Sappi UK Pension Scheme
Implementation Statement for the year to 05 April 2021

Introduction

The purpose of this Implementation Statement is to set out how the Trustee has followed its investment policies, stewardship policies, and to outline voting behaviour by, or on behalf of, the Trustee during the year. This Implementation Statement has been prepared in line with the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

For the year to 05 April 2021, the Trustee delegated overall stewardship of the Scheme's underlying investments to the investment managers, including the exercise of rights (including voting rights) attaching to the Scheme's investments and undertaking engagement activities in respect of the investments.

The Appendix sets out information provided by the investment managers on significant votes which were cast over the period.

In preparing this Implementation Statement, we have relied on the information provided by the investment managers.

Investment governance

The Trustee is responsible for the governance and investment of the Scheme's assets. In addition, the Joint Governance Group ("JGG") will assist with the Governance of the Scheme.

The JGG's remit and terms of reference are set out in a Journey Plan which covers:

- The long term funding objective;
- The timing to reach the objective; and
- The approach to achieving the objective.

The remit of the JGG covers:

- Understanding and quantifying the main investment risks;
- Producing a plan for implementing agreed ideas;
- Establishing monitoring, reporting and intervention as the strategy is realised;
- Establishing future working arrangements for the identification, assessment and implementation of new opportunities;
- Documenting the vision and strategy; and
- Establishing a governance control framework that protects members' benefits.

The JGG will meet quarterly with monthly calls between meetings. Membership of the JGG will comprise:

- The Trustee;
- A dedicated representation from the Company;
- The Trustee's appointed investment adviser;
- The Company's appointed investment adviser.

The Trustee of the Sappi (UK) Pension Scheme is responsible for making investment decisions and has an Investment Consultant, PwC, considers investment issues and makes recommendations to the Trustee board. The Investment Consultant attended regular meetings with the Trustee throughout the year. These meetings included regular monitoring of the Scheme's assets against the investment strategy and ad hoc educational sessions to ensure that the Trustee had sufficient knowledge and understanding to make decisions regarding the Scheme's investment strategy. The Statement of Investment Principles ("SIP") sets out the Trustee's policies for managing the Scheme's assets, and outlines the investment strategy and stewardship policy which was in place over the reporting period.

Review of and changes to the SIP over the year to 05 April 2021

The SIP was amended twice during the reporting period. The amendments reflected two key changes to the SIP.

The first provided greater information regarding the implementation of the Trustee stewardship and ESG policies in line with the disclosure requirements which came into effect on 1 October 2020. This version of the SIP was implemented on 23 September 2020.

The second amendment was an update in the Scheme's strategic asset allocation following the Trustee's decision to invest in the LGIM Synthetic Leveraged Credit Fund, Insight Investment IIFIG Secured Finance Fund II and Blackstone BAAM Dislocation Fund and to move a buyout-ready portfolio. This version of the SIP was implemented on 18 March 2021.

Investment objectives

The Trustee's' policy is to set the overall investment strategy based on the return and risk requirements to meet the long term objectives.

The Trustee's' main objectives are:

- Ensuring that all benefits due to members under the rules of the Scheme can be paid and that there is clear communication on the level of security provided by the Company;
- Managing risk by achieving self-sufficiency with the aim of reaching 100% funding on an agreed self-sufficiency (gilts flat) basis within 7 years of signing off the April 2017 valuation;
- Eliminating risk by reaching full buy-out, with the target of being fully funded on a buy-out basis by 2031;

- Ensuring the investment strategy remains appropriate to achieve the agreed funding objectives within the agreed timescales, with a level of risk that is acceptable to both the Trustee and Company;
- Maintaining accurate Scheme records and good governance.

These objectives have been met over the period, specifically:
- All cashflow requirements to fulfil member benefit payments have been met through the disinvestment of Scheme assets.
- Despite the highly volatile market movements at the beginning of the reporting period due to the COVID-19 pandemic, the Scheme's funding level has been stable over the period, from 97.7% to 97.3%. This demonstrates that the Trustee has been successful in reducing the risk that the assets will fail to meet the liabilities over the long term and minimising the long-term costs of the Scheme.

Trustee's' policy

The Trustee's policy is to set the overall investment strategy and select investment managers to manage the underlying investments to meet the investment strategy. In doing this, the Trustee considers the advice of its professional advisers, who it considers to be suitably qualified and experienced for this role.

