SPENCE

Interfloor Limited Final Salary Scheme (the 'Scheme') - Investment Accounting Disclosures

Trustee Policies

This section sets out the policies in the Statement of Investment Principles ('SIP') in force at the Scheme year end, relating to the following:

- Financially Material considerations
- Non-Financially Material considerations
- Investment Manager Arrangements

Stewardship including the exercise of voting rights and engagement activities is set out in the 'Voting and Engagement' section.

Financially Material considerations

The Trustees have considered financially material factors such as environmental, social and governance ('ESG') issues as part of the investment process to determine a strategic asset allocation over the length of time during which the benefits are provided by the Scheme for members. They believe that financially material considerations (including climate change) are implicitly factored into the expected risk and return profile of the asset classes that they are investing in.

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustees have elected to invest through pooled funds. The Trustees acknowledge that they cannot directly influence the environmental, social and governance policies and practices of the companies in which the pooled funds invest. However, the Trustees do expect their fund managers and investment adviser to take account of financially material considerations when carrying out their respective roles.

The Trustees accept that the Scheme's assets are subject to the investment manager's own policy on socially responsible investment. The Trustees will assess whether this corresponds with their responsibilities to the beneficiaries of the Scheme with the help of their investment adviser.

An assessment of the ESG and responsible investment policies forms part of the manager selection process when appointing new managers and these policies are also reviewed regularly for existing managers with the help of the investment adviser. The Trustees will only invest with investment managers that are signatories for the United Nations Principles of Responsible Investment ('UN PRI') or other similarly recognised standards.

The Trustees will monitor financially material considerations through the following means:

Obtain training where necessary on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and their investments;

Use ESG ratings information provided by their investment adviser, to assess how the Scheme's investment managers take account of ESG issues; and

Request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes, via their investment adviser.

If the Trustees determine that financially material considerations have not been factored into the investment managers' process, they will take this into account on whether to select or retain an investment.

Non-Financially Material considerations

The Trustees have not considered non-financially material matters in the selection, retention and realisation of investments.

Investment Manager Arrangements

Incentives to align investment managers' investment strategies and decisions with the Trustees' policies

The Scheme invests in pooled funds and so the Trustees acknowledge the funds' investment strategies and decisions cannot be tailored to the Trustees' policies. However, the Trustees set their investment strategy and then select managers that best suits their strategy taking into account the fees being charged, which acts as the fund manager's incentive.

The Trustees use the fund objective/benchmark as a guide on whether their investment strategy is being followed and monitors this regularly.

Incentives for 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 and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term

The Trustees select managers based on a variety of factors including investment philosophy and process, which they believe should include assessing the long term financial and non-financial performance of the underlying company that they invest in.

The Trustees also consider the managers' voting and ESG policies and how they engage with the company as they believe that these factors can improve the medium to long-term performance of the investee companies.

The Trustees will monitor the managers' engagement and voting activity on an annual basis as they believe this can improve long term performance. The Trustees expect their managers to make every effort to engage with investee companies but acknowledge that their influence may be more limited in some asset classes, such as bonds, as they do not have voting rights.

The Trustees acknowledge that in the short term, these policies may not improve the returns they achieve, but do expect that by investing in those companies with better financial and non-financial performance over the long term, this will lead to better returns for the Scheme. The Trustees believe that the annual fee paid to the fund managers incentivises them to do this.

If the Trustees feel that the fund managers are not assessing financial and non-financial performance or adequately engaging with the companies they are investing in, they will use these factors in deciding whether to retain or terminate a manager.

How the method (and time horizon) of the evaluation of the fund managers' performance and the remuneration for asset management services are in line with the Trustees' policies

The Trustees review the performance of each fund quarterly on a net of fees basis compared to its objective.

The Trustees assess the performance of the funds, where possible, over at least a 3-5 year period when looking to select or terminate a manager, unless there are reasons other than performance that need to be considered.

The fund managers' remuneration is considered as part of the manager selection process and is also monitored regularly with the help of their investment adviser to ensure it is in line with the Trustees' policies.

How the Trustees monitor portfolio turnover costs incurred by the fund managers, and how they define and monitor targeted portfolio turnover or turnover range

The Trustees monitor the portfolio turnover costs on an annual basis.

The Trustees define target portfolio turnover as the average turnover of the portfolio expected in the type of strategy the manager has been appointed to manage. This is monitored on an annual basis.

