Appendix 4 – Implementation Report

Fidelity Master Trust

Implementation Report

Year End 30 June 2021

Background

In the Statement of Investment Principles (SIP) the Fidelity Master Trust (the Scheme) sets out its:

- policies for managing financially material considerations including ESG factors and climate change
- policies on the stewardship of the investments

The SIP can be found online on Fidelity's cost and charges webpage https://retirement.fidelity.co.uk/about-workplace-pensions/investing/costs-and-charges. Changes to the SIP are detailed on the following pages.

Implementation Report

This Implementation Report provides evidence that the Scheme continues to follow and act on the principles outlined in the SIP. This report details:

- actions the Trustees have taken to manage financially material risks
- the current beliefs of the Trustees with regards to sustainability as articulated within the SIP, and how these are being implemented within the Scheme
- the Trustees' engagement with fund managers and in turn the engagement activity of the fund managers with the companies they invest
- voting behaviour covering the reporting year up to 30 June 2021 for and on behalf of the Scheme including significant votes cast by the Scheme or on its behalf where available

Implementation Statement

This report demonstrates that the Scheme has adhered to its investment principles and its policies for managing financially material considerations including ESG factors and climate change during the year up to 30 June 2021.

Signed:

Position:

Date:

Managing Risks and Policy Actions

This section sets out how the Trustees have followed their policies to manage the Scheme's key risks over the reporting period.

Risk	Meaning	How it is managed	Activity over the year
Inflation Risk	The risk that investment returns do not keep pace with inflation and hence purchasing power diminishes	The Trustees choose the core fund range with the expectation that the performance of the majority of member funds should protect the value of real savings	Fund performance has been reviewed quarterly
Shortfall Risk	Members could receive a retirement benefit less than they had hoped for	The Trustees inform members annually of the likely value of their potential benefit to help inform their investment and contributions decision making	Annual benefits statements were issued to members over the year
Volatility Risk	Funds which have a higher chance of achieving higher returns for members are likely to see greater volatility over short periods	An appropriate level of risk for a specific default arrangement is considered against the profile of the membership and a range of funds with different levels of risk will be offered as part of the standard section core fund range	The risk levels of the default strategy are reviewed annually by trustees and risk ratings are communicated to members via fund factsheets
Risk of loss	For members approaching retirement, the impact of poor performance is significantly increased as they have less time to make up any lost return	All default arrangements factor in a mechanism such as lifestyling that recognises the changing requirements of members as they approach retirement, for example a greater focus on capital preservation. Funds with a focus on capital preservation will be made available for members in the self-select range	The Trustees reviewed the suitability of the default strategy and self-select fund range as part of their annual review in September 2020, and have undertaken a full triennial review of the strategy over 2021
Manager Risk	Selecting a fund from a manager who generates significantly disappointing returns is a considerable risk	The Trustees monitor the funds and managers available to members	Fund/manager performance has been reviewed quarterly and the Trustees' independent investment adviser provides advice on an annual basis in relation to suitability of the funds offered
Diversification Risk	Failure to diversify sufficiently increases the risk of losing money if one particular investment fails	A default arrangement needs to contain an appropriate level of diversification. A range of funds across different asset classes and regions will be made available for members in the self-select range	The Trustees reviewed the suitability of the default strategy and self-select fund range as part of their annual review in September 2020. 4

			new sustainable funds were added to the self-select fund range over the reporting period to increase diversification of options
Liquidity Risk	Some investments are not easy to sell, so delaying return or transfer of money	The use of investments that may have liquidity issues is restricted unless this risk is specifically managed	Any fund liquidity concerns are reviewed quarterly. The L&G Hybrid Property Fund used in the standard section reopened during this period. The L&G Managed Property and Threadneedle Property Funds used by several bespoke sections also reopened during this period
Credit Risk	The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation, either directly or indirectly There is also the indirect risk that the issuer of a fixed income instrument defaults on their payments	The Scheme is subject to credit risk through its life insurance policy that it holds with FIL Life. Through this life insurance policy, in the event that FIL Life fails, the Scheme is entitled to protection under the Financial Services Compensation Scheme (FSCS). However, in the event that an underlying fund manager fails, FSCS protection would not apply and any money the scheme receives would be based on what FIL Life is able to recover from the underlying manager	No significant events related to this risk were reported over the year
Market Risks	Currency risk: the risk that the value of a fund will fluctuate because of changes in foreign exchange rates Interest rate risk: the risk that the value of a fund will fluctuate because of changes in the market interest rates Other price risk: the risk that the value of a fund will fluctuate because of changes in market prices (other than those arising from currency or interest rate risk), whether these changes are caused by factors specific to the individual fund assets or	Default strategies will need to consider investment in sustainably oriented investments which aim to reduce investment (or exclude) in those companies most greatly exposed to the risks of climate change and increasing investment in those companies best placed to take advantage of climate change opportunities.	Fund performance has been reviewed quarterly

	their issuers, or factors affecting all similar assets traded in the market		
Climate Risks	The impact/risk of climate change on the value of underlying assets held by the Master Trust trustees and thus members' pension savings	Default strategies will need to consider investment in sustainably oriented investments which aim to reduce investment (or exclude) in those companies most greatly exposed to the risks of climate change and increasing investment in those companies best placed to take advantage of climate change opportunities. The Master Trust have in place a goal for the default strategy aiming to half emissions by 2030 and reach net-zero by 2050 - a journey that will aim to reduce the impact of climate change on members investments. The Trustees will monitor progress of this on an ongoing basis. For self-select investors the Master Trust offers climate-oriented investments (across multiple risk levels) specifically designed to invest in assets which aim to mitigate the risks of climate change as well as take advantage of opportunities that it presents	The Trustees have developed a Climate Policy detailing their approach to climate-related matters and will keep this up to date and in line with their beliefs The Trustees will also produce, on an annual basis, a report in line with those recommendations set out in the Taskforce for Climate-Related Financial Disclosures (TCFD). As part of this the Trustees will carry out an analysis of the climate impact of the Scheme's' investments as well as how the investments are aligned to any goals the Trustees may adopt in relation to climate

Changes to the Statement of Investment Principles (SIP)

The SIP was last reviewed in December 2021 to reflect the Trustees' consideration of climate-related matters, as well as changes to the bespoke section funds. The table below summarises all changes to the SIP over the reporting period.

Additions to the SIP	
Addition of Investment Pathways (2020)	• New funds have been made available to members at retirement which align with four investment pathways, each of which are tailored to a particular goal or outcome at retirement. The Master Trust made these investments available in October 2020 to members who have crystallised their assets.
Fund removal (2021)	• Removal of three funds from standard range: ○ Fidelity Multi Asset Allocator Strategic Fund ○ Fidelity Multi Asset Allocator Defensive Fund ○ Fidelity Multi Asset Allocator Growth Fund
New sustainable funds (2021)	• Four new sustainable funds were added to the core self-select range over the reporting period, to offer members greater choice across core asset classes. This brings the total number of sustainable funds offered within the core self-select range to five.
Credit Suisse Section (2021)	• Updated to reflect the changes in the core fund range.
Hunting Section (2021)	• Removal of bespoke section appendix.
MyColt Section (2021)	• New bespoke section appendix added.
RSA Section (2021)	• Updated to reflect addition of RSA Pension ESG Fund.
Telegraph Media Group Section (2020)	• New bespoke section appendix added.
Telegraph Media Group Section (2021)	• Updated to reflect the removal of State Street Balanced Index Fund.
Universal Music Section (2021)	• Updated to reflect the removal of the Fidelity Global Select Fund from the self-select fund range for this Section.

Developing the current sustainability policy and core fund range

ESG beliefs and implementation

The below sets out the Trustees' current ESG beliefs and how these were implemented over the reporting period. These beliefs were agreed by the Trustees on 2nd September 2020.

Trustee Belief	How it is being implemented
i. **Importance:** The Trustees believe there is a positive impact from sustainability and that it is a financially material risk which should be considered when setting an investment strategy as this will lead to better risk-adjusted returns over the long term	As part of considering sustainability within the Scheme's default strategy, the Trustees have been making changes over 2020 and 2021. The first part of these changes took place between September 2020 and April 2021 and involved integrating Fidelity's proprietary ESG rating framework into the Fidelity Diversified Markets Fund. This was done through the use of Exchange Traded Funds (ETFs) which, by using the framework, allocate more towards companies with strong or improving sustainability ratings. These ETFs also screen out companies associated with industries with high ESG risks such as controversial weapons, thermal coal activities, tobacco and violators of the United Nations Principles for Responsible Investing (UNPRI). The second change, made at the end of June 2021, involved a number of ESG-screens being applied to two of the three underlying funds used within the FutureWise Equity Fund. These also screen out thermal coal, oil sands, controversial weapons and UNGC violators.
ii. **Flexibility:** The Trustees believe a consideration of sustainability should be implemented flexibly across the Scheme. The approach may vary between different investment strategies	The Trustees have increased the range of sustainable-focused funds across the standard fund range. These five funds provide members with access to funds which take a variety of approaches towards sustainability, including: • Tilting: Tilting towards companies with higher ESG ratings and away from companies with lower ESG ratings • Best-in-class: Funds which aim to choose the best or improving companies from an ESG perspective within their industry/sector • Thematic: Following a specific ESG theme such as climate change • Impact: Aiming for a positive impact on society alongside a financial return The Trustees have made available both funds in the equity and bond space across this range. The Trustees also allow employers taking advice to use other ESG funds within their default strategy and self-select fund range, providing they adhere to the Trustees' beliefs around ESG.

iii.	**Continuous Evolution:** The Trustees' approach to sustainability is an evolving journey that should be continuously reviewed	The Trustees regularly review both their beliefs around sustainability as well as how their beliefs are implemented, as the market, regulations and the industry evolves. The Trustees are in the process of agreeing their approach to reporting in line with the guidelines for the Task Force on Climate-Related Financial Disclosures (TCFD).
iv.	**Engagement:** The Trustees encourage positive engagement on sustainability issues between the managers of funds within the Scheme and the companies in which they invest	The Trustees engage with the key fund managers used by the Scheme to understand how they are engaging with the underlying companies in which they invest - especially with regards to sustainability issues. The Trustees review the engagement and voting practices of managers (detailed below) on a regular basis, meet with the managers to discuss their approach to sustainability and stewardship, and challenge managers where they feel that they are not putting their rights to engage and vote to good use.
v.	**Varies by member:** The Trustees believe the needs and aspirations of members are important and will be incorporated into the design of the Scheme. Non-financial factors will be factored into the range of funds available to members	The Scheme carries out periodic reviews of member attitudes towards sustainability to ensure that members' needs and aspirations are being adequately addressed within the range of investment options available within the standard range. The last review of these was in January 2020. Where members are part of bespoke sections the Trustees will share the results of surveys with employers and consultants so they may also adapt their bespoke fund ranges to cater for member needs. In addition, the Trustees continue to offer and review funds which take into account non-financial beliefs that members may hold (e.g. ethical views).

