

IBM Pension Plan ('the Plan')

Annual Implementation Statement for the Year Ended 31 December 2020

1. Introduction

This statement sets out how, and the extent to which, the Statement of Investment Principles ("SIP") produced by the Trustee has been followed during the year running from 1 January 2020 to 31 December 2020 (the "Plan Year"). This statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 (as amended) and the guidance published by the Pensions Regulator.

The statement is based on, and should be read in conjunction with, the relevant versions of the SIP that were in place for the Plan Year, which were the SIP dated July 2019 (covering the period between 1 January 2020 and 9 September 2020) and the SIP dated August 2020 (covering the period between 10 September 2020 and 31 December 2020).

Sections 2.1 and 2.2 of this statement sets out the investment objectives of the Plan and changes which have been made to the SIP during the Plan Year, respectively.

Section 2.3 of this statement sets out how, and the extent to which, the policies in the Defined Benefit ("DB") Section and Defined Contribution ("DC") Section of the SIP have been followed. **The Trustee can confirm that all policies in the SIP have been followed in the Plan Year.**

 A copy of the SIP is available at <https://www.smartpensionsuk.co.uk/#/page/governance-documentation>.

Sections 3 and 4 include information on the engagement and key voting activities of the underlying investment managers within each Section of the Plan.

2. Statement of Investment Principles

2.1. Investment Objectives of the Plan

The Trustee believes it is important to consider the policies in place in the context of the objectives they have set.

 The objectives for the DB Section of the Plan specified in the SIP are as follows:

- The acquisition of suitable assets of appropriate liquidity that will generate income and capital growth to meet, together with any new contributions from the Company, the cost of current benefits that the Plan provides.
- To limit the risk of the assets failing to meet the liabilities, both over the long-term and on a shorter-term basis.

 For the DC section of the Plan, the Trustee's principal mission is to help members to maximise their retirement outcomes with an appropriate level of investment risk, by providing an appropriate investment framework which represents value for members and which is in line with recognised market "good practice", taking into account guidance from the Pensions Regulator and other appropriate industry and regulatory bodies.

In addition to the principal mission as stated above and the investment objectives below, the Trustee also aims to:

- Ensure that the DC Section's operational structure is sensible and cost effective.
- Provide members with adequate tools and timely information to enable them to make informed contribution, investment and retirement decisions.

The Trustee has the following investment objectives related to the DC section of the Plan:

- To offer suitable default investment strategies that are appropriate for the profile of defaulting members based on their expected risk tolerances and retirement objectives.
- To offer a range of self-select investment options which are appropriate for the profile of most members.

2.2. Review of the SIP



During the year, the Trustee reviewed and amended the Plan's SIP, taking formal advice from its Investment Consultant (Mercer Limited ("Mercer")). A revised SIP was signed on 10 September 2020 in order to reflect new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019 to outline the Trustee's arrangements with its asset managers including:

- How the arrangements with the asset managers incentivise them to align their investment strategies and decisions with the Trustee's investment policies.
- How those arrangements incentivise the asset managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.
- How the method (and time horizon) of the evaluation of the asset managers' performance and the remuneration of asset managers are in line with the Trustee's investment policies.
- How the Trustee monitors "portfolio turnover costs" incurred by the asset managers.
- The duration of the arrangements with the asset managers.



The SIP was also updated during the year to reflect the agreed changes to the investment arrangements of the DB section following a review of the investment strategy. This encompassed an increase in the long-term strategic target allocation to matching assets (from 71.5% to 94.5%) and a decrease in the long-term strategic target allocation to growth assets (from 28.5% to 5.5%). In December 2020, the Trustee purchased a buy-in policy with Rothesay Life plc to secure a portion of the Plan's liability in relation to pensioner members. This change to the Plan's investments will be reflected in the next SIP review due to take place in 2021.



For the DC section, updates were made to reflect planned changes to the investment arrangements following conclusion of an investment strategy review in 2019. These changes were as follows:

- A new default Lifecycle arrangement (Lifecycle Balanced 2020) for DC members of the Plan.
- The introduction of three further Lifecycle arrangements:
 - Lifecycle to Lump Sum 2020
 - Lifecycle to Drawdown 2020
 - Lifecycle to Annuity 2020.
- The introduction of the Legal and General Investment Management Limited ("LGIM") Future World Fund to the self-select (Freestyle) range of investments.

These new DC arrangements were made available to members in the first quarter of 2021.

2.3. Assessment of how the policies in the SIP have been followed for the Plan Year

The information provided in this section highlights the work undertaken by the Trustee during the year, and longer term where relevant, and sets out how this work followed the Trustee's policies in the SIP (dated 10 September 2020), relating to the DB Section and DC Section of the Plan.



In summary, it is the Trustee's view that the policies in the SIP have been followed during the Plan Year.



