



ITV Pension Scheme

Following our investment principles

Annual Implementation Statement for the Scheme year ending 31 December 2021

This document provides an assessment of how the Trustee has put its Statement of Investment Principles (SIP) into practice during the year.

It covers three main areas: voting rights and voting behaviour; the engagement and monitoring of investment managers; and how responsible investment (referred to as ESG) has been considered as part of the investment decision-making process.

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Section 1: Introduction

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustee of ITV Pension Scheme covering the Scheme year (“the year”) to 31 December 2021.

The purpose of this statement is to:

- Detail any reviews of the DC Section Statement of Investment Principles (“SIP”) that the Trustee has undertaken, and any changes made to the SIP over the year as a result of the reviews.
- Set out the extent to which, in the opinion of the Trustee, the SIP has been followed during the Scheme year.
- Describe the voting behaviour on behalf of the Trustee over the year.

The Scheme makes use of a wide range of investments; therefore, the principles and policies in the SIP are intended to be applied in aggregate and proportionately, focussing on areas of maximum impact.

A copy of this implementation statement has been made available on the following website: www.itv-pensions.com/library-items

Section 2: Review of and changes to the SIP

No changes to the SIP were made during the Scheme year. The September 2020 version of the SIP was the latest version agreed by the Trustees at both the start and end of the Scheme year. As such, this Implementation Statement will focus specifically on the September 2020 version of the SIP.

Section 3: Adherence to the SIP

The Trustee believes the policies outlined in the SIP have been followed during the Scheme year and the justification for this is set out in the remainder of this section. Please note that this statement only covers sections of the SIP deemed to represent the Trustee's policies, and not introductory or background comments, or statements of fact.

Investment policy and member investment options

The Trustee's investment policy is to make available to members a programme of investments via pooled funds which have the objectives to generate capital growth over the long term with increasing levels of retirement income and capital protection as members approach retirement.

The Trustee implements its investment policy through the Hands off strategies (the "lifestyle" choice for members where investment changes are made automatically) and Hands on fund options (for members to manage their own investment changes) that it makes available to members.

The last formal review of the Scheme's investment strategy and the performance of the investment options (including the default arrangements) that the Trustee makes available was undertaken over the Scheme year and completed on 15 December 2021. The Trustee considered the following areas as part of its review:

- Whether the current default investment options have met their stated investment objectives as set out in the SIP.
- The current DC Section membership in particular how this has changed following the transfer of members to the ITV DC Plan
- The particular benefits available to different categories of members and how this may impact on the way members would be expected to access their savings on retirement
- Whether the existing Hands off and Hands on investment options remained appropriate and if these were continuing to meet the needs of members

The Trustee felt that the existing default arrangements had met their stated objectives as set out in the SIP but that changes were needed to the investment strategy approach following the changes to the membership over recent years. More details of the agreed changes are set out below.

Analysis of the membership

Taking account of the range of pot sizes and Scheme benefits applying, the analysis found there is likely to be a range of tolerance to investment risk across the membership.

Two groups of members were identified and considered:

- Those members with DC savings who have a defined benefit underpin that means the Trustee is required to convert their DC savings into an annuity on retirement. The majority of DC members fall under this category.
- A small number of other DC members who based on the analysis undertaken, could choose to take their savings via a number of different methods.

Review of the Hands off options

The Trustee agreed the following:

- A single growth phase should now be offered across all Hands off options. The Trustee considered the existing growth phases offered and agreed that, based on the potential risk tolerance of the membership, the Phased approach was the most appropriate.
- Two Hands off strategies should be offered with different consolidation phases:
 - One that targets an annuity purchase on retirement – this is based on the fact that the majority of the remaining DC members are required to purchase an annuity with their DC savings.
 - One that provides an appropriate balanced approach to allow for a range of retirement decisions – this was deemed appropriate as there were a number of members where a range of retirement options may be considered.

Review of the Hands on options

The Trustee agreed that a more streamlined Hands on fund range with a focus on passively managed investments options would be appropriate. To achieve this the Trustee agreed that a number of existing funds would need to be closed and mapped to the most appropriate fund option available.

At the same time as the above strategy review was undertaken, the Trustee has also been undertaking a wider project to consider the future governance of the DC Section and what solutions will offer the best value to members. This project is ongoing and as part of the investment strategy review decision making, the Trustee agreed that implementing any changes to the investment strategy would be delayed until the outcome of this wider project is known. The Trustee will review this position again in May 2022.