ESG Summary and engagement with investment managers - for funds available during the reporting period

As the Scheme invests via fund managers, the below table summarises each manager's approach to ESG and any actions identified for FutureWise and the core self-select fund range.

Manager and Fund	ESG summary	Actions identified
Fidelity FutureWise Equity Fund (made up of the 3 BlackRock funds below) BlackRock ACS UK Equity BlackRock ACS World ex-UK iShares Emerging Markets	BlackRock have firm-wide ESG policies and a dedicated ESG team known as BlackRock Sustainable Investment Team (BSI). The BSI team seek to apply best practice across all asset classes. The BSI team is working to improve integration of ESG factors in investment decision-making. BlackRock are able to provide ESG risk metrics including carbon reporting for each fund. This provides quantitative information only. BlackRock are a UN PRI signatory and are active in advancing ESG issues in the financial community. They contribute data and information to some of the major index providers to enhance ESG processes and product offerings. BlackRock regularly publishes vote bulletins which detail the votes they have taken and why they have taken that action. These are publicly available on their website[1]	The Trustees' independent investment adviser has continued to challenge BlackRock on their reporting capabilities and evidencing their stewardship priorities. BlackRock to evidence how their stewardship activities align with their firm-wide stewardship priorities, particularly in reference to their policies on climate change and board diversity. BlackRock to establish KPIs to drive their engagement priorities e.g.. climate change targets. BlackRock to incorporate a voting and engagement summary, as well as ESG risk metrics in their regular fund reports.
Fidelity Multi Asset Funds Fidelity Diversified Markets Fund Fidelity Diversified Growth Fund	Fidelity Solutions & Multi Asset teams invest in underlying strategies and so the primary responsibility for voting is delegated to the underlying managers. Fidelity have completed the integration of sustainable strategies into the Fidelity Diversified Markets Fund and Fidelity Diversified Growth Fund, including several equity and fixed income strategies. These strategies use their proprietary ESG rating system to identify those companies with poorer or better/improving management of ESG risks and opportunities. Information to inform the voting process is derived from a variety of sources and includes material provided by the company, proxy voting advisory services, internal and external research. Discussions may also be held with investee companies themselves.	Following on from the task in the previous implementation report, Fidelity have now been able to make available engagement statistics and examples for the multi asset funds. Fidelity will continue to investigate how their proprietary ESG scoring can be further integrated into the funds.

[1] https://www.blackrock.com/corporate/about-us/investment-stewardship#vote-bulletins

Fidelity Emerging Markets Equity Fund	Fidelity is a UNPRI signatory and part of the Climate Action 100+ group. It has a dedicated Sustainable Investing Team that works closely with the investment teams and is responsible for consolidating Fidelity's approach to stewardship, engagement and ESG integration. The sustainability team works with other internal Fidelity teams to engage at issuer level across all asset classes and maximise engagement effectiveness. Fidelity's equity teams use a bottom-up research approach which is central to their investment process. They align their sustainable investment approach at analyst level to ensure that every team assessing equity investment opportunities is equipped to spot ESG-based issues. Analysts work with the specialist ESG team on complex ESG issues or to offer technical or thematic insights on sustainability matters that are sector or region specific. Fidelity provides engagement and voting data, including examples, as well as an overall ESG score for their equity funds.	
Fidelity Fixed Income Funds Fidelity UK Aggregate Bond Fund Fidelity Cash Fund Fidelity UK Corporate Bond Fund Fidelity Pre-Retirement Bond Fund	In addition to the factors mentioned above around Fidelity's sustainable investing team, the Fidelity Fixed Income team considers ESG factors and sustainability within the investment process and bond selection within the fund. Their research process uses a collaborative and proactive approach. They consider ESG factors carefully when evaluating credit issuers within the fund. Fidelity also has a team of sovereign analysts that actively engage with central banks to influence sustainability factors by engaging with key decision makers. Fidelity provides engagement and voting data, including examples, as well as an overall ESG score for their fixed income funds.	Fidelity to investigate how their proprietary ESG rating system can be further integrated into the range of funds offered (note as of November 2021 this has been completed for the UK Aggregate Bond Fund).
BlackRock Passive Funds Aquila MSCI World Global Equity Index ACS UK Equity ACS 50:50 Global Equity ACS 30:70 Currency Hedged Global Equity	See above comments on BlackRock. BlackRock has begun applying ESG-screens to the indices of certain passive funds, starting with its ACS fund range in June 2021. Within the credit selection process, analysts incorporate ESG risks alongside a number of other risks within a Fundamental Credit View (FCV). BlackRock form a FCV on every company they analyse and invest in. Portfolio managers will	See above comments on BlackRock. BlackRock to continue to investigate further how it can apply ESG screens across its other passively managed funds. BlackRock form a Fundamental Credit View on each company which they use to help them make investment decisions. However, ESG risks are considered alongside other

ACS World ex-UK Equity Aquila Connect Emerging Markets Over 15 Year Gilt Tracker Index Linked Gilt Tracker Corporate Bond Tracker	consider the FCV view of a company in the investment process.	risks relevant to the company and therefore the extent of ESG's influence is undetermined. Forming an ESG view alongside the FCV could allow these to be compared and considered in isolation.
BlackRock Aquila Life Market Advantage Fund	BlackRock integrate ESG considerations into their factor-based approach through their selective choice of market indices. Equity exposure is optimised in the fund's allocations as this provides the team with more scope to maximise the ESG score. BlackRock are working to replace the indices they use as part of the fund's ongoing strategy with sustainable indices across asset classes.	BlackRock advised that they have introduced sustainable equity indices which are aligned to the Paris Agreement, and we will continue to monitor their progression for other asset classes. BlackRock should look to report on ESG considerations for each of their funds more regularly and incorporate more ESG focussed indices into their investment process.
LGIM Passive Funds UK Equity Global Equity 50:50 Global Equity Market Weighted 30:70 (75% hedged) World ex-UK Developed Equity Index World Emerging Markets Ethical Global Equity Index Over 15 Years Gilts Over 5 Year Index Linked Gilts Corporate Bond All Stocks Fund	LGIM have a dedicated Investment Stewardship team responsible for the evolution and implementation of their firm-wide policies. The Investment Stewardship team manage voting and engagement across funds, leveraging all possible capital to maximise effectiveness. LGIM are a UN PRI signatory and use their membership of global governance associations and connections with other global asset managers to leverage their engagement with portfolio companies. LGIM have identified 28 ESG indicators that are used to establish an ESG score for their holdings. These scores are aligned with how LGIM engage with and vote on the companies in which they invest. LGIM publish these scores and explain the metrics on which they are based, to help facilitate the engagement process. Under their Climate Impact Pledge LGIM have a targeted engagement programme of engaging with companies across 6 key sectors considered vital to attaining the Paris aligned goals. This programme which uses a traffic light system and is publicly available across the 1,000 companies that they have engaged with. Due to the passive nature of the funds in question, LGIM cannot base a no investment / sell decision on ESG factors.	The Trustees' independent investment adviser has continued to challenge LGIM on their ESG reporting capabilities. LGIM to consolidate the ESG scores of the underlying portfolio companies to generate a portfolio level score, making it easier for investors to digest the ESG impact of the fund. LGIM should provide further evidence that they are making progress towards diversity at a firm level and also within the portfolio management team. LGIM should integrate ESG reporting into their standard, quarterly client reports. While LGIM currently produce numerous, comprehensive reports on ESG, they are separate from the standard reporting.

	LGIM have targets in place to increase gender and ethnic diversity at the Board level.	
LGIM 70:30 Hybrid Property Fund	LGIM have a dedicated ESG Real Estate team, with key focusses on: climate change and energy; resource use and environment; and communities and risk management. All assets within the Managed Property Fund undergo a review of ESG issues in the due diligence phase and the Investment Committee must sign off an ESG assessment before completing a transaction. The Global REITs component is index tracking, therefore does not make active decisions based on ESG issues. However, LGIM have initiatives to promote best practice in ESG across all asset classes and REITs are included in their broader engagement activities, focussing on themes including pay, diversity and climate risk.	LGIM have identified key areas they must implement to become net zero carbon across their real estate portfolios by 2050, including: the introduction of a new property management model and technologies; setting more ambitious targets and understanding what this means for the organisation and investors/clients. LGIM work alongside tenants on ESG initiatives and conduct engagements with tenants but there is little evidence as to the tangible outcomes of this engagement. There is also a lack of reporting on diversity at a portfolio level, however there is adequate reporting on these issues from the wider LGIM business.
HSBC Islamic Pension Fund	The Fund is passively managed and aims to replicate the Dow Jones Islamic Market Titans 100 Index. The index, which the Fund aims to replicate, uses a rules-based screening approach based on Shariah principles for inclusion. The Fund therefore indirectly adopts these principles by replicating the Index's constituents. The Shariah Committee monitors the Fund throughout the year and issues an annual Shariah Certificate on the Fund's compliance with Shariah principles. HSBC have a large internal, specialist Responsible Investment (RI) committee who oversee RI policy, strategy and engagement decisions. The committee works closely with client teams to develop RI solutions for client portfolios and monitor RI implementation across the wider fund range. HSBC are members of the UNPRI's Engagements' Advisory Committee and have led, or engaged with, collaborative engagements on ESG issues within the financial services industry.	HSBC should quantify the key ESG related risks at portfolio level to generate an overall portfolio score. This will allow investors to better understand the Fund's exposure to ESG risks. HSBC should develop an ESG scorecard for their portfolio companies, highlighting the key ESG related risks at the individual stock level. HSBC should include Fund specific ESG metrics within their standard reporting package. HSBC should establish key performance indicators to enable them to measure the effectiveness of their engagements with portfolio companies.

