

# Bechtel Limited Pension Plan Implementation Statement – March 2022

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## Introduction

This Implementation Statement (the "Statement") sets out the Trustees' views on how, and the extent to which the Trustees' investment objectives and policies, as set out in their Statements of Investment Principles (SIP) (one for the Final Salary Section and one for the Money Purchase Section) have been followed during the year to 31 March 2022. This Statement 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, which transposes the EU Shareholder Rights Directive (SRD II) into UK law.

The SIPs in respect of both the Final Salary Section and the Money Purchase Section are enclosed within the Annual Report and are available online, and they set out the policies referenced here.

Note that Mercer Limited ('Mercer') has been appointed as discretionary investment manager in respect of the Final Salary Section investments. Pursuant to Mercer's appointment, Plan monies are invested in Mercer funds, which are collective investment vehicles managed by Mercer Global Investments Europe Limited (MGIE). MGIE are responsible for implementing, and reporting on compliance with, the Trustees' Engagement Policy.

## Trustees' Investment Objectives for the Plan

The Trustees believes it is important to consider their investment policies in the context of the objectives they have set.

The Trustees' objectives for the Plan are as follows:

### Final Salary Section

*The Trustees understand that taking some investment risk, with the support of the Sponsor, is necessary to improve the Plan's funding position and then "lock-in", as far as is practically possible, a target level of funding under a conservative funding basis.*

*The Trustees' primary objective is to act in the best interest of its members. As such, the Trustees' key investment objective is to reach, and then maintain, a position such that the Plan's assets would ultimately be sufficient to meet its liabilities should the liabilities be bought out with an insurance company.*

### Money Purchase Section

*The Trustees recognise that individual members have differing investment needs and that these may change during the course of their working lives. It also recognises that members have differing attitudes to risk. The Trustees' objectives are therefore:*

- i. *To provide members with a range of investment options to enable them to tailor investment strategy to their needs, specifically in controlling the risks inherent in their savings. In particular, to make available vehicles which aim:*
  - a. *To maximise the value of members' assets at retirement.*
  - b. *To maintain the purchasing power of members' savings.*
  - c. *To provide protection for members' accumulated assets in the years approaching retirement against:*
    - Sudden (downward) volatility in the capital value;
    - Fluctuations in the (implicit and explicit) cost of retirement benefits.

# Bechtel Limited Pension Plan Implementation Statement (continued)

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- ii. *To maintain a default investment option that is broadly reasonable for any member not wishing to make their own investment decisions. The Plan is now closed to new members but a number of existing members are invested in a default investment option.*
- iii. *To avoid over-complexity in investment in order to keep administration costs and employee understanding to a reasonable level.*
- iv. *To inform members, through a policy of clear communication and education, about their investment options in relation to the potential risks and anticipated rewards of, and charges associated with, each option.*

## **Assessment of how the Trustees' policies have been followed for the year to 31 March 2022**

The information provided in the following tables highlights the work undertaken by the Trustees during the year, and longer term where relevant, and sets out how this work was in line with their policies. In summary, it is the Trustees' view that their policies in the SIPs have been followed during the Plan year to 31 March 2022.