Investment Risk

The Trustee recognises that there are a number of risks involved in the investment of the assets of the DC Section. In particular, providing an appropriate range of investments for members (at an appropriate cost) which allows for a balance of investment return and security depending on how close members are to the age at which they can take their benefits. The Trustee recognises investment risks will impact individual members differently, and seeks to manage this with the range of investment options provided to the members.

The Trustee monitors investment risks associated with the Scheme DC Section in a number of ways:

- By receiving bi-annual reporting on the DC Section investment funds, which includes monitoring of short and long term performance, and monitoring of fund managers. The Trustee reviews the bi-annual monitoring report with the aim of ensuring that each of the funds continues to meet their respective objectives.
- As part of investment strategy reviews, the Trustee considers the membership demographics of the Scheme and considers both short and long term risks associated with the investment strategies.

Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. The current investment strategy review took account of the overall balance of these risks.

The investment guide available on the Scheme website explains to members the balance between risk and reward and the types of risk they should consider when selecting their investment options.

In addition, the investment adviser will update the Trustee in between these meetings if a particular issue arises with Scottish Widows as the Scheme's platform provider or one of the funds made available within the Scheme.

Social responsibility and corporate governance

The Trustee believes that Environmental, Social and Governance (ESG) factors can have a significant impact on investment returns, particularly over the long-term, and that sustainable investment is an important and relevant issue. The Trustee also believes that investment managers should exercise strong stewardship, in accordance with the UK Stewardship Code, and follow a policy of active engagement with the companies in which a fund invests.

The Trustee explores the approaches to sustainable investment and stewardship followed by its investment managers, with advice from its investment adviser.

During the Scheme year, the Trustee undertook a sustainable investment assessment. This exercise considered the sustainable investment and stewardship practices of the fund managers used in the Scheme's default arrangements. The report also included the adviser's views and ratings of managers' approach to ESG integration and stewardship activities. This included an assessment of the managers' commitment to ESG integration, the level of resources dedicated to ESG and stewardship, and the policies applied to corporate engagement and shareholder voting on relevant sustainable investment issues.

Overall, the managers' scored well in the majority of areas assessed. The Trustee intends to continue developing its approach to monitoring the fund managers in these areas, and to continually evolve its policy on sustainable investment.

Arrangements with investment managers

The assets of the Scheme are invested in pooled funds, and as such the Trustee does not have direct control or influence on the underlying managers. However, through the regular performance and sustainable investment reporting provided by the investment adviser the Trustee has gained a good understanding of the managers' investment policies and processes. The Trustee has also ensured that all managers have received a copy of the latest SIP so that they are aware of the Trustee's expectations regarding how the Plan's assets are managed.

The Trustee reviews the costs incurred in managing the Plan's assets annually, as part of its governance and in reporting of the costs and charges in the Annual Governance Statement. The Trustee has reviewed the level of turnover within each underlying fund and is comfortable that these are within expected ranges for each type of fund.

Realisation of investments

The Trustee's policy is to offer members fund options that can be readily realised to allow members to access funds quickly and easily. That said, the Scheme does offer one investment option, the Property and Infrastructure fund, that invests in a combination of three underlying funds one of which, the M&G Pooled Property Fund, has historic occurrences of when the assets invested were not readily realisable due to liquidity and valuation issues.

During the Scheme year the M&G Pooled Property Fund remained suspended, and in September 2021 M&G investments announced its intention to close the Fund. The process to close the fund is ongoing as M&G looks to sell the remaining assets and distribute these proceeds to investors. As part of the strategy review the Trustee agreed that the Scheme's Property & Infrastructure Fund was no longer appropriate and would be removed as part of any implementation of the investment strategy changes.

Section 4: Voting and Engagement

The Scheme's equity holdings are held within pooled investment vehicles and the Trustee delegates voting rights and the execution of those rights to the underlying managers for the securities they hold. The Scheme's investment advisers engage managers on areas for development, including around resourcing and improving the breadth and depth of corporate engagements.

Further information on the voting and engagement activities of the managers is provided in the table below.

