NATS Defined Contribution Pension Scheme ("the Scheme")

Annual Implementation Statement – 31 December 2020

1. Introduction

This statement, prepared by the Trustees of the Scheme ("the Trustees"), sets out how, and the extent to which, the Statement of Investment Principles ("SIP") has been followed during the year to 31 December 2020 ("the Scheme year"). This statement should be read in conjunction with the Scheme's SIP. This statement also includes a summary of the voting activity that was carried out on behalf of the Trustees over the Scheme year by the investment managers.

2. Statement of Investment Principles

2.1. Investment Objectives of the Scheme

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Scheme included in the SIP are as follows:

The Trustees recognise that members have differing investment needs and that these may change during the course of members' working lives. The Trustees also recognise that members have different attitudes to risk. The Trustees believe that members should make their own investment decisions based on their individual circumstances.

The following encapsulates the Trustees' objectives:

- *To make available a range of investment funds and range of lifestyle strategies that should enable members to tailor their own investment strategy to meet their own individual needs.*
- *Offer funds which facilitate diversification and long term capital growth (in excess of inflation).*
- *Offer funds that enable members to reduce risk in their investments as they approach retirement.*
- *Offer funds which mitigate the impact of sudden and sustained reductions in market values or rises in the cost of purchasing annuities.*
- *To structure the range of funds, provide a suitable number of funds, and present this range in a manner which may make it easier for members to make investment decisions.*
- *To provide a default investment lifestyle strategy for members until they make their own investment decisions.*

2.2. Review of the SIP

During the year the Trustees reviewed the Scheme's SIP once. The revision related to the new requirements for the SIP to include the Trustees' policy in relation to their arrangements with their investment managers, including:

- How the arrangement incentivises the investment manager to align its investment strategy and decisions with the Trustees' policies in SIP.
- 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 method (and time horizon) of the evaluation of investment manager's performance and the remuneration for asset management services are in line with the Trustees' policies mentioned in the SIP.
- How the trustees monitor portfolio turnover costs incurred by the investment manager and how they define and monitor targeted portfolio turnover or turnover range.
- The duration of the arrangement with the investment managers.

The SIP was approved and adopted at the Trustee meeting on 26 August 2020. The Trustees consulted with the sponsoring company in finalising the SIP.

The latest SIP is publically available and can be accessed on this link: https://www.nats.aero/home/nats-defined-contribution-pension-scheme/.

2.3. Assessment of how the policies in the SIP have been followed for the year to 31 December 2020

The information provided in the following section highlights the work undertaken by the Trustees during the Scheme year to 31 December 2020 and sets out how this work followed the Trustees' policies in the SIP.

In summary, it is the Trustees' view that the policies in the SIP have been followed during the Scheme year to 31 December 2020.

Strategic Asset Allocation

	Policy	Relevant section / policy in the SIP	How the policy has been met over the year to 31 December 2020
1	**Kind of investments to be held and the balance between different kinds of investments**	The Trustees have made available a range of self-select funds for investment in addition to the default investment option. A range of asset classes has been made available, including: equities, diversified growth funds, money market investments, gilts, index-linked gilts, corporate bonds and pre-retirement funds. It is the Trustees' policy to offer both actively and passively managed funds where appropriate, depending on asset class. All funds are daily-dealt pooled investment arrangements, with assets mainly invested on regulated markets. The Trustees believe, having taken expert advice, that it is appropriate to offer a range of investment funds and lifestyle strategies to allow members to tailor their own investment strategy. • The Trustees have decided to adopt three lifestyle strategies to reflect the different ways members can take benefits from DC pension savings at retirement (cash, income drawdown and annuity). • The Trustees have decided to adopt a core range of funds, defined by their risk/return characteristics to facilitate members choosing fund options which are broadly appropriate to their needs. • The Trustees have also decided to offer a selection of non-core specialist funds for members wishing to more closely tailor their fund choices to their personal circumstances.	No new investments were implemented during the course of the Scheme year, and the Trustees continue to hold investments within the Scheme that are consistent with the policies in the SIP. A review of the investment arrangements in the Scheme, in particular the default arrangement, was due to take place during 2020, but due to the circumstances caused by the pandemic, the Trustees decided to defer the timing, which is expected to happen in 2021.