The Trustees have delegated the responsibility of monitoring portfolio turnover costs and target portfolio turnover to their investment adviser and this is reported to the Trustees so they too can monitor this.

The duration of the arrangement with the fund managers

The Trustees plan to hold each of their investments for the long term but will keep this under review.

Changes in investment strategy or changes in the view of the fund managers can lead to the duration of the arrangement being shorter than expected.

Voting and Engagement

The Trustees are required to disclose the voting and engagement activity over the Scheme year. The Trustees have appointed Minerva Analytics ('Minerva') to obtain voting and investment engagement information ('VEI') on the Scheme's behalf.

This statement provides a summary of the key information and summarises Minerva's findings on behalf of the Scheme over the Scheme year.

<u>Voting and Engagement Policy and Funds</u>

The Trustees' policy on stewardship is as set out below in the SIP dated April 2021:

The Trustees' policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the investment manager on the Trustees' behalf, having regard to the best financial interests of the beneficiaries.

The investment manager should engage with companies to take account of ESG factors in the exercise of such rights as the Trustees believe this will be beneficial to the financial interests of members over the long term. The Trustees will review the investment managers' voting policies, with the help of their investment adviser, and decide if they are appropriate.

The Trustees also expect the fund manager to engage with investee companies on the capital structure and management of conflicts of interest.

If the policies or level of engagement are not appropriate, the Trustees will engage with the investment manager, with the help of their investment adviser, to influence the investment manager's policy. If this fails, the Trustees will review the investments made with the investment manager.

The Trustees have taken into consideration the Financial Reporting Council's UK Stewardship Code and expect investment managers to adhere to this where appropriate for the investments that they manage.

The table below sets out the funds the Scheme invested in over the Scheme year and states the use of a proxy voter.

Fund / Product Manager	Investment Fund/Product	Made Via	Scheme / Inv Type	Period Start Date	-	Period End Date	'Proxy Voter' Used?
BlackRock	Corporate Bond Up to 5 Years Index Fund	Mobius	DB	01/08/20	-	31/07/21	
BNY Mellon	Newton Global Dynamic Bond Fund	Mobius	DB	20/11/20	-	31/07/21	
Columbia Threadneedle	Threadneedle Pensions Property Fund	Mobius	DB	01/08/20	-	31/07/21	
LGIM	Cash Fund	Mobius	DB	01/08/20	-	31/07/21	
	Dynamic Diversified Fund	Mobius	DB	01/08/20	-	31/07/21	ISS
	LDI Matching Core Funds (4 separate funds)	Mobius	DB	01/08/20	-	31/07/21	
	World Equity Index Fund (Including GBP hedged variant)	Mobius	DB	01/08/20	-	31/07/21	ISS
Payden & Rygel	Payden Absolute Return Bond Fund	Mobius	DB	01/08/20	-	20/11/20	
Vontobel	TwentyFour Strategic Income Fund	Mobius	DB	01/08/20	-	31/07/21	
Phoenix Life	AVC Product	Direct	DC - AVC	01/08/20	-	31/07/21	
Utmost	AVC Product	Direct	DC - AVC	01/08/20	-	31/07/21	

Confirmed by Manager | Not Yet Confirmed by Manager | *Not Applicable

*Indicates that the specific fund or product does not have voting information to report, and as a result there is no 'Proxy Voter' as such

ISS is a proxy voting service.

Exercise of voting rights

The voting activity was requested from all of the Scheme's managers, where appropriate. Information was obtained from BNY Mellon, as well as from Legal and General Investment Management ('LGIM') in relation to their Dynamic Diversified and World Equity Index Funds (including the GPB hedged variant). Unfortunately at the time of drafting this report, no information was forthcoming from Phoenix Life or Utmost. Minerva received a response from BlackRock, Columbia Threadneedle, Payden & Rygel, Vontobel, and Legal & General Investment Management ('LGIM') in relation to their Cash Fund and LDI Matching Core Funds, all of these managers confirmed that there was no voting information to report.

Legal & General Investment Management ('LGIM') confirmed that there is voting activity for the Dynamic Diversified and World Equity Index Funds (including the GBP hedged variant). However, LGIM are currently unable to provide bespoke period reporting, and so are at odds with the Scheme's reporting period. However, Minerva were able to conclude that LGIM's voting policies and disclosures broadly comply with the ICGN Voting Guidelines Principles and good corporate governance practices.

