

Implementation Statement

ARRI (GB) Limited Pension and Assurance Scheme

This Implementation Statement has been prepared by the Trustees of the ARRI (GB) Limited Pension and Assurance Scheme ("the Scheme") and sets out:

- How the Trustees' policies on exercising rights (including voting rights) and engagement policies have been followed over the year.
- The voting behaviour of the Trustees, or that undertaken on their behalf, over the year to 31 December 2020.

How voting and engagement policies have been followed

The Scheme invests its assets using pooled funds and delegates responsibility for carrying out voting and engagement activities to its investment managers.

Investment rights (including voting rights) have been exercised by the investment managers in line with the investment managers' general policies on corporate governance, which reflect the recommendations of the UK Stewardship Code, and which are provided to the Trustees from time to time, taking into account the financial interests of the beneficiaries. The Trustees also expect the investment managers to have engaged with the companies in relation to ESG matters where appropriate.

The Trustees are comfortable with the investment managers' strategies and processes for exercising rights and conducting engagement activities, and specifically that they attempt to maximize shareholder value as a long-term investor.

The Trustees reviewed the stewardship and engagement activities of their investment managers on an ongoing basis during the year, and at the 4 February 2020 Trustee meeting the Trustees decided to replace their existing LGIM equity assets with the LGIM Future World UK and Developed (ex UK) Equity Index Funds due to ESG considerations.

From this year, the Trustees will receive and review voting information and engagement policies provided by both the asset managers, and our investment advisors as necessary, on an annual basis. The voting and engagement information will be reviewed to ensure it aligns with the Scheme's policies.

Voting Data

Voting only applies to funds that hold equities in their portfolio. The Scheme's equity investments are all held through pooled funds. The investment managers for these funds vote on behalf of the Trustees.

The table below provides a summary of the voting activity undertaken by the investment manager over the year to 31 December 2020, together with information on any key voting priorities and information on the use of proxy voting advisors by the manager.

Manager	LGIM	LGIM	LGIM	LGIM
Fund name	Dynamic Diversified Fund	Future World UK Equity Index	Future World Dev ex UK Equity Index	Future World Dev ex UK Equity Index GBP Hedged
Structure	Pooled	Pooled	Pooled	Pooled
Ability to influence voting behaviour of manager	Limited*	Limited*	Limited*	Limited*
Number of company meetings the manager was eligible to vote at over the year	7,600	469	1,647	1,647
Number of resolutions the manager was eligible to vote on over the year	81,093	7,247	20,894	20,894
Percentage of resolutions the manager voted on	99.86%	100.00%	99.94%	99.94%
Percentage of resolutions the manager abstained from	0.68%	0.01%	0.18%	0.18%
Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on	84.32%	93.79%	79.72%	79.72%
Percentage of resolutions voted <i>against</i> management, as a percentage of the total number of resolutions voted on	15.00%	6.20%	20.10%	20.10%
Percentage of resolutions voted <i>contrary</i> to the recommendation of the proxy advisor	0.23%	1.01%	0.32%	0.32%

*The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.

Significant votes

For the first year of implementation statements we have delegated to the investment manager(s) to define what a "significant vote" is. A summary of the data they have provided is set out below. The Trustees' ESG policy leaves determining the key votes to their asset managers. The Scheme's investment adviser requested key voting data from the asset managers.

LGIM – All Funds

Table 1 of 4

	Vote 1	Vote 2	Vote 3
Funds this vote Applies to	<ul style="list-style-type: none"> • Dynamic Diversified Fund • Future World Developed ex UK Equity Index Fund • Future World Developed ex UK Equity Index Fund GBP Hedged 	<ul style="list-style-type: none"> • Dynamic Diversified Fund 	<ul style="list-style-type: none"> • Dynamic Diversified Fund • Future World UK Equity Index Fund
Company name	Qantas Airways Limited	Lagardere	SIG plc.
Date of vote	23 October 2020	05 May 2020	09 July 2020
Summary of the resolution	<p>Resolution 3: Approve participation of Alan Joyce in the Long-Term Incentive Plan</p> <p>Resolution 4: Approve Remuneration Report.</p>	<p>Shareholder resolutions A-P.</p> <p>Activist Amber Capital, which owned 16% of the share capital at the time of engagement, proposed 8 new directors to the Supervisory Board (SB) of Lagardère, as well as to remove all the incumbent directors (apart from two 2019 appointments).</p>	<p>Approve one-off payment to Steve Francis'</p>
How the manager voted	<p>Resolution 3: Against</p> <p>Resolution 4: For</p>	<p>LGIM voted in favour of five of the Amber-proposed candidates (resolutions H, J, K, L, and M).</p> <p>LGIM voted off five of the incumbent Lagardere SB directors (resolutions B, C, E, F, and G).</p>	<p>Against</p>
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	<p>LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is their policy not to engage with investee companies in the three weeks prior to an AGM as engagement is not limited to shareholder meeting topics.</p>		
Rationale for the voting decision	<p>The COVID crisis has had an impact on the Australian airline company's financials. The circumstances triggered extra scrutiny from LGIM as they wanted to ensure the impact of the COVID crisis on the company's stakeholders was appropriately reflected in the executive pay package. LGIM supported the remuneration report</p>	<p>Proposals by Amber were due to the opinion that the company strategy was not creating value for shareholders, that the board members were not sufficiently challenging management on strategic decisions, and for various governance failures. LGIM engages with companies on their strategies, any lack of challenge to these, and with governance</p>	<p>LGIM does not generally support one-off payments. They believe that the remuneration committee should ensure that executive directors have a policy in place that is appropriate for their role. The size of the payment was a concern because it was for work carried over a two-month period, yet was equivalent to 65% of his annual salary. Also, £225,000 was to</p>

