Flowserve (UK) Limited Pension Scheme

Implementation Statement for Scheme year ending 05 April 2021

1. Introduction

This document is the Annual Implementation Statement ("the Statement") prepared by the Trustees of Flowserve (UK) Limited Pension Scheme ("the Scheme") covering the Scheme year ("the year") to 05 April 2021.

The purpose of this statement is to:

- detail any reviews of the Statement of Investment Principles ("SIP") that the Trustees have undertaken, and any changes made to the SIP over the year as a result of the reviews
- set out the extent to which, in the opinion of the Trustees, the Scheme's SIP has been followed during the Scheme year; and
- describe the voting behaviour, including "most significant" votes, by, or on behalf of, the Trustees, and any use of a proxy voter, during the year ending 05 April 2021.

The Trustees acknowledge the importance of being responsible stewards. Whilst the Trustees delegate voting rights and the execution of those rights to the underlying investment managers, an assessment of that voting activity, engagement and ESG integration is undertaken on behalf of the Trustees on a periodic basis through the form of an annual Sustainable Investment Review and thorough monitoring of voting data as part of the Statement process. No issues were raised during the year.

In addition, the Trustees, with input and advice from their Investment Consultant, look to identify and undertake appropriate training to ensure they keep abreast of developments and maintain an appropriate level of knowledge and understanding across investment and sustainability related topics.

A copy of this Implementation Statement has been made available on the following website: https://vfm.aviva.co.uk/flowserve-pension-scheme-F53927/

Review of and changes to the SIP during the Scheme year ending 05 April 2021

DB Section

The SIP was reviewed in September 2020. This review and update reflected new regulatory requirements which came into force 1 October 2020, including amendments to the Scheme's stewardship/engagement policy to include explicit references to arrangements with asset managers and other counterparties. There is a statutory requirement to review the SIP at least once every three years. The previously agreed SIP was dated September 2019.

The Trustees, together with advice from the Investment Consultant, carried out the review of the SIP in September 2020 mainly to reflect new legislative requirements. The revisions made to the SIP were as follows:

a) new wording regarding alignment with investment managers was added, particularly the Trustees' policies on:
    - how the arrangement with each investment manager incentivises the asset manager to align its investment strategy and decisions with the Trustees' policies;

- how that arrangement incentivises the investment manager to make decisions based on assessments about medium to long-term 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;
- how the Trustees will use their discretion, where appropriate, to set explicit guidelines within the Investment Management Agreement to ensure that any segregated mandates used are consistent with the Trustees' policies, where relevant to the mandate; and
- how the Trustees appoint their investment managers with an expectation of a long-term partnership which encourages active ownership of the Scheme's assets;

b) new wording regarding manager fees and the reviewing of asset management costs, particularly the Trustees' policies on:

- how managers are paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement; and
- how the Trustees review the costs incurred in managing the Scheme's assets annually. In assessing the appropriateness of portfolio turnover costs, the Trustees will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate;

No other policies in the previous SIP were changed as a result of this review.

DC Section

a) General wording changes to tidy up the wording, including minor changes to fund names and reference to the investment strategy changes taking place in 2019.

b) new wording regarding the Trustees' long-term expectations around return on investments. This considered the expectations of "growth" assets, annuity price matching assets and cash.

c) new wording regarding the investment strategy changes, which allowed for members to retain investment in the legacy lifestyle and in respect of the single member who has been permitted to retain investments in the Aviva Pacific Basin fund, which is outside of the agreed restricted range.

AVCs

While the Trustees have made no changes to the investments under the AVC policies during the period, the following changes were implemented by the AVC providers:

Utmost – from 1 July 2020, members' AVC funds under the policy with Utmost began automatically and gradually switching from Utmost's Secure Cash Fund to Utmost's "Investing by Age Strategy", which moves members through two multi-asset funds, before targeting cash, depending on a members age. It aims to reduce risk over time, culminating in the member being invested entirely in cash from age 85. The Trustees continue to assess the Utmost AVC arrangement on at least a triennial basis.

2. Adherence to the SIP during the Scheme year ending 05 April 2021

This Statement reviews adherence against the current SIP, dated September 2020, which built on the policies outlined in the SIP that was in place at the start of the year.

Overall, the Trustees believe the policies outlined in the SIP have been followed during the Scheme year ending 05 April 2021.

