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

The Trustees of the Energia Group NI Pension Scheme (the "Scheme") are required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed their Statement of Investment Principles ("SIP") during the Scheme Year, as well as details of any review of the SIP during the Scheme Year, subsequent changes made with the reasons for the changes, and the date of the last SIP review. Information is provided on the last review of the SIP in Section 1 and on the implementation of the SIP in Sections 2-11 below. The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 12 below.

The Scheme is comprised of two Sections:

- the Focus Section that provides final salary benefits; and
- the Options Section that provides money purchase benefits.

The Statement is based on, and should be read in conjunction with, the SIPs applicable during the Scheme Year. **It uses the same headings as the Scheme's latest SIP dated 23 September 2020, a copy of which is available here (as an Appendix to the Chair Statement):**

https://energiagroup.com/globalassets/egnips-options-governance-statement.pdf

1. Introduction

The SIP was reviewed and updated during the Scheme Year on 23 September 2020 to reflect:

- the inclusion of policies on the arrangements with the Scheme's asset managers, as required by legislation for inclusion in the SIP by 1 October 2020;
- the inclusion of the funding level trigger mechanism to de-risk the Focus Section investment strategy when it is appropriate to do so; and
- changes to the Scheme's Options Section default strategy and self-select options. Further detail and the reasons for these changes are set out in Section 3.

As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes.

The Trustees have, in their opinion, followed the policies in the Scheme's SIP during the Scheme Year. The following Sections provide detail and commentary about how and the extent to which they did this.

2. Investment objectives

Focus Section (DB)

For the Focus Section, progress against the long-term journey plan is reviewed as part of the quarterly performance monitoring reports. The Trustees are also able to view the progress on an ongoing basis using LCP Visualise online. The Scheme is currently on track to achieve full funding by the target date.

Options Section (DC)

As part of the performance and strategy review of the DC default arrangement in November 2019, the Trustees considered the DC Section membership demographics and the variety of ways that members may draw their benefits in retirement from the Scheme.

Based on this, the Trustees concluded that a new default lifestyle should be created to replace the previous lifestyle, which the majority of current members should be transferred into and should be used as the default option for any new joiners to the Options Section (DC). The new default lifestyle continues to target a drawdown solution for members approaching retirement as this is in the best interests of the majority of the Options Section (DC) members and reflects the demographics of these members. However the balance between risk and return during the growth phase was reviewed and some changes were made to the Options Section default strategy, implemented in November 2020 (detailed in Section 3).

The Trustees also provide members with access to a range of investment options which they believe are suitable for this purpose and enable appropriate diversification. The Trustees have made available alternative lifestyle strategies to align with different pension access plans (i.e. Annuity, Cash) and a self-select fund range to members covering all major assets classes. The Trustees monitor the take up of these funds, which is relatively limited.

The Trustees review changes in member choices, behaviour and trends. In the Trustee's opinion, the policy in the SIP to provide members with a diversified range of investment options from which to choose has been satisfied.

3. Investment strategy

Focus Section (DB)

The Trustees did not review the investment strategy for the Focus Section (DB) over the Scheme Year.

The Trustees monitored the asset allocation quarterly and compared this to the strategic asset allocation.

The actual asset allocation did not deviate materially from the strategic allocation over the Scheme Year and therefore the Trustees did not undertake any further rebalancing action. Disinvestments to meet the Scheme's cash flow requirements were structured so as to move the Scheme closer to the strategic allocation.

The triggers put in place as part of the de-risking mechanism are monitored on a daily basis using LCP Visualise. The Trustees formally review the Scheme's progress against the triggers as part of the quarterly performance monitoring reporting they receive. If one of the triggers is hit, the Trustees consider the appropriateness of the proposed de-risking action and consult with the Company before it is implemented. A de-risking trigger was hit on the final day of the Scheme Year (31 March 2021), and the Trustees implemented the de-risking change (in line with the above process) during April following the Scheme Year end.