# Bechtel Limited Pension Plan Implementation Statement (continued)

	Requirement	Policy/paragraph of SIP	In the year to 31 March 2022
1	Securing compliance with the legal requirements about choosing investments	<u>Final Salary:</u> Paragraph 1 <u>Money Purchase:</u> Paragraph 1	<u>Final Salary Section</u> In considering appropriate investments for the Plan, the Trustees obtain and consider the written advice of Mercer, whom the Trustees believe to be suitably qualified to provide such advice. <u>Money Purchase Section:</u> The Trustees did not choose any new investments for the Plan during the year.
2 & 3	Kinds of investments to be held and the balance between different kinds of investments	<u>Final Salary:</u> Paragraph 5 <u>Money Purchase:</u> Paragraph 4	<u>Final Salary Section</u> Having considered the advice of Mercer, the Trustees removed the Plan's remaining exposure to equities during the year and introduced an allocation to secured finance strategies. At the year-end was invested in a bond-based strategy over the year consisting of a suitably diversified portfolio of credit and gilt assets, <u>Money Purchase Section:</u> The investments (fund type, management style and asset allocations) used within the Money Purchase Section did not change during the year.
4	Risks, including the ways in which risks are to be measured and managed	<u>Final Salary:</u> Paragraph 4 <u>Money Purchase:</u> Paragraph 3	The Trustees maintained a Risk Register during the year that outlines risks by category, and considers the impact, likelihood, and responses / mitigations for each risk. <u>Final Salary Section</u> The Trustees reviewed the measurement of a number of the risks in the SIP on a quarterly basis as part of regular investment performance reporting. These quarterly reports were provided by Mercer. The Trustees, with the assistance of Mercer, also undertook a detailed annual review of the Trustees' target allocations to various assets classes ("investment strategy") to understand the sources of risk in the investment strategy and to remove those that the Trustees consider to have no associated return expectation. <u>Money Purchase Section:</u> The Trustees reviewed the measurement of a number of the risks in the SIP on a quarterly basis as part of regular investment performance reporting. These quarterly reports were provided by the Plan's main Money Purchase Section investment manager, Legal & General Investment Management ("L&G"). The Trustees' Money Purchase adviser, Mercer, provides an annual performance review as part of the value for members assessment. For each fund this shows performance

# Bechtel Limited Pension Plan Implementation Statement (continued)

	Requirement	Policy/paragraph of SIP	In the year to 31 March 2022
			<p>statistics as well as confirming the research ratings assigned by Mercer. This denotes Mercer’s assessment of the likelihood of a fund’s objectives being achieved and assists the Trustees in measuring and monitoring manager risk (risk 3iii in the SIP).</p> <p>Risks 3i, 3ii, 3ii, and 3v in the SIP (relating to investment returns, market movements, manager risk, and default investment mismatch risk) were addressed during the year by carrying out a detailed review of the composition of the default investment strategy, including the asset allocation throughout the “lifestyle” arrangement, the length of the de-risking period, and consideration of the needs of members. This review was discussed at the 10 June 2021 Trustee meeting.</p> <p>The Trustee is satisfied that the SIP policies have been followed during the period.</p>
5	Expected return on investments	<p><u>Final Salary</u>: Paragraph 5</p> <p><u>Money Purchase</u>: Paragraph 4 (regarding the default strategy) and 8 (which confirms that benchmark returns are in place and are monitored).</p>	<p><u>Final Salary Section</u></p> <p>The expected return on the Plan’s investment strategy at the year-end was c. 1%p.a. above the portfolio of gilts that provides a match for the Plan’s projected liabilities.</p> <p><u>Money Purchase Section</u>:</p> <p>There were no changes to the benchmarks or targets set for the Plan’s mandates.</p>
6	Realisation of investments	<p><u>Final Salary</u>: Paragraph 6</p> <p><u>Money Purchase</u>: Paragraph 4 (regarding the default arrangement) and 6.</p>	<p>The Trustees receive a report each quarter from the Plan administrator that details the extent to which benefit payments and other core financial transactions have been processed within service level agreements and regulatory timelines. There were no issues experienced with realisation of investments during the period.</p> <p><u>Final Salary Section</u></p> <p>No issues were experienced with the realisation of investments during the Plan year. To assist with funding the Plan’s cashflow requirements, income generated on some of the assets held by the Plan is passed to the Plans’ bank account rather than being reinvested.</p> <p><u>Money Purchase Section</u>:</p> <p>All funds are daily dealt and priced pooled investment vehicles, with the exception of one fund which is weekly priced. The funds are accessed through an insurance contract. No issues were experienced with the realisation of investments during the Plan year.</p>

