IMS (UK) Pension Plan (‘the Plan’)

Annual Implementation Statement

Plan year ending 5 April 2020

1. Introduction and purpose of this Statement

This document is the Annual Implementation Statement (“the Statement”) prepared by the Trustee covering the Plan year to 5 April 2020. The purpose of this Statement is to:

- detail any reviews of the Statement of Investment Principles (‘SIP’), required under section 35 of the Pensions Act 1995, that the Trustee has undertaken, and any changes made to the SIP over the year as a result of the review

- set out the extent to which, in the opinion of the Trustee, the Plan’s SIP has been followed during the year

- describe the voting behaviour by, or on behalf of, the Trustee over the year

- set out the extent to which, in the opinion of the Trustee, the engagement policy within the SIP has been followed during the year.

A copy of this Statement will be made available on the following website: https://iqvia.pensions-directory.co.uk/

2. Review of and changes to the SIP

Review of the SIP and changes made during the Plan year

The SIP was reviewed and subsequently updated during the Plan year to reflect new regulatory requirements to describe the Trustee’s policy on sustainable investment, the extent to which non-financial matters are taken into account (if at all) and its policy on voting and engagement all of which came in to force on 1 October 2019. The strategic benchmark for the Final Salary section, as set out in Appendix A of the SIP, was also amended to reflect the move to a lower risk investment strategy (described further below). The expected return on assets assumptions were updated, to reflect those used in the modelling undertaken as part of reviewing the investment strategy.

The revised SIP was dated 6 June 2019 and formally adopted by the Trustee on 29 September 2019 after consultation with the Company.

Subsequent review of and changes to SIP (post Plan year-end)

Since the Plan year-end a further review of the SIP has been undertaken and further changes to the SIP have been made to comply with further legislative requirements coming into force on 1 October 2020.

These changes relate to updated requirements to have a policy on the Trustee’s arrangements with investment managers, including alignment of interests with the Trustee’s policies, investment manager remuneration, portfolio turnover and associated costs, and the duration of the arrangements with investment managers.

The new SIP (including the latest regulatory changes) will be reported on in next year's Implementation Statement covering the 2020/21 Plan year.

3. Adherence to the SIP

The Trustee believes the policies set out in the SIP have been followed during the 2019/2020 Plan year and the justification for this is set out in the remainder of this section. For ease of reference, compliance with the SIP has been sub-divided into separate Final Salary and Money Purchase sections to reflect the different considerations and policies applying to each section. Where actions taken apply to both Final Salary and Money Purchase sections, they are generally discussed within the Money Purchase section below.

Money Purchase section

Overall investment objective as set out in the SIP

The Trustee's objectives for the Money Purchase section are described in the SIP.

The Trustee meets these objectives by regularly reviewing the investment strategy - the last review was undertaken on 26 October 2017. The review considered such matters as the demographic profile of the membership, the likely income choices members will make at retirement, the ongoing suitability of the default investment strategy's objective and the range of investment options, developments in the money purchase/defined contribution market and legislative changes. The next review will start in the next Plan Year.

How does the Trustee meet its investment obligations?

The Trustee meets quarterly to conduct its business – including monitoring the Money Purchase section investment strategy and performance. A more detailed assessment of the Investment Managers is carried on an annual basis.

WTW as the appointed investment advisor will update the Trustee in between these meetings if a particular issue arises with one of the funds made available within the Money Purchase section.

Setting investment strategy

The current strategy was set on 30 July 2015 following the introduction of the 'Pension flexibility' from 6 April 2015.

A strategy review is undertaken every three years. The last triennial review of investment strategy was presented and discussed during the meeting held on 26 October 2017. Reviews can be undertaken more frequently if required (for example in the event of a significant change in membership).

Consideration of risks within the Money Purchase section

The DC specific risks described in the SIP (and how the Trustee endeavours to mitigate these risks) are set out below. The investment strategy reviews take account of the overall balance of these risks.

Inflation risk – The use of equity and diversified growth funds are expected to deliver above inflation investment returns over the medium to long term. Over the shorter term (less than 3 years), the Trustee acknowledges that the investment return in some funds (such as the L&G Cash Fund) may not cover the inflation risk, but shorter-term considerations focus on mitigation of other risks (see below).

