

UBM Pension Scheme Implementation Statement: 1 April 2019 to 31 March 2020

The Trustee of the UBM Pension Scheme (the “Scheme”) is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed its Statement of Investment Principles (“SIP”) during the year, as well as details of any review of the SIP during the year, subsequent changes made with the reasons for the changes, and the date of the last SIP review. Information is provided on the last review of the SIP in Section 1 and on the implementation of the SIP in Sections 2-11 below.

The Statement is also required to include a description of the voting behaviour during the year by, and on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 12 below.

This Statement uses the same headings as the Scheme’s SIP dated September 2019 and should be read in conjunction with the SIP.

1. Introduction

The SIP was reviewed and updated during the Scheme year in September 2019 to reflect:

- the Trustee’s policies relating to responsible investment in line with new statutory requirements;
- the Trustee’s arrangements with its investment managers and considerations in setting the investment arrangements in line with new statutory requirements; and
- the switch from the M&G Illiquid Credit Opportunities Fund (“ICOF”) I to ICOF V, to allow the continuation of the Scheme’s investment in this strategy.

Further details and the reasons for these changes are set out in the sections below. As part of the SIP update, the employer was consulted and confirmed it was comfortable with the changes.

The Trustee has, in its opinion, followed the policies in the Scheme’s SIP during the year. The following Sections provide detail and commentary about how and the extent to which it did this.

The Trustee has, in its opinion, followed the Scheme’s voting and engagement policies during the year, by continuing to delegate to its investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes. The Trustee took a number of steps to review the Scheme’s existing managers and funds over the period, as described in Section 8 (Voting and engagement) below.

2. Investment objectives

In relation to the DB section of the Scheme, the Trustee’s primary objectives are:

- that the Scheme should be able to meet benefit payments as they fall due; and
- that the Scheme’s funding position (ie the value of its assets relative to the assessed value of its liabilities) should be at an appropriate level.

The Trustee monitors the progress of Scheme’s funding position (both the statutory Technical Provisions funding basis and an informal long-term self-sufficiency basis) as part of the quarterly investment reports provided by the Trustee’s investment adviser, LCP, and regular funding updates from the Scheme Actuary. The Trustee has in place a cash flow policy to ensure benefit payments are met and monitored this on a regular basis during the Scheme year.

The Trustee’s objective for the DC section of the Scheme is to provide members with access to an appropriate range of investment options, reflecting the membership profile and the variety of ways that members can draw their benefits in retirement. The DC section of the Scheme is closed to new members and new contributions from existing members. There is no default investment arrangement. The Scheme is not used as a qualifying scheme for automatic enrolment purposes.

The Trustee has made available a self-select fund range to members covering all major assets classes as set out in the SIP. The Trustee selected the range of investments taking into consideration the members' demographics and the variety of ways that members may draw benefits in retirement from the Scheme. The Trustee monitors the funds offered to members (including an assessment of performance, charges and any changes to the funds) through an annual report produced by the Trustee's investment adviser.

3. Investment strategy

The Trustee, with the help of its advisers and in consultation with the sponsoring employer, made a number of small changes to the DB investment strategy over the year to 31 March 2020, as outlined below:

- The Trustee reviewed the Scheme's net current and future cashflow requirements and decided to instruct Aviva and M&G to start paying income out of the property funds, effective from April 2019 and LGIM to start paying income from its equity portfolio effective from February 2020 to help meet future Scheme's outflows.
- The Trustee decided to maintain the Scheme's 10% strategic allocation to illiquid credit and therefore rolled over the Scheme's illiquid credit investment in M&G's ICOF I into M&G's ICOF V. This took place in June 2019.
- Finally, the Trustee agreed to update the investible benchmark in place with LGIM for the bespoke LDI portfolio to reflect an update to the Scheme's projected liabilities. The investible benchmark is a set of cashflows designed to match the interest rate and inflation sensitivities of the Scheme's liabilities. As part of the update, the Trustee decided to maintain the overall level of hedging, which is around 65% of the interest rate and inflation exposure of the Scheme's liabilities measured on a Technical Provisions basis.

