MASTERTRUST
Independent Board of Trustees

Legal & General WorkSave Mastertrust
Legal & General WorkSave Mastertrust (RAS)

Implementation Statement

October 2021

Introduction

We, the trustees of the above two master trusts, have prepared this document which should be read in conjunction with our Statement of Investment Principles (SIP). In alignment with the SIP we cover both the master trusts in a single document. We have, therefore, used the term “Mastertrust” throughout the document to refer to both arrangements.

We hope that this document proves interesting and helpful to you as participating employers and members of the Mastertrust.

Purpose of this statement

Our SIP sets out our investment policies and what we hope to achieve from the investment choices that we make. This document, which is our Implementation Statement, is designed to set out how, and the extent to which, we believe the SIP has been followed during the scheme year (which runs from 6 April 2020 to 5 April 2021). Given we updated our SIP during the scheme year, on 29 September 2020, this document assesses our performance against the SIP both before and after that date. A copy of the SIP signed 29 September 2020 is available here.

We also describe any review of the SIP carried out during the scheme year, and subsequent changes made to it, including a review of the voting behaviour carried out by investment managers on the trustees' behalf.

Conclusion

Following our review and analysis, we believe that the SIP has been followed during the scheme year. We explain within this document the evidence we have taken into consideration in forming this view.

Background

The purpose of this Implementation Statement is to outline how key activities and decisions across the scheme year have helped the trustees to achieve their investment objectives and, where not, what steps will be taken to remedy this.

The Implementation Statement is primarily backwards-looking* and focuses solely on investment-related activities during the scheme year. If you wish to hear more generally about what we've done this year, please see our Chair's statement.

On the trustees' behalf, Legal & General Investment Management (LGIM) invests the Mastertrust assets through an investment platform of pooled funds and so the trustees are constrained in their ability to directly influence the underlying investee firms. However, where possible we expect LGIM and other external managers to take into consideration our policies within their investment decisions. On a periodic basis, we review, monitor and engage the managers on these investment decisions, including their approach to due diligence, stewardship activity, engagement with investee firms and voting behaviour.

Please note (*)

The SIP has also been updated as at 13 October 2021 and the latest version can be viewed here.

Given this is outside the scheme year, which is the relevant reporting period, we have not summarised the changes made as part of this update within this implementation statement.

Summary of changes

Before we comment on our performance against the principles set out in our SIP, we will summarise the key changes that have been made over the scheme year. We had already covered some of these changes in our previous statement, as while they had been made after the relevant reporting period, they occurred prior to the publication of the report. This has created some duplication between last year's report and this one; to avoid this going forward we will not report on events that have occurred after the end of the scheme year, which is the relevant reporting period.

1. **SIP changes**: The primary changes to our SIP reflect changes to the law which applied from 1 October 2020. The SIP was updated to include additional stewardship matters, including how the trustees monitor the capital structure of the companies they invest in, manage conflicts of interest and monitor and engage with other stakeholders in relation to investments. The SIP was also updated to include a description of the trustees' asset manager policies. This included how we require our managers to make decisions based on the long-term financial and non-financial performance of funds and align with the trustees' investment strategy and approach to risk.

2. **Governance models**: We merged the sole select governance option into the sole governance option. Under the sole select governance option, participating employers were able to choose an alternative default strategy from a pre-approved list of funds and lifestyles but were required to seek their own investment advice to confirm that the strategy was appropriate for their membership. Merging these two models means that there continues to be a range of pre-approved default strategies from which a participating employer may select for their arrangement, but that they are no longer required to seek investment advice. After taking advice from our independent advisers, we have approved all of these default strategies as being suitable for sole governance Mastertrust arrangements and provide ongoing governance for all of them.

3. **New default arrangement**: We introduced a new default arrangement, L&G PMC Cash (Suspensions) 3. Ongoing contributions for members can be redirected into this fund if they cannot be made into a suspended fund. In March 2020 when several property funds were suspended, contributions and funds were redirected into this new default arrangement, which is a ring-fenced section of an existing cash fund. As members' contributions are defaulted into the cash fund, this is now governed as a default strategy by the trustees. In response to this change, we included suspension risk as an additional potential risk within the risk section of the 29 September 2020 SIP; this is the risk that assets cease to trade as a result of market conditions.

Changes to the SIP: the default arrangements

As explained in our SIP, we believe that understanding the Mastertrust's membership is essential in designing and maintaining a default arrangement that meets the needs of the majority of members.

The trustees carried out an annual review of the sole governance default options during the scheme year with advice from our independent investment advisers. There are no changes to the SIP resulting from this review and all four defaults remain available for employers to select. Full details of why the trustees were comfortable that the sole governance default arrangements remain suitable for the members to which they relate and are in keeping with the investment objectives set out in the SIP and are provided in our Chair's Statement.

The SIP includes objectives for the default arrangements for the sole and shared governance models. We believe these objectives have been met following our monitoring of risk and investment returns. Legal & General has also provided experience of members' investment choices at retirement which was taken into account in the design of the funds. Lastly, in our Chair's Statement we explain why we think that the Mastertrust continues to offer value for members.

Changes to the SIP: investment options outside the default arrangement

Below we detail significant changes to the investment range made available to members over the last year.

Aside from the merger of the 'sole select' model, referred to previously, there were no changes to our sole governance sections within the scheme year.

Members in shared governance sections of the scheme may have seen other changes to their investment range which will have been communicated to them as and when the changes were due to occur, for example:

- A client's investment range was reviewed by their independent investment advisers and it was recommended to the Mastertrust that they make changes to their default investment option, a supporting lifestyle profile and some self-select funds. The Mastertrust trustees, following independent investment advice, approved these changes. We and our adviser discussed the impact of the changes on members close to retirement and agreed that they should still be switched to the new lifestyle but given an option to opt out. We challenged Legal & General to ensure that transaction costs could be kept to a minimum.

During the scheme year, the trustees introduced the concept of investment pathways to the standard At-retirement proposition, and for simple, standard sole governance arrangements where in-scheme drawdown is offered.

Investment pathways is a concept introduced into regulation for contract-based schemes by the FCA, from 1 February 2021, and is therefore not compulsory for Mastertrust arrangements at this time. However, the trustees welcomed the aim of the concept, to support members in making investment choices as they move into the new At-retirement and Post-retirement phase of their pension journey.

Investment pathways are introduced to members as they begin drawdown, whether they take only tax-free cash and use the remainder of their pension pot for income drawdown, or whether they are using it to take ad hoc or regular income. When applying for drawdown, members are offered a choice of four investment pathway options:

- Option 1: I have no plans to touch my money in the next five years
- Option 2: I plan to use my money to set up a guaranteed income (annuity) within the next five years

- Option 3: I plan to start taking my money as a long-term income within the next five years
- Option 4: I plan to take out all of my money within the next five years

A member may select one of these options or a mixture of them. If they do, then their drawdown pension pot is automatically placed into the corresponding investment solution without the member having to consider investment options any further. Members are also able to select their own investments, and where appropriate, continue with their previous investment selections (where drawdown is offered in scheme).

We also offer two different sets of investment solutions for employers, although a member will see only one set. The first set is applied to At-retirement arrangements or in-scheme drawdown where the accumulation default has greater ESG emphasis and is either Target Date Funds or the Future World Multi-Asset Fund. The second set is used for all other arrangements where investment pathways are applicable. Details of the investment solutions, introduced during the scheme year, are below:

Investment pathway option	Investment solution: greater ESG* focus	Investment solution: less ESG* focus
Option 1 (growth)	Future World Multi-Asset Fund	Multi-Asset Fund
Option 2 (annuity)	50% Future World Multi-Asset Fund 50% Inflation Sensitive Pre-Retirement Fund	50% Multi-Asset Fund 50% Inflation Sensitive Pre-Retirement Fund
Option 3 (drawdown)	Retirement Income Multi-Asset Fund	Retirement Income Multi-Asset Fund
Option 4 (cash)	Short Dated Sterling Corporate Bond Fund	Short Dated Sterling Corporate Bond Fund

*Environmental, social and governance

Assisted by our investment advisers, we regularly monitor the full range of investments and make changes as we see fit. This includes a quarterly review where the performance of each fund is assessed against appropriate risk and return benchmarks. Any significant deviation, or other reason for concern, is flagged and investigated by our independent investment advisers. They provide a full report and, where necessary, engage with the investment manager or platform provider to either identify a cause or recommend a change.

During March 2020, a small number of commercial property funds were suspended in response to material uncertainty against the value of the properties held within the funds because of the COVID-19 pandemic. In alignment with the agreed process in the event of fund suspension, member contributions were redirected into the new cash default fund and members were notified. Once the suspended funds were re-opened, assets were switched into the previous property funds and members were given the choice to choose an alternative if they wished.

Risks and policies

The trustees believe there are three principal investment risks that most of our members face; inflation risk, converting pension pots into an income in retirement and market risk.