	Policy	Relevant section / policy in the SIP	How the policy has been met over the year to 31 December 2020
2	**Risks, including the ways in which risks are to be measured and managed**	The Trustees consider risks from a number of perspectives. The list of risks (shown in the Section 5.2 of the SIP) is not exhaustive but covers the main risks that the Trustees consider and how they are managed. The Trustees recognise that all forms of investment carry some degree of risk. The Trustees have considered these risks when setting the Investment Strategy and ultimately the choice of funds made available to members as detailed in the following section	The Trustees considered both quantitative and qualitative measures for risks when deciding investment policies, strategic asset allocation, the choice of investment manager / funds / asset classes. During the year, the Trustees considered the majority of these risks by regularly monitoring performance delivered by the investment arrangements by way of quarterly performance reporting. No changes were made to the investments during the year. A more strategic assessment of these risks will form part of the investment review the Trustees plan to undertake during 2021.
3	**Expected Return on Investments**	The funds available are expected to provide an investment return relative to the level of risk associated with it. The Trustees believe that the range of funds offered should provide a range of potential returns that are suitable for the membership as a whole.	Investment performance relative to the expected return on investments (as measured by agreed benchmarks) was reviewed by the Trustees on a quarterly basis. Any concerns on performance were discussed with the Scheme's investment consultant, this included the impact of the covid-19 pandemic on investments in the Scheme and the performance of the Diversified Growth Fund managers during the year.

Investment Mandates

	Policy	Relevant section / policy in the SIP	How the policy has been met over the year to 31 December 2020
4	**Securing compliance with the legal requirements about choosing investments**	Before preparing the SIP, the Trustees have consulted with the Employer, (NATS Ltd), and obtained and considered written professional advice from Mercer Limited, the Scheme's investment consultants, regarding the Scheme's investment strategy.	There were no investment changes during the Scheme year. Any concerns on fund performance were discussed with the Scheme's investment consultant. The Scheme's investment consultant also briefed the Trustees on any changes in Mercer's view on the funds used. The Trustees sought advice from Mercer in drafting the revised SIP that was agreed in August 2020.

	Policy	Relevant section / policy in the SIP	How the policy has been met over the year to 31 December 2020
5	**Realisation of Investments**	The Trustee's administrators will realise assets following member requests on retirement or earlier where required. All funds are daily-dealt pooled investment arrangements, with assets mainly invested on regulated markets. In selecting assets, the Trustees consider the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable based on member demand.	All assets are daily-priced and daily-dealt pooled investment arrangements, with assets mainly invested in regulated markets, and therefore the assets have been realisable as required during the Scheme year. The Trustees received an administration report on a quarterly basis to confirm to ensure that core financial transactions are processed within SLAs and regulatory timelines. As confirmed in the Chair's Statement that has been prepared for the year ending 31 December 2020, the Trustees are satisfied that service level performance by Aegon averaged over the year was within tolerance for all core financial transactions and that in general they were completed promptly and accurately.
6	**Financial and non-financial considerations and how those considerations are taken into account in the selection, retention and realisation of investments**	The risks identified in the table in section 5.2 of the SIP are considered by the Trustees to be 'financially material considerations'. The Trustees believe the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and their selected retirement age. It is for this reason that a number of lifestyle options have been made available to members. Member views, when expressed, are considered in relation to financial and non-financial matters. The Trustees have made available separate socially responsible and Shariah Law compliant funds as part of the non-core fund range as options to members who wish to invest ethically or sustainably or according to particular religious principles.	The Trustees have identified key investment risks in the SIP. The majority of these risks have been monitored on a quarterly basis by the Trustees through the quarterly performance reporting. All of the risks identified are also considered as part of the formal strategic review process undertaken by the Trustees with the next review due later in 2021. No member views were expressed to the Trustees during the year on financial and non-financial matters relating to the Scheme's investments.