Decumulation mis-match risk – The Trustee is mindful of the risk of market movements that impact members' expected retirement outcomes at the point they decumulate their DC assets. The current strategy makes available two lifecycle strategies that cover drawdown and annuity outcomes and are designed to minimise mis-match risks so far as possible.

Opportunity cost - As part of the investment strategy review the Trustee considered likely member outcomes (including factors such as risk tolerance at retirement and projected fund size). The strategies were set after considering the correct balance between managing risk as members approach retirement whilst providing members with the opportunity for investment returns in the "growth phase".

Manager risk – The Money Purchase section fund range is predominately passively managed by Legal & General Investment Management (LGIM). LGIM's ability as a manager of index tracking funds was specifically considered as part of the regular monitoring of the investment performance. It was found that LGIM has a good track record of delivering returns in line with the respective index. The Trustee reviews LGIM's performance on a quarterly basis and will raise any tracking deviations if they occur. Where an element of active management is used, for example the L&G Diversified Fund, the Trustee monitors the performance of the fund manager to ensure that the fund performs in line with its performance target. The Trustee and WTW will question any underperformance with the fund manager.

Capital Risk – This is considered over the medium-term (three years plus) to enable short-term volatility to be smoothed. In this context, the use of equity and diversified growth funds is considered appropriate.

Liquidity risk – Within the Money Purchase section, the investments are daily dealt, and this aims to provide benefits on retirement or transfer to another pension arrangement without delay.

Professional advice

The Trustee is aware of the requirement to take professional advice when setting and reviewing investment strategy.

The Trustee has appointed WTW to provide such advice. In accordance with this engagement, WTW provides a triennial strategy review which includes recommendations in relation to the default, additional lifestyles and wider fund range.

WTW also discuss the quarterly investment performance of the Money Purchase range and highlight any particular cases where the funds have not performed in line with their agreed objectives. During the Plan year the Trustee established investment advisor objectives. The Trustee is currently considering how best to monitor the Plan's advisors against these objectives.

Default strategy

The current default investment strategy, 15-year lifecycle strategy: drawdown focused, was implemented in April 2016 following the introduction of the 'Pension flexibility'. Based on the analysis carried out at that time, the construction of the default targets a drawdown outcome on retirement in view of the of the membership profile, the likely risk tolerance profile, and the expected retirement outcomes.

During the Plan year, the Plan had two additional funds classified as default arrangements: the LGIM Pre-Retirement Fund and the LGIM Global Equity Market Weights (30:70) Index Fund. Following the implementation of the 2015 investment review, members' assets were automatically moved into these funds.

Self-select fund range

In line with the Trustee's objective to enable members to set their own investment strategy, the Trustee makes available a range of self-select funds.

Members who prefer to make their own investment choices can therefore choose from a range of individual funds which were last strategically reviewed by the Trustee on the 26 October 2017 after taking professional investment advice.

Alternative lifecycle strategies

An alternative lifecycle strategy is also available for members who may wish to target an annuity purchase, the Lifecycle: Annuity focused strategy.

Investment performance monitoring

Performance of all funds is monitored on a quarterly basis with reports presented and discussed at each quarterly Trustee meeting.

Performance is measured against the relevant benchmarks set out in the SIP. As the majority of funds are passive, their benchmarks are the relevant indices for the asset classes/ geographical areas represented. For active funds, the benchmarks have been agreed after receiving advice from the Trustee's professional advisers. The appropriateness of these benchmarks is considered annually as part of the annual investment review.

During the Plan year, the majority of funds performed in line with their benchmarks. The Trustee accepts that there may be deviations from benchmarks from time to time and provided these are over short periods of time will not normally take any action. Sustained or longer-term underperformance would be subject to further investigation.

At the October 2019 Trustee meeting it was noted that the LGIM Diversified Fund was underperforming relative to its stated performance comparator. Although LGIM expects the fund to perform broadly in line with equities (over a full market cycle), due to the diversified nature of the fund it would perform less strongly than a pure equity portfolio in positive equity market conditions, which was the case at the time.

