Implementation Statement for the Portmeirion Potteries Limited Retirement Benefits Scheme

Covering 6 April 2020 to 5 April 2021

1. Background

The Trustees of the Portmeirion Potteries Limited Retirement Benefits Scheme (the "Scheme") are required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed the Scheme's Statement of Investment Principles ("SIP") during the previous Scheme year. This statement also includes the details of any reviews of the SIP during the year, any changes that were made and reasons for the changes. This is the first implementation statement produced by the Trustees.

A description of the voting behaviour during the year, either by or on behalf of the Trustees, or if a proxy voter was used, also needs to be included within this statement.

This statement should be read in conjunction with the Scheme's SIP and has been produced in accordance with **The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018** and the subsequent amendment in **The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019**.

https://www.apexgroup.com/statement-of-investment-principles/portmeirion-potteries-limited-retirement-benefits-scheme/

2. Investment Objectives and Activity

The mains investment objectives of the Scheme are:

- to achieve, over the long term, a return on the Scheme's assets which is sufficient, in conjunction with the Scheme's existing assets and employer contributions, to pay all members' benefits in full;
- to maintain a reasonable level of investment risk, which is supported by the Scheme's time horizon and Employer covenant (the Employer's legal obligation and financial ability to support the Scheme now and in the future);
- to consider the interests of the Employer in relation to the size and volatility of the Employer's contribution requirements; and
- to ensure that sufficient liquid assets are available to meet benefit payments as they fall due.

During the year, the Trustees conducted an Investment Strategy Review with their investment advisers. The main conclusions of the review were that:

- The existing level of risk in the Scheme's legacy investment strategy was supported by the Scheme's time horizon and the Employer's covenant, and was acceptable to the Employer

- It was possible to increase the level of expected returns from the Scheme's investments without increasing the overall risk in the Scheme.
- This was to be achieved by investing in Liability Driven Investment (LDI) pooled funds in order to reduce "unrewarded" interest rate and inflation risks, alongside increased investment into Diversified Growth Funds in order to gain more exposure to "rewarded" risks like equity and credit risks.

The agreed changes were implemented in two phases in May 2021 and July 2021.

The Trustees review progress against their investment objectives at their regular Trustees' meetings, supported by funding level updates provided by the Scheme Actuary and investment performance reports provided by the Scheme's Investment Platform provider.

There was some disinvestment during the scheme year to meet cash flow requirements.

The SIP has been fully reviewed and updated to incorporate the agreed changes in investment strategy as well as the Trustees' policy on Environmental, Social and Governance ("ESG") factors, stewardship, and climate change, as required under new regulations.

3. ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustees' policy on Environmental, Social and Governance ("ESG") factors, stewardship, and climate change. This policy sets out the Trustees' beliefs on ESG and climate change, and the processes followed by the Trustees in relation to voting rights and stewardship.

The Trustees considered EGS matters as part of the selection of the investment products which are being used in the new investment strategy, specifically:

- The Trustees chose a global equity product which has an "ESG-tilt" i.e. it invests more in the equity of companies which have a positive ESG impact, and less in companies which have a negative ESG impact; and
- Managers' approach to ESG matters was a key part of the balanced scorecard approach used to select the Scheme's new Diversified Growth Fund Managers.

The Trustees continue to keep their investment managers and ESG policies under review, and will provide further information the next Scheme year's implementation statement.

4. Voting and Engagement

The Trustees are keen that their managers are signatories of the UK Stewardship Code - all of the managers are current signatories.