Fund	Underlying fund(s)	Votes cast	Use of proxy voter	Significant votes
Global Shares (index tracker)	L&G 30/70 Global Equity Index Fund	64,914 (99.9% of eligible votes) 16.7% of votes against management / 1.0% abstained	See "LGIM Index Funds" at bottom of the table	JPMorgan Chase & Co. Johnson & Johnson
Global Shares excluding UK (Index tracker)	L&G World ex-UK Equity Fund	29,156 (99.8% of eligible votes) 20.2% of votes against management / 0.9% abstained	See "LGIM Index Funds" at bottom of the table	JPMorgan Chase & Co. Johnson & Johnson
UK Shares (index tracker)	LGIM UK Equity Index	9,923 (100.0% of eligible votes) 7.2% of votes against management / 0.0% abstained	See "LGIM Index Funds" at bottom of the table	Imperial Brands Plc Informa Plc
UK Shares	M&G Recovery Fund	1,151 (96.7% of eligible votes) 4.2% of votes against management / 0.5% abstained	Voting is instructed through the ISS voting platform, ProxyExchange. Voting decisions are taken by the Sustainability and Stewardship team at M&G often in consultation with Fund Managers. Some routine resolutions are voted by ISS on M&G's behalf when clear criteria have not been met	BP Plc Mercantile Ports & Logistics Ltd
Emerging Markets (index tracker)	LGIM World Emerging Markets Equity	31,303 (99.8% of eligible votes) 16.3% of votes against management / 1.9% abstained	See "LGIM Index Funds" at bottom of the table	Alibaba Group Holding Limited China Construction Bank Corporation

Mixed Selection	Schroders Diversified Growth Fund	1,618 (94.0% of eligible votes) 6.0% of votes against management / 0.1% abstained	Uses proxy voting recommendations to augment its own research but ultimately all voting decisions are made by Schroders	Schroders did not provide confirmation of specific significant votes during the period
Social Conscience	Jupiter Ecology	9 (100% of eligible votes) 11% of votes against management / 0% abstained	Uses proxy voting recommendations to augment its own research but ultimately all voting decisions are made by Schroders	Jupiter confirmed that there were no significant votes during the period
Shariah Law (index tracker)	HSBC Global Islamic Index	1,650 (93.0% of eligible votes) 11.0% of votes against management / 0.0% abstained	Uses proxy to assist with the global application of their own bespoke voting guidelines	Chevron Corporation Exxon Mobil Corporation
Property & Infrastructure	LGIM Global Real Estate Equity	3,944 (99.9% of eligible votes) 18.0% of votes against management / 0.0% abstained	See "LGIM Index Funds" at bottom of the table	Prologis, Inc. Simon Property Group, Inc.
	LGIM Infrastructure Equity MFG	1,036 (100% of eligible votes) 16% of votes against management / 0.2% abstained	See "LGIM Index Funds at bottom of the table"	SBA Communications Corporation Crown Castle International Corp.
	M&G Pooled Pensions Property	Not applicable		
LGIM Index Funds			Uses proxy voting recommendations to augment its own research but ultimately all voting decisions are made by LGIM	LGIM confirmed there were no significant votes during the Scheme

Supplementary Voting Activity

This section is supplementary to the Annual Implementation Statement (“the statement”) prepared by the Trustee of ITV Pension Scheme – DC Section covering the Scheme year (“the year”) to 31 December 2021. It provides additional detail on the key voting and engagement activities for the managers during the Scheme year.

Legal & General Investment Management (LGIM) – Global Real Estate Equity Index Fund, Infrastructure Equity MFG Fund, Global Equity Market Weights (30:70) Index 75% GBP Hedged, World Emerging Market Equity Index Fund, UK Equity Index Fund, World Equity (excluding UK) Equity Fund

Voting Activities:

Global Equity (index tracker) Fund:

Fund:

- There were 64,914 eligible votes for the fund over the 12 months to 31 December 2021
- The manager exercised 99% of its votes over the year
- 17% of votes were against management and >1% were abstained
- 9% of votes were contrary to the proxy advisor's recommendation

Global Equity excluding UK (Index Tracker) Fund:

- There were 29,156 eligible votes for the fund over the 12 months to 31 December 2021
- The manager exercised 99% of its votes over the year
- 20% of votes were against management and 0% were abstained
- 14% of votes were contrary to the proxy advisor's recommendation

UK Equity (Index Tracker) Fund:

- There were 9,923 eligible votes for the fund over the 12 months to 31 December 2021
- The manager exercised 100% of its votes over the year
- 7% of votes were against management and 0% were abstained
- 6% of votes were contrary to the proxy advisor's recommendation

Emerging Markets (Index Tracker) Fund:

- There were 31,103 eligible votes for the fund over the 12 months to 31 December 2021
- The manager exercised 99% of its votes over the year
- 16% of votes were against management and 2% were abstained
- 6% of votes were contrary to the proxy advisor's recommendation

Global Real Estate Equity Fund:

- There were 3,944 eligible votes for the fund over the 12 months to 31 December 2021
- The manager exercised 99% of its votes over the year
- 18% of votes were against management and <1% were abstained
- 13% of votes were contrary to the proxy advisor's recommendation

Infrastructure Equity MFG Fund:

- There were 1,036 eligible votes for the fund over the 12 months to 31 December 2021
- The manager exercised 100% of its votes over the year
- 16% of votes were against management and <1% were abstained
- 12% of votes were contrary to the proxy advisor's recommendation

What is LGIM’s policy on consulting with clients before voting?

LGIM’s voting and engagement activities are driven by ESG professionals and its assessment of the requirements in these areas seeks to achieve the best outcome for all its clients. LGIM’s voting policies are reviewed annually and take into account feedback from its 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 its views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as LGIM continues to develop its voting and engagement policies and define strategic priorities in the years ahead. LGIM also takes into account client feedback received at regular meetings and/or ad-hoc comments or enquiries.

Please describe whether LGIM has made use of any proxy voter services

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 it does not outsource any part of the strategic decisions. LGIM’s use of ISS recommendations is purely to augment its 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 received from ISS for UK companies when making specific voting decisions

To ensure its proxy provider votes in accordance with LGIM’s position on ESG, it has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM considers to be minimum best practice standards which it believes all companies globally should observe, irrespective of local regulation or practice.

LGIM retains the ability in all markets to override any vote decisions, which are based on its 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 its voting judgement. LGIM has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by its service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

Please provide an overview of LGIM’s process undertaken for deciding how to vote

All decisions are made by LGIM’s Investment Stewardship team and in accordance with its 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 LGIM’s 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.

Is LGIM currently affected by any of the five conflicts listed by the PLSA (see notes) or any other conflicts across any of its holdings?

No response provided.

Please include here any additional comments which are relevant to LGIM’s voting activities or processes

LGIM sees it as vital that the proxy voting service is 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 its expectations, an analysis of any issues 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 its formal RMS processes the Director of Investment Stewardship confirms that a formal review of LGIM's proxy provider has been conducted and that it has the capacity and competency to analyse proxy issues and make impartial recommendations.

Most significant vote – LGIM confirmed there were no significant votes during the Scheme year for the funds the Scheme invests in

Social Conscience - Jupiter Asset Management – Jupiter Ecology Fund

<p>Voting Activities</p> <ul style="list-style-type: none"> • There were 828 eligible votes for the fund over the 12 months to 31 December 2021 • The manager exercised 100% of its votes over the year • 2% of votes were against management and <1% were abstained
<p>What is Jupiter’s policy on consulting with clients before voting?</p> <p>Jupiter is open to and welcomes dialogue with clients on stewardship matters, including voting decisions. Such dialogue is typically coordinated by Jupiter’s in-house Governance and Sustainability team, who work with its fund managers on proxy voting and company engagement and the development of its Stewardship Policy.</p> <p>Understanding client priorities, engaging in collective action with other investors, using third party data and remaining close to investor organisations and industry bodies informs its overall stewardship strategy, including voting. Ultimately, Jupiter expresses that it is transparent in communicating to the clients of its pooled funds that the fund managers at Jupiter take the lead and are accountable for stewardship activity, including voting decisions. This is in keeping with its active management philosophy and Jupiter does not think it is in keeping with its responsibilities to clients if these duties become detached from its fund managers.</p>
<p>Please describe whether Jupiter has made use of any proxy voter services</p> <p>In order to assist in the assessment of corporate governance and sustainability issues, Jupiter subscribes to external corporate governance and sustainability research and data providers. Such external resources contribute to forming a balanced view on voting matters. However, while Jupiter takes the proxy adviser’s recommendations into account, stewardship activities are not delegated or outsourced to third parties and recommendations are not automatically followed when deciding how to vote. Jupiter’s primary proxy research providers are Institutional Shareholder Services (ISS).</p>
<p>Please provide an overview of Jupiter’s process undertaken for deciding how to vote</p> <p>Jupiter’s individual fund managers with responsibility for an investment in a company retain ultimate discretion over voting decisions for the funds they manage on behalf of clients. This is consistent with Jupiter’s active management philosophy.</p> <p>Jupiter does not think it is appropriate or in keeping with its commitment to clients if these considerations become detached from its fund managers. Therefore, Jupiter does not outsource voting or engagement activity to third parties and does not automatically follow voting recommendations. The process is supported by Jupiter’s Governance and Sustainability (‘GS’) team, which is involved in reviewing agenda items, disseminating information and engaging with companies. Resolutions are assessed against Jupiter’s Stewardship Policy and any non-compliance with good market practice or major issues (including investment decisions) is discussed with fund managers prior to voting.</p>
<p>Is Jupiter currently affected by any of the five conflicts listed by the PLSA (see notes) or any other conflicts across any of its holdings?</p> <p>Jupiter expressed that it is not affected by any conflicts listed.</p>
<p>Please include here any additional comments which are relevant to Jupiter’s voting activities or processes</p> <p>No response provided.</p>