Schroder Dynamic Multi-Asset Fund	Schroders are a signatory of a wide range of key organisations linked to ESG and climate change initiatives and collaborate with other asset managers on ESG and stewardship policy via roundtables and company engagement. Schroders have a firm wide ESG policy in place on their engagement with companies. The Fund is top-down in approach and invests in a number of underlying funds, including some ESG-tilted funds. ESG risks are taken into account at portfolio level, however there is little evidence of reported risk metrics and these being linked to strategic priorities. The fund itself does not have any specific ESG objectives. For long-term asset class expected returns, Schroders incorporate assumptions related to the costs associated with climate change and the potential impact on both productivity and GDP growth.	ESG priority areas to be more clearly defined in ESG policy to enable investors to understand Schroders' focus. ESG risks are quantified as part of the investment approach and are monitored at portfolio level. Schroders are to look to provide more reporting against these risks as a way for investors to see what they are exposed to and how these risks are being managed. ESG-specific objective to be considered as part of a more active investment approach.

Manager Engagement - For funds available for the reporting period

As the Scheme invests via fund managers, the managers provided details on their engagement actions including a summary of the engagements by category for the 12 months to 30 June 2021.

Fidelity FutureWise (Default funds)

Fund name	Engagement summary	Engagement example
Fidelity FutureWise Equity Fund		
BlackRock ACS UK Equity	Total engagements: 3,053 Related engagement topics: Environmental: 2,072 Social: 1,169 Governance: 2,670	**ExxonMobil Corporation** BlackRock has intensified focus with the company on its long-term strategy and Exxon's underperformance relative to both its peers and the S&P 500 over the last five years. At last year's annual meeting, BlackRock Investment Stewardship (BIS) emphasized their prevailing view that the risks of climate change and the transition to a lower carbon economy present material regulatory, reputational, and legal risks to companies that may significantly impair their financial position and ability to remain competitive going forward. In response to shareholder feedback following Exxon's 2020 annual meeting, the company took steps to enhance its climate commitments and disclosures. It announced updated greenhouse gas emissions reduction targets, including for methane, that are "consistent with the goals of the Paris Agreement," plans to eliminate routine flaring by 2030, and a commitment to provide scope 3 emissions disclosure in 2021.
BlackRock ACS World ex-UK Fund	Total engagements: 1,675 Related engagement topics: Environmental: 1,209 Social: 652 Governance: 1,453	**Procter and Gamble Company** BIS regularly reviews P&G's governance structure and risk profile. BIS has held multiple engagements with the company's board and management in recent years, in which they have discussed a range of material issues that drive long-term shareholder value. During the most recent engagement with P&G, BIS discussed the company's response during the COVID-19 pandemic, the shareholder proposals on the company's proxy statement, and human capital management, as well as recent updates to the company's board structure. In September 2020, P&G updated its workforce demographic disclosure including gender and ethnic diversity by level. This disclosure addresses the shareholder proposal's request and enhances the company's diversity, equity, and inclusion (DEI) efforts regarding talent and development initiatives.
iShares Emerging Markets Fund	Total engagements: 418 Related engagement topics: Environmental: 336 Social: 186 Governance: 388	**Vale, S.A.** In January 2019, a tailings dam at Vale's iron ore mine in Brumadinho, in the Brazilian state of Minas Gerais, collapsed and killed approximately 270 people. The dam collapse, considered one of the deadliest industrial disasters in the world, also caused significant environmental damage.

		Over the course of 2020 and 2021, BIS held frequent engagements with Vale. In 2021 alone, BIS has engaged with Vale over 10 times. Vale has provided updates on the Brumadinho disaster – including the status of the investigation process and final settlement. Vale has provided additional context on the frequent public announcements about: 1) the steps the Board of Directors and management have taken to strengthen risk management and governance policies to ensure the safety of people and operations; and 2) the remediation measures regarding the environmental damages and socioeconomic impacts to the local community caused by the collapse.
Fidelity Diversified Markets Fund	Total engagements: 351 Related engagement topics: Environmental: 111 Social: 99 Governance: 289	**United Health Group (USA)** **Theme: Product safety & control and data privacy and security** Fidelity engaged with UnitedHealth (UNH) to better understand their ESG practices, including product safety and control, data privacy and security. It was Fidelity's understanding, born out by discussion, that the company has a good overall sustainability story, but are lacking concrete targets and disclosures with tangible KPIs. The company stated that they are developing long term ESG goals which will focus across areas such as environment, next gen healthcare system and people/ culture. Their underlying aim as a business is to improve access, affordability, outcomes and patient/physician experience. Through Optum (their pharmacy benefit manager business), the company must fundamentally have a lot of data in these areas - however, further targets based on some of these factors would be welcome and could highlight how UNH is trying to improve healthcare sustainability. UNH told Fidelity that they are actively engaging with MSCI to address ratings shortfalls and hope to materially improve their rating from BB. MSCI highlighted shortcomings in two key areas - data privacy and security as well as product safety and quality. Fidelity discussed both areas with UNH who believe they have robust policies in place across these areas. Fidelity encouraged them to provide more substantive and regular disclosures in order for investors to better understand if they are indeed better than below average. The company is trying to better control the cost of healthcare by adopting a vertical integration strategy to manage access, costs, patient outcomes - i.e., generally well aligned to broader sustainability goals. However, the company is still relatively early in the formulisation of their stated ESG policies and practices. The publishing of and commitment to new long-term goals in 2021 will hopefully help address concerns and low ratings. Fidelity plan to continue to have an open engagement with the company to encourage improvement going forward.

Fidelity UK Aggregate Bond Fund	Total engagements: 44 Related ESG topics (e.g. Climate change, Executive Remuneration and Governance): 83	**Barclays PLC** Fidelity's fixed income and equity analysts have conducted an ongoing engagement plan with the firm and met with the incoming Barclays Chairman Nigel Higgins in March 2020. This was followed with a further discussion in July 2020 to discuss ESG and board matters. Engagement was initiated to discuss climate change-related shareholder resolution put forth by Share Action, where the goal was to discuss the shareholder proposal, as well as the bank's general approach to responsible banking and alignment with the Paris Agreement. The chairman acknowledged that the bank had been a laggard with regards to ESG integration, recognising that client and investor expectations have moved on with regards to exclusion frameworks and ESG due diligence on bank lending. The bank has hired a new sustainability head and is working on a revised ESG framework, having already released statements announcing it would end all new thermal coal financing and would implement enhanced checks on arctic oil and gas exploration or extraction. The bank has taken significant steps toward meeting the proposal's requirements, and the result is a significant move forwards for Barclays and the creation of a new climate change plan. Barclays has made some dramatic changes over recent years to prepare the bank for the future. The Board and management are placing a strong focus on ESG issues.
Fidelity Cash Pensions Fund	Unable to provide figures on numbers of engagements with issuers and topics covered for this fund	For the **Fidelity Cash Fund**, Fidelity continued engaging with several multi-national banks, specifically on the topic of climate change financing. The fixed income and equity analysts met with Bank of America Merill Lynch (BAML) during 2020 regarding upcoming Green/Social Bond issuance, ensuring their practices were adhering to highest standards and opening a dialogue on ESG best practices. Fidelity have been impressed with the communication received from BAML surrounding Green Bonds and their developments over the past year. To date, BAML have been the largest issuer in the Green bond space with roughly $10bn issued thus far. They are leading in underwriting green issuance and have pledged to innovate as an issuer, doing their utmost to ensure there is no greenwashing. Moreover, BAML were involved with social bond issues - specifically in response to COVID-19 - and ensured the predetermined requirements were being adhered to. BAML have taken other significant steps towards integrating ESG factors in its business practices, including introducing a $125bn environmental business initiative target. BAML's exposure to high

		ESG risk loans and transactions was 6.3% of loans, which is below the average for global banks. Moreover, in 2014 the company established a Global ESG Committee that is responsible for reporting on emerging issues. Senior leaders from each business line meet regularly to review progress through an ESG lens. This committee is accountable to the CEO and reports at least annually to the Board's Corporate Governance Committee. BAML is one of the few banks to have CEO compensation partially tied to ESG performance. The company also has clear policies for increasing renewable energy and decreasing carbon intensity.

