

Morgan Stanley UK Group Pension Plan – DB Section

Annual Implementation Statement – December 2020

Introduction

This statement, written for the benefit of the members of the Morgan Stanley UK Group Pension Plan (the “Plan”), sets out how, and the extent to which, the Statement of Investment Principles (“SIP”) produced by the Trustee has been followed over the 12 months to 31 December 2020.

The SIP is a document drafted by the Trustee in order to help govern the Plan’s investment strategy. It details a range of investment-related policies, a summary of which, for the DB Section, is included in the table below, alongside the relevant actions taken by the Trustee in connection with each of these policies.

As required by the legislation, the Trustee has consulted a suitably qualified person and has obtained written advice from its investment consultant, Mercer Limited (“Mercer”). The Trustee believes the investment consultant meets the requirement of Section 35 (5) of the Pensions Act 1995. The Trustee in preparing this Statement has also consulted the sponsoring Company.

Investment Objectives of the Scheme

The Trustee believes it is important to consider the policies within the SIP in the context of the investment objectives it has set. The investment objectives for the DB Section are as follows:

- To invest the Plan’s assets in the best interest of the members, beneficiaries and the Company and in the case of a potential conflict of interest in the sole interest of the members and beneficiaries.
- To pay benefits to pensioners from the Plan as they fall due.
- To continue to invest the Plan’s assets to minimize the volatility of the Plan’s funding position.

The policies set out in the SIP are intended to help meet the overall investment objectives of the Plan.

Review of the SIP – what has changed in the last 12 months?

During the year to 31 December 2020, a number of trades between BlackRock’s pooled fund range occurred on 6 January with settlement on 9 January and a revised SIP was signed in August 2020. Changes were made to reflect new requirements under the Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2018 relating to the Trustee’s policies in regards to the following:

- Financially material considerations of the investments, including ESG considerations, and how these are taken into account in the selection, retention and realisation of investments.
- Undertaking engagement activities in respect of the investments (including methods by which, and the circumstances under which, the Trustee would monitor and engage with relevant persons about relevant matters).

The remainder of this document summarizes the actions taken by the Trustee over the 12 months to 31 December 2020 in connection with the policies set out in the SIP during that period.

Area of focus: Investment Strategy

	AREA COVERED BY THE POLICY	TRUSTEE POLICY AS PER THE SIP	ACTIONS TAKEN BY THE TRUSTEE OVER THE 12 MONTHS 31 DECEMBER 2020
1	How does the Trustee secure compliance with the legal requirements when choosing investments?	As required by the legislation, the Trustee has consulted a suitably qualified person and has obtained written advice from its investment consultant, Mercer Limited ("Mercer"). The Trustee believes the investment consultant meets the requirement of Section 35 (5) of the Pensions Act 1995. The Trustee in preparing this Statement has also consulted the sponsoring Company.	<p>Over the Plan year 31 December 2020 there were a number of trades between BlackRock's pooled fund range occurred on 6 January with settlement on 9 January.</p> <p>The fund range was changed and below funds were removed in 2020:</p> <ul style="list-style-type: none"> - BlackRock LMF Leveraged GBP Fixed 2020-2024 - BlackRock LMF Leveraged GBP Fixed 2030-2034 - BlackRock LMF Leveraged GBP Fixed 2035-2039 - BlackRock Aquila Life 2062 Index Linked Gilt Fund - BlackRock LMF GBP 2022 Index Linked Gilt Flex - BlackRock LMF GBP 2032 Index Linked Gilt Flex <p>No investments in new funds were implemented over the period covered by this statement.</p>
2	What kind of investments can the Trustee hold?	In order to minimise deficit volatility in accordance with the Trustee's investment objective, the Trustee invests the Plan's assets in a range of fixed income and inflation-linked instruments.	<p>The Trustee currently invests in:</p> <ul style="list-style-type: none"> - Fixed interest and index-linked gilts; - Interest rate and inflation swaps (backed by money market instruments); - Corporate bonds and Cash. <p>The Trustee monitors the progression of the Plan's financial position given the investment objectives set out above, to assess whether the realised outcome is proving consistent with the level of risk expected, on an ad hoc basis, through the quarterly performance report DB Section.</p> <p>A review of the investment strategy will result from observations that indicate that the risk tolerance has been breached.</p> <p>The Trustee continues to comply with this policy by investing in the asset classes described above.</p>

Area of focus: Investment Strategy

	AREA COVERED BY THE POLICY	TRUSTEE POLICY AS PER THE SIP	ACTIONS TAKEN BY THE TRUSTEE OVER THE 12 MONTHS 31 DECEMBER 2020
3	How does the Trustee determine the balance between different kinds of investments?	The specific instruments held and the split among asset classes has been chosen to closely match the profile of the Plan's liabilities, and may change over time to reflect changes in the liability profile.	<p>Following the recalibration of the liability benchmark following the 2018 valuation, it was agreed to rebalance the hedge to 100% of gilts flat liabilities. As such, a number of trades between BlackRock's pooled fund range were proposed. The trading occurred on 6 January in line with settlement on 9 January 2020. The main changes were as follows:</p> <ul style="list-style-type: none"> – Nominal: reducing/removing exposures to LMF swap funds to reach a 100% hedge ratio; – Real: reducing allocation to LMF gilt funds to reduce leverage; moving allocations from very longdated funds to medium dated funds, to reflect changes in liability profile; – Cash: residual assets not required to back DC underpin or hedge Liability Benchmark Portfolio ("LBP") invested in cash; this is a low-risk investment which provides liquidity to meet cash flow requirements; – DC Underpin: increasing corporate bond allocation to remove the unfunded component of the DC Underpin liability- <p>The strategy remains consistent with the policy set out in the SIP.</p> <p>The Trustee receives a quarterly monitoring report that monitors the risk and return of all investments within the Plan.</p>
4	How does the Trustee determine the return expectation of funds?	The investment objectives and expected returns of the individual funds are provided in the IPID.	<p>A monitoring report is reviewed by the Trustee on a quarterly basis, this includes performance of all of the Plan's investments. It includes how each fund is delivering against its specific benchmark and target(s).</p> <p>The progression of the Plan's funding level (funding monitoring), and the effectiveness of the DB Section's current hedging strategy are also analysed in this report.</p>
5	How does the Trustee manage the process of realising certain investments?	Previously the Trustee's policy was for benefits to be bought out with an insurance company on retirement. Following a review, currently the Trustee has updated its policy in the short-term, so as to pay benefits to pensioners from the Plan as they fall due. The Trustee and Company will keep this policy under review.	The Trustee maintains a separate cash holding in order to pay benefits as and when they fall due, which reduces the need to realise assets at short notice in order to pay those benefits.