We also summarise in the SIP other investment risks members may face. We updated this section from the 2019 SIP to highlight risks that members should also be aware of, adding two new risks - ‘suspension risk’ and ‘concentration risk’. Suspension risk reflected the market volatility at that time, and fund closures. To mitigate this risk we introduced a Cash Fund Default. This provides a low risk, ‘liquid’ option (one that’s backed by assets that are readily-available to be traded) in which to invest self-select members’ future contributions if any funds, such as property funds, cease to trade due to market conditions or otherwise. Concentration risk is managed by ensuring that the default options are suitably diversified. Members who wish to have greater exposure to certain factors may self-select if they desire through the self-select range that has been made available to them.

Our SIP discusses security of members’ funds in the event of the provider getting into financial difficulties. In addition to our regular annual review of the financial sustainability of the Legal & General companies involved in the running of the Mastertrust, we considered this on an ad hoc basis following the outbreak of COVID-19. We remain comfortable with the financial strength of Legal & General and believe that the policy of insurance, as described in the SIP, offers members a high degree of security.

Given the trustees consider climate risk to be one of the world’s most significant challenges they intend to issue a climate policy to further capture their approach in this important area during the next scheme year.

Performance against the SIP over the scheme year

In the following sections we take each heading from the SIP in turn and describe the most significant actions and decisions that have been taken throughout the scheme year and the extent to which these align with the beliefs and policies stated within our SIP. We include any changes we have made to our SIP.

Investment beliefs

We set out within our SIP our core investment beliefs and the asset classes (investment types) we consider appropriate for the investment of members' pension savings. We updated the investment beliefs in the SIP, particularly to reflect our belief that investments that take into account a range of environmental, social and governance (ESG) factors are likely in the long-term to outperform those that do not. We also updated the table of expected returns on investments to clarify the risk levels we expect in relation to the different asset classes.

Additionally, we describe how well each of the major asset classes is expected to deliver returns in excess of the rate of inflation over the long term. We should note that the COVID-19 pandemic and its subsequent economic impact has affected a number of asset classes, particularly at the start of the scheme year. It’s important to remember that the performance expectations listed are based on what the trustees expect to see over the long term. As pensions are a long-term investment for most members, the trustees are not generally as concerned about short-term volatility.

However, it is worth noting how asset classes have performed during this period, both as a result of the pandemic and the subsequent recovery.

- Global Equity has overall rebounded and recovered losses suffered in Q1 2020, performing strongly in absolute terms and after inflation, although with relatively high volatility. Within this asset class, the UK region exhibited poor relative performance during the scheme year but has delivered positive returns over the first few months of 2021.

- Direct property funds were suspended in March 2020 in response to material uncertainty against the value of the underlying properties held within the fund. Many funds reopened in September 2020 and while performance over the past year has been ahead of inflation, there are still many unknowns within particular property sectors (e.g. in the retail and office sectors) as a result of the pandemic.

- The Multi-Asset Fund and Future World Multi-Asset Fund have performed in line with expectations and ahead of inflation, following the directionality of equity markets but with approximately two-thirds of the volatility.

- Corporate bonds outperformed government bonds during the past year. This was a reverse of what happened in the 2019/20 scheme year when government bonds delivered positive returns, particularly at the height of the pandemic in March 2020. Cash continues to offer low but positive absolute returns.

The performance of the asset classes is explainable and not inconsistent with the trustees' understanding of how they should behave over the long term. The trustees therefore do not have any undue concerns.

ESG

The trustees have reviewed their ESG beliefs, as documented within our SIP, and have concluded that they remain suitable and sensible. We have delivered against the investment beliefs through the following activity:

- We were supportive of the expansion of Legal & General's Climate Impact Pledge (CIP) to include the incorporation of the divestment policy guided by the CIP into the Multi-Asset Fund, the Retirement Income Multi Asset Fund and the Target Date Funds. The divestment policy already applies to the Future World Fund. The divestment within the Climate Impact Pledge is aimed at the worst offenders and is aligned to the "engagement with consequences" concept. We were pleased that this policy supports feedback from Legal & General's customer research as well as feedback given directly to the trustees via the October 2020 member forum that was focused on ESG.

- In March 2021 we announced our commitment to net zero by 2050 including targets of around 50% reduction in carbon emissions intensity within our Multi-Asset Funds and around 60% for Target Date Funds, with the growth phase targeting 65%. This target complements the use of the Future World Multi-Asset Fund within the growth phase of the Target Date Funds from Q2 2020.

- We review the ESG results through the Active Ownership report provided by Legal & General Investment Management and have regular updates from the Director of Investment Stewardship and the Stewardship team to discuss and challenge the process and insight.

- We supported the pilot of Tumelo for a cohort of Mastertrust members to enable members to state a voting preference, ahead of company AGMs, for consideration by the investment manager.

- Throughout the scheme year we have reviewed our governance and risk processes to ensure they sufficiently consider and capture climate related risks and opportunities, in line with new regulatory requirements from the Taskforce for Climate Related Financial Disclosures (TCFD).

Stewardship & voting behaviour

As the Mastertrust is invested completely in pooled arrangements the trustees are not able to directly exercise their voting rights. There is increased focus from policy and lawmakers on client-directed voting in pooled funds, included the Law Commission's Intermediated Securities programme of work. We receive regular updates for developments in this area from our independent investment and legal advisers.

While we are not in a position to exercise our voting rights directly this does not mean that the way these voting rights are used is not important. The trustees have primarily focused their efforts on the voting practices of the primary asset manager, LGIM, to confirm that the company is acting in accordance with the trustees' beliefs, as this is where the vast majority of Mastertrust assets lie. However, for the sole governance range the trustees engage their independent investment advisers to review external managers and as part of this review the advisers consider their approach to engagement and stewardship. For shared governance the employer is expected to consider these issues and the trustees consider the investment appropriateness.

We have collected information on the most significant votes undertaken on our behalf for the sole governance default strategies as this is where most members' assets are. The trustees have considered LGIM's policy on what they consider a significant vote, which we include below. In determining significant votes, LGIM's

Investment Stewardship team considers the criteria provided by the Pensions & Lifetime Savings Association guidance (PLSA). This includes, but is not limited to:

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

We are satisfied that LGIM's characterisation of a significant vote reflects our own understanding of a significant vote. LGIM has now developed a public database providing voting records the day after the vote, including rationales for high-profile votes.

This supplements the quarterly reporting outlining details of significant votes; reports which are public at: https://www.lgim.com/uk/en/capabilities/investment-stewardship/active-ownership/

Finally, beginning in 2021, LGIM introduced a running blog pre-announcing voting intentions ahead of select upcoming AGMs, in an effort to help galvanise further investor support for votes LGIM believes are in the best interest of clients. For example, the decision to support the activist investors calling for board refreshment at ExxonMobil, which resulted in three new directors being appointed to the board amid concerns around the company's climate and capital allocation strategy.

A summary of significant votes during the scheme year for the sole governance default funds can be found in the Appendix.

In addition to the significant votes, we have also been provided with a breakdown of the voting behaviour taken on our behalf within the sole governance defaults:

	MAF	Future World MAF	RIMA	TDF 2060-65
How many meetings were you eligible to vote at over the year to 31/03/2021?	11,238	8,622	11,211	11,283
How many resolutions were you eligible to vote on over the year to 31/03/2021?	114,616	89,374	114,644	115,019
What % of resolutions did you vote on for which you were eligible?	99.76%	99.78%	99.78%	99.77%
Of the resolutions on which you voted, what % did you vote with management?	81.73%	80.66%	81.74%	81.73%
Of the resolutions on which you voted, what % did you vote against management?	17.71%	18.96%	17.70%	17.71%

	MAF	Future World MAF	RIMA	TDF 2060-65
What % of resolutions, for which you were eligible to vote, did you abstain from?	0.56%	0.38%	0.56%	0.56%
In what % of meetings, for which you were eligible to attend, did you vote at least once against management?	63.19%	67.87%	63.10%	63.12%
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	0.20%	0.22%	0.20%	10.43%

Due to the number of holdings they own, LGIM is unable to attend every company shareholder meeting to cast their votes; they therefore vote by proxy through the Institutional Shareholder Services (ISS) voting platform 'ProxyExchange'. While ISS does provide recommendations, all voting decisions are made by LGIM, with the information provided by ISS used as a supplementation to LGIM's own research. LGIM has put in place their own custom voting policy with specific voting instructions for their proxy provider to apply to all markets globally and seek to uphold their minimum best practice standards that companies globally should observe, irrespective of local regulation or practice.

The trustees are comfortable that LGIM has a strong history of engagement and a firm belief in ESG issues. These are just some of the reasons why we continue to believe that LGIM is a suitable primary asset manager for the Mastertrust.

We were particularly pleased to see multiple examples of LGIM using its voting rights to vote against board appointments that were not sufficiently diverse. We firmly believe that board diversity is not only an important social issue but an important risk control as well. LGIM's Climate Impact Pledge shows a commitment to taking environmental issues seriously; in 2020 they strengthened and expanded the Climate Impact Pledge to focus on around 1,000 global companies in 15 climate-critical sectors.

