Harsco Pension Scheme

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

The Trustees of the Harsco Pension Scheme (the "Scheme") are required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed their 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 2-11.

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

This Statement uses the same headings as the Scheme's SIP dated 13 August 2019 and should be read in conjunction with the SIP.

1. Introduction

No review of the SIP was undertaken during the Scheme Year. The last time the SIP was formally updated was on 13 September 2019.

The Trustees have, in their 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 they did this.

The Trustees have, in their opinion, followed the Scheme's voting and engagement policies during the Scheme Year, by continuing to delegate to their investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes.

2. Investment objectives

DB Section

Progress against the Scheme's long-term journey plan is reviewed by the Trustees using quarterly performance monitoring reports, prepared by the Trustees' investment consultants. The Trustees are also able to view the Scheme's progress towards the Trustees' investment objectives on an ongoing basis, using LCP Visualise online (an online software tool which measures the Scheme's investment returns and funding level from time to time).

As at 31 March 2021 the Scheme was on track to achieve full funding on a technical provisions basis by the Trustees' target date of 31 August 2025.

The Trustees were satisfied that the Scheme's current investment strategy met their stated policy under the SIP of achieving additional returns without excessive risk.

DC Section

As part of the performance and strategy review of the DC default arrangement on 14 December 2020, the Trustees 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 amendments that could be made to improve the strategy. The analysis concluded that the Default cash lump sum target remained appropriate and average projected pot sizes at retirement for the membership as a whole were not so large as to support targeting drawdown or annuity purchase.

The Trustees also provide members with access to a range of investment options which they believe are suitably broad for members and enable appropriate diversification since they cover the key asset classes of equities, bonds and cash. The Trustees have made available alternative lifestyle strategies and a self-select fund range to members covering all major asset classes as set out in Appendix 3 of the SIP. The Trustees monitor the take up of these funds and it is limited.

3. Investment strategy

DB Section

As set out in the SIP, as the Scheme matures, the Trustees will seek to de-risk the investment strategy in line with changes in the liability profile of the Scheme. This means that the investment strategy is expected to target a higher allocation to lower risk assets gradually as the Scheme matures. The Trustees took a number of actions over the Scheme Year to de-risk the investment strategy as set out in the following paragraph.

The Trustees reviewed the Scheme's interest rate and inflation hedging levels over the Scheme Year. As a result the Trustees switched c£68m from a combination of L&G index-linked gilts, L&G corporate bonds, BMO sterling liquidity and BMO short duration credit to the BMO LDI portfolio, across three tranches throughout November and December, to increase the interest rate and inflation hedging to 80% (i.e. broadly in line with the funding level on a Technical Provisions basis). This would help to stabilise the technical provisions funding level and reduce the impact of changing gilt yields on the value of the Scheme's technical provisions, whilst leaving the expected return on assets broadly unchanged. As part of this review, the Trustees made sure the Scheme's assets were adequately and appropriately diversified between different asset classes. This reallocation was consistent with a stated aim under the SIP to de-risk the investment strategy gradually as the Scheme matures. This reallocation also implemented the time-based hedging mechanism set out in SIP.

There is no formal rebalancing policy. The Trustees monitor the asset allocation from time to time. If material deviations from the strategic allocation occur, the Trustees will consider with their advisers whether it is appropriate to rebalance the assets, taking into account factors such as market conditions and anticipated future cash flows.

The Scheme's asset allocation deviated from the strategic allocation during April 2020 due to the impact of Covid-19 on markets and the Scheme's assets. The Trustees decided to take rebalancing action by disinvesting £17.4m from the L&G corporate bond mandate, and the proceeds were invested in L&G overseas equity index funds (£5.8m), the BMO LDI portfolio (£5.8m), and the BMO sterling liquidity fund (£5.8m). The Trustees made this decision after advice from their investment consultants and after taking into account such factors as market conditions (in the light of the COVID-19 pandemic) and anticipated cashflows, in line with the SIP.

As part of agreeing the 31 March 2018 actuarial valuation, a schedule of contributions was put in place, with contributions to be paid to the Scheme until 31 August 2025. Therefore, the Trustees' target is to achieve full funding on a Technical Provisions basis by 31 August 2025 or sooner. The Trustees are satisfied that the Scheme's current investment arrangements are making good progress towards that target.

The Trustees monitor the required return triggers put in place as part of the Scheme's de-risking mechanism using LCP Visualise, an online software tool which monitors the required return automatically on a daily basis. If a trigger were to be hit, LCP Visualise would notify the Trustees via email. The Trustees would then discuss the appropriate course of action with their investment consultant. The Trustees also review the Scheme's progress against the triggers, using the quarterly performance monitoring reports which they receive from LCP. If a trigger were hit, the Trustees would consider the appropriateness of the proposed de-risking action before it is implemented. No such triggers were hit during the Scheme Year.

DC Section

The Trustees, with the help of their advisers and in consultation with the sponsoring employer, reviewed the strategy and performance of the default arrangement during the Scheme Year. The Trustees concluded that cash lump sum withdrawal remains an appropriate retirement target. The Trustees reviewed the glidepath of the strategy and the underlying funds used (in other words, the changing mix of assets which members are invested in throughout their journey to their target retirement date). The Trustees concluded that the default strategy remains suitable for members. However, the Trustees are considering some refinements, including reducing the UK equity overweight in the growth phase, introducing a climate-tilted global equity fund to help mitigate climate change risk, replacing the current Diversified Growth Fund with a strategic multi-asset allocation (to reduce reliance on manager skill and reduce fees), replacing the absolute return bond fund with a short duration credit fund (to reduce fees and complexity and mirror what was done in the DB Section) and amending the design of the strategic asset allocation and how this changes over time.

As part of this review the Trustees made sure the Scheme's default arrangement was adequately and appropriately diversified between different asset classes and that the self-select options provide a suitably diversified range to choose from.

The Trustees are monitoring retirement data in respect of how members are taking their benefits on an ongoing basis and no specific actions have been taken during this Scheme Year in relation to the retirement options available to members.

4. Considerations in setting the investment arrangements

DB Section

When the Trustees reviewed the interest rate and inflation hedging in the DB investment strategy in September 2020 (as detailed in Section 3), they considered the investment risks set out in Appendix 2 of the SIP. The Trustees considered a series of scenarios which assess the impact of the Scheme's funding position over different changes in gilt yields over various interest rate and inflation hedge ratios. They also considered a wide range of asset classes for investment, taking into account the expected returns and risks associated with those asset classes as well as how these risks can be mitigated. The Trustees also considered if the Scheme had adequate collateral to meet de-leveraging events on the LDI portfolio.

