from LCP in September 2020.

The Trustee reviewed the extent to which ESG/climate factors are incorporated in the Scheme, specifically reviewing the Ethical Equity Fund in November 2020. As part of this review, the Trustee, along with advice from its investment adviser, engaged with the incumbent manager of the underlying fund, BMO. As a result, it decided to replace BMO with WHEB, a manager whose approach to ESG investing is considered to be more aligned with the Trustee‘s beliefs, by having a greater focus on positive investing criteria.

5. Governance and Implementation – arrangements with asset managers

The Trustee removed Invesco as a manager in the Scheme in May 2020. The Trustee obtained formal written advice from its investment adviser, LCP, before disinvesting from the fund and made sure the affected white-labelled fund continued to be adequately and appropriately diversified.

LCP monitors the investment managers on an ongoing basis, through regular research meetings. The Trustee is promptly informed about any significant updates or events LCP become aware of 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, or any material change in the level of diversification in the fund.

The Trustee was comfortable with all of its investment manager arrangements over the Scheme Year, including in relation to strategy, longer term positioning, and the extent to which the Trustee’s policies on areas such as risk, diversification etc have been taken into account by managers, aside from the arrangement and related changes described in section 3. The equity funds used within the default arrangement are currently under review in relation to their consideration of ESG/climate-related risks.

The Trustee received written advice in relation to the decision to replace BMO with WHEB, and targeted portfolio turnover and portfolio turnover costs were included in this advice.

The Trustee monitors the performance of the Scheme's investment managers on a quarterly basis, using a quarterly monitoring dashboard. The dashboard shows the performance of each manager over the quarter, 1 year, 3 year and 5 years (where appropriate). Performance is considered in the context of the manager's benchmark and objectives. A more detailed performance report is produced annually over each full Scheme year to 31 March.

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

The Trustee undertook a value for members assessment on 8 June 2021 which assessed a range of factors, including the fees payable to managers in respect of the DC Section over the period which were found to be reasonable when compared against schemes with similar sizes mandates.

6. Realisation of investments

It is the Trustee's policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments. All of the DC Section funds which the Trustee offers are daily priced.

7. Consideration of financially material and non-financial matters

As part of its advice on the selection and ongoing review of the investment managers, 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. The Trustee has delegated responsibility to the Scheme's investment managers to engage with investee companies with the aim to protect and enhance the value of assets and to exercise the Trustee's voting rights in relation to Scheme assets. As part of ongoing monitoring over the Scheme Year, LCP reviews the extent to which the Scheme's investment managers meet these responsibilities and informs the Trustee of any material issues. No significant concerns were identified over the Scheme Year. Further detail on manager voting practices and significant votes over the Scheme Year is included in Section 14.

The Trustee did not assess the responsible investment ("RI") scores for the Scheme's existing managers and funds over the Scheme Year. The Trustee last reviewed these scores along with qualitative RI assessments for each fund and red flags for any managers of concern, in February 2020. The fund scores and assessments are based on LCP's ongoing manager research programme and it is these that directly affect LCP's fund recommendations. The manager scores and red flags are based on LCP's Responsible Investment Survey 2020. The Trustee was satisfied with the results of the review and no further action was taken.

Within the DC Section the Trustee recognises that some members may wish for ethical matters to be taken into account in their investments and therefore, as mentioned in the SIP, it has made available the Ethical Equity Fund as an investment option to members.

When incumbent manager BMO presented to the Trustee during the Scheme Year as part of the Ethical Equity Fund review, the Trustee asked several questions about the managers' ESG, voting and engagement practices. Although the Trustee was reasonably satisfied with the answers it received, it decided to replace BMO with WHEB, a manager whose ESG policies are considered to be more aligned with the Trustee's beliefs, with a greater focus on positive investing criteria.

The Trustee is also considering if the current equity funds used within the DC default arrangement growth phase are sufficiently aligned with its beliefs and is therefore currently reviewing possible alternative investment options that incorporate ESG and/or climate-related matters.

8. Stewardship - voting and engagement

This is covered in Section 7 above.