The Trustee's' other policies relating to the investment strategy are as follows:
- To monitor the employer-related investment content of their portfolio as a whole and take steps to alter this should they discover this to be more than set out in legislation.
- To hold a balance between different asset classes to allow it to meet its objectives.
- To consider the risks posed to the Scheme and mitigate these where possible.
- To assess each investment held in terms of investment risk and expected return, and to monitor the performance of each fund manager against an agreed benchmark.
- To carry out formal reviews of each investment manager on an ad hoc basis.
- To monitor the remuneration of the investment managers on an ad hoc basis, to ensure that the levels are consistent with the Trustee's investment policies and the SIP.
- To monitor portfolio turnover costs on a periodic basis.

The Trustee's' other policies relating to stewardship are as follows:
- To periodically review the Scheme's stewardship arrangements.
- To request further details of the exercise of voting rights by investment managers on a periodic basis, and make further investigations as and when necessary.

The Trustee's' other policies relating to Environmental, Social and Corporate Governance ("ESG") considerations are as follows:
- To take ESG risks and opportunities into account through due diligence when appointing, monitoring, engaging with and replacing investment managers to manage the Scheme's assets.

How the Trustee has met its policies

The Trustee reviews the appropriateness of the Scheme's investment strategy on an ongoing basis. A full review of the investment strategy was carried out during the period. The Trustee isin the process of implementing an updated investment strategy which they deem appropriate to meet their policy and objectives.

The Trustee' has met its other policies relating to investment strategy as follows :

- The allocation of the Scheme's assets was monitored on a monthly basis to ensure that the assets are allocated in line with the Scheme's investment strategy. No rebalancing of assets took place during the period, however the Trustee made the conscious decision to deviate from the strategic asset allocation during the transition to the updated investment strategy following the review
- The Scheme's total risk exposure was monitored on a monthly basis to ensure that this is consistent and does not fluctuate significantly.
- The performance of each investment manager was monitored on a quarterly basis against each manager's stated benchmark.
- The investment managers were monitored throughout the year to 05 April 2021. The Invesco GTR fund consistently underperformed its target, so the Trustee has decided to disinvest from it. As part of the investment strategy review, the Trustee also took the decision to replace the Western Asset MAC fund for strategic reasons.
- The remuneration of the investment managers remained in line with the policy and objectives set out by the Trustee at the start of the year to 05 April 2021.

The Trustee' has met its other policies relating to stewardship as follows:

- In preparing the Implementation Statement, the Trustee's investment advisers requested details of significant votes that have been cast by all investment managers over the period. No further investigations were carried out in the period.

The Trustee' has met its other policies relating to ESG considerations as follows:

- A formal review of ESG risks and opportunities was not carried out during the period. However, the Trustee remains committed to monitoring ESG matters as a financial risk to the Scheme and is receiving more education and training on ESG investments.

Overall, there were no material deviations from these policies over the reporting period.

Key events over the reporting period

In May 2020, the Scheme completed the drawdown of its commitment to the SEI Property Fund.

In Q3 and Q4 2020, the Trustee carried out a review of the Scheme's investment strategy. This review considered the Scheme's objectives, funding level and asset allocation in light of buying out the Scheme's liabilities in the near future. After considering the merits of a range of asset classes, the Trustee decided to invest in the strategy which is detailed in the most recent version of the SIP, which was implemented on 18 March 2021. This strategy is expected to be fully implemented by Q3 2021.

Voting behaviour over the reporting period

See Appendix.

Concluding remarks

The Trustee is comfortable that the policies in the SIP have been followed over the year to 05 April 2021.

Appendix

	Vote 1	Vote 2	Vote 3	Vote 4	Vote 5
Company name	Qantas Airways Limited	Whitehaven Coal	International Consolidated Airlines Group	Lagardère	Imperial Brands plc
Approximate size of fund's holding as at the date of the vote (as % of portfolio)					
Summary of the resolution	Resolution 3 Approve participation of Alan Joyce in the Long-Term Incentive Plan Resolution 4 Approve Remuneration Report.	Resolution 6 Approve capital protection. Shareholders are asking the company for a report on the potential wind-down of the company's coal operations, with the potential to return increasing amounts of capital to shareholders.	Resolution 8: Approve Remuneration Report' was proposed at the company's annual shareholder meeting held on 7 September 2020.	Shareholder resolutions A to P. Activist Amber Capital, which owned 16% of the share capital at the time of engagement, proposed 8 new directors to the Supervisory Board (SB) of Lagardère, as well as to remove all the incumbent directors (apart from two 2019 appointments).	Resolutions 2 and 3, respectively, Approve Remuneration Report and Approve Remuneration Policy.
How the Investment Manager voted	LGIM voted against resolution 3 and supported resolution 4.	LGIM voted for the resolution.	We voted against the resolution.	LGIM voted in favour of five of the Amber-proposed candidates (resolutions H,J,K,L,M) and voted off five of the incumbent Lagardère SB directors (resolutions B,C,E,F,G).	LGIM voted against both resolutions.
Where the Investment Manager voted against management, did they communicate their intent to the company ahead of the vote?	Given our engagement, LGIM's Investment Stewardship team communicated the voting decision directly to the company before the AGM and provided feedback to the remuneration committee.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.