DC Section

When the Trustees undertook a performance and strategy review of the DC default arrangement on 14 December 2020, they considered the investment risks set out in Appendix 2 of the SIP. They also considered a wide range of asset classes for investment, taking into account the expected returns and risks associated with those asset classes as well as how these risks can be mitigated.

Following their review in December 2021, the Trustees concluded that a cash lump sum remains an appropriate retirement target. The Trustees reviewed the glidepath of the strategy and the underlying funds used (in other words, the changing mix of assets which members are invested in throughout their journey to their target retirement date). However, the Trustees are considering some refinements to the Default, including reducing the UK equity overweight in the growth phase, introducing a climate-tilted global equity fund to help mitigate climate change risk, replacing the current Diversified Growth Fund with a strategic multi-asset allocation (to reduce reliance on manager skill and reduce fees), replacing the absolute return bond fund with a short duration credit fund (to reduce fees and complexity and mirror what was done in the DB Section) and amending the glidepath (as described above). In the DB Section, the same passively managed climate tilted equity fund was considered by the Trustees in February 2021 and has been implemented since the Scheme's year end.

The Trustees did not formally update their investment beliefs over the Scheme Year. However, over the Scheme Year, the Trustees have considered responsible investment ("RI") and environmental, social and governance ("ESG") issues. The Trustees asked the Scheme's investment managers questions relating to their views on various topics over the Scheme Year such as human rights risk of companies (May 2020); modern slavery and climate action in the boardroom (November 2020); and net zero carbon emissions and pay ratios between CEOs and employees in March 2021.

5. Implementation of the investment arrangements

The Trustees have not made any changes to the Scheme's investment manager arrangements or appointments over the Scheme Year.

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

The Trustees regularly invite the Scheme's investment managers to present at Trustee meetings. Over the Scheme Year, the Trustees met with Ruffer, BMO, JP Morgan, ASI, Lazard, Fundsmith and MFS to discuss the Scheme's investments.

The Trustees were comfortable with all of their investment manager arrangements over the Scheme Year. However, they are planning to make some changes to the DC Section over the next Scheme Year as a result of the triennial DC strategy review (which is covered in Section 3 – Investment Strategy – DC Section).

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

The most recent quarterly report shows that the majority of the Scheme's investment managers have produced investment performance broadly in line with expectations over the long-term. However, in the DB section, the Lazard Global Listed Infrastructure Equity Fund has underperformed its benchmark and target over one-, three- and five-year periods to 31 March 2021 (although has produced positive returns on an absolute basis). The Trustees met with Lazard over the Scheme Year and discussed the relevant Lazard fund with their investment advisor, following which they decided to remain invested in that fund. Following those discussions and advice from their investment consultant, the Trustees were reasonably satisfied that Lazard's investment process and team are credible and therefore should outperform going forward. It was agreed that the Lazard fund would be closely monitored going forwards. The Fundsmith Equity fund also underperformed its benchmark over a one year period to 31 March 2021.

In the DC Section, the Active Global Equity Fund, the Diversified Growth Fund and the Absolute Return Bond Fund all underperformed their respective benchmarks and targets over three years to 31 March 2021. During the Scheme Year the Trustees decided, based on advice from the investment consultant, to change the Diversified Growth Fund to a passive strategic mix of funds (thus removing active manager risk) and to remove the Absolute Return Bond Fund in favour of using an allocation to short duration credit (ie corporate bonds with low maturities). The Trustees' investment consultant has confirmed the Active Global Equity Fund is one they continue to rate highly and believe will outperform over the longer term; the Trustees have agreed with the recommendation to retain this fund. The changes were due to be implemented after the Scheme Year End.

For the period covered by this Statement, the Trustees undertook a DC value for members assessment in June 2020 which assessed a range of factors, including the fees payable to managers in respect of the DC Section, which were found to be reasonable when compared against schemes with similar circumstances. The review covered fees and concluded the fees were value for members, as the fees were shown to be competitive versus other similar schemes.

On a biennial basis the Trustees assess the DB investment managers' fees in light of LCP's fee survey. This assessment last took place in 2019 and will next take place in late 2021. At the last such review, the Trustees concluded that the Scheme's investment manager fees overall were broadly in line with the market such that fees provided value for money and are sufficient to incentive strong performance, or where they were higher than the market they were justified for the active management contribution made by the manager.

Overall, the Trustees believe the investment managers provide good value for money.

The Scheme's investment consultant considered portfolio turnover and associated transaction costs as appropriate in its advice to the Trustees as stated in the SIP. Transaction costs resulting from portfolio turnover are also reviewed as part of producing the annual DC chair's statement and the Trustees' investment consultants confirmed that the transaction costs are as expected.

6. Realisation of investments

DB Section

The Trustees policy under the SIP is to decide on the amount of cash required for benefit payments and other outgoings and inform the investment managers of any liquidity requirements. The Trustees do this with the assistance of the employer's in house pensions team who reports to the Trustees on this monthly and works with the Trustees to inform the relevant investment manager of the cash requirement. In line with the SIP the Trustees ensured that the Scheme's assets were sufficiently liquid to meet the cashflow needs of the Scheme, by sharing information with their investment consultants about the Scheme's cashflow requirements when reviewing the investment strategy from time to time.

Over the Scheme Year, the Trustees used cashflow to help rebalance the Scheme's assets towards the strategic asset allocation. On a number of occasions, the Trustee disinvested cash from the BMO Sterling Liquidity Fund holding to meet benefit payments. In April 2020 the Trustees transferred around 3% of total Scheme assets from corporate bonds to equities, LDI and cash to rebalance the assets and bring the Scheme's interest rate and inflation hedging closer to the target level.

The Trustees receive income from Lazard global infrastructure, Fundsmith equities, and L&G equities, which is retained in the Trustees' bank account and used towards paying benefit payments.

DC Section

It is the Trustees' policy to make available DC funds that offer daily dealing to enable members to readily realise and change their investments. All of the DC Section funds which the Trustees have selected for use are daily priced.

7. Financially material considerations and non-financial matters

As part of its ongoing review of the investment managers, the Trustees' investment consultant considers the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations), voting and engagement. The Trustees also receive a quarterly report from their investment consultants on the investment managers in the DB section and how they have responded to topical environmental, social and governance matters.