BNY Mellon provided voting information (albeit for only 2 votes). An assessment of how their voting policy aligns with current good practice cannot be carried out as the investments held in the Global Dynamic Bond Funds are fixed interest in nature. Therefore, they do not come with traditional voting rights, but instead, they occasionally have opportunities where owners can vote on corporate actions associated with their investments, which are treated on a case-by-case basis.

Manager Voting Behaviour

The Trustees believe that responsible oversight of investee companies is a fundamental duty of good stewardship. As such, they expect the Scheme's managers to vote at the majority of investee company meetings every year, and to provide sufficient information as to allow for the independent assessment of their voting activity.

The table below sets out the voting behaviour of each manager where disclosed by the manager.

Manager	Fund	No. of Meetings Eligible for Voting	No. of Resolutions: Eligible for Voting	% Eligible Voted	% Voted in Favour	% of Voted Against	% Abstain
BNY Mellon	Newton Global Dynamic Bond	2	21	0%	0%	0%	0%
LGIM	Dynamic Diversified Fund	7,887	83,262	99.9%	84.1%	15.2%	0.7%
	World Equity Index Fund (including GBP hedged variant)	3,017	36,555	98.3%	81.8%	17.7%	0.5%

Significant Votes

Set out in the following table is a summary of the Scheme's manager's significant voting behaviour. Where the manager has not provided the level of data to identify the 'Significant Votes' based on the criteria explained below, Minerva has applied the definition provided by the managers themselves.

A 'Significant Vote' relates to any resolution at a company that meets one of the following criteria:

- contradicts local market best practice (e.g., the UK Corporate Governance Code in the UK)
- is one proposed by shareholders that attracts at least 20% support from investors; and
- attracts over 10% dissenting votes from shareholders.

Manager	Fund(s)	Company Name	Date of Vote	Summary of Resolution	For / Against / Abstain	Outcome of Vote	Why Significant?
LGIM	Dynamic Diversified Fund World Equity Index Fund (including GBP hedged variant)	International Consolidated Airlines Group	07-Sep-20	Resolution 8: Approve Remuneration Report' was proposed at the company's annual shareholder meeting held on 7 September 2020.	We voted against the resolution.	28.4% of shareholders opposed the remuneration report.	LGIM considers this vote significant as it illustrates the importance for investors of monitoring our investee companies' responses to the COVID crisis.
		Vote Rationale: The COVID-19 crisis and its consequences on international transport have negatively impacted this airline company's financial performance and business model. At the end of March 2020, LGIM addressed a private letter to the company to state our support during the pandemic. We also encouraged the board to demonstrate restraint and discretion with its executive remuneration. As a result of the crisis, the company took up support under various government schemes. The company also announced a 30% cut to its workforce. On the capital allocation front, the company decided to withdraw its dividend for 2020 and sought shareholder approval for a rights issue of €2.75 billion at its 2020 AGM in order to strengthen its balance sheet. The remuneration report for the financial year to 31 December 2019 was also submitted to a shareholder vote. We were concerned about the level of bonus payments, which are 80% to 90% of their salary for current executives and 100% of their salary for the departing CEO. We noted that the executive directors took a 20% reduction to their basic salary from 1 April 2020. However, whilst the bonuses were determined at the end of February 2020 and paid in respect of the financial year end to December 2019, LGIM would have expected the remuneration committee to exercise greater discretion in light of the financial situation of the company, and also to reflect the stakeholder experience (employees and shareholders). Over the past few years, we have been closely engaging with the company, including on the topic of the succession of the CEO and the board chair, who were long-tenured. This engagement took place privately in meetings with the board chair and the senior independent director. This eventually led to a success, as the appointment of a new CEO to replace the long-standing CEO was announced in January 2020. A new board chair: an independent non-executive director, was also recently appointed by the board. He will be starting his new role in January 2021.					