The Trustee reviewed the DC and AVC arrangements during the Scheme year. This was supported by the annual DC (and AVC) report from its investment advisers. This report did not highlight any necessary changes to the DC investment strategy.

Separately to this Equitable Life, one of the Scheme's AVC providers, announced it would be selling its business to Utmost Life. Scheme members' with profits holdings were switched into the Utmost Life Secure Cash Fund on 1 January 2020. Following this, the Trustee agreed to transfer these AVC assets into the Scheme's main DC / AVC policy with L&G and invest in L&G's Cash Fund. This was implemented after the Scheme year end.

4. Considerations in setting the investment arrangements

When the Trustee made changes to the DB investment strategy over the course of the year, it considered the investment risks set out in Appendix A of the SIP. It also considered a wide range of asset classes for investment, taking into account the expected returns and risks associated with those asset classes as well as how these risks can be mitigated.

The Trustee reviewed its investment beliefs in 2019, including an ESG training session in May 2019. This included discussion of the results of a survey of the Trustee Directors' ESG investment beliefs carried out prior to the session.

As a result, the Trustee updated the investment beliefs in the SIP dated September 2019. It added two new investment beliefs to the SIP:

- *"environmental, social and governance (ESG) factors, including but not limited to climate-related factors, are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors"; and*
- *"long-term environmental, social and economic sustainability, including the implications of climate change, is one factor that trustees should consider when making investment decisions".*

Following the addition of these beliefs, the Trustee has agreed to regularly review how its investment managers are taking account of these issues in practice, for example by meeting with managers at quarterly ISC meetings.

The Trustee received training on the Scheme's manager's responsible investment credentials and upcoming regulations and guidance on stewardship and climate change from its investment adviser at its ISC meeting in February 2020.

5. Implementation of the investment arrangements

The Trustee has not made any changes to their manager arrangements over the period.

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

The Trustee regularly invites the Scheme's investment managers to present at Investment Sub-Committee ("ISC") meetings. Over the period, the ISC met with Newton, Schroders, Aviva and LGIM to discuss the Scheme's investments.

The Trustee was comfortable with all of its investment manager arrangements over the year.

The Trustee monitors the performance of the Scheme's investment managers on a quarterly basis, using the quarterly investment report. The report shows the performance of each manager over the quarter, one year and three years. Performance is considered in the context of the manager's benchmark and objectives.

The most recent quarterly report, to 30 June 2020, showed that most managers have produced performance broadly in line with expectations over the long-term. The impact of the Covid-19 pandemic on global financial markets caused some of the managers to underperform their objectives over the quarter to 31 March 2020. These managers have delivered positive returns since then, in line with the general recovery in markets (to the date of issuing this Statement).

6. Realisation of investments

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

Over the year, the Trustee used cashflows, particularly disinvestments from the Scheme's assets to meet benefits payments, to help rebalance the Scheme's assets towards the strategic asset allocation. Employer deficit contributions were retained in the Trustee bank account to also meet benefit payments.

The Trustee receives income from the property portfolios managed by Aviva and M&G, the illiquid credit portfolio managed by M&G, and the LGIM equities portfolio which is retained in the Trustee's bank account and used towards paying benefit payments.

For the DC Section, it is the Trustee's policy to invest in funds that offer daily dealing to enable members to readily realise and change their investments. All of the DC Section funds which the Trustee offers are daily priced with the exception of one which is weekly priced.

7. Financially material considerations and non-financial matters

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

At the February 2020 ISC meeting, the Trustee reviewed LCP's responsible investment (RI) scores for the Scheme's existing managers and funds, along with LCP's qualitative RI assessments for each fund and red flags for any managers of concern. These scores cover the manager's approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP's ongoing manager research programme and it is these that directly affect LCP's manager and fund recommendations. The manager scores and red flags are based on LCP's Responsible Investment Survey 2020.

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

8. Voting and engagement

This is covered in Section 7 above.