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

Ruffer, BMO, JP Morgan, ASI, Lazard, Fundsmith and MFS presented to the Trustees during the Scheme Year. The Trustees asked several questions about the managers' ESG, voting and engagement practices and were satisfied with the answers they received.

The Trustees queried Fundsmith's approach on ESG risks in the Fundsmith Equity Fund following a disappointing response from Fundsmith in the topical ESG report from LCP at the 14 December 2020 Investment Committee meeting.

Following discussions throughout the Scheme Year, which concluded with a presentation from L&G on 30 March 2021, the Trustees decided to transfer the Scheme's passive L&G overseas equity holdings within the DB Section to the L&G Low Carbon Transition Fund range. These transfers have been implemented post Scheme Year end. The Trustees made this decision to reduce climate risks in the Scheme's equity allocation, meet increasing climate focused regulation and the policies on financially material considerations as set out in the Scheme's SIP.

8. Voting and engagement

As the Trustees currently invest Scheme assets in pooled funds, the Trustees do not engage directly with debt or equity issuers and are not able to direct how any votes are exercised. In addition, the Trustees have not used any proxy voting services over the Scheme Year. Any voting and engagement activities in respect of the underlying assets of the Scheme's investments are undertaken by the Scheme's investment managers. The Trustees have monitored those activities, as explained in Section 7 above.

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

The Investment Committee meet quarterly to monitor the performance of the investment strategies and funds used in both the DB and DC Sections of the Scheme. In these meetings the investment consultants would also generally present material investment advice, such as on a strategic change. The investment consultant also includes a quarterly update in the packs for these meetings on any new developments that may impact the Trustees' investment governance and responsibilities (for example if there are new requirements the Trustees must comply with).

As mentioned in Section 5, the Trustees assess the performance of the Scheme's investments on an ongoing basis as part of the quarterly monitoring reports they receive from LCP. The Trustees do not monitor for changes to the custodian appointments since there is no direct relationship between the Scheme and any of the custodians of the pooled funds. The pooled fund custodians are appointed by the investment manager of the pooled funds based on their own thorough due diligence. The Trustees' investment consultants monitor the investment managers internal controls as part of an annual review, and as part of their ongoing manager research.

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

The Trustees have put in place formal objectives for their investment adviser and they review the adviser's performance against these objectives on a regular basis. The last review was conducted on 5 March 2021. The Trustees were satisfied with the performance of their investment advisor against the objectives and will aim to continue to review performance annually.

There is not a formal process in place to independently evaluate the performance and effectiveness of the Trustees. However, the Trustees maintain a training log and review a training programme annually, to help identify any gaps in their knowledge and understanding and self-evaluate their effectiveness. The Trustees also rely on their advisers to highlight any areas for improvement, either specifically perceived in their dealings with the Trustees or by comparison with areas of good practice displayed by other clients. All Trustees have completed Trustee fitness and propriety questionnaires, based on the Regulator's own questionnaire for those wishing to be included on its register of independent Trustees.

As part of any change to the SIP the Trustees consult the employer on those changes. The SIP was not changed over the Scheme Year and therefore the employer was not consulted.

10. Policy towards risk (Appendix 2 of SIP)

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

The Trustees maintain a risk register to identify potential risks in relation to the Scheme (including its administration) and use it to agree precautionary measures to reduce those risks.

The Trustees use LCP's Spotlight On All Risks (SONAR), which is a tool that shows how the Scheme's key risk exposures compare with other schemes.

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

Risks are reviewed as part of the quarterly performance report provided to the Trustees, and ad-hoc when required. Over the Scheme Year, risks were considered as part of the DC strategy review and the changes agreed by the Trustee (which is covered in Section 3 – Investment Strategy – DC Section) were made taking these risks into consideration. Investment risk (standard deviation of returns) of the DC strategy is considered as part of the quarterly reports produced by the investment consultants.

With regard to the risk of inadequate returns in the DB Section, as part of the last investment strategy review, the Trustees considered the required return for the Scheme to be fully funded on a Technical Provisions basis by the end of the recovery plan and set the investment strategy such that the best estimate expected return on the Scheme's strategic asset allocation was in excess of this. Therefore, the expected return on the Scheme's assets was expected to be sufficient to produce the return needed over the long-term. This is monitored by the Trustees on an ongoing basis using LCP Visualise and as part of quarterly meetings.

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

The Scheme's interest and inflation hedging levels are monitored by the investment consultant on an ongoing basis, and the level of hedging achieved in practice is shown in quarterly reports provided to the Trustees. Throughout November 2020 and December 2020, the Trustees increased the Scheme's interest rate and inflation hedge ratios from around 60% to around 80% of the Scheme's Technical Provisions liabilities.

With regard to collateral adequacy risk, the Trustees ensure that the Scheme has a sufficient allocation to cash and other highly liquid assets which can be readily realised, so that cash can be posted to the LDI manager at short notice if required. In the investment consultant's quarterly reports to the Trustees, they include information on collateral adequacy, confirming an estimate of how much cash the LDI may realistically call for in the short term, and confirming the assets available to meet that call. As at 31 March 2021 the Scheme held more than enough liquid assets in the BMO Sterling Liquidity Fund and the BMO Global Low Duration Credit Fund to meet the next capital call on the LDI funds.

Together, the investment and non-investment risks set out in Appendix 2 of the SIP give rise generally to funding risk. The Trustees formally review the Scheme's funding position as part of its annual actuarial report, and also use this opportunity to monitor changes in market conditions. On a triennial basis the Trustees review the funding position, allowing for membership changes and other Scheme experience. The Trustees also informally monitor the funding position more regularly, on a quarterly basis at Trustee meetings, and the Trustees also have the ability to monitor this daily on LCP Visualise.

The Trustees have put in place a "required return" de-risking trigger mechanism, designed to reduce the risk of the investment strategy as appropriate. If the required return to be fully funded on a Technical Provisions basis by

31 August 2025 falls to a pre-determined level (ie there is good news, such as better than expected returns on the Scheme's assets), then the Scheme's assets will be moved to a new lower risk investment strategy. If there is bad news and the required return increases (meaning the de-risking triggers are now far from being reached), then the Trustees will engage with the Company about potential actions the Trustees should take, including reviewing the trigger mechanism. More details regarding this mechanism can be found in the SIP.