Area of focus: Risk Management

	AREA COVERED BY THE POLICY	TRUSTEE POLICY AS PER THE SIP	ACTIONS TAKEN BY THE TRUSTEE OVER THE 12 MONTHS 31 DECEMBER 2020
1	<p>What risks is the DB Section exposed to and how are those risks measured and managed?</p>	<p>There are various risks to which the DB Section of the Plan is exposed over its anticipated lifetime, and which may be financially material.</p>	<p>The risks below are not exhaustive, but cover the main risks considered by the Trustee to be financially material. A table is provided on Section 5.3 of the SIP outlining the risks, how they are managed and how they are measured.</p> <ul style="list-style-type: none"> – Environmental, Social and Governance Risk – Asset Volatility – Interest Rate and Inflation Risk – Counterparty Credit Risk – Credit Risk – Liquidity Risk – Longevity Risk – Risks relating to the GMP Underpin – Custody of Assets <p>The Trustee regularly monitors these risks and the appropriateness of the investments in light of the risks described above. Further details are included in the Plan's SIP.</p>
2	<p>How does the Trustee account for financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments?</p>	<p>Whilst the Trustee's focus is on long-term performance, they also consider shorterterm performance.</p>	<p>The Trustee receives investment manager performance reports on a quarterly basis, which present performance information over three months, one year, three years, five years, and since inception. The Trustee reviews the absolute performance, relative performance against a suitable index used as the benchmark, and against the underlying manager's stated target performance (over the relevant time period) on a net of fees basis.</p> <p>If an underlying manager is not meeting performance objectives, or their investment objectives for the fund have changed, the Trustee may review the suitability of the manager, and change managers where required.</p> <p>The monitoring report is reviewed by the Trustee on a quarterly basis, this includes ratings (both general and specific ESG) from the Investment Consultant. Additionally, when implementing a new underlying manager the Trustee considers the ESG rating of the underlying manager.</p> <p>BlackRock funds remained generally highly rated by the Plan's Investment Consultants during the year. The Trustee is comfortable with the ratings applied by its Investment Consultant and continues to closely monitor the ratings and any significant developments at each of the underlying investment managers.</p>

Area of focus: Risk Management

	AREA COVERED BY THE POLICY	TRUSTEE POLICY AS PER THE SIP	ACTIONS TAKEN BY THE TRUSTEE OVER THE 12 MONTHS 31 DECEMBER 2020
3	How and to what extent (if at all) are non-financial matters taken into account in the selection, retention and realisation of investments?	As described on Section 5.4.3 of the SIP.	Member views are not taken into account in the selection, retention and realisation of investments, but members have a variety of methods by which they can make views known to the Trustee. This position is reviewed periodically.

Area of focus: Stewardship

	AREA COVERED BY THE POLICY	TRUSTEE POLICY AS PER THE SIP	ACTIONS TAKEN BY THE TRUSTEE OVER THE 12 MONTHS 31 DECEMBER 2020
1	How does the Trustee exercise its rights (including voting rights) attaching to the DB Section's investments?	The Trustee expects the underlying managers to evaluate ESG factors, including climate change considerations, exercising voting rights and stewardship obligations attached to investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.	Voting Manager responsibility is summarised in Appendix A. At least biennially, it is the Trustee's policy to meet with the underlying managers of the DB Section. These meetings will challenge engagement activity to ensure the best performance over the medium to long-term.
2	How does the Trustee undertake engagement activities in respect of the investments? (Including the methods by which, and the circumstances under which, the Trustee would monitor and engage with relevant persons about relevant matters).	The Trustee considers how ESG, climate change and stewardship is integrated within investment processes in monitoring the funds offered to members. Monitoring is undertaken on a regular basis and is documented at least annually.	The Trustee included on Section 3.4 of the SIP a table that sets out its approach to implementation and engagement. The list provided on the table is not exhaustive, but covers the main areas considered by the Trustee. On an annual basis, it is the Trustee's policy to review the ESG policies of each of the underlying managers in the DB Section along with their engagement records. As the Plan invests in pooled funds, the Trustee requires its underlying investment managers to engage with the investee companies.

Appendix A – Manager Voting Responsibility

Where applicable, the Trustee of the Plan has delegated its voting rights to the investment manager. The SIP states "The Trustee expects the underlying managers to evaluate ESG factors, including climate change considerations, exercising voting rights and stewardship obligations attached to investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code".

In the DB Section, the only holdings are Fixed Income funds and as such, there is no voting activity. However, the Trustee expects the underlying manager, BlackRock, to undertake engagement on corporate bond holdings as appropriate. Information was requested on this, but has not been received. Over the next year, the Trustee will be engage further with BlackRock on this.

Morgan Stanley UK Group Pension Plan – DC Section

Annual Implementation Statement – December 2020

Introduction

This statement, written for the benefit of the members of the Morgan Stanley UK Group Pension Plan (the “Plan”), sets out how, and the extent to which, the Statement of Investment Principles (‘SIP’) produced by the Trustee has been followed over the 12 months to 31 December 2020.

The SIP is a document drafted by the Trustee in order to help govern the Plan’s investment strategy. It details a range of investment-related policies, a summary of which, for the DC Section, is included in the table below, alongside the relevant actions taken by the Trustee in connection with each of these policies.

As required by the legislation, the Trustee has consulted a suitably qualified person and has obtained written advice from its investment consultant, Mercer Limited (“Mercer”). The Trustee believes the investment consultant meets the requirement of Section 35 (5) of the Pensions Act 1995. The Trustee in preparing this Statement has also consulted the sponsoring Company.

Investment Objectives of the Plan

The Trustee believes it is important to consider the policies within the SIP in the context of the investment objectives it has set. The investment objectives for the DC Section are as follows:

- To make available a range of investment vehicles which serve to adequately meet the varying investment needs and risk tolerances of Plan members.
- To have the assets managed by investment managers believed to be of high quality, i.e. where there is a suitable level of confidence that the manager/s will achieve their performance objectives.
- To provide a means by which active management can be offered with the flexibility for the Trustee to changemanagers proactively.

- To monitor the underlying fund range on an ongoing basis and assess whether the Plan’s investment options are meeting their objectives.
- To achieve competitive investment management and investment advisor fees.
- To provide a Plan framework which allows the most efficient fund switching possible in order to reduce members’ out-of-market risk.

The policies set out in the SIP are intended to help meet the overall investment objectives of the Plan. Detail on the Trustee objectives with respect to the default investment option and the self-select fund range are outlined in the SIP.

Review of the SIP – what has changed in the last 12 months?

During the year to 31 December 2020, the Trustee did a Growth Phase Wealth Check review and a revised SIP was signed in August 2020. Changes were made to reflect new requirements under the Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2018 relating to the Trustee’s policies in regards to the following:

- Financially material considerations of the investments, including ESG considerations, and how these are taken into account in the selection, retention and realisation of investments.
- Undertaking engagement activities in respect of the investments (including methods by which, and the circumstances under which, the Trustee would monitor and engage with relevant persons about relevant matters).

Forward looking thoughts – what is currently being discussed?

The Trustee has been working on a number of ESG aspects including a BlackRock ESG fund to be included as part of the default strategy. In recent Investment Committee meetings, the Trustee has

been discussing the composition of the equity exposure and other aspects of this strategy; these discussions are ongoing but will be included in next year's Implementation Statement. At the start of 2021, the Trustee also made further changes to the benchmark and allocation for the Active Absolute Return Fund in 2021.

The remainder of this document summarises the actions taken by the Trustee over the 12 months to 31 December 2020 in connection with the policies set out in the SIP during that period.