The latest active engagement overview from LGIM is for the year 2020. As shown in illustration 1 below, LGIM engaged with 665 companies, opposed the election of over 4,700 company directors and voted against management at least once for 75% of companies it engaged with. Issues that they voted against were predominantly due to concerns around the suitability of directors or auditors, pay or other elements of company strategy such as climate change. 130 companies were voted against for failing to meet LGIM's minimum standards under its Climate Impact Pledge engagement programme and an additional 13 companies subjected to divestment sanctions in relevant funds covered by the Pledge. In addition, LGIM engaged with regulators and policymakers around the world to improve market standards on issues ranging from virtual AGMs to climate disclosure and diversity. We are satisfied that LGIM is an active user of voting rights and is using these rights in alignment with our voting policies and expectations, not only to enhance members' investment outcomes, but also to enhance the ESG credentials of the companies in which it invests to enact real change.

We are also in the process of engaging with our external managers both in the sole and shared governance models to scrutinise their voting behaviour and develop the level of disclosure. This remains an area of priority for the trustees. As detailed in our previous statement, given that LGIM is our primary manager, we felt it was prudent and proportionate to focus on disclosure and scrutiny of LGIM's voting practices before applying the same level of diligence to the external managers. We continue to engage with LGIM and their external investment managers to develop disclosure of voting information and the methods of disclosure.

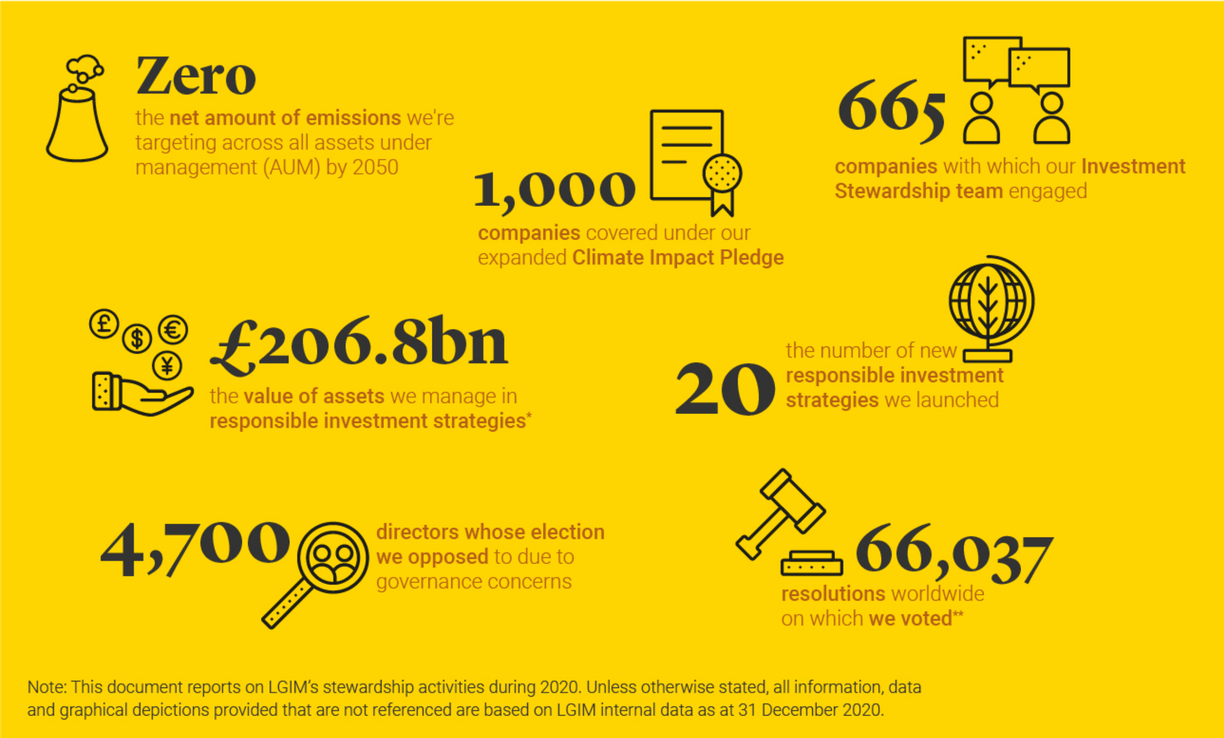

Illustration 1: Some of LGIM's stewardship achievements in 2020

We regularly review LGIM's voting activity and behaviour to ensure that it reflects our approach and attitude to voting and the way in which we expect LGIM to act as responsible investors on our behalf. To the extent that the trustees believe LGIM's voting policies and records do not align with and reflect our approach to voting, we would challenge LGIM and request that it aligns its approach with ours. To date, we have not felt the need to request changes to the way in which LGIM carries out its voting rights, but we continue to monitor the position by reviewing the annual reports produced by LGIM, with particular focus on beliefs and significant votes. Due to the close alignment of beliefs, the trustees have adopted LGIM's voting policy as our own, however, we would review this in light of any changes in either LGIM's or our beliefs. Full details of LGIM's voting policies and records can be found at: https://www.lgim.com/uk/en/capabilities/corporate-governance/policies-and-voting-disclosures-uk-en/

In line with Shareholders Directive II we have further expanded our policy on stewardship and manager incentivisation to make clear to members, among other things, how we engage with investments, how we avoid conflicts of interests and how we ensure our viewpoints are reflected by our investment managers.

LGIM accountability

The trustees believe it is important to engage with our primary asset manager to ensure that our beliefs are being accurately implemented. Where we have concerns that this is not the case, we would engage with LGIM to encourage change.

Within this period, we worked with Legal & General's Workplace DC business on a roadmap to achieve net zero by 2050 across all our auto-enrolment default investment options. This targets a carbon emissions intensity reduction of 50% by 2025 and 65% by 2030 in our default funds. We will also be working with those not invested in the Mastertrust's default funds on their approach. In order to agree this roadmap, we worked with LGIM's fund managers and Investment Stewardship teams agreeing both the headline, interim metrics and targets. We have requested that regular milestone updates are brought to the Investment Committee to enable oversight of achievement against target and will be reviewing a five-year rolling plan. Having these clear milestones and regular updates supports us in ensuring that the commitment is achieved.

We are confident that consideration of ESG factors can help to mitigate investment risk and that ESG is important in managing risks and ensuring an investment's long-term sustainability. The roadmap to net zero is an important step in documenting how these investment beliefs will be realised and implemented.

External manager accountability

We recognise the importance for all external managers who hold trustee assets to apply their stewardship appropriately and that our beliefs are being accurately implemented. Where we have concerns that this is not the case, we have engaged with asset managers to enact change. We intend to increase accountability on these managers to encourage consistency with our beliefs.

During the period four external funds have been subject to additional scrutiny on the trustee watch list, three because of performance and another because of a change in the manager's leadership team. One has been removed from the watchlist following a recovered position and the other three remain on watch with a hold position. When funds are on watch, we require the investment advisers to complete additional due diligence through direct contact with the manager to understand the reasons for any underperformance or fund changes and capture plans in place to mitigate any risks. The adviser will then provide a recommendation of action needed for our consideration and challenge.

Governance and operational framework

Implementation

In our SIP we explain how we oversee the management of the day-to-day investment decisions, including the management of financially material considerations, that we delegate to the fund managers of the chosen funds.

In the last 12 months, the fund managers of the sole governance default arrangements have attended Investment Committee meetings to update the trustees on a number of matters, including a recap of fund returns, any portfolio changes, ESG application, and how they take financially material considerations into account when selecting which companies and markets in which to invest and outlook. We are comfortable that we are fully informed about the matters that the fund managers are taking into consideration and that these are aligned with our views as expressed in the SIP.

Review & monitoring

We are constantly reviewing the appropriateness and performance of the funds within the default options, receiving at least quarterly performance updates from our independent investment advisers. We remain satisfied that the default options are appropriate for the membership and explain the process undertaken and the outcome of this review further in the Chair's Statement.

We receive performance updates on the full fund range available across the Mastertrust, with our investment advisers providing at least quarterly updates on any issues we need to be aware of. This ensures that we can be comfortable that the range of funds are well-monitored and remain suitable. All funds managed across the sole and shared governance ranges are reviewed in depth at least every three years, however changes will be made to the range as and when they are required. Short-term underperformance was recognised in an underlying fund making up one of the main default strategies. The manager was invited to attend the Investment Committee to explain the underperformance and outlook to the trustees and our advisers. We were comfortable with the explanation - as a result of COVID-19 driven market volatility - and a subsequent recovery has been made.

We review progress against the objectives set with our investment adviser in line with the order from the Competition and Markets Authority and in line with guidance issued by The Pensions Regulator. In our review of November 2020, we found that our independent investment advisers were meeting their objectives. In making this decision we took into consideration evidence provided by the adviser on their progress against objectives and a recommendation from the Pension Scheme Management Team. We are satisfied that fees paid to our service providers are consistent with industry norms for the service levels they provide. Further details of the service levels we received can be found in the Chair's Statement here.

The Investment Committee has met formally at least four times in the past year, as required.

We receive monitoring updates on all investments from our investment advisers on at least a quarterly basis. In addition, the investment advisers pay particular attention to the sole governance default range to ensure that they are performing correctly and remain suitable for the membership. Despite significant drawdowns seen as a result of COVID-19, the default funds continued to perform as expected.

The investment adviser assessed the suitability of the investment range considering, amongst other factors, the risks associated with investments with inadequate liquidity, poor diversification, underperformance, country/political and organisational risk.