The Trustees have elected to invest in pooled funds and cannot, therefore, directly influence the ESG policies, including the day-to-day application of voting rights, of the funds in which the Scheme invests. However, the Trustees will consider these policies in all future selections and will continue to deepen their understanding of their existing managers' policies. The Scheme held the following funds at some point over the period 6 April 2020 to 5 April 2021:

- LGIM Global Equity Fixed Weights (50:50) Index GBP Hedged Fund
- LGIM UK Equity Index Fund

- BNY Mellon (Newton) Real Return Fund
- Invesco Global Targeted Returns Fund
- LGIM Active Corporate Bond – Over 10 Year – Fund
- LGIM Over 15 Year Gilts Index Fund
- LGIM Over 5 Year Index-Linked Gilts Index Fund

The Trustees were unable to include voting data for the underlined funds as they are fixed income funds which do not hold equities.

Description of investment manager's voting processes

a. Legal & General Investment Management ("LGIM")

LGIM's voting and engagement activities are driven by ESG professionals. Their voting policies are reviewed annually and take into account feedback from their clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as they continue to develop their voting and engagement policies and define strategic priorities in the years ahead. They also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

All decisions are made by LGIM's Investment Stewardship team and in accordance with their relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures their stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. Their use of ISS recommendations is purely to augment their own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that they receive from ISS for UK companies when making specific voting decisions.

To ensure their proxy provider votes in accordance with their position on ESG, they have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what they consider are minimum best practice standards which they believe all companies globally should observe, irrespective of local regulation or practice.

They retain the ability in all markets to override any vote decisions, which are based on their custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows them to apply a qualitative overlay to their voting judgement. They have strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform them of rejected votes which require further action.

It is vital that the proxy voting service are regularly monitored and LGIM do this through quarterly due diligence meetings with ISS. Representatives from a range of departments attend these meetings, including the client relationship manager, research manager and custom voting manager. The meetings have a standing agenda, which includes setting out their expectations, an analysis of any issues they have experienced when voting during the previous quarter, the quality of the ISS research delivered, general service level, personnel changes, the management of any potential conflicts of interest and a review of the effectiveness of the monitoring process and voting statistics. The meetings will also review any action points arising from the previous quarterly meeting.

LGIM has its own internal Risk Management System (RMS) to provide effective oversight of key processes. This includes LGIM's voting activities and related client reporting. If an item is not confirmed as completed on RMS, the issue is escalated to line managers and senior directors within the organisation. On a weekly basis, senior members of the Investment Stewardship team confirm on LGIM’s internal RMS that votes have been cast correctly on the voting platform and record any issues experienced. This is then reviewed by the Director of Investment Stewardship who confirms the votes have been cast correctly on a monthly basis. Annually, as part of their formal RMS processes the Director of Investment Stewardship confirms that a formal review of LGIM’s proxy provider has been conducted and that they have the capacity and competency to analyse proxy issues and make impartial recommendations.

b. BNY Mellon (Newton)

BNY Mellon describe their voting process as follows:

“Our head of responsible investment (RI) is responsible for the decision-making process of the RI team when reviewing meeting resolutions for contentious issues. We do not maintain a strict proxy voting policy. Instead, we prefer to take into account a company's individual circumstances, our investment rationale, and any engagement activities together with relevant governing laws, guidelines, and best practices.

Contentious issues may be referred to the appropriate industry analyst for comment and, where relevant, we may confer with the company or other interested parties for further clarification or to reach a compromise or to achieve a commitment from the company.

Voting decisions are approved by either the deputy chief investment officer or a senior investment team member (such as the head of global research). For the avoidance of doubt, all voting decisions are made by Newton.

It is only in the event of a material potential conflict of interest between Newton, the investee company and/or a client that the recommendations of the voting service used (Institutional Shareholder Services, or the ISS) will take precedence.

It is also only in these circumstances when we may register an abstention given our stance of either voting in favour or against any proposed resolutions. The discipline of having to reach a position of voting in favour or against management ensures we do not provide confusing messages to companies.

We employ a variety of research providers that aid us in the vote decision-making process, including proxy advisors such as ISS. We utilise ISS for the purpose of administering proxy voting, as well as its research reports on individual company meetings.