Area of focus: Investment Strategy

	AREA COVERED BY THE POLICY	TRUSTEE POLICY AS PER THE SIP	ACTIONS TAKEN BY THE TRUSTEE OVER THE 12 MONTHS 31 DECEMBER 2020
1	How does the Trustee secure compliance with the legal requirements when choosing investments?	As required by the legislation, the Trustee has consulted a suitably qualified person and has obtained written advice from its investment consultant, Mercer Limited ("Mercer"). The Trustee believes the investment consultant meets the requirement of Section 35 (5) of the Pensions Act 1995. The Trustee in preparing this Statement has also consulted the sponsoring Company.	<p>Over the Plan year to 31 December 2020, there were two changes made to the Self-Select Fund Range.</p> <p>In March 2020, the UK Property Fund suspended trading: the Cash Fund was used on a temporary basis for member contributions in order to preserve the capital value of those contributions. The Fund resumed trading in September 2020. Communications were sent to members ahead of the suspension and when the Fund resumed trading.</p> <p>In June 2020, the underlying manager of the Active Emerging Markets Equity was replaced from Stewart Investors Global Emerging Markets Leaders to Sands Capital Emerging Markets Growth.</p> <p>In August 2020, the composition of the Active Absolute Return Fund switched from 1/3 Standard Life GARS, 1/3 GMO – Global Real Return and 1/3 J.P.Morgan Diversified Alternative Beta Fund to a 100% allocation on Standard Life GARS Fund as an interim measure.</p> <p>No other new investments were implemented over the period covered by this statement.</p>
2	What kind of investments can the Trustee hold?	<p>The Diversified Default Option is the default investment option for the Plan. It is a form of lifestyle strategy. Lifestyle strategies are designed to meet the conflicting objectives of maximising the value of the member's assets at retirement and protecting the member's accumulated assets in the years approaching retirement.</p> <p>In addition, a range of self-select funds is offered to members within a range of asset classes. It is the policy of the Trustee to offer both actively and passively managed funds depending on the asset.</p>	<p>The Growth phase is reviewed at least annually. At the June 2020 meeting, each aspect of the Active Diversified Growth Fund was reviewed. The conclusions at that meeting were:</p> <ul style="list-style-type: none"> – Equity asset allocation and passive management should remain unchanged – Proportion of equities should remain unchanged – The current 95% currency hedge to developed market overseas equities was considered and the IC confirmed they remained comfortable with this approach on risk reduction grounds. – Multi-Asset Credit and Property holdings should remain unchanged

continued

Area of focus: Investment Strategy

	AREA COVERED BY THE POLICY	TRUSTEE POLICY AS PER THE SIP	ACTIONS TAKEN BY THE TRUSTEE OVER THE 12 MONTHS 31 DECEMBER 2020
2	<p>What kind of investments can the Trustee hold?</p>	<p>The Diversified Default Option is the default investment option for the Plan. It is a form of lifestyle strategy. Lifestyle strategies are designed to meet the conflicting objectives of maximising the value of the member's assets at retirement and protecting the member's accumulated assets in the years approaching retirement.</p> <p>In addition, a range of self-select funds is offered to members within a range of asset classes. It is the policy of the Trustee to offer both actively and passively managed funds depending on the asset.</p>	<p>– Within the Active Absolute Return Fund, two managers should be replaced – GMO Global Real Return and JP Morgan Life Diversified Alternative Beta. The brief for the choice of alternatives was to pick quality strategies which act as diversifiers to the other assets in the Active Diversified Growth Fund.</p> <p>After the June and July 2020 meetings, which included review of alternative strategies, the Committee agreed that Nordea 15 Alpha Strategies and Ruffer Total Return International should replace GMO Global Real Return and JP Morgan Life Diversified Alternative Beta in the Active Absolute Return Fund. In August 2020, the Active Absolute Return Fund switched to 100% ASI GARS as an interim measure. The implementation of this change is scheduled for January 2021.</p>
3	<p>How does the Trustee determine the balance between different kinds of investments?</p>	<p>The Diversified Default Option manages investment risks through a diversified strategic asset allocation consisting of traditional and alternative assets. In designing the Diversified Default Option, the Trustee has considered the trade-off between risk and expected returns.</p>	<p>The Trustee regularly monitors the performance of the Diversified Default Option by considering the performance of the component funds underlying the lifestyle strategy on a quarterly basis. A formal comprehensive review of the Diversified Default Option is currently being undertaken by the Trustee. This was initiated in May 2020 with consideration of the growth phase of the strategy. The review is ongoing. In particular, it will include a review of the ongoing appropriateness of the strategy based on member analysis. To date, as a result of this review, two underlying managers have been replaced.</p> <p>The Trustee will formally review the Diversified Default Option at least every three years or immediately following any significant change in investment policy or the Plan's member profile.</p> <p>No changes to the type of investments used in the Diversified Default Option have been implemented over the period covered by this statement and the strategy remains consistent with the policy set out in the SIP.</p> <p>The Trustee receives a quarterly monitoring report that monitors the risk and return of all investment options within the Plan. The Trustee is satisfied that the spread of funds available, and the investment managers' policies on investing in individual securities within each asset type or fund, provides adequate diversification of investments.</p>

Area of focus: Investment Strategy

	AREA COVERED BY THE POLICY	TRUSTEE POLICY AS PER THE SIP	ACTIONS TAKEN BY THE TRUSTEE OVER THE 12 MONTHS 31 DECEMBER 2020
4	How does the Trustee determine the return expectation of funds?	<p>The investment objectives and expected returns of the individual funds are provided in the IPID.</p> <p>In designing the Diversified Default Option, the Trustee has explicitly considered the trade-off between risk and expected returns.</p>	<p>A monitoring report is reviewed by the Trustee on a quarterly basis, this includes performance of the funds that make up the Diversified Default Option and the selfselect fund range.</p> <p>The monitoring report includes how each fund has performed against its specific benchmark and target(s). The Growth Phase is reviewed in particular detail against inflation and equity volatility. A chart including the de-risking period is also included as well as a review of the derisking phase against inflation.</p>
5	How does the Trustee manage the process of realising certain investments?	<p>In general, the Plan's investment managers have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments.</p>	<p>The Trustee receives an administration report on a quarterly basis comparing the processing of core financial transactions to Service Level Agreements (SLAs) and regulatory timelines. As confirmed in the Chair's Statement, the Trustee is satisfied that all regulatory requirements were met throughout the year and 97.5% of SLAs were met. The Trustee believes that all core financial transactions were processed accurately during the Plan year.</p> <p>Assets in the Diversified Default Option are invested in daily traded pooled funds which hold liquid assets. The pooled funds are commingled investment vehicles which are managed by various Investment Managers. The selection, retention and realisation of assets within the pooled funds are managed by the respective Investment Managers in line with the mandates of the funds. The funds are accessed via an Investment Platform and are held through a long-term insurance policy issued by Scottish Widows Limited ("Scottish Widows").</p>