9. Cost Transparency

As mentioned in Section 5, the fees payable to managers in respect of the DC Section over the period were found to be reasonable when compared against schemes with similar sizes mandates. As part of this review the Trustee looks for opportunities to challenge costs if it identifies any particular manager as an outlier. Overall, the Trustee believes the investment managers provide reasonable value for money.

The transaction costs incurred over the Scheme year for each of the Scheme's funds are considered as part of the annual Chair's Statement. The Trustee believes that the transaction costs incurred have been at acceptable levels over the Scheme year, in line with asset class characteristics and recent market conditions.

10. Employer-Related Investments

The Trustee does not to hold more than 5% of assets in employer-related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005.

11. Additional Voluntary Contributions ("AVCs")

The Scheme provides a facility for members to pay AVCs into the Scheme. A review of the Scheme's AVC arrangements was carried out in November 2020. The Trustee did not identify any issues with the current AVC arrangements and took no further action.

The Trustee also reviews the Scheme's AVC arrangements following any material changes. Following the sale of Equitable Life to Utmost Life & Pensions ("Utmost") on 31 December 2019, the Trustee reviewed the proposed new default arrangement with Utmost and decided that it was suitable for members. Assets were transitioned from Utmost's Secure Cash Fund where they were being temporarily held, to Utmost's default arrangement, the Investing by Age strategy, over a 6 month period from 1 July 2020 to 31 December 2020.

12. Responsibilities, decision-making and fees (Appendix 1 of SIP)

As mentioned in Section 5, the Trustee assesses the performance of the Scheme's investments on an ongoing basis as part of the quarterly monitoring reports it receives.

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 Trustee last assessed LCP against the agreed formal objectives in January 2021 and concluded it was satisfied with performance against these objectives. The Trustee will review the advisor against these objectives on a regular basis.

Following a competitive tender process, the Trustee appointed LikeMinds as a new mandate for providing member communications in August 2020.

During the Scheme Year, the Trustee reviewed the effectiveness of its decision making and governance processes at the Trustee meeting in September 2020. The Trustee was satisfied with the outcome of the effectiveness session and where needed, additional support and processes were put in place. The Trustee decided not to report this to members.

13. Policy towards risk, risk measurement and risk management (Appendix 2 of SIP)

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

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

With regard to the risk of inadequate returns, the Trustee makes 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 option and are also made available within the alternative lifestyles and self-select options. These funds are expected to produce adequate real returns over the longer term.

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.

14. Description of voting behaviour during the Scheme Year

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

In this section we have sought to include voting data on the Scheme's funds. In order to take a pragmatic approach to this, we have only included funds that hold significant equities; namely funds used in the default, as these are deemed to be the Scheme's material DC holdings. We have therefore included data on the Scheme's funds that hold equities as follows:

- BlackRock Global Equity (50:50) Index Fund
- LGIM Future World Fund
- LGIM Infrastructure Equity Fund
- LGIM Passive Emerging Markets Multi Assets Fund
- Newton Real Return Fund

The Trustee has sought to obtain the relevant voting data for Sections 15.2 and 15.3, from all of the investment managers listed above, however were unable to include voting data for the BlackRock Global Equity (50:50) Index Fund, LGIM Passive Emerging Markets Multi Assets Fund and LGIM Infrastructure Equity Fund. The Trustee will continue to work with its advisers and investment managers with the aim of providing fuller voting information in future implementation statements.

If Scheme members require any further information on voting behaviour for a fund not set out in the Implementation Statement, please contact the team through the Lendlease ePA website, who will supply any further information to the extent available.

14.1 Description of the voting processes

BlackRock

Voting decisions are made by members of the BlackRock Investment Stewardship team ("BIS") with input from the wider investment team as required, in accordance with BlackRock's Global Corporate Governance and Engagement Principles and custom market-specific voting guidelines. These high-level Principles are the framework for BlackRock's more detailed, market-specific voting guidelines, all of which are published on the BlackRock website. The Principles describe BlackRock's philosophy on stewardship (including how it monitors and engages with companies), its policy on voting, its integrated approach to stewardship matters and how it deals with conflicts of interest. These apply across relevant asset classes and products as permitted by investment strategies. The Principles are reviewed annually and updated as necessary, to reflect in market standards evolving governance practice and insights gained from engagement over the prior year.