Manager	Fund(s)	Company Name	Date of Vote	Summary of Resolution	For / Against / Abstain	Outcome of Vote	Why Significant?
LGIM	Dynamic Diversified Fund	Plus500 ltd.	16-Sep-20	'Resolution 17: Approve Special Bonus Payment to CFO Elad Even-Chen' at the company's special shareholder meeting held on 16 September 2020.	We voted against the special bonus based on the belief that such transaction bonuses do not align with the achievement of pre-set targets. Separately, LGIM also voted against an amendment to the company's remuneration policy, which continues to allow for the flexibility to make one-off awards and offers long-term incentives that remain outside best market practice in terms of long-term performance alignment.	Given the level of shareholder dissent, Resolution 17 was withdrawn ahead of the AGM, while all the other resolutions were passed. The company stated that: 'The board and the remuneration committee consider that a bonus is appropriate given the outstanding efforts of [the CFO].'As such, Plus500 intends to again propose the resolution for shareholder approval at the EGM to cover 2021 director pay (as is required under Israeli law).	There was a level of media interest regarding the withdrawal of the resolution. This, combined with the other shortcomings of this company in relation to the expectations of a company listed in London, make this a significant vote. Shareholder dissent to the resolution was sufficiently high that the proposal was withdrawn ahead of the AGM; this will result in the company being included in the UK Investment Association's Public Register.
		Vote Rationale: At its AGM on 16 September 2020, Plus500 proposed a number of pay-related proposals for shareholder approval. Amongst these, the board recommended the approval of a substantial discretionary bonus offered to the CFO of around ?4.2 million (around $1.2 million), for his successful work with Israeli tax authorities over a number of years, resulting in a significant tax-saving for shareholders. The bonus is in addition to his annual variable pay and outside the normal bonus structure. LGIM does not support one-off discretionary bonuses (or transaction bonuses) as these are not within the approved policy to reward the achievement of pre-set targets. Moreover, discussions with tax authorities and the obtaining of preferential tax structures for the company are seen as part of a CFO's day-to-day job and should not be remunerated separately. Instead, a preferential tax treatment will benefit future performance and will therefore be rewarded within annual bonus and long-term incentives in future performance years.					
LGIM	Dynamic Diversified Fund World Equity Index Fund (including GBP hedged variant)	Pearson	18-Sep-20	Resolution 1: Amend remuneration policy was proposed at the company's special shareholder meeting, held on 18 September 2020.	We voted against the amendment to the remuneration policy.	At the EGM, 33% of shareholders voted against the co-investment plan and therefore, by default, the appointment of the new CEO.	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 our outstanding concerns, we deem this vote to be significant.
		Vote Rationale: Pearson issued a series of profit warnings under its previous CEO. Yet shareholders have been continuously supportive of the company, believing that there is much value to be gained from new leadership and a fresh approach to their strategy. However, the company decided to put forward an all-or-nothing proposal in the form of an amendment to the company's remuneration policy. This resolution at the extraordinary general meeting (EGM) was seeking shareholder approval for the grant of a co-investment award, an unusual step for a UK company, yet if this resolution was not passed the company confirmed that the proposed new CEO would not take up the CEO role. This is an unusual approach and many shareholders felt backed into a corner, whereby they were keen for the company to appoint a new CEO, but were not happy with the plan being proposed. However, 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. LGIM spoke with the chair of the board earlier this year, on the board's succession plans and progress for the new CEO. We also discussed the shortcomings of the company's current remuneration policy. We also spoke with the chair directly before the EGM, and relayed our concerns that the performance conditions were weak and should be re-visited, to strengthen the financial underpinning of the new CEO's award. We also asked that the post-exit shareholding requirements were reviewed to be brought into line with our expectations for UK companies. In the absence of any changes, LGIM took the decision to vote against the amendment to the remuneration policy.					
		The Procter & Gamble Company (P&G)	13-Oct-20	Resolution 5 Report on effort to eliminate deforestation.	LGIM voted in favour of the resolution.	The resolution received the support of 67.68% of shareholders (including LGIM).	It is linked to LGIM's five-year strategy to tackle climate change and attracted a great deal of client interest.
		Vote 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.					
LGIM	Dynamic Diversified Fund World Equity Index Fund (including GBP hedged variant)	Whitehaven Coal	22-Oct-20	Resolution 6 Approve capital protection. Shareholders are asking the company for a report on the potential wind-down of the company's coal operations, with the potential to return increasing amounts of capital to shareholders.	LGIM voted for the resolution.	The resolution did not pass, as a relatively small amount of shareholders (4%) voted in favour. However, the environmental profile of the company continues to remain in the spotlight: in late 2020 the company pleaded guilty to 19 charges for breaching mining laws that resulted in significant environmental harm. As the company is on LGIM's Future World Protection List of exclusions, many of our ESG-focused funds and select exchange-traded funds were not invested in the company.	The vote received media scrutiny and is emblematic of a growing wave of green shareholder activism.
		Vote Rationale: The role of coal in the future energy mix is increasingly uncertain, due to the competitiveness of renewable energy, as well as increased regulation: in Q4 2020 alone three of Australia's main export markets for coal - Japan, South Korea and China - have announced targets for carbon neutrality around 2050. LGIM has publicly advocated for a 'managed decline' for fossil fuel companies, in line with global climate targets, with capital being returned to shareholders instead of spent on diversification and growth projects that risk becoming stranded assets. As the most polluting fossil fuel, the phase-out of coal will be key to reaching these global targets.					