The investment strategy was formally reviewed in 2018, as part of the 2017 triennial actuarial valuation and will revisit this later this year. The Trustees monitor progress relative to the strategic objectives on a quarterly basis as outlined below.

The Trustees believe in diversification and the Scheme's portfolio is built using a diverse range of return-seeking assets and a dedicated allocation to liability driven investments which seek to match the sensitivity of the Scheme's liabilities to inflation and interest rates.

The Trustees have a policy to ensure that the Scheme's cashflow requirements can be readily met without disrupting its investment and maintain a cash buffer within the portfolio.

Full details of Scheme's individual investment and risk management policies can be found in the latest version of the SIP, which is publicly available to access by all members of the Scheme, and the below table summarises the key policies in place regarding the incentivisation, alignment and monitoring of the Scheme's investment managers.

Policy area	Approach
Incentivising Investment Managers to align their investment strategy and decisions with the Trustees' investment policies as set out in this SIP	Each Investment Manager is chosen for a targeted asset class or market exposure within the Scheme's investment strategy. Managers will be assigned appropriate performance benchmarks against which portfolio risk and return will be regularly measured. Benchmarks will be periodically reviewed to ensure that they continue to be appropriate for the individual mandates and the strategic objectives of the Scheme. The Scheme invests in a fund of funds for the return-seeking assets, which provides additional mitigation of any single manager being misaligned. To maintain alignment with the Trustees' policies and objectives, the investment managers will be provided with the most recent version of the Scheme's Statement of Investment Principles on an annual basis and are required to explicitly confirm that the Scheme's assets are managed in line with the Trustees' policies as outlined in the Statement.
Incentivising Investment Managers to base their decisions on assessments of the medium to long-term financial performance of an issuer of debt or equity, and to engage with those issuers to improve their medium to long-term performance	The Trustees appoint their investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. When assessing a manager's performance, the focus is on longer-term outcomes, and the Trustees would not expect to terminate a manager's appointment based purely on short term performance. However, a manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team. In assessing the stewardship and engagement activities of the investment managers, the Trustees will consider relevant matters including the capital structure of investee companies, actual and potential conflicts, other stakeholders and the ESG impact of underlying holdings. The Trustees expect its managers to sign up to their local stewardship code, in-keeping with good practice. The Trustees will monitor the activities of all its Investment Managers on a regular basis.
Method and timescale for evaluating that Investment	The Investment Managers appointment will be reviewed at least on an annual basis by the Trustees, based on the results

Managers' performance and fees align with the Trustees' investment policies	of their ongoing monitoring of performance and investment process and of the investment managers' compliance with the requirements of the Pensions Act concerning diversification and suitability, where relevant. Advice on the suitability of investments will be provided by the Scheme's investment consultant. Performance is monitored and reported to the Trustees net of fees and on a regular basis. The Investment Consultant conducts a detailed assessment of Investment Managers' performance and other factors at least annually. As part of this review, fees and charges are monitored in the context of the Investment Consultant's ongoing market evaluation of the price of fund management services. The Trustees understand the importance of assessing performance over longer time periods. Investment Managers' fees are reported to the Trustees regularly.
Monitoring turnover costs incurred by Investment Managers and how the Trustees define and monitor targeted portfolio turnover	The Trustees review the costs incurred in managing the Scheme's assets annually, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual manager level, the Trustees will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.
The length of arrangements with Investment Managers	The Trustees appoint their investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. When assessing a manager's performance, the focus is on longer-term outcomes, and the Trustees would not expect to terminate a manager's appointment based purely on short term performance. However, a manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.

3. Voting and Engagement

DB section

The Scheme's equity holdings are held within pooled investment vehicles and the Trustees delegate voting rights and the execution of those rights to the underlying managers for the securities they hold. Willis Towers Watson engage managers on areas for development, not least around resourcing, and improving the breadth and depth of corporate engagements.

Further information on the voting and engagement activities of those managers with equity investments is provided in the summary tables below.

Some of the Scheme's underlying investment strategies, such as fixed income holdings, do not have any voting rights attached and have been excluded from the table below. These include the Corporate Bonds (including the BlackRock mandate that was in place during the Scheme year).

Further information on the voting and engagement activities of those managers with equity investments is provided in the summary table below.

Fund	Voting activity for the year end 5 April 2021
TWIM CDF	Number of meetings at which the manager was eligible to vote: **1,519** Number of resolutions on which manager was eligible to vote: 16,874 Percentage of eligible votes cast: 100% Percentage of votes with management: 75% Percentage of votes against management: 25% Percentage of votes abstained from: 1% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 1%

Details on the most significant votes cast by these funds are captured in the table below.