Most significant vote – Vote 1: First Solar

Resolution: Report on Board Diversity

Approximate size of the fund's holding as at the date of the vote: 1.9%

Guidance – Proxy: Not provided, Management: Not provided,

Action: For

Jupiter voted in favour of this shareholder proposal following considerations it may enhance company efforts to promote diversity in terms of gender and ethnicity, at board-level and the workforce, which may enable company leadership to better reflect the workforce and the company overall to better reflect its community and customers.

Jupiter view this vote as significant as it has a potential impact on financial outcome.

Outcome:

For the resolution.

Most significant vote – Vote 2: Tomra Systems ASA

Resolution: Remuneration Policy / Elect Directors

Approximate size of the fund's holding as at the date of the vote: 2.3%

Guidance – Proxy: Against, Management: Not provided,

Action: For

Jupiter voted against due to concerns regarding the alignment of pay and performance.

Jupiter has assessed this vote to be most significant due to the potential impact on financial outcomes.

Outcome:

For the resolution.

Jupiter expressed concerns around the performance-alignment of the remuneration policy in a post-results call with company IR, communicated after the vote and before the meeting date on 4th May. The company confirmed they will pass on Jupiter's comments to the Board and revert back to shareholders in due course. Regarding the Board, via Jupiter's analysis and in engagement with the company they are monitoring the ongoing CEO succession process, at this time Jupiter believe the company would benefit most from stability and thus have decided to vote in favour of board elections.

Shariah Law (index tracker) - HSBC Global Asset Management – Islamic Global Equity Index Fund

<p>Voting Activities</p> <ul style="list-style-type: none"> • There were 1,650 eligible votes for the fund over the 12 months to 31 December 2021 • The manager exercised 89% of its votes over the year • 11% of votes were against management and 0% were abstained • 7% of votes were contrary to the proxy advisor’s recommendation
<p>What is HSBC’s policy on consulting with clients before voting?</p> <p>The legal right to the underlying votes lies with the directors of the HSBC Islamic Global Equity Index Fund. It has delegated this execution of this voting to HSBC Global Asset Management (UK) Limited.</p>
<p>Please describe whether HSBC has made use of any proxy voter services</p> <p>HSBC uses a voting research and platform provider, Institutional Shareholder Services (ISS) to assist with the global application of its voting guidelines. ISS reviews company meeting resolutions and provides recommendations highlighting resolutions which contravene HSBC guidelines. HSBC will review voting policy recommendations according to the scale of its overall holdings. The bulk of holdings are voted in line with the recommendation based on its guidelines.</p>
<p>Please provide an overview of HSBC’s process undertaken for deciding how to vote</p> <p>HSBC exercises its voting rights as an expression of stewardship for client assets. It has global voting guidelines which protect investor interests and foster good practice, highlighting independent directors, remuneration linked to performance, limits on dilution of existing shareholders and opposition to poison pills.</p>
<p>Is HSBC currently affected by any of the five conflicts listed by the PLSA (see notes) or any other conflicts across any of its holdings?</p> <p>HSBC Funds and client mandates may hold shares in its parent, HSBC Holdings PLC. HSBC has a special procedure for voting on these shares to manage this conflict. HSBC also has procedures for managing other conflicts that may arise. However, HSBC does not believe that it has exposure to the conflicts listed.</p>
<p>Please include here any additional comments which are relevant to HSBC’s voting activities or processes</p> <p>No response provided.</p>
<p>Most significant vote – Vote 1: Exxon Mobil Corporation</p> <p>Resolution: Proxy contest - Management Proxy Vs Shareholder Proxy</p> <p>Approximate size of the fund’s holding as at the date of the vote: 1.4%</p> <p>Guidance – Proxy: Not provided, Management: Against</p> <p>Action: For the shareholder proxy card</p> <p>HSBC voted against the management and selected a range of issues that are representative of our voting guidelines. This was largely due to their concern by the lack of substantial improvement in Exxon's commitment and strategy with regards to climate change.</p>