Voting decisions take into account local market best practice, rules and regulations while also supporting our investment rationale. For example, when voting on the election of directors in Japan, we are unlikely to vote against a board chair should the board not be majority independent given that only recently the corporate governance code has recommended boards appoint independent directors. However, in the UK, where majority independent boards are well established and expected by investors, we are likely to vote against the chair and non-independent directors. This being said, we frequently vote against executive pay at US companies despite it being accepted US market practice of granting significant awards of free shares, as we believe executive pay should be aligned with performance."

c. Invesco

Invesco describe their voting process as follows:

"Invesco views proxy voting as an integral part of its investment management responsibilities. The proxy voting process at Invesco focuses on protecting clients' rights and promoting governance structures and practices that reinforce the accountability of corporate management and boards of directors to shareholders. Voting matters are assessed on a case-by-case basis by Invesco's respective investment professionals considering the unique circumstances affecting companies, regional best practices and our goal of maximizing long-term value creation for our clients.

The voting decision lies with our asset managers with input and support from our Global ESG team and Proxy Operations functions. Our portfolio managers review voting items based on their individual merits and retain full discretion on vote execution conducted through our proprietary proxy voting platform. Our proprietary voting platform facilitates implementation of voting decisions and rationales across global investment teams. Our proxy voting philosophy, governance structure and process are designed to ensure that proxy votes are cast in accordance with clients' best interests.

Invesco may supplement its internal research with information from third parties, such as proxy advisory firms. Globally Invesco leverages research from Institutional Shareholder Services Inc. ("ISS") and Glass Lewis ("GL") and we use the Investment Association IVIS in the UK for research for UK securities. Invesco generally retains full and independent discretion with respect to proxy voting decisions. ISS and GL both provide research reports, including vote recommendations, to Invesco and its asset managers. Invesco also retains ISS to assist with receipt of proxy ballots and vote execution for use through our proprietary voting platform as well as ISS vote disclosure services in Canada, the UK and Europe."

5. Summary of voting behaviour over the year

a. LGIM

A summary of LGIM's voting behaviour over the period is provided in the table below.

	Summary Info
Manager name	Legal & General Investment Management
Fund name	Global Equity Fixed Weights (50:50) Index GBP Hedged Fund
Approximate value of trustees' assets	c.£3.3m as at 5 April 2021
Number of meetings eligible to vote	3641
Number of resolutions eligible to vote	44680
% of resolutions voted	99.97%
% of resolutions voted with management	83.56%
% of resolutions voted against management	16.29%
% of resolutions abstained	0.15%
% of meetings with at least one vote against managements	5.46%
% of resolutions voted contrary to the proxy adviser recommendation	0.44%
	Summary Info
Manager name	Legal & General Investment Management
Fund name	UK Equity Index Fund
Approximate value of trustees' assets	c.£2.7m as at 5 April 2021
Number of meetings eligible to vote	943
Number of resolutions eligible to vote	12574
% of resolutions voted	100.00%
% of resolutions voted with management	92.94%
% of resolutions voted against management	7.05%
% of resolutions abstained	0.01%
% of meetings with at least one vote against managements	3.27%
% of resolutions voted contrary to the proxy adviser recommendation	0.80%

b. BNY Mellon (Newton)

A summary of BNY Mellon’s voting behaviour over the period is provided in the table below.

	Summary Info
Manager name	BNY Mellon
Fund name	Real Return Fund
Approximate value of trustees’ assets	c.£5.1m as at 5 April 2021
Number of meetings eligible to vote	97
Number of resolutions eligible to vote	1280
% of resolutions voted	99.2%
% of resolutions voted with management	85.2%
% of resolutions voted against management	14.7%
% of resolutions abstained	0.1%
% of meetings voted at least once against management?	38%
% of meetings voted contrary to the recommendation of your proxy adviser?	10.1%

c. Invesco

A summary of Invesco’s voting behaviour over the period is provided in the table below:

	Summary Info
Manager name	Invesco
Fund name	Global Targeted Returns Fund
Approximate value of trustees’ assets	c.£2.7m as at 5 April 2021
Number of meetings eligible to vote	359
Number of resolutions eligible to vote	5170
% of resolutions voted	98.26%
% of resolutions voted with management	94.27%
% of resolutions voted against management	5.73%
% of resolutions abstained	0.43%
% of meetings voted at least once against management?	33.62%
% of meetings voted contrary to the recommendation of your proxy adviser?	3.35%

6. Most Significant votes over the year

a. LGIM

<u>Most significant votes for the Global Equity Fixed Weights (50:50) Index Fund - GBP Currency Hgd</u>

Vote 1

Company name	Qantas Airways Limited
Date of vote	23-Oct-20
Summary of the resolution	Resolution 3 Approve participation of Alan Joyce in the Long-Term Incentive Plan Resolution 4 Approve Remuneration Report.
How you voted	LGIM voted against resolution 3 and supported resolution 4.
Where you voted against management, did you communicate your intent to the company ahead of the vote?	Given our engagement, LGIM's Investment Stewardship team communicated the voting decision directly to the company before the AGM and provided feedback to the remuneration committee.
Rationale for the voting decision	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.
Outcome of the vote	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.
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	We will continue our engagement with the company.
On which criteria have you assessed this vote to be "significant"?	It highlights the challenges of factoring in the impact of the COVID situation into the executive remuneration package.

Vote 2

Company name	Whitehaven Coal
Date of vote	22-Nov-20
Summary of the resolution	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.
How you voted	LGIM voted for the resolution.
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	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.
Outcome of the vote	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.
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to monitor this company.
On which criteria have you assessed this vote to be "significant"?	The vote received media scrutiny and is emblematic of a growing wave of 'green' shareholder activism.

Vote 3

Company name	International Consolidated Airlines Group
Date of vote	07-Sep-20
Summary of the resolution	Resolution 8: Approve Remuneration Report' was proposed at the company's annual shareholder meeting held on 7 September 2020.
How you voted	We voted against the resolution.
Where you voted against management, did you communicate your 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 our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	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.
Outcome of the vote	28.4% of shareholders opposed the remuneration report.
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage closely with the renewed board.
On which criteria have you assessed this vote to be "significant"?	LGIM considers this vote significant as it illustrates the importance for investors of monitoring our investee companies' responses to the COVID crisis.

Vote 4

Company name	Lagardère
Date of vote	05-May-20
Summary of the resolution	Shareholder resolutions A to 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).
How you voted	LGIM voted in favour of five of the Amber-proposed candidates (resolutions H,J,K,L,M) and voted off five of the incumbent Lagardère SB directors (resolutions B,C,E,F,G).
Where you voted against management, did you communicate your 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 our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	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. The company continues to have a commandite structure; a limited partnership, which means that the managing partner has a tight grip on the company, despite only having 7 % share capital and 11% voting rights. LGIM engages with companies on their strategies, any lack of challenge to these, and with governance 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. Where there is a proxy contest, LGIM engages with both the activist and the company to understand both perspectives. LGIM engaged with both Amber Capital, where we were able to speak to the proposed new SB Chair, and also Lagardère, where we spoke to the incumbent SB Chair. This allowed us to gain direct perspectives from the individual charged with ensuring their board includes the right individuals to challenge management.
Outcome of the vote	Even though shareholders did not give majority support to Amber’s candidates, its proposed resolutions received approx. between 30-40% support, a clear indication that many shareholders have concerns with the board. (Source: ISS data)
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	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, as well as to keep the structure of SB under review.
On which criteria have you assessed this vote to be "significant"?	LGIM noted significant media and public interest on this vote given the proposed revocation of the company’s board.