Options Section (DC)

For the Options Section the Trustees, with the help of their advisers and in consultation with the sponsoring employer, reviewed the strategy and performance of the default arrangement over the period. The Trustees concluded that drawdown remains an appropriate retirement target, but agreed to change the default investment strategy. The Trustees reviewed the initial growth phase of the default arrangement and considered the impact of changing the risk profile of the investment strategy. The Trustees agreed to move to a 50% / 50% allocation between diversified growth and global equities during this initial growth phase (previously 100% diversified growth).

These changes were designed to increase the long-term expected return of the strategy, whilst keeping risk to an appropriate level based on members' term to retirement. Similar changes were implemented for the alternative lifestyle strategies, although the asset allocation at retirement for these strategies differ to the main default given that they target different retirement outcomes.

As part of this review the Trustees made sure the Scheme's default arrangements were adequately and appropriately diversified between different asset classes and that the self-select options continue to provide a suitably diversified range to choose from. As part of the review of the self-select options the Trustees agreed to include some new options in the fund range and rationalised the list to remove some options which were duplicating strategies and not being used.

The Trustees reviewed retirement data provided in the administration reports on a quarterly basis during the Scheme Year. The available data is limited given the young age profile of the membership.

4. Considerations made in determining the investment arrangements

When the Trustees last reviewed the DB investment strategy in January 2020 they considered the investment risks set out in Appendix 2 of the SIP. They also considered a wide range of asset classes for investment, taking into account the expected returns and risks associated with those asset classes as well as how these risks can be mitigated.

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

Following developments in investment markets, the Trustees reconsidered their investment beliefs.

As a result, the Trustees updated the investment beliefs in the SIP in September 2019. They added two new investment beliefs to the SIP:

- "environmental, social and governance (ESG) factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors"; and

- "long-term environmental, social and economic sustainability is one factor that trustees should consider when making investment decisions".

Following the addition of these beliefs, the Trustees reviewed their investment manager mandates to understand the extent to which ESG factors are incorporated in the funds currently held by the Scheme.

5. Implementation of the investment arrangements

Focus Section (DB)

The Trustees have not made any changes to the arrangements in place with their investment manager, BlackRock Advisors (UK) Limited over the period.

Options Section (DC)

The Trustees have added two new investment funds to the default strategy and self-select options in the DC Section (a diversified growth fund managed by L&G and a passive global equity fund managed by BlackRock). These investment funds are accessed through the Aegon platform, so there is no direct relationship between the Scheme and the underlying investment managers of the Options Section.

Nonetheless, before adding these funds to the platform, the Trustees received information on the managers' investment process and philosophy, the investment team and past performance. The Trustees also considered the managers' approach to responsible investment and stewardship.

General

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

The Trustees regularly invite the Scheme's investment managers to present at Trustee meetings, and have generally seen BlackRock (at an in-person meeting) once a year. Over the period, the Trustees did not meet with an investment manager due to the coronavirus pandemic meaning there were no in-person meetings with third parties during the year.

The Trustees were comfortable with all of their investment manager arrangements over the Scheme Year.

The Trustees monitor the performance of the Scheme's investment managers on a quarterly basis, using the quarterly performance monitoring report. The report shows the performance of each fund over the quarter, 1 year, 3 years, 5 years and since inception. Performance is considered in the context of the managers' benchmarks and objectives.

The most recent quarterly report shows that BlackRock have produced performance broadly in line with expectations over the long-term.

Over the period, the Trustees undertook a value for members assessment which assessed a range of factors, including the fees payable to managers in respect of the DC Section.

Overall the Trustees believe the investment managers provide reasonable value for money.

6. Realisation of investments

Focus Section (DB)

For the Focus Section, the Trustees review the Scheme's net current and future cashflow requirements on a regular basis. The Trustees' policy is to have access to sufficient liquid assets in order to meet any outflows whilst maintaining a portfolio which is appropriately diversified across a range of factors, including suitable exposure to both liquid and illiquid assets.

Over the Scheme Year, the Trustees used cashflows to help rebalance the Scheme's assets towards the strategic asset allocation. One significant cashflow into the Scheme over the period was the deficit contribution of £1.25m that was received by 31 March 2021 and used in accordance with this policy (primarily to meet benefit payments).