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. The Trustees take into account other non-investment risks when setting the Scheme's investment strategy. For example if the Trustees become aware of a material change in the sponsor's covenant following professional advice or if the Scheme Actuary advises of any material change in longevity assumptions. Where this applies the Trustees will bring this to the attention of their investment consultants. During the Scheme Year the Trustees did not become aware of any material such changes to these types of non-investment risk.

11. Investment manager arrangements (Appendix 3 of SIP)

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

12. Description of voting behaviour during the Scheme Year

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

For the DB Scheme, we have sought to include voting data on the Scheme's funds that hold equities, as follows:

- Fundsmith Equity Fund
- JP Morgan Life All Emerging Markets Equity Fund
- Lazard Global Listed Infrastructure Equity Fund
- LGIM UK Equity Index Fund
- LGIM North America Equity Index Fund – GBP Hedged
- LGIM Europe (ex UK) Equity Index Fund – GBP Hedged
- LGIM Japan Equity Index Fund – GBP Hedged
- LGIM Asia Pacific (ex Japan) Developed Equity Index Fund – GBP Hedged
- Ruffer Absolute Return Fund

For the DC Scheme, we have sought to include voting data on the Scheme's funds in the main default arrangement, the Lump Sum Strategy, that hold equities, as follows:

- BlackRock UK Equity Index Fund
- BlackRock World (ex-UK) Equity Index Fund
- BlackRock Emerging Markets Equity Index Fund
- BlackRock Aquila Life Market Advantage Fund
- BlackRock Global Property Securities Equity Index Fund
- LGIM Infrastructure Index Pension Fund

For the DC Section we have included only the funds used in the main default arrangement and not any self-select funds since these are the funds with the most members invested.

In addition to the above, the Trustees contacted the Scheme's other asset managers that don't hold listed equities, to ask if any of the assets held by the Scheme had voting opportunities over the Scheme Year. None of the other pooled funds that the Scheme invested in over the Scheme Year held any assets with voting opportunities.

12.1 Description of the voting processes

The following statements have been provided by the Scheme's investment managers.

BlackRock

Each year, the BlackRock Investment Stewardship ("BIS") team reviews and updates BlackRock's Global Principles ("Principles") and market-level voting guidelines to ensure that its policies are aligned with its commitment to pursuing long-term financial returns for its clients as shareholders. 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's proxy voting process is led by the BIS, which consists of three regional teams – Americas, Asia-Pacific, and Europe, Middle East and Africa – located in seven offices around the world. The analysts within each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BIS team with input from investment colleagues as required, in each case, in accordance with BlackRock's Principles and custom market-specific voting guidelines. While BlackRock subscribes to research from the proxy advisory firms Institutional Shareholder Services ("ISS") and Glass, Lewis & Company, it is just one among many inputs into its vote analysis process, and BlackRock does not blindly follow their recommendations on how to vote. BlackRock primarily uses proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that its investment stewardship analysts can readily identify and prioritise those companies where BlackRock's own additional research and engagement would be beneficial. Other sources of information that BlackRock use includes the company's own reporting (such as the proxy statement and the website), BlackRock's engagement and voting history with the company, and the views of BlackRock's active investors, public information and ESG research.

BlackRock ordinarily refrain from abstaining from both management and shareholder proposals, unless abstaining is the valid vote option (in accordance with company by-laws) for voting against management, there is a lack of disclosure regarding the proposal to be voted, or an abstention is the only way to implement our voting intention. In all situations the economic interests of BlackRock's clients will be paramount.

Fundsmith

Fundsmith assess each vote on a case-by-case basis and will vote in the best interest of their clients, supporting the long-term performance of the company in question. Fundsmith use ProxyEdge to organise their voting activity. Details of the votes for each AGM is sent to the analyst covering the company and the portfolio manager. Each party assesses the vote and forwards their recommendation, with the portfolio manager making the ultimate decision. Votes are submitted through ProxyEdge, with confirmation that votes have been submitted sent to the portfolio manager.

JP Morgan

JP Morgan investment professionals monitor the corporate actions of the companies held in their clients' portfolios. To assist JP Morgan investment professionals with public companies' proxy voting proposals, a JP Morgan Entity may, but shall not be obligated to, retain the services of an independent proxy voting service ("Independent Voting Service"). The Independent Voting Service is assigned responsibility for various functions, which may include one or more of the following: coordinating with client custodians to ensure that all proxy materials are processed in a timely fashion; providing JP Morgan with a comprehensive analysis of each proxy proposal and providing JP Morgan with recommendations on how to vote each proxy proposal based on the guidelines or, where no Guideline exists or where the guidelines require a case-by-case analysis, on the Independent Voting Service's analysis; and executing the voting of the proxies in accordance with guidelines and its recommendation, except when a recommendation is overridden by JP Morgan. If those functions are not assigned to an Independent Voting Service, they are performed or coordinated by a Proxy Administrator. The Proxy Voting Committee has adopted procedures to identify significant proxies and to recall shares on loan.

Situations often arise in which more than one JP Morgan client invests in the same company or in which a single client may invest in the same company but in multiple accounts. In those situations, two or more clients, or one client with different accounts, may be invested in strategies having different investment objectives, investment styles, or portfolio managers. As a result, JP Morgan may cast different votes on behalf of different clients or on behalf of the same client with different accounts.

Lazard

Lazard's policy is to vote proxies on a given issue in the same manner for all clients. With full proxy authority, Lazard attempts to vote on 100% of the portfolio on a best-effort basis. This is subject to market restrictions due to share-blocking, custodial support, and the availability of timely research on agenda items. Lazard has approved specific proxy voting guidelines regarding various common proxy proposals. These guidelines set out whether Lazard professionals should vote for or against a specific agenda item in every instance or whether an issue should be or considered on a case-by-case basis.

If an investment professional seeks to vote in a manner that contradicts the guidelines, which is rare, Lazard's Proxy Committee must approve the vote. The investment professional must provide the committee with a detailed rationale for their recommendation, and the Proxy Committee will then determine whether or not to accept and apply that vote recommendation to the specific meeting's agenda. Case-by-case agenda items are evaluated by Lazard's investment professionals based on their research of the company and evaluation of the specific proposal.

Legal & General

L&G's voting and engagement activities are driven by ESG professionals and its assessment of the requirements in these areas seeks to achieve the best outcome for all its clients. L&G's voting policies are reviewed annually and take into account feedback from its clients.