Vote 5

Company name	Imperial Brands plc
Date of vote	03-Feb-21
Summary of the resolution	Resolutions 2 and 3, respectively, Approve Remuneration Report and Approve Remuneration Policy.
How you voted	LGIM voted against both resolutions.
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	The company appointed a new CEO during 2020, who was granted a significantly higher base salary than his predecessor. A higher base salary has a consequential ripple effect on short- and long-term incentives, as well as pension contributions. Further, the company did not apply best practice in relation to post-exit shareholding guidelines as outlined by both LGIM and the Investment Association. An incoming CEO with no previous experience in the specific sector, or CEO experience at a FTSE100 company, should have to prove her or himself beforehand to be set a base salary at the level, or higher, of an outgoing CEO with multiple years of such experience. Further, we would expect companies to adopt general best practice standards. Prior to the AGM, we engaged with the company outlining what our concerns over the remuneration structure were. We also indicated that we publish specific remuneration guidelines for UK-listed companies and keep remuneration consultants up to date with our thinking.
Outcome of the vote	Resolution 2 (Approve Remuneration Report) received 40.26% votes against, and 59.73% votes of support. Resolution 3 (Approve Remuneration Policy) received 4.71% of votes against, and 95.28% support.
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM continues to engage with companies on remuneration both directly and via IVIS, the corporate governance research arm of The Investment Association. LGIM annually publishes remuneration guidelines for UK listed companies.
On which criteria have you assessed this vote to be "significant"?	We are concerned over the ratcheting up of executive pay; and we believe executive directors must take a long-term view of the company in their decision-making process, hence the request for executives' post-exit shareholding guidelines to be set.

Most significant votes for the UK Equity Index Fund

Vote 1

Company name	International Consolidated Airlines Group
Date of vote	07-Sep-20
Details	See above

Vote 2

Company name	Imperial Brands plc
Date of vote	03-Feb-21
Details	See above

Vote 3

Company name	Pearson
Date of vote	18-Sep-20
Summary of the resolution	Resolution 1: Amend remuneration policy was proposed at the company's special shareholder meeting, held on 18 September 2020.
How you voted	We voted against the amendment to the remuneration policy.
Where you voted against management, did you communicate your 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 our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	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.
Outcome of the vote	At the EGM, 33% of shareholders voted against the co-investment plan and therefore, by default, the appointment of the new CEO.
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to 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.
On which criteria have you assessed this vote to be "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 our outstanding concerns, we deem this vote to be significant.

Vote 4

Company name	SIG plc.
Date of vote	09-Jul-20
Summary of the resolution	Resolution 5: Approve one-off payment to Steve Francis proposed at the company's special shareholder meeting held on 9 July 2020.
How you voted	We voted against the resolution.
Where you voted against management, did you communicate your 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 our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	The company wanted to grant their interim CEO a one-off award of £375,000 for work carried out over a two-month period (February - April). The CEO agreed to invest £150,000 of this payment in acquiring shares in the business, and the remaining £225,000 would be a cash payment. The additional payment was subject to successfully completing a capital-raising exercise to improve the liquidity of the business. The one-off payment was outside the scope of their remuneration policy and on top of his existing remuneration, and therefore needed shareholder support for its payment. LGIM does not generally support one-off payments. We believe that the remuneration committee should ensure that executive directors have a remuneration policy in place that is appropriate for their role and level of responsibility. This should negate the need for additional one-off payments. In this instance, there were other factors that were taken into consideration. The size of the additional payment was a concern because it was for work carried over a two-month period, yet was equivalent to 65% of his full-time annual salary. £225,000 was to be paid in cash at a time when the company's liquidity position was so poor that it risked breaching covenants of a revolving credit facility and therefore needed to raise additional funding through a highly dilutive share issue.
Outcome of the vote	The resolution passed. However, 44% of shareholders did not support it. We believe that with this level of dissent the company should not go ahead with the payment.
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	We 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.
On which criteria have you assessed this vote to be "significant"?	The vote is high-profile and controversial.