	Vote 1	Vote 2	Vote 3
	(resolution 4) given the executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the long-term incentive plan (LTIP), in light of the pandemic. However, LGIM's concerns as to the quantum of the 2021 LTIP grant remained, especially given the share price at the date of the grant and the remuneration committee not being able to exercise discretion on LTIPs, which is against best practice. LGIM voted against resolution 3 to signal their concerns.	concerns. The company strategy had not been value-enhancing and the governance structure of the company was not allowing the SB to challenge management on this.	be paid in cash at a time when the company's liquidity position was so poor that SIG plc needed to raise additional funding through a highly dilutive share issue.
Outcome of the vote	Resolution 3: Supported by 90% of shareholders Resolution 4: Supported by 91% of shareholders	Resolutions A-P: supported by approx. between 30-40% of shareholders.	Opposed by 44% of shareholders.
Implications of the outcome	LGIM will continue their engagement with the company.	LGIM will continue to engage with the company to understand its future strategy and how it will add value to shareholders over the long term.	LGIM intend to engage with the company over the coming year to find out why this payment was deemed appropriate and whether they made the payment despite the significant opposition.
Criteria on which the vote is considered "significant"	It highlights the challenges of factoring in the impact of the COVID situation into the executive remuneration package.	LGIM noted significant media and public interest on this vote given the proposed revocation of the company's board.	The vote is high-profile and controversial.

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	Vote 4	Vote 5	Vote 6
Funds this vote applies to	<ul style="list-style-type: none"> Dynamic Diversified Fund Future World UK Equity Index Fund 	<ul style="list-style-type: none"> Dynamic Diversified Fund Future World UK Equity Index Fund 	<ul style="list-style-type: none"> Dynamic Diversified Fund Future World UK Equity Index Fund
Company name	Pearson	Barclays	International Consolidated Airlines Group
Date of vote	18 September 2020	07 May 2020	07 September 2020
Summary of the resolution	Amend remuneration policy	Resolution 29 - Approve Barclays' Commitment in Tackling Climate Change Resolution 30 - Approve ShareAction Requisitioned Resolution	Approve Remuneration Report

	Vote 4	Vote 5	Vote 6
How the manager voted	Against	Resolution 29: For Resolution 30: For	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is their policy not to engage with our investee companies in the three weeks prior to an AGM as engagement is not limited to shareholder meeting topics.		
Rationale for the voting decision	Pearson issued a series of profit warnings under its previous CEO. The company decided to put forward an all-or-nothing proposal in the form of an amendment to the company's remuneration policy. Shareholders were not able to vote separately on the two distinctly different items, and felt forced to accept a less-than-ideal remuneration structure for the new CEO.	The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers. LGIM are particularly grateful to the Investor Forum for the significant role it played in coordinating this outcome.	LGIM encouraged the board to demonstrate restraint with its executive remuneration. There was concern about the level of bonus payments for current executives and the departing CEO. LGIM expected the remuneration committee to exercise greater discretion in light of the financial situation of the company, and also to reflect the stakeholder experience.
Outcome of the vote	Opposed by 33% of shareholders.	Resolution 29: supported by 99.9% of shareholders Resolution 30: supported by 23.9% of shareholders (source: Company website)	Opposed by 28.4% of shareholders.
Implications of the outcome	Such significant dissent clearly demonstrates the scale of investor concern with the company's approach. It is important that the company has a new CEO, a crucial step in the journey to recover value; but key governance questions remain which will now need to be addressed through continuous engagement.	LGIM's focus will now be to help Barclays on the detail of their plans and targets. LGIM plan to continue to work closely with the Barclays board and management team in the development of their plans and will continue to liaise with ShareAction, Investor Forum, and other large investors, to ensure a consistency of messaging and to continue to drive positive change.	LGIM will continue to engage closely with the renewed board.
Criteria on which the vote is considered "significant"	Pearson has had strategy difficulties in recent years and is a large and well-known UK company. Given the unusual approach taken by the company and LGIM's outstanding concerns, they deem this vote to be significant.	Since the beginning of the year there has been significant client interest in LGIM's voting intentions and engagement activities in relation to the 2020 Barclays AGM. LGIM consider the outcome to be extremely positive for all parties: Barclays, ShareAction and long-term asset owners such as their clients.	LGIM considers this vote significant as it illustrates the importance for investors of monitoring investee companies' responses to the COVID crisis.