Rationale for the voting decision	The COVID crisis has had an impact on the Australian airline company's financials. In light of this, the company raised significant capital to be able to execute its recovery plan. It also cancelled dividends, terminated employees and accepted government assistance. The circumstances triggered extra scrutiny from LGIM as we wanted to ensure the impact of the COVID crisis on the company's stakeholders was appropriately reflected in the executive pay package. In collaboration with our Active Equities team, LGIM's Investment Stewardship team engaged with the Head of Investor Relations of the company to express our concerns and understand the company's views. The voting decision ultimately sat with the Investment Stewardship team. We supported the remuneration report (resolution 4) given the executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the long-term incentive plan (LTIP), in light of the pandemic. However, our concerns as to the quantum of the 2021 LTIP grant remained, especially given the share price at the date of the grant and the remuneration committee not being able to exercise discretion on LTIPs, which is against best practice. We voted against resolution 3 to signal our concerns.	The role of coal in the future energy mix is increasingly uncertain, due to the competitiveness of renewable energy, as well as increased regulation: in Q4 2020 alone three of Australia's main export markets for coal – Japan, South Korea and China – have announced targets for carbon neutrality around 2050. LGIM has publicly advocated for a 'managed decline' for fossil fuel companies, in line with global climate targets, with capital being returned to shareholders instead of spent on diversification and growth projects that risk becoming stranded assets. As the most polluting fossil fuel, the phase-out of coal will be key to reaching these global targets.	The COVID-19 crisis and its consequences on international transport have negatively impacted this airline company's financial performance and business model. At the end of March 2020, LGIM addressed a private letter to the company to state our support during the pandemic. We also encouraged the board to demonstrate restraint and discretion with its executive remuneration. As a result of the crisis, the company took up support under various government schemes. The company also announced a 30% cut to its workforce. On the capital allocation front, the company decided to withdraw its dividend for 2020 and sought shareholder approval for a rights issue of €2.75 billion at its 2020 AGM in order to strengthen its balance sheet. The remuneration report for the financial year to 31 December 2019 was also submitted to a shareholder vote. We were concerned about the level of bonus payments, which are 80% to 90% of their salary for current executives and 100% of their salary for the departing CEO. We noted that the executive directors took a 20% reduction to their basic salary from 1 April 2020. However, whilst the bonuses were determined at the end of February 2020 and paid in respect of the financial year end to December 2019, LGIM would have expected the remuneration committee to exercise greater discretion in light of the financial situation of the company, and also to reflect the stakeholder experience (employees and shareholders). Over the past few years, we have been closely engaging with the company, including on the topic of the succession of the CEO and the board chair, who were long-tenured. This engagement took place privately in meetings with the board chair and the senior independent director. This eventually led to a success, as the appointment of a new CEO to replace the	Proposals by Amber were due to the opinion that the company strategy was not creating value for shareholders, that the board members were not sufficiently challenging management on strategic decisions, and for various governance failures. The company continues to have a commandite structure; a limited partnership, which means that the managing partner has a tight grip on the company, despite only having 7 % share capital and 11% voting rights. LGIM engages with companies on their strategies, any lack of challenge to these, and with governance concerns. The company strategy had not been value-enhancing and the governance structure of the company was not allowing the SB to challenge management on this. Where there is a proxy contest, LGIM engages with both the activist and the company to understand both perspectives. LGIM engaged with both Amber Capital, where we were able to speak to the proposed new SB Chair, and also Lagardère, where we spoke to the incumbent SB Chair. This allowed us to gain direct perspectives from the individual charged with ensuring their board includes the right individuals to challenge management.	The company appointed a new CEO during 2020, who was granted a significantly higher base salary than his predecessor. A higher base salary has a consequential ripple effect on short- and long-term incentives, as well as pension contributions. Further, the company did not apply best practice in relation to post-exit shareholding guidelines as outlined by both LGIM and the Investment Association. An incoming CEO with no previous experience in the specific sector, or CEO experience at a FTSE100 company, should have to prove her or himself beforehand to be set a base salary at the level, or higher, of an outgoing CEO with multiple years of such experience. Further, we would expect companies to adopt general best practice standards. Prior to the AGM, we engaged with the company outlining what our concerns over the remuneration structure were. We also indicated that we publish specific remuneration guidelines for UK-listed companies and keep remuneration consultants up to date with our thinking.