Fund	Most significant votes cast during the 12 months to year ending 5 April 2021
TWIM CDF	Company: **China Telecom** Meeting Date: 20/05/2020 Resolution: **Authority to Issue Shares w/o Pre-emptive Rights** Company Management Recommendation: **For** How the manager voted: **Against** Rationale: Concerns about potentially excessive dilution. Company also does not need to issue new shares given a healthy balance sheet. Vote outcome: **For**
	Company: **Great Wall Motor** Meeting Date: 25/05/2020 Resolution: **Amendments to Articles of Association** Company Management Recommendation: **For** How the manager voted: **Against** Rationale: Shortened notice period as shareholders should be given enough time to consider items before general meetings Vote outcome: **For**
	Company: **Lenovo Group** Meeting Date: 01/07/2020 Resolution: **Authority to Issue Shares w/o Pre-emptive Rights; Authority to Issue Repurchased Shares** Company Management Recommendation: **For** How the manager voted: **Against** Rationale: Not supported due to potentially large dilution – rights issue for all shareholders would be preferred if large fund-raising is required. Vote outcome: **For**
	Company: **51Job** Meeting Date: 18/12/2020 Resolution: **Elect Cheng Li-Lan**

	Company Management Recommendation: **For** How the manager voted: **Against** Rationale: Over boarded Vote outcome: **For**
	Company: **SF Holding** Meeting Date: 20/02/2021 Resolution: **Authority to Give Guarantees for Company's; Wholly-Owned Subsidiary to Issue Debt Financing Instruments Overseas** Company Management Recommendation: **For** How the manager voted: **For** Rationale: The strong volume growth and expansion in overseas market needs the capital support. Management's track record in capital allocation management allocation is solid. The size and price discount of this equity placement is reasonable. Vote outcome: **For**
	Company: **Goodman Group** Meeting Date: 19/11/2020 Resolution: **Advisory Vote to Ratify Named Executive Officers' Compensation** Company Management Recommendation: **For** How the manager voted: **Against** Rationale: This item does not merit support as SSGA has concerns with the proposed remuneration structure for senior executives at the company. Vote outcome: 86% for, 14% against
	Company: **Barclays** Meeting Date: 07/05/2020 Resolution: **Resolution 29 Approve Barclays' Commitment in Tackling Climate Change Resolution 30 Approve ShareAction Requisitioned Resolution** Company Management Recommendation: **For** How the manager voted: **LGIM voted for resolution 29, proposed by Barclays and for resolution 30, proposed by ShareAction.** Rationale: The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers. We are particularly grateful to the Investor Forum for the significant role it played in coordinating this outcome. Vote outcome: Resolution 29 - supported by 99.9% of shareholders Resolution30 - supported by 23.9% of shareholders (source: Company website)
	Company: **Olympus Corporation** Meeting Date: 30/07/2020 Resolution: **Resolution 3.1: Elect Director Takeuchi, Yasuo at the company's annual shareholder meeting held on 30 July 2020.** Company Management Recommendation: **For** How the manager voted: **Against** Rationale: Japanese companies in general have trailed behind European and US companies, as well as companies in other countries, in ensuring more women are appointed to their boards. The lack of women is also a concern below board level. LGIM have for many years promoted and supported an increase of women on boards, at the executive level and below. On a global level we consider that every board should have at least one female director. We deem this a de minimis standard. Globally, we aspire to all boards comprising 30% women. Last year in February we sent letters to the largest companies in the MSCI Japan which did not