Options Section (DC)

For the Options (DC) Section, it is the Trustees' policy is to invest in funds that offer daily dealing, to enable members to readily realise and change their investments. All of the DC Section funds which the Trustees offer are daily priced.

During the Scheme Year one of the funds which is offered as a self-select option has been temporarily suspended for further trading by the investment manager. Members' ongoing contributions are being directed to an alternative fund that is daily dealing while the original fund remains suspended. The Trustees have communicated this issue to affected members. The Trustees continue to work with the manager (including through its legal and investment advisers) to resolve the suspension and ensure that its members are kept informed of the situation.

7. Consideration of financially material matters

As part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations), voting and engagement.

8. Stewardship

The Trustees reviewed LCP's responsible investment (RI) scores for the Scheme's existing managers and funds, along with LCP's qualitative RI assessments for each fund and red flags for any managers of concern. These scores cover the managers' approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP's ongoing manager research programme and it is these that directly affect LCP's manager and fund recommendations. The manager scores and red flags are based on LCP's Responsible Investment Survey 2020 which was reviewed and discussed by the Trustees at a meeting in March 2020. The Trustee relies on its investment adviser to highlight any key changes in its view regarding responsible investment and stewardship as part of its manager research programme.

The Trustees were satisfied with the results of the review and no further action was taken.

9. Investment governance, responsibilities, decision-making and fees

As mentioned in Section 5, the Trustees assess the performance of the Scheme's investments on an ongoing basis as part of the quarterly monitoring reports they receive.

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

The Trustees have put in place formal objectives for their investment adviser and will review the adviser's performance against these objectives on a regular basis.

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

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

The Trustees maintain a risk register and this is discussed at quarterly meetings.

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

With regard to the risk of inadequate returns for the Focus (DB) Section, the best-estimate expected return on the Scheme's assets is expected to be sufficient to make it likely that the Scheme will achieve the return needed over the long-term to be fully funded on a Technical Provisions basis. When making changes to the Scheme's investment strategy the Trustees consider the resulting best-estimate expected return of the new strategy and how this compares to the required return for the Scheme to be fully funded on a Technical Provisions basis.

With regard to the risk of inadequate returns for the Options (DC) Section, the Trustee makes use of equity and equity-based funds, which are expected to provide positive returns above inflation over the long term. These are used primarily in the growth phase of the default option, tapering over the final 10 years to target retirement date so that at the target retirement date the equity exposure that remains is provided through the diversified growth allocation. These funds are also made available within the self-select options. These funds are expected to produce adequate real returns over the longer term.

The Scheme's interest and inflation hedging levels are monitored on an ongoing basis in the quarterly monitoring report. Over the Scheme Year the Scheme's hedging levels were broadly in line with the target levels.

With regard to collateral adequacy risk, the Trustees hold investments in the BlackRock Absolute Return Bond Fund alongside the LDI portfolio, to be used should the LDI manager require cash to be posted for a deleverage event. The Scheme holds more than enough liquid assets to meet the next capital call on the LDI funds.

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

The following risks are covered earlier in this Statement: diversification risk in Sections 3 and 5; investment manager risk and excessive charges in Section 5; illiquidity/marketability risk in Section 6; and ESG risks in Section 7.

11. Investment manager arrangements (Appendix 3 of SIP)

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

12. Description of voting behaviour during the Scheme Year

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

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, on the Focus (DB) Section funds that hold equities as follows:

- BlackRock Aquila Life UK Equity Index Fund
- BlackRock Aquila Life World (ex-UK) Equity Index Fund
- BlackRock Aquila Life Overseas Equity Index Fund (hedged)
- BlackRock Aquila Life Emerging Market Equity Index Fund
- BlackRock Market Advantage Strategy Fund

For the Options (DC) Section we have included the funds with equity holdings where these are used in the current default strategy given the high proportion of total DC Section assets invested in these funds. In addition, we have also included self-select funds which hold more than 10% of DC Section assets. We have included data on the following funds:

- Aegon BlackRock Diversified Growth Fund
- Aegon BlackRock MSCI World Index Fund
- Aegon LGIM Diversified Fund

The Trustees have sought to obtain the relevant voting data for Sections 12.2 and 12.3, from all of the investment managers listed above.