Vote 5

Company name	Barclays
Date of vote	07-May-20
Summary of the resolution	Resolution 29 Approve Barclays' Commitment in Tackling Climate Change Resolution 30 Approve ShareAction Requisitioned Resolution
How you voted	LGIM voted for resolution 29, proposed by Barclays and for resolution 30, proposed by ShareAction.
Where you voted against management, did you communicate your 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 our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers. We are particularly grateful to the Investor Forum for the significant role it played in coordinating this outcome.
Outcome of the vote	Resolution 29 - supported by 99.9% of shareholders Resolution30 - supported by 23.9% of shareholders (source: Company website)
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	The hard work is just beginning. Our focus will now be to help Barclays on the detail of their plans and targets, more detail of which is to be published this year. We 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.
On which criteria have you assessed this vote to be "significant"?	Since the beginning of the year there has been significant client interest in our voting intentions and engagement activities in relation to the 2020 Barclays AGM. We thank our clients for their patience and understanding while we undertook sensitive discussions and negotiations in private. We consider the outcome to be extremely positive for all parties: Barclays, ShareAction and long-term asset owners such as our clients.

b. BNY Mellon (Newton)

Most significant votes for the BNY Mellon Real Return Fund

Vote 1

Company name	LEG Immobilien AG
Date of vote	19-Aug-20
Summary of the resolution	Remuneration policy
How you voted	AGAINST
Where you voted against management, did you communicate your intent to the company ahead of the vote?	No
Rationale for the voting decision	We voted against the proposed pay arrangements on account of their lack of alignment with performance. The executive long-term compensation scheme was entirely cash-based, and although this was indicated to be performance-linked, no disclosures were was provided on performance targets. With targets not being disclosed, we were concerned that long- term awards could vest for below-median poor performance. Furthermore, the introduction of special remuneration awards through transaction-based bonuses were not considered to be ideal for promoting talent retention, due to these generally being one-off in nature
Outcome of the vote	22.2% AGAINST Approve Remuneration Policy
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	The vote outcome is considered significant owing to more than 20% of votes being instructed against its approval. It is likely that the company will seek to address concerns in an effort to avoid similar or higher future dissent.
On which criteria have you assessed this vote to be "significant"?	We believe investor scrutiny of pay arrangements is increasing. The significance of the high vote against is important to note given that a majority of pay proposals from companies rarely see such high levels of dissent.

Vote 2

Company name	Microsoft Corporation
Date of vote	02-Dec-20
Summary of the resolution	Elect Director, Advisory Vote to Ratify Named Executive Officers' Compensation and Ratify Deloitte & Touche LLP as Auditors
How you voted	AGAINST
Where you voted against management, did you communicate your intent to the company ahead of the vote?	Yes
Rationale for the voting decision	Despite improvements to executive remuneration practices over recent years, we remained concerned that approximately half of long-term pay awards vest irrespective of performance. We voted against the executive compensation arrangements and against the three members of the compensation committee. We also voted against the re-appointment of the company's external auditor given that its independence was jeopardised by having served in this role for 37 consecutive years.
Outcome of the vote	1.1%, 0.9%, 0.3%, AGAINST compensation committee members, 3.9% AGAINST reappointment of the auditor, 5.3% AGAINST executive officers' compensation
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	The vote outcome demonstrates shareholders are not overly concerned with the company's executive pay arrangements. However, our engagement with the company over multiple years shows that pay arrangements have been improving and are expected to continue to improve. We look forward to supporting the company's executive pay proposals as these improvements are implemented.
On which criteria have you assessed this vote to be "significant"?	The company is recognised as a leader among its US peers in terms of its approach to corporate governance. It's executive pay structure is also better than most but there exists fundamental improvements that should be made.