Investment Mandates

Securing compliance with the legal requirements about choosing investments

Policy

As required by legislation, the Trustee consults a suitably qualified person when making investment selections by obtaining written advice from its Investment Consultant. The policy is detailed in Section 2 (Plan Governance) of the SIP, which applies to the DB and DC Sections of the Plan.



How has this policy been met over the Plan Year?

Prior to investing into the following Long-Term UK Core Credit mandates during 2020, the Trustee received advice from its Investment Consultant on the suitability of the investments for the Plan:

1. Pacific Investment Management Company (“PIMCO”) (suitability advice received in November 2019 prior to investment on 19 February 2020);
2. Western Asset Management Company (suitability advice received in May 2020 prior to investment on 14 July 2020);
3. Goldman Sachs Asset Management (“GSAM”) (suitability advice received in October 2020 prior to investment on 9 November 2020).

In November 2020, the Trustee received advice from its Investment Consultant on the continued suitability of the DB arrangements of the Plan.

In December 2020, the Trustee received investment advice on the suitability of the buy-in policy with Rothesay Life plc to secure a portion of the Plan’s liability in relation to pensioner members. This transaction was completed in December 2020.

If you are a DB Section member with Additional Voluntary Contributions (“AVCs”) previously invested with Utmost Life & Pensions Limited (“Utmost”), further information on the transfer of your AVCs from Utmost to LGIM can be found under the DC Section of this page.



How has this policy been met over the Plan Year?

In early February 2020, the Trustee's Investment Consultant provided advice on the transition of the Plan’s Additional Voluntary Contributions (“AVCs”) held with Utmost Life & Pensions Limited (“Utmost”) following the closure of the Equitable Life With Profits Fund. It was recommended that these assets were moved to the Plan’s existing DC arrangements with LGIM. Accordingly, members’ AVCs that were invested with Utmost were transitioned to LGIM in May 2020, providing members with access to a well governed range of funds with competitive fees.

In September 2020, the Trustee received advice from its Investment Consultant with respect to the suitability of the LGIM platform from an investment perspective following the Trustee’s decision to move to a 'bundled arrangement' (providing both administration and investment services) with Legal & General Assurance Society Limited (“LGAS”).

In November 2020, the Trustee received advice from its Investment Consultant on the continued suitability of the DC and AVC arrangements of the Plan.



Investment Mandates

Realisation of Investments

Policy

The Trustee's policy is that there should be sufficient liquidity within the Plan's assets to meet short term cashflow requirements in the majority of foreseeable circumstances, so that realisation of assets will not disrupt the Plan's overall investment policy.



Policy

Further details are set out in the following sections of the SIP:

- Objectives and Policy (SIP Section 6)
- Day to Day Management (SIP Section 8)

How has this policy been met over the Plan Year?

Over the year, the Plan held a diversified portfolio consisting mostly of readily-realizable assets. This included maintaining sufficient liquid assets to meet both short-term and longer-term cashflow requirements. In addition, the liquidity profile of the Plan was periodically reviewed by the Trustee.



Policy

Further details are set out in the following sections of the SIP:

- Overall Aims and Objectives (SIP Section 10)
- Investment Objectives (SIP Section 11)
- Investment Policies (SIP Section 12.6)

How has this policy been met over the Plan Year?

Members' investments within the DC Section are traded and priced on a daily basis.



Environmental, Social and Governance (“ESG”)

Financial and non-financial considerations and how those considerations are taken into account in the selection, retention and realisation of investments

Policy

The Plan’s SIP outlines the Trustee’s beliefs on ESG factors (including climate change). Further details are included in Section 3 of the SIP, which applies to the DB and DC Sections of the Plan. The Trustee keeps its policies under regular review.

How has this policy been met over the Plan Year?



The Pension Schemes Act 2021 introduced legislation requiring specified pension schemes to ensure there is effective governance with respect to the effects of climate change. Occupational pension schemes with £5 billion or more in assets are required to have in place effective governance, strategy, risk management, and accompanying metrics and targets for the assessment and management of climate risks and opportunities from 1 October 2021, aligned with the Task Force on Climate-related Disclosures (“TCFD”) framework.

In November 2020, the Investment Consultant provided the Trustee with ESG education and following this education, a sub-committee was formed to review and develop the Trustee’s ESG policies as well as consider the requirements of TCFD reporting and how they impact the Plan.

The Investment Consultant periodically reports any change in its ESG ratings to the Trustee on an ongoing basis and makes recommendations to the Trustee, as appropriate. ESG ratings are also monitored as part of the annual Value for Members Assessment in respect of the DC Section.