Consequently, a report was prepared on additional performance measures to help the Trustee ensure that the Diversified Fund was continuing to meet its objectives. The report found that the fund had achieved equity like performance over the 1, 3, 5 and 10 year periods to 31 December 2019, but with less volatility. The report also found that the L&G Diversified Fund had performed strongly relative to other diversified funds.

ESG considerations

During the Plan year, the SIP was updated to take account of new requirements coming in to force from 1 October 2019 – particularly around Environmental, Social and Governance ('ESG') factors and sustainability.

Considering that the Money Purchase Section investment funds are predominantly passively managed, the Trustee takes a pragmatic approach to ESG considerations. This is reflected in the SIP.

The Trustee's policy is not to explicitly take account of non-financial matters. However, the Trustee recognises that some members may wish to invest in accordance with Shariah principles, and hence this fund was made available in the self-select range. The HSBC Islamic Index fund is consistent with Islamic Investment principles as interpreted and laid down by the Shariah Committee. This fund was also selected as it is consistent with the Money Purchase section's predominately passive approach.

The Trustee has delegated responsibility for the selection, retention and realisation of investments to the underlying investment managers. The Trustee recognises that long-term sustainability issues, including climate change, may have an impact on investment risk and outcomes. At the present time the strategy is to invest predominantly in the passive funds which do not take account of social, environmental and governance considerations in the selection, retention and realisation of investments. However, the Trustee does review the strategy on an ongoing basis and may reflect these factors in any subsequent changes to the strategy or to underlying investment managers. In addition, even though the investment managers do not factor in ESG in selecting stocks, they can engage with companies on these matters to try and improve company behaviours and hence investment outcomes.

During the Plan year and post Plan year-end, the Trustee undertook the following ESG monitoring activities:

- LGIM provided a training session to the Trustee that covered:
  - Its approach to integrating ESG into its investment process and provided details of funds it manages that have specific ESG mandates.
  - Details of its stewardship and engagement policies and provided details of key votes and outcomes following successful engagement activities (further details below).

- During the Plan year the Trustee received member feedback on ESG requesting that an ESG fund option be made available within the Money Purchase section. The Trustee's investment advisor summarised and analyzed the member feedback provided.

- The Trustee's investment advisor then provided further training on sustainable investment/ESG considerations. As part of this session the Trustee discussed:
  - The potential benefits of ESG investing
  - Its investment beliefs regarding ESG with the aim of assisting the selection of an ESG fund.

- The Trustee's investment advisor also provided their research of ESG focused investment options for the Plan's fund range in the following areas:
  - A summary of the various implementation routes when considering sustainable investment (e.g. climate exclusions only, climate integrated and sustainability integrated) and ESG integration (i.e. how well ESG considerations are built into their decision-making processes)
  - An overview of the LGIM funds available and a sample of the alternative funds available covering their investment approach, stock diversification, or notable exclusions among others.

- The Trustee's advisors also confirmed that:
  - LGIM supports sustainability initiatives and employs the services of third-party specialist data providers to support their voting decisions and process.
  - The process that LGIM uses for undertaking engagement activities and how LGIM has worked collaboratively with industry groups with the aim of promoting improvements.

The Trustee continues to develop its approach to ESG monitoring and from 2020/2021 onward will review LGIM's Sustainable investment reports on an annual basis. The Trustee will also consider the different ESG focused investment options and once selected whether this fund should be offered as a self-selected fund or integrated in the lifecycle strategies.

Additional Voluntary Contributions (AVCs)

Assets in respect of members' AVCs are invested utilising the same fund options available to Money Purchase section members. These AVC funds benefit from the same oversight and governance as the main Money Purchase section. The Plan no longer has any legacy AVCs arrangements following the move of members' assets from Clerical Medical and Equitable Life into the Money Purchase section.

Following a previous review in 2018, the Trustee decided to move its AVCs policy with Clerical Medical and the unit-linked funds held with Equitable Life into the Money Purchase section. This exercise was completed in September 2019.

Utmost acquired the assets previously managed by Equitable Life in its with-profits fund. On the transition to Utmost these assets were invested in a Secure Cash Fund, which were subsequently transferred to the Money Purchase section in June 2020. Members were given the choice of which funds to invest in, although no responses were recevied, and all members were moved into the Default Lifecycle strategy.