The Trustees will continue to work with their advisers and investment managers with the aim of providing fuller voting information in future implementation statements.

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

12.1 Description of the voting processes

BlackRock

BlackRock's approach to corporate governance and stewardship is explained in its Global Corporate Governance and Engagement Principles. These high-level Principles are the framework for its more detailed, market-specific voting guidelines. The Principles include a description of BlackRock's policy on voting. This applies across relevant asset classes and products as permitted by investment strategies. BlackRock reviews its Global Corporate Governance & Engagement Principles annually and updates them as necessary to reflect market standards, evolving governance practice and insights gained from engagement over the prior year.

BlackRock votes annually at c.16,000 shareholder meetings, taking a case-by-case approach to the items put to a shareholder vote. BlackRock's analysis is informed by its internally developed proxy voting guidelines, its pre-vote engagements, research, and the situational factors at a particular company. BlackRock aims to vote at all shareholder meetings of companies in which its clients are invested. In cases where there are significant obstacles to voting, such as share blocking or requirements for a power of attorney, BlackRock will review the resolutions to assess the extent of the restrictions on voting against the potential benefits. BlackRock generally prefer to engage with the company in the first instance where it has concerns and give management time to address the issue.

BlackRock will vote in favour of proposals where it supports the approach taken by a company's management or where it has engaged on matters of concern and anticipate management will address them. BlackRock will vote against management proposals where it believes the board or management may not have adequately acted to advance the interests of long-term investors. BlackRock ordinarily refrains from abstaining from both management and shareholder proposals, unless abstaining is the valid vote option (in accordance with company by-laws) for voting against management, there is a lack of disclosure regarding the proposal to be voted, or an abstention is the only way to implement its voting intention. BlackRock stresses that in all situations the economic interests of BlackRock's clients will be paramount.

BlackRock's voting guidelines are intended to help clients and companies understand its thinking on key governance matters. They are the benchmark against which BlackRock assesses a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. In summary, BlackRock:

- aims to apply its guidelines pragmatically, taking into account a company's unique circumstances where relevant;
- informs its vote decisions through research and engagement as necessary; and
- reviews its voting guidelines annually and update them as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the prior year.

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS), which consists of three regional teams – Americas ("AMRS"), Asia-Pacific ("APAC"), and Europe, Middle East and Africa ("EMEA") - located in seven offices around the world. The analysts with each team will generally determine how to vote at the meetings of the companies they cover. They may seek input from other team members, their regional head, senior BIS leaders, and/or portfolio managers.

LGIM

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

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as it continues to develop its voting and engagement policies and define strategic priorities in the years ahead. LGIM also takes into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

All voting and engagement decisions are made by LGIM's Investment Stewardship team and in accordance with its 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, with the aim of ensuring that its 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.

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and it does not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is purely to augment its own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that it receives from ISS for UK companies when making specific voting decisions

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

LGIM retains the ability in all markets to override any vote decisions, which are based on its custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows LGIM to apply a qualitative overlay to its voting judgement. LGIM has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by its service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

LGIM believes that it is vital that the proxy voting service are regularly monitored and does this through quarterly due diligence meetings with ISS. Representatives from a range of departments attend these meetings, including the client relationship manager, research manager and custom voting manager. The meetings have a standing agenda, which includes setting out LGIM's expectations, an analysis of any issues LGIM has experienced when voting during the previous quarter, the quality of the ISS research delivered, general service level, personnel changes, the management of any potential conflicts of interest and a review of the effectiveness of the monitoring process and voting statistics. The meetings will also review any action points arising from the previous quarterly meeting.

LGIM has its own internal Risk Management System (RMS) to provide effective oversight of key processes. This includes LGIM's voting activities and related client reporting. If an item is not confirmed as completed on RMS, the issue is escalated to line managers and senior directors within the organisation. On a weekly basis, senior members of the Investment Stewardship team confirm on LGIM's internal RMS that votes have been cast correctly on the voting platform and record any issues experienced. This is then reviewed by the Director of Investment Stewardship who confirms the votes have been cast correctly on a monthly basis. Annually, as part of LGIM's formal RMS processes the Director of Investment Stewardship confirms that a formal review of LGIM's proxy provider has been conducted and that they have the capacity and competency to analyse proxy issues and make impartial recommendations.