Monitoring the Investment Managers

	Policy	Relevant section / policy in the SIP	How the policy has been met over the year to 31 December 2020
7	**Incentivising investment managers to align their investment strategies and decisions with the Trustees' policies**	As the Trustees invest in pooled investment vehicles they accept that they limited ability to influence investment managers to align their decisions with the Trustees' policies set out in this Statement. However, appropriate funds can be selected to align with the Trustees' overall investment strategy. If the investment objective of a particular fund changes, the Trustees will review the use of that fund to ensure it remains appropriate and consistent with the Trustees' wider investment objectives.	The Trustees' policy on investment manager incentivisation was added in August 2020 to reflect the new requirements outlined earlier in Section 2.2. The arrangements in place were reviewed regularly in 2020, through the quarterly monitoring of investment performance. No investment changes were made during the Scheme year.
8	**Incentivising the investment managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity**	The Trustees expect investment managers to incorporate the consideration of longer term factors, such as ESG factors, into their decision making process where appropriate. Voting and engagement activity should be used by investment managers to discuss the performance of an issuer of debt or equity. The Trustees also consider the investment adviser's assessment of how each investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustees' responsible investment policy. The Trustees will use this assessment in decisions around selection, retention and realisation of manager appointments.	The Trustees' policy on investment manager incentivisation was added during in August 2020 to reflect the new requirements outlined earlier in Section 2.2. During the year, the investment consultant kept the Trustees abreast of any changes to the investment manager ratings (both on the management of the strategy and the ESG ratings). For example, Diversified Growth Fund performance and manager ratings and updates were discussed in December 2020.
9	**Evaluation of the investment manager's performance and the remuneration for asset management services**	The Trustees' focus is on longer-term performance but shorter-term performance is monitored to ensure any concerns can be identified in a timely manner. The Trustees review both absolute and relative performance against a portfolio or underlying investment manager's benchmark on a quarterly basis, including assessments of both shorter and longer time horizons. The Trustees also rely upon Mercer's manager research capabilities. The remuneration for investment managers used by the Scheme is based on assets under management. The levels of member borne fees, which include	The Trustees' policy on performance evaluation and investment manager remuneration was added during the year to reflect the new requirements outlined earlier in Section 2.2. To evaluate performance in respect of the investment managers, the Trustees received and discussed investment performance reports on a quarterly basis. As part of the annual Value for Members ("VfM") assessment, the Trustees review member borne fees, which include

	Policy	Relevant section / policy in the SIP	How the policy has been met over the year to 31 December 2020
		investment manager fees, are reviewed annually as part of the annual value for members assessment to ensure they continue to represent value for members. If performance is not satisfactory, the Trustees may request further action be taken, including a review of fees.	investment manager fees. A VfM assessment was produced in May 2021 (for year to 31 December 2020) and the Trustees concluded that, overall, the Scheme provides good value for members.
10	**Monitoring portfolio turnover costs**	Portfolio turnover costs for each of the funds are reviewed on an annual basis as part of the annual value for members assessment.	The Trustees' policy on monitoring portfolio turnover costs was added during the year to reflect the new requirements outlined earlier in Section 2.2. Transaction costs, where available, form part of the value for members' assessment carried out for the year to 31 December 2020. The Trustees considered these costs at the Trustee meeting held in May 2021. While the transaction costs provided appear to be reflective of costs expected of various asset classes and markets that the Scheme invests in, there is not as yet any "industry standard" benchmark or universe to compare these to. The Trustees will continue to monitor transaction costs on an annual basis and developments on assessing these costs for value.
11	**The duration of the arrangement with the investment manager**	The Trustees are long term investors. All funds are open-ended and therefore there is no set duration for manager appointments. The Trustees are responsible for the selection, appointment, monitoring and removal of the investment managers. The available fund range and Default Investment Option are reviewed on at least a triennial basis. The Trustees will cease using a fund if it is no longer considered to be optimal nor have a place in the default strategy or general fund range.	The Trustees' policy on the duration of an investment manager's appointment was added during the year to reflect the new requirements outlined earlier in Section 2.2. 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. There have been no changes in managers over the last 12 months. There remains no set durations for the funds used by the Scheme.

ESG Stewardship and Climate Change

	Policy	Relevant section / policy in the SIP	How the policy has been met over the year to 31 December 2020
12	**Undertaking engagement activities in respect of the investments** (including the methods by which, and the circumstances under which, trustee would monitor and engage with relevant persons about relevant matters)	Manager's engagement polices are expected to include all relevant matters including performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance. The Trustees consider how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring existing investment managers. This is done using ESG ratings on funds provided by the Scheme's investment consultant. These ratings represent the extent to which managers integrate ESG factors and active ownership into their core processes. The ESG ratings for the existing investment managers are provided on a quarterly basis.	In summary, the Trustees expect manager's engagement policies to include all relevant matters, as defined in the investment regulations. During the year, the investment consultant kept the Trustees abreast of any changes to the investment manager ratings (both on the management of the strategy and the ESG ratings, which represents the extent to which ESG considerations and stewardship are embedded in the investment process).