9. Investment governance, responsibilities, decision-making and fees (Appendix C of SIP)

The Trustee has set up an Investment Sub-Committee ("ISC"), comprising a subset of the Trustee Directors. The purpose of the ISC is to assist the Trustee in meeting its responsibilities as set out in Appendix C of the SIP.

As mentioned in Section 5, the Trustee assesses the performance of the Scheme's investments on an ongoing basis as part of the quarterly investment reports it receives. These are discussed at the quarterly ISC meetings.

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

The Trustee has put in place formal objectives for its investment adviser and will review the adviser's performance against these objectives on a regular basis (the first review is due in late 2020).

10. Policy towards risk (Appendix A of SIP)

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

The Trustee maintains a risk register and sections of it are discussed in rotation at Administration and Investment Sub-committees and Trustee quarterly meetings.

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

With regard to the risk of inadequate returns, the Trustee reviews on a quarterly basis the required investment return for the Scheme to be fully funded on a self-sufficiency basis (informally set as a gilts+0.5% basis) by 31 March 2034 and compares it against the expected return on the Scheme's assets.

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

With regard to collateral adequacy risk, the Trustee monitors the collateral position within the LDI portfolio against optimal and critical levels, as reported by the LDI manager. The intention is to maintain at least the optimal level of collateral within the LDI portfolio. During the year, the level of collateral remained above this level. The Trustee also has an investment in the LGIM Absolute Return Bond Fund alongside the LDI portfolio, which could be used should the LDI manager require additional cash.

Together, the investment and non-investment risks set out in Appendix A of the SIP give rise generally to funding risk. The Trustee formally reviews the Scheme's funding position as part of its annual actuarial report to allow for changes in market conditions. On a triennial basis the Trustee reviews the funding position allowing for membership and other experience. The Trustee also informally monitors the funding position more regularly, on a quarterly basis at Trustee meetings and the Trustee Directors also have the ability to monitor this daily on LCP Visualise. The quarterly investment reports provided by LCP contain a detailed analysis of the Scheme's deficit developments since the last actuarial valuation.

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

11. Investment manager arrangements (Appendix B of SIP)

The following policies are set out in this section of the Scheme's SIP:

- **LGIM equity and bond portfolios:** investment / disinvestment of monies with LGIM is applied to move the overall allocation towards the strategic benchmark. Cash flows into / out of the Scheme were implemented in line with this policy during the Scheme year.
- **LGIM LDI fund:** The Trustee monitors the performance of the fund against appropriate swap and gilt benchmarks. The investment adviser's quarterly investment reporting provides performance against both swaps and gilts benchmarks.

12. Description of voting behaviour during the year

All of the Trustee's holdings in listed equities are within pooled funds and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore the Trustee does not direct how votes are exercised and the Trustee itself has not used proxy voting services over the year.

In this section we have sought to include voting data on the Scheme's funds that hold equities as follows:

- LGIM Global Equity Fixed Weights (50:50) Index Fund
- LGIM Global Equity (70:30) Index Fund
- LGIM UK Equity Index Fund
- LGIM Ethical UK Equity Index Fund
- LGIM World (ex UK) Equity Index Fund
- LGIM North America Equity Index Fund
- LGIM Europe (Ex UK) Equity Index Fund
- LGIM Japan Equity Index Fund
- LGIM Asia Pacific (Ex Japan) Developed Equity Index Fund
- LGIM World Emerging Markets Equity Index Fund
- LGIM Global Emerging Markets Index Fund
- LGIM Multi-Asset (formerly Consensus) Fund
- Newton Real Return Fund
- Schroders Diversified Growth Fund
- Clerical Medical With Profits Fund
- Equitable Life With Profits Fund

We have not yet received data from Clerical Medical or Prudential for their respective with profits funds (for the DC section), so these funds are omitted from the Statement.

We have omitted the Scheme's other funds (eg property, credit, LDI and liquidity funds) on materiality grounds since these are not expected to hold any physical equity holdings, and any holdings with voting rights attached to them are only a small proportion of the Scheme's total assets.