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

All voting decisions are made by L&G's Investment Stewardship team and in accordance with L&G's relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually by L&G. 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 helps ensure L&G's 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.

L&G's Investment Stewardship team uses Institutional Shareholder Services' ("ISS") 'ProxyExchange' electronic voting platform to electronically vote. All voting decisions are made by L&G and it does not outsource any part of the strategic decisions. ISS' recommendations are used to augment L&G's own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services to supplement the research reports received from ISS for UK companies when making specific voting decisions.

To ensure the proxy provider votes in accordance with its position on ESG, L&G has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what L&G considers are minimum best practice standards that all companies globally should observe, irrespective of local regulation or practice.

L&G retains the ability in all markets to override any vote decisions, which are based on its custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows L&G to apply a qualitative overlay to its voting judgement. L&G has 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.

Ruffer

Ruffer has internal voting guidelines as well as access to proxy voting research, currently from ISS, to assist in the assessment of resolutions and the identification of contentious issues. Although Ruffer note that it is cognisant of proxy advisers' voting recommendations, in general, they do not delegate or outsource their stewardship activities when deciding how to vote on clients' shares. Research analysts are responsible, supported by the responsible investment team, for reviewing the relevant issues on a case-by-case basis and exercising their judgement, based on their in-depth knowledge of the company. If there are any controversial resolutions, a discussion is convened with senior investment staff and, if agreement cannot be reached, there is an option to escalate the decision to the Head of Research or the Chief Investment Officer. Ruffer will look to discuss with companies any relevant or material issue that could impact an investment. If it is decided to vote against the recommendations of management, they will endeavour to communicate this decision to the company before the vote along with the explanation for doing so.

Collaborative engagement can also provide a platform to engage on wider sector, regulatory and policy matters with investors and other stakeholders. Ruffer is open to working alongside other investors on both policy and company specific matters. The decision to collaborate on company specific matters will be judged on a case-by-case basis by the responsible investment team with input from research analysts and portfolio managers as well as the legal and compliance teams.

12.2 Summary of voting behaviour over the Scheme Year

A summary of voting behaviour over the Scheme Year is provided in the tables below.

<u>DB Section</u>

	Fund 1	Fund 2	Fund 3	Fund 4	Fund 5
Manager name	Fundsmith	JP Morgan	Lazard	Legal & General	Legal & General
Fund name	Equity Fund	Life All Emerging Markets Equity Fund	Global Listed Infrastructure	UK Equity Index Fund	North America Equity Index Fund – GBP Hedged
Total size of fund at end of reporting period	£24,400.0m	£276.6m	£1,400.0m	£21,983.2m	£17,354.3m
Value of Scheme assets at end of reporting period (£s / % of total assets)[1]	£55.1m / 8.7%	£43.5m / 6.8%	£45.8m / 7.2%	£59.8m / 9.4%	£17.0m / 2.7%
Number of holdings at end of reporting period	29	73	26	598	662
Number of meetings eligible to vote	6	91	29	943	794
Number of resolutions eligible to vote	97	797	349	12,574	9,495
% of resolutions voted	100.0	92.2	100.0	100.0	100.0
Of the resolutions on which voted, % voted with management	95.0	92.0	95.1	92.9	71.8
Of the resolutions on which voted, % voted against management	5.0	5.5	4.9	7.1	28.2
Of the resolutions on which voted, % abstained from voting	0.0	2.5	0.0	0.0	0.0
Of the meetings in which the manager voted, % with at least one vote against management	66.7	18.7	31.0	3.3	7.8
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor[2]	Not available	2.9	2.0	0.8	0.3

	Fund 6	Fund 7	Fund 8	Fund 9
Manager name	Legal & General	Legal & General	Legal & General	Ruffer
Fund name	Europe (ex UK) Equity Index Fund – GBP Hedged	Japan Equity Index Fund – GBP Hedged	Asia Pacific (ex Japan) Developed Equity Index Fund – GBP Hedged	Absolute Return Fund
Total size of fund at end of reporting period	£4,914.4m	£2,715.3m	£1,745.2m	£5,018.3m

Value of Scheme assets at end of reporting period (£s / % of total assets)[1]	£23.2m / 3.6%	£9.1m / 1.4%	£9.1m / 1.4%	£69.7m / 11.0%
Number of holdings at end of reporting period	461	509	404	85
Number of meetings eligible to vote	686	551	534	86
Number of resolutions eligible to vote	11,412	6,518	3,774	1,144
% of resolutions voted	99.9	100.0	100.0	97.0
Of the resolutions on which voted, % voted with management	84.2	86.1	74.2	91.0
Of the resolutions on which voted, % voted against management	15.3	13.9	25.8	9.0
Of the resolutions on which voted, % abstained from voting	0.5	0.0	0.0	2.0
Of the meetings in which the manager voted, % with at least one vote against management	4.4	5.9	10.1	43.0
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	0.4	0.2	0.2	7.9

[1]The % of total assets figure displayed in these columns excludes the Trustees bank account balance.
[2]Fundsmith do not use proxy advisers, instead they analyse their votes in-house.

DC Section

	Fund 1	Fund 2	Fund 3	Fund 4	Fund 5	Fund 6
Manager name	BlackRock	BlackRock	BlackRock	BlackRock	BlackRock	Legal & General
Fund name	UK Equity Index Fund	World (ex-UK) Equity Index Fund	Emerging Markets Equity Index Fund	Aquila Life Market Advantage Fund	Global Property Securities Equity Index Fund	Infrastructure Index Fund
Total size of fund at end of reporting period	£12,043.6m	£9,917.4m	£14,121.2m	£1,713.0m	£5,298.3m	£1,962.7m
Value of Scheme assets at end of reporting period (£s / % of total assets)	£9.5m / 18.2%	£14.5m / 27.8%	£1.3m / 2.4%	£14.6m / 27.9%	£1.0m / 2.0%	£1.1m / 2.1%
Number of holdings at end of reporting period	621	1,971	1,293	3,395	338	83
Number of meetings eligible to vote	1,211	2,231	2,777	2,979	356	91
Number of resolutions eligible to vote	15,742	27,464	25,487	28,532	3,826	1,158
% of resolutions voted	97.2%	93.7%	96.0%	94.3%	90.8%	100.0%
Of the resolutions on which voted, %	94.3%	93.7%	90.7%	91.1%	95.4%	85.1%

voted with management[1]						
Of the resolutions on which voted, % voted against management[1]	5.8%	6.3%	9.3%	8.9%	4.6%	14.9%
Of the resolutions on which voted, % abstained from voting[1]	1.9%	0.5%	4.0%	2.4%	0.4%	0.0%
Of the meetings in which the manager voted, % with at least one vote against management[2]	Not available	Not available	Not available	Not available	Not available	5.6%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor[3]	Not available	Not available	Not available	Not available	Not available	0.4%

[1]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 is 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.
[2]In some of the regions in which the fund invests, a vote abstention can be classed as a vote against management. Where this applies, votes against management will be included in the % of vote abstentions.
[3]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. Fundsmith don't use proxy advisers, instead they analyse their proxy votes in-house.