12.2 Summary of voting behaviour over the Scheme Year

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

Focus Section

	Aquila Life UK Equity Index Fund	Aquila Life World (ex-UK) Equity Index Fund	Aquila Life Overseas Equity Index Fund (hedged)	Aquila Life Emerging Market Equity Index Fund	Market Advantage Strategy Fund
Manager name	BlackRock	BlackRock	BlackRock	BlackRock	BlackRock
Fund name	Aquila Life UK Equity Index Fund	Aquila Life World (ex-UK) Equity Index Fund	Aquila Life Overseas Equity Index Fund (hedged)	Aquila Life Emerging Market Equity Index Fund	Market Advantage Strategy Fund
Total size of fund at end of reporting period	£4.6bn	£1.9bn	£1.2bn	$14.1bn	€723.5m
Value of Scheme assets at end of reporting period	£5.1m	£3.9m	£4.6m	£2.8m	£10.0m
Number of holdings at end of reporting period	593	Not provided	Not provided	1,476	2,603
Number of meetings eligible to vote	1,211	2,231	2,122	2,777	2,979
Number of resolutions able to vote on	15,742	27,464	26,239	25,487	28,532
% of resolutions voted	97.2%	93.7%	93.4%	96.0%	94.3%
Of the resolutions on which voted, % voted with management	94.3%	93.7%	93.6%	90.7%	91.1%
Of the resolutions on which voted, % voted against management	5.8%	6.3%	6.5%	9.3%	8.9%
Of the resolutions on which voted, % abstained from voting	1.9%	0.5%	0.5%	4.0%	2.4%
Of the meetings in which the manager voted, % with at least one vote against management	n/a	n/a	n/a	n/a	n/a
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	n/a	n/a	n/a	n/a	n/a

Options Section

	Diversified Growth Fund	MSCI World Index Fund	Diversified Fund
Manager name	BlackRock	BlackRock	Legal and General
Fund name	Aegon BlackRock Diversified Growth Fund	Aegon BlackRock MSCI World Index Fund	Aegon LGIM Diversified Fund
Total size of fund at end of reporting period	£112m	£540m	£251.5m
Value of Scheme assets at end of reporting period	£2.2m	£8.1m	£8.2m
Number of holdings at end of reporting period	Not provided	Not provided	6,642
Number of meetings eligible to vote	928	1,091	11,362
Number of resolutions able to vote on	11,707	15,759	115,604
% of resolutions voted	95.8%	90.7%	99.0%
Of the resolutions on which voted, % voted with management	94.4%	92.7%	81.7%
Of the resolutions on which voted, % voted against management	5.9%	7.3%	17.7%
Of the resolutions on which voted, % abstained from voting	0.9%	0.7%	0.6%
Of the meetings in which the manager voted, % with at least one vote against management	n/a	n/a	6.4%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	n/a	n/a	0.2%

12.3 Most significant votes over the Scheme Year

Commentary on the most significant votes over the period, from the Scheme's asset managers who hold listed equities, is set out below.

BlackRock

We have selected a subset of votes which are common across the BlackRock pooled funds that the Scheme holds containing equities. These have been selected from the list of significant votes that BlackRock has provided based on its own internal assessment methodology. They were selected from the list as a result of their materiality and their relevance from an ESG perspective.