The trustees have a process in place to analyse the underlying securities in the top 15 funds which accounts for 95% of the net assets of the Mastertrust related to participating employers to check that there are no employer-related investments exceeding 5% of the Mastertrust's assets.

Who's who and what do they do for the Mastertrust?

In our 29 September 2020 SIP we have a list of corporate trustees who make up the Trustee Board.

There has been one change to the Mastertrust Trustee Board. David Butcher, a director of Legal and General Trustees Limited, stood down from the board on 27 August 2020. Following David's resignation, we conducted a review of trustee skills and experience to identify if any knowledge, skills or experience gaps were created. We concluded that the board remained strong; there were no particular skill gaps and the knowledge and experience was not concentrated to any one individual. Given David's role on the Investment Committee we also considered the makeup of that committee and concluded that Catherine Redmond, who is also Chair of the Committee, and Robert Thomas, had the required knowledge and experience.

Catherine Redmond joined as a representative of BESTrustees Limited in April 2020 and became Chair to the Investment Committee in May. Catherine is a Fellow of the Institute of Actuaries, with over 25 years' experience in the pensions industry. Before becoming an independent professional trustee, Catherine held senior management roles at two of the largest private sector pension schemes in the UK - Barclays UK Retirement Fund and the BT Pension Scheme.

Robert Thomas joined as a representative of Law Debenture Pension Trustee Corporation plc. Robert was appointed to the Mastertrust Board in April 2020 and brings experience to the trustees from his work with a broad range of other pension schemes. Robert joined the Investment Committee in September 2020 and the Governance, Risk and Audit Committee in April 2020.

Trustee training

We are always looking to advance our knowledge and skills. We explain in detail the trustee training undertaken this year in pursuit of this objective in our Chair's Statement. This statement focuses on investment-related matters and in this regard the key areas of focus for us this year have been ESG and particularly the new TCFD requirements. The Investment Committee has also undertaken a deep dive on investment governance and sought advice from their independent advisers on the investment regulations and their specific role and responsibilities. They've also continued to receive regular updates on key areas, such as ESG.

Known departures from SIP

There were no investment breaches over this period. However, one employer did not complete their triennial review in time and so the trustees engaged their investment advisers to complete a review to resolve the issue.

As discussed above, in March 2020 a number of property funds were suspended, and contributions and funds were redirected into a Cash Fund. As members' contributions are defaulted into the Cash Fund this is now governed as a default strategy by the trustees.

Appendix – a summary of significant votes during the scheme year for the sole governance default funds

	Vote 1	Vote 2	Vote 3
Company name	**Qantas Airways Limited**	**Whitehaven Coal**	**International Consolidated Airlines Group**
Date of vote	23-Oct-20	22-Nov-20	07-Sep-20
Default	TDF, RIMA, Future World MAF, MAF	TDF, RIMA, MAF	TDF, RIMA, Future World MAF, MAF
Summary of the resolution	Resolution 3 Approve participation of Alan Joyce in the Long-Term Incentive Plan Resolution 4 Approve Remuneration Report.	Resolution 6 Approve capital protection. Shareholders are asking the company for a report on the potential wind-down of the company's coal operations, with the potential to return increasing amounts of capital to shareholders.	Resolution 8: Approve Remuneration Report was proposed at the company's annual shareholder meeting held on 7 September 2020.
How you voted	LGIM voted against resolution 3 and supported resolution 4.	LGIM voted for the resolution.	LGIM voted against the resolution.
Where you voted against management, did you communicate your intent to the company ahead of the vote?	Given our engagement, LGIM's Investment Stewardship team communicated the voting decision directly to the company before the AGM and provided feedback to the remuneration committee.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.

	Vote 1	Vote 2	Vote 3
Rationale for the voting decision	The COVID crisis has had an impact on the Australian airline company's financials. In light of this, the company raised significant capital to be able to execute its recovery plan. It also cancelled dividends, terminated employees and accepted government assistance. The circumstances triggered extra scrutiny from LGIM as we wanted to ensure the impact of the COVID crisis on the company's stakeholders was appropriately reflected in the executive pay package. In collaboration with our Active Equities team, LGIM's Investment Stewardship team engaged with the Head of Investor Relations of the company to express our concerns and understand the company's views. The voting decision ultimately sat with the Investment Stewardship team. We supported the remuneration report (resolution 4) given the executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the long-term incentive plan (LTIP), in light of the pandemic. However, our concerns as to the quantum of the 2021 LTIP grant remained, especially given the share price at the date of the	The role of coal in the future energy mix is increasingly uncertain, due to the competitiveness of renewable energy, as well as increased regulation: in Q4 2020 alone three of Australia's main export markets for coal – Japan, South Korea and China – have announced targets for carbon neutrality around 2050. LGIM has publicly advocated for a 'managed decline' for fossil fuel companies, in line with global climate targets, with capital being returned to shareholders instead of spent on diversification and growth projects that risk becoming stranded assets. As the most polluting fossil fuel, the phase-out of coal will be key to reaching these global targets.	The COVID-19 crisis and its consequences on international transport have negatively impacted this airline company's financial performance and business model. At the end of March 2020, LGIM addressed a private letter to the company to state our support during the pandemic. We also encouraged the board to demonstrate restraint and discretion with its executive remuneration. As a result of the crisis, the company took up support under various government schemes. The company also announced a 30% cut to its workforce. On the capital allocation front, the company decided to withdraw its dividend for 2020 and sought shareholder approval for a rights issue of €2.75 billion at its 2020 AGM in order to strengthen its balance sheet. The remuneration report for the financial year to 31 December 2019 was also submitted to a shareholder vote. We were concerned about the level of bonus payments, which are 80% to 90% of their salary for current executives and 100% of their salary for the departing CEO. We noted that the executive directors took a 20% reduction to their basic salary from 1 April 2020. However, whilst the

	Vote 1	Vote 2	Vote 3
	grant and the remuneration committee not being able to exercise discretion on LTIPs, which is against best practice. We voted against resolution 3 to signal our concerns.		bonuses were determined at the end of February 2020 and paid in respect of the financial year end to December 2019, LGIM would have expected the remuneration committee to exercise greater discretion in light of the financial situation of the company, and also to reflect the stakeholder experience (employees and shareholders). Over the past few years, we have been closely engaging with the company, including on the topic of the succession of the CEO and the board chair, who were long-tenured. This engagement took place privately in meetings with the board chair and the senior independent director. This eventually led to a success, as the appointment of a new CEO to replace the long-standing CEO was announced in January 2020. A new board chair: an independent non-executive director, was also recently appointed by the board. He started his new role in January 2021.
Outcome of the vote	About 90% of shareholders supported resolution 3 and 91% supported resolution 4. The meeting results highlight LGIM's stronger stance on the topic of executive remuneration, in our view.	The resolution did not pass, as a relatively small amount of shareholders (4%) voted in favour. However, the environmental profile of the company continues to remain in the spotlight: in late 2020 the company pleaded guilty to 19	28.4% of shareholders opposed the remuneration report.

	Vote 1	Vote 2	Vote 3
		charges for breaching mining laws that resulted in ‘significant environmental harm’. As the company is on LGIM’s Future World Protection List of exclusions, many of our ESG-focused funds – and select exchange-traded funds – were not invested in the company.	
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue our engagement with the company.	LGIM will continue to monitor this company.	LGIM will continue to engage closely with the renewed board.
On which criteria have you assessed this vote to be "most significant"?	It highlights the challenges of factoring in the impact of the COVID situation into the executive remuneration package.	The vote received media scrutiny and is emblematic of a growing wave of ‘green’ shareholder activism.	LGIM considers this vote significant as it illustrates the importance for investors of monitoring our investee companies’ responses to the COVID crisis.

	Vote 4	Vote 5	Vote 6
Company name	**Lagardère**	**Imperial Brands plc**	**Pearson**
Date of vote	05-May-20	03-Feb-21	18-Sep-20
Default	TDF, RIMA, Future World MAF, MAF	TDF, RIMA, Future World MAF, MAF	TDF, RIMA, Future World MAF, MAF
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).	Resolutions 2 and 3, respectively, Approve Remuneration Report and Approve Remuneration Policy.	Resolution 1: Amend remuneration policy was proposed at the company's special shareholder meeting, held on 18 September 2020.
How you voted	LGIM voted in favour of five of the Amber-proposed candidates (resolutions H,J,K,L,M) and voted off five of the incumbent Lagardère SB directors (resolutions B,C,E,F,G).	LGIM voted against both resolutions.	LGIM voted against the amendment to the remuneration policy.
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.