Vote 3

Company name	Linde plc
Date of vote	27-Jul-20
Summary of the resolution	Executive compensation arrangements and election of directors.
How you voted	AGAINST
Where you voted against management, did you communicate your intent to the company ahead of the vote?	No
Rationale for the voting decision	We decided to vote against the advisory vote on executive compensation, and against the members of the remuneration committee members. A majority of long-term pay awards vest based on time served, which means executive pay is not subject to rigorous performance conditions and therefore not aligned with shareholders' interests. In addition, some of the perks to the CEO seem unnecessary and excessive, including the use of company aircraft for personal purposes, financial planning expenditures, and additional years of service credits beyond time served at the company being considered to calculate his pension benefit.
Outcome of the vote	1.8% AGAINST elect Director 7.6% AGAINST elect Director 2.1% AGAINST elect Director 8.2% AGAINST elect Director 9.8% AGAINST elect Director 40% AGAINST elect Director 9.6% AGAINST Advisory Vote to Ratify Named Executive Officers' Compensation
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	We did not consider the vote outcome on the pay resolution to be material and of a level where the company is expected to address concerns. However, the election of one director that received 40% of votes against warrants further consideration.
On which criteria have you assessed this vote to be "significant"?	We expect more shareholders will increase their scrutiny of pay versus performance and reflect this in their voting decisions; as such, shareholder dissent may increase and result in unnecessary media attention that can foster both financial and reputational issues. In addition, director elections rarely achieve such a high level of dissent as seen by one nominee receiving a 40% vote against.

Vote 4

Company name	NIKE, Inc.
Date of vote	17-Sep-20
Summary of the resolution	Advisory Vote to Ratify Named Executive Officers' Compensation, Ratify PricewaterhouseCoopers LLP as Auditors and Report on Political Contributions Disclosure.
How you voted	AGAINST management proposals and FOR shareholder proposal
Where you voted against management, did you communicate your intent to the company ahead of the vote?	No
Rationale for the voting decision	We voted against management on a number of resolutions. We voted against the appointment of the external audit firm owing to it serving the company for 46 consecutive years. We believe this compromises independence and objectivity. Votes were also instructed against the ratification of the executive compensation arrangements. Our chief concern was that fewer than 50% of long-term pay awards were subject to the achievement of performance conditions. Finally, we supported a shareholder resolution requesting enhanced disclosures on political contributions. While the company's disclosures offer some insight into the contributions made and the governance framework surrounding this risk, we felt that the proposal would offer increased transparency of the company's relationships with trade associations and would bring its disclosures in line with better-performing peers.
Outcome of the vote	46% AGAINST Advisory Vote to Ratify Named Executive Officers' Compensation 3.6% AGAINST Ratify PricewaterhouseCoopers LLP as Auditors 34.4% FOR Report on Political Contributions Disclosure
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	With close to a majority of shareholders voting against the executive pay practices, the company will need to conduct a fundamental review of its pay practices. In addition, the significant level of support for the company to improve its reporting of political contributions suggests that the company will also need to review its approach to this matter. We expect to encourage improvements through our voting decisions.
On which criteria have you assessed this vote to be "significant"?	Only a few companies, globally, receive such a high level of shareholder dissent in relation to pay practices.

Vote 5

Company name	Medtronic plc
Date of vote	11-Dec-20
Summary of the resolution	Elect Director, Approve PricewaterhouseCoopers LLP as Auditors and Authorize Board to Fix Their Remuneration and Advisory Vote to Ratify Named Executive Officers' Compensation
How you voted	AGAINST
Where you voted against management, did you communicate your intent to the company ahead of the vote?	No
Rationale for the voting decision	A significant proportion of executives' long-term compensation awards vest regardless of performance. Where performance conditions determine vesting, the performance targets are not considered stretching. Additionally, we were also concerned with a further long-term compensation scheme as it allows awards to vest for cash rather than equity. We voted against the advisory vote on executive compensation and against the re-election to the board of five members of the compensation committee. We also voted against the appointment of the external auditor owing to the firm having served in this capacity for 57 consecutive years, which jeopardises the firm's ability to exercise independent judgement.
Outcome of the vote	6.4%, 1.5%, 3.4%, 2.6%, 14.3% AGAINST compensation committee members, 5.5% AGAINST reappointment of the auditor, 8.3% AGAINST executive officers' compensation
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	The outcome of the pay-related votes is likely to generate discussion within the company, particularly given the level of dissent in relation to the re-election of one board director. We will continue to recognise formally our concern in relation to the pay structure through the exercise of voting rights. While the level of opposition to the long-tenured auditor was minor, we expect this to increase as audit quality rises up the agenda for investors.
On which criteria have you assessed this vote to be "significant"?	We expect more shareholders will increase their scrutiny of pay versus performance and reflect this in their voting decisions; as such, shareholder dissent may increase and result in unnecessary media attention that can foster both financial and reputational issues.