Company name	EXXON MOBIL CORP (US)	CHEVRON CORP (US)	MIZUHO FINANCIAL GROUP INC (Japan)
Date of vote	27 May 2020	27 May 2020	25 June 2020
Summary of the key resolutions	1. Elect Director Angela F. Braly 2. Elect Director Kenneth C. Frazier 3. Require Independent Board Chair	Report on Climate Lobbying Aligned with Paris Agreement Goals	Shareholder Proposal to Amend Articles to Disclose Plan Outlining Company's Business Strategy to Align Investments with Goals of Paris Agreement
How you voted	AGAINST the first two items and FOR the last.	FOR	AGAINST
Rationale for the voting decision	1. insufficient progress on TCFD aligned reporting and related action. 2. insufficient progress on TCFD aligned reporting and related action, and for failure to provide investors with confidence that the board is composed of the appropriate mix of skillsets and can exercise sufficient independence from the management team to effectively guide the company in assessing material risks to the business. 3. belief that the board would benefit from a more robust independent leadership structure.	BlackRock voted for this proposal, as greater transparency into the company's approach to political spending and lobbying as aligned with their stated support for the Paris Agreement will help articulate consistency between private and public messaging in the context of managing climate risk and the transition to a lower-carbon economy.	BlackRock, through an independent fiduciary, voted against all shareholder proposals. The independent fiduciary reported that it took into consideration the company's policies and the announcements made since the shareholder proposal was filed. The independent fiduciary determined that the company now has policies in place that address the issues raised in the proposal.

<table>
<tr><td>Company name</td><td>DAIMLER AG
(Germany)</td><td>BANCO SANTANDER SA
(US)</td><td>WOODSIDE PETROLEUM LTD
(Australia)</td></tr>
<tr><td>Date of vote</td><td>8 July 2020</td><td>10 June 2020</td><td>30 April 2020</td></tr>
<tr><td>Summary of the key resolutions</td><td>1. Resolution on ratification of Supervisory Board members’ actions in the 2019 financial year
2. Resolution on the election of Timotheus Höttges as a member of the Supervisory Board
3. Resolution on the amendment of Article•16 of the Articles of Incorporation (Annual Meeting – Resolution)</td><td>Report on Risk of Racial Discrimination in Vehicle Lending</td><td>1. Special Resolution to Amend the company Constitution
2. Ordinary Resolution on Paris Goals and Targets
3. Ordinary Resolution on Climate-Related Lobbying
4. Ordinary Resolution on Reputation Advertising Activities</td></tr>
<tr><td>How you voted</td><td>AGAINST all items</td><td>FOR</td><td>AGAINST all resolutions</td></tr>
<tr><td>Rationale for the voting decision</td><td>BlackRock voted against all key resolutions outlined above given its 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.</td><td>BlackRock voted for the resolution as discriminatory lending practices (of all forms) are a material risk to the company’s business and shareholders would benefit from increased and improved disclosure on compliance programs, processes and procedures, as well as risk mitigation processes and procedures, to prevent discriminatory lending (including racial discrimination).</td><td>1. BlackRock is generally not supportive of constitutional amendment resolutions as the relative ease of filing risks distracting and time-consuming proposals being submitted by shareholders whose interests are not necessarily aligned with those of the broader shareholder base. BlackRock believe shareholder proposals should be a tool used after engagement has failed, which in their experience is not the case here
2. Based on Woodside’s existing reporting and engagement to date, BlackRock believe the company recognizes the priority it must place on carbon disclosure and reduction targets. BlackRock’s view is that the company is responsive to shareholder concerns regarding carbon disclosure and emissions targets draws on the fact that Woodside publicly recognizes the science of climate change, has committed to the Paris Goals, and stated its ambition of being carbon neutral by 2050.
3. Based on BlackRock’s analysis, Woodside’s lobbying is consistent with its public position on climate change. Where differences are identified, the company discloses them openly. BlackRock’s conditional support for management on this resolution is based on the company’s public commitment to undertake a more comprehensive review of its industry association advocacy by November 2020.
4. Based on BlackRock’s evaluation, Woodside provides adequate transparency on their advertising activities and the community groups that they support. Furthermore, there is no indication that Woodside’s sponsorships and community partnerships do not comply with relevant laws and the underlying principles of the OECD Guidelines for Multinational Enterprises.</td></tr>
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Legal and General

We have selected a subset of votes from the list of significant votes that Legal and General has provided based on its own internal assessment methodology. They were selected from the list as a result of their materiality and their relevance from an ESG perspective.