Area of focus: Risk Management

	AREA COVERED BY THE POLICY	TRUSTEE POLICY AS PER THE SIP	ACTIONS TAKEN BY THE TRUSTEE OVER THE 12 MONTHS 31 DECEMBER 2020
1	<p>What risks is the DC Section exposed to and how are those risks measured and managed?</p>	<p>The Trustee has considered risk from a number of perspectives in relation to the DC section, including the Diversified Default Option.</p> <p>The Trustee considers both quantitative and qualitative measures as well as how best to manage the various risks facing DC members.</p>	<p>The Trustee continues to provide a range of investments which enable members to reflect in their selection of funds the level of risk they wish to take in light of their own individual circumstances. In member facing communications, the Trustee highlights a number of risks that a member may face as a result of investing in any particular fund.</p> <p>The risks below are not exhaustive, but cover the main risks considered by the Trustee to be financially material. A table is provided on Section 4.2 of the SIP outlining the risks, how they are managed and how they are measured.</p> <ul style="list-style-type: none"> – Environmental, Social and Governance Risk – Market Risk – Interest Rate Risk – Inflation Risk – Manager Risk – Mismatch Risk – Liquidity Risk – Concentration Risk – Sponsor Risk – Exchange Rate Risk <p>The Trustee regularly monitors these risks and the appropriateness of the investments in light of the risks described above.</p>
2	<p>How does the Trustee account for financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments?</p>	<p>The Trustee considers risk from a number of perspectives and believes a number of risks may be financially material.</p> <p>Whilst the Trustee's focus is on long-term performance, they also consider shorterterm performance.</p> <p>The Investment Managers have full discretion (within the constraints of their mandates) on the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments.</p>	<p>The Trustee is aware that members have differing time horizons within the Plan and as such, offer lifestyle options that help to manage a number of risks for members as they approach retirement.</p> <p>The monitoring report is reviewed by the Trustee on a quarterly basis, this includes ratings (both general and specific ESG) from the Investment Consultant. Additionally, when implementing a new underlying manager the Trustee considers the ESG rating of the underlying manager.</p> <p>All of the underlying managers remained generally highly rated by the Plan's Investment Consultants during the year, the exception being the Threadneedle Pensions Property Fund (TPEN). In July 2020, Mercer's Research Team assigned a new rating to the strategy following the suspension of dealing in the Fund due to valuation uncertainty caused by the COVID-19 crisis. In September 2020, Threadneedle informed the Trustee about a number of team changes relating to the Fund, including the resignation of</p>

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Area of focus: Risk Management

	AREA COVERED BY THE POLICY	TRUSTEE POLICY AS PER THE SIP	ACTIONS TAKEN BY THE TRUSTEE OVER THE 12 MONTHS 31 DECEMBER 2020
2	<p>How does the Trustee account for financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments?</p>	<p>The Trustee considers risk from a number of perspectives and believes a number of risks may be financially material.</p> <p>Whilst the Trustee's focus is on long-term performance, they also consider shorterterm performance.</p> <p>The Investment Managers have full discretion (within the constraints of their mandates) on the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments.</p>	<p>previous Fund Manager, Nathan Hargreaves. Hargreaves was highly rated by Mercer and his loss was noted as a concern, however Mercer note that Jones has significant experience as Deputy Fund Manager of TPEN and his CV seemed appropriate for a successor to the existing manager. Mercer believes that retaining this fund is appropriate.</p> <p>In addition, performance over the last quarters, and even years, had revealed poor achievement of the objectives the company established. The company has been failing to outperform the benchmark, the main proposed goal.</p> <p>Besides this manager, the Trustee is comfortable with the ratings applied by its Investment Consultant and continues to closely monitor the ratings and any significant developments at each of the underlying investment managers.</p>
3	<p>How and to what extent (if at all) are non-financial matters taken into account in the selection, retention and realisation of investments?</p>	<p>Member views have not explicitly been taken into account in the selection, retention and realisation of investments, although feedback received from members is welcomed and considered by the Trustee.</p>	<p>The Trustee may incorporate the views of members with respect to the fund range offered. This statement is confirmed on Section 3.2 of the SIP which confirms that a specialist impact investment fund has been added to the fund range to cater for members who wish to invest their assets accordingly.</p>

Area of focus: Stewardship

	AREA COVERED BY THE POLICY	TRUSTEE POLICY AS PER THE SIP	ACTIONS TAKEN BY THE TRUSTEE OVER THE 12 MONTHS 31 DECEMBER 2020
1	How does the Trustee exercise its rights (including voting rights) attaching to the DC Section's investments?	The Trustee expects the underlying managers to evaluate ESG factors, including climate change considerations, exercising voting rights and stewardship obligations attached to investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.	<p>The voting records of the DC Section's investment managers are summarised in Appendix A.</p> <p>The Trustee has equity exposure through the following funds:</p> <ul style="list-style-type: none"> – Active Sustainable Equity – Active Diversified Growth* – Active Diversified Retirement* – Passive UK Equity – Passive Global Equity – Passive US Equity – Passive Europe (ex-UK) Equity – Passive Japan Equity – Passive Pacific Rim (ex-Japan) Equity – Passive Emerging Markets Equity – Active Global Equity (BG) – Active Global Equity (MSIM) – Active Emerging Markets Equity – Active Absolute Return – Passive Global Small Cap Equity – Aviva Schroders Managed (AVC) – Standard Life European Equity Pension Fund (AVC) – Standard Life Far East Equity Pension Fund (AVC) – Standard Life International Equity Pension Fund (AVC) – Standard Life Managed Pension Fund (AVC) – Standard Life North American Equity Pension Fund (AVC) – Standard Life Stock Exchange Pension Fund (AVC) – Standard Life UK Equity Pension Fund (AVC) <p>*Funds are part of the Diversified Default Option</p> <p>Voting activity was requested from all AVC providers but only some information was provided by Aviva related to the Managed Fund and by 7 Standard Life AVC Funds until the completion of this statement.</p>

Area of focus: Stewardship

	AREA COVERED BY THE POLICY	TRUSTEE POLICY AS PER THE SIP	ACTIONS TAKEN BY THE TRUSTEE OVER THE 12 MONTHS 31 DECEMBER 2020
2	<p>How does the Trustee undertake engagement activities in respect of the investments? (Including the methods by which, and the circumstances under which, the Trustee would monitor and engage with relevant persons about relevant matters).</p>	<p>The Trustee considers how ESG, climate change and stewardship is integrated within investment processes in monitoring the funds offered to members. Monitoring is undertaken on a regular basis and is documented at least annually.</p>	<p>The Trustee included on Section 3.4 of the SIP a table that sets out their approach to implementation and engagement. The list provided on the table is not exhaustive, but covers the main areas considered by the Trustee.</p> <p>The Trustee meets with 1-2 of the underlying investment managers at each quarterly investment committee meeting and challenges decisions made including voting history and engagement activity, to try to ensure the best performance over the medium to long term.</p> <p>In addition, on an annual basis, it is the Trustee's policy to note the ESG policies of each of the underlying managers in the DC Section along with their voting and engagement records.</p> <p>As the Plan invests in pooled funds, the Trustee requires its underlying investment managers to engage with the investee companies.</p> <p>Engagement for the DC Section's investment managers are summarised in Appendix B.</p> <p>Engagement activity was requested from AVC providers but has not been received at the completion date of this statement.</p>

Area of focus: Monitoring the Investment Managers

	AREA COVERED BY THE POLICY	TRUSTEE POLICY AS PER THE SIP	ACTIONS TAKEN BY THE TRUSTEE OVER THE 12 MONTHS 31 DECEMBER 2020
1	<p>How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the trustee policies.</p>	<p>An Implementation and Engagement Policy is described on Section 3.4 of the SIP.</p>	<p>The underlying investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected.</p> <p>The underlying investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then they will look to replace the manager.</p> <p>If the investment objective for a particular manager's fund changes, the Trustee will review the fund appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.</p>