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

12.1 LGIM's voting processes

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

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

All voting decisions are made by LGIM's Investment Stewardship team and in accordance with its relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents, which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This helps ensure LGIM's stewardship approach is consistent throughout the engagement and voting process, and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

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

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

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

12.2 Newton's voting processes

Newton's head of responsible investment (RI) is responsible for the decision-making process of the RI team when reviewing meeting resolutions for contentious issues. It does not maintain a strict proxy voting policy. Instead, it prefers to take into account a company's individual circumstances, Newton's investment rationale and any engagement activities together with relevant governing laws, guidelines and best practices.

Contentious issues may be referred to the appropriate industry analyst for comment and, where relevant, Newton may confer with the company or other interested parties for further clarification or to reach a compromise or to achieve a commitment from the company.

Voting decisions are approved by either the deputy chief investment officer or a senior investment team member (such as the head of global research). All voting decisions are made by Newton.

It is only in the event of a material potential conflict of interest between Newton, the investee company and/or a client that the recommendations of the voting service used (Institutional Shareholder Services, or the ISS) will take precedence.

It is also only in these circumstances when Newton may register an abstention given Newton's stance of either voting in favour or against any proposed resolutions. The discipline of having to reach a position of voting in favour or against management ensures Newton does not provide confusing messages to companies.

Newton employ's a variety of research providers that aid us in the vote decision-making process, including proxy advisors such as ISS. Newton utilises ISS for the purpose of administering proxy voting, as well as its research reports on individual company meetings.

Voting decisions take into account local market best practice, rules and regulations while also supporting Newton's investment rationale.

12.3 Schroders' voting processes

Schroders evaluates voting issues arising at its investee companies and, where it has the authority to do so, votes on them in line with its fiduciary responsibilities in what it deems to be the interests of its clients.

Schroders utilise company engagement, internal research, investor views and governance expertise to confirm its intention. It maintains a Environmental, Social and Governance Policy for Listed Assets policy (available on its website) which sets out further details on Schroders' voting and engagement policies.

12.3 Summary of voting behaviour over the year

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

	LGIM Global Equity FW (50:50) Index Fund	LGIM Global Equity (70:30) Index Fund	LGIM UK Equity Index Fund	LGIM Ethical UK Equity Index Fund	LGIM World (ex UK) Equity Index Fund	LGIM North America Equity Index Fund	LGIM Europe (Ex UK) Equity Index Fund
Approx value of Scheme's assets (31 March 2020)	£0.3m	£0.3m	£48.1m	£0.0m	£0.0m	£25.3m	£16.6m
No of underlying equity holdings (31 March 2020)	3,029	Not confirmed	685	226	2,627	723	506
No of meetings eligible to vote	3,056	3914	790	260	2141	696	421
No of resolutions eligible to vote	38,248	46684	11,168	4,373	25590	8,548	6,722
% of resolutions voted	98%	98%	100%	100%	98%	99%	99%
% of resolutions voted with management	85%	85%	94%	95%	82%	78%	81%
% of resolutions voted against management	15%	15%	6%	5%	18%	22%	18%
% of resolutions abstained	0%	0%	0%	0%	0%	0%	0%
% of meetings with at least one vote against management	72%	76%	65%	39%	72%	88%	65%

	LGIM Japan Equity Index Fund	LGIM Asia Pacific (Ex Jap) Dev Equity Index Fund	LGIM World Emerging Markets Equity Index Fund	LGIM Global Emerging Markets Index Fund	LGIM Multi-Asset (formerly Consensus) Fund	Newton Real Return Fund	Schroders Diversified Growth Fund*
Approx value of Scheme's assets (31 March 2020)	£11.1m	£11.1m	£11.1m	£0.4m	£0.4m	£65.5m	£44.1m
No of underlying equity holdings (31 March 2020)	513	408	1,635	2,566	Not confirmed	79	Not confirmed
No of meetings eligible to vote	529	436	1,480	3,435	7,368	70	Not confirmed
No of resolutions eligible to vote	6,650	3,117	13,642	3,0913	76,411	953	Not confirmed
% of resolutions voted	100%	90%	95%	90%	97%	97%	Not confirmed
% of resolutions voted with management	89%	76%	82%	80%	83%	90%	Not confirmed
% of resolutions voted against management	11%	24%	17%	18%	17%	10%	Not confirmed
% of resolutions abstained	0%	0%	1%	1%	0%	0%	Not confirmed
% of meetings with at least one vote against management	71%	64%	44%	53%	71%	30%	Not confirmed

*Schroders was only able to provide partial voting information for its Diversified Growth Fund at the time of producing this Statement, and so it is omitted from this table.