Company name	SIG PLC (UK)	Samsung Electronics (Japan)	The Procter & Gamble Company (US)
Date of vote	9 July 2020	17 March 2021	13 October 2020
Summary of the key resolutions	Resolution 5: Approve one-off payment to Steve Francis proposed at the company's special shareholder meeting held on 9 July 2020.	Resolution 2.1.1: Elect Park Byung-gook as Outside Director Resolution 2.1.2: Elect Kim Jeong as Outside Director Resolution 3: Elect Kim Sun-uk as Outside Director to Serve as an Audit Committee Member	Resolution 5 Report on effort to eliminate deforestation.
How you voted	AGAINST	AGAINST all three resolutions	FOR
Rationale for the voting decision	The company wanted to grant interim CEO a one-off award of £375,000 for work carried out over a two-month period (February - April). The CEO agreed to invest £150,000 of this payment in acquiring shares in the business, and the remaining £225,000 would be a cash payment. The additional payment was subject to successfully completing a capital-raising exercise to improve the liquidity of the business. The one-off payment was outside the scope of their remuneration policy and on top of his existing remuneration, and therefore needed shareholder support for its payment. LGIM does not generally support one-off payments. We believe that the remuneration committee should ensure that executive directors have a remuneration policy in place that is appropriate for their role and level of responsibility. This should negate the need for additional one-off payments. In this instance, there were other factors that were taken into consideration. The size of the additional payment was a concern because it was for work carried over a two-month period, yet was equivalent to 65% of his full-time annual salary. £225,000 was to be paid in cash at a time when the company's liquidity position was so poor that it risked breaching covenants of a revolving credit facility and therefore needed to raise additional funding through a highly dilutive share issue.	In January 2021, Lee Jae-yong, the vice chairman of Samsung Electronics and only son of the former company chairman, was sentenced to two years and six months in prison for bribery, embezzlement and concealment of criminal proceeds worth about KRW 8.6 billion. Lee Jae-yong was first sentenced to five years in prison in August 2017 for using the company's funds to bribe the impeached former President Park Geun-hye. While Lee was released from prison, he was not acquitted of the charges. Based on the court's verdict, Lee actively provided bribes and implicitly asked then president Park to use her power to help his smooth succession. The court further commented that the independent compliance committee established in January 2020 has yet to become fully effective. LGIM engaged with the company ahead of the vote. However, we were not satisfied with the company's response that ties have been severed. We are concerned that Lee Jae-yong continues to make strategic company decisions from prison. Additionally, we were not satisfied with the independence of the company board and that the independent directors are really able to challenge management. LGIM voted against the resolutions as the outside directors, who should provide independent oversight, have collectively failed to remove criminally convicted directors from the board. The inaction is indicative of a material failure of governance and oversight at the company.	P&G uses both forest pulp and palm oil as raw materials within its household goods products. The company has only obtained certification from the Roundtable on Sustainable Palm Oil for one third of its palm oil supply, despite setting a goal for 100% certification by 2020. Two of their Tier 1 suppliers of palm oil were linked to illegal deforestation. Finally, the company uses mainly Programme for the Endorsement of Forest Certification (PEFC) wood pulp rather than Forestry Stewardship Council (FSC) certified wood pulp. Palm oil and Forest Pulp are both considered leading drivers of deforestation and forest degradation, which is responsible for approximately 12.5% of greenhouse gas emissions that contribute to climate change. The fact that Tier 1 suppliers have been found to have links with deforestation calls into question due diligence and supplier audits. Only FSC certification offers guidance on land tenure, workers', communities and indigenous people's rights and the maintenance of high conservation value forests. LGIM engaged with P&G to hear its response to the concerns raised and the requests raised in the resolution. We spoke to representatives from the proponent of the resolution, Green Century. In addition, we engaged with the Natural Resource Defence Counsel to fully understand the issues and concerns. Following a round of extensive engagement on the issue, LGIM decided to support the resolution. Although P&G has introduced a number of objectives and targets to ensure their business does not impact deforestation, we felt it was not doing as much as it could. The company has not responded to CDP Forest disclosure; this was a red flag to LGIM in terms of its level of commitment.