	have any women on their boards or at executive level, indicating that we expect to see at least one woman on the board. One of the companies targeted was Olympus Corporation. In the beginning of 2020, we announced that we would commence voting against the chair of the nomination committee or the most senior board member (depending on the type of board structure in place) for those companies included in the TOPIX100. We opposed the election of this director in his capacity as a member of the nomination committee and the most senior member of the board, in order to signal that the company needed to take action on this issue. Vote outcome: **94.90% of shareholders supported the election of the director**
	Company: **Amazon** Meeting Date: 27/05/2020 Resolution: **Shareholder resolutions 5 to 16** Company Management Recommendation: **For** How the manager voted: **Of 12 shareholder proposals, we voted to support 10. We looked into the individual merits of each individual proposal, and there are two main areas which drove our decision-making: disclosure to encourage a better understanding of process and performance of material issues (resolutions 5, 6, 7, 8, 10, 13, 15 and 16) and governance structures that benefit long-term shareholders (resolutions 9 and 14).** Rationale: In addition to facing a full slate of proxy proposals, in the two months leading up to the annual meeting, Amazon was on the front lines of a pandemic response. The company was already on the back-foot owing to the harsh workplace practices alleged by the author of a seminal article in the New York Times published in 2015, which depicted a bruising culture. The news of a string of workers catching COVID-19, the company's response, and subsequent details, have all become major news and an important topic for our engagements leading up to the proxy vote. Our team has had multiple engagements with Amazon over the past 12 months. The topics of our engagements touched most aspects of ESG, with an emphasis on social topics: • Governance: Separation of CEO and board chair roles, plus the desire for directors to participate in engagement meetings • Environment: Details about the data transparency committed to in their 'Climate Pledge' • Social: Establishment of workplace culture, employee health and safety The allegations from current and former employees are worrying. Amazon employees have consistently reported not feeling safe at work, that paid sick leave is not adequate, and that the company only provides an incentive of $2 per hour to work during the pandemic. Also cited is an ongoing culture of retaliation, censorship, and fear. We discussed with Amazon the lengths the company is going to in adapting their working environment, with claims of industry leading safety protocols, increased pay, and adjusted absentee policies. However, some of their responses seemed to have backfired. For example, a policy to inform all workers in a facility if COVID-19 is detected has definitely caused increased media attention. Vote outcome: **Resolution 5 to 8, and 14 to 16 each received approx. 30% support from shareholders. Resolutions 9 and 10 received respectively 16.7 and 15.3% support. Resolution 11 received 6.1% support. Resolution 12 received 1.5 % support. Resolution 13 received 12.2% support. (Source: ISS data)**
	Company: **Exxon Mobile** Meeting Date: 27/05/2020 Resolution: **Resolution 1.10 Elect Director Darren W. Woods** Company Management Recommendation: **For** How the manager voted: **Against** Rationale: In June 2019, under our annual 'Climate Impact Pledge' ranking of corporate climate leaders and laggards, we announced that we will be removing ExxonMobil from our Future World fund range and will be voting against the chair of the board. Ahead of the company's annual general meeting in May 2020, we also announced we will be supporting shareholder proposals for an independent chair and a report on the company's political lobbying. Due to recurring shareholder concerns, our voting policy also sanctioned the reappointment of the directors responsible for nominations and remuneration. Vote outcome **93.2% of shareholders supported the re-election of the combined chair and CEO Darren Woods. Approximately 30% of shareholders supported the proposals for independence and lobbying. (Source: ISS data)**

DC Section

Use of proxy voting:

Manager	Use of proxy advisor services:
Aviva Investors	Voting decisions are based off our Voting Policy which is reviewed on an annual basis and updated subject to Board approval. Final decisions are made by the Stewardship function (i.e ESG analysts) in conjunction with portfolio managers who inform the decision-making process by bringing their knowledge and assessment of company strategy and any special circumstances. To support us in making voting decisions, we use governance and other research from a number of sources. These include the Investment Association's IVIS service and ISS. We use research for data analysis only and we do not automatically follow any voting recommendations. For a number of years, ISS has been providing us with voting recommendations based on our own policy in order to ensure the most efficient approach to voting thousands of meetings a year. We can of course override these recommendations to consider other factors including additional context provided in the ISS standard Given the number of companies we own in our portfolios (including index funds), we seek to prioritise engagement by size of holding and where it is most likely to benefit our clients. This allows us to consider additional context from the company which occasionally results in us changing a vote. In addition, every year we write to the large majority of the companies we hold to notify them of our voting policy (highlighting any changes we have made), and also direct them to our voting records, where they are able to see how we have voted at their AGMs etc. and our reasons for not supporting any resolutions.
Blackrock	Blackrock did not provide an explanation of their use of proxy advisor services.
HSBC	We have global voting guidelines which protect investor interests and foster good practice, highlighting independent directors, remuneration linked to performance, limits on dilution of existing shareholders and opposition to poison pills. We use Institutional Shareholder Services (ISS) to assist with the application of our voting guidelines. ISS provides custom recommendations for all companies held, whether in active or passive funds. Custom recommendations on passive holdings are reviewed by the stewardship team for the largest holdings and by active managers for holdings in common. Vote instructions are executed through the ISS platform.