12.4 Most significant votes over the year

We have included the “most significant votes” below as provided by the Scheme’s investment managers.

In determining significant votes, LGIM’s Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association consultation (PLSA). This includes but is not limited to:

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

Newton has determined all votes against management and support of shareholder resolutions as material. As an active manager, Newton is invested in companies that it believes will support the long term performance objectives of its clients. By doing so, it is making a positive statement about the business, the management of risks and the quality of management. Voting against management, therefore, is a strong statement that Newton think there are areas of improvement that need addressing. As such, by not supporting management, Newton believe this is material information.

Schroders similarly determine all votes against management as material. Schroders has stated that it is not afraid to oppose management if it believes that doing so is in the best interests of shareholders and our clients. Such votes against will typically follow an engagement and Schroders will inform the company of its intention to vote against before the meeting, along with its rationale. Schroders also disclose this information publicly. Where there have been ongoing and significant areas of concerns with a company’s performance Schroders may choose to vote against individuals on the board.

LGIM equity funds:

BP Plc, May 2019:

LGIM and other major shareholders put forward a proposal calling on BP to explain how its strategy is consistent with the Paris Agreement on climate change. LGIM worked with the board of BP to secure its support for the motion.

At BP’s annual general meeting, the proposal was passed with overwhelming 99.1% approval from shareholders. LGIM has since met BP repeatedly – including its chair and incoming CEO – to advise on implementing the resolution. BP has announced industry-leading targets: net zero emissions from its operations, net zero carbon emissions from the oil and gas it digs out of the ground, and a 50% reduction in the carbon intensity of all the products it sells.

LGIM continues to engage with the company and monitor progress.

Bayer AG, April 2019:

Following its acquisition of agribusiness Monsanto, Bayer was asked to pay millions in damages in several court cases where plaintiffs claimed that Monsanto’s glyphosate-based weed killer RoundUp was linked to causing cancer. The damages were reduced upon appeal, and Bayer was adamant that RoundUp was not carcinogenic.

LGIM is concerned that the Bayer supervisory and management boards had not fully considered the significant risks related to glyphosate litigation in the US. Although at the time of the merger agreement in 2016 there were only about a hundred such lawsuits, by the end of 2019, the number grew to over 40,000. From the finalisation of the acquisition in May 2018 until July 2019 Bayer’s share price fell by approximately 45%. Unrelated to the litigation, they have previously discussed the importance of a lead independent director, particularly in times of crisis.

LGIM spoke to Bayer ahead of its 2019 AGM to gain a better understanding of the decision-making process in relation to the Monsanto acquisition and the legal advice it received for litigation risk. LGIM recommended establishing advisory and M&A committees, staffed by members appointed with specific expertise; appointing non-

executive directors with specific expertise; and appointing new executives. In addition, LGIM suggested that these incidents should have a bearing on remuneration awarded for the year.

Bayer subsequently established a glyphosate litigation committee to monitor litigation and consult with the board. LGIM has confirmed it will continue to pay close attention to the litigation and any possible settlements, as well as the decisions of Bayer's remuneration committee. Bayer also announced that the chair would step down at the 2020 AGM.

EssilorLuxottica, May 2019:

In 2018, French lenses producer Essilor merged with Italian frame manufacturer Luxottica. Upon conclusion of the merger, the executive chair of Luxottica's holding company (Delfin) owned 32.7% of the merged company's share capital. Under the terms of the merger agreement, the aforementioned executive chairman and Essilor's executive vice-chairman were both given equal powers.