			long-standing CEO was announced in January 2020. A new board chair: an independent non-executive director, was also recently appointed by the board. He will be starting his new role in January 2021.		
Outcome of the vote	About 90% of shareholders supported resolution 3 and 91% supported resolution 4. The meeting results highlight LGIM's stronger stance on the topic of executive remuneration, in our view.	The resolution did not pass, as a relatively small amount of shareholders (4%) voted in favour. However, the environmental profile of the company continues to remain in the spotlight: in late 2020 the company pleaded guilty to 19 charges for breaching mining laws that resulted in 'significant environmental harm'. As the company is on LGIM's Future World Protection List of exclusions, many of our ESG-focused funds – and select exchange-traded funds – were not invested in the company.	28.4% of shareholders opposed the remuneration report.	Even though shareholders did not give majority support to Amber's candidates, its proposed resolutions received approx. between 30-40% support, a clear indication that many shareholders have concerns with the board. (Source: ISS data)	Resolution 2 (Approve Remuneration Report) received 40.26% votes against, and 59.73% votes of support. Resolution 3 (Approve Remuneration Policy) received 4.71% of votes against, and 95.28% support.
Implications of the outcome eg were there any lessons learned and what likely future steps will the Investment Manager take in response to the outcome?	We will continue our engagement with the company.	LGIM will continue to monitor this company.	LGIM will continue to engage closely with the renewed board.	LGIM will continue to engage with the company to understand its future strategy and how it will add value to shareholders over the long term, as well as to keep the structure of SB under review.	LGIM continues to engage with companies on remuneration both directly and via IVIS, the corporate governance research arm of The Investment Association. LGIM annually publishes remuneration guidelines for UK listed companies.
On which criteria (as explained in the cover email) has the Investment Manager assessed this vote to be "most significant"?	It highlights the challenges of factoring in the impact of the COVID situation into the executive remuneration package.	The vote received media scrutiny and is emblematic of a growing wave of 'green' shareholder activism.	LGIM considers this vote significant as it illustrates the importance for investors of monitoring our investee companies' responses to the COVID crisis.	LGIM noted significant media and public interest on this vote given the proposed revocation of the company's board.	We are concerned over the ratcheting up of executive pay; and we believe executive directors must take a long-term view of the company in their decision-making process, hence the request for executives' post-exit shareholding guidelines to be set.

	Vote 6	Vote 7	Vote 8	Vote 9	Vote 10
Company name	Pearson	Barclays	Medtronic plc	Olympus Corporation	Toshiba Corp.
Approximate size of fund's holding as at the date of the vote (as % of portfolio)					
Summary of the resolution	Resolution 1: Amend remuneration policy was proposed at the company's special shareholder meeting, held on 18 September 2020.	Resolution 29 Approve Barclays' Commitment in Tackling Climate Change Resolution 30 Approve ShareAction Requisitioned Resolution	Resolution 3 Advisory Vote to Ratify Named Executive Officers' Compensation.	Resolution 3.1: Elect Director Takeuchi, Yasuo at the company's annual shareholder meeting held on 30 July 2020.	Resolution 1: Appoint Three Individuals to Investigate Status of Operations and Property of the Company Resolution 2: Amend Articles to Mandate Shareholder Approval for Strategic Investment Policies including Capital Strategies
How the Investment Manager voted	We voted against the amendment to the remuneration policy.	LGIM voted for resolution 29, proposed by Barclays and for resolution 30, proposed by ShareAction.	LGIM voted against the resolution.	We voted against the resolution.	LGIM voted for the resolutions.
Where the Investment Manager voted against management, did they communicate their intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.