HSBC engaged previously with Exxon in 2020 as a member of the Climate Action 100+ investor group. Before the meeting, they had a call with Exxon's representatives to express their concerns and communicate their inclination to support the shareholders' proxy card. After the meeting HSBC confirmed their vote to the Exxon's representatives they met.

HSBC considers this vote to be relevant on the basis it was cast against the management recommendation.

Outcome:

Shareholders have not supported the management proxy.

Most significant vote – Vote 2: Chevron Corporation

Resolution: Reduce Scope 3 Emissions

Approximate size of the fund's holding as at the date of the vote: 1.0%

Guidance – Proxy: Not provided, **Management:** Against

Action: For

HSBC voted for the resolution as they support the principle of adopting quantitative GHG emission reduction targets. The company had fallen short of investors' expectations and was lagging its peers in commitments to action on climate transition.

HSBC considers this vote to be relevant as they voted against the management recommendation.

Outcome:

Against management, for the resolution.

HSBC will contact the company to explain their rationale. HSBC explain they will request the opportunity to discuss this further and will explain that if the issue covered by this resolution is not resolved they will vote similarly at future AGM when this issue arises again.

Mixed Selection – Schroders Asset Management - Diversified Growth Fund

Voting Activities

- There were 1,728 eligible votes for the fund over the 12 months to 31 December 2021
- The manager exercised 94% of its votes over the year
- 6% of votes were against management and <1% were abstained
- 3% of votes were contrary to the proxy advisor's recommendation

What is Schroders policy on consulting with clients before voting?

The corporate governance analysts input votes based on their proprietary research in line with Schroders' house voting policy and do not take voting instruction from our clients. We report transparently on our voting decisions with rationales on our website.

Please describe whether Schroders has made use of any proxy voter services

Institutional Shareholder Services (ISS) act as our one service provider for the processing of all proxy votes in all markets. ISS delivers vote processing through their Internet-based platform Proxy Exchange. Schroder's receives ISS's research on resolutions. This is complemented with analysis by our in house ESG specialists and where appropriate with reference to financial analysts and portfolio managers. For our smallest holdings in the US, Hong Kong, Japan, Australia and New Zealand, ISS implements a custom Schroders voting policy for us, with only a few resolutions referred to Schroders for a final decision.

Please provide an overview of Schroders process undertaken for deciding how to vote

As active owners, we recognise our responsibility to make considered use of voting rights. We therefore vote on all resolutions at all AGMs/EGMs globally unless we are restricted from doing so (eg, as a result of share blocking).

We aim to take a consistent approach to voting globally, subject to regulatory restrictions that is in line with our published ESG policy.

The overriding principle governing our voting is to act in the best interests of our clients. Where proposals are not consistent with the interests of shareholders and our clients, we are not afraid to vote against resolutions. We may abstain where mitigating circumstances apply, for example where a company has taken steps to address shareholder issues.

We evaluate voting resolutions arising at our investee companies and, where we have the authority to do so, vote on them in line with our fiduciary responsibilities in what we deem to be the interests of our clients. Our Corporate Governance specialists assess each proposal, applying our voting policy and guidelines (as outlined in our Environmental, Social and Governance Policy) to each agenda item. In applying the policy, we consider a range of factors, including the circumstances of each company, long-term performance, governance, strategy and the local corporate governance code. Our specialists will draw on external research, such as the Investment Association's Institutional Voting Information Services and ISS, and public reporting. Our own research is also integral to our process; this will be conducted by both our financial and Sustainable Investment analysts. For contentious issues, our Corporate Governance specialists consult with the relevant analysts and portfolio managers to seek their view and better understand the corporate context.