12.3 Most significant votes over the Scheme Year

Commentary on the most significant votes over the Scheme Year, from the Scheme's asset managers who hold listed equities, is set out below. The votes selected as significant are those from a subset provided by the manager, which the manager deems as significant. The Trustees' investment advisor has aimed to select votes which cover a range of ESG issues. The Trustees' criteria for what is a significant vote will develop over time with input from its investment adviser and underlying investment managers.

DB Section

Fundsmith

Fundsmith has confirmed the voting situations which are considered as "most significant' are:

- its ability to influence the company;
- the size of its holding in the company;
- the weighting of the company in the portfolio; and
- removed from typical voting behaviour.

Fundsmith LLP Fundsmith Equity Fund

PepsiCo, May 2020, Vote: Against. **Outcome**: For.

Summary of the resolution: Despite voting in favour of the company's remuneration policy in 2019, Fundsmith voted against in 2020. After engaging with them on the matter they kept relative total shareholder return in their policy.

Rationale: The company's long term incentive plan goes against Fundsmith's preferred remuneration policy**.**

Criteria against which this has been assessed as "most significant": Influence on the company.

JP Morgan Life All Emerging Markets Equity Fund

JP Morgan define "most significant" votes as the following:

- votes where JP Morgan are a major shareholder in its portfolios;
- where the vote is likely to be close or contentious; and
- where there may be potential material consequences for its clients.

Tencent Holdings Limited, May 2020, Vote: Against. **Outcome**: For.

Summary of the resolution: Re-election of directors

Rationale: J. P. Morgan Asset Management elected to vote against approving Issuance of equity without pre-emptive rights, due to information not supplied on the discount limits.

Criteria against which this has been assessed as "most significant": The relative size of the scheme holdings in the companies involved.

Lazard Global Listed Infrastructure

Lazard define "most significant" votes as the following:

- all shareholder proposals;
- any non-salary compensation or remuneration related proposals; and
- any votes against management (excluding routine items) not included in the first two criteria.

The resultant proposals are then ranked by the company's average holding within the fund/or portfolio over the period under review to identify the votes for disclosure.

National Grid plc, July 2020, Vote: For.

Summary of the resolution: Approve remuneration report.

Rationale: Resolution 1: Lazard believe a vote for this item is warranted, although it is not without concern for shareholders. The CFO has been granted an above-inflationary increase of 6.5% to his salary. Lazard supported this because it is in line with its approach in recent years, the increase is in keeping with the Company's previously stated intention to increase salaries to the market rate over time as executives develop in their roles and is lower than it otherwise would have been in light of the health pandemic. The resulting salary level is not considered by Lazard to be particularly contentious.

Criteria against which this has been assessed as "most significant": Non-salary compensation or remuneration related proposal.

LGIM

LGIM has confirmed the following voting situations are considered as "most significant", but has noted that this is not an exhaustive list:

- 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 it notes a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement; and
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

LGIM UK Equity Index Fund

Imperial Brands plc, February 2021, Vote: Against both resolutions.

Summary of the resolutions: Resolution 2: Approve remuneration report; Resolution 3: 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 L&G 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, L&G would expect companies to adopt general best practice standards. Prior to the AGM, L&G engaged with the company outlining what their concerns over the remuneration structure were. L&G also indicated that they publish specific remuneration guidelines for UK-listed companies and keep remuneration consultants up to date with their thinking.

Criteria against which this has been assessed as "most significant": Renumeration related vote.

LGIM North America Equity Index Fund

Amazon, May 2020, Vote: Of 12 shareholder proposals, L&G voted for 10. **Outcome**: Against all resolutions.

Summary of the resolution: Shareholder resolutions 5 to 16 – L&G looked into the individual merits of each individual proposal, and there are two main areas which drove their decision-making: 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).

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 L&G's engagements leading up to the proxy vote. L&G's team has had multiple engagements with Amazon over the past 12 months. The topics of their engagements touched most aspects of ESG, with an emphasis on social topics: • Governance: Separation of CEO and board chair roles, plus the desire for directors to participate in engagement meetings • Environment: Details about the data transparency committed to in their 'Climate Pledge' • Social: Establishment of workplace culture, employee health and safety. 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. L&G 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.

Criteria against which this has been assessed as "most significant": Significant market attention.

LGIM Europe (ex UK) Equity Index Fund

Lagardère, May 2020, Vote: For resolutions H,J,K,L,M (appointment of five Amber Capital-proposed candidates) and for resolutions B,C,E,F,G (removal of five of the incumbent directors). **Outcome**: Against.

Summary of the 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 limited partnership structure, which means that the managing partner has a tight grip on the company, despite only having 7 % share capital and 11% voting rights. L&G 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, L&G engages with both the activist and the company to understand both perspectives. L&G engaged with both Amber Capital, where they were able to speak to the proposed new SB Chair, and Lagardère, where they spoke to the incumbent SB Chair. This allowed them to gain direct perspectives from the individual charged with ensuring their board includes the right individuals to challenge management.

Criteria against which this has been assessed as "most significant": Significant media and public interest.

LGIM Japan Equity Index Fund

Fast Retailing Co. Limited, November 2020, Vote: Against. **Outcome**: For.

Summary of the resolution: Resolution 2.1: Elect Director Yanai Tadashi.

Rationale: Japanese companies in general have trailed behind European and US companies, as well as companies in other countries in ensuring more women are appointed to their boards. A lack of women employed is also a concern below board level. L&G has for many years promoted and supported an increase of appointing more women on boards, at the executive level and below. On a global level, L&G consider that every board should have at least one female director. They deem this a de minimis standard. Globally, L&G aspire to all boards comprising 30% women. In the beginning of 2020, L&G announced that they would vote against the chair of the nomination committee or the most senior board member (depending on the type of board structure in place) for companies included in the TOPIX100 where these standards were not upheld. L&G opposed the election of this director in his capacity as a member of the nomination committee and the most senior member of the board, in order to signal that the company needed to act on this issue.