Rationale for the voting decision	Pearson issued a series of profit warnings under its previous CEO. Yet shareholders have been continuously supportive of the company, believing that there is much value to be gained from new leadership and a fresh approach to their strategy. However, the company decided to put forward an all-or-nothing proposal in the form of an amendment to the company's remuneration policy. This resolution at the extraordinary general meeting (EGM) was seeking shareholder approval for the grant of a co-investment award, an unusual step for a UK company, yet if this resolution was not passed the company confirmed that the proposed new CEO would not take up the CEO role. This is an unusual approach and many shareholders felt backed into a corner, whereby they were keen for the company to appoint a new CEO, but were not happy with the plan being proposed. However, shareholders were not able to vote separately on the two distinctly different items, and felt forced to accept a less-than-ideal remuneration structure for the new CEO. LGIM spoke with the chair of the board earlier this year, on the board's succession plans andprogress for the new CEO. We also discussed the shortcomings of the company's current remuneration policy. We also spoke with the chair directly before the EGM, and relayed our concerns that the performance conditions were weak and should be re-visited, to strengthen the financial underpinning of the new CEO's award. We also asked that the post-exit shareholding requirements were reviewed to be brought into line with our expectations for UK companies. In the absence of any changes, LGIM took the decision to vote against the amendment to the remuneration policy.	The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers. We are particularly grateful to the Investor Forum for the significant role it played in coordinating this outcome.	Following the end of the financial year, executive directors were granted a special, one-off award of stock options to compensate for no bonus being paid out during the financial year. LGIM voted against the one-off payment as we are not supportive of one-off awards in general and in particular when these are awarded to compensate for a payment for which the performance criterion/criteria were not met. Prior to the AGM we engaged with the company and clearly communicated our concerns over one-off payments.	Japanese companies in general have trailed behind European and US companies, as well as companies in other countries, in ensuring more women are appointed to their boards. The lack of women is also a concern below board level. LGIM have for many years promoted and supported an increase of women on boards, at the executive level and below. On a global level we consider that every board should have at least one female director. We deem this a de minimis standard. Globally, we aspire to all boards comprising 30% women. Last year in February we sent letters to the largest companies in the MSCI Japan which did not have any women on their boards or at executive level, indicating that we expect to see at least one woman on the board. One of the companies targeted was Olympus Corporation. In the beginning of 2020, we announced that we would commence voting against the chair of the nomination committee or the most senior board member (depending on the type of board structure in place) for those companies included in the TOPIX100. We opposed the election of this director in his capacity as a member of the nomination committee and the most senior member of the board, in order to signal that the company needed to take action on this issue.	Toshiba Corp's extraordinary general meeting (EGM) was precipitated by a significant decline in trust between its shareholders and management team following recent controversies, including allegations of abnormal practices and behaviour by the company surrounding its July 2020 AGM. As a result, the company faced two independent shareholder resolutions at the EGM calling for it to introduce remedies that would restore confidence and trust in the company's governance, management and strategy. LGIM supported the resolution calling for the appointment of investigators to address doubts over the company's 2020 AGM conduct and vote tallying. We believe the enquiry, which is unlikely to be a burden on the company, will be an important step in rebuilding trust between shareholders and the company's executive team and board. We also supported the shareholder resolution mandating the company to present its strategic investment policy to a shareholder vote in order to send a clear message to the Toshiba Board and executive team: shareholders expect increased transparency and accountability.

Outcome of the vote	At the EGM, 33% of shareholders voted against the co-investment plan and therefore, by default, the appointment of the new CEO.	Resolution 29 - supported by 99.9% of shareholders Resolution30 - supported by 23.9% of shareholders (source: Company website)	The voting outcome was as follows: For: 91.73%; against: 8.23%.	94.90% of shareholders supported the election of the director	Resolution 1 was passed with 57.9% of participating shareholders in support. The company promptly put investigators in place and set up a confidential hotline for any individuals who are willing to provide information. Resolution 2, in respect to the company's capital allocation and strategic investment policy received 39.3% support and did not pass. However, the vote serves to send a clear signal to the board and executive team that shareholders expect increased transparency and accountability.
Implications of the outcome eg were there any lessons learned and what likely future steps will the Investment Manager take in response to the outcome?	Such significant dissent clearly demonstrates the scale of investor concern with the company's approach. It is important that the company has a new CEO, a crucial step in the journey to recover value; but key governance questions remain which will now need to be addressed through continuous engagement.	The hard work is just beginning. Our focus will now be to help Barclays on the detail of their plans and targets, more detail of which is to be published this year. We plan to continue to work closely with the Barclays board and management team in the development of their plans and will continue to liaise with ShareAction, Investor Forum, and other large investors, to ensure a consistency of messaging and to continue to drive positive change.	LGIM will continue to monitor this company.	LGIM will continue to engage with and require increased diversity on all Japanese company boards.	LGIM will continue to monitor the company.
On which criteria (as explained in the cover email) has the Investment Manager assessed this vote to be "most significant"?	Pearson has had strategy difficulties in recent years and is a large and well-known UK company. Given the unusual approach taken by the company and our outstanding concerns, we deem this vote to be significant.	Since the beginning of the year there has been significant client interest in our voting intentions and engagement activities in relation to the 2020 Barclays AGM. We thank our clients for their patience and understanding while we undertook sensitive discussions and negotiations in private. We consider the outcome to be extremely positive for all parties: Barclays, ShareAction and long-term asset owners such as our clients.	We believe it is contrary to best practice in general and our pay principles in particular to award one-off awards, especially if they are to compensate for a forgone payment.	This vote is deemed significant as LGIM considers it imperative that the boards of Japanese companies increase their diversity.	The vote was high profile and controversial.