LGIM	LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions.

Further information on the voting and engagement activities of those managers with equity investments is provided in the summary table below.

Fund	**Voting activity for the year end 5 April 2021**
Aviva Investors 40:60 Global Equity Index Fund	Number of meetings at which the manager was eligible to vote: 2,984 Number of resolutions on which manager was eligible to vote: 38,007 Percentage of eligible votes cast: **95.36%** Percentage of votes with management: 73.90% Percentage of votes against management: 24.2% Percentage of votes abstained from: 1.90% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 19.90%
Aviva Investors Developed World Excluding UK Equity Index Fund	Number of meetings at which the manager was eligible to vote: 2,180 Number of resolutions on which manager was eligible to vote: 27,012 Percentage of eligible votes cast: 93.74% Percentage of votes with management: 65.70% Percentage of votes against management: 32.10% Percentage of votes abstained from: 2.20% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 26.20%
Aviva Investors UK Equity Index Fund	Number of meetings at which the manager was eligible to vote: 808 Number of resolutions on which manager was eligible to vote: 11,058 Percentage of eligible votes cast: 99.62% Percentage of votes with management: 93.20% Percentage of votes against management: 5.40% Percentage of votes abstained from: 1.40% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 4.70%
Aviva Investors Stewardship UK Equity Fund	Number of meetings at which the manager was eligible to vote: 52 Number of resolutions on which manager was eligible to vote: 895 Percentage of eligible votes cast: 99.55% Percentage of votes with management: 97.90% Percentage of votes against management: 1.60% Percentage of votes abstained from: 0.60%

	Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 2.20%
Blackrock Aquila Connect Emerging Markets Fund	Number of meetings at which the manager was eligible to vote: 2,472 Number of resolutions on which manager was eligible to vote: 23,180 Percentage of eligible votes cast: 96.77% Percentage of votes with management: 90.79% Percentage of votes against management: 9.21% Percentage of votes abstained from: 2.77% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: N/A
HSBC Islamic Global Equity Fund	Number of meetings at which the manager was eligible to vote: 109 Number of resolutions on which manager was eligible to vote: 1,597 Percentage of eligible votes cast: 91.60% Percentage of votes with management: 87.80% Percentage of votes against management: 12.20% Percentage of votes abstained from: 0% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 8.40%
LGIM Diversified Fund	Number of meetings at which the manager was eligible to vote: 11,362 Number of resolutions on which manager was eligible to vote: 115,604 Percentage of eligible votes cast: 98.98% Percentage of votes with management: 81.72% Percentage of votes against management: 17.71% Percentage of votes abstained from: 0.56% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 0.20%

Details on the most significant votes cast by these funds are captured in the table below.

The Investment managers have provided an extensive list of significant votes cast throughout the year. Here we show one example of the significant votes cast for each fund, however, an extensive list as provided by the managers is available upon request.

Fund	Most significant votes cast during the 12 months to year ending 5 April 2021
Aviva Investors 40:60 Global Equity Index Fund	Company: **Barclays plc** Meeting Date: **07/05/2020** Resolution: **Resolution 29. Approve Barclays' Commitment in Tackling Climate Change** Company Management Recommendation: **For** How the manager voted: **For** Rationale: Proposed by the Board, this resolution set out Barclays' commitment to climate change. Barclays is one of the largest lenders to fossil fuels globally, and it previously showed