Criteria against which this has been assessed as "most significant": Imperative that Japanese companies increase their diversity.

LGIM Asia Pacific (ex-Japan) Developed Equity Index Fund

Samsung Electronics, March 2021, Vote: Against all 3 resolutions.

Summary of the resolution: Resolution 2.1.1: Elect Park Byung-gook as Outside Director Resolution 2.1.2: Elect Kim Jeong as Outside Director Resolution 3: Elect Kim Sun-Uk as Outside Director to Serve as an Audit Committee Member.

Rationale: In January 2021, Lee Jae-Yong, the vice chairman of Samsung Electronics and only son of the former company chairman, was sentenced to two years and six months in prison for bribery, embezzlement and concealment of criminal proceeds worth about KRW 8.6 billion. Lee Jae-Yong was first sentenced to five years in prison in August 2017 for using the company's funds to bribe the impeached former President Park Geun-hye. While Lee was released from prison, he was not acquitted of the charges. Based on the court's verdict, Lee actively provided bribes and implicitly asked then president Park to use her power to help his smooth succession. The court further commented that the independent compliance committee established in January 2020 has yet to become fully effective. L&G engaged with the company ahead of the vote. However, they were not satisfied with the company's response that ties have been severed. L&G are concerned that Lee Jae-Yong continues to make strategic company decisions from prison. Additionally, L&G were not satisfied with the independence of the company board and that the independent directors are really able to challenge management. L&G voted against the resolutions as the outside directors, who should provide independent oversight, have collectively failed to remove criminally convicted directors from the board. L&G believe that the inaction is indicative of a material failure of governance and oversight at the company.

Criteria against which this has been assessed as "most significant": High-profile vote with a degree of controversy and client/public scrutiny.

Ruffer

Ruffer have defined 'significant votes' as those that Ruffer think will be of particular interest to its clients. In most cases, these are when they form part of continuing engagement with the company and/or Ruffer have held a discussion between members of the research, portfolio management and responsible investment teams to make a voting decision following differences between the recommendations of the company, ISS and our internal voting guidelines.

Ruffer Absolute Return Fund

Lloyds Bank, May 2020, Vote: Against. **Outcome**: For.

Summary of resolution: Vote on remuneration policy.

Rationale: Ruffer decided to vote against the proposed remuneration policy at the company as although it reduces the maximum pay-out at the time of the grant, it significantly relaxes the vesting criteria. Therefore, Ruffer did not think it sufficiently incentivises management to deliver shareholder value.

Criteria against which this has been assessed as "most significant": Vote against remuneration policy for material holdings.

DC Section

BlackRock prioritises its work around themes it believes will encourage sound governance practices and deliver sustainable long-term financial performance at the companies in which it invests on behalf of its clients. BlackRock's year-round engagements with clients to understand their focus areas and expectations, as well as its active participation in market-wide policy debates, help inform these priorities. The themes BlackRock has identified are reflected in its global principles, market-specific voting guidelines and engagement priorities, which underpin its stewardship activities and form the benchmark against which it looks at the sustainable long-term financial performance of investee companies.

BlackRock periodically published "vote bulletins" on key votes at shareholder meetings to provide insight into details on certain vote decisions it expects will be of particular interest to clients. These bulletins are intended to explain its vote decisions relating to a range of business issues including ESG matters that it considers, based on its global principles and engagement priorities, potentially material to a company's sustainable long-term financial performance. Other factors it may consider in deciding to publish a vote bulletin include the profile of the issue in question, the level of interest it expects in the vote decision and the extent of engagement it has had with the company. The bulletins include relevant company-specific background, sector or local market context, and engagement history when applicable. BlackRock publishes vote bulletins after the shareholder meeting to provide transparency for clients and other stakeholders on its approach to the votes that it considers to be most significant and thus require more detailed explanation. It publishes details of other significant votes (including vote rationales, where applicable) quarterly on the BlackRock website. As mentioned above, the votes selected below as significant are a subset of those provided by the manager, which the Trustees' investment advisor believes covers a range of E, S and G issues.

BlackRock UK Equity Index Fund

Barclays Plc, May 2020, Vote: Resolution 29 – For and resolution 30 – Against.

Summary of the resolution: Approve Barclays' Commitment to Tackling Climate Change (resolution 29) and to approve ShareAction Requisitioned Resolution (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.

Santander Consumer USA Holdings, June 2020, Vote: For.

Summary of the resolution: Report on risk of racial discrimination in vehicle lending.

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 programs, processes and procedures, as well as risk mitigation processes and procedures, to prevent discriminatory lending (including racial discrimination).

BlackRock World ex-UK Equity Index Fund

Danske Bank A/S, June 2020 Vote: Item 4a – Abstain, Item 4b – Abstain, Item 4c – Abstain, Item 8 – Against and Item 9 - Against.

Summary of the resolution: Re-elect Lars-Erik Brenoe as Director (Item 4a), re-elect Karsten Dybvad as Director (Item 4b), re-elect Bente Avnung Landsnes as Director (Item 4c), approve board renumeration for 2020 and 2021 (Item 8), approve guidelines for incentive-based compensation for executive management and board (Item 9).

Rationale: Last year, despite having concerns with remuneration which BlackRock raised in its engagement and having abstained from the remuneration related proposals, BlackRock supported the election of Remuneration Committee members, recognizing their short tenure on the board. However, BlackRock has seen limited progress this year and continue to have concerns on remuneration structure, disclosure and outcomes. In line with its voting guidelines to hold relevant directors accountable, BlackRock has abstained from supporting the re-election of the three directors who are members of the Remuneration Committee.

For Item 8, the board proposed a substantial increase in fees across board positions, for example, as much as 40% for the chairman role and 64% for the vice chairman. While the board decided the new fees will take effect from 1st January 2021 given the Covid-19 pandemic, it still believes the rationale for the proposal on new fees remains relevant. BlackRock recognize the Bank's circumstances might require more oversight from the board, however, it doesn't believe that such sizeable increases are warranted across all roles.

For Item 9, BlackRock has concerns regarding the company's remuneration disclosures and structural elements such as the granting of sign-on awards. BlackRock expects remuneration disclosures to provide investors with clarity on how the proposed policy is aligned with the company's strategy and shareholders' interests. Disclosures should also explain how the Remuneration Committee sets targets and assesses performance and determines that KPIs are sufficiently stretching to ensure pay is aligned with performance.