	Vote 11	Vote 12	Vote 13	Vote 14	Vote 15
Company name	Fast Retailing Co. Limited.	Samsung Electronics	Amazon	AmerisourceBergen Corporation	Cardinal Health
Approximate size of fund's holding as at the date of the vote (as % of portfolio)					
Summary of the resolution	Resolution 2.1: Elect Director Yanai Tadashi.	Resolution 2.1.1: Elect Park Byung-gook as Outside Director Resolution 2.1.2: Elect Kim Jeong as Outside Director Resolution 3: Elect Kim Sun-uk as Outside Director to Serve as an Audit Committee Member	Shareholder resolutions 5 to 16	Resolution 3: Advisory Vote to Ratify Named Executive Officers' Compensation	Resolution 3, Advisory Vote to Ratify Named Executive Officers' Compensation.
How the Investment Manager voted	LGIM voted against the resolution.	LGIM voted against all three resolutions.	Of 12 shareholder proposals, we voted to support 10. We looked into the individual merits of each individual proposal, and there are two main areas which drove our decision-making: disclosure to encourage a better understanding of process and performance of material issues (resolutions 5, 6, 7, 8, 10, 13, 15 and 16) and governance structures that benefit long-term shareholders (resolutions 9 and 14).	LGIM voted against the resolution.	LGIM voted against the resolution.
Where the Investment Manager voted against management, did they communicate their intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.

Rationale for the voting decision	Japanese companies in general have trailed behind European and US companies, as well as companies in other countries in ensuring more women are appointed to their boards. A lack of women employed is also a concern below board level. LGIM has for many years promoted and supported an increase of appointing more women on boards, at the executive level and below. On a global level we consider that every board should have at least one female director. We deem this a de minimis standard. Globally, we aspire to all boards comprising 30% women. In the beginning of 2020, we announced that we would vote against the chair of the nomination committee or the most senior board member (depending on the type of board structure in place) for companies included in the TOPIX100 where these standards were not upheld. We opposed the election of this director in his capacity as a member of the nomination committee and the most senior member of the board, in order to signal that the company needed to act on this 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.	In addition to facing a full slate of proxy proposals, in the two months leading up to the annual meeting, Amazon was on the front lines of a pandemic response. The company was already on the back foot owing to the harsh workplace practices alleged by the author of a seminal article in the New York Times published in 2015, which depicted a bruising culture. The news of a string of workers catching COVID-19, the company's response, and subsequent details, have all become major news and an important topic for our engagements leading up to the proxy vote. Our team has had multiple engagements with Amazon over the past 12 months. The topics of our engagements touched most aspects of ESG, with an emphasis on social topics: • Governance: Separation of CEO and board chair roles, plus the desire for directors to participate in engagement meetings • Environment: Details about the data transparency committed to in their 'Climate Pledge' • Social: Establishment of workplace culture, employee health and safety The allegations from current and former employees are worrying. Amazon employees have consistently reported not feeling safe at work, that paid sick leave is not adequate, and that the company only provides an incentive of $2 per hour to work during the pandemic. Also cited is an ongoing culture of retaliation, censorship, and fear. We discussed with Amazon the lengths the company is going to in adapting their working environment, with claims of industry leading safety protocols, increased pay, and adjusted absentee policies. However, some of their responses seemed to have backfired. For example, a policy to inform all workers in a facility if	During the same year the Company recorded a $6.6 billion charge related to opioid lawsuits, its CEO's total compensation was approximately 25% higher than the previous year. By excluding the settlement costs, the Compensation Committee ensured executive pay was not impacted by an operating loss of $5.1bn (on unadjusted basis). LGIM has in previous years voted against executives' pay packages due to concerns over the remuneration structure not comprising a sufficient proportion of awards assessed against the company's performance. We voted against the resolution to signal our concern over the overall increased compensation package during a year that the company recorded a $6.6bn charge related to opioid lawsuits and a total operating loss of $5.1 billion.	The company paid out an above target bonus to the CEO, the same year it recorded a total pre-tax charge of $5.63 billion ($5.14 billion after tax) for expected opioid settlement costs during the fiscal year ended 30 June, 2020. The Compensation Committee excluded the settlement costs from the earnings calculations which resulted in executive pay being boosted. Further, the current CEO was head of pharma globally during the worst years of the opioid crisis. Accountability would therefore have been expected. LGIM has in previous years voted against executives' pay packages due to concerns over the remuneration structure not comprising a sufficient proportion of awards assessed against the company's performance. We voted against the resolution to signal our concern over the bonus payment to the CEO in the same year the company recorded the charge for expected opioid settlement.