Manager	Fund(s)	Company Name	Date of Vote	Summary of Resolution	For / Against / Abstain	Outcome of Vote	Why Significant?
LGIM	Dynamic Diversified Fund World Equity Index Fund (including GBP hedged variant)	Qantas Airways Limited	23-Oct-20	Resolution 3 Approve participation of Alan Joyce in the Long-Term Incentive Plan Resolution 4 Approve Remuneration Report.	LGIM voted against resolution 3 and supported resolution 4.	About 90% of shareholders supported resolution 3 and 91% supported resolution 4. The meeting results highlight LGIM's stronger stance on the topic of executive remuneration, in our view.	It highlights the challenges of factoring in the impact of the COVID situation into the executive remuneration package.
		Vote Rationale: The COVID crisis has had an impact on the Australian airline company's financials. In light of this, the company raised significant capital to be able to execute its recovery plan. It also cancelled dividends, terminated employees and accepted government assistance. The circumstances triggered extra scrutiny from LGIM as we wanted to ensure the impact of the COVID crisis on the company's stakeholders was appropriately reflected in the executive pay package. In collaboration with our Active Equities team, LGIM's Investment Stewardship team engaged with the Head of Investor Relations of the company to express our concerns and understand the company's views. The voting decision ultimately sat with the Investment Stewardship team. We supported the remuneration report (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, our 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. We voted against resolution 3 to signal our concerns.					
		Cardinal Health	04-Nov-20	Resolution 3, Advisory Vote to Ratify Named Executive Officers' Compensation.	LGIM voted against the resolution.	The resolution encountered a significant amount of oppose votes from shareholders, with 38.6% voting against the resolution and 61.4% supporting the proposal.	We 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.
		Vote Rationale: 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. The Compensation Committee excluded the settlement costs from the earnings calculations which resulted in executive pay being boosted. Further, the current CEO was head of pharma globally during the worst years of the opioid crisis. Accountability would therefore have been expected. 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. We voted against the resolution to signal our concern over the bonus payment to the CEO in the same year the company recorded the charge for expected opioid settlement.					
LGIM	Dynamic Diversified Fund	Rank Group	11-Nov-20	Resolution 2 Approve the remuneration report; and resolution 3 Approve remuneration policy.	LGIM supported both resolutions.	90.79% of shareholders supported resolution 2 and 96.4% supported resolution 3. However, it should be noted that a majority shareholder owned 56.15% of the voting rights shortly before the time of the vote. This remains an interesting outcome given the recommendation of a vote against both resolutions by influential proxy voting agency ISS.	It illustrates the complexity of remuneration practices and the importance of engagement. The media also expected this shareholder meeting would trigger a substantial amount of votes against.
		Vote Rationale: The company and its stakeholders have been impacted by the COVID crisis. As an active owner and responsible investor, LGIM wants to ensure this is reflected in the executive remuneration package paid for this year. In addition, in 2018 the company granted 'block awards' long-term incentives (LTI) to the executives and committed not to grant any LTI awards until financial year 2022. After review of the remuneration policy, the remuneration committee asked shareholders to adopt a new LTI structure with the first award under this plan to be made in the 2021 financial year. We decided to support the remuneration report, which looks back at the remuneration earned during the financial year. We noted the remuneration committee's decision to apply a 20% deduction and cancel the planned increase of salaries of the executives and fees of the board members. No annual bonus was granted, given the performance of the company. LGIM was comfortable that the impact of COVID-19 had been appropriately reflected in the remuneration of the executives and therefore decided to support the remuneration report. Regarding the remuneration policy, our direct engagement with the company allowed us to better understand the rationale for the proposed changes to the LTIP. We took into account their concerns around retention, and the fact that there would be a substantial gap in the vesting of any long-term incentives if this plan was not approved. Notably, that the structure of the proposed LTIP was in line with LGIM's remuneration principles.					
	Dynamic Diversified Fund World Equity Index Fund (including GBP hedged variant)	Fast Retailing Co. Limited.	26-Nov-20	Resolution 2.1: Elect Director Yanai Tadashi.	LGIM voted against the resolution.	Shareholders supported the election of the director.	LGIM considers it imperative that the boards of Japanese companies increase their diversity.
		Vote 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. A lack of women employed is also a concern below board level. LGIM has for many years promoted and supported an increase of appointing more 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. In the beginning of 2020, we announced that we would vote against the chair of the nomination committee or the most senior board member (depending on the type of board structure in place) for companies included in the TOPIX100 where these standards were not upheld. 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 act on this issue.					
LGIM	Dynamic Diversified Fund World Equity Index Fund (including GBP hedged variant)	Medtronic plc	11-Dec-20	Resolution 3 - Advisory Vote to Ratify Named Executive Officers' Compensation.	LGIM voted against the resolution.	The voting outcome was as follows: For: 91.73%; against: 8.23%.	We believe it is contrary to best practice in general and our pay principles in particular to award one-off awards, especially if they are to compensate for a forgone payment.
		Vote Rationale: 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 we 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 we engaged with the company and clearly communicated our concerns over one-off payments.					