We also engage with companies throughout the year via regular face-to-face meetings, written correspondence, emails, phone calls and discussions with company advisors and stakeholders.

In 2020, we voted on approximately 99% of total resolutions, and instructed a vote against management at 36% of meetings. In total, we voted on 6,518 meetings.

Institutional Shareholder Services (ISS) act as our one service provider for the processing of all proxy votes in all markets. ISS delivers vote processing through their Internet-based platform Proxy Exchange. Schroder's receives ISS's research on resolutions. This is complemented with analysis by our in-house ESG specialists and where appropriate with reference to financial analysts and portfolio managers. For our smallest holdings in the US, Hong Kong, Japan, Australia and New Zealand, ISS implements a custom Schroders voting policy for us, with only a few resolutions referred to Schroders for a final decision.

ISS automatically votes all our holdings of which we own less than 0.5% (voting rights) excluding merger, acquisition and shareholder resolutions. This ensures consistency in our voting decisions as well as creating a more formalised approach to our voting process.

Is Schroders currently affected by any of the five conflicts listed by the PLSA (see notes) or any other conflicts across any of its holdings?

Schroders accepts that conflicts of interest arise in the normal course of business. We have a documented Group wide policy, covering such occasions, to which all employees are expected to adhere, on which they receive training and which is reviewed annually. There are also supplementary local policies that apply the Group policy in a local context. More specifically, conflicts or perceived conflicts of interest can arise when voting on motions at company meetings which require further guidance on how they are handled.

Schroders' Corporate Governance specialists are responsible for monitoring and identifying situations that could give rise to a conflict of interest when voting in company meetings.

Where Schroders itself has a conflict of interest with the fund, the client, or the company being voted on, we will follow the voting recommendations of a third party (which will be the supplier of our proxy voting processing and research service). Examples of conflicts of interest include (but are not limited to):

- Where the company being voted on is a client of Schroders,
- Where the Schroders employee making the voting decision is a director of, significant shareholder of or has a position of influence at the company being voted on;
- Where Schroders or an affiliate is a shareholder of the company being voted on;
- Where there is a conflict of interest between one client and another;
- Where the director of a company being voted on is also a director of Schroders plc;
- Where Schroders plc is the company being voted on.

Separation of processes and management between Schroder Investment Management and our Wealth Management division helps to ensure that individuals who are clients or have a business relationship with the latter are not able to influence corporate governance decisions made by the former.

If Schroders believes it should override the recommendations of the third party in the interests of the fund/client and vote in a way that may also benefit, or be perceived to benefit, its own interests, then Schroders will obtain the approval of the decision from the Schroders' Global Head of Equities with the rationale of such vote being recorded in writing. If the third-party recommendation is unavailable, we will vote as we see is in the interests of the fund. If, however, this vote is in a way that might benefit, or be perceived to benefit, Schroders' interests, we will obtain approval and record the rationale in the same way as described above.

In the situation where a fund holds investments on more than one side of the transaction being voted on, Schroders will always act in the interests of the specific fund. There may also be instances where different funds, managed by the same or different fund managers, hold securities on either side of a transaction. In these cases, the fund managers will vote in the best interest of their specific funds.

Where Schroders has a conflict of interest that is identified, it is recorded in writing, whether or not it results in an override by the Global Head of Equities.

Please include here any additional comments which are relevant to Schroders' voting activities or processes

None provided.

Schroders did not confirm the votes it considered significant but noted that they believe all votes against management should be classified as a significant vote. Schroders however believe resolutions related to certain topics carry particular significance. We therefore rank the significance of our votes against management, firstly by management say on climate votes, secondly environmental and social shareholder resolutions, thirdly any shareholder resolutions and finally by the size of our holding. WTW has provided examples of two votes on the above basis ie, selecting two votes specifically related to climate change.

Most significant vote – Vote 1: Booking Holdings Inc.

Resolution: Vote for company to provide an annual report on climate transition performance metrics and integrating these results into the Executive Compensation Program.