	Vote 4	Vote 5	Vote 6
Rationale for the voting decision	Proposals by Amber were due to the opinion that the company strategy was not creating value for shareholders, that the board members were not sufficiently challenging management on strategic decisions, and for various governance failures. The company continues to have a commandite structure; a limited partnership, which means that the managing partner has a tight grip on the company, despite only having 7 % share capital and 11% voting rights. LGIM engages with companies on their strategies, any lack of challenge to these, and with governance concerns. The company strategy had not been value-enhancing and the governance structure of the company was not allowing the SB to challenge management on this. Where there is a proxy contest, LGIM engages with both the activist and the company to understand both perspectives. LGIM engaged with both Amber Capital, where we were able to speak to the proposed new SB Chair, and also Lagardère, where we spoke to the incumbent SB Chair. This allowed us to gain direct perspectives from the individual charged with ensuring their board	The company appointed a new CEO during 2020, who was granted a significantly higher base salary than his predecessor. A higher base salary has a consequential ripple effect on short- and long-term incentives, as well as pension contributions. Further, the company did not apply best practice in relation to post-exit shareholding guidelines as outlined by both LGIM and the Investment Association. An incoming CEO with no previous experience in the specific sector, or CEO experience at a FTSE100 company, should have to prove her or himself beforehand to be set a base salary at the level, or higher, of an outgoing CEO with multiple years of such experience. Further, we would expect companies to adopt general best practice standards. Prior to the AGM, we engaged with the company outlining what our concerns over the remuneration structure were. We also indicated that we publish specific remuneration guidelines for UK-listed companies and keep remuneration consultants up to date with our thinking.	Pearson issued a series of profit warnings under its previous CEO. Yet shareholders have been continuously supportive of the company, believing that there is much value to be gained from new leadership and a fresh approach to their strategy. However, the company decided to put forward an all-or-nothing proposal in the form of an amendment to the company's remuneration policy. This resolution at the extraordinary general meeting (EGM) was seeking shareholder approval for the grant of a co-investment award, an unusual step for a UK company, yet if this resolution was not passed the company confirmed that the proposed new CEO would not take up the CEO role. This is an unusual approach and many shareholders felt backed into a corner, whereby they were keen for the company to appoint a new CEO, but were not happy with the plan being proposed. However, shareholders were not able to vote separately on the two distinctly different items, and felt forced to accept a less-than-ideal remuneration structure for the new CEO. LGIM spoke with the chair of the board earlier this

	Vote 4	Vote 5	Vote 6
	includes the right individuals to challenge management.		year, on the board's succession plans and progress for the new CEO. We also discussed the shortcomings of the company's current remuneration policy. We also spoke with the chair directly before the EGM, and relayed our concerns that the performance conditions were weak and should be re-visited, to strengthen the financial underpinning of the new CEO's award. We also asked that the post-exit shareholding requirements were reviewed to be brought into line with our expectations for UK companies. In the absence of any changes, LGIM took the decision to vote against the amendment to the remuneration policy.
Outcome of the vote	Even though shareholders did not give majority support to Amber's candidates, its proposed resolutions received approx. between 30-40% support, a clear indication that many shareholders have concerns with the board. (Source: ISS data)	Resolution 2 (Approve Remuneration Report) received 40.26% votes against, and 59.73% votes of support. Resolution 3 (Approve Remuneration Policy) received 4.71% of votes against, and 95.28% support.	At the EGM, 33% of shareholders voted against the co-investment plan and therefore, by default, the appointment of the new CEO.

	Vote 4	Vote 5	Vote 6
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with the company to understand its future strategy and how it will add value to shareholders over the long term, as well as to keep the structure of SB under review.	LGIM continues to engage with companies on remuneration both directly and via IVIS, the corporate governance research arm of The Investment Association. LGIM annually publishes remuneration guidelines for UK listed companies.	Such significant dissent clearly demonstrates the scale of investor concern with the company's approach. It is important that the company has a new CEO, a crucial step in the journey to recover value; but key governance questions remain which will now need to be addressed through continuous engagement.
On which criteria have you assessed this vote to be "most significant"?	LGIM noted significant media and public interest on this vote given the proposed revocation of the company's board.	LGIM are concerned over the ratcheting up of executive pay; and we believe executive directors must take a long-term view of the company in their decision-making process, hence the request for executives' post-exit shareholding guidelines to be set.	Pearson has had strategy difficulties in recent years and is a large and well-known UK company. Given the unusual approach taken by the company and our outstanding concerns, we deem this vote to be significant.

	Vote 7	Vote 8	Vote 9
Company name	**SIG plc.**	**Barclays**	**Mitchells & Butlers**
Date of vote	09-Jul-20	07-May-20	11-Mar-21
Default	TDF, RIMA, Future World MAF, MAF	TDF, RIMA, Future World MAF, MAF	TDF, RIMA, Future World MAF, MAF
Summary of the resolution	Resolution 5: Approve one-off payment to Steve Francis proposed at the company's special shareholder meeting held on 9 July 2020.	Resolution 29 Approve Barclays' Commitment in Tackling Climate Change Resolution 30 Approve ShareAction Requisitioned Resolution	Resolution 1: Authorise Issue of Equity in Connection with the Open Offer Resolution 2: Authorise Issue of Shares Pursuant to the Open Offer at a Discount to Middle Market Price Resolution 3: Authorise Implementation of Open Offer
How you voted	LGIM voted against the resolution.	LGIM voted for resolution 29, proposed by Barclays and for resolution 30, proposed by ShareAction.	LGIM voted against all three resolutions.
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.

	Vote 7	Vote 8	Vote 9
Rationale for the voting decision	The company wanted to grant their interim CEO a one-off award of £375,000 for work carried out over a two-month period (February - April). The CEO agreed to invest £150,000 of this payment in acquiring shares in the business, and the remaining £225,000 would be a cash payment. The additional payment was subject to successfully completing a capital-raising exercise to improve the liquidity of the business. The one-off payment was outside the scope of their remuneration policy and on top of his existing remuneration, and therefore needed shareholder support for its payment. LGIM does not generally support one-off payments. We believe that the remuneration committee should ensure that executive directors have a remuneration policy in place that is appropriate for their role and level of responsibility. This should negate the need for additional one-off payments. In this instance, there were other factors that were taken into consideration. The size of the additional payment was a	The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers. We are particularly grateful to the Investor Forum for the significant role it played in coordinating this outcome.	Given the current COVID restrictions and their impact on this pub & restaurant company's financials, the company sought shareholder approval for an equity raise through an underwritten Open Offer in March 2021. Three of the company's major shareholders came together and consolidated their holdings under a new holding company, Odyzean Limited. They together hold approximately 55% of the issued share capital of Mitchells & Butlers and therefore the majority of votes. As well as taking up their own share of the Open Offer, the concert party committed to underwrite any remaining offer shares not taken up by existing shareholders. We opposed Open Offer given our concerns about the influence of the newly incorporated holding company, Odyzean Limited, over our investee company's governance and the interests of minority investors. This concern was heightened by the announcement of expected changes to the structure and independence of the

	Vote 7	Vote 8	Vote 9
	concern because it was for work carried over a two-month period, yet was equivalent to 65% of his full-time annual salary. £225,000 was to be paid in cash at a time when the company's liquidity position was so poor that it risked breaching covenants of a revolving credit facility and therefore needed to raise additional funding through a highly dilutive share issue.		board as stated in the prospectus. LGIM would have expected a fair traditional rights issue to protect minority investors. We also noted that the concert party was able to buy deeply discounted shares without paying a control premium through their underwriting of the open offer.
Outcome of the vote	The resolution passed. However, 44% of shareholders did not support it. We believe that with this level of dissent the company should not go ahead with the payment.	Resolution 29 - supported by 99.9% of shareholders Resolution30 - supported by 23.9% of shareholders (source: Company website)	Only 6.8% of shareholders opposed these resolutions.
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM intend to engage with the company over the coming year to find out why this payment was deemed appropriate and whether they made the payment despite the significant opposition.	The hard work is just beginning. The focus will now be to help Barclays on the detail of their plans and targets, more detail of which is to be published this year. LGIM plan to continue to work closely with the Barclays board and management team in the development of their plans and will continue to liaise with ShareAction, Investor Forum, and other large investors, to ensure a consistency of messaging and to continue to drive positive change.	LGIM will continue to monitor the company closely.

	Vote 7	Vote 8	Vote 9
On which criteria have you assessed this vote to be "most significant"?	The vote is high-profile and controversial.	Since the beginning of the year there has been significant client interest in our voting intentions and engagement activities in relation to the 2020 Barclays AGM. We thank our clients for their patience and understanding while we undertook sensitive discussions and negotiations in private. We consider the outcome to be extremely positive for all parties: Barclays, ShareAction and long-term asset owners such as our clients.	LGIM have taken the rare step of opposing a capital raise given our serious concerns for minority shareholders' rights.

	Vote 10	Vote 11	Vote 12
Company name	**Rank Group**	**Hollywood Bowl Group**	**SSP Group plc**
Date of vote	11-Nov-20	27-Jan-21	25-Mar-21
Default	TDF, RIMA, Future World MAF, MAF	TDF, RIMA, MAF	TDF, RIMA, Future World MAF, MAF
Summary of the resolution	Resolution 2 Approve the remuneration report; and resolution 3 Approve remuneration policy.	Resolution 2: approve remuneration report Resolution 3: re-elect Nick Backhouse as director Resolution 7: re-elect Ivan Schofield as director Resolution 8: re-elect Claire Tiney as director	Resolutions 3 and 4: Approve Remuneration Policy and Restricted Share Plan (RSP) Resolutions 15-17: Approve general share issuance authorities
How you voted	LGIM supported both resolutions.	LGIM voted against the remuneration report and escalated our concerns by a vote against all the members of the remuneration committee.	LGIM voted Against the introduction of the RSP (Item 4) and the Remuneration Policy (Item 3). We also voted against the share issuance authorities (Items 15-17) given that we considered that the company had misused similar authorities during the previous year.
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.