			COVID-19 is detected has definitely caused increased media attention.		
Outcome of the vote	Shareholders supported the election of the director.	The meeting results are not yet available.	Resolution 5 to 8, and 14 to 16 each received approx. 30% support from shareholders. Resolutions 9 and 10 received respectively 16.7 and 15.3% support. Resolution 11 received 6.1% support. Resolution 12 received 1.5 % support. Resolution 13 received 12.2% support. (Source: ISS data)	The resolution encountered a significant amount of oppose votes from shareholders, with 48.36% voting against the resolution and 51.63% supporting the proposal.	The resolution encountered a significant amount of oppose votes from shareholders, with 38.6% voting against the resolution and 61.4% supporting the proposal.
Implications of the outcome eg were there any lessons learned and what likely future steps will the Investment Manager take in response to the outcome?	LGIM will continue to engage with and require increased diversity on all Japanese company boards, including Fast Retailing.	LGIM will continue to monitor the company.	Despite shareholders not giving majority support to the raft of shareholder proposals, the sheer number and focus on these continues to dominate the landscape for the company. Our engagement with the company continues as we push it to disclose more and to ensure it is adequately managing its broader stakeholders, and most importantly, its human capital.	LGIM continues to engage with US companies on their pay structures and has published specific pay principles for US companies.	LGIM continues to engage with US companies on their pay structures and has published specific pay principles for US companies.
On which criteria (as explained in the cover email) has the Investment Manager assessed this vote to be "most significant"?	LGIM considers it imperative that the boards of Japanese companies increase their diversity.	This was a high-profile vote, which has such a degree of controversy that there is high client and/or public scrutiny and the sanction vote was a result of a direct or collaborative engagement.	The market attention was significant leading up to the AGM, with: •12 shareholder proposals on the table – the largest number of any major US company this proxy season •Diverse investor coalitions submitting and rallying behind the proposals, including global, different types of investors and first time co-filers/engagers •Substantial press coverage – with largely negative sentiment related to the company's governance profile and its initial management of COVID-19 •Multiple state treasurers speaking out and even holding an online targeted pre-annual meeting investor forum entitled 'Workplace & Investor Risks in Amazon.com, Inc.'s COVID-19 Response' Anecdotally, the Stewardship team received more inquires related to Amazon than any other company this season.	LGIM considers it imperative that pay structures are aligned with company performance and that certain expenses over which directors have control and influence should not be allowed to be excluded in the calculation of their pay, in particular if these would be detrimental to the executive director(s) in question.	We believe it is imperative that pay structures are aligned with company performance and that certain expenses over which directors have control and influence should not be allowed to be excluded in the calculation of their pay, in particular if these would be detrimental to the executive director(s) in question.

	Vote 16	Vote 17	Vote 18	Vote 19
Company name	ExxonMobil	The Procter & Gamble Company (P&G)	Tyson Foods	Walgreens Boots Alliance, Inc.
Approximate size of fund's holding as at the date of the vote (as % of portfolio)				
Summary of the resolution	Resolution 1.10 Elect Director Darren W. Woods	Resolution 5 Report on effort to eliminate deforestation.	Resolution 4: Report on Human Rights Due Diligence	Resolution 3: Advisory vote to ratify named executive officer's compensation.
How the Investment Manager voted	Against	LGIM voted in favour of the resolution.	LGIM voted against the resolution.	We voted against the resolution.
Where the Investment Manager voted against management, did they communicate their intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.