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<u>Manager Engagement Information</u>

The Trustees believe that an important part of responsible oversight is for the Scheme's investment managers to engage with the senior management of investee companies on any perceived risks or shortcomings – both financial and non-financial – relating to the operation of the business, with a specific focus on ESG factors. As such, they expect the Scheme's managers to engage with investee companies where they have identified any such issues.

The table below summarises the engagement activity of the managers that provided information.

			Summary of Company Engagement Activity									Outcomes	
			Corporate Governance							Sustainability			
Manager	Fund	No.	Strategy	Audit & Report.	Board	Capital	Corp. Action	Remun	Shrhdr Rights	Envir.	Social	Resolved	Open
BNY Mellon	Newton Global Dynamic Bond Fund	43	23.3%							46.5%	30.2%	29%	71%
LGIM	Firm-level information	891	41.3%							33.8%	24.7%		
Vontobel	TwentyFour Strategic Income Fund	9	56.0%							22.0%	22.0%		

Not identified

Further engagement information was provided by BNY Mellon, Vontobel and sourced for LGIM, this is set out below.

BNY Mellon

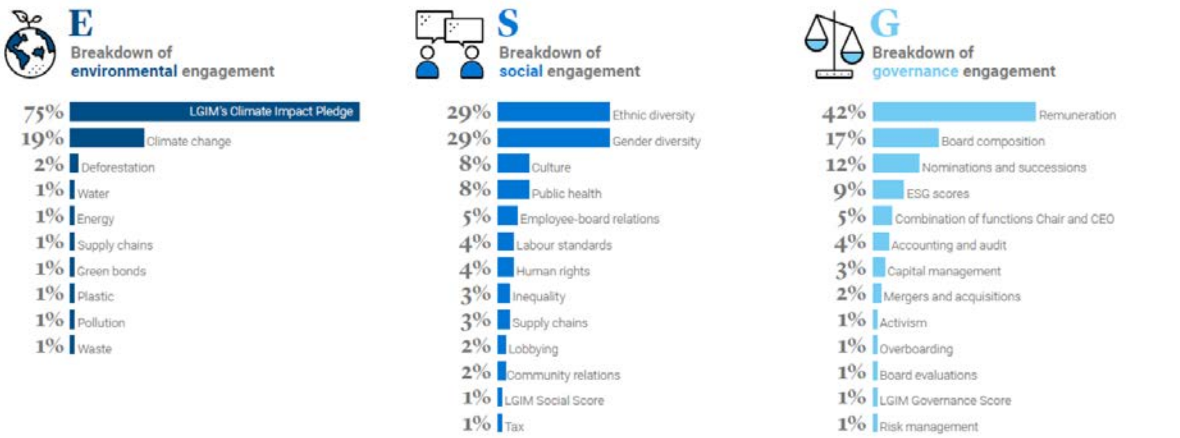
Companies	Details of the Engagement(s)
Nestle	"Sustainability - We participated in a group meeting to discuss the company's approach to ESG and sustainability. The company explained that its customers' interest in sustainability is not always reflected within their purchasing habits. However, the millennial generation are the 'purpose generation' and there are signs that this will translate into consumption habits. Generation Z are the 'transparency generation' and are demanding to know where everything comes from. Climate change - The company was one of the first to publish a carbon neutrality roadmap, a requirement of making a net carbon commitment. The company explained how customers will not pay for this through product price increases. Instead, funds have been set aside for on-the-ground programmes such as regenerative agriculture and other costs will be covered by already selected operational efficiencies. Reducing scope 3 carbon emissions from the use of products, which the company can influence but not control, represents >90% of total emissions, is expected the biggest challenge. The company believes there is scope to work more closely with retailers on achieving this, which may also deepen commercial relationships. The company believes it is not the date of this commitment (i.e. by 2045 or 2050) that is most significant but the action that is taken within the next five years as climate change accelerates. Data in relation to plant-based foods is difficult for the company to share given rapid growth in this area but some product launches, such as burger and tuna alternatives, have been successful. The company has 300 scientists working on plant-based foods, which represent 10% of the budget for research and development. The company's focus is to remain ahead of consumer demand in this area. Healthy nutrition - The company's health science business is focused on enabling healthier lives. It has provided nutrition to obese patients on ventilators during the pandemic and has products to improve the quality of life for those suffering with Crohn's disease. The company believes diet personalisation will become more important and more widely accessible. Plastics - A plan has been established to meet the company's commitment that all packaging will be recyclable or reusable by 2025. However, it does not think the circular economy is an issue that companies can 'recycle their way out of'. There needs to be more action on reuse, refills and behavioural change."
NatWest	"We discussed the bank's response to the Covid-19 pandemic and how it supported its clients and staff. While the bank helped its customers well, this was largely mandated by the regulator/government. We determined that the support offered to staff was impressive, with an initial focus on health and safety, as well as making the transition to homeworking as easy as possible. The bank made a special effort to support the parents of school-age children, as they juggle their work-life balance. The key area of evolution has been an increased focus on mental health. Using technology, the bank has sought to support the mental-health challenges of its employees and has been extending this beyond its employees to help children aged between 11 and 18 years. We also learnt that executives' variable pay is determined in part by specific ESG performance measures, as well as financial targets. In relation to environmental matters, the bank is aiming to at least halve its total business exposure to carbon emissions by 2030. In addition, after achieving net-zero carbon emissions last year, the bank is aiming for its own operations to be climate positive by 2025."