	Vote 10	Vote 11	Vote 12
Rationale for the voting decision	The company and its stakeholders have been impacted by the COVID crisis. As an active owner and responsible investor, LGIM wants to ensure this is reflected in the executive remuneration package paid for this year. In addition, in 2018 the company granted 'block awards' long-term incentives (LTI) to the executives and committed not to grant any LTI awards until financial year 2022. After review of the remuneration policy, the remuneration committee asked shareholders to adopt a new LTI structure with the first award under this plan to be made in the 2021 financial year. We decided to support the remuneration report, which looks back at the remuneration earned during the financial year. We noted the remuneration committee's decision to apply a 20% deduction and cancel the planned increase of salaries of the executives and fees of the board members. No annual bonus was granted, given the performance of the company. LGIM was comfortable that the impact of COVID-19	The bowling alley operator has been financially impacted by the COVID-19 pandemic. This resulted in staff being furloughed and the company not paying dividends to shareholders. Despite this, the remuneration committee decided to exercise its discretion to allow for the performance period of the 2017 Long-Term Incentive Plan (LTIP) award to be reduced from September 2020 to February 2020, to avoid having to factor-in the financial consequences of the pandemic into the incentive plan. This resulted in the pro-rated LTIP vesting at 81% of salary. The remuneration committee did not consult with LGIM before taking the decision to retrospectively reduce the performance period of the LTIP. We applied our policy and sanctioned this practice by a vote against the remuneration report. Given the seriousness of our concerns and the precedent this could set, we decided to escalate our vote sanction by a rare vote against all members of the remuneration committee.	Issue 1 – remuneration-based Many companies, especially those operating in sectors particularly hard-hit by COVID-19, have in the last year sought to introduce alternative long-term share incentives. Where performance-based awards are replaced with time-vested shares (restricted shares), which exhibit a higher likelihood of vesting, we expect the award opportunity to be significantly reduced to take account of the increased value. Institutional guidelines note a minimum 50% discount as an appropriate starting point. However, best market practice has since evolved to take account of any substantial reduction in the share price year-on-year to ensure that potential windfall gains when the market recovers are avoided. At SSP Group, whilst the remuneration committee proposed a 50% discount, it did not further reduce the award size despite the share price not having sufficiently recovered, lingering below 50% of the pre-pandemic price. Thus, the proposed award size would actually be

	Vote 10	Vote 11	Vote 12
	had been appropriately reflected in the remuneration of the executives and therefore decided to support the remuneration report. Regarding the remuneration policy, our direct engagement with the company allowed us to better understand the rationale for the proposed changes to the LTIP. We took into account their concerns around retention, and the fact that there would be a substantial gap in the vesting of any long-term incentives if this plan was not approved. Notably, that the structure of the proposed LTIP was in line with LGIM's remuneration principles.		larger than the number of pre-COVID shares previously offered under the LTIP, despite its likelihood of vesting having increased dramatically. Issue 2 – share issuances without adequate shareholder protections at a capital raising by SSP Group in June 2020 – in the height of the coronavirus pandemic – the company issued additional capital through a legal structure that bypassed shareholder pre-emption rights.
Outcome of the vote	90.79% of shareholders supported resolution 2 and 96.4% supported resolution 3. However, it should be noted that a majority shareholder owned 56.15% of the voting rights shortly before the time of the vote. This remains an interesting outcome given the recommendation of a vote against both resolutions by influential proxy voting agency ISS.	47.7% of shareholders opposed the remuneration report (resolution 2) and 15.8% the re-election of the chair of the remuneration committee (resolution 8). The other members of the remuneration committee (resolution 3 and 7) were only opposed by 4.2% and 4.0% of shareholders respectively.	Resolution 3: 9.79% votes against, with a further substantial number of abstain votes. Resolution 4: 10.25% votes against. Resolution 15: 21.77% votes against.

	Vote 10	Vote 11	Vote 12
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	Our engagement with the company on the topic of remuneration led to an informed vote decision by LGIM.	LGIM will continue to monitor the company.	LGIM will continue to monitor the company closely.
On which criteria have you assessed this vote to be "most significant"?	It illustrates the complexity of remuneration practices and the importance of engagement. The media also expected this shareholder meeting would trigger a substantial amount of votes against.	LGIM took the rare step of escalating our vote against all members of the remuneration committee given the seriousness of our concerns. This highlights the importance of ensuring that executive remuneration remains in line with stakeholder experience.	Ahead of the AGM, there had been rumblings from investors regarding the proposed RSP award size. But more importantly, the move away from performance-based share incentive to time-based awards, which vest subject to no further performance targets, is concerning and can set a dangerous precedent if not appropriately discounted. The high vote against the standard share issuance authority (Item 15) demonstrates shareholders' concern with capital raises that may lead to shareholders suffering dilution.

	Vote 13	Vote 14	Vote 15
Company name	**Future plc**	**Medtronic plc**	**Plus500 ltd.**
Date of vote	11-Feb-21	11-Dec-20	16-Sep-20
Default	TDF, RIMA, Future World MAF, MAF	TDF, RIMA, Future World MAF, MAF	TDF, RIMA, Future World MAF, MAF
Summary of the resolution	Resolution 3: Approve Remuneration Report Resolution 4: Approve Remuneration Policy Resolution 10: Re-elect Hugo Drayton Resolution 18: Approve Value Creation Plan	Resolution 3 Advisory Vote to Ratify Named Executive Officers' Compensation.	Resolution 17: Approve Special Bonus Payment to CFO Elad Even-Chen at the company's special shareholder meeting held on 16 September 2020.
How you voted	LGIM voted against the resolutions.	LGIM voted against the resolution.	LGIM voted against the special bonus based on the belief that such transaction bonuses do not align with the achievement of pre-set targets. Separately, LGIM also voted against an amendment to the company's remuneration policy, which continues to allow for the flexibility to make one-off awards and offers long-term incentives that remain outside best market practice in terms of long-term performance alignment.
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	Given our concerns, LGIM directly notified the company of its vote intentions before the shareholder meeting.

	Vote 13	Vote 14	Vote 15
Rationale for the voting decision	The company proposed a bonus scheme that could award its chief executive just over £40m. The Value Creation Plan could pay out up to £95m in stock-based awards annually over three years to employees, based on total shareholder return and dividends. We had concerns around the potential increase in total quantum, as the proposed plan does not comply with LGIM's pay policy. We did not engage with the company as we have clearly set out our expectations on remuneration in our principles document. We voted against the remuneration report and policy as we did not consider there to be sufficient justification for the proposed increase to the LTIP, and the proposed plan does not comply with LGIM's published pay policy. We voted against the value creation plan due to the potential increase in total quantum of pay. We voted against the chair of the remuneration committee as we have current and previous concerns with the remuneration plans.	Following the end of the financial year, executive directors were granted a special, one-off award of stock options to compensate for no bonus being paid out during the financial year. LGIM voted against the one-off payment as we are not supportive of one-off awards in general and in particular when these are awarded to compensate for a payment for which the performance criterion/criteria were not met. Prior to the AGM we engaged with the company and clearly communicated our concerns over one-off payments.	At its AGM on 16 September 2020, Plus500 proposed a number of pay-related proposals for shareholder approval. Amongst these, the board recommended the approval of a substantial discretionary bonus offered to the CFO for his successful work with Israeli tax authorities over a number of years, resulting in a significant tax-saving for shareholders. The bonus is in addition to his annual variable pay and outside the normal bonus structure. LGIM does not support one-off discretionary bonuses (or transaction bonuses) as these are not within the approved policy to reward the achievement of pre-set targets. Moreover, discussions with tax authorities and the obtaining of preferential tax structures for the company are seen as part of a CFO's day-to-day job and should not be remunerated separately. Instead, a preferential tax treatment will benefit future performance and will therefore be rewarded within annual bonus and long-term incentives in future performance years.

	Vote 13	Vote 14	Vote 15
Outcome of the vote	The resolutions received the below in votes against: Resolution 3: 35% Resolution 4: 27% Resolution 10: 10% Resolution 18: 35% Whilst all resolutions passed, the company did receive significant votes against a number of these resolutions.	The voting outcome was as follows: For: 91.73%; against: 8.23%.	Given the level of shareholder dissent, Resolution 17 was withdrawn ahead of the AGM, while all the other resolutions were passed. The company stated that: 'The board and the remuneration committee consider that a bonus is appropriate given the outstanding efforts of [the CFO].'As such, Plus500 intends to again propose the resolution for shareholder approval at the EGM to cover 2021 director pay (as is required under Israeli law).
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to monitor the company.	LGIM will continue to monitor this company.	LGIM will continue to monitor the company.

	Vote 13	Vote 14	Vote 15
On which criteria have you assessed this vote to be "most significant"?	This was a high-profile vote, which has such a degree of controversy that there is high client and/or public scrutiny.	LGIM believe it is contrary to best practice in general and our pay principles in particular to award one-off awards, especially if they are to compensate for a forgone payment.	There was a level of media interest regarding the withdrawal of the resolution. This, combined with the other shortcomings of this company in relation to the expectations of a company listed in London, make this a significant vote. Shareholder dissent to the resolution was sufficiently high that the proposal was withdrawn ahead of the AGM; this will result in the company being included in the UK Investment Association's Public Register.