# Bechtel Limited Pension Plan Implementation Statement (continued)

7	<b>Financially material considerations over the appropriate time horizon, including in selection, retention &amp; realisation of investments</b>	<b>The risks identified in the SIPs are considered by the Trustee to be 'financially material considerations'.</b>	<b>There were no significant changes to this policy during the year.</b>
8	The extent to which non-financial matters are taken into account in the selection, retention and realisation of investments	<u>Final Salary:</u> Paragraph 9 <u>Money Purchase:</u> Paragraph 7 and 8.	There were no changes to SIP policy during the year.  No member views on investment matters (financial or non-financial) were received by the Trustees.
9	The exercise of rights (including voting rights) of the investments	<u>Final Salary:</u> Paragraph 9 <u>Money Purchase:</u> Paragraph 7.	<u>Final Salary Section</u>  The Plan invested solely in pooled funds during the year, where voting and engagement activities are delegated to the investment managers. As part of their regular meetings with Mercer, consideration is given to reports produced by Mercer that discuss how voting rights have been exercised, and to provide examples of engagement activities.
10	Undertaking engagement activities in respect of the investments		The Trustees consider that their SIP policies relating to engagement and the exercise of voting rights had been followed appropriately over the year.  <u>Money Purchase Section:</u>  During the year, the Plan continued to invest only in pooled funds, where voting and engagement is delegated to investment managers. The main Money Purchase investment manager, L&G, provides reporting on stewardship within its quarterly reports. This assists the Trustee in ensuring that the exercise of voting rights, and the engagement activities undertaken on the Plan's behalf, are consistent with our policies.  The Trustees consider that the SIP policies had been followed appropriately.
11	How the arrangement(s) incentivise the manager to align its strategy / decisions with trustees' policies.	<u>Final Salary:</u> Paragraph 9 <u>Money Purchase:</u> Paragraph 8.	Disclosures on the Trustees' policies were added to the SIPs in September 2020 that reflect current practice.
12	How the arrangement incentivises the manager to make decisions based on assessments of medium to long-term financial/non-	<u>Final Salary:</u> Paragraph 9 <u>Money Purchase:</u> Paragraph 8.	Disclosures on the Trustees' policies were added to the SIPs in September 2020 that reflect current practice.

# Bechtel Limited Pension Plan Implementation Statement (continued)

	financial performance and engage with issuers to improve performance.		
<b>13</b>	How the method and time horizon of evaluation of manager performance and the remuneration for asset management services are in line with the trustees' policies.	<u>Final Salary:</u> Paragraph 9 <u>Money Purchase:</u> Paragraph 8.	Disclosures on the Trustees' policies were added to the SIPs in September 2020 that reflect current practice.  Short and long term investment performance was reviewed through quarterly investment reports, as noted in earlier commentary.  <u>Final Salary Section</u>  Disclosures on the Trustees' policies were added to the SIPs in September 2020 that reflect current practice.  <u>Money Purchase Section:</u>  The Trustees conduct an annual assessment of the extent to which the Plan provides value for members. This includes benchmarking the fees paid by members.
<b>14</b>	How trustees monitor portfolio turnover costs incurred by the manager, and how they define and monitor targeted portfolio turnover or turnover range.	<u>Final Salary:</u> Paragraph 9 <u>Money Purchase:</u> Paragraph 8.	<u>Final Salary Section</u>  Disclosures on the Trustees' policies were added to the SIP in September 2020 that reflect current practice.  <u>Money Purchase Section</u>  Disclosures on the Trustees' policies were added to the SIP in September 2020 that reflect current practice. Transaction costs are also monitored annually as part of preparation of the annual Chair's Statement which is published on a public website. The Trustees will continue to monitor transaction costs but has not set portfolio turnover targets; the Trustees instead assess performance net of the impact of the costs of turnover.
<b>15</b>	The duration of the arrangement with the asset manager	<u>Final Salary:</u> Paragraph 9 <u>Money Purchase:</u> Paragraph 8.	Policies added to the SIPs in September 2020 that reflect current practice.

# Bechtel Limited Pension Plan Implementation Statement (continued)

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## **Engagement policy statement**

The SIPs sets out the Trustees' policies on environmental, social and governance (ESG) considerations, including stewardship and climate change.