Core Fund Range (Self Select Funds)

Fund name	Engagement summary	Engagement example
Fidelity Diversified Growth Fund	Total engagements: 43 Related engagement topics: Environmental: 13 Social: 15 Engagements: 37	**STERICYCLE INC** **Themes: Employee Management, GHG Emissions, Sustainability Reporting, Waste Management** In May 2021, Fidelity met with the Chief Sustainable Officer to discuss topics such as Employee Management, GHG Emissions, Sustainability Reporting and Waste Management. Fidelity noted that there had been gaps in employee training programmes and publicly available information, however the company was working to standardise its training programme globally and deems safety as a top priority. This is also reflected in management remuneration, which is linked to safety improvement (15%). In addition, a safety committee was established in 2020. Regarding greenhouse gas emissions, the company has a risk assessment process in place, but again this is not publicly disclosed. Stericycle has invested in and implemented an improved internal audit process for environmental compliance. The company also considered hiring an external auditor. Waste management also plays an important role for SRCL. The company was keen to report on its waste diversion targets for landfill in its sustainability report. The company already diverts waste to third parties in the UK to convert into energy. Other internal initiatives include the introduction of reusable containers for medical waste to reduce the amount of plastic that ends up in landfill. The containers can be reused up to 500 times. Last year, this saved 100 million pounds of plastic from going to landfill. When Fidelity met with Stericycle, the company planned to issue a new and improved sustainability report by September 2021, including data on air emissions and greenhouse gas emissions. Going forward, the company is committed to

		improving its disclosures and will set environmental targets based on the Science Based Targets (SBTi) initiative.
Fidelity Emerging Markets Equity Fund	Total engagements: 60 Related engagement topics: Environmental: 26 Social: 24 Governance: 44	**Alibaba** **Theme: ESG risks** The Fidelity Sustainable Investing team and the investment team reached out to Alibaba and organized a conference call with their investor relations team to discuss the key ESG risks facing the company after an external rating agency downloaded its ESG rating due to their own methodology change. Alibaba has a relatively strong ESG awareness. In 2019 Alibaba published their first ESG report and they plan to keep publishing it regularly in the future. From governance perspective, they are still in an early stage of building a holistic infrastructure for managing sustainability issues although there is a general intention from senior management to build the company into a good company. The executive pay design aligns management interest with shareholders but there is lack of disclosure. the company is considering providing more detail like Meituan and Tencent. Alibaba is consciously managing their environmental impacts, e.g. adopting measures like energy efficient technologies, but they have less control for those businesses done in the 3P (3rd-party partner) model in their logistics and cloud businesses. In past years, social aspects are where the company has improved a lot. For talent management, the company has annual surveys to understand employee satisfaction and gap for improvement and has grievance channels for employees to raise concerns. To provide better workplace protection for the riders who are third party delivery workers not on the payroll of Alibaba, the company is reviewing benefit coverage of them upon a recent pay dispute. For product and service quality, Alibaba has different metrics for different business lines to measure user satisfaction. For example, for Tmall it's about product authenticity and shopping efficiency, while for Hema food safety is most important. They have a dedicated Chief Customer Officer, who leads a team to track the performance through surveys and use technology to automate and reduce problems. In addition to establishing the Alibaba Anti-Counterfeiting Alliance in 2017, Alibaba continues to use technology and data to combat IP infringement more efficiently and transparently. Handling huge amount of data, Alibaba has strict rules on how data is handled covering the whole range of production, storage and usage of data.

		Fidelity have taken the opportunity to express their views regarding the areas they need to improve, including disclosure, measuring, goal setting etc. Alibaba plans to disclose another ESG report once their infrastructure is in place which may take years. Fidelity pressed the company to start disclosing immediately to offer transparency around their plans, and will continue to monitor the key areas and will try to engage the senior management on the ESG topics.
Fidelity Sterling Corporate Bond Fund	Total engagements: 38 Related ESG topics (e.g. Climate change, executive remuneration & governance): 66	**LVMH** **Theme: Human Rights/Modern Slavery** In February 2021, as part of the thematic engagement on supply chain and human rights, Fidelity had a call with the luxury goods company to understand how they address the issue. Given it undertakes much of its manufacturing in-house, the risk should be relatively limited compared to peers. However, the extent of the supply chain and potential areas of risks were not clear on the call and the company admitted they need to do more on social aspects. On the other hand, they have put a screening in place on suppliers based on an external assessment (following the introduction of French law on 'duty of vigilance' in 2018), they conduct >1,300 supplier audits a year (with results shared within the group via an internal platform) and have conducted surveys among some suppliers' employees. Fidelity encouraged them to provide more details on the risks identified and issues found going forward in public disclosure. They seem willing to structure and communicate more on their sustainability efforts at group level and Fidelity will follow up next year on this issue.
Fidelity Pre-Retirement Bond Fund	Total engagements: 21 Related ESG Topics (e.g. Climate change, executive remuneration & governance): 30	**Procter & Gamble** **Theme: Climate Change, Human Rights, Governance and Waste & Pollution** In November 2020, the Fidelity Equity and Sustainable Investing Analysts held a 1:1 sustainability engagement call with Proctor & Gamble. They drilled down on their sustainable palm oil policies, requesting an update since the AGM Shareholder Resolution on better/more reporting on deforestation and palm oil. P&G explained that they are working with a team of experts to take a critical look at doing what the resolution asks for. They may be able to accelerate certification on palm oil and wood pulp and will complete the CDP (Carbon Disclosure Project) forest survey. They confirmed that P&G are committed to NDPE (No Deforestation No Peat No Exploitation) and are members of RSPO 2018 and feel it's a good update/policy. However, they also expressed that NGOs could confuse the issue for people not so close to the topic, and that no certification is perfect. P&G expressed that climate change issues at the forefront

		for them include: pursuing the science-based targets they have established; looking at ways to reduce emissions; accelerating work (on emissions reduction) with their supply chain; reducing packaging waste; and continuing to focus on water scarcity. On governance, Fidelity highlighted that all of the Board members are within a two-hour flight of P&G headquarters in Cincinnati, Ohio, and that some broader (i.e. international) experience could be of benefit to the otherwise multinational company.
BlackRock Aquila MSCI World Global Equity Index Fund	Total engagements: 1,741 Related engagement topics: Environmental: 1,246 Social: 669 Governance: 1,469	**Royal Dutch Shell plc** BlackRock Investment Stewardship (BIS) has engaged with the company for several years to discuss corporate governance issues, including management and board oversight of climate-related risks and sustainability disclosures. At the 2021 annual general meeting (AGM), management proposed, as a first for the industry, an advisory shareholder vote on the company's Energy Transition Strategy, 2 i.e., a "say on climate." As part of the resolution, Shell will publish an update to its Energy Transition Strategy every three years to 2050, with the next update expected before the AGM in 2024. Beginning in 2022, the company will offer shareholders an annual advisory vote on its progress towards achieving its stated plans and targets.
BlackRock ACS UK Equity Fund	See commentary for fund above	
BlackRock ACS 50:50 Global Equity Fund	Total engagements: 2,138 Related engagement topics: Environmental: 1,456 Social: 791 Governance: 1,840	**Chevron Corporation** BIS has a long history of constructive engagement with Chevron where they discuss corporate governance and sustainability topics that BlackRock believe drive long-term shareholder value. This has included climate risk, corporate strategy, and human capital management, among others. BlackRock have found Chevron to be receptive and open to shareholder feedback and BIS has had regular engagement with independent members of Chevron's Board. BlackRock welcome the steps that the company has taken to enhance the oversight, management, and disclosure of climate-related risks and opportunities.
BlackRock ACS 30:70 Currency Hedged Global Equity Fund	Total engagements: 2,453 Related engagement topics: Environmental: 1,702 Social: 921 Governance: 2,136	**Royal Dutch Shell plc** BIS has engaged with the company to discuss corporate governance issues, including management and board oversight of climate-related risks and sustainability disclosures. At the 2021 annual general meeting (AGM), management proposed, as a first for the industry, an advisory shareholder vote on the company's Energy Transition Strategy, 2 i.e., a "say on climate." As part of

		the resolution, Shell will publish an update to its Energy Transition Strategy every three years to 2050, with the next update expected before the AGM in 2024. Beginning in 2022, the company will offer shareholders an annual advisory vote on its progress towards achieving its stated plans and targets.
BlackRock ACS World ex-UK Fund	See commentary for fund above	
BlackRock Aquila Connect Emerging Markets Fund	Total engagements: 418 Related engagement topics: Environmental: 336 Social: 186 Governance: 388	**Vale, S.A.** In January 2019, a tailings dam at Vale's iron ore mine in Brumadinho, in the Brazilian state of Minas Gerais, collapsed and killed approximately 270 people. The dam collapse, considered one of the deadliest industrial disasters in the world, also caused significant environmental damage. Over the course of 2020 and 2021, BIS held frequent engagements with Vale. In 2021 alone, BIS has engaged with Vale over 10 times. Vale has provided updates on the Brumadinho disaster – including the status of the investigation process and final settlement. Vale has provided additional context on the frequent public announcements about: 1) the steps the Board of Directors and management have taken to strengthen risk management and governance policies to ensure the safety of people and operations; and 2) the remediation measures regarding the environmental damages and socioeconomic impacts to the local community caused by the collapse.
BlackRock ACS World ESG Equity Tracker Fund	Total engagements: 818 Related engagement topics: Environmental: 589 Social: 349 Governance: 704	**Moody's Corporation** BIS considers Moody's to be an industry leader on climate disclosure. In addition to aligning its Corporate Social Responsibility reporting to the sector-specific standards of the Sustainability Accounting Standards Board (SASB), Moody's produce a detailed report aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) that provides scenario planning analysis as well as near- medium and long-term risks. Moody's decarbonization plan meets BIS' expectations that companies have clear policies and action plans to manage climate risks and to realize opportunities presented by the global energy transition. The plan includes targets based on climate science and commits the company to reduce greenhouse gas emissions, while setting targets for scope 1, 2 and 3 emissions, among other initiatives.
BlackRock Aquila Life Market Advantage Fund	Total engagements: 2,152 Related engagement topics: Environmental: 1,473 Social: 930 Governance: 1,909	**boohoo group Plc** BIS has engaged with the company to discuss multiple corporate governance and sustainability issues. The most high profile of these issues is allegations made in July 2020 of worker exploitation in the company's UK supply

		chain. Employees of the company's suppliers were found to be working in poor conditions and on wages lower than the national minimum wage. The allegations led to a drop in the company's share price by about a half, and almost a year later it lies more than 15% below its peak in late-June 2020. In response, the Board commissioned an independent third-party review of the company's practices, which confirmed that the allegations about poor working conditions were substantially true and found that the company's monitoring of its supply chain was inadequate. The review also concluded that directors knew that serious issues existed and did not take swift or sufficient action to remedy the situation. The company has since taken steps to address these supply chain issues under the banner "Agenda for Change" and appointed Sir Brian Leveson, a former judge, to oversee the implementation of this program. In May 2021, the company also published its first sustainability report. However, the findings of the independent review raise fundamental questions about the appropriateness of re-electing existing company directors to the board.
LGIM UK Equity Fund	Total engagements: 350 Related engagement topics: Environmental: 77 Social: 111 Governance: 247	LGIM have provided summary of engagement activity by fund, but have not been able to give example of significant engagements. Details of significant votes are included in the following section.
LGIM Global Equity 50:50 Fund	Total engagements: 810 Related engagement topics: Environmental: 333 Social: 247 Governance: 408	
LGIM Global Equity Market Weighted 30:70 (75% hedged)	Total engagements: 943 Related engagement topics: Environmental: 430 Social: 249 Governance: 443	
LGIM World ex-UK Developed Equity Index Fund	Total engagements: 499 Related engagement topics: Environmental: 281 Social: 149 Governance: 184	
LGIM World Emerging Markets Fund	Total engagements: 194 Related engagement topics: Environmental: 136 Social: 15	