c. Invesco

Most significant votes for the Global Targeted Returns Fund

Invesco's investor-led proxy voting approach ensures that each meeting is voted in the firm's clients' best interests and each proposal, both management and shareholder, is considered in light of the risk and materiality to the portfolios.

Vote 1

Company name	Bayer AG
Date of vote	28-Apr-2020
Summary of the resolution	Ratify Deloitte GmbH as Auditors for Fiscal 2020
How you voted	In line with Management
Where you voted against management, did you communicate your intent to the company ahead of the vote?	NO
Rationale for the voting decision	A vote FOR is warranted because there are no concerns regarding this proposal. ISS is not aware of any issues that would impact the suitability of the proposed auditor.
Outcome of the vote	PASS
On which criteria have you assessed this vote to be "significant"?	>1% Invesco Ownership and Part of ESG Watchlist

Vote 2

Company name	Citigroup Inc.
Date of vote	21-Apr-2020
Summary of the resolution	Report on Lobbying Payments and Policy
How you voted	In line with Management (Management voted AGAINST)
Where you voted against management, did you communicate your intent to the company ahead of the vote?	NO
Rationale for the voting decision	A vote AGAINST this resolution is warranted, as the company is disclosing adequate information for shareholders to be able to assess its engagement in the political process and its management of related risks.
Outcome of the vote	PASS
On which criteria have you assessed this vote to be "significant"?	>1% Invesco Ownership and Includes Key ESG proposal

Vote 3

Company name	China Oilfield Services Limited
Date of vote	28-May-2020
Summary of the resolution	Approve Provision of Guarantees for Other Parties
How you voted	In line with Management
Where you voted against management, did you communicate your intent to the company ahead of the vote?	NO
Rationale for the voting decision	At this time, we support this proposal as there is no significant known issues concerning the nominees and the company.
Outcome of the vote	PASS
On which criteria have you assessed this vote to be "significant"?	>1% Invesco Ownership and Includes Key ESG proposal

Vote 4

Company name	Booking Holdings Inc.
Date of vote	04/06/2020
Summary of the resolution	Provide Right to Act by Written Consent
How you voted	In line with Management
Where you voted against management, did you communicate your intent to the company ahead of the vote?	NO
Rationale for the voting decision	At this time we support this proposal as providing shareholders with the right to act by written consent would make it possible for the holders of a majority of shares to take significant corporate actions without giving prior notice to the company or other shareholders.
Outcome of the vote	PASS
On which criteria have you assessed this vote to be "significant"?	>1% Invesco Ownership and Includes Key ESG proposal

Vote 5

Company name	AerCap Holdings NV
Date of vote	22/04/2020
Summary of the resolution	Authorize Board to Exclude Pre-emptive Rights from Share Issuances Under Item 9.a
How you voted	In line with Management
Where you voted against management, did you communicate your intent to the company ahead of the vote?	NO
Rationale for the voting decision	A vote FOR this proposal is warranted because it is in line with commonly used safeguards regarding volume and duration.
Outcome of the vote	PASS
On which criteria have you assessed this vote to be "significant"?	>1% Invesco Ownership and Includes Key ESG proposal