Tesla	"We approached the company in order to engage on a variety of ESG topics. The company explained that it engages with investors on ESG topics but that this was one of its first 'ESG' meetings with a bond investor. During the call, the company was open regarding environmental and social issues. Topics covered included board compensation and evaluation, product quality and safety, Bitcoin, employee relations, decarbonisation and the circular economy. The company highlighted that it was at an early stage in addressing specific topics, and that it sought to be pragmatic and transparent in its efforts to manage and report on the issues raised. This was in some contrast, however, to discussions around governance matters, where the responses were limited in depth. However, we were encouraged that the appointment of a recent director to the board was driven by his deep knowledge of both ESG and capital markets. At the company's request, we subsequently provided feedback on its current public disclosures, including its Impact report and Diversity, Equity and Inclusion (DEI) report. Areas where we recommended enhanced transparency included renewable-energy sourcing, battery recycling, supply-chain audit processes, measures around whistle-blower data, executive remuneration, and the approach to employee recruitment and education. We also suggested that the company describe how its DEI strategy aligns with its corporate culture, approach to human capital management, and broader business strategy."

Vontobel

Company	Topic	Date	Details of the Engagements
U.S Concrete	Environmental	17/09/20	"The team had two separate meetings with the company's investor relations team, one that was predominantly credit focused and one that was dedicated to ESG related questions. While both are integrated into are due diligence, the raw ESG scoring from our Asset 4 database seemed incredibly low for a company that's main products are ready, mixed, and aggregate concrete materials. They do not produce their own cement and hence emissions are mostly from delivery and movement from delivery trucks of ready-made cement. Similarly they also incorporate products (slag cement, fly ash) that use less energy in place of concrete, their plants and delivery trucks in California and Washington DC are powered by B20 biofuels, and they have one R&D lab that invests and researches more environmentally friendly products. Given that fly ash is not as plentiful as once was, adding to urgency of alternative concrete mixes, the fact that U.S. Concrete were proactively promoting alternatives such as recycled post-consumer glass, limestone cement, and liquid carbon dioxide meant that the team felt their emissions score should be upgrade from 4th quartile to 1st quartile for the construction sector."
Veolia	Governance	14/10/20	"We had a call with management ahead of their hybrid bond issuance. The company is in the process of acquiring Suez and are considering a number of options to force this transaction. It is likely a hostile takeover will occur (management did hint this would be the likely outcome) and we have some governance concerns on this strategy. Bonds are likely to be volatile and very sensitive to the inevitable headline risk. Therefore we decided to pass and we will re-evaluate this name after the takeover is complete."
Royal Friesland	Social	22/09/20	"The company came with a new issue and as part of our due-diligence process and credit work we found a story about suspected child labour in the company's supply chain (at farms in a town in Nigeria that supply the company with milk). We sought further information from the company; whether they were investigating the claim, what procedures they had in place to prevent this happening and what steps they would take to ensure it didn't happen again if found to be true. We received a very thorough, detailed and prompt response from the company showing they were taking the allegations very seriously and they had partnered with an NGO to investigate and the NGO found these allegations to be false. Nevertheless, the NGO made suggestions on improvement which Royal Friesland are reviewing. We were pleased with the company's response and felt this was investible"