<table>
<tr><td></td><td>Governance: 56</td><td></td></tr>
<tr><td>LGIM Ethical Global Equity Index</td><td>Total engagements: 411

Related engagement topics:
Environmental: 203
Social: 149
Governance: 176</td><td></td></tr>
<tr><td>BlackRock Gilt and Corporate Bond Funds
Over 15 Year Gilt Tracker

Index Linked Gilt Tracker</td><td colspan="2">BlackRock's reporting only covers portfolios where the underlying issuers are public listed companies. Therefore, gilt funds are not in scope for their Stewardship reports, given the nature of the underlying securities. BlackRock recognise the importance of engaging with sovereigns and regularly engage on public policy regarding ESG regulation.</td></tr>
<tr><td>iShares Corporate Bond Index fund</td><td>Total engagements: 272

Related engagement topics:
Environmental: 197
Social: 114
Governance: 228</td><td>AT&T Inc.
BlackRock Investment Stewardship (BIS) has engaged with the company for several years to discuss corporate governance and ESG topics that they believe drive long-term shareholder value, including board quality and effectiveness, corporate strategy and executive compensation - such as the approach to one-time awards and severance packages in the context of past leadership transitions.

AT&T has published reports aligned with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) and the Sustainability Accounting Standards Board (SASB) standard for its sector, consistent with our expectations. However, BlackRock has concerns with certain inconsistencies and reduced transparency around AT&T's pay practices in the last year.</td></tr>
<tr><td>LGIM Over 15 Years Gilt Fund</td><td colspan="2">LGIM are currently unable to provide engagement data by fund for the over 15 year gilt fund but are considering how such information can be provided going forward.</td></tr>
<tr><td>LGIM Over 5 Year Index Linked Gilts</td><td>Total engagements: 34

Related engagement topics:
Environmental: 28
Social: 6
Governance: 14</td><td rowspan="2">LGIM have provided summary of engagement activity by fund, but have not been able to give example of significant engagements. Details of significant votes are included in the following section.</td></tr>
<tr><td>LGIM AAA-AA-A Corporate Bond All Stocks Fund</td><td>Total engagements: 125

Related engagement topics:
Environmental: 73
Social: 38
Governance: 61</td></tr>
<tr><td>HSBC Islamic Pension Fund</td><td>Total engagements: 95

Related engagement topics:
Governance: 54
Environmental and Governance: 9
Social and Governance: 7</td><td>Apple Inc, Cisco Systems Inc, Nintendo Company Ltd
HSBC reviewed their exposure to the issue of e-waste and identified a number of companies in the electric instruments and components, technology hardware, automotive and electrical equipment industries that</td></tr>
</table>

	Environmental: 17 Environmental, Social and Governance: 8	lacked substantial reporting about how e-waste is managed. They contacted these companies to investigate which programmes they have in place to address this issue. HSBC were not completely satisfied by Apple's response since some of the commendable initiatives they have in place – encouraging trade-in for new purchase, using more recycled materials, net zero carbon targets, enhancing product durability – are counterweighted by negative strategies – focus on hardware sales, lobbying against right to repair, short software support lives and not inclusion of product modularity. Cisco System is one of the e-waste and CE leaders. Their products mostly have long use lives (5 years +), and the company actively seeks to take back products so it can refurbish and recycle them. In addition to this, Cisco also started working on product design to include circular design principles so in future products should be more modular. Nintendo replied to HSBC's letter and a call/meeting has yet to be arranged.
Schroder Dynamic Multi-Asset	Breakdown of engagements not provided	**Siemens Gamesa** Schroders continued to engage on Siemens' decision to provide services to clients operating in areas exposed to potential human rights concerns following the latest decision to accept another project in Western Sahara. While Schroders are broadly satisfied by the Company's decision-making framework to manage human rights issues and acknowledge the unique circumstances of this issue, Schroders remain concerned by how the business is communicating and managing this material reputation risk. As a result, Schroders have now proactively written to management to request improvement on the way this growing concern is being addressed and managed.
LGIM 70:30 Hybrid Property Fund	Total engagements: 82 Related engagement topics: Environmental: 53 Social: 18 Governance: 30	LGIM are currently unable to provide detail of engagement by fund but are considering how such information can be provided going forward.

Voting (Equity and Multi Asset Funds)

As the Scheme invests via fund managers, the managers provided details on their voting actions including a summary of the activity covering the reporting year up to 30 June 2021. The managers also provided examples of any significant votes.

Fidelity FutureWise (Default funds)

Fund name	Voting summary	Examples of significant votes

Fidelity FutureWise Equity Fund		
BlackRock ACS UK Equity	Votable proposals: 11,089 Proposals voted: 100.00% Votes 'with' management: 94% Votes 'against' management: 5%	**Aena S.M.E. SA** Item 12: Amendment of the Bylaws to add a new Article 50 bis (FOR) This item seeks to embed into the company's bylaws the requirements that the company maintain a current climate action plan and provide shareholders with an annual update report on progress towards the objectives laid out in the plan, as well as provide shareholders with an annual advisory vote on the plan or progress report. BIS commented that a proposal to amend a company's bylaws, which set forth the rules and framework for governing the management and operations of the company, should not be taken lightly. In this case, they determined to support the proposal, as the company's controlled ownership structure dilutes the influence of minority investors and gives merit to formalizing a means to record investor support for the company's plans and progress. BIS noted that the board has committed to amend Aena's bylaws and recommended shareholders support the proposal. BIS will continue to assess shareholder proposals to amend company bylaws on a case by case basis. Where there is a clear market need or demand for changes to corporate bylaws, BIS believe a legislative amendment that creates a consistent approach across all companies is preferable to individual cases of private ordering.
BlackRock ACS World ex-UK Fund	Votable proposals: 24,015 Proposals voted: 99% Votes 'with' management: 92% Votes 'against' management: 7%	**The Kroger Co.** Item 4: Report to assess the environmental impact of company use of non-recyclable packaging (FOR) BIS voted for this shareholder proposal because they agree with its intent to address the business risk of plastic packaging and determined that support for it could accelerate Kroger's progress on this issue. The shareholder proposal requests that the board of directors issue a report by December 2021 on plastic packaging, estimating the amount of plastics released to the environment by [Kroger's] use of plastic packaging, from the manufacture of plastic source materials, through disposal or recycling, and describing any company strategies or goals to reduce the use of plastic packaging to reduce these impacts.
iShares Emerging Markets Fund	Votable proposals: 23,094 Proposals voted: 100% Votes 'with' management: 90% Votes 'against' management: 9%	**Vale S.A.** Item 5, voted FOR the resolution calling for the approval of corporate transactions (incorporations) a. Corporate simplification of iron ore assets: Partial Spin-Off of Minerações Brasileiras Reunidas S.A. (MBR) and incorporation of the entire spun-off portion by Vale. b. Simplification of corporate structure: Merger of the companies Companhia Paulista de Ferroligas (CPFL) and Valesul Alumínio S.A. (Valesul)

		BIS is supportive of both incorporations as, in their view, the resulting operational efficiencies are aligned with shareholders' interests – in particular, the generation of sustainable long-term value.
Fidelity Diversified Markets Fund	Votable proposals: 15,165 Proposals voted: 90.87% Votes 'with' management: 93.37% Votes 'against' management: 6.63%	**Intel Corp.** Item: Management say-on-pay resolution (AGAINST) As part of his sign-on package, the new CEO was granted \$110m worth of equity awards, of which \$50m replaced equity forfeited from his previous employer. Fidelity was concerned about the high overall quantum and lack of sufficient stretch in the targets for the performance-contingent awards, as well as the short vesting period for non-performance linked awards. Moreover, whereas similarly large equity grants at US companies are often the result of 'front loading' (i.e. granting several years' worth of stock awards in one single block), Fidelity noted that the company planned to commence granting to the CEO at market-competitive levels the following year. As a result of these concerns, Fidelity voted against the management say-on-pay resolution.

Core Fund Range (Self Select Funds)

Fund name	Voting summary	Examples of significant votes
Fidelity Emerging Market Equity Pensions	Votable proposals: 888 Proposals voted: 99.77% Votes 'with' management: 94.92% Votes 'against' management: 5.08%	**CP All Public Company Limited** Item: Re-election of incumbent directors (AGAINST) In 2015 the former chairman and two executive directors were found guilty of insider trading relating to activity in 2013. The directors purchased a large number of Siam Makro PCL shares the day before the company announced a tender offer to acquire Makro at a price significantly higher than the market price. Fidelity voted against the re-election of five incumbent directors. Two of these directors had been found guilty of insider trading alongside one other executive director. Fidelity voted against the other three directors because they have permitted the directors to continue serving on the board. Fidelity have previously voted against company management for the same reasons. Although Fidelity is generally supportive of incumbent management in investee companies, their policy is to consider voting against the election of directors if, in our view, they lack the necessary integrity, competence or capacity to carry out their duties as directors. Fidelity viewed the actions of the directors guilty of insider trading and the directors allowing these nominees to serve on the board as inappropriate and raised concerns on the oversight ability of the board.
Fidelity Diversified Growth Fund	Votable proposals: 4,139 Proposals voted: 94.37% Votes 'with' management: 92.36% Votes 'against' management: 7.37%	**Pfizer Inc.** Item: A shareholder group filed a non-binding resolution asking the board to report to shareholders on if (and how) the receipt of public funds for the development and manufacture of Covid-19 vaccine or therapeutics will be taken into consideration when making decisions on pricing and access to such products. (FOR) The board recommended that shareholders vote against the proposal, pointing to its commitments on equitable and affordable access to medicine and its pandemic pricing strategy, and stating that the proposal was based on a mischaracterization of the facts around its Covid-19 vaccine development process. Pfizer stated that no government support was received for the development of its Covid-19 vaccine, whereas the proponent contended that substantial advance purchase commitments from the US government, US-government funded research into mRNA vaccine technology, and German government support for BioNTec to develop mRNA technology and expand manufacturing capacity effectively amounted to government aid. Drug affordability and pricing strategy are critical areas of ESG risk for pharma companies, and in the context of the Covid-19 pandemic, there may be heighted reputational risk for companies that could be seen to be profiting disproportionately from the crisis.