Voting Disclosures

	Policy	Relevant section / policy in the SIP	How the policy has been met over the year to 31 December 2020
13	**The exercise of the rights (including voting rights) attaching to the investments**	The Trustees have given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.	The Trustees have delegated their voting rights to the investment managers and also expect their investment managers to engage with the investee companies on their behalf. There was no change in this policy during the year and the policy reflects current practice. The Trustees have requested key voting activities from their managers during the Scheme year. The information received is summarised in the voting section that follows.

Engagement Policy Statement

Establishing beliefs and policies

Section 4 of the SIP sets out the Trustees' policy on ESG factors, stewardship and climate change. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship.

Following the DWP's requirements which came into force on 1 October 2019, the Trustees reviewed and updated the SIP setting out how they take account of financially material considerations, including Environmental, Social and Governance (ESG) considerations, and explicitly climate change. In addition, in line with the requirements, the SIP also includes the approach to the stewardship of the investments and how the Trustees take account (if at all) of member views on 'non-financial matters'.

This is a subject that the Trustees continue to view as very important, undertaking initial training in December 2018 on ESG factors as they relate to investment performance and establishing ESG beliefs during the first half of 2019.

Ultimately, the Trustees have delegated their voting rights to the investment managers. The SIP states *"The Trustees have given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. Manager's engagement polices are expected to include all relevant matters including performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance".*

There were no material changes to the beliefs or the policies during the Scheme year covered by this statement. It is the Trustees' view that the policy has been followed during the Scheme year.

Over the prior 12 months, the Trustees have not actively challenged the manager on its voting activity. The Trustees do not use the direct services of a proxy voter. The underlying managers' use of proxy voting is detailed later in this statement.

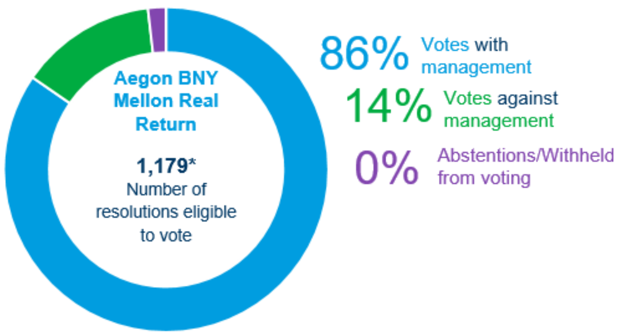
Voting activity during the year

The majority of voting activity will arise in public equity funds. However, voting opportunities may arise in other asset classes such as certain bonds, property, private equity and multi-asset funds. However, the Trustees have only received information relating to public equity funds this year. Voting activity information from each of the underlying investment managers (where provided) over the prior 12 months to 31 December 2020 is summarised in the pages that follow. Where fund managers have not been included this is due to information not being available at the time of finalising this report.

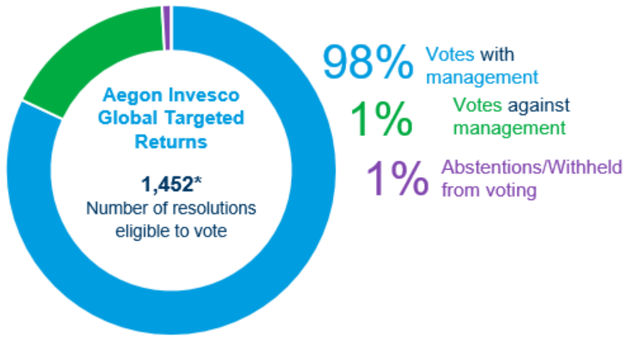
The **NATS Diversified Growth fund** in the Scheme is a component of **NATS Higher Growth fund** and the **NATS Cautious fund**, as well as being a self-select fund itself. The **NATS Global Equity fund** in the Scheme is also a component of **NATS Higher Growth fund**, as well as being a self-select fund. The NATS Diversified Growth and the NATS Global Equity funds have been specifically designed by the Trustees with the assistance of their investment consultant and each provides exposure to a number of underlying funds.