Rationale for the voting decision	In June 2019, under our annual 'Climate Impact Pledge' ranking of corporate climate leaders and laggards, we announced that we will be removing ExxonMobil from our Future World fund range, and will be voting against the chair of the board. Ahead of the company's annual general meeting in May 2020, we also announced we will be supporting shareholder proposals for an independent chair and a report on the company's political lobbying. Due to recurring shareholder concerns, our voting policy also sanctioned the reappointment of the directors responsible for nominations and remuneration.	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. Deforestation is one of the key drivers of climate change. Therefore, a key priority issue for LGIM is to ensure that companies we invest our clients' assets in are not contributing to deforestation. LGIM has asked P&G to respond to the CDP Forests Disclosure and continue to engage on the topic and push other companies to ensure more of their pulp and wood is from FSC certified sources.	A shareholder-led resolution requested that the company produce a report on Tyson's human rights due diligence process. The pandemic highlighted potential deficiencies in the application of its human rights policies. The following issues have been highlighted as giving grounds to this assessment: strict attendance policies, insufficient access to testing, insufficient social distancing, high line speeds and non-comprehensive COVID-19 reporting. Furthermore, it is believed that there have been over 10,000 positive cases and 35 worker deaths. As such, the company is opening itself up to undue human rights and labour rights violation risks. Tyson is already subject to litigation for wrongful death of an employee filed by the family of the deceased. Additionally, there is a United States Department of Agriculture complaint for failure to protect employees of colour who are disproportionately affected by Covid-19, and two Federal Trade Commission (FTC) complaints for misleading representations about worker treatment, the nature of relationships with farmers, and conditions at poultry farms in its supply chain. LGIM believes that companies in which we invest our clients' capital should uphold their duty to ensure the health and safety of employees over profits. While the company has health and safety, and code of conduct, policies in place and may have introduced additional policies to protect employees during the pandemic, there was clearly more it could have done. This is indicated by the reported complaints and rates of infection among its employee population. We believe that producing this report is a good opportunity for the board to re-examine the steps they have taken and assess any potential shortfalls in safety measures so that they can improve controls and be better prepared for any future pandemic or similar threat.	The company's compensation committee applied discretion to allow a long-term incentive plan award to vest when the company had not even achieved a threshold level of performance. This is an issue because investors expect pay and performance to be aligned. Exercising discretion in such a way during a year in which the company's earnings per share (EPS) declined by 88% caused a significant misalignment between pay and performance. LGIM had a constructive engagement with the company in November 2020; however, it failed to mention the application of discretion during that call. We found this surprising given the significant impact it had on compensation, which was discussed, giving the company an opportunity to raise this. LGIM does not generally support the application of retrospective changes to performance conditions. Although the company was impacted by COVID, many of its shops remained open as they were considered an essential retailer. The company did not provide sufficient justification for the level of discretion applied which resulted in the payment of 94,539 shares or approximately $3.5m to the CEO in respect of the 2018-2020 award, which would otherwise have resulted in zero shares vesting.

Outcome of the vote	93.2% of shareholders supported the re-election of the combined chair and CEO Darren Woods. Approximately 30% of shareholders supported the proposals for independence and lobbying. (Source: ISS data)	The resolution received the support of 67.68% of shareholders (including LGIM).	The resolution failed to get a majority support as only 17% of shareholders supported it.	The resolution failed to get a majority support as 52% of shareholders voted against.
Implications of the outcome eg were there any lessons learned and what likely future steps will the Investment Manager take in response to the outcome?	We believe this sends an important signal, and will continue to engage, both individually and in collaboration with other investors, to push for change at the company. Our voting intentions were the subject of over 40 articles in major news outlets across the world, including Reuters, Bloomberg, Les Échos and Nikkei, with a number of asset owners in Europe and North America also declaring their intentions to vote against the company.	LGIM will continue to engage with P&G on the issue and will monitor its CDP disclosure for improvement.	LGIM will continue to monitor the company.	LGIM will continue to monitor the company.
On which criteria (as explained in the cover email) has the Investment Manager assessed this vote to be "most significant"?	We voted against the chair of the board as part of LGIM's 'Climate Impact Pledge' escalation sanction.	It is linked to LGIM's five-year strategy to tackle climate change and attracted a great deal of client interest.	Our clients were particularly interested in the outcome of this vote.	It was high-profile and controversial.