Area of focus: Monitoring the Investment Managers

	AREA COVERED BY THE POLICY	TRUSTEE POLICY AS PER THE SIP	ACTIONS TAKEN BY THE TRUSTEE OVER THE 12 MONTHS 31 DECEMBER 2020
2	How the arrangement incentivises the asset manager to make decisions based on assessments about medium to longterm financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.	An Implementation and Engagement Policy is described on Section 3.4 of the SIP.	<p>The Trustee considers the investment consultant's assessment of how each underlying investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustee's responsible investment policy. This includes the underlying investment managers' policy on voting and engagement. The Trustee will use this assessment in decisions around selection, retention and realisation of manager appointments.</p> <p>The Trustee meets with 1-2 of the underlying investment managers at each quarterly investment committee meeting and challenges decisions made including voting history and engagement activity, to try to ensure the best performance over the medium to long term.</p> <p>In addition, on an annual basis, it is the Trustee's policy to review the ESG policies of each of the underlying managers in the DC Section along with their voting and engagement records.</p>
3	How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the trustee' policies.	An Implementation and Engagement Policy is described on Section 3.4 of the SIP.	<p>The Trustee receives investment manager performance reports on a quarterly basis, which present performance information over three months, one year, three years, five years, and since inception. The Trustee reviews the absolute performance, relative performance against a suitable index used as the benchmark, and against the underlying manager's stated target performance (over the relevant time period) on a net of fees basis. Whilst the Trustee's focus is on long-term performance, they also take shorter-term performance into account.</p> <p>If an underlying manager is not meeting performance objectives, or their investment objectives for the fund have changed, the Trustee may review the suitability of the manager, and change managers where required.</p>
4	How the trustee monitors portfolio turnover costs incurred by the asset manager, and how it defines and monitors targeted portfolio turnover or turnover range.	An Implementation and Engagement Policy is described on Section 3.4 of the SIP.	<p>The Trustee considers the DC Section's portfolio turnover costs as part of the annual Value for Members assessment.</p> <p>While the transaction costs provided appear to be reflective of costs expected of the various asset classes and markets that the Plan invests in, there is not as yet any "industry standard" or universe to compare these to.</p> <p>As the Plan invests through pooled funds, the Trustee is unable to define target portfolio turnover ranges for funds. However they will engage with an underlying manager if portfolio turnover is higher than expected.</p>

Area of focus: Monitoring the Investment Managers

	AREA COVERED BY THE POLICY	TRUSTEE POLICY AS PER THE SIP	ACTIONS TAKEN BY THE TRUSTEE OVER THE 12 MONTHS 31 DECEMBER 2020
5	The duration of the arrangement with the asset manager.	An Implementation and Engagement Policy is described on Section 3.4 of the SIP.	All the funds are open-ended. The DC Section's funds have no set end date for the arrangement, however, duration is considered as part of regular reviews. The DC Section's Fund Range and Default Diversified Option are reviewed on at least a triennial basis. An underlying manager's appointment may be terminated if it is no longer considered to be optimal nor have a place in the default strategy or general fund range.

Appendix A – Manager Voting Responsibility

The Trustee has delegated its voting rights to the investment managers. The SIP states "The Trustee expects the underlying managers to evaluate ESG factors, including climate change considerations, exercising voting rights and stewardship obligations attached to investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code".

OVERVIEW OF USE OF PROXY SERVICES

Sands Capital considers the recommendations of proxy advisors such as ISS and Glass on their voting decisions.

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"). The analysts with each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Corporate Governance and Engagement Principles and custom market-specific voting guidelines. BlackRock subscribes to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, as one among many inputs into their vote analysis process. They primarily use proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that their investment stewardship analysts can readily identify and prioritise those companies where their own additional research and engagement would be beneficial to manage client accounts in relation to

voting and facilitate client reporting on voting. Other sources of information include the company's own reporting, engagement and voting history with the company, and the views of its active investors, public information and ESG research.

Morgan Stanley Investment Management ("MSIM") has retained Research Providers to analyse proxy issues and to make vote recommendations on those issues. While they review the recommendations of one or more Research Providers in making proxy voting decisions, they are in no way obligated to follow such recommendations. MSIM votes all proxies based on its own proxy voting policies in the best interests of its clients. In addition to research, Institutional Shareholder Services ("ISS"), a proxy advisory service, provides vote execution, reporting, and recordkeeping services to MSIM.

As inputs into their internal analysis, Wellington Management subscribes to the research services of Glass Lewis & Co. and ISS. They also subscribe to the Viewpoint voting platform provided by Glass Lewis & Co. to facilitate electronic receipt and execution of ballots. The selection of these services was based upon a detailed review of available vendors. None of the fees for these services are paid through soft dollars, commission payments to a brokerage firm for their services.

Schroders receive research from both ISS and the Investment Association's Institutional Voting Information Services (IVIS) for upcoming general meetings, however this is only one component that feeds into their voting decisions. In addition to relying on their policies they will also be informed by company reporting, company engagements, country specific policies, engagements with stakeholders and the views of portfolio managers and analysts. It is important to stress that Schroder's research is also

integral to their final voting decision; this will be conducted by both financial and ESG analysts. For contentious issues, their Corporate Governance specialists will be in deep dialogue with the relevant analysts and portfolio managers to seek their view and better understand the corporate context. Schroders continue to review its voting practices and policies during ongoing dialogues with portfolio managers. This has led them to raise the bar on what they consider 'good governance practice.'

Aberdeen Standard Investment (ASI) employs ISS as a service provider to deliver voting decisions efficiently to companies. ISS provides voting

recommendations based on their own customised voting policy which reflects ASI's guidelines and expectations. ISS's recommendations are considered and those based on ASI's custom policy as input to voting decisions. In addition to the ISS service for UK company general meetings, ASI also uses research provided by the Institutional Voting Information Service (IVIS) which uses the guidelines of the Investment Association (IA) as the basis of their research.

Mandates where voting is not applicable are not included in the list below:

MANAGER	MANAGER VOTING POLICY	KEY VOTES UNDERTAKEN OVER THE YEAR 1 JANUARY 2020 TO 31 DECEMBER 2020
Sands Capital	Sands Capital ("SCM") policy is to vote client proxies in the best interest of its clients. Proxies are an asset of a client, which must be treated by SCM with the same care, diligence and loyalty as any asset belonging to a client. In voting proxies SCM should consider the short- and long-term implications of each proposal. In voting proxies, SCM typically is neither an activist in corporate governance nor an automatic supporter of management. However, because SCM believes that the management teams of most companies it invests in generally seek to serve shareholder interests, SCM believes that voting proxy proposals in the client's best economic interests usually means voting with the recommendations of these management teams.	Emerging Markets Equity Fund Number of resolutions voted: 330 % of votes against management: 6.3% % of votes with management: 91.8% % of abstain votes: 1.8%
Schroders	Schroders evaluate voting issues arising at their investee companies and, where they have the authority to do so, vote on them in line with their fiduciary responsibilities in what they deem to be the interests of their clients. Schroders utilise company engagement, internal research, investor views and governance expertise to confirm their intention. In order to maintain the necessary flexibility to meet client needs, local offices of Schroders may determine a voting policy regarding the securities for which they are responsible, subject to agreement with text missing?	Schroders Managed Fund Number of resolutions voted: 14 % of votes against management: 7.1% % of votes with management: 78.6% % of abstain votes: 14.3%