Approximate size of the fund's holding as at the date of the vote: not provided

Guidance – Proxy: For

Management: Against

Action: Schroders are eager for the company to further develop its approach to climate governance, strategy, risk management, reporting and target-setting. For this reason, they supported the resolution. In terms of the annual vote, Schroders supported this resolution as it believes it would be beneficial for shareholders to have a say on the company's approach to climate change.

Outcome: Approved

Most significant vote – Vote 2: Total SE

Resolution: Approve the Company's Sustainable Development and Energy Transition

Approximate size of the fund's holding as at the date of the vote: not provided

Guidance – Proxy: Not provided

Management: Against

Action: Total was seeking approval of its sustainable development and energy transition strategy. An overall vote against the strategy was given on the basis that parts of the emissions strategy did not appear stretching having already reached short term targets with other targets potentially allowing for overall expansion in emissions from oil and gas. The strategy also does not include any absolute reduction targets between 2030 and 2050 which we consider to be best practice within the sector and the company has failed to provide a periodic vote schedule for investors to continually vote, track progress and monitor ambition on the company's transition plan.

Outcome: Approved

UK Shares - M&G Recovery Fund

<p>Voting Activities</p> <ul style="list-style-type: none"> • There were 1,151 eligible votes for the Fund over the 12 months to 31 December 2021 • The manager exercised 97% of its votes over the year • 4% of votes were against management and >1%% were abstained • 8% of votes were contrary to the proxy advisor's recommendation
<p>What is M&G Investments policy on consulting with clients before voting?</p> <p>Voting decisions are taken in the best interests of clients and decision-making takes into account a wide range of factors. Whilst M&G do not solicit clients' views M&G would take them into account should they be known to them.</p>
<p>Please describe whether M&G Investments has made use of any proxy voter services</p> <p>M&G use research provided by ISS and the Investment Association; and use the ProxyEdge platform from ISS voting platform for managing their proxy activity.</p>
<p>Please provide an overview of M&G Investments process undertaken for deciding how to vote</p> <p>M&G have an active and informed voting policy which is an integral part of its investment philosophy. M&G have a view that voting should never be divorced from the underlying investment management activity. By exercising its votes, it seeks both to add value to clients and to protect interests as shareholders. M&G consider the issues, meet the management if necessary, and vote accordingly.</p>
<p>Is M&G Investments currently affected by any of the five conflicts listed by the PLSA (see notes) or any other conflicts across any of its holdings?</p> <p>No.</p>
<p>Please include here any additional comments which are relevant to M&G Investments voting activities or processes</p> <p>M&G's voting policy and voting records are published on their website. The policy is regularly reviewed as it continues to evolve.</p>
<p>Most significant vote – Vote 1: BP Plc</p> <p>Resolution: Approve Shareholder Resolution on Climate Change Targets</p> <p>Approximate size of the fund's holding as at the date of the vote: not provided</p> <p>Guidance – Proxy: Not provided</p> <p>Management: With</p> <p>Action: M&G felt the resolution was unnecessary in light of company's disclosed targets and they felt time should be allowed for the company to make progress.</p> <p>Outcome: Failed</p>

Most significant vote – Vote 2: Mercantile Ports & Logistics Ltd

Resolution: Approve remuneration of Directors

Approximate size of the fund's holding as at the date of the vote: not provided

Guidance – Proxy: Not provided, Management: Against

Action: Concern over significant salary increase and how the decision for the increase was met

Outcome: Approved

Notes:

1. The following five conflicts were provided to investment managers and have been sourced from the Vote reporting template for pension scheme implementation statement issued by the Pensions and Lifetime Savings Association ("PLSA"):
 1. The asset management firm overall has an apparent client-relationship conflict eg, the manager provides significant products or services to a company in which it also has an equity or bond holding;
 2. Senior staff at the asset management firm hold roles (eg, as a member of the Board) at a company in which the asset management firm has equity or bond holdings
 3. The asset management firm's stewardship staff have a personal relationship with relevant individuals (eg, on the Board or the company secretariat) at a company in which the firm has an equity or bond holding
 4. There is a situation where the interests of different clients diverge. An example of this could be a takeover, where one set of clients is exposed to the target and another set is exposed to the acquirer
 5. There are differences between the stewardship policies of managers and their clients