A board was also established, with membership split equally between Essilor and Delfin. In March 2019 an internal disagreement between the two heads of the merged entity occurred. Two of the company's shareholders – Comgest and Valoptec – put forward three board nominees in a bid to break the impasse.

LGIM contacted EssilorLuxottica to discuss the issue but received no reply. They engaged extensively with Comgest, Valoptec and the board nominees. They publicly announced their support for the board nominees ahead of the AGM to ensure the current board knew their intentions and to raise awareness to the other shareholders.

Before the AGM was due to take place, the company's board announced that it had reached a governance agreement and all disputes had been resolved. EssilorLuxottica's CEOs had been tasked with focusing on the integration process and to accelerate the simplification of the company.

The board confirmed that neither CEO would seek to become the leader of the combined entity. The board nominees received significant support from the company's independent shareholders, equalling respectively 43.7% and 35% of the total votes. LGIM continues to engage with the company.

FirstGroup, June 2019:

The performance of the company had been weak for a number of years. Following a profit warning in February 2018, the chief executive stepped down. On 25 June 2019, shareholder activist Coast Capital convened a shareholder meeting to appoint seven directors to the board of the company and remove six company directors including the board chair and the chief executive.

Coast Capital made strategy proposals such as: the company exits its rail business; separate the company's US and UK assets; the immediate payment of a dividend.

David Martin, one of the nominees of the activist, failed to confirm his intention to stand for election before the deadline. The resolution on his appointment to the board could not therefore be validly voted on by shareholders.

LGIM engaged directly with both sides: the company's Senior Independent Director (SID) and the activist. LGIM also consulted other top shareholders on their views. LGIM decided to cast a vote against the board chair to signal its concerns around the pace of execution of the strategy and poor performance. LGIM supported the rest of the board and opposed the activist's nominees.

Many of the company's top shareholders publicly preannounced their support to the activist's proposals. More than 20% of shareholders voted in favour of several resolutions against the board's recommendations. The activist's proposal to remove the chair from the board obtained 29% of support from shareholders. The chair took into account the shareholder vote and decided to leave the board. The SID led the succession process and David Martin, ex-CEO of Arriva but also one of the original candidates put forward by the activist, was appointed board chair.

LGIM subsequently met the new board chair to discuss the composition of the board, but also the performance of the management team and execution of the strategy.

Metro Bank, May 2019:

LGIM had long-standing concerns regarding Metro Bank due to a lack of independent directors on its board, poor gender diversity, a pay structure not in line with best practice standards, and failure to manage conflicts of interest. In 2019, LGIM's concerns were compounded by the disclosure of material accounting errors within the bank's loan

books. The accounting errors led to a significant drop in investor confidence and sent the shares down more than 39% in one day. The lender's share price has remained under pressure and declined over 88% in 2019.

As a member of the audit committee since 2016, and now chair, the director should be held accountable for the RWA adjustment, related reputational damage and the approval of significant payments made by the company to a firm providing architectural design owned by the chairman's spouse.

LGIM subsequently met the new board chair to discuss the composition of the board, but also the performance of the management team and execution of the strategy.

In response to pressure from LGIM and other investors, Metro Bank began to address its long-standing governance concerns. Both the chair and CEO agreed to step down. The bank also announced it would sever ties with InterArch, an architecture firm owned by Metro Bank's chairman's wife, that has received over £25 million in payments since 2010.

Newton Real Return Fund:

Associated British Foods Plc, December 2019:

We voted against the remuneration report owing to long-held concerns about the exclusion of the sugar division's performance from the calculation of management's long-term incentive award.

However, following extensive engagement with the chair of the remuneration committee, we were able to support the revised remuneration policy owing to a change in the structure of the scheme. We were pleased to see that the sugar business can now affect the entirety of the long-term pay award rather than just a portion of it, and we believe the new structure aligns well with the company's overall business strategy.

Bayer AG, April 2019:

We voted against a resolution to discharge the management board for 2018. This was because we viewed that management had misjudged the legal and reputational risks of the Monsanto acquisition, and underestimated the legal costs of one of Monsanto's most important products, Roundup, which is being tried in court as carcinogenic. Voting against the discharge of management does not have legal implications. Instead, it sends a message to management that investors hold them accountable for the ongoing negative developments related to the Monsanto acquisition.