The Trustee received advice in relation to Equitable Life/Utmost and believes the solution is in line with the its objective set out in the SIP – that is to provide funds which will offer suitable returns for members of all ages, consistent with reasonable expectations.

Final Salary section

Governance

The Trustee has established a Funding and Investment Sub-Committee (the 'FISC') to provide additional focus on funding and investment matters related primarily to the Final Salary section of the Plan. Two FISCmeetings were held during the year, in addition to meetings of the full Trust Board.

Around 40% of the Plan's total assets are invested in an insurance policy which insures a proportion of the Plan's pensioner liabilities. While this is an asset of the Plan, given its nature and purpose, the Trustee's focus is on the management of the remaining 60% of the Plan's assets.

During the year to 5 April 2020, a key focus of the FISC was reviewing the investment strategy for the non-insured assets of the Final Salary section, as discussed further in the next section.

Ensuring the Trustee Board has the appropriate skills and knowledge to take effective investment decisions is an important aspect of the Plan's governance. In addition to Trustee Directors being responsible for independently maintaining and developing their own skills and knowledge (for example using The Pensions Regulator's Toolkit), training sessions on a range of relevant topics take place at Trustee meetings.

In addition to the session on ESG and sustainability outlined in the Money Purchase section commentary above, the Trustee received training from WTW on two topics specific to managing the investments of the Final Salary section. The first was on establishing a Dynamic De-risking Framework, which might be used to identify opportunities where it is possible to reduce investment risk, while maintaining the expectation of achieving the Trustee's overall objectives. The second was on the use of Pooled Liability Driven Investments (LDI) as a tool for more effectively managing some of the risks to which the Plan is exposed, namely exposure to changes in interest rates and inflation.

Since the year end, the Trustee has again been reviewing the Plan's investment strategy with a particular focus on incorporating LDI investments into the strategy. Further consideration may then be given to developing a dynamic de-risking framework.

Investment strategy

The Trustee's investment objectives are set out in the SIP.

The Trustee recognises that the Plan's investment strategy is of primary importance in seeking to achieve these objectives. During 2018 and 2019, the Trustee, with support from the FISC, reviewed the investment strategy. The key focus of the review was the scope to reduce investment risk, while retaining an expectation of achieving the investment objectives within an appropriate timeframe. WTW as the Plan's investment consultant advised the Trustee through this process in conjunction with input and advice from the Scheme Actuary. Asset and liability modelling analysis was used to illustrate the expected progression of the Plan's funding level under different investment strategies, as well as quantifying the associated risk, ensuring the decisions were taken with specific regard for the Plan's liabilities.

The conclusion of this review was a decision to reduce the exposure to return-seeking assets by 5%, with a corresponding increase in the allocation to index-linked gilts. The new investment strategy was still expected to provide sufficient longer-term returns while reducing risk (as measured by the shorter-term volatility of returns and the potential impact on the Plan’s funding position in a downside scenario).

The table below sets out the new strategic asset allocation benchmark and control ranges that were agreed as part of this review along with the previous benchmark for reference. The actual asset allocation of the portfolio as at 31 March 2020 (being the closest quarter to the year end date) is also shown, and confirms the portfolio was invested in accordance with the agreed ranges.

Asset class	**Old benchmark (%)**	**New benchmark (%)**	**Actual allocation (31 March 2020)**	**Control ranges (%)**
UK equities	2.0	2.4	2.3	0.0 – 4.0
Overseas equities	12.5	10.8	10.4	8.0 – 14.0
Overseas equities (hedged)	12.5	10.8	10.8	8.0 – 14.0
Diversified Growth	63.0	61.0	60.8	58.0 – 64.0
Index-linked gilts	10.0	15.0	15.6	10.0 – 20.0

Investment manager arrangements

There were no changes to the investment managers employed to manage the Plan’s asset during the year.

The Plan’s portfolio is comprised of a portfolio of equities (UK and overseas developed markets), a diversified growth allocation, and a portfolio of index-linked gilts.

The equities and index-linked gilts are managed passively by Legal and General Investment Management (LGIM). The diversified growth allocation is invested in the Towers Watson Partners Fund, which is managed by Towers Watson Investment Management.