MANAGER	MANAGER VOTING POLICY	KEY VOTES UNDERTAKEN OVER THE YEAR 1 JANUARY 2020 TO 31 DECEMBER 2020
BlackRock	<p>Voting guidelines are market-specific to ensure BlackRock take into account a company's unique circumstances by market, where relevant. They inform vote decisions through research and engage as necessary. Engagement priorities are global in nature and are informed by BlackRock's observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients. They may also update their regional engagement priorities based on issues that they believe could impact the long-term sustainable financial performance of companies in those markets. As outlined on Global Corporate Governance and Engagement Principles, BlackRock determines which companies to engage directly based on their returns and the likelihood of its engagement being productive.</p> <p>Voting guidelines are intended to help clients and companies understand their thinking on key governance matters. They are the benchmark against which BlackRock assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting.</p>	<p>Aquila Connect Global Small Cap Equity Number of resolutions voted: 3 % of votes with management: 100%</p> <p>Aquila Connect Global Equity Blend* Number of resolutions voted: 57.548 % of votes against management: 6.9% % of votes with management: 93% % of abstain votes: 1.6%</p> <p>Aquila Connect US Equity Number of resolutions voted: 7.640 % of votes against management: 2.5% % of votes with management: 97.5% % of abstain votes: 0.1%</p> <p>Aquila Connect Pacific Rim Equity Number of resolutions voted: 3.121 % of votes against management: 9.9% % of votes with management: 90.1% % of abstain votes: 0.1%</p> <p>Aquila Connect Japanese Equity Number of resolutions voted: 6.290 % of votes against management: 2% % of votes with management: 98% % of abstain votes: 0%</p> <p>Aquila Connect European Equity Number of resolutions voted: 6.855 % of votes against management: 12.3% % of votes with management: 87.6% % of abstain votes: 0.8%</p> <p>Aquila Connect UK Equity Number of resolutions voted: 11.035 % of votes against management: 4.8% % of votes with management: 95.2% % of abstain votes: 0.7%</p>
Morgan Stanley	<p>MSIM Affiliates will vote proxies in a prudent and diligent manner and in the best interests of clients, including beneficiaries of and participants in a client's benefit plan(s) for which the MSIM Affiliates manage assets, consistent with the objective of maximizing long-term investment returns ("Client Proxy Standard"). In addition to voting proxies at portfolio companies, MSIM routinely engages with the management or board of companies in which they invest on a range of environmental, social and governance issues.</p> <p>Votes against management or in support of shareholder resolutions are potentially significant. MSIM does not consult with clients before voting securities held in pooled vehicles.</p>	<p>Morgan Stanley Global Brands Number of resolutions voted: 454 % of votes against management: 9% % of votes with management: 91% % of abstain votes: 0%</p>

MANAGER	MANAGER VOTING POLICY	KEY VOTES UNDERTAKEN OVER THE YEAR 1 JANUARY 2020 TO 31 DECEMBER 2020
Wellington Management International Ltd	<p>Wellington has policies and procedures designed to ensure that they collect and analyse all relevant information for each meeting, apply their proxy voting guidelines accurately, and execute the votes in a timely manner. These policies and guidelines are written to support the best economic interests of clients, in accordance with regulatory and fiduciary requirements. Their policies and procedures are contained in the firm's Global Proxy Policy and Procedures and Global Proxy Voting Guidelines. Wellington votes proxies in the best interests of their clients as shareholders and in a manner that they believe maximizes the economic value of their holdings. Importantly, Wellington do not automatically vote proxies either with management or in accordance with the recommendations of third-party proxy providers.</p> <p>The ESG Research Team examines each proxy proposal and recommends voting against proposals that they believe would have a negative effect on shareholder rights or the current or future market value of the company's securities. While the ESG Research Team provides proxy-voting recommendations, the portfolio manager for the client account has the authority to decide the final vote, absent a material conflict of interest. Each portfolio manager examines and votes each proposal with the goal of maximizing the long-term value of securities held in their clients' portfolios. In addition, there is no "house vote."</p>	<p>Wellington Global Impact</p> <p>Number of resolutions voted: 688</p> <p>% of votes against management: 3.6%</p> <p>% of votes with management: 91.9%</p> <p>% of abstain votes: 4.5%</p>

MANAGER	MANAGER VOTING POLICY	KEY VOTES UNDERTAKEN OVER THE YEAR 1 JANUARY 2020 TO 31 DECEMBER 2020
Aberdeen Standard Investment	<p>ASI has in place a stable process by which the proxy voting team collects general meeting notifications and research and allocates the voting decision through a pre-defined framework to the analyst responsible for making the voting decision for the company in question. The analysts selected will be a member of the ESG Investment or the equity desk analyst responsible for the sector in which the company sits.</p> <p>The selected ASI analyst will assess the resolutions at general meetings in our active investment portfolios. This analysis will be based on their knowledge of the company, but will also make use of the custom policy recommendations and recommendations provided by ISS. The product of this analysis will be a final voting decision instructed through ISS and applied to all funds for which ASI have been appointed to vote.</p>	<p>Standard Life European Equity Pension Fund (AVC) Number of resolutions voted: 1,458 % of votes with management: 93.6% % of votes against management: 6.4% % of abstain votes: 0.4%</p> <p>Standard Life Far East Equity Pension Fund (AVC) Number of resolutions voted: 1,978 % of votes with management: 90.7% % of votes against management: 9.3% % of abstain votes: 3.4%</p> <p>Standard Life International Equity Pension Fund (AVC) Number of resolutions voted: 430 % of votes with management: 92.8% % of votes against management: 7.2% % of abstain votes: 0.2%</p> <p>Standard Life Managed Pension Fund (AVC) Number of resolutions voted: 5,429 % of votes with management: 94.3% % of votes against management: 5.7% % of abstain votes: 2.3%</p> <p>Standard Life North American Equity Pension Fund (AVC) Number of resolutions voted: 18 % of votes with management: 77.8% % of votes against management: 22.2% % of abstain votes: 0.0%</p> <p>Standard Life Stock Exchange Pension Fund (AVC) Number of resolutions voted: 5,394 % of votes with management: 94.3% % of votes against management: 5.7% % of abstain votes: 2.4%</p> <p>Standard Life UK Equity Pension Fund (AVC) Number of resolutions voted: 2,420 % of votes with management: 98.4% % of votes against management: 1.7% % of abstain votes: 0.4%</p>

Most significant votes undertaken in the funds containing equity for the period of 1 January to 31 December 2020

A great emphasis is placed on the BlackRock Aquila Connect Global Equity Blend, refers to Morgan Stanley bespoke fund, as this fund is part of the Diversified Default Option and has a largest allocation within the Plan.

FUND	KEY VOTES UNDERTAKEN OVER THE YEAR 1 JANUARY 2020 TO 31 DECEMBER 2020
Sands Capital Emerging Markets Growth Equity	<p>Sunny Optical Technology</p> <p>Approve Issuance of Equity or Equity-Linked Securities without Pre-emptive Rights</p> <p>Voted against the resolution on 22nd May 2020. Per ISS rec and SCM guidelines, Sands Capital do not like to give HK companies rights to issue shares without a vote or a limit on the discount to market price. Therefore, they are voting against this again. Sands Capital determined this to be significant as they voted in the minority here.</p>
Schroders	<p>Sanderson Farms</p> <p>Item 6: Report on Water Resource Risks</p> <p>Item 7: Report on Human Rights Due Diligence</p> <p>BlackRock voted for all management proposals and against both shareholder proposals on 13th February 2020, due to their engagements with the company and their willingness to produce SASB aligned sustainability reporting. Based on their analysis and engagement with the company, regarding the two sustainability-related shareholder proposals, BlackRock voted in support of management given Sanderson Farms' current level of sustainability disclosures and its willingness to improve its reporting by aligning reporting with the SASB framework, as discussed in their engagement with the company prior to the annual meeting.</p> <p>Ovintiv Inc.</p> <p>Report on Climate Change</p> <p>Voted for the proposal on 29th April 2020, given the materiality of climate risk to the company's business model and the uncertainty regarding the company's near-term timeframe for setting greenhouse gas emissions reduction targets. For companies with a carbon-intensive business model, especially those such as Ovintiv with whom BlackRock have had prior engagement on the subject, BlackRock expect reporting that is substantially aligned with the TCFD framework. While Ovintiv has made notable progress on their climate reporting from a governance and risk management perspective, the company has yet to set targets recommended by the TCFD framework or disclose a clear timeline for doing so.</p>