Cisco Systems, Inc, December 2019:

We voted against the remuneration report and members of the remuneration committee owing to insufficient performance conditions attached to management's long-term incentive award, and given a lack of clarity on the measures which are used to calculate the annual bonus. In addition, we also voted against the external auditor owing to an excessively long tenure which brings its independence and objectivity into question.

Finally, for a second consecutive year, we supported a shareholder resolution requiring that the CEO and chair roles be separated.

Eversource Energy, May 2019:

We voted against executives' compensation arrangements and the long-standing members of the compensation committee owing to the predominant use of long-term pay awards that vest subject only to time served.

Linde Plc, July 2019:

We voted against the advisory vote on the executives' compensation and also against the remuneration committee members. We had a variety of concerns:

- The continued granting of long-term pay awards that vest purely based on time served.
- The CEO received \$185,808 for his personal use of the company's aircraft.
- The vesting of outstanding share awards is accelerated in the event of a change in control.
- Finally, the CEO received additional years of service credits beyond time-served at the company for the purposes calculating his pension provisions.

Microsoft Corporation, December 2019:

Despite improvements to executive remuneration practices over recent years, the company failed to justify a 40% increase in total compensation for the CEO, which included a significant increase in basic salary. In addition, we remained concerned that approximately half of long-term pay awards vest irrespective of performance. We voted against the executive compensation arrangements and against the three members of the compensation committee.

We also voted against the re-appointment of the company's external auditor given it had served in this role for 36 consecutive years.

A shareholder resolution proposed that the company report on its gender pay gap. In contrast to the recommendation of management, we supported this resolution in view of the insights a company can benefit from by undertaking such an exercise.

Suzuki Motor Corp, June 2019:

We voted against the board chair and company president owing to concerns surrounding the company's approach to quality control. We considered that the board chair and president should be held accountable as they had served on the board for 55 and 16 years respectively.

Thales SA, May 2019:

We voted against reappointing the auditor as the firm had been in the role since 1983. We believe it is healthy for a company to tender its audit contract regularly, with a maximum tenure limit of 25 years.

Unilever NV, May 2019:

The company made some positive improvements to its remuneration policy but failed to address certain core concerns. First, the award of long-term incentives is reliant on the award of annual bonuses; if no annual bonuses are awarded, executives do not receive a long-term incentive. This either provides for potential resignation windows or forces bonuses to be awarded in years when they may not be merited. Secondly, variable pay awards continue to be determined as a multiple of fixed pay (salary, pension and benefits). Our concern is that the inclusion of pensions and benefits as determinants for the size of variable pay awards adds unnecessary complexity and flexibility. We voted against the remuneration report and members of the remuneration committee, with the exception of one member who had only served for a year.

Vivendi SA, April 2019:

Owing to a conflict of interest, we voted in line with the recommendations of our third-party proxy research provider. Consequently, we voted against the auditor's report on related-party transactions, the compensation and remuneration policies of members of the management and supervisory board, and the authorisation of a share buyback programme.

Schroders Diversified Growth Fund:

Schroder Private Equity Fund Of Funds Iii Plc, July 2019:

Voted against proposal: "Authorise Board to Fix Remuneration of Auditors". Rationale: as per conflicts policy.

SPDR Thomson Reuters Global Convertible Bond UCITS ETF, October 2019:

Voted against proposal "Transact Other Business". Rationale: Other business not disclosed.

William Lyon Homes, January 2020:

Voted against proposal "Advisory Vote on Golden Parachutes". Rationale: We are not supportive of golden parachutes.

Johnson Controls International plc, March 2020:

Voted against proposal "Advisory Vote to Ratify Named Executive Officers' Compensation". Rationale: Sizable CIC-related severance payments made in 2019.

Toll Brothers, Inc., March 2020:

Voted against proposal "Advisory Vote to Ratify Named Executive Officers' Compensation". No rationale provided.