		Without making any judgment as to whether such concerns could reasonably be applied to Pfizer, Fidelity believed that the proponent had raised some important questions. Fidelity felt that government support was a fair characterisation of some of the funding received by Pfizer and BioNTec mentioned by the proponent in its supporting statement. Fidelity also noted that Pfizer had not committed to providing its vaccine on a non-profit basis throughout the pandemic, unlike some competitors. Fidelity concluded that the proponent's question was reasonable and would provide insight into the board's assessment of this area of potential reputational risk.
BlackRock Aquila MSCI World Global Equity Index Fund	Votable proposals: 13,595 Proposals voted: 99.% Votes 'with' management: 91% Votes 'against' management: 8%	**Woodside Petroleum Ltd** Item 2a: Elect Christopher Haynes as Director (AGAINST) BIS voted AGAINST the longest serving director up for re-election given concerns about the comprehensiveness of the company's current climate risk disclosure. Currently, the company provides an integrated annual report and separate Sustainable Development Report (SDR). The annual report aligns with the four pillars of the TCFD, while the SDR includes reported scope 1, 2 and 3 emissions and scope 1 and 2 emissions reduction targets of 15% and 30% by 2025 and 2030 respectively. However, the company does not provide scope 3 emissions reduction targets.
BlackRock ACS UK Equity Fund	See fund commentary above	
BlackRock ACS 50:50 Global Equity Fund	Votable proposals: 33,324 Proposals voted: 99% Votes 'with' management: 92% Votes 'against' management: 7%	**Tesla Inc.** Item 1.2: Elect Director Robyn Denholm (AGAINST) BIS are concerned that the company's pledging policy is not sufficiently robust, particularly given the significant number of shares committed by Mr. Musk. The company's stock pledging policy states that directors and executive officers may pledge or use their company stock (exclusive of options, warrants, restricted stock units or other rights to purchase stock) as collateral for loans and investments, provided that the maximum aggregate loan or investment amount collateralized by such pledged stock does not exceed 25% of the total value of the pledged stock. While the company assured BIS that Mr. Musk is following the stock pledging policy, the quantum pledged as collateral is considerable. Given Mr. Musk's social media communications, the significant percentage of equity pledged by Mr. Musk and the unique structure of the directors' and officers' liability insurance policy, we remain concerned that there is insufficient board oversight of management. As a result, BlackRock voted against Ms. Denholm, the Board Chair.

BlackRock ACS 30:70 Currency Hedged Global Equity Fund	Votable proposals: 56,824 Proposals voted: 99% Votes 'with' management: 91% Votes 'against' management: 8%	**BP Plc** Item 13: Approve Shareholder Resolution on Climate Change Targets (FOR) BIS voted for this shareholder resolution. While recognizing the company's efforts to date and direction of travel, supporting the resolution signals BlackRock's desire to see the company accelerate its efforts on climate risk management.
BlackRock ACS World ex-UK Equity Fund	See previous fund commentary above	
BlackRock Aquila Connect Emerging Markets Fund	Votable proposals: 23,066 Proposals voted: 96.92% Votes 'with' management: 87.27% Votes 'against' management: 9.65%	**Vale S.A.** Item 5, voted FOR the resolution calling for the approval of corporate transactions (incorporations) a. Corporate simplification of iron ore assets: Partial Spin-Off of Minerações Brasileiras Reunidas S.A. (MBR) and incorporation of the entire spun-off portion by Vale. b. Simplification of corporate structure: Merger of the companies Companhia Paulista de Ferroligas (CPFL) and Valesul Alumínio S.A. (Valesul) BIS is supportive of both incorporations as, in their view, the resulting operational efficiencies are aligned with shareholders' interests – in particular, the generation of sustainable long-term value.
BlackRock ACS World ESG Equity Tracker Fund	Votable proposals: 3,762 Proposals voted: 100% Votes 'with' management: 92% Votes 'against' management: 7%	**TransDigm Group Incorporated** Item 1.5: Elect Director W. Nicholas Howley. BIS voted AGAINST BIS remain unsatisfied with the company's climate risk oversight and believe there has been insufficient progress on climate-related reporting, despite laying out clear expectations in past engagements. In addition, the shareholder proposal received approximately 45% support at the 2020 annual meeting. The company also has not made progress on SASB-aligned reporting. As stated in US proxy voting guidelines, BIS will hold members of the relevant committee or the most senior non-executive director accountable for inadequate disclosures and the underlying business practices. As the company has no lead director or committee designated as responsible for climate risk, BlackRock are holding the Chairman (W. Nicholas Howley) to account by voting against his re-election.
BlackRock Aquila Life Market Advantage Fund	Votable proposals: 53,391 Proposals voted: 99% Votes 'with' management: 91%	**Johnson & Johnson** Item 2: Advisory Vote to Ratify Named Executive Officers' Compensation (FOR)

	Votes 'against' management: 8%	BIS voted for the Say on Pay proposal because BIS believe the company has taken appropriate steps to incentivize current executives and to set compensation plans that are performance based. In reaching their decision on compensation, BIS were informed by both engagements with the company, and the company's public disclosures. BIS believe the company has taken appropriate steps to incentivize current executives who were not responsible for the issues relating to talc that are the focus of current legal actions. They believe that voting against pay would have unfairly penalized executives who have performed well, navigated company challenges, and met the criteria of the company's compensation plan.
LGIM UK Equity Fund	Votable proposals: 10,918 Votes cast: 100.00% Votes 'for' management: 92.63% Votes 'against' management: 7.37%	**Rank Group** LGIM voted for Resolution 2 Approve the remuneration report The company and its stakeholders have been impacted by the COVID crisis. LGIM 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 had been appropriately reflected in the remuneration of the executives and therefore decided to support the remuneration report.
LGIM Global Equity 50:50 Fund	Votable proposals: 38,302 Votes cast: 99.94% Votes 'for' management: 83.38% Votes 'against' management: 16.48%	**TBS Holdings, Inc.** LGIM voted against Resolution 2.1 Elect Director Takeda, Shinji LGIM views gender diversity as a financially material issue for clients. As part of efforts to influence investee companies on having greater gender balance and following a campaign on gender diversity in Japan in 2019, LGIM decided to escalate their voting policy. In 2020, it was announced that they would be voting against all companies in the large-cap TOPIX 100 index that do not have at least one woman on their board. In 2021, LGIM expanded the scope of this policy to vote against TOPIX Mid 400 companies that do not have at least one woman on the board.
LGIM Global Equity Market Weighted 30:70 (75% hedged)	Votable proposals: 72,992 Votes cast: 99.87% Votes 'for' management: 83.72% Votes 'against' management: 15.31%	**Adobe Inc.** LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2020 LGIM vote against all combined board chair/CEO roles. Furthermore, LGIM have published a

		guide for boards on the separation of the roles of chair and CEO and have reinforced their position on leadership structures across stewardship activities and as such have voted against the Resolution 1f to Elect Director Shantanu Narayen.
LGIM World ex-UK Developed Equity Index Fund	Votable proposals: 26,384 Votes cast: 99.92% Votes 'for' management: 79.45% Votes 'against' management: 20.35%	**DISCO Corp.** LGIM voted against Resolution 2.1 Elect Director Sekiya, Kazuma LGIM views gender diversity as a financially material issue for clients. As part of efforts to influence investee companies on having greater gender balance and following a campaign on gender diversity in Japan in 2019, LGIM decided to escalate our voting policy. In 2020, LGIM announced we would be voting against all companies in the large-cap TOPIX 100 index that do not have at least one woman on their board. In 2021, LGIM expanded the scope of our policy to vote against TOPIX Mid 400 companies that do not have at least one woman on the board.
LGIM World Emerging Markets Fund	Votable proposals: 35,672 Votes cast: 99.79% Votes 'for' management: 84.09% Votes 'against' management: 14.07%	**Shandong Hualu-Hengsheng Chemical Co., Ltd.** LGIM voted against Resolution 12.1 Elect Chang Huaichun as Director LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2020 LGIM are voting against all combined board chair/CEO roles. Furthermore, LGIM have published a guide for boards on the separation of the roles of chair and CEO and have reinforced their position on leadership structures across stewardship activities.
LGIM Ethical Global Equity Index	Votable proposals: 15,451 Votes cast: 100.00% Votes 'for' management: 84.04% Votes 'against' management: 15.77%	**3M Company** LGIM voted against Resolution 1k Elect Director Michael F. Roman LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2020 LGIM are voting against all combined board chair/CEO roles. Furthermore, LGIM have published a guide for boards on the separation of the roles of chair and CEO and have reinforced their position on leadership structures across stewardship activities.
HSBC Islamic Pension Fund	Votable proposals: 1,720 Votes cast: 93.4% Votes 'for' management: 89.1% Votes 'against' management: 10.9%	**Exxon Mobil Corporation** HSBC voted the shareholder proxy card in Proxy contest - Management Proxy Vs Shareholder Proxy HSBC engaged previously with Exxon in 2020 as member of the Climate Action 100+ investor group. Before the

		meeting, HSBC had a call with Exxon's representatives to express concerns and communicate inclination to support the shareholders' proxy card. After the meeting HSBC confirmed their vote to the Exxon's representatives met.
Schroder Dynamic Multi-Asset	Proposals voted: 11,246 Votes cast: 95.19% Votes for: 87.69% Votes against: 7.50%	No significant votes identified.
LGIM 70:30 Hybrid Property Fund	Votable proposals: 4,149 Votes cast: 100.00% Votes 'for' management: 82.26% Votes 'against' management: 17.69%	**UDR, Inc.** LGIM voted against Resolution 1i Elect Director Thomas W. Toomey LGIM deemed the company to not meet minimum standards with regards to climate risk management and disclosure.