	little intent to reduce its exposure. As such, support for this resolution is warranted at it sets out an ambition for Barclays to become a net zero bank by 2050 and directs the Company to set a strategy, with targets, to transition its provision of financial services across all sectors to align with the goals and timelines of the Paris Agreement. Barclays will report on progress annually starting from 2021. This resolution also signifies a dramatic cultural shift at the bank and culminates extensive work led by the Chair, Nigel Higgins and supported by the board and management team. Vote outcome: **The resolution was approved (the with 99.93% of shares voted)** Why this vote was chosen as most significant: This vote was selected given it's a relatively large shareholding and the positive impact it will have on the company's reputation. The vote goes down as a milestone event because it's the first climate change resolution at a European bank and demonstrates how banks' contribution to global warming remains a top priority for shareholders. There is still a long way to go as Barclays didn't commit to phase out financing to fossil-fuel companies that have no plans to contribute to the Paris targets so progress will be subject to regular review and challenge.
Aviva Investors Developed World Excluding UK Equity Index Fund	Company: **Alphabet** Meeting Date: **03/06/2020** Resolution: **Resolution 7. Establish Human Rights Risk Oversight Committee** Company Management Recommendation: **For** How the manager voted: **For** Rationale: As one of the co-filers of this resolution our view is that human rights are embedded in Alphabet's business model. The lack of a clear human rights programme that is comprehensive, company-wide, with policies, processes and due diligence systems is considered a business risk. Board-level oversight is considered necessary to sufficiently address the human rights risks associated with the Company's technologies. Further, continued controversies call into question the extent to which the existing structures provide adequate oversight on risks the company's technologies present to human rights, which, in turn, creates risks for the company in terms of retaining management and employees and retaining a good reputation in the eyes of users and advertisers. Vote outcome: **Approximately 45% of the independent votes supported the resolution.** Why this vote was chosen as most significant: human rights-related issues were the overarching theme of the meeting and a clear thread connecting the voices of investors heard at the AGM. The company insists they are progressing but that does not mean they are doing it well or at a scale large enough for the scope of the problem. It was clear from the AGM that the board lacks accountability to its investors and potentially lacks independence from management. We will continue to work on engaging with the company on human rights impact and proper oversight of such risks. This vote was selected given the materiality of the shareholder resolution (i.e. lack of a clear human rights programme) and the high level of support the proposal received. Investors will also be scrutinised about what they done to challenge and change practices at the company, particularly if employee practices and human rights are found to be below expectations. Alphabet is an active position for Aviva Investors
Aviva Investors UK Equity Index Fund	Company: **British American Tobacco plc.** Meeting Date: 30**/04/2020** Resolution: **Resolution 2. Approve Remuneration Report** Company Management Recommendation: **For** How the manager voted: **Against** Rationale: Our vote against reflected concerns over quantum. Specifically, CEO Jack Bowles was granted a 9.5% salary increase for FY2020. From FY2020, the new CFO's LTIP award has been increased to 400% of salary, up from 350% of salary previously. Under the LTIP, meeting threshold performance conditions will result in vesting of 15% of the award potential,

	and this level of vesting represents approximately 75% of salary for the CEO. We consider this to be excessive. Vote outcome: **The resolution was approved (with 62% support).** Why this vote was chosen as most significant: This vote was selected given it's a relatively large shareholding and large opposition to its remuneration report is a signal of broader discontent over its governance. Given the high level of opposition and the fact that against votes were over 20%, the company will be added to the Investment Association's public register. The company's response is that it will continue to listen to shareholder views to better understand the specific concerns of those who voted against this resolution. Our engagement with the company on remuneration will be part of our broader questioning and considerations for such as the extent of its progress in switching to alternative, less harmful products.
Aviva Investors Stewardship UK Equity Index Fund	Company: **Unilever PLC** Meeting Date: 12**/10/2020** Resolution: **Resolution 1. Approve the Unification of the Unilever Group under a Single Parent Company** Company Management Recommendation: **For** How the manager voted: **For** Rationale: In 2018 Unilever abandoned plans to reincorporate in the Netherlands after Aviva Investors publicly spoke out against the proposed move, which would have seen the company excluded from the FTSE 100. Two years later, this vote sought shareholder approval for revised plans to simplify the business, which will involve consolidating Unilever into a single UK holding, while maintaining its FTSE and AEX index position. The revised structure is also positive in providing strategic flexibility for future corporate transactions and business responsiveness, and strengthening Unilever's corporate governance, including the creation of a new equal voting basis per share for all shareholders. Vote outcome: **The resolution was approved (with approx. 99.5% of the shares voted)** Why this vote was chosen as most significant: This vote was selected given the commercial implications of the revised restructuring and as the company is a relatively large shareholding in the fund. This is a really positive outcome for both UK and Dutch shareholders. We were pleased that the Company ultimately listened to us and other shareholders as the revised proposals will allow the company to both restructure its brand and product portfolio more efficiently for growth, while enabling both UK and Dutch investors to remain invested.
BlackRock Aquila Connect Emerging Markets Fund	Company: **Korea Electric Power Corporation** Meeting Date: **09/11/2020** Resolution: **Item 1.2: Elect Choi Young-ho as an Inside Director2 Item 2: Elect Choi Young-ho as a Member of the Audit Committee** Company Management Recommendation: **For** How the manager voted: **For** Rationale: BlackRock expects audit committees to comprise only non-executive directors and a majority of independent directors to ensure independent oversight of the company's accounts, including assumptions made by management in key investment decisions as captured in the company's financial statements.7 The company has publicly indicated that the decision to continue to pursue the coal-fired plant projects in Indonesia and Vietnam took into consideration government-to-government level partnerships and support.8 BIS therefore has a duty to consider the potential risks that a publicly-appointed candidate might introduce to the company's internal audit process, including financial oversight of future government-led