The Trustee has delegated responsibility for the selection, retention, and realisation of investments to their investment managers and accordingly, the Trustee seeks to manage the risks and opportunities associated with these ESG factors by selecting industry leaders in investment management who are committed to the Principles for Responsible Investment (“UNPRI”) (as they apply to the sector in which the manager invests or the strategy pursued by the manager) and against criteria which include ESG considerations. ESG and the level of integration will differ across asset classes and by investment manager.

The Trustee does not require the Plan’s investment managers to take non-financial matters into account in their selection, retention and realisation of investments.



All Long-Term UK Core Credit mandates funded over the year to 31 December 2020 (as mentioned in the ‘Investment Mandates’ section on page 3) were signatories to the UNPRI in accordance with the Trustee’s policy.



The Trustee added the LGIM Future World Fund to the self-select (Freestyle) fund range and made this available to members in first quarter 2021. The LGIM Future World Fund invests in a diversified range of global companies but tilts away from companies who generate revenue from fossil fuels or produce a high level of CO2 in favour of companies which are less carbon intensive or earn ‘Green Revenues’.

The Trustee considers feedback received from members as part of any discussions relating to the range of funds available within the DC Section.



Voting and Engagement Disclosures

The exercise of the rights (including voting rights) attaching to the investments and undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, the Trustee would monitor and engage with relevant persons about relevant matters).

Policy

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to the Plan's investments to the investment managers. Further details are set out in Section 4 (Rights Attaching to Investments (Stewardship)) of the SIP, which applies to the DB and DC Sections of the Plan. In addition, it is the Trustee's policy to obtain reporting on voting and engagement and to periodically review the reports to ensure the policies are being met.

How has this policy been met over the Plan Year?



During 2020, voting and engagement summary reports from the Plan's investment managers were provided to the Governance Committee for review to ensure that they were aligned with the Trustee's policy. The Trustee does not use the direct services of a proxy voter.

Section 3 includes examples of engagement activity undertaken by the Plan's investment managers with investments in equities, and section 4 sets out a summary of voting activity and a sample of the most significant votes cast on behalf of the Trustee by these investment managers.

The Trustee supports the aims of the UK Stewardship Code and its investment managers are encouraged to report their adherence to the Code. Most of the Plan's investment managers within the DB Section are currently (or are planning to become) signatories to the current UK Stewardship Code. The Plan's investment manager within the DC Section (LGIM) is also a signatory to the current UK Stewardship Code.



Monitoring the Investment Managers

Incentivising asset managers to align their investment strategies and decisions with the Trustees' policies

Policy

The Trustee's policy is set out in Section 5 (Aligning Investment Manager Appointments with the Trustee's Investment Strategy) of the SIP, which applies to the DB and DC Sections of the Plan.



How has this policy been met over the Plan Year?

For the investments in pooled funds, the Trustee accepts that it cannot specify the risk profile and return targets for these funds. However, appropriate funds have been selected to align with the investment strategy.

For the DB Section's segregated mandates, the Trustee has specified criteria in the investment manager agreements for the managers to meet the Plan's specific investment requirements and to have regard to the Trustee's policies set out in the SIP (this includes the three Long-Term UK Core Credit managers that were appointed during 2020).

In the year to 31 December 2020, the Trustee received advice from its Investment Consultant on the continued suitability of the Plan's DB investments which confirmed that the investments remained appropriate.



How has this policy been met over the Plan Year?

As the Trustee invests exclusively in pooled investment funds, it accepts that it cannot specify the risk profile and return targets for these funds.

In the year to 31 December 2020, the Trustee received advice from its Investment Consultant on the continued suitability of the Plan's DC and AVC investments which confirmed that the investments remained appropriate.

Over this period, the Trustee remained satisfied that the contractual arrangement in place with LGIM remained appropriate. The contracts were reviewed during 2020 as part of the move to a bundled arrangement with LGAS in first quarter 2021.

Evaluation of asset managers' performance and remuneration for asset management services

Policy

The Trustee's policy is set out in Section 5 (Evaluating Investment Manager Performance) of the SIP, which applies to the DB and DC Sections of the Plan.



How has this policy been met over the Plan Year?

Over the year to 31 December 2020, quarterly performance reviews were held with most of the Plan's investment managers. This included quarterly meetings of the Trustee's 'Liability Driven Investments ("LDI") Governance Sub-Committee' with BlackRock to oversee and make an ongoing assessment of the LDI mandate.

In addition, both quarter and longer-term performance metrics for all of the Plan's investment mandates were reported to the Investment Committee quarterly at both an asset class and investment manager level.



How has this policy been met over the Plan Year?

The performance of each of the Plan's funds, including those used in the Lifecycle and Lifestyle arrangements, were reviewed by the Investment Committee at each of its quarterly meetings. This included fund performance against their benchmarks over both quarter and longer-term periods.