Bespoke Sections

The policy on engagement adopted by the Trustees will be followed by each Bespoke Section. As for the governed Sections, the Trustees have delegated to their investment managers the exercise of voting rights. Therefore, the Trustees are not able to direct how votes are exercised. The Trustees are satisfied that the voting and engagement policies have been followed by each of the Bespoke Sections over the year.

Section	Commentary
Voith Turbo Section	**ESG Policy** Whilst the funds used within the default arrangement do not explicitly consider ESG factors at present, the fund managers all integrate ESG into their core investment process. The funds are currently managed by Legal & General Investment Management (LGIM), Schroders Investment Management, M&G Investments and Fidelity International. All are signatories to the United Nations Principles for Responsible Investment and all received A+ ratings in strategy and governance in relation to ESG in 2020. The Sustainable Passive Equity Fund was added to the self-select range in December 2020 to enable members the opportunity to invest in this manner. A faith-based self-select option is also currently available for those members who wish to invest in it. **Engagement Policy** The Voith Turbo Section's investment advisers have a research team that will meet most of the investment managers which manage funds within the default arrangement and self-select range on a periodic basis. Review of reports on voting and engagement policies will be considered, as will the long term performance of the investment managers funds (and ensure it is consistent with the style of the manager and their investment processes). On average, meetings will take place on an annual basis, while monitoring will be done on an annual basis also. An investment manager may be removed if it is felt that they are not delivering on their stewardship responsibilities, long term performance or consideration of ESG within their investment process. Adoption of any new funds will be made with explicit consideration to the underlying investment manager's policies and credentials surrounding ESG and stewardship. **Voting Policy** Voting reports by LGIM and Schroders (those managers with equity holdings in the portfolio) are monitored on an annual basis and reported back to the Employer and the Trustee on an exceptions basis. **Significant votes** *Significant vote 1: The Procter & Gamble Company – Report on effort to eliminate deforestation (13 October 2020)* The resolution received the support of 67.68% of shareholders. LGIM voted for the proposal, citing their concerns at lack of meeting targets, suppliers linked to illegal deforestation and lack of response to CDP Forest disclosure. Schroders also voted for the proposal, noting it would be beneficial to all stakeholders given the company failed to achieve its own deforestation targets. *Significant vote 2: Cardinal Health – Advisory Vote to Ratify Named Executive Officers' Compensation (4 November 2020)* The resolution encountered a significant amount of oppose votes from shareholders, with 38.6% voting against the resolution and 61.4% supporting the proposal.
RSA Insurance Company Section	**ESG policy** The RSA Section self-select fund range includes a white-labelled fund called the "RSA Pension ESG Fund", which invests in a passive equity fund that tracks an equity index with an ESG focus and low carbon screen. The investment advisers to the RSA Section reviewed the investment arrangements in 2019 which covered ESG considerations, including an assessment of each fund manager with respect to responsible investment. The manager underlying the RSA Pension Active UK Equity Fund was the only manager rated as below average; since there were no other concerns with the manager they were retained, but

feedback has been given to them and improvement would be looked for by the time of the next review in 2022.
The next review will have a focus on ESG and how it can be more directly integrated in the default strategy. It was felt that ESG investment approaches are a rapidly developing area and further fund options should be available by the time of the 2022 review, and hence no ESG fund was incorporated into the default investment strategy as part of the 2019 review.

Voting and Engagement Policies

- **LGIM -** All decisions are made by LGIM's Investment Stewardship team and in accordance with their relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures their stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.
  Ongoing dialogue with companies is a fundamental aspect of LGIM's commitment to responsible investment. Engagement will be triggered in a variety of ways, such as a regular catch-ups; analysis of responsible investment themes and voting issues; general knowledge of the company; or a media report.
- **BlackRock -** BlackRock and its voting and engagement work continuously evolves in response to changing governance related developments and expectations. Their voting guidelines are market-specific to ensure they take into account a company's unique circumstances by market, where relevant. BlackRock inform their vote decisions through research and engage as necessary. BlackRock's engagement priorities are global in nature and are informed by their observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients. BlackRock may also update their regional engagement priorities based on issues that they believe could impact the long-term sustainable financial performance of companies in those markets. BlackRock welcome discussions with their clients on engagement and voting topics and priorities to get their perspective and better understand which issues are important to them.

Description of voting behaviour during the year
All of the Trustees' holdings in listed equities are within pooled funds and However, they have sought to include voting data on the RSA section's funds that hold equities as follows:

- LGIM Global Equity Market Weights (30:70) - 75% Hedged Fund (used in the default strategy);
- LGIM Ethical Global Equity Index Fund (self-select fund underlying the RSA Pension Ethical Fund);
- BlackRock Emerging Markets Equity Index Fund (used in the default strategy); and
- BlackRock World ESG Equity Tracker Fund (self-select underlying the RSA Pension ESG Fund).

Examples of significant votes over the year

- **M&T Bank Corporation, April 2021. Vote:** Withhold.
  Summary of resolutions: Elect Director Rene F. Jones.
  Rationale for the voting decision: LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 LGIM have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 LGIM are voting against all combined board chair/CEO roles. Furthermore, LGIM have published a guide for boards on the separation of the roles of chair and CEO (available on their website), and LGIM have reinforced their position on leadership structures across their stewardship activities – for example, via individual corporate engagements and director conferences.
- **Daimler AG, July 2020. Vote: Against.**
  Summary of resolution: Resolutions on ratification of Supervisory Board members' actions in the 2019 financial year, election of Timotheus Höttges as a member of the Supervisory Board and amendment of Article 16 of the Articles of Incorporation (Annual Meeting – Resolution)

	Rationale for the voting decision: Concerns about progress on climate-related risk reporting, the external mandates held by the proposed Supervisory Board member, and the reduction in shareholder rights from the proposed article amendment.
BNP Paribas Pension Section	**ESG Policy** The primary default option for the Section is the Drawdown Lifestyle. Over 2018/19, the Trustees undertook and completed a review of the primary default option and agreed to replace the BNP Global 30/70 Equity fund with the Global Sustainable Growth Fund. This change was made effective from September 2020. The Global Sustainable Growth Fund was designed with explicit consideration of ESG risks and managers were assessed on several factors including how they were able to integrate and account for these risks in the investment strategy, with preference being given to managers demonstrating a robust policy. This was done by assessing the ESG integration capabilities of the managers using ESG-specific ratings provided by Aon as well as by meeting with the managers to understand their ESG policies more fully. In light of the above assessments, the Trustees agreed to invest in the ESG specific versions of the BlackRock equity tracker funds as opposed to the 'standard' versions which do not have an explicit ESG objective, demonstrating the preference for funds and strategies that have superior sustainability characteristics. Over the year to 30 June 2021, the Trustees decided to make further changes to the primary default option to further improve the sustainability characteristics of members' investments. This change focused on improving the sustainability characteristics of the primary default option's corporate bond investments. The changes agreed will be implemented in September 2021 and will involve replacing the existing BlackRock Corporate Bond Over 15 Year Index with the Global Sustainable Bond Fund. **Voting and Engagement Policies** The Trustees have obtained details of the votes undertaken on its behalf by the BNP Paribas Pension Plan's equity and multi-asset managers for the funds invested in by members. Information provided by the managers covers the 12 months to 31 March 2021, which reflects the most recent data available at the time of writing this statement. **<u>Examples of significant votes</u>** • **Yanzhou Coal Mining Company. December 2020. Vote: Against** • **Summary of resolutions:** To consider and approve Equity Interests and Assets Transfer Agreement between Yankuang Group Company Limited and Yanzhou Coal Mining Company Limited and to approve the transactions contemplated thereunder. **Rationale for the voting decision:** In September 2020, Yanzhou Coal proposed to acquire the equity interests held by Yangkuang Group in seven business entities for a total cash consideration of CNY 18.4 billion. The key assets to be acquired include a coal liquefaction project, a supporting coal mine and a coal-fired power plant, as well as other ancillary facilities. BlackRock believes it was in their clients' best long-term economic interests to vote against the proposed acquisition due to two primary concerns: 1) the underlying valuation for the terms of the transaction and 2) management's oversight of potential stranded asset risk. Yanzhou Coal as a state-owned enterprise did not articulate how the acquisition of these coal-related assets aligns with China's stated goals, including the new Nationally Determined Contributions to be updated at the UN Climate Change Conference (COP 26). In particular, concerns remained about Yanzhou Coal's decision to acquire a coal-fired power plant as part of this transaction. Therefore, such an acquisition could well exacerbate the company's stranded asset risks and delay progress to achieve the company's decarbonisation targets. • **Nike, July 2020. Vote: Against.** **Summary of resolution:** Advisory Vote to Ratify Named Executive Officers' Compensation. **Rationale for the voting decision:** Nordea think that bonuses and share based incentives should only be paid when management reach clearly defined and relevant targets which are aligned

with the interest of the shareholders. Nordea also voted against re-election of the proposed board members in the Compensation Committee

Credit Suisse Section

ESG Policy

For the extended self-select range, the Trustees give explicit consideration to ESG ratings provided by Aon as part of the annual review of these funds. This allows the Trustees to assess the ESG integration capabilities of the investment managers in the extended self-select range so that they are able to evaluate which funds have superior sustainability characteristics.

Voting and Engagement Policies

Blackrock uses Institutional Shareholder Services' ("ISS") electronic platform to execute its vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. Blackrock's voting decisions are informed by internally developed proxy voting guidelines, its pre-vote engagements, research and the situational factors for each underlying company. Voting guidelines are reviewed annually and are updated as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the prior year. Over 2020 and 2021, BlackRock increased its level of reporting by publishing more voting bulletins with detailed information and rationale for voting decisions. These reported significant votes are chosen by BlackRock based on a number of criteria such as level of public attention and impact of financial outcome.

The Trustees have obtained details of the votes undertaken on its behalf by BlackRock.