## **Engagement Activity During the Year**

The Trustees dedicate time at their meetings to consider ESG matters. The following work was undertaken during the Plan year relating to the activity on ESG issues, engagement, and stewardship. This summary also documents how the Plan's engagement and voting policies were implemented during the year, where not already outlined in the preceding section.

## **Final Salary Section**

Asset managers appointed by MGIE to manage Mercer funds are expected by MGIE to evaluate ESG factors, including climate change, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. Mercer and MGIE provided reporting to the Trustees during the year on how ESG, climate change and stewardship is integrated within Mercer's, MGIE's and the underlying asset managers' investment processes.

### *Engagement Policy Updates*

The Trustees consider how ESG, climate change and stewardship is integrated within Mercer's, and MGIE's, investment processes and those of the underlying asset managers in the monitoring process. Mercer, and MGIE, have provided reporting to the Trustees on a regular basis.

The Mercer Sustainability Policy is reviewed regularly. In March 2021 there was an update in relation to Sustainable Finance Disclosure Regulation ("SFDR") implementation.

In line with the requirements of the EU Shareholder Rights Directive II, Mercer have implemented a standalone Engagement Policy to specifically address the requirements of the directive.

### *Climate Change Reporting and Carbon Footprinting*

Mercer undertake climate scenario modelling and stress testing on the Mercer multi sector funds used by the Plan, in line with the Task Force on Climate Related Financial Disclosures (TCFD) recommendations. The results of the latest climate scenario modelling are within the TCFD compliant Climate Change Management Report. The findings of the modelling are integrated into the asset allocation and portfolio construction decisions, with portfolios increasingly aligned with a 2°C scenario, where consistent with investment objectives and for consistency with the Paris Agreement on Climate Change.

The headline Weighted Average Carbon Intensity ("WACI") metric for all equity funds is reporting in the Quarterly Investment Reports whilst an in-depth analysis of top 5 carbon emitters, the top 5 contributors to the WACI, and the trends over time is completed on an annual basis. The latest in-depth analysis is as at 30 June 2021 and also used by the Mercer and MGIE investment team to drive engagement with managers.

### *ESG Rating Review*

ESG ratings assigned by Mercer (and its affiliates') global manager research team, are included in the investment performance reports produced by Mercer on a quarterly basis and reviewed by the Trustees. ESG ratings are reviewed by MGIE during quarterly monitoring processes, with a more comprehensive review performed annually, seeking to evidence momentum on ESG integration.

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The Mercer funds overall ESG rating compared to the appropriate universe of strategies in Mercer's global investment manager database.

As at 31 December 2021, in the Annual ESG review provided by Mercer, the Trustees noted that 88% of Mercer Funds now have an ESG rating equal to or above their asset class universe. This compares to 97% at the end of 2020 but it should be noted that the scope of the review expanded in 2021 to include all liquid multi-client Mercer Funds.

## *Update to Exclusions*

As an overarching principle, Mercer and MGIE prefer an approach of positive engagement rather than negative divestment. However Mercer and MGIE recognises that there are a number of cases in which investors deem it unacceptable to profit from certain areas and therefore exclusions will be appropriate.

Controversial and civilian weapons, and tobacco are excluded from active equity and fixed income funds, and passive equity funds.

In addition, Mercer and MGIE monitors for high-severity breaches of the UN Global Compact ("UNGC") Principles that relate to human rights, environmental and corruption issues.

## *Sustainably-themed Investments*

A detailed standalone report sustainability monitoring report is produced for the active/passive Sustainable Global Equity fund on a semi-annual basis, including a more granular breakdown of the fund against ESG metrics, for example the UN Sustainability Development Goals.

## **Diversity**

From 31 December 2020, gender diversity statistics have also been included in the quarterly reporting for the Mercer equity funds and this is being built into a broader Mercer Investment Solutions International policy on Diversity, Equity and Inclusion, sitting alongside Mercer's established Diversity Charter.