The charges paid to LGIM for their services were analysed as part of the annual Value for Members assessment for the DC Section, which was conducted by the Plan's Investment Consultant. Following advice from the Plan's Investment Consultant, the Trustee successfully agreed a reduction in investment management fees for some of the DC funds which resulted in certain cost savings for members (applicable from December 2020).



Monitoring the Investment Managers

Monitoring portfolio turnover costs

Policy

The Trustee's policy is set out in Section 5 (Portfolio Turnover Costs) of the SIP, which applies to the DB and DC Sections of the Plan.



How has this policy been met over the Plan Year?

As noted in the SIP, the Trustee does not explicitly monitor portfolio turnover costs with respect to the DB Section of the Plan. Investment manager performance was reported and evaluated net of all fees and transaction costs (costs incurred as a result of buying and/or selling assets), and where possible, performance objectives for investment managers were set on a net basis. In this way, managers were incentivised to keep portfolio turnover costs to the minimum required to meet or exceed their objectives.



How has this policy been met over the Plan Year?

Transaction costs were reviewed by the Investment Committee at each of its quarterly meetings and were also disclosed in the annual Chair's Statement. The transaction costs for each fund covers the buying, selling, lending and borrowing of the underlying securities in the fund by the investment manager.

The duration of the arrangements with asset managers

Policy

The Trustee is a long-term investor and does not seek to change the investment arrangements on a frequent basis. Further details of the Trustee's policy are set out in Section 5 (Manager Turnover) of the SIP, which applies to the DB and DC Sections of the Plan.



How has this policy been met over the Plan Year?

Having completed a review of the Plan's DB investment strategy in 2020, the Trustee agreed to reduce risk within the Plan's investments and as a result, a number of investment mandates were terminated as the strategy no longer required exposure to certain 'growth' asset classes.

Details of the strategic changes to the Plan's investments are set out in the next section on 'Strategic Asset Allocation' (page 9).

If you are a DB Section member with AVCs, further information on the transfer of your AVCs from Utmost to LGIM can be found under the DC Section of this page.



How has this policy been met over the Plan Year?

No change in the investment manager was made during the year for the DC section with the exception of members' AVCs which were previously invested with Utmost Life & Pensions and subsequently transitioned to LGIM in May 2020, providing members with access to a well governed range of funds with competitive fees.



Strategic Asset Allocation

Kinds of investments to be held, the balance between different kinds of investments and expected return on investments



Policy

The Trustee's policy on the kinds of investments to be held and the balance between different kinds of investments can be found under the following sections of the SIP:

- Objectives and Policy (SIP Section 6)
- Investment Strategy (SIP Section 7)

How has this policy been met over the Plan Year?

The Plan's investment arrangements were reviewed in 2019-2020 following which a number of changes were agreed. In particular, the following was agreed:

4. An overall reduction in risk with the 'Growth' and 'Matching' portfolios moving from 28.5% Growth and 71.5% Matching to a target of 5.5% Growth and 94.5% Matching respectively.
5. Full redemptions from Global and Emerging Market Equities, Alternative Beta, Emerging Market Debt, Reinsurance, and Alternative Credit.
6. Partial redemptions from Global Bonds and Global Credit.
7. Investment in Long-Term UK Core Credit (diversified by investment manager).
8. A phased sale of UK Property.

The revised target investment strategy was assessed to have an expected return sufficient to achieve the funding objective of the Plan, with a level of investment risk that was consistent with the return.

The SIP was updated in 2020 to reflect the agreed changes to the investment arrangements. The Trustee regards the basic distribution and balance of the assets to be appropriate for the Plan's objectives and liability profile.

In December 2020 approximately 60% of the Plan's pensioner liabilities were secured with Rothesay Life plc. This was funded from assets held in the LDI Portfolio.



Policy

The Trustee's policy on the kind of investments to be held and the balance between different kinds of investments can be found under the following sections of the SIP:

- Overall Aims and Objectives (SIP Section 10)
- Investment Objectives (SIP Section 11)
- Investment Policies (SIP Section 12 (12.1 - 12.5))
- Default Investment Strategy - Aims and Objectives, Investment Policies, Members' Best Interests (SIP Sections 13 - 15)
- Legacy Default Investment Strategies - Aims and Objectives, Investment Policies, Members' Best Interests (SIP Sections 16 - 18)
- Additional Default Arrangements, Aims and Objectives, Investment Policies, Members' Best Interests (SIP Sections 19 - 22)

The default investment strategies are designed after careful analysis of the membership demographic and other characteristics in order to offer a suitable approach in so far as is practical, to the needs of the Plan's members. The Trustee carries out regular assessments of the performance of the default investment strategies and their design to ensure they continue to remain appropriate for the membership.

The Trustee recognises that the default investment strategies will not meet the needs of all members and as such, alternative investment options are available for members to choose from – including alternative Lifecycle arrangements and a range of self-select (Freestyle) funds.