FUND	KEY VOTES UNDERTAKEN OVER THE YEAR 1 JANUARY 2020 TO 31 DECEMBER 2020
BlackRock Aquila Connect Global Equity Blend*	<p>Royal Dutch Shell plc</p> <p>Item 21: Request Shell to Set and Publish Targets for Greenhouse Gas (GHG) Emissions</p> <p>BlackRock voted against the shareholder resolution on 19th May 2020. The shareholder proposal (Item 21) requested that Shell set and publish targets across Scope 1, 2 and 3, aligned with the Paris Agreement. The proponent argued that Shell's ambition to reduce its net carbon intensity by 50% by 2050 in a growing energy system would not ultimately lead to the level of absolute emissions reduction necessary to achieve the goals of the Paris Agreement. The proponent asked for more "aspirational" targets. Since the submission of the shareholder proposal, Shell has updated its climate commitments to more aggressively reduce its carbon footprint, and to become a "net-zero emissions energy business" by 2050 or sooner. This commitment now includes:</p> <ul style="list-style-type: none"> • Scope 1&2: net zero on all emissions from the manufacture of all products by 2050; • Scope 3: reducing the Net Carbon Footprint of its energy products by around 65% by 2050 (up from previous target of around 50%), and by around 30% by 2035 (up from previous target of around 20%), both now consistent with the Paris Agreement goal to limit the average temperature rise to 1.5 degrees Celsius; • A transition towards serving businesses and sectors that by 2050 are also net-zero emissions. BlackRock has been engaged with Shell on its climate commitments for a number of years and was engaged with the company throughout the process of this latest upgrading of its commitments. Most of Shell's Scope 3 emissions are the Scope 1 emissions of their customers. Because no single oil & gas company is fully in control of the global energy mix, Shell's Scope 3 commitments will only be achievable if key stakeholders such as policymakers, businesses and consumers accelerate the development and use of low-carbon technologies, incentivize more energy efficiency, reduce demand for fossil fuels, and remove emissions from the atmosphere. <p>Chevron Corporation</p> <p>Key Resolutions 1 Item 6: Report on Climate Lobbying Aligned with Paris Agreement Goals</p> <p>BlackRock voted for this proposal on 27th May 2020, 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. Support for this proposal is not meant to be punitive or suggest that they feel the board has failed to appropriately consider climate risk in the context of strategy. Rather, BlackRock believe this is a further point of refinement to solidify best in class reporting amongst US oil and gas peers. The proposal does not suggest or require Chevron to alter its current actions; instead, it affords an opportunity to provide greater context for investors. This is in line with their view that the risks of climate change and the transition to a lower carbon economy present material regulatory, reputational, and legal risks to companies. As a fiduciary for its clients, BlackRock see it as material to better understand how these risks are being adequately disclosed and overseen.</p>
BlackRock Aquila Connect US Equity	<p>Cheniere Energy, Inc.</p> <p>Item 5: Report on Plans to Address Stranded Carbon Asset Risks</p> <p>BlackRock voted against the shareholder proposal as we view it as too prescriptive. BlackRock shares the underlying concerns reflected in the resolution regarding board oversight of climate-related risks and ambitious emissions targets. However, in their view, the shareholder proposal is highly prescriptive as it is requesting that the company report on stranded asset risks associated with carbon emissions reduction of 50% or higher applied to Scope 2 and Scope 3 emissions by 2030, as well as 'net zero' emissions targets by 2050. Given the specificity of this proposal and the company's lack of reporting baseline on account of its lagging scenario analysis disclosures, the company should prioritize bringing its reporting in line with the recommendations of SASB and the TCFD. Once BlackRock have had an opportunity to review the company's forthcoming disclosures, BlackRock can better provide their feedback on the rigor of their targets.</p>

FUND	KEY VOTES UNDERTAKEN OVER THE YEAR 1 JANUARY 2020 TO 31 DECEMBER 2020
BlackRock Aquila Connect Pacific Rim Equity	<p>Santos Limited</p> <p>Item 5b: Ordinary Resolution on Paris Goals and Targets</p> <p>Item 5c: Ordinary Resolution on Climate-Related Lobbying</p> <p>BlackRock voted with management and withheld support for the relevant proposals on 3rd April 2020. Their decision was based on their multi-year engagement with the company on climate-related issues, including past discussions on improving Taskforce on Climate-related Financial Disclosures (TCFD) disclosures, their experience that management subsequently addressed feedback from shareholders, including BlackRock. Our conditional support for management on proposal 5c is based on the company's commitment to undertake a more comprehensive review of its industry association advocacy. Based on their analysis and engagement, the company's public positions and lobbying efforts are aligned. In the past when the company has identified differences in positions it has made them known and, in certain cases, exited advocacy groups, most notably the Business Council Australia (BCA) in October 2019. It has also committed to being more transparent about its process and to publishing additional disclosures.</p>
BlackRock Aquila Connect Japanese Equity	<p>Mizuho Financial Group</p> <p>Item 5: Shareholder Proposal. Amend Articles to Disclose Plan Outlining Company's Business Strategy to Align Investments with Goals of Paris Agreement</p> <p>BlackRock, through an independent fiduciary, voted against all shareholder proposals, including Item 5, and for all management resolutions on 25th June 2020. In March 2020, Mizuho FG received a shareholder proposal from a Japanese NGO to amend the company's Articles of Incorporation to add a clause to disclose in its annual reporting a plan outlining the business strategy to align its investments with the goals of Paris Agreement. The proponent explained that climate change is already having a profound impact on the environment, society and the economy. They believe that given Mizuho FG's lending exposure to coal-fired energy plants, the proposal would require Mizuho FG to step up its actions to adapt its strategy and disclosure on climate change risks. In response, Mizuho FG recommended that its shareholders vote against the shareholder proposal, noting that they have already acknowledged the importance of managing climate risk and have clearly disclosed policies related to such risk. Furthermore, they believe the proposed language in the shareholder proposal may restrict Mizuho FG from providing corporate financing to companies in the energy and utilities sector as general working capital, including for research and development in new technology or innovation. The company also believes it can drive more positive outcomes through engagement with clients in the energy and utilities sectors to help them adapt their businesses during the transition to a low carbon economy, rather than simply ceasing to lend to them.</p>
BlackRock Aquila Connect European Equity	<p>Santander Consumer USA Holdings, Inc.</p> <p>Item 3: Report on Risk of Racial Discrimination in Vehicle Lending</p> <p>BlackRock voted for the shareholder proposal, 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). Voted on 10th June 2020. In their view, the company has an opportunity to provide investors with a more detailed explanation of how it assesses, manages and mitigates the risk of racial discriminatory lending practices. Given the high degree of reputational and litigation risks, improved disclosure on the mechanisms for compliance would give shareholders comfort that the risk is appropriately mitigated. Moreover, detail about this particular business risk would give investors a sense of how the company addresses other forms of discriminatory lending.</p>