# Bechtel Limited Pension Plan Implementation Statement (continued)

## Money Purchase Section

The following activity was carried out during the Plan year:

Activity	Date	Details
Investment Strategy review	10 June 2021	At the June meeting, the Trustees completed the triennial strategic review of the default investment strategy. This included consideration of the level of ESG integration within the asset allocation, including a detailed update on how the investment manager has embedded ESG considerations within their investment process and portfolio.
Beliefs survey	Q1 / Q2 2021	The Trustees carried out a beliefs survey, which included consideration of ESG matters, voting, and engagement. The survey results were discussed at a Trustee meeting and during the Plan year the results have assisted the Trustees with ensuring that their policies remain suitable.
Corporate governance monitoring	Quarterly	<p>Within each quarterly investment report, Legal &amp; General Investment Management (the manager of c99% of the assets of the Money Purchase Section) provide a summary of their corporate governance activities, including both company-specific examples and industry-wide initiatives. Examples during the Plan year included:</p> <ul style="list-style-type: none"> <li>- A diversity campaign targeted specifically at FTSE100 and S&amp;P500 companies with no ethnic diversity on their boards. L&amp;G's aim was to encourage companies to appoint at least one ethnically diverse director and L&amp;G explained that from 2022, they would vote against the chair of the nomination committee of US the companies, or the chair of the board of the UK companies, which fall short of expectations on diversity.</li> <li>- Engagement with industry stakeholders and the UK Government on the development of the Sustainable Disclosure Requirements regime (announced by the Chancellor of the Exchequer in 2021), the UK Green Taxonomy, and the next steps for Green Finance Strategy.</li> <li>- Engaged with the Department for Environment, Food, &amp; Rural Affairs (DEFRA) on implementation of due diligence provisions in the Environment Act to help tackle illegal deforestation in UK.</li> </ul>
ESG monitoring	Annual	The Plan's value for members assessment includes investment manager research ratings (both general and specific to ESG) from the investment adviser.

# Bechtel Limited Pension Plan Implementation Statement (continued)

## Voting Activity during the Plan year

### Final Salary Section

The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to the Plan's investments to the third party investment managers appointed by Mercer on the Trustees' behalf.

This is because any voting rights that do apply with respect to the underlying investments attached to the Mercer Funds are, ultimately, delegated to the third party investment managers appointed by MGIE. In delegating these rights, MGIE accepts that managers may have detailed knowledge of both the governance and the operations of the investee companies and so permits the managers to vote based on their own proxy-voting execution policy, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code. As such the Trustees do not use the direct services of a proxy voter.

Voting: As part of the monitoring of managers' approaches to voting, MGIE assesses how managers are voting against management and seeks to obtain the rationale behind voting activities, particularly in cases where split votes may occur (where managers vote in different ways for the same proposal). MGIE portfolio managers will use these results to inform their engagements with managers on their voting activities.

Set out below is a summary of voting activity for the year to 31 March 2022 for a range of Mercer Funds that the Plan's assets are invested in. This may include information in relation to funds that the Plan's assets were no longer invested in at the year end. The statistics set out in the table below are drawn from the Glass Lewis voting system (via Mercer's custodian). Typically, votes exercised against management can indicate a thoughtful and active approach. This is particularly visible where votes have been exercised to escalate engagement objectives. The expectation is for all shares to be voted.

"Unvoted" reflects instances where managers have not actioned a vote – these are specific areas where MGIE will follow up to ensure managers have appropriate systems in place to ensure all votes are actioned. "Other" reflects instances where managers have withheld votes in Power of Attorney markets, share blocking markets or where conflicts of interest may be present.

Fund Name	Total Proposals	Vote Decision					For/Against Mgmt	
		For	Against	Abstain	Do not vote	Others*	For	Against
Mercer Multi-Asset Credit Fund	27	67%	0%	33%	0%	0%	62%	38%

**Significant Votes:** Mercer has based its definition of significant votes on its Beliefs, Materiality and Impact ("BMI") Framework. In order to capture this in the monitoring and reporting of managers voting activities, significant votes focus on proposals covering priority areas identified by the BMI Framework.