How has this policy been met over the Plan Year?

Over the year, the Trustee received investment performance reports from LGIM on a quarterly basis for all of the funds within the Lifecycle and Lifestyle arrangements in addition to the self-select (Freestyle) funds. This included fund performance against benchmarks over both short and longer-term periods. Investment performance is reviewed by the Trustee at the quarterly Investment Committee meetings.

The Trustee was satisfied with the performance of the funds over the Plan Year having performed in line with their underlying aims and objectives



Strategic Asset Allocation

Risks, including the ways in which risks are to be measured and managed



Policy

The Trustee recognises a number of risks involved in the investment of the assets of the DB Section and that the choice and allocation of investments can help to mitigate these risks. Details of these risks and how they are measured and managed can be found under the following section of the SIP:

- Risk Management (SIP Section 9)

The Trustee considers both quantitative and qualitative measures for a number of risks on an ongoing basis when deciding investment policies, strategic asset allocation, and the choice of asset classes, funds, and asset managers.

How has this policy been met over the Plan Year?

During the year, the Trustee periodically reviewed its currency hedging arrangements to ensure the level of unhedged currency exposure was maintained within acceptable limits.

Quarterly meetings of the Trustee's LDI Governance Sub-Committee were held with BlackRock to oversee the LDI hedging arrangements.

Other risks were managed during the year as described in the SIP (Section 9).

The Trustee also received updates from its Investment Consultant on developments concerning the Plan's DB investment managers as required.



Policy

The Trustee recognises a number of risks involved in the investment of the assets of the DC Section and that the choice and allocation of investments can help to mitigate these risks. Details of these risks and how they are measured and managed can be found under the following section of the SIP:

- Investment Policies (SIP Section 12 (12.6 - 12.7))

In determining which investment options to make available the Trustee considers the investment risk associated with DC pension investment. The risk can be defined as the uncertainty over the ultimate amount of savings available on retirement.

How has this policy been met over the Plan Year?

During the year, the Trustee conducted a currency hedging review on the relevant funds within the DC Section.

The Trustee received administration reports twice over the year which were reviewed by the Governance Committee to ensure that core financial transactions were processed within agreed service levels and regulatory timelines.

Other risks were managed during the year as described in the SIP (Section 12.6).

The Trustee also received updates from the Investment Consultant on developments concerning LGIM. None of these updates resulted in any recommended changes to the DC arrangements.



The Trustee maintains a register of key risks, including investment risks, which is reviewed annually by the Governance Committee or more frequently if new risks are identified. 'Top' risks are also reviewed quarterly. The register of key risks rates the impact and likelihood of the risks and identifies mitigating factors and additional actions taken.

3. Examples of Engagement Activity by the Plan's Equity Investment Managers

The following are examples of engagement activity undertaken by the Plan's Equity investment managers.



BlackRock's persistent engagement and vote escalation on compensation yields positive outcomes



A UK self-storage company showed a willingness to improve its compensation practices this year having had a string of votes against management on executive pay dating back to 2017. Following these votes and BlackRock's multi-year engagements with the company, including prior to the 2020 shareholder meeting, the company announced it would make changes to its compensation

practices. These changes were reflected in the management's updated compensation policy and long-term incentive plan, which BlackRock supported; both received nearly 98% shareholder support.

The company's revised remuneration policy incorporates changes in line with BlackRock's feedback.

BlackRock are encouraged that the company has evolved its remuneration policy and will monitor how it is implemented and reported in the company's next remuneration report.