Examples of significant votes

- **Woodside Petroleum: Vote against re-election of director In April 2021**
  BlackRock voted against the longest serving director up for re-election because of concerns about the comprehensiveness of Woodside Petroleum 's current climate risk disclosure. Currently, Woodside provides an integrated annual report and separate Sustainable Development Report (SDR). The annual report aligns with the four pillars of the Task Force on Climate Related Disclosures (TCFD), while the SDR includes reported scope 1,2 and 3 emissions and scope 1 and 2 emissions reduction targets of 15% and 30% by 2023 and 2030 respectively. However, Woodside does not provide scope 3 emissions reduction targets. BlackRock states that it looks for companies in carbon intensive industries to disclose scope 3 emissions reduction targets as it is particularly important for investors to understand the complete emissions profile of carbon-intensive companies as the world transitions to a low carbon economy. As a result, BlackRock voted against the longest serving independent director up for re-election (in lieu of a vote against the sustainability chair who was not up for election) to hold Woodside accountable for inadequate progress on scope 3 target setting.
- **ExxonMobil Corporation: Vote in support of a shareholder proposal on company reporting on corporate climate lobbying aligned with the Paris Agreement**
  BlackRock voted against management in support of a shareholder proposal which requested that Exxon report on corporate climate lobbying aligned with the Paris Agreement. Exxon discloses its principles regarding climate lobbying, but BlackRock believes these are not transparently aligned with the Paris Agreement goals and see Exxon as increasingly falling behind peers in the production of a climate lobbying alignment report. BlackRock believes that shareholders would benefit from more transparency from Exxon's lobbying positions on environmental rules and regulations as it would allow for the ability to better assess how the company is approaching and mitigating climate-related risks. BlackRock Investment Stewardship (BIS) has a long history of multi-year, comprehensive engagements with Exxon on a wide range of governance issues that BlackRock believes drive long term shareholder value, including the oversight of climate risk.

  In the last twelve months, BlackRock have engaged with the company twelve times. While some positive steps have been taken by Exxon, BlackRock believes more needs to be done in Exxon's long-term strategy and short-term actions in relation to the energy transition to mitigate the

	impact of climate risk on long-term shareholder value. BlackRock are continuing to engage with the company.
Universal	**ESG Policy** The default arrangement has exposure to ESG factors via the Universal Music Global Equity Fund (a component of the growth phase when members are far from retirement), which incorporates a 50% allocation to the Schroders Sustainable Multi-Factor Equity Fund. Managers within the default arrangement include Legal & General Investment Management (LGIM), Schroders Investment Management, and BlackRock Investment Management (UK) Limited. Each manager is expected to exercise their stewardship responsibilities in line with stated policies. All are signatories to the United Nations Principles for Responsible Investment and all received A+ ratings in strategy and governance in relation to ESG in 2020. **Engagement Policy** The Universal Music section's investment advisers have a research team that will meet most of the investment managers which manage funds within the default arrangement and self-select range on a periodic basis. Review of reports on voting and engagement policies will be considered, as will the long term performance of the investment managers' funds (and ensure it is consistent with the style of the manager and their investment processes). On average, meetings will take place on an annual basis, while monitoring will be done on an annual basis also. An investment manager may be removed if it is felt that they are not delivering on their stewardship responsibilities, long term performance or consideration of ESG within their investment process. Adoption of any new funds will be made with explicit consideration to the underlying investment manager's policies and credentials surrounding ESG and stewardship. **Voting Policy** Voting reports by BlackRock, LGIM and Schroders (those managers responsible for equity and multi-asset funds within the default arrangement) are monitored on an annual basis and reported back to the Employer and the Trustee on an exceptions basis. **<u>Example of significant votes</u>** *Significant vote 1: The Procter & Gamble Company – Report on effort to eliminate deforestation (13 October 2020)* The resolution received the support of 67.68% of shareholders. Schroders voted for the proposal, noting it would be beneficial to all stakeholders given the company failed to achieve its own deforestation targets. *Significant vote 2: Microsoft Corporation – Report on employee representation on the board of directors (2 December 2020)* The resolution was opposed by 94.9% of shareholders.
Telegraph	**ESG policy** The State Street Global Advisers ("SSgA") Timewise Funds The Trustees recognise that some members may wish for ethical matters to be taken into account in their investments and therefore it has made available the following self-select funds: • HSBC Islamic Global Equity Fund • L&G Ethical UK Equity Index Fund • L&G Ethical Global Equity Index Fund Over the course of the year to 30 June 2021, SSgA advised the Trustees that it will be excluding certain companies from some of its managed pension fund index funds, such as violators of the UN Global Compact and controversial weapons companies. This impacts the SSgA Timewise funds and some of the equity and fixed income self-select funds offered in this Section of the Scheme. LCP provided advice to the Trustees on these changes and has since carried out an annual review of the fund range for the Trustees. The conclusion of this review was to make no changes to the self-select fund range. whilst also confirming that the SSgA Timewise Funds continue to be suitable as the default arrangement for the Section.

Voting and Engagement Policies
SSgA's Stewardship Team has developed an Issuer Engagement Protocol which complies with the principles of the SRD II and a framework to increase the transparency of its engagement philosophy, approach and processes. This protocol is designed to communicate the objectives of its engagement activities and to facilitate a better understanding of its preferred terms of engagement with investee companies.

SSgA actively seeks direct dialogue with the board and management of companies that it has identified through its screening processes. In 2020, a board member was present for 32% of its 672 comprehensive engagements. Furthermore, it regularly reviews its Issuer Engagement Protocol to ensure that its interactions with companies remain effective and meaningful. This includes reviewing indicators in its screening models and assessing emerging ESG issues and trends.

Description of voting behaviour during the year
All voting decisions are exercised in accordance with SSgA's in-house policies and views, ensuring the interests of its clients remain the sole consideration when discharging its stewardship responsibilities. SSgA voted at over 19,000 meetings over the course of 2020. SSgA prioritises companies for review based on factors including the size of its holdings, past engagement, corporate performance, and voting items identified as areas of potential concern. Based on SSgA's priority assessment, it allocates appropriate time and resources to shareholder meetings as well as specific ballot items of interest with the expressed purpose of maximising value for its clients. Like engagement, SSgA views proxy voting as a tool available for communicating its views to companies and it used a variety of third party service providers to support its stewardship activities. In general, it relies more on proxy voting in contexts where its relative holding values are smaller compared to other investors, engagement culture is less developed, and/or companies have not been responsive to engagement efforts. SSgA has established robust controls and auditing procedures to ensure that votes cast are executed in accordance with its instructions, based on its proxy voting policies and in-house operational guidelines. Transparency on these key issues is vital. In this regard, SSgA publishes a record of its global voting activity on the Asset Stewardship section of its website.

The Trustees have collated a summary of voting behaviour over the year to 30 June 2021.

Examples of significant votes over the year

Company name	The Proctor & Gamble Company	Pearson Plc	McDonald's Corporation
Date of Vote	13 October 2020	30 April 2021	20 May 2021
Criteria name	SH - Environmental Proposal	Compensation	SH – E&S proposal
Summary of resolution	Community – Environment Impact	Advisory Vote to Ratify Named Executive Officers' Compensation	Product Toxicity and Safety
How SSgA voted	For	Against	Against
SSgA's rationale for voting decision	This proposal merits support as the company's environmental disclosure and/or practices can be improved.	This item does not merit support as SSGA has concerns with the proposed remuneration structure for senior executives at the company.	This item does not merit support as the company's disclosure and/or practices pertaining to the item are reasonable.

Virgin Money	**ESG Policy** The Trustees choose fund managers whose voting policy are consistent with the Virgin Money Section's objectives; Expect fund managers to vote in a way which enhances the value of the funds in which the Virgin Money Section Plan invests; and monitor how the fund managers exercise their voting rights. **Voting and Engagement Policy** • **BlackRock** Proxy voting is executed by a team called BlackRock Investment Stewardship ("BIS") which is comprised of BlackRock employees who do not have other responsibilities other than their roles in BIS. The Global Head has primary oversight of the activities of BIS, including voting in accordance with the guidelines. • **Baillie Gifford** considers their proxy advisers' voting recommendations (ISS and Glass Lewis), but do not delegate or outsource any of their stewardship activities or follow/rely upon their recommendations when deciding how to vote on our clients' shares. All client voting decisions are made in-house. Baillie Gifford votes in line with their in-house policy and not with the proxy voting providers' policies • **HSBC** uses the voting research and platform provider ISS to assist with the global application of their own bespoke voting guidelines. ISS reviews company meeting resolutions and provides recommendations highlighting resolutions which contravene our guidelines. • **L&G** uses ISS's 'Proxy Exchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by L&G and they do not outsource any part of the strategic decisions. To ensure the proxy provider votes in accordance with the Manager's position on ESG, L&G have put in place a custom voting policy with specific voting instructions. • **Schroders** receives research from both ISS and the Investment Association's Institutional Voting Information Services (IVIS) for upcoming general meetings, however this is only one component that feeds into voting decisions. In addition to relying on their policies, they will also be informed by company reporting, company engagements, country specific policies, engagements with stakeholders and the views of portfolio managers and analysts. **Examples of significant votes** • **JP Morgan Chase, May 2021** **Summary of resolution:** Shareholder proposal for Report on Climate Change **Rationale for the voting decision:** The company is being asked to issue a report outlining if and how it intends to reduce the GHG emissions associated with its lending activities in alignment with the Paris Agreement's goal of maintaining global temperature rise below 1.5 degrees Celsius. A vote 'for' is warranted as the manager would welcome greater disclosure of the company's approach on this matter given its relatively high exposure to carbon-intensive industries through its lending portfolio. The manager also notes that the company is falling behind some of its peers with regard to reporting on metrics and targets under the TCFD framework, and if / how its business activities (including lending) align with the goals of the Paris Agreement. • **Cosmo Pharmaceuticals NV, May 2021** **Summary of resolution:** Employee Stock Plan **Rationale for the voting decision:** Opposed the resolution which sought authority to issue equity because the potential dilution levels are not in the interests of shareholders. Manager continued to vote against the remuneration of directors due to high levels of incentive-based pay for nonexecutives. They do not believe independent directors should receive incentive pay as this can compromise their independence and have recommended to the company that such directors or commissioners are remunerated through a fixed annual fee.