### Sample of the most significant votes

Fund	Shareholder Proposal ("SHP")	Issuer	Vote Decision
Mercer Multi-Asset Credit Fund	Shareholder Proposal Regarding Proxy Access Bylaw Amendment	Nisource Inc. (Holding Co)	For
	Management Proposal Regarding Election of Directors	Nisource Inc. (Holding Co)	For

# Bechtel Limited Pension Plan Implementation Statement (continued)

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Money Purchase Section

The Trustees delegate voting rights to the investment managers. The majority of voting activity arises in respect of public equities and the Trustees have received voting information relating to funds that invest in public equities. The Plan makes available to members the following daily dealt, daily priced pooled funds. Funds highlighted in blue rows in the table hold equities.

<b>L&amp;G Funds</b>	<b>Other Funds</b>
Multi-Asset (was Consensus Index)	Aviva BlackRock UK Equity Index Tracker
L&G Diversified	Aviva With Profits
L&G Global Equity (70:30) Index	Aviva Stewardship
Over 5 year Index-Linked Gilts	
Over 15 year Fixed Interest Gilts	
Cash	

The Trustees have been provided with the voting disclosures relating to the funds listed in the table which invest in public equities (shaded in blue). These are summarised overleaf.

## Bechtel Limited Pension Plan Implementation Statement (continued)

Fund	12 Months to 31 March 2022					
	No. meetings eligible to vote	No. resolutions eligible to vote	% resolutions voted on where eligible	Of resolutions voted, % voted with management	Of resolutions voted, % voted against management	Of resolutions voted, % abstained
<b>L&amp;G Funds</b>						
Multi-Asset (was Consensus Index)	8,842	88,739	99.8%	78.7%	20.5%	0.8%
Diversified	9,010	90,252	98.8%	78.7%	20.5%	0.8%
Global Equity (70:30) Index	7,142	72,767	99.9%	82.0%	16.9%	1.1%
<b>Other Funds</b>						
Aviva BlackRock UK Equity Index Tracker	770	10,778	99.4%	92.8%	6.0%	1.2%
Aviva With Profits	5,131	53,366	95.1%	72.1%	25.5%	2.5%
Aviva Stewardship	54	881	99.6%	97.5%	2.2%	0.3%

Source: Investment Managers. Totals may not sum due to rounding.

# Bechtel Limited Pension Plan Implementation Statement (continued)

## Significant votes (Money Purchase Section)

The following tables provide an example from each fund used by the Plan (where equities are held within the fund) of a significant voting issue that arose.

<b>L&amp;G Multi-Asset (was Consensus Index) Fund</b>	
<b>Company</b>	McDonald's Corporation
<b>Item</b>	Shareholder resolution requesting that the company report on antibiotics and public health costs.
<b>Date</b>	20 May 2021
<b>Criteria for assessing as significant</b>	L&G consider this vote significant as they took the rare step of publicly pre-declaring their voting intention before the shareholder meeting. Pre-declaring a vote intention is a tool L&G use for a number of reasons, including where they consider a vote to be contentious, or as part of a specific engagement programme.
<b>Vote</b>	For the shareholder resolution (against management)
<b>Rationale</b>	L&G voted in favour of this proposal as they believe the proposed report will contribute to informing stakeholders of the negative issues created by the sustained use of antibiotics in the company's supply chain and its impact on global health. Antimicrobial resistance (AMR) is a focus area for L&G's Investment Stewardship team.  L&G believe that, without coordinated action, AMR could prompt a global health crisis, with a potential impact on the planet, its people, and global economic growth. L&G acknowledge the company's efforts over time on reducing the use of antibiotics in its supply chain for chicken, beef, and pork, but still believe AMR is a financially material issue. They therefore used the vote to signal the importance of this topic to the board.
<b>Outcome</b>	The shareholder resolution failed