	Vote 16	Vote 17	Vote 18
Company name	**Olympus Corporation**	**Toshiba Corp.**	**Fast Retailing Co. Limited.**
Date of vote	30-Jul-20	18-Mar-21	26-Nov-20
Default	TDF, RIMA, Future World MAF	TDF, RIMA, MAF	TDF, RIMA, Future World MAF, MAF
Summary of the resolution	Resolution 3.1: Elect Director Takeuchi, Yasuo at the company's annual shareholder meeting held on 30 July 2020.	Resolution 1: Appoint Three Individuals to Investigate Status of Operations and Property of the Company Resolution 2: Amend Articles to Mandate Shareholder Approval for Strategic Investment Policies including Capital Strategies	Resolution 2.1: Elect Director Yanai Tadashi.
How you voted	We voted against the resolution.	LGIM voted for the resolutions.	LGIM voted against the resolution.
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.

	Vote 16	Vote 17	Vote 18
Rationale for the voting decision	Japanese companies in general have trailed behind European and US companies, as well as companies in other countries, in ensuring more women are appointed to their boards. The lack of women is also a concern below board level. LGIM have for many years promoted and supported an increase of women on boards, at the executive level and below. On a global level we consider that every board should have at least one female director. We deem this a de minimis standard. Globally, we aspire to all boards comprising 30% women. Last year in February we sent letters to the largest companies in the MSCI Japan which did not have any women on their boards or at executive level, indicating that we expect to see at least one woman on the board. One of the companies targeted was Olympus Corporation. In the beginning of 2020, we announced that we would commence voting against the chair of the nomination committee or the most senior board member (depending on the type of board structure in	Toshiba Corp's extraordinary general meeting (EGM) was precipitated by a significant decline in trust between its shareholders and management team following recent controversies, including allegations of abnormal practices and behaviour by the company surrounding its July 2020 AGM. As a result, the company faced two independent shareholder resolutions at the EGM calling for it to introduce remedies that would restore confidence and trust in the company's governance, management and strategy. LGIM supported the resolution calling for the appointment of investigators to address doubts over the company's 2020 AGM conduct and vote tallying. We believe the enquiry, which is unlikely to be a burden on the company, will be an important step in rebuilding trust between shareholders and the company's executive team and board. We also supported the shareholder resolution mandating the company to present its strategic investment policy to a shareholder	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. LGIM 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 we consider that every board should have at least one female director. We deem this a de minimis standard. Globally, we aspire to all boards comprising 30% women. In the beginning of 2020, we announced that we 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. We 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

	Vote 16	Vote 17	Vote 18
	place) for those companies included in the TOPIX100. We opposed the election of this director in his capacity as a member of the nomination committee and the most senior member of the board, in order to signal that the company needed to take action on this issue.	vote in order to send a clear message to the Toshiba Board and executive team: shareholders expect increased transparency and accountability.	company needed to act on this issue.
Outcome of the vote	94.90% of shareholders supported the election of the director	Resolution 1 was passed with 57.9% of participating shareholders in support. The company promptly put investigators in place and set up a confidential hotline for any individuals who are willing to provide information. Resolution 2, in respect to the company's capital allocation and strategic investment policy received 39.3% support and did not pass. However, the vote serves to send a clear signal to the board and executive team that shareholders expect increased transparency and accountability.	Shareholders supported the election of the director.
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with and require increased diversity on all Japanese company boards.	LGIM will continue to monitor the company.	LGIM will continue to engage with and require increased diversity on all Japanese company boards, including Fast Retailing.

	Vote 16	Vote 17	Vote 18
On which criteria have you assessed this vote to be "most significant"?	This vote is deemed significant as LGIM considers it imperative that the boards of Japanese companies increase their diversity.	The vote was high profile and controversial.	LGIM considers it imperative that the boards of Japanese companies increase their diversity.

	Vote 19	Vote 20	Vote 21
Company name	**Samsung Electronics**	**Amazon**	**AmerisourceBergen Corporation**
Date of vote	17-Mar-21	27-May-20	11-Mar-21
Default	TDF, RIMA, Future World MAF, MAF	TDF, RIMA, Future World MAF, MAF	TDF, RIMA, Future World MAF, MAF
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	Shareholder resolutions 5 to 16	Resolution 3: Advisory Vote to Ratify Named Executive Officers' Compensation
How you voted	LGIM voted against all three resolutions.	Of 12 shareholder proposals, LGIM voted to support 10. LGIM looked into the individual merits of each individual proposal, and there are two main areas which drove our 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).	LGIM voted against the resolution.
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not

	Vote 19	Vote 20	Vote 21
	limited to shareholder meeting topics.	engagement is not limited to shareholder meeting topics.	limited to shareholder meeting topics.
Rationale for the voting decision	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. LGIM engaged with the company ahead of the vote. However, we	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 our engagements leading up to the proxy vote. Our team has had multiple engagements with Amazon over the past 12 months. The topics of our engagements touched most aspects of ESG, with an emphasis on social topics: • Governance: Separation of CEO and board chair roles, plus the desire for	During the same year the Company recorded a $6.6 billion charge related to opioid lawsuits, its CEO's total compensation was approximately 25% higher than the previous year. By excluding the settlement costs, the Compensation Committee ensured executive pay was not impacted by an operating loss of $5.1bn (on unadjusted basis). LGIM has in previous years voted against executives' pay packages due to concerns over the remuneration structure not comprising a sufficient proportion of awards assessed against the company's performance. We voted against the resolution to signal our concern over the overall increased compensation package during a year that the company recorded a $6.6bn charge related to opioid lawsuits and a total operating loss of $5.1 billion.

	Vote 19	Vote 20	Vote 21
	were not satisfied with the company's response that ties have been severed. We are concerned that Lee Jae-yong continues to make strategic company decisions from prison. Additionally, we were not satisfied with the independence of the company board and that the independent directors are really able to challenge management. LGIM voted against the resolutions as the outside directors, who should provide independent oversight, have collectively failed to remove criminally convicted directors from the board. The inaction is indicative of a material failure of governance and oversight at the company.	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. We 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.	

	Vote 19	Vote 20	Vote 21
Outcome of the vote	The meeting results are not yet available.	Resolution 5 to 8, and 14 to 16 each received approx. 30% support from shareholders. Resolutions 9 and 10 received respectively 16.7 and 15.3% support. Resolution 11 received 6.1% support. Resolution 12 received 1.5 % support. Resolution 13 received 12.2% support. (Source: ISS data)	The resolution encountered a significant amount of oppose votes from shareholders, with 48.36% voting against the resolution and 51.63% supporting the proposal.
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to monitor the company.	Despite shareholders not giving majority support to the raft of shareholder proposals, the sheer number and focus on these continues to dominate the landscape for the company. Our engagement with the company continues as we push it to disclose more and to ensure it is adequately managing its broader stakeholders, and most importantly, its human capital.	LGIM continues to engage with US companies on their pay structures and has published specific pay principles for US companies.

	Vote 19	Vote 20	Vote 21
On which criteria have you assessed this vote to be "most significant"?	This was a high-profile vote, which has such a degree of controversy that there is high client and/or public scrutiny and the sanction vote was a result of a direct or collaborative engagement.	The market attention was significant leading up to the AGM, with: •12 shareholder proposals on the table – the largest number of any major US company this proxy season •Diverse investor coalitions submitting and rallying behind the proposals, including global, different types of investors and first time co-filers/engagers •Substantial press coverage – with largely negative sentiment related to the company's governance profile and its initial management of COVID-19 •Multiple state treasurers speaking out and even holding an online targeted pre-annual meeting investor forum entitled 'Workplace & Investor Risks in Amazon.com, Inc.'s COVID-19 Response' Anecdotally, the Stewardship team received more inquires related to Amazon than any other company this season.	LGIM considers it imperative that pay structures are aligned with company performance and that certain expenses over which directors have control and influence should not be allowed to be excluded in the calculation of their pay, in particular if these would be detrimental to the executive director(s) in question.

	Vote 22	Vote 23	Vote 24
Company name	**Cardinal Health**	**ExxonMobil**	**Luckin Coffee inc.**
Date of vote	04-Nov-20	27-May-20	05-Jul-20
Default	TDF, RIMA, Future World MAF, MAF	TDF, RIMA, MAF	TDF, RIMA, Future World MAF
Summary of the resolution	Resolution 3, Advisory Vote to Ratify Named Executive Officers' Compensation.	Resolution 1.10 Elect Director Darren W. Woods	Resolution 4: Remove Director Charles Zhengyao Lu proposed at the company's special shareholder meeting held on 5th July 2020.
How you voted	LGIM voted against the resolution.	Against	We voted in favour of this resolution.
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.