LGIM

This breakdown of engagements carried out from an E, S and G perspective was sourced from LGIM's Active Ownership Report 2020.



Source: https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/active-ownership-report-2020.pdf

Outstanding Information

This section sets out the status of outstanding information Minerva have requested.

Fund / Product Manager	Investment Fund/Product	Information Request Acknowledged	Voting Info Available?	Engagement Info Available	Info Rec'd by Minerva Deadline
BlackRock	Corporate Bond Up to 5 Years Index Fund	Positive Response	Nothing to Report	Nothing to Report	Nothing to Report
BNY Mellon	Newton Global Dynamic Bond Fund	Positive Response	Positive Response	Positive Response	Positive Response
Columbia Threadneedle	Threadneedle Pensions Property Fund	Positive Response	Nothing to Report	Nothing to Report	Nothing to Report
LGIM	Cash Fund	Positive Response	Nothing to Report	Nothing to Report	Nothing to Report
	Dynamic Diversified Fund	Positive Response	Partial Response	Partial Response	Partial Response
	LDI Matching Core Funds (4 separate funds)	Positive Response	Nothing to Report	Nothing to Report	Nothing to Report
	World Equity Index Fund (Including GBP hedged variant)	Positive Response	Partial Response	Partial Response	Partial Response
Payden & Rygel	Payden Absolute Return Bond Fund	Positive Response	Nothing to Report	Nothing to Report	Nothing to Report
Vontobel	TwentyFour Strategic Income Fund	Positive Response	Nothing to Report	Partial Response	Partial Response
Phoenix Life	AVC Product	Not Provided	Not Provided	Not Provided	Not Provided
Utmost	AVC Product	Not Confirmed	Not Confirmed	Not Confirmed	Not Confirmed

Positive Response | Partial Response | Not Provided | Not Confirmed | Nothing to Report | *Not Applicable

* Indicates that from previous communications the manager has stated that there is no voting or engagement information to report for this investment, and so they were not specifically contacted for this fund in this instance

Minerva is continuing to engage with the relevant managers on the identification and provision of any missing VEI information and will provide the Scheme with an update as soon as all of the managers have formally reported back, and any information provided has then been analysed.

Conclusion

Minerva was able to determine that LGIM had broadly followed its own voting policies and by extension the Trustees' policies. However, the manager did not provide any fund (or firm) specific engagement information and thus, Minerva were to unable confirm whether the Trustees' engagement policy has been followed. LGIM have since informed Minerva that they are looking to develop their systems in this area in the near future to provide engagement information at fund level.

For the Newton Global Dynamic Bond Fund, BNY Mellon provided detailed engagement information for topics discussed and follow ups have been planned on a number of issues where the outcome of the engagements are unresolved. Voting information was also provided, albeit for only 2 meetings. Minerva was able to confirm that BNY Mellon followed its own voting and engagement policies and by extension the Trustees' policies.

Vontobel confirmed there was no voting activity to report for the TwentyFour Strategic Income Fund but provided engagement information, albeit at odds with the Scheme's reporting period. The manager provided information on the topics discussed during 9 engagements, 22% of which were on Environmental issues, 22% on Social issues and 56% on Governance related issues. Minerva were able to confirm that Vontobel has followed their own engagement policies and by extension the Trustees' policies.

It was determined that the Scheme's holdings in BlackRock, Columbia Threadneedle, Payden & Rygel, Vontobel and LGIM, in relation to the Cash Fund and LDI Matching Core Funds, had no voting or engagement information to report due to nature of the underlying holdings.

The Scheme's AVC providers, namely Phoenix Life and Utmost, did not provide any information; therefore, the Trustees are unable to confirm whether their voting and engagement policies have been followed. Minerva will seek any outstanding information and will agree a way forward on any actions identified with the Trustees once this information is available.