The underlying funds of the NATS Diversified Growth fund during the Scheme year were the Aegon BNY Mellon Real Return Fund (managed by Newton Investment Management), the Aegon Invesco Global Targeted Returns Fund and the Aegon LGIM Diversified Fund. The underlying funds of the NATS Global Equity fund during the Scheme year were the Aegon BlackRock MSCI World Equity Index fund, hedged and unhedged currency versions of the fund, and the Aegon BlackRock Emerging Markets Equity Index.

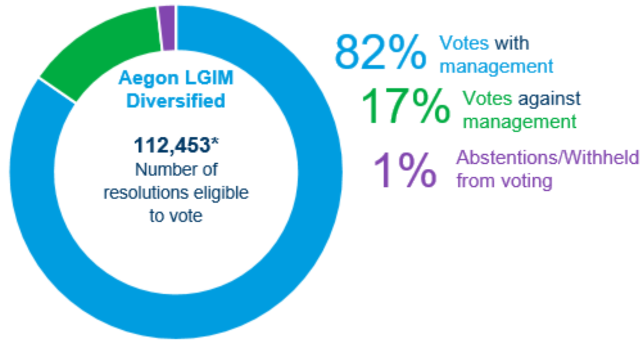
We have been supplied with the following voting activity for the underlying funds of the NATS Diversified Growth Fund and the NATS Global Equity Fund and these are summarised below:



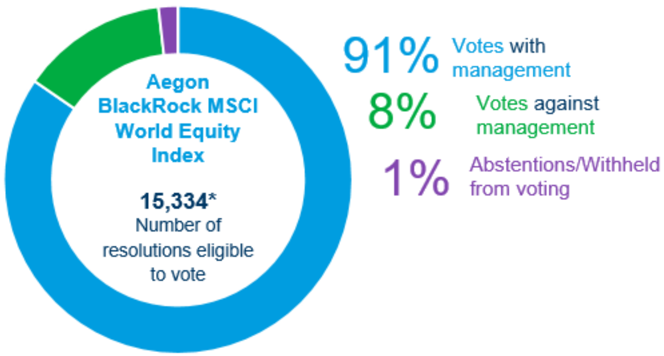
*99% of resolutions voted on



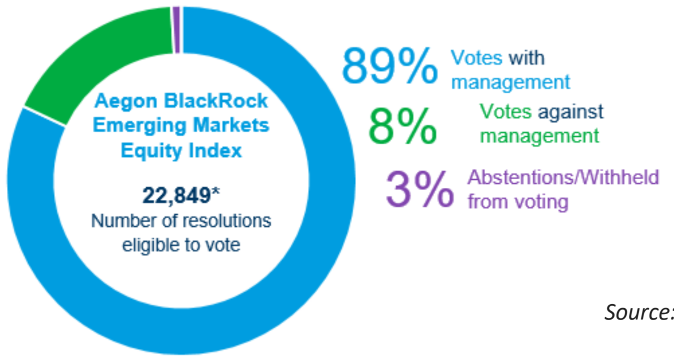
*100% of resolutions voted on



*99% of resolutions voted on



*91% of resolutions voted on

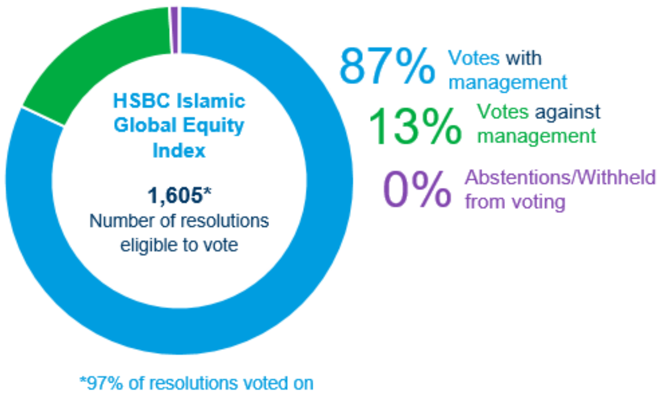


*97% of resolutions voted on

Source: Aegon

Further to the funds mentioned on the previous page, the NATS Shariah Law Fund (managed by HSBC) also invest in equities. Voting activity relating to the NATS Shariah Law Fund is summarised in the chart on the right.

Source: Aegon



Use of proxy voting by the manager

The table below sets out the use of proxy voting where this information has been provided by Aegon.