LGIM engages with KEPCO on sustainability

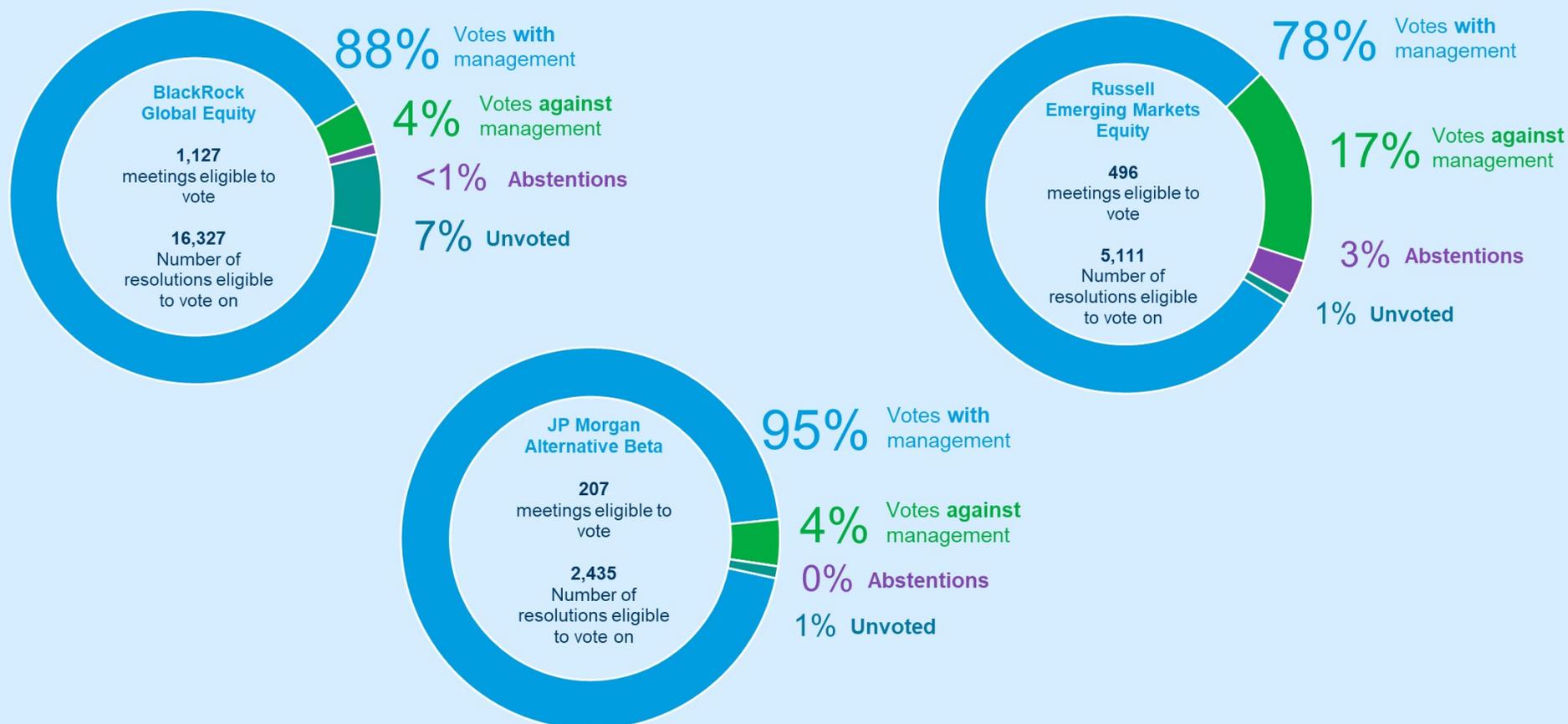
LGIM has been engaging with Korea Electric Power Company (KEPCO) since early 2017. In 2019, due to a lack of responsiveness to investor concerns, the company's continued plans to expand thermal coal power generation and poor climate risk disclosure, LGIM made the decision to implement voting sanctions and divest from the company in the Future World fund range. Following this decision, LGIM had four meetings with the company, including one in person at LGIM's offices in autumn 2019. To further increase pressure on the company, LGIM's Head of Sustainability and Responsible Investment outlined their concerns in an interview with a leading Korean daily newspaper in 2020.

In October 2020, KEPCO publicly pledged it would make no further investments in overseas coal projects. The company announced it would focus on renewables and natural gas in the future, and that all currently planned thermal coal projects, with the exception of two plants in Indonesia and Vietnam, will either be converted to liquefied natural gas or called off.



4. Voting Activity during the Plan Year

Set out below is a summary of voting activity for this reporting period relating to the relevant strategies in the DB Section of the Plan.



Voting data covering the period from 31 December 2019 to 23 June 2020.
Source: Investment managers, data may not sum due to rounding.

Sample of the most significant votes



There is no official definition of what constitutes a significant vote; managers have adopted a variety of interpretations such as:

- There is a particular interest in a specific vote relating to an issue,
- The potential impact on the financial outcome,
- Size of the holding in the fund / mandate, and
- Whether the vote was high-profile or controversial.