BlackRock takes a case-by-case approach to the items put to a shareholder vote. Analysis is informed by internally-developed proxy voting guidelines, its pre-vote engagement with the company, its research, and any situational factors for a particular company. BlackRock aims to vote at all shareholder meetings of companies in which its clients are invested and generally prefers to engage with the company in the first instance where there are concerns and give management time to address the issue. BlackRock will vote in favour of proposals where it supports the approach taken by a company's management or where it has engaged on matters of concern and anticipates management will address them. BlackRock will vote against management proposals where it believes management may not have adequately acted to advance the interests of long-term investors. BlackRock ordinarily refrains from abstaining from both management and shareholder proposals, unless abstaining is the valid vote necessary.

Whilst BlackRock does subscribe to research from proxy advisory firms, Institutional Shareholder Services Incorporation ("ISS") and Glass Lewis, this is just one among many inputs into its voting decision process. Other sources of information BlackRock uses include the company's own reporting, its engagement and voting history with the company, the views of its active investors, public information and ESG research. BlackRock has for over a decade used an independent fiduciary to vote proxies where it is required by regulation not to vote itself or where there are actual or perceived conflicts of interest. The independent fiduciary makes voting decisions based solely on BlackRock's publicly available proxy voting guidelines, which aim to advance clients' long-term economic interests, and public information disclosed by the relevant company.

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 by LGIM. 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 the 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.

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 LGIM continue to develop its voting and engagement policies and define strategic priorities in the years ahead. LGIM also take into account client feedback received at regular meetings and/or ad-hoc comments or enquiries.

LGIM's Investment Stewardship team uses ISS 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and it does not outsource any part of the strategic decisions. To ensure the proxy provider votes in accordance with LGIM's position on ESG, it has put in place a custom voting policy with specific voting instructions. LGIM retain 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. LGIM have strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by its service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform it of rejected votes which require further action.

Newton

Overall, Newton prefers to retain discretion in relation to exercising its clients' voting rights and has established policies and procedures to ensure the exercise of global voting rights. These policies and procedures have been formulated and approved by their Responsible and Ethical Investment Oversight Group.

Where Newton plans to vote against management on an issue, it often engages with the company in order to provide an opportunity for its concerns to be allayed. It does alert a company regarding an action it has taken at their annual general meeting to explain its thought process and often communicates further with the company's board/investor relations teams to gain a better understanding of the situation.

Newton's Head of RI is responsible for the decision-making process of the RI team when reviewing meeting resolutions for contentious issues, which may be referred to the appropriate analyst for comment. Where relevant, Newton may also decide to confer with the company of other interested parties for further clarification.

An electronic voting service is employed to lodge its voting instructions. Each voting decision taken by a member of the RI team has to be authorised by an alternate member of the team. The corporate actions team is responsible for the administrative elements surrounding the exercise of voting rights by ensuring they have the right to exercise individual clients' votes and that these votes are exercised.

All voting decision are made by Newton, however, Newton utilises ISS for the purpose of administering proxy voting (notification and lodgement of votes), as well as its research reports on individual company meetings. ISS's recommendations will only take precedence in the event of a material potential conflict of interest, which could include registering an abstention. Newton do not maintain a strict proxy voting policy, but instead, it prefers to take into account a company's individual circumstances, their investment rationale and any engagement activities together with relevant governing laws, guidelines and best practices.

14.2 Summary of voting behaviour over the Scheme Year

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

	Fund 1	Fund 2	Fund 3	Fund 4	Fund 5
Manager name	BlackRock	LGIM	LGIM	LGIM	Newton
Fund name	Global Equity (50:50) Index Fund	Future World Fund	Passive Emerging Markets Multi Assets Fund[1]	Infrastructure Equity Fund	BNY Mellon Real return Fund
Total size of fund at end of reporting period	£6,056.0m	£6,014.1m	£7,673.3	£1,962.7m	£5,476.8m
Value of Scheme assets at end of reporting period (£ / % of total assets)	£58.0m	£45.2m	£3.4m	£3.4m	£44.9m
Number of holdings at end of reporting period	2,463	2,181	1882	83	91
Number of meetings eligible to vote	2781	3,250	3998	91	98
Number of resolutions eligible to vote	35,781	39,016	36,036	1,158	1,307
% of resolutions voted	94.2%	99.8%	99.9%	100.0%	99.2%