The asset allocation and the investment vehicles through which it is implemented ensures the portfolio has a suitable mix of return-seeking and matching assets, consistent with the Trustee’s policy. In addition, through the Diversified Growth allocation, the Plan accesses a very wide range of return-seeking assets, providing exposure to a range of different sources of risk and return.

Realisation of investment

Having agreed a new investment strategy, the Trustee reviewed the approach used for managing cashflows into and out of the portfolio. Previously, the policy was for cashflows into the portfolio to be invested into index-linked gilts, and cashflows out of the portfolio to be disinvested from equities. Through this process, cashflows could be used to gradually increase the exposure to bonds within the investment strategy, gradually reducing the level of investment risk. Having agreed and implemented a new strategy with a higher allocation to bonds, the Trustee agreed that cashflows should, instead, be used to maintain the asset allocation within the agreed ranges. Cashflows are therefore directed to LGIM, who determine whether they should be applied to the equity or bond portfolios that they manage, as appropriate, to move the actual allocation closer to the central benchmark which they have been given.

Responsibility for managing day to day cashflow requirements remains with the Plan’s administrators. The investments with LGIM are liquid and can be disinvested on a weekly basis.

Towards the end of Plan’s financial year, the Covid-19 global pandemic had created significant volatility in markets. As a result, the Trustee agreed that it would be appropriate to increase the level of cash held by the administrator, in particular to mitigate operational risk, for example challenges in disinvesting from the portfolio due to a lack of availability of signatories for signing disinvestment instructions or issues caused by remote working. As a result, an emergency cash buffer of £1m was established, to be used as an additional source of liquidity by the administrator should such problems emerge.

Risk management

The Trustee has identified a number of risks involved in the management of the Plan’s assets which are taken into account when reviewing the investment arrangements.

Solvency and mismatching risk were taken into account through the analysis undertaken by WTW as part of the investment strategy review. This illustrated the expected progression of the growth in the assets relative to the liabilities as well as quantifying the downside risks under different strategies.

Manager risk is managed by appointing a passive manager to manage the equity and index-linked gilt investments, where the expectation is that the manager will deliver returns which are very close to those of an underlying market index. In addition, the diversified growth allocation invested via the Towers Watson Partners Fund provides exposure to a very well diversified portfolio of third-party investment managers, which limits the risk of any one manager performing poorly.

Liquidity risk is managed by the Plan’s administrators assessing the Plan’s cashflow requirements as well as holding a proportion of the Plan’s assets in relatively liquid investments (i.e. the equities and bonds managed by Legal and General). Implementing the new investment strategy did not change the Plan’s exposure to relatively liquid assets.

Counterparty risk was not explicitly considered as part of the review of the investment strategy.

Currency risk is managed by hedging a proportion of the Plan’s exposure to non-Sterling currencies. Currency risk was reduced by implementing the new investment strategy.

Political risk is managed by having a well-diversified investment portfolio, and the change in investment strategy did not materially impact the diversification of the portfolio.

Sponsor risk is managed by assessing the interaction between the Plan and the sponsor’s business, as measured by a number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to the financial strength of the sponsor. While the Trustee did not obtain external advice on the sponsor covenant during the year, such an assessment is conducted in conjunction with the Triennial Actuarial valuations.

Inappropriate investments are managed through the guidelines applying to the pooled funds in which the Plan invests. There were no changes to the pooled funds in which the Plan invests and no material changes to the investment guidelines of these pooled funds.

Investment performance monitoring

The Trustee receives an annual monitoring report to 31 March each year from WTW as well as receiving quarterly reports from the investment managers.

The LGIM investments performed in line with expectations, delivering returns within an acceptable deviation of the underlying benchmark index.

The performance of the Towers Watson Partners Fund is more difficult to assess given the nature of investments. The Trustee explored this with TWIM in some detail for periods to 31 December 2019, to ensure the key contributors to performance were understood, and comparing the performance of the Partners Fund with other similar diversified growth vehicles available to UK pension schemes. Subsequent to this presentation, global investment markets were rocked by the impact of the Covid-19 pandemic. During the first quarter of 2020, the Towers Watson Partners Fund provided protection against the significant falls experienced in many markets, particularly equities. While the Partners Fund produced a return of around -5% during the quarter, this was significantly better than equity markets which fell by nearly 20% (for the IMS Plan). A comparison of the Partners Fund return with the wider market shows that over a 5 year period to 31 March 2020 it has provided a good risk-adjusted return, being amongst the best performing funds in the universe while also being amongst the funds with the lowest level of risk.