Manager	Use of proxy voting
BlackRock	BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team, which consists of three regional teams – Americas, Asia-Pacific, and Europe, Middle East and Africa. 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, and BlackRock state they do not blindly follow their recommendations on how to vote. BlackRock primarily use proxy research firms to synthesize 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.
Legal & General Investment Management ('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 they do not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is purely to augment their own research and proprietary ESG assessment tools. The Investment Stewardship team

Manager	Use of proxy voting
	also uses the research reports of Institutional Voting Information Services to supplement the research reports that LGIM receive from ISS for UK companies when making specific voting decisions To ensure their proxy provider votes in accordance with their position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM consider are minimum best practice standards which LGIM believe all companies globally should observe, irrespective of local regulation or practice. LGIM retain the ability in all markets to override any vote decisions, which are based on their 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 them to apply a qualitative overlay to their voting judgement. LGIM have strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform them of rejected votes which require further action.
Newton	Newton utilises ISS for the purpose of administering proxy voting (notification and lodgement of votes), as well as its research reports on individual company meetings. Only in the event where it is recognised a potential material conflict of interest do they follow the voting recommendations of ISS. The Head of Responsible Investment (RI) is responsible for the decision-making process of the RI team when reviewing meeting resolutions for contentious issues. Newton does not maintain a strict proxy voting policy. Instead, they prefer to take into account a company's individual circumstances, their investment rationale and any engagement activities together with relevant governing laws, guidelines and best practices. For the avoidance of doubt, all voting decisions are made by Newton. Newton does not maintain a rigid voting policy with any proxy voting service provider.
HSBC	HSBC has made use of ISS, their proxy voting service provider, for custom recommendations based upon their voting guidelines and for vote instruction.

Source: Aegon

Sample of signficant votes

The Trustees have been provided with the ‘most significant votes’ for a number of funds within the Scheme. It is not possible to disclosure all this information in this statement. Therefore, the Trustees have focused on the funds the Scheme has the largest exposure to; that is, the funds used in the default. The funds with significant exposure to equity in the default are managed by BlackRock, LGIM and Newton Investment Management (‘Newton’). Information relating to significant votes for Invesco was unavailable at the time of writing.

There is no official definition of what constitutes a significant vote; managers have adopted a variety of interpretations such as:

- There is a particular interest in a specific vote relating to an issue,
- The potential impact on the financial outcome,
- Size of the holding in the fund / mandate, and
- Whether the vote was high-profile or controversial.

Below we present each manager’s interpretation of a ‘significant vote’ and a selection of examples for each.

BlackRock

Process for determining the most-significant votes

BlackRock Investment Stewardship (“BIS”) team prioritises its work around themes that they believe will encourage sound governance practices and deliver sustainable long-term financial performance at the companies in which BlackRock invests on behalf of their clients. BlackRock year-round engagements with clients to understand their focus areas and expectations, as well as BlackRock’s active participation in market-wide policy debates, help inform these priorities. The themes identified are reflected in the Global Principles, market-specific voting guidelines and engagement priorities, which underpin their stewardship activities and form the benchmark against which the sustainable long-term financial performance of investee companies is looked at.

Significant votes undertaken by BlackRock to the equity holdings for the 12 months to 31 December 2020

BlackRock publishes “vote bulletins” on key votes at shareholder meetings to provide insight into certain vote decisions that are expect to be of particular interest to clients. These bulletins are intended to explain BlackRock’s vote decisions relating to a range of business issues including environmental, social, and governance matters that it’s considered, based on BlackRock’s global principles and engagement priorities, material to a company’s sustainable long-term financial performance.

BlackRock has provided over 50 “vote bulletins” for the year to 31 December 2020. As detail of all vote bulletins cannot be disclosed in this statement we have selected some examples below. BlackRock has not indicated which “vote bulletins” are relevant to each fund in the

Scheme. However, given the default has a substantial exposure to passive developed market equity, we have focused on four large cap companies which would represent a significant holding in such an exposure. The voting relating to these companies are in the table below showing how BlackRock voted and their rationale.