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	Vote 7	Vote 8	Vote 9
Funds this vote Applies to	<ul style="list-style-type: none"> • Dynamic Diversified Fund • Future World Developed ex UK Equity Index Fund • Future World Developed ex UK Equity Index Fund GBP Hedged 	<ul style="list-style-type: none"> • Dynamic Diversified Fund • Future World Developed ex UK Equity Index Fund • Future World Developed ex UK Equity Index Fund GBP Hedged 	<ul style="list-style-type: none"> • Dynamic Diversified Fund • Future World Developed ex UK Equity Index Fund • Future World Developed ex UK Equity Index Fund GBP Hedged
Company name	Medtronic plc	Olympus Corporation	Cardinal Health
Date of vote	11 December 2020	30 July 2020	04 November 2020
Summary of the resolution	Advisory Vote to Ratify Named Executive Officers' Compensation.	Elect Director Takeuchi, Yasuo' at the company's annual shareholder meeting	Advisory Vote to Ratify Named Executive Officers' Compensation.
How the manager voted	Against	Against	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is their policy not to engage with our investee companies in the three weeks prior to an AGM as engagement is not limited to shareholder meeting topics.		
Rationale for the voting decision	<p>Following the end of the financial year, executive directors were granted a special, one-off award of stock options to compensate for no bonus being paid out during the financial year. LGIM voted against the one-off payment as they are not supportive of one-off awards in general and in particular when these are awarded to compensate for a payment for which the performance criterion/criteria were not met. Prior to the AGM, LGIM engaged with the company and clearly communicated their concerns over one-off payments.</p>	<p>Japanese companies in general have trailed behind European and US companies in ensuring more women are appointed to their boards. At the beginning of 2020, LGIM announced that they would commence voting against the chair of the nomination committee or the most senior board member for those companies included in the TOPIX100. LGIM opposed the election of this director in order to signal that the company needed to take action on this issue.</p>	<p>The company paid out an above target bonus to the CEO, the same year it recorded a total pre-tax charge of \$5.63 billion (\$5.14 billion after tax) for expected opioid settlement costs during the fiscal year ended 30 June, 2020. LGIM has in previous years voted against executives' pay packages due to concerns over the remuneration structure not comprising a sufficient proportion of awards assessed against the company's performance. LGIM voted against the resolution to signal their concern over the bonus payment to the CEO in the same year the company recorded the charge for expected opioid settlement.</p>
Outcome of the vote	Supported by 91.73% of shareholders.	Supported by 94.90% of shareholders.	Supported by 61.4% of shareholders.

	Vote 7	Vote 8	Vote 9
Implications of the outcome	LGIM will continue to monitor this company.	LGIM will continue to engage with and require increased diversity on all Japanese company boards.	LGIM continues to engage with US companies on their pay structures and has published specific pay principles for US companies.
Criteria on which the vote is considered “significant”	LGIM believe it is contrary to best practice in general and their pay principles in particular to award one-off awards, especially if they are to compensate for a forgone payment.	This vote is deemed significant as LGIM considers it imperative that the boards of Japanese companies increase their diversity.	LGIM believe it is imperative that pay structures are aligned with company performance and that certain expenses over which directors have control and influence should not be allowed to be excluded in the calculation of their pay, in particular if these would be detrimental to the executive director(s) in question.