Chevron Corporation, May 2020, Vote: For**.**

Summary of the resolution: Report on climate lobbying aligned with Paris Agreement goals.

Rationale: BlackRock acknowledge that Chevron has been responsive to investors and transparent in their detailed reporting. BlackRock considers Chevron a leader among US peers with regard to board oversight of climate risk, strong corporate governance practices, and reporting in line with Sustainability Accounting Standards Board ("SASB") and the TCFD. BlackRock expects that Chevron will continue to iterate on its climate risk approach, including considering future GHG emissions reduction targets, the degree of warming the company anticipates under its currently articulated strategy, and its views regarding how this is aligned with long-term shareholders' interests. One additional area that BlackRock believes would strengthen the company's disclosure is additional transparency around political spending and lobbying related to climate risk and the low carbon transition. In BlackRock's view, the company could provide investors with a more detailed explanation of the alignment between Chevron's political activities and the goal of the Paris Agreement to limit global warming to no more than two degrees Celsius, which the company supports. Therefore, while BlackRock recognize and applaud Chevron's current TCFD and SASB-aligned reporting, it believes that greater transparency into the company's approach to political spending as aligned with its stated support for the Paris Agreement will help articulate consistency between private and public messaging for managing climate risk and transition to a lower-carbon economy.

BlackRock iShares Emerging Markets Equity Index Fund

Top Glove Corporation Bhd., January 2021, Vote: Item 1 – Against, Item 2 – Against, Item 3 – Against, Item 4 – Against, Item 5 – Against, Item 6 – Against, Item 11 – Against.

Summary of the resolution: Elect Lim Han Boon as Director (Item 1), elect Rainer Althoff as Director (Item 2), elect Noripah Kamso as Director (Item 3), elect Norma Mansor as Director (Item 4), elect Sharmila Sekarajasekaran as Director (Item 5), elect Lim Andy as Director (Item 6), approve Lim Han Boon to continue office as Independent Non-Executive Director (Item 11).

Rationale: The company has been the subject of intense scrutiny over various labor-related and human rights issues in its supply chain since 2018. Whilst BlackRock acknowledges the board and management's willingness to engage with the BIS team, as well as the steps the company has taken in response to some of the controversies, the Covid-19 pandemic has exposed severe shortcomings in management and oversight of worker health and safety-related issues. Despite the board and management's reassurance that Covid-19 preventive measures have been implemented since the start of the pandemic, a quarter of its workers have since been infected with the virus, with one associated death. The investigations conducted, together with a whistleblower account and other media reports, have shown that Top Glove's workers live in dense, unsuitable accommodations with a lack of proper ventilation and physical distancing – a stark contrast to what the board has conveyed to shareholders. Given Top Glove's role as a leading Personal Protective Equipment manufacturer, we view the board's ineffectiveness in Covid-19 mitigation and inadequate oversight of worker health and safety issues as especially egregious with potentially serious implications for its reputation as a supplier of such equipment to hospitals around the world. Given the gravity of the situation and the material failure in oversight by the board, BIS voted against the re-election of the current members of the Board of Directors. BlackRock also intend to hold other incumbent directors not on ballot at this AGM accountable by voting against their re-election at future shareholder meetings. BlackRock will continue to engage with the company to assess the measures that are taken towards the resolution of the investigations, how it is meeting its various commitments to improve labour rights and workers' accommodation, and how it is addressing health and safety-related issues.

PT Indofood CBP Sukses Makmur Tbk ("ICBP"), August 2020, Vote: Against.

Summary of the resolution: Approve acquisition of the total issued share capital of Pinehill Company Limited.

Rationale: The proposed acquisition had merit from a strategic perspective. ICBP has in-depth knowledge of Pinehill's Indomie business and Pinehill's established footprint in its current markets could provide ICBP a strong platform for overseas growth. Nevertheless, BlackRock believed it to be in its clients' economic interests to vote against the proposed acquisition due to concerns with the valuation and terms of the transaction, and the board's oversight in relation to the inherent conflict of interest. Given BlackRock's concerns over fundamental governance, valuation methods, conflicts of interest, and expedited timing just prior to enhanced regulation, BIS has decided to vote against the proposed transaction. BlackRock escalated its concerns to relevant parties in the Indonesian market and have proposed opening a dialogue to discuss minority shareholder protections. In addition, to address the material failure in governance at the board, BIS intends to hold the current members of the Board of Directors and Board of Commissioners accountable by voting against their re-election at future shareholder meetings.

BlackRock Aquila Life Market Advantage Fund

Exxon Mobil Corporation, May 2020, Vote: Item 1.2 – Against, Item 1.4 – Against and Item 4 – For.

Summary of the resolution: Elect Director Angela F. Braly (Item 1.2), elect Director Kenneth C. Frazier (Item 1.4) and to require an Independent Board Chair (Item 4).

Rationale: BlackRock voted against director Angela F.Braley for insufficient progress on Task Force on Climate-related Financial Disclosures ("TCFD") aligned reporting and related action. BlackRock also voted against director Kenneth C.Frazier for insufficient progress on TCFD aligned reporting and related action and for failure to provide investors with confidence in the board members' skillset. BlackRock voted in favour of an independent Board Chair on account of its belief that the Board would benefit from a more robust independent leadership structure. When effective corporate governance is lacking, BlackRock believes that voting against the re-election of the responsible directors is often the most impactful action a shareholder can take.

Total SA, May 2020, Vote: Against.

Summary of the resolution: Instruct company to set and publish targets for greenhouse gas ("GHG") emissions aligned with the goal of the Paris Climate Agreement and amend article 19 of bylaws accordingly.

Rationale: BlackRock voted against the shareholder resolution given the company's existing reporting aligned with TCFD, its responsiveness to shareholder engagement on portfolio resilience and reduction of scope 1, 2, and 3 GHG emissions. Total's disclosures are consistent with BlackRock's expectation of large carbon emitters with a previous history of engagement with BIS on the topic.

BlackRock iShares Global Property Securities Equity Index Fund

BlackRock has reviewed the votes it cast over the Scheme Year and does not deem any of the votes cast as significant.

LGIM Infrastructure Index Fund

LGIM did not deem there to be any significant votes made in relation to the securities held by this fund during the Scheme Year.