ESG considerations

The presentation from LGIM on ESG matters, and the Trustee's engagement with LGIM as part of this session, as described in the Money Purchase section above was also relevant to the Final Salary section of the Plan.

In addition, the Trustee met with representatives from Towers Watson Investment Management (TWIM) in February 2020. As well as exploring the management and performance of the portfolio, part of the presentation was focused on how sustainable investment is embedded into the process used to manage of the Towers Watson Partners Fund.

For example, consideration of a manager's approach to sustainable investment and how they integrate consideration of ESG factors into their investment decisions forms part of TWIM's assessment of the managers, which influences the manager selection process. Also, within the equity allocation of the Partners Fund, Herms EOS is employed to provide voting advice to the equity managers as well as to engage directly with companies that represent key holdings within the portfolio (further information is provided in the Voting and Engagement section below).

In addition to effective stewardship, a number of the investments within the Partners Fund are specifically aligned with longer term, sustainable investment themes. One example discussed at the meeting was a UK based greenhouse investment. The Fund co-owns two of the largest greenhouse sites in the UK, growing high quality produce, reducing water consumption and heated in an energy efficient manner by harnessing waste energy from nearby water treatment plants.

Voting and engagement

DC section

During the Plan year, the SIP was also updated to take account of new requirements coming into force from 1 October 2019 in relation to the Trustee's policies on voting rights and engagement.

As all investments are held within pooled funds, the key area of activity during the Plan year was to consider how to monitor (and measure) the investment managers' (LGIM and HSBC) performance in these areas.

The Trustee has delegated all voting and engagement activities to the underlying managers, but nevertheless expects effective activities in these areas to form part of their processes. The Trustee has reviewed the underlying investment managers' stewardship policies (made available at the following link https://www.lgim.com/uk/en/capabilities/corporate-governance/

and
https://investorfunds.us.hsbc.com/resources/documents/articles/Responsible_Investment/2019_Responsible_Investment_Review.pdf).

As the vast majority of the Money Purchase assets are managed by LGIM the Trustee focused most of its attention on this manager. During the Plan year it undertook the following activities:

- Reviewed LGIM's stewardship approach and considered their key votes.
- The Trustee's advisors confirmed their view that there is strong leadership of stewardship at LGIM, which supports a thoughtfully targeted programme with clear, proactive and robust stances taken on key issues. Independent assurance is sought for the firm's voting policy.

Voting

During 2019 LGIM voted on over 115,000 proposals during almost 12,000 company meetings. LGIM has implemented their own custom policies, and rely on the service of ISS, their proxy advisor. LGIM has recently introduced a custom voting policy, which requires companies, among other things, to have a higher level of independence and diversity on the board, or to provide more in-depth disclosure regarding executive compensation.

The below table lays out the voting statistics for the Plan's LGIM equity funds for the year ending 31 March 2020.

Asset class	**Number of resolutions eligible to vote on**	**Proportion eligible votes voted**	**Of resolutions voted:**		
			For	**Against**	**Abstained**
World Emerging Market Equity	13,642	95.4%	81.8%	17.0%	1.2%
Global Equity Market Weights (30:70) Index Fund – 75% Hedged	51,736	97.7%	84.5%	15.1%	0.4%
Diversified Fund	84,927	97.1%	82.2%	17.5%	0.3%

Note: Resolution percentages have been rounded to 1 decimal place

LGIM have identified their vote in favour of electing Wendy Evrard Lane, Jesper Brandgaard and Peter James Montagnon as Directors of EssilorLuxottica as one of their most significant votes of 2019. Following the merger between Essilor and Luxottica, the executive chair of Luxottica and the executive vice-chairman of Essilor were given equal powers, but in March 2019 had an internal disagreement. Comgest and Valoptec, two of the Company's shareholders, put forward the three directors in a bid to break the impasse in the newly formed company. LGIM contacted EssilorLuxottica to discuss the issue but received no reply and thus instead engaged extensively with Comgest and Valoptec. LGIM publicly announced their support for the nominees ahead of the Annual General Meeting (AGM) to ensure both the board and other shareholders knew of their intentions. Before the AGM took place, the company announced it has reached a governance agreement and they had resolved all disputes.