	projects. We have communicated this responsibility with the company in recent engagements, including our duty to take voting actions if deemed necessary to signal concern in order to protect our clients' interests. Upon engagement and extensive analysis, and in consideration of the company's response to investor concerns by committing to move away from future coal-power projects, we supported the candidate Choi Young-ho as an inside director and audit committee member on the basis that: (i) Choi is a new nominee who ought not to be held accountable for KEPCO's past decisions; (ii) the prevailing regulation dictates the election of a government-appointee to the board and audit committee; and (iii) given KEPCO's recent announcement to stop all future coal projects, a safeguard is now in place that he, as well as other members of the board, will not be assessing any new coal projects going forward. We also supported the election of Lee Jong-Hwan as inside director (Item 1.1) as he is a new and non-publicly appointed nominee who is not associated with the company's past decisions. While we see the company's announcement to stop all future coal projects as a positive outcome, we remain very concerned with the coal-fired power plant projects KEPCO continues to pursue in Indonesia and Vietnam and the contradiction these projects present with the company's stated climate strategy. We will continue to engage with the company on the financial and environmental risks associated with both and seek adequate disclosure regarding the plans and anticipated timeline for the conversion and /or termination of the Saul 2 project in the Philippines and the Thabametsi plant in South Africa. Vote outcome: **Passed**
HSMC Islamic Global Equity Fund	Company: **Abbott Laboratories** Meeting Date: **24/04/2020** Resolution: **Reduce Supermajority Vote Requirement** Company Management Recommendation: **Against** How the manager voted: **For** Rationale: We favour one share, one vote and support measures to reduce / remove supermajority requirements Vote outcome: **The resolution approved.** Why this vote was chosen as most significant: We consider this vote to be relevant on the basis it was cast against the management recommendation and covered a relevant shareholder right.
LGIM Diversified Fund	Company: **The Procter & Gamble Company (P&G)** Meeting Date: 13**/10/2020** Resolution: **Resolution 5 Report on effort to eliminate deforestation.** Company Management Recommendation: **For** How the manager voted: **For** Rationale: P&G uses both forest pulp and palm oil as raw materials within its household goods products. The company has only obtained certification from the Roundtable on Sustainable Palm Oil for one third of its palm oil supply, despite setting a goal for 100% certification by 2020. Two of their Tier 1 suppliers of palm oil were linked to illegal deforestation. Finally, the company uses mainly Programme for the Endorsement of Forest Certification (PEFC) wood pulp rather than Forestry Stewardship Council (FSC) certified wood pulp. Palm oil and Forest Pulp are both considered leading drivers of deforestation and forest degradation, which is responsible for approximately 12.5% of greenhouse gas emissions that contribute to climate change. The fact that Tier 1 suppliers have been found to have links with deforestation calls into question due diligence and supplier audits. Only FSC certification offers guidance on land tenure, workers', communities and indigenous people's rights and the maintenance of high conservation value forests. LGIM engaged with P&G to hear its response to the concerns raised and the requests raised in the resolution. We spoke to representatives from the proponent of the resolution, Green Century. In addition, we engaged with the Natural Resource Defence Counsel to fully understand the issues and concerns. Following a round of extensive

	engagement on the issue, LGIM decided to support the resolution. Although P&G has introduced a number of objectives and targets to ensure their business does not impact deforestation, we felt it was not doing as much as it could. The company has not responded to CDP Forest disclosure; this was a red flag to LGIM in terms of its level of commitment. Deforestation is one of the key drivers of climate change. Therefore, a key priority issue for LGIM is to ensure that companies we invest our clients' assets in are not contributing to deforestation. LGIM has asked P&G to respond to the CDP Forests Disclosure and continue to engage on the topic and push other companies to ensure more of their pulp and wood is from FSC certified sources. Vote outcome: **The resolution received the support of 67.68% of shareholders (including LGIM).** Why this vote was chosen as most significant: **It is linked to LGIM's five-year strategy to tackle climate change and attracted a great deal of client interest.**