Of the resolutions on which voted, % voted with management	94.0%[2]	81.8%	85.2%	85.1%	85.4%
Of the resolutions on which voted, % voted against management	5.9%[2]	17.6%	13.4%	14.9%	14.6%
Of the resolutions on which voted, % abstained from voting	0.4%[2]	0.6%	1.4%	0.0%	0.0%
Of the meetings in which the manager voted, % with at least one vote against management	N/A[3]	5.7%	5.1%	5.6%	38.0%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	N/A[4]	0.3%	0.0%	0.4%	9.9%

[1]This fund is a Fidelity wrapped fund comprised of one LGIM equity fund and two LGIM bond funds. Data shown is with respect to the equity component which is the LGIM World Emerging Markets Equity Index Fund.
[2]These fields may not always add up to 100% or the total of the percentage of resolutions on which BlackRock was eligible to vote. This is due to how the totals for each individual field are calculated for votes with and votes against management in the vote reports. There are two reasons that apply; the votes cast with and against management include abstained votes (abstained votes are counted as votes against management) and if there were multiple vote strings for a given meeting, any proposal voted in a different manner between the vote strings is counted twice.
[3]BlackRock has been unable to provide this data item.
[4]BlackRock has been unable to provide this data item and has stated that this data is not available as it does not follow any single proxy research firm's voting recommendations and is currently subscribed to two research firms. BlackRock's voting and engagement analysis is determined by several key inputs including a company's own disclosures, and BlackRock's record of past engagements.

14.3 Most significant votes over the Scheme Year

Commentary on the most significant votes over the period, from the Scheme's asset managers who hold listed equities and are included in the DC default strategy, is set out below. If mangers provided more than one significant vote, we have selected the vote with the largest approximate size of fund's holding as at the date of the vote, where available. When the size of the fund holding is unavailable, we have chosen votes to provide the best coverage of all three aspects of ESG issues. We have interpreted "most significant votes" to mean those that:

- might have a material impact on future company performance;
- the investment manager believes to represent a significant escalation in engagement, for example a vote against management may constitute this;
- impact a material fund holding, although this would not be considered the only determinant of significance, rather it is an additional factor; or
- have a high media profile or are seen as being controversial.

1. BlackRock Global Equity (50:50) Index Fund – Santander Consumer USA Holdings ("Santander"), US, June 2020

Summary of resolution: The resolution was for Santander to report on risk of racial discrimination in vehicle lending.

Vote: For.

Rationale: BlackRock believes discriminatory lending practices (of all forms) are a material risk to the company's business and shareholders would benefit from increased and improved disclosure on compliance programmes, processes and procedures, as well as risk mitigation processes and procedures, to prevent discriminatory lending (including racial discrimination). BlackRock believes the company has an opportunity to provide investors with a more detailed explanation of how it assesses, manages and mitigates the risk of racial discriminatory lending practices. Given the high degree of reputational and litigation risks, improved disclosure on the mechanisms for compliance would give shareholders comfort that the risk is appropriately mitigated. Moreover, detail about this particular business risk would give investors a sense of how the company addresses other forms of discriminatory lending.

2. BlackRock Global Equity (50:50) Index Fund – Barclays Plc, UK, May 2020

Summary of resolution: The resolutions were to approve Barclays' Commitment to Tackling Climate Change (resolution 29) and to approve ShareAction Requisitioned Resolution (resolution 30).

Vote: BlackRock voted for resolution 29 and against resolution 30.

Rationale: In January 2020, a coalition of investors filed a shareholder resolution (resolution 30) asking Barclays to set and disclose targets to phase out the provision of financial services to the energy sector, as well as electric and gas utility companies that are not aligned with Articles 2.1(a) and 4.1 of the Paris Agreement. Following engagement with its shareholders and other stakeholders, including BlackRock, Barclays announced on 30th March 2020 updated ambitions with respect to tackling climate change. Barclays proposed its own resolution (Resolution 29) at its annual general meeting to commit the company to a strategy, with targets, for alignment of its entire financing portfolio to the goals of the Paris Agreement. Barclays has committed to provide further details of the strategy by the end of the year. Additionally, in the company's latest ESG report, published concurrently with its climate strategy announcement, it enhanced its ESG disclosures by reporting for the first time against the framework established by the Sustainability Accounting Standards Board.