	Vote 22	Vote 23	Vote 24
Rationale for the voting decision	The company paid out an above target bonus to the CEO, the same year it recorded a total pre-tax charge of $5.63 billion ($5.14 billion after tax) for expected opioid settlement costs during the fiscal year ended 30 June, 2020. The Compensation Committee excluded the settlement costs from the earnings calculations which resulted in executive pay being boosted. Further, the current CEO was head of pharma globally during the worst years of the opioid crisis. Accountability would therefore have been expected. LGIM has in previous years voted against executives' pay packages due to concerns over the remuneration structure not comprising a sufficient proportion of awards assessed against the company's performance. We voted against the resolution to signal our concern over the bonus payment to the CEO in the same year the company recorded the charge for expected opioid settlement.	In June 2019, under our annual 'Climate Impact Pledge' ranking of corporate climate leaders and laggards, we announced that we will be removing ExxonMobil from our Future World fund range, and will be voting against the chair of the board. Ahead of the company's annual general meeting in May 2020, we also announced we will be supporting shareholder proposals for an independent chair and a report on the company's political lobbying. Due to recurring shareholder concerns, our voting policy also sanctioned the reappointment of the directors responsible for nominations and remuneration.	Shortly after its public listing in May 2019, the Chinese coffee start-up, which holds the ambition of disrupting the traditional coffee-shop model and competing with Starbucks in China, was accused by an anonymous report of potential fraudulent behaviour. This was initially denied by the board, and the company later opened an internal investigation with the formation of a special board committee and advice from outside law and forensic firms. The investigation revealed fabricated sales of approximately $300 million, which represented almost half of the company's 2019 sales. As a result, the CEO and chief operating officer were dismissed, and the company was delisted from Nasdaq in June 2020. Two Chinese regulators are investigating the issue. As a result of these findings, Haode Investment inc., a significant shareholder of the company (holding at the time approximately 37% of unequal voting rights), beneficially owned by the chair and founder, requested a special meeting to ask for the removal of three board directors including the

	Vote 22	Vote 23	Vote 24
			director leading the internal investigation, and proposed the election of two outside directors. The company board proposed a resolution at the meeting to seek shareholder approval to remove the board chair from the board. This resolution was put forward by the majority of the board as a result of the findings of the internal investigation. Given the findings of the investigation, LGIM decided to sanction the board for its lack of oversight. We supported the removal of the board chair, and also voted in favour of the removal of two outside non-independent directors of the board. LGIM opposed the election of the two outside directors proposed by the board chair himself, as we had concerns about their independence.
Outcome of the vote	The resolution encountered a significant amount of oppose votes from shareholders, with 38.6% voting against the resolution and 61.4% supporting the proposal.	93.2% of shareholders supported the re-election of the combined chair and CEO Darren Woods. Approximately 30% of shareholders supported the proposals for independence and lobbying. (Source: ISS data)	A majority of investors (% not available) supported the removal of the board chair. Three other board directors were also removed, and two new outside directors were appointed to the board.

	Vote 22	Vote 23	Vote 24
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM continues to engage with US companies on their pay structures and has published specific pay principles for US companies.	We believe this sends an important signal, and will continue to engage, both individually and in collaboration with other investors, to push for change at the company. Our voting intentions were the subject of over 40 articles in major news outlets across the world, including Reuters, Bloomberg, Les Échos and Nikkei, with a number of asset owners in Europe and North America also declaring their intentions to vote against the company.	The company subsequently appointed a new combined chair and CEO, who is a co-founder of the company. LGIM will continue to monitor developments.
On which criteria have you assessed this vote to be "most significant"?	LGIM believe it is imperative that pay structures are aligned with company performance and that certain expenses over which directors have control and influence should not be allowed to be excluded in the calculation of their pay, in particular if these would be detrimental to the executive director(s) in question.	LGIM voted against the chair of the board as part of LGIM's 'Climate Impact Pledge' escalation sanction.	LGIM identified this vote as significant given the size of the scandal and the proposal by the board to remove the company's chair. We also note that this scandal has triggered important media coverage. The company is incorporated in China and was listed in the US. The Financial Times reported that this scandal triggered the US Congress passing bills in May to strengthen disclosure requirements for foreign groups.

	Vote 25	Vote 26	Vote 27
Company name	**The Procter & Gamble Company (P&G)**	**Tyson Foods**	**Walgreens Boots Alliance, Inc.**
Date of vote	13-Oct-20	11-Feb-21	28-Jan-21
Default	TDF, RIMA, Future World MAF, MAF	TDF, RIMA, Future World MAF, MAF	TDF, RIMA, Future World MAF, MAF
Summary of the resolution	Resolution 5 Report on effort to eliminate deforestation.	Resolution 4: Report on Human Rights Due Diligence	Resolution 3: Advisory vote to ratify named executive officer's compensation.
How you voted	LGIM voted in favour of the resolution.	LGIM voted for the resolution.	We voted against the resolution.
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	P&G uses both forest pulp and palm oil as raw materials within its household goods products. The company has only obtained certification from the Roundtable on Sustainable Palm Oil for one third of its palm oil supply, despite setting a goal for 100% certification by 2020. Two of their Tier 1 suppliers of palm oil were linked to illegal deforestation. Finally, the company uses mainly Programme for	A shareholder-led resolution requested that the company produce a report on Tyson's human rights due diligence process. The pandemic highlighted potential deficiencies in the application of its human rights policies. The following issues have been highlighted as giving grounds to this assessment: strict attendance policies, insufficient access to testing, insufficient social distancing, high	The company's compensation committee applied discretion to allow a long-term incentive plan award to vest when the company had not even achieved a threshold level of performance. This is an issue because investors expect pay and performance to be aligned. Exercising discretion in such a way during a year in which the company's earnings per share (EPS) declined by

	Vote 25	Vote 26	Vote 27
	the Endorsement of Forest Certification (PEFC) wood pulp rather than Forestry Stewardship Council (FSC) certified wood pulp. Palm oil and Forest Pulp are both considered leading drivers of deforestation and forest degradation, which is responsible for approximately 12.5% of greenhouse gas emissions that contribute to climate change. The fact that Tier 1 suppliers have been found to have links with deforestation calls into question due diligence and supplier audits. Only FSC certification offers guidance on land tenure, workers', communities and indigenous people's rights and the maintenance of high conservation value forests. LGIM engaged with P&G to hear its response to the concerns raised and the requests raised in the resolution. We spoke to representatives from the proponent of the resolution, Green Century. In addition, we engaged with the Natural Resource Defence Counsel to fully understand the issues and concerns. Following a round of extensive engagement on the issue, LGIM decided to support the	line speeds and non-comprehensive COVID-19 reporting. Furthermore, it is believed that there have been over 10,000 positive cases and 35 worker deaths. As such, the company is opening itself up to undue human rights and labour rights violation risks. Tyson is already subject to litigation for wrongful death of an employee filed by the family of the deceased. Additionally, there is a United States Department of Agriculture complaint for failure to protect employees of colour who are disproportionately affected by Covid-19, and two Federal Trade Commission (FTC) complaints for misleading representations about worker treatment, the nature of relationships with farmers, and conditions at poultry farms in its supply chain. LGIM believes that companies in which we invest our clients' capital should uphold their duty to ensure the health and safety of employees over profits. While the company has health and safety, and code of conduct, policies in place and may have introduced	88% caused a significant misalignment between pay and performance. LGIM had a constructive engagement with the company in November 2020; however, it failed to mention the application of discretion during that call. We found this surprising given the significant impact it had on compensation, which was discussed, giving the company an opportunity to raise this. LGIM does not generally support the application of retrospective changes to performance conditions. Although the company was impacted by COVID, many of its shops remained open as they were considered an essential retailer. The company did not provide sufficient justification for the level of discretion applied which resulted in the payment of 94,539 shares or approximately $3.5m to the CEO in respect of the 2018-2020 award, which would otherwise have resulted in zero shares vesting.

	Vote 25	Vote 26	Vote 27
	resolution. Although P&G has introduced a number of objectives and targets to ensure their business does not impact deforestation, we felt it was not doing as much as it could. The company has not responded to CDP Forest disclosure; this was a red flag to LGIM in terms of its level of commitment. Deforestation is one of the key drivers of climate change. Therefore, a key priority issue for LGIM is to ensure that companies we invest our clients' assets in are not contributing to deforestation. LGIM has asked P&G to respond to the CDP Forests Disclosure and continue to engage on the topic and push other companies to ensure more of their pulp and wood is from FSC certified sources.	additional policies to protect employees during the pandemic, there was clearly more it could have done. This is indicated by the reported complaints and rates of infection among its employee population. We believe that producing this report is a good opportunity for the board to re-examine the steps they have taken and assess any potential shortfalls in safety measures so that they can improve controls and be better prepared for any future pandemic or similar threat.	
Outcome of the vote	The resolution received the support of 67.68% of shareholders (including LGIM).	The resolution failed to get a majority support as only 17% of shareholders supported it.	The resolution failed to get a majority support as 52% of shareholders voted against.
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with P&G on the issue and will monitor its CDP disclosure for improvement.	LGIM will continue to monitor the company.	LGIM will continue to monitor the company.

	Vote 25	Vote 26	Vote 27
On which criteria have you assessed this vote to be "most significant"?	It is linked to LGIM's five-year strategy to tackle climate change and attracted a great deal of client interest.	Our clients were particularly interested in the outcome of this vote.	It was high-profile and controversial.