Company	**Resolution**	**How BlackRock voted, the rationale for the voting decision and date of vote**
Facebook, Inc.	**Item 1.2**: Elect Director Marc L. Andreessen **Item 4**: Shareholder Proposal to Approve Recapitalization Plan for all Stock to Have One-vote per Share	**Against** Mr. Andreessen as he serves on the Audit Committee and BlackRock does not consider him independent. **For** the shareholder proposal asking for a recapitalization plan as BlackRock generally supports one share one vote capital structures. BIS supported management on all remaining agenda items. Date of vote: 27 May 2020
Exxon Mobil Corporation	**Item 1.2**: Elect Director Angela F. Braly **Item 1.4**: Elect Director Kenneth C. Frazier **Item 4**: Require Independent Board Chair	**Against** Director Angela F. Braly for insufficient progress on Task Force on Climate-Related Financial Disclosures ('TCFD') aligned reporting and related action. **Against** Director Kenneth C. Frazier for insufficient progress on TCFD aligned reporting and related action, and for failure to provide investors with confidence that the board is composed of the appropriate mix of skillsets and can exercise sufficient independence from the management team to effectively guide the company in assessing material risks to the business. **For** the Independent Chair proposal on account of BlackRock's belief that the board would benefit from a more robust independent leadership structure given the concerns noted below. Date of vote: 27 May 2020
Tesla, Inc.	**Item 1.2**: Elect Director Robyn Denholm	**Against** Elect Director Robyn Denholm, company's pledging policy is not sufficiently robust, particularly given the significant number of shares committed by Mr. Musk.

Company	Resolution	How BlackRock voted, the rationale for the voting decision and date of vote
	Item 5: Adopt Simple Majority Vote	**For** Adopt Simple Majority Vote, could provide additional protections to minority investors. While Tesla is not a controlled company and does not have a dual class structure, there are other corporate governance concerns. Tesla shareholders do not elect each director annually; action cannot be taken by written consent; shareholders cannot call special meetings and there is no right to proxy access to nominate directors. Date of vote: 22 September 2020
Alphabet, Inc.	**Item 1.8**: Elect Director Ann Mather **Item 5**: Shareholder Proposal to Approve Recapitalization Plan for all Stock to Have One-vote per Share	**Against** Director Mather due to excessive board commitments. **For** the shareholder proposal asking for the recapitalization plan as BlackRock generally supports one share one vote capital structures. BIS supported management on all remaining agenda items. Date of vote: 3 June 2020

Source: BlackRock

LGIM

<u>Processes for determining the most significant votes</u>

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 they note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

LGIM will provide information on significant votes in the format of detailed case studies in their quarterly ESG impact report and annual active ownership publications.

LGIM publicly disclose their votes for the major markets on their website. The reports are published in a timely manner, at the end of each month and can be used by clients for their external reporting requirements.

Significant votes undertaken by LGIM to the equity holdings for the 12 months to 31 December 2020.

LGIM has provided information on 16 votes for the year to 31 December 2020 which they consider to be the most significant votes for the LGIM Diversified fund. We have provided an example of 4 of these votes below along with details on how LGIM voted and their rationale on determining how to vote.

Company	Resolution	How LGIM voted, the rationale for the voting decision, outcome and date of the vote
ExxonMobil	Resolution 1.10: Elect Director Darren W. Woods	**AGAINST.** In June 2019, under LGIM's annual 'Climate Impact Pledge' ranking of corporate climate leaders and laggards, LGIM announced that they would be removing ExxonMobil from LGIM 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, LGIM also announced they would be supporting shareholder proposals for an independent chair and a report on the company's political lobbying. Due to recurring shareholder concerns, LGIM's voting policy also sanctioned the reappointment of the directors responsible for nominations and remuneration. **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). Date of vote: 27 May 2020
Amazon	Shareholder resolutions 5 to 16	**FOR in 10 out of the 12 shareholder proposals.** LGIM looked into the merits of each individual proposal, and there are two main areas which drove their 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). 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

Company	Resolution	How LGIM voted, the rationale for the voting decision, outcome and date of the vote
		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 LGIM's engagements leading up to the proxy vote. LGIM's team has had multiple engagements with Amazon over the past 12 months. The topics of LGIM's 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. LGIM 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. **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). Date of vote: 27 May 2020
Barclays	Resolution 29: Approve Barclays' Commitment in Tackling Climate Change Resolution 30: Approve ShareAction	**FOR resolution 29, proposed by Barclays and FOR resolution 30, proposed by ShareAction.** The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers. LGIM noted the role of the Investor Forum in relation to the significant role it played in coordinating this outcome. **Outcome -** Resolution 29 was supported by 99.9% of shareholders and Resolution 30 was supported by 23.9% of shareholders (source: Company website). Date of vote: 7 May 2020