1. LGIM Future World Fund – Amazon, United Kingdom, May 2020.

Summary of resolution: Disclosure to encourage a better understanding of process and performance of material issues (resolutions 5, 6, 7, 8, 10, 13, 15 and 16) and governance structures that benefit long-term shareholders (resolutions 9 and 14).

Vote: Of 12 shareholder proposals, LGIM voted for 10.

Rationale: In addition to facing a full slate of proxy proposals, in the two months leading up to the annual meeting, Amazon was on the front lines of a pandemic response. The company was already on the back foot owing to the harsh workplace practices alleged by the author of a seminal article in the New York Times published in 2015, which depicted a bruising culture. The news of a string of workers catching Covid-19, the company's response, and subsequent details, have all become major news and an important topic for LGIM's engagements leading up to the proxy vote. The LGIM team has had multiple engagements with Amazon over the past 12 months. The topics of its engagements touched most aspects of ESG, with an emphasis on social topics. The allegations from current and former employees are worrying. Amazon employees have consistently reported not feeling safe at work, that paid sick leave is not adequate, and that the company only provides an incentive of $2 per hour to work during the pandemic. Also cited is an ongoing culture of retaliation, censorship, and fear. LGIM discussed with Amazon the lengths the company is going to in adapting their working environment, with claims of industry leading safety protocols, increased pay, and adjusted absentee policies. However, some of their responses seemed to have backfired. For example, a policy to inform all workers in a facility if Covid-19 is detected has definitely caused increased media attention.

2. LGIM Future World Fund – Olympus Corporation, United Kingdom, July 2020.

Summary of resolution: The resolution was to elect Director Yasuo Takeuchi at the company's annual shareholder meeting held on 30 July 2020.

Vote: Against.

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, LGIM believe that every board should have at least one female director. LGIM deem this a de minimis standard. Globally, LGIM aspire to all boards comprising 30% women. In February 2019, LGIM 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 LGIM expects to see at least one woman on the board. One of the companies targeted was Olympus Corporation.

In the beginning of 2020, LGIM announced that it 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. LGIM 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. However, 95% of shareholders supported the election of the director. This vote is deemed significant as LGIM considers it imperative that the boards of Japanese companies increase their diversity.

LGIM Passive Emerging Markets Multi Assets Fund – company, country, date

There were no significant votes made in relation to the securities held by this fund during the reporting period.

LGIM Infrastructure Equity Fund

The asset manager deemed there were no significant votes made in relation to the securities held by this fund during the reporting period.

1. Newton Real Return Fund – LEG Immobilien AG, Germany, August 2020

Summary of resolution: Approve the remuneration policy.

Vote: Against.

Rationale: Newton voted against the proposed pay arrangements on account of their lack of alignment with performance. The executive long-term compensation scheme was entirely cash-based, and although this was indicated to be performance-linked, no disclosures were provided on performance targets. With targets not being disclosed, Newton was concerned that long-term awards could vest for below-median poor performance. Furthermore, the introduction of special remuneration awards through transaction-based bonuses were not considered to be ideal for promoting talent retention, due to these generally being one-off in nature. The vote outcome is considered significant owing to more than 20% of votes being instructed against its approval. It is likely that the company will seek to address concerns in an effort to avoid similar or higher future dissent. Newton believes investor scrutiny of pay arrangements is increasing and the significance of the high vote against is important to note given that a majority of pay proposals from companies rarely see such high levels of dissent.

2. Newton Real Return Fund – Microsoft Corporation, US, December 2020

Summary of resolution: Elect Director, Advisory Vote to Ratify Named Executive Officers' Compensation and Ratify Deloitte & Touche LLP as Auditors.

Vote: Against.

Rationale: Despite improvements to executive remuneration practices over recent years, Newton remained concerned that approximately half of long-term pay awards vest irrespective of performance. Newton voted against the executive compensation arrangements and against the three members of the compensation committee.

Newton also voted against the re-appointment of the company's external auditor given that its independence was jeopardised by having served in this role for 37 consecutive years.