Resolution **not** passed



Resolution passed

| Manager | Fund | Company | Date of vote | How the Manager voted | Rationale of Manager vote | Final outcome following the vote |
|------------------------|-------------------------|----------------------------|---------------|---|--|---|
| BlackRock ¹ | Global Equity | Royal Dutch Shell plc | 19 May 2020 | Voted against the request from shareholders for the company to set and publish targets for greenhouse gas emissions. | Given Royal Dutch Shell's progress towards aligning its reporting with TCFD recommendations and its responsiveness to shareholder engagement on portfolio resilience and reduction of scope 1, 2 and 3 GHG emissions, BlackRock were supportive of the management. |  |
| | | Total SA | 29 May 2020 | Voted against the shareholder resolution to instruct the company to set and publish targets for greenhouse gas emissions aligned with the goal of the Paris Climate Agreement and amend article 19 of bylaws accordingly. | In determining their vote, BlackRock took into account that Total already had some of the most ambitious climate targets in the industry on all relevant scopes (1, 2 and 3) and that the company already makes strong TCFD disclosures. In addition, BlackRock noted that the shareholder resolution referred to Total's previous climate commitments which have now been superseded by stronger commitments. |  |
| Russell ² | Emerging Markets Equity | Tencent Holdings Ltd. | 13 May 2020 | Voted against the issuance of shares without pre-emptive rights. | With respect to companies listed in Hong Kong, Russell vote against the issuance of shares without pre-emptive rights, unless Glass Lewis recommends a vote for, in which case the proposal will be voted on a case-by-case basis. |  |
| | | China Mobile Limited | 20 May 2020 | Voted against the issuance of shares without pre-emptive rights. | |  |
| JP Morgan ³ | Alternative Beta | Woodside Petroleum Limited | 30 April 2020 | Voted for approving the company to disclose Paris goals and targets. | The company's current level of disclosure regarding its capital expenditure strategy and GHG emissions did not appear to align with Paris goals under reasonable assumptions. | n/a* |
| | | B2Gold Corp. | 12 June 2020 | Voted for approving all director elections at Board level. | No further rationale provided. |  |

Source: Investment managers

*Resolution was not put forward at the Annual General Meeting

¹ BlackRock's Investment Stewardship team publishes vote bulletins after shareholder meetings to provide transparency for clients and other stakeholders on their approach to the key votes that they consider to be most significant, and thus require more detailed explanation.

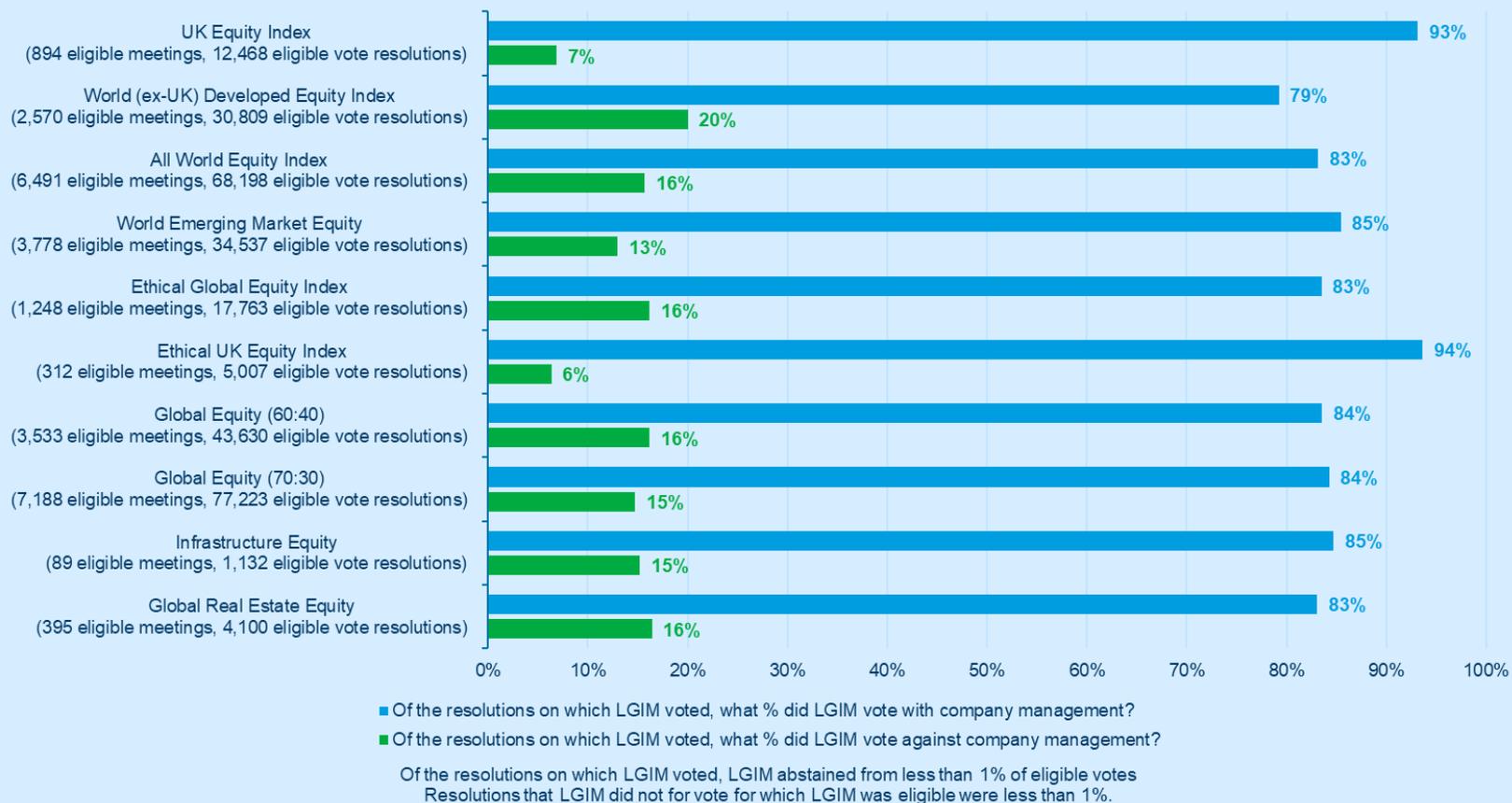
² Significant votes may include any votes that were manually determined by the Proxy Voting Committee, votes against management, votes with a controversial ballot (i.e. <85% shareholder support), or votes on companies that have a high weight in the Fund. Some clients may also place emphasis on votes that represent Environmental, Social, and/or Governance topics. Glass Lewis serves as Russell Investments' proxy administrator. Glass Lewis provides research on proxy votes, and is responsible for implementing Russell Investments' custom Proxy Voting Guidelines.