FUND	KEY VOTES UNDERTAKEN OVER THE YEAR 1 JANUARY 2020 TO 31 DECEMBER 2020
BlackRock Aquila Connect UK Equity	<p>AGL Energy Ltd.</p> <p>Item 7b: Approve Coal Closure Dates</p> <p>BlackRock Investment Stewardship voted for this proposal on 7th October 2020 because BlackRock believe the company, and its shareholders, would benefit from a continued focus on long-term strategic planning covering several decades. We supported this proposal because BlackRock believe the company, and its shareholders, would benefit from a continued focus on long-term strategic planning covering several decades. AGL's 1.5-degree scenario analysis, aligned with the recommendations of the Taskforce on Climate-related Financial Disclosure (TCFD), implies it is possible to close the coal-fired Loy Yang plant twelve years ahead of the current scheduled closure. The proposal, and our support of it, affords the AGL board and executives the discretion to manage that timing to ensure an effective and safe closure at the appropriate time.</p>
Morgan Stanley Global Brands	<p>RELX Plc</p> <p>Approve Increase in Borrowing Limit Under the Company's Articles of Association</p> <p>MSIM voted against the resolution on 26th May 2020, which was considered significant. The rationale for the voting decision was that the increase to the borrowing powers was considered excessive.</p>
Wellington Global Impact	<p>Shriram Transport Finance Co. Ltd.</p> <p>Authority to Convert Debt into Shares and Issue Shares w/o Pre-emptive Rights</p> <p>Voted against this resolution on 8th December 2020. Rationale for the voting decision was due to excessive dilution.</p>

Appendix B – Manager Engagement over the Plan year

The table below summarizes the engagement activity during the Plan year for the following managers that holds equity mandates.

FUND	NUMBER OF ENGAGEMENTS UNDERTAKEN AT A FIRM LEVEL IN THE YEAR	SPLIT BETWEEN E, S AND G OF ENGAGEMENTS	% OF ENGAGEMENTS PERTAINING TO CLIMATE ISSUES	% OF ENGAGEMENTS PERTAINING TO BOARD DIVERSITY	KEY THEMES FOR ENGAGEMENT, AS APPLICABLE
Sands Capital Emerging Markets Growth	316 total engagements / 143 unique businesses	E = 9%, S = 22%, G = 69%	7.5% of unique businesses in EMG were engaged on topics relating to environment, representing 3.4% of total engagements.	N/A	General Governance; Capital Structure; Shareholder Protection & Rights; Human Capital Management; Board Independence.
Aquila Connect Global Small Cap Equity	884 company engagements	E = 48%; S = 39%; G = 96%	Climate Risk Management: 34% / Environmental Impact Management: 21%	Board Composition & Effectiveness: 55%	Climate Risk Management; Environmental Impact Management; Operational Sustainability; Human Capital Management; Social Risks and Opportunities; Board Composition & Effectiveness; Business Oversight/Risk Management; Corporate Strategy; Executive Management; Governance Structure; Remuneration.
Aquila Connect Global Equity Blend	2989 company engagements	E = 57%; S = 42%; G = 93%	Climate Risk Management: 43% / Environmental Impact Management: 25%	Board Composition & Effectiveness: 50%	Climate Risk Management; Environmental Impact Management; Operational Sustainability; Human Capital Management; Social Risks and Opportunities; Board Composition & Effectiveness; Business Oversight/Risk Management; Corporate Strategy; Executive Management; Governance Structure; Remuneration.
Aquila Connect Emerging Markets	397 company engagements	E = 70%; S = 40%; G = 93%	Climate Risk Management: 52% / Environmental Impact Management: 35%	Board Composition & Effectiveness: 49%	Climate Risk Management; Environmental Impact Management; Operational Sustainability; Human Capital Management; Social Risks and Opportunities; Board Composition & Effectiveness; Business Oversight/Risk Management; Corporate Strategy; Executive Management; Governance Structure; Remuneration.

FUND	NUMBER OF ENGAGEMENTS UNDERTAKEN AT A FIRM LEVEL IN THE YEAR	SPLIT BETWEEN E, S AND G OF ENGAGEMENTS	% OF ENGAGEMENTS PERTAINING TO CLIMATE ISSUES	% OF ENGAGEMENTS PERTAINING TO BOARD DIVERSITY	KEY THEMES FOR ENGAGEMENT, AS APPLICABLE
Aquila Connect US Equity	610 company engagements	E = 74%; S = 63%; G = 93%	Climate Risk Management: 59% / Environmental Impact Management: 42%	Board Composition & Effectiveness: 48%	Climate Risk Management; Environmental Impact Management; Operational Sustainability; Human Capital Management; Social Risks and Opportunities; Board Composition & Effectiveness; Business Oversight/Risk Management; Corporate Strategy; Executive Management; Governance Structure; Remuneration.
Aquila Connect Pacific Rim Equity	213 company engagements	E = 69%; S = 59%; G = 88%	Climate Risk Management: 63% / Environmental Impact Management: 44%	Board Composition & Effectiveness: 58%	Climate Risk Management; Environmental Impact Management; Operational Sustainability; Human Capital Management; Social Risks and Opportunities; Board Composition & Effectiveness; Business Oversight/Risk Management; Corporate Strategy; Executive Management; Governance Structure; Remuneration.
Aquila Connect Japanese Equity	310 company engagements	E = 45%; S = 25%; G = 96%	Climate Risk Management: 34% / Environmental Impact Management: 11%	Board Composition & Effectiveness: 37%	Climate Risk Management; Environmental Impact Management; Operational Sustainability; Human Capital Management; Social Risks and Opportunities; Board Composition & Effectiveness; Business Oversight/Risk Management; Corporate Strategy; Executive Management; Governance Structure; Remuneration.
Aquila Connect European Equity	340 company engagements	E = 53%; S = 26%; G = 97%	Climate Risk Management: 44% / Environmental Impact Management: 4%	Board Composition & Effectiveness: 49%	Climate Risk Management; Environmental Impact Management; Operational Sustainability; Human Capital Management; Social Risks and Opportunities; Board Composition & Effectiveness; Business Oversight/Risk Management; Corporate Strategy; Executive Management; Governance Structure; Remuneration.
Aquila Connect UK Equity	2749 company engagements	E = 59%; S = 43%; G = 93%	Climate Risk Management: 45% / Environmental Impact Management: 26%	Board Composition & Effectiveness: 49%	Climate Risk Management; Environmental Impact Management; Operational Sustainability; Human Capital Management; Social Risks and Opportunities; Board Composition & Effectiveness; Business Oversight/Risk Management; Corporate Strategy; Executive Management; Governance Structure; Remuneration.
Morgan Stanley Global Brands	700 (2 collaborative/joint, 698 direct)	E = 32%; S = 39%; G = 29%	24%	5%	In the 12 months to the end of Q4 2020, we engaged on the following subjects (among others): Decarbonisation; Circular economy; Biodiversity/ecological impacts; Workforce wellbeing; Supply chain management; Data security; Product safety; Executive compensation Board structure and composition.
Wellington Global Impact	45157 (100% direct engagement)	E = 43%; S = 28%; G = 12%	1%	3.15%	Environment: Low carbon/ Net Zero Transition Plans – Wellington Management has joined the Net Zero Asset Managers initiative as a founding member. Also look forward to continuing to partner with clients and the broader investment community to share insights on the physical and transition risks of climate change, climate stewardship, and net-zero investing.