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	Vote 10	Vote 11	Vote 12
Funds this vote Applies to	<ul style="list-style-type: none"> • Dynamic Diversified Fund 	<ul style="list-style-type: none"> • Dynamic Diversified Fund • Future World Developed ex UK Equity Index Fund • Future World Developed ex UK Equity Index Fund GBP Hedged 	<ul style="list-style-type: none"> • Dynamic Diversified Fund • Future World Developed ex UK Equity Index Fund • Future World Developed ex UK Equity Index Fund GBP Hedged
Company name	ExxonMobil	Amazon	The Procter & Gamble Company (P&G)
Date of vote	27 May 2020	27 May 2020	13 October 2020
Summary of the resolution	Elect Director Darren W. Woods	Shareholder resolutions 5 to 16	Report on effort to eliminate deforestation.
How the manager voted	Against	Resolutions 5-10 and 13-16: For Resolutions 11 and 12: Against	For
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is their policy not to engage with our investee companies in the three weeks prior to an AGM as engagement is not limited to shareholder meeting topics.		
Rationale for the voting decision	In June 2019, under our annual 'Climate Impact Pledge' ranking of corporate climate leaders and laggards, LGIM announced that they will be removing ExxonMobil from their Future World fund range, and will be voting against the chair of the	Of 12 shareholder proposals, LGIM voted to support 10. They looked into the individual merits of each individual proposal, and there are two main areas which drove their decision-making: disclosure to encourage a better understanding of process	P&G uses both forest pulp and palm oil as raw materials within its household goods products. Two of their Tier 1 suppliers of palm oil were linked to illegal deforestation. Palm oil and Forest Pulp are both considered leading drivers of deforestation

	Vote 10	Vote 11	Vote 12
	board. Ahead of the company's annual general meeting in May 2020, LGIM also announced they will be supporting shareholder proposals for an independent chair and a report on the company's political lobbying. Due to recurring shareholder concerns, their voting policy also sanctioned the reappointment of the directors responsible for nominations and remuneration.	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).	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.
Outcome of the vote	Supported by 91.73% of shareholders.	Resolutions 5-8 and 14-16: supported by approx. 30% of shareholders. Resolutions 9 and 10: supported by 16.7 and 15.3% of shareholders respectively. Resolution 11-13: supported by 6.1%, 1.5% and 12.2% of shareholders respectively.	Supported by 67.68% of shareholders.
Implications of the outcome	LGIM will continue to monitor this company.	Despite shareholders not giving majority support to the raft of shareholder proposals, the sheer number and focus on these continues to dominate the landscape for the company. LGIM's engagement with the company continues as they push it to disclose more and to ensure it is adequately managing its broader stakeholders, and most importantly, its human capital.	LGIM will continue to engage with P&G on the issue and will monitor its CDP disclosure for improvement.
Criteria on which the vote is considered "significant"	LGIM believe it is contrary to best practice in general and their pay principles in particular to award one-off awards, especially if they are to compensate for a forgone payment.	The market attention was significant leading up to the AGM, with 12 shareholder proposals on the table (the largest number of any major US company this proxy season), diverse investor coalitions submitting and rallying behind the proposals, substantial press coverage with largely negative sentiment and lastly multiple state treasurers speaking out and even holding an online targeted pre-annual meeting investor forum. Anecdotally, the Stewardship team received more inquires related to Amazon than any other company this season.	It is linked to LGIM's five-year strategy to tackle climate change and attracted a great deal of client interest.

Fund level engagement

Data Limitations

Information relating to fund level engagement policies was requested from LGIM. LGIM provided engagement data a firm level, rather than at fund level, therefore the data provided in the table below is at a firm level. The Trustees' investment consultants are working with LGIM to improve the depth of the information provided in the requested format.

Manager	LGIM
Fund name	Applicable for all LGIM funds
Does the manager perform engagement on behalf of the holdings of the fund	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes
Number of engagements undertaken at a firm level in the year	891
Examples of engagements undertaken with holdings in the fund	<p>The top engagement topics over the year to 31 December 2020 were:</p> <ul style="list-style-type: none">• Remuneration• Board compensation• Diversity• LGIM ESG Score• Climate Change• Strategy• COVID 19• Gender and Ethnic Diversity• Disclosures• Public Health <p>An example is LGIM's engagement regarding Barclays' AGM, in which there has been significant client interest. LGIM endorsed Barclay's ESG target, to shrink its carbon footprint to net zero by 2050, and are focusing on helping Barclays develop plans and achieve their target.</p> <p>Another example is LGIM's engagement with ExxonMobil. The company refused to disclose and set targets for its total carbon emission, which put it at odds with peers and caused concerns as the energy transition accelerates and uncertainty increased over the long-term prospects of the fossil fuel industry. LGIM announced in June 2019 that they would be removing ExxonMobil from their future world fund range, and would be voting against the chair of the board at the May 2020 AGM. LGIM's voting intentions were the subject of over 40 articles in major news outlets across the world,</p>

Manager**LGIM**

including Reuters, Bloomberg, Les Échos and Nikkei, with a number of asset owners in Europe and North America also declaring their intentions to vote against the company. At the AGM, circa 30% of shareholders supported the proposals for independence and lobbying. LGIM believe this sends an important signal, and will continue to engage, both individually and in collaboration with other investors, to push for change at the company