³ JP Morgan voted in line with its voting policy, where it was given voting rights by its clients (in its role as manager). The manager used a third party corporate governance data provider, Institutional Shareholder Services ("ISS"), to receive meetings notifications, provide company research and process its votes. JP Morgan defines significant votes as the ones where it is a major shareholder in its portfolios, where the vote is likely to be close or contentious or where there may be potential material consequences for the manager's clients. Over 2020, none of JP Morgan most significant votes were in breach with the voting policy.

Voting Activity during the Plan Year



Set out below is a summary of voting activity for this reporting period relating to the relevant strategies in the DC Section of the Plan. Funds where voting is not applicable (i.e. non-equity funds) are not included in the list below. With the exception of certain AVCs invested with Aviva, all DC investments are managed by LGIM.



Source: LGIM

Extracts from LGIM's voting policy:

"LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients.

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

LGIM's Investment Stewardship team uses Institutional Shareholders Services' (ISS) 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions."



Sample of the most significant votes



Resolution **not** passed



Resolution passed

| Fund | Company | Date of vote | How the Manager voted | Rationale of Manager vote | Final outcome following the vote |
|--------------------------------------|--|-------------------|--|---|----------------------------------|
| UK Equity Index | Pearson | 18 September 2020 | LGIM voted against an amendment to the remuneration policy. | LGIM considered the amendment to be unusual and discussed the shortcomings of the remuneration policy with the chair of the board, given performance conditions were weak. | |
| World (ex-UK) Developed Equity Index | ExxonMobil | 27 May 2020 | LGIM voted against the chair of the board at ExxonMobil's proposal to appoint a new director following on from LGIM's announcement that they will be supporting shareholder proposals for an independent chair and a report on the company's political lobbying. | Due to recurring shareholder concerns, LGIM's voting policy also sanctioned the reappointment of the directors responsible for nominations and remuneration. | |
| All World Equity Index | Barclays | 7 May 2020 | LGIM voted to approve Barclays' 'Commitment in Tackling Climate Change'. | The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers. | |
| World Emerging Market Equity | There were no significant votes to the Plan over the year. | | | | |
| Ethical Global Equity Index | The Procter & Gamble Company | 13 October 2020 | LGIM voted in favour of The Procter & Gamble Company's 'Report on effort to eliminate deforestation'. | LGIM decided to support the resolution, following a round of extensive engagement with Procter & Gamble on the concerns raised and proponents to the resolution. | |
| Ethical UK Equity Index | Rank Group | 11 November 2020 | LGIM voted to approve Rank Group's remuneration policy. | LGIM were comfortable this reflected the company's financial situation in light of the COVID-19 pandemic following a period of engagement with the company. The structure of the proposed long-term incentive plan was in line with LGIM's remuneration principles. | |
| Global Equity (60:40) | Whitehaven Coal | 22 October 2020 | LGIM voted to ask Whitehaven Coal to report on the potential wind-down of the company's coal operations, with the potential to return capital to shareholders. | LGIM has publicly advocated for a 'managed decline' for fossil fuel companies, in line with global climate targets, with capital being returned to shareholders instead of spent on diversification and growth projects that risk becoming stranded assets. | |
| Global Equity (70:30) | International Consolidated Airlines Group | 7 September 2020 | LGIM voted against a resolution on the executive remuneration policy. | LGIM expected greater discretion to be taken by the remuneration committee with respect to bonus payments in light of the company's financial situation due to COVID-19. | |
| Infrastructure Equity | There were no significant votes to the Plan over the year. | | | | |
| Global Real Estate Equity | There were no significant votes to the Plan over the year. | | | | |

Source: LGIM