HSBC Islamic Global Equity Index Fund votes in line with the HSBC global voting policy. This involves using voting rights to protect investor interests and foster good practice, highlight independent directors, link remuneration to performance and limit dilution of existing shareholders.

Specifically, the HSBC Islamic Global Equity Index Fund voted at 107 company meetings and did not vote at a further four meetings on which the fund was entitled to vote – three due to Power of Attorney requirements and one due to share blocking. The Fund voted on 1,522 resolutions, voting against management on 162 resolutions – 10.6% of the total.

Engagement

LGIM's Investment Stewardship team engaged 739 times in respect of 493 companies during 2019, often collaborating with industry peers. Climate change was the single most frequent engagement topic (249 times), and the UK was the second biggest engagement market (195) after North America (230). The most frequently engaged companies were BP (10 engagements), HSBC (8), GlaxoSmithKline and Royal Dutch Shell (5 each).

One example of LGIM's active engagement was BP, as with other shareholders they put forward a proposal calling the company to explain how its strategy is consistent with the Paris Agreement on climate change. The proposal was passed and LGIM has since met BP repeatedly. BP has recently announced industry-leading targets (e.g., net zero emissions from its operations, or a 50% reduction in the carbon intensity of all the products it sells).

HSBC engage with companies on a range of ESG issues and have a clear set of engagement objectives including improving understanding of company strategy and promote good practice.

Specifically, to the HSBC Islamic Global Equity Index Fund, the ESG team engaged with 16 companies held in the fund during the 2019. ESG issues were raised by portfolio managers and analysts with a further 27 companies.

The Trustee will be considering how to further enhance its engagement with the investment managers in 2020/2021.

Final Salary Section

Voting

The general voting information set out in the Money Purchase section above in relation to LGIM applies to the equity investments of the Final Salary section also.

The below table lays out the voting statistics for the Plan's LGIM equity funds in which the Final Salary section is invested for the year ending 31 March 2020.

Asset class	Number of resolutions eligible to vote on	Proportion eligible votes voted	Of resolutions voted:		
			For	Against	Abstained
UK equities	11,168	99.8%	93.6%	6.4%	0.0%
Overseas equities	25,590	98.1%	81.8%	18.1%	0.1%
Overseas equities (hedged)	25,590	98.1%	81.8%	18.1%	0.1%

Note: Resolution percentages have been rounded to 1 decimal place.

LGIM have identified and provided the following votes as the most significant for the Plan throughout the year:

LGIM also voted on behalf of the UK Equity Index Fund in favour for removal of Wolfhart Hauser as Director of FirstGroup to signal their concerns around the pace of execution of the strategy and poor performance. Shareholder activist, Coast Capital, convened a meeting to appoint seven directors to the Board. LGIM supported the rest of the board and opposed the activist's nominees viewing them as potentially disruptive for the company. Although the proposal to remove the chair obtained 29% of support from shareholders the chair took this feedback into account and decided to leave the board. LGIM met with the new board chair, David Martin, to discuss the composition of the board and the performance of the management team and execution of the strategy.

The LGIM World (ex UK) Equity Index Fund voted against the board of Bayer AG to approve the discharge of the Management Board for the Fiscal Year 2018. Following Bayer's acquisition of Monsanto, Bayer was asked to pay millions in damages in several court cases where plaintiffs claimed that 'RoundUp', Monsanto's weedkiller, was linked to causing cancer. From the finalisation of the acquisition in May 2018 to July 2019, Bayer's share price fell 45% LGIM recommended establishing advisory and M&A committees, staffed by members appointed with specific expertise and appoint new executives. Following a shareholder vote of 55.5% against the company established a glyphosate litigation committee to consult with the board, and the chair announced he would step down at the 2020 AGM.