<b>L&amp;G Diversified Fund</b>	
<b>Company</b>	Recruit Holdings Co., Ltd
<b>Item</b>	Resolution to amend articles to allow virtual only shareholder meetings
<b>Date</b>	17 June 2021
<b>Criteria for assessing as significant</b>	This was a high profile vote where the company proposed a change in articles to allow virtual-only Annual General Meetings beyond the temporary regulatory relief introduced during the Covid-19 pandemic.
<b>Vote</b>	L&G note that Japanese companies have been able to hold shareholder virtual meetings using temporary regulatory relief (without amending articles) for 2 years, but the passage of this proposal would authorise the company to hold virtual meetings permanently without further need to consult shareholders, even after the current health crisis is resolved.  L&G believe that the proposed language fails to specify situations under which virtual meetings will be held, raising concerns that meaningful exchange between the company and shareholders could be hindered.
<b>Rationale</b>	Against the resolution
<b>Outcome</b>	The resolution passed

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<b>L&amp;G Global Equity (70:30) Index Fund</b>	
<b>Company</b>	Apple Inc
<b>Item</b>	Report on Civil Rights Audit – this was a shareholder proposal asking Apple to undertake an independent civil rights audit, examining company policies and providing recommendations to improve its civil rights impact.
<b>Date</b>	4 March 2022
<b>Criteria for assessing as significant</b>	L&G views diversity as a financially material issue.
<b>Vote</b>	For the resolution
<b>Rationale</b>	L&G voted in favour on the grounds that they support proposals related to diversity and inclusion policies, as L&G consider these issues to be a material risk to companies.
<b>Outcome</b>	The resolution (against management) passed

<b>Aviva BlackRock UK Equity Index Tracker (BlackRock is the underlying manager)</b>	
<b>Company</b>	Royal Dutch Shell
<b>Item</b>	Approval of the Shell Energy Transition Strategy
<b>Date</b>	18 May 2021
<b>Criteria for assessing as significant</b>	The holding represents a relatively large part of the fund and the issue (relating to climate change and the environment) is deemed material.
<b>Vote</b>	Against the resolution
<b>Rationale</b>	<p>The investment manager, BlackRock, acknowledges progress made by Royal Dutch Shell in announcing a “net zero” commitment for operational emissions by 2050, alongside reductions in the carbon intensity of its products. However, BlackRock consider that the company’s energy transition strategy remains unconvincing relative to certain peers, and they doubt that Royal Dutch Shell will be able to deliver enough absolute emissions reductions to comply with the Paris climate agreement. Further, it doesn’t plan to shift investments substantially away from fossil fuels to renewables, and plans to increase natural gas production.</p> <p>For these reasons, BlackRock were hesitant to approve the Company’s strategy and a vote against was considered warranted.</p>
<b>Outcome</b>	The resolution was approved

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<b>Aviva With Profits</b>	
<b>Company</b>	Microsoft Corporation
<b>Item</b>	Report on Effectiveness of Workplace Sexual Harassment Policies
<b>Date</b>	30 November 2021
<b>Criteria for assessing as significant</b>	This vote was selected as it was a shareholder resolution which received overwhelming support against management recommendation.
<b>Vote</b>	For
<b>Rationale</b>	The investment manager believed it was important to support this resolution as Microsoft faced potential controversies related to workplace harassment and gender discrimination. This is a risk area for the sector and the company that is key for talent attraction and retention. The investment manager felt it would be helpful for shareholders to see additional information on the company's policies and their implementation, in order to better assess how the company is addressing such risks.
<b>Outcome</b>	The resolution was approved

<b>Aviva Stewardship</b>	
<b>Company</b>	AstraZeneca Plc
<b>Item</b>	Approval of Remuneration Policy
<b>Date</b>	11 May 2021
<b>Criteria for assessing as significant</b>	The company is a relatively large part of the fund (c6% at the time of the vote), and the issue itself was also considered material as it relates to board governance.
<b>Vote</b>	Against the resolution
<b>Rationale</b>	<p>This vote decision reflected concerns over significant increases to variable pay for senior executives for the second consecutive year, and the rationale for this was not considered to be sufficiently compelling.</p> <p>The bonus for the CEO was being increased from 200% to 250% of salary and the long term incentive plan (LTIP) from 550% of salary to 650%. In the previous year, the investment manager did not support a similar resolution for the same reasons, and therefore was disappointed to see further increases proposed.</p>
<b>Outcome</b>	The resolution passed but with significant shareholder dissent.