Company	Resolution	How LGIM voted, the rationale for the voting decision, outcome and date of the vote
	Requisitioned Resolution	
The Procter & Gamble Company (P&G)	Resolution 5: Report on effort to eliminate deforestation.	**FOR.** 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. LGIM spoke to representatives from the proponent of the resolution, Green Century. In addition, LGIM 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, LGIM 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 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. **Outcome -** The resolution received the support of 67.68% of shareholders (including LGIM). Date of vote: 13 October 2020

Source: LGIM

Newton

Processes for determining the most significant votes

Newton regards as material issues all votes against management, including where they support shareholder resolutions that the company's management are recommending voting against. As active managers, they invest in companies that they believe will support the long term performance objectives of their clients. By doing so, Newton 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 of what is perceived as areas for improvement. As such, by not supporting management, Newton believes this is material, which is different to a passive investor where there is no automatic assumption of a positive intent in ownership. As such, they report publicly the rationale for each instance where they have voted against the recommendation of the underlying company's management. At the fund level, each instance of voting against management is consider to be significant but if required to prioritise these instances, they take an objective approach that includes the fund's weighting in each security. This reflects the investment process and ensures the prioritised list includes those instances that could be most impactful to the long term value to the fund as well as those that may have an immediate impact to the fund.

Significant votes undertaken by Newton for the 12 months to 31 December 2020.

Newton has provided information on 10 votes for the year to 31 December 2020 which they consider to be the most significant votes for the BNY Mellon Real Return fund. Below we have provided four examples of these votes, which includes how Newton voted and their rationale on determining how to vote.

Company	Resolution	How Newton voted, the rationale for the voting decision, outcome and date of the vote
Microsoft Corporation	Elect Director, Advisory Vote to Ratify Named Executive Officers' Compensation and Ratify Deloitte & Touche LLP as Auditors	**AGAINST**. Despite improvements to executive remuneration practices over recent years, Newton remained concerned that approximately half of long-term pay awards vest irrespective of performance. Newton voted against the executive compensation arrangements and against the three members of the compensation committee. Newton also voted against the re-appointment of the company's external auditor given that its independence was jeopardised by having served in this role for 37 consecutive years. **Outcome -** 1.1%, 0.9%, 0.3%, AGAINST the three members of the compensation committee, 3.9% AGAINST reappointment of the auditor, 5.3% AGAINST executive officers' compensation. Date of vote: 2 December 2020

Company	Resolution	How Newton voted, the rationale for the voting decision, outcome and date of the vote
Unilever NV	Advisory Vote to Ratify Named Executive Officers' Compensation, re-elect non-executive directors	**AGAINST**. Votes were instructed against the remuneration report and members of the remuneration committee. Newton's first concern was with the 'co-investment plan', into which directors must invest at least one third of their annual bonus. This means that if no bonuses are awarded, executives have no long-term incentive, which may force bonuses to be awarded more generously than deserved in order to provide executives with a meaningful long-term award. Secondly, variable pay awards continue to be determined as a multiple of fixed pay into which other benefits like pensions are bundled, rather than as a multiple of base salary. **Outcome -** 3.6% AGAINST approve remuneration report. 1.5% and 0.8% AGAINST re-elect of two non-executive directors. Date of vote: 30 April 2020
Alibaba Group Holdings Limited	Elect Directors	**AGAINST**. Newton voted against the two members of the governance committee who were seeking re-election given their concern surrounding the low level of independence on the board. **Outcome -** 19.7% and 18.6% AGAINST elect the two directors. Date of vote: 30 September 2020
Mastercard Incorporated	Advisory Vote to Ratify Named Executive Officers' Compensation, Elect Board Directors (members of the compensation committee), Ratify PricewaterhouseCoopers LLP as Auditors	**AGAINST.** Votes were instructed against the executive compensation structure and the members of the compensation committee. Newton was concerned that a significant proportion of the long-term pay awards are subject only to time served and not performance. Newton also voted against the appointment of the auditor as it had been in place for 30 years which raised concerns surrounding independence. **Outcome -** 2.0%, 3.3%, 1.1%, 1.1%, 0.3% and 0.2% AGAINST compensation committee members; 3.7% AGAINST ratification of PwC; 4.5% AGAINST executive compensation. Date of vote: 16 June 2020

Source: Newton