The Fund also voted in favour of electing Karl-Thomas Neumann and Rudolph William C. Von Meister as members of the Audit Committee at Hyundai Mobis. These proposals were put forward by Elliott Management, which LGIM discussed with Elliott Management and the CFO of Hyundai Motors. LGIM supported all bar one where a potential conflict of interest was identified with one nominee and thus did not support their election. Both proposals were defeated, but the company broadened the skill set of their boards through the appointment of external directors. Following the vote, the CEO confirmed the group would listen more to dissenting shareholders.

The below table lays out the voting statistics for the Towers Watson Partners Fund held within the Plan's Final Salary section for the year ending 31 March 2020. Within the Fund, voting is the responsibility of the underlying investment managers. The data presented below is an aggregation of the voting undertaken by these managers.

Asset class	**Number of resolutions eligible to vote on**	**Proportion eligible votes voted**	**Of resolutions voted:**		
			For	**Against**	**Abstained**
Towers Watson Partners Fund	3,325	100%	89.3%	9.9%	0.9%

Notes: Resolution percentages have been rounded to 1 decimal place.

Voting statistics for one of the managers held within the Partners Fund are excluded from the above data, as the manager was not able to provide voting information specific to the Fund's investment.

In terms of most significant votes, one of the Fund's managers voted against the approval of the Remuneration Policy for 2020 and the implementation in 2019 at Naspers Ltd. This followed a year-long engagement regarding long-term incentives, particularly the use of 10-year options that could cause excessive remuneration. These concerns and the vote against the policy were communicated in a meeting with the Chair of the Remuneration Committee, as the manager believed that this did not align with shareholders' interests.

TWIM, via the managers in the Fund, also voted in favour of the election of three new directors at Magnit OJSC, Hans Kock, Evgeniy Kuznetsov and Vladimir Chirakhov. A variety of directors were put forward for election, the majority of which TWIM did not support. Since the voting was a cumulative process, the manager backed only the candidates with the best governance credentials. TWIM consulted with other minority shareholders regarding their thinking. The preferred candidates were independent of the large shareholders, VTB and Marathon Group. TWIM also avoided backing members who held an executive role as they feel it is against best practice to also serve on the board. This issue was identified as material as the importance of a strong, independent board, given the controversial purchase of SIA Group and the continued operational weakness, was particularly important for Magnit.

Engagement

The engagement information set out in the Money Purchase Section above in relation to Legal and General Investment manager applies to the equity investments of the Final Salary section as well.

As a policy, Towers Watson Investment Management monitors the sustainable investment credentials of managers and reviews their policies and actions. Underlying investment managers are expected to undertake ESG integration and stewardship activities to the extent that it is practical. TWIM engages in a two-way dialogue with managers that can make improvements. As part of the ongoing research, areas of concern are highlighted to the manager alongside the rationale for concern. TWIM encourages the manager to resolve these issues with 12 months. Should there be little or no change, TWIM will attempt further engagement to understand the lack of progress and may take steps to review their rating for the strategy.

In addition, EOS at Federated Hermes is utilised to measure and monitor progress on all engagement activity setting clear objectives and specific milestones for the most intensive engagements. In selecting companies for engagement, EOS accounts for ESG risks, long-term shareholder value and engagements projects. It escalates the intensity of engagement with companies over time, depending on the challenges and the attitude of the board. Engagements vary in lengths from one or two meetings to many meetings over several years. Approximately 57% of engagements conducted have seen a milestone progress over 2019 undertaken with 100 companies on 319 issues.

One of the Towers Watson Partners Fund's credit managers identified a capital relief strategy as a unique opportunity with transactions which had not been historically made in the private sector with a supranational institution. The manager engaged with AAA rated African Development Bank to structure a transaction which provided insurance-like protection to the credit risk related to a pool of assets on the Bank's balance sheet. This included the development and infrastructure of environmental and social projects across 15 African countries. The deal has the potential to generate attractive returns for TW Partners Fund Investors whilst paving the way for the private sector and supranationals to partner together in improving infrastructure and social services.

Copies of the WTW Sustainable Investment Policy and the Sustainable Investment report for 2020 are available at the following links.

https://www.willistowerswatson.com/-/media/WTW/Insights/2020/07/sustainable-investment-report-2020.pdf?modified=20200708213904

https://www.willistowerswatson.com/-/media/WTW/Insights/2020/03/sustainable-investment-policy.pdf?modified=20200327091303