Milford Haven Port Authority Retirement Benefits Scheme

Engagement policy implementation statement for the year ended 31 December 2020

During the year ended 31 December 2020, the Scheme's investment policies were implemented in line with the principles set out in the Scheme's Statement of Investment Principles (SIP). The SIP was reviewed and updated in September 2020 but there was no change to the Trustees policy on responsible asset ownership as a result of this change so the information below covers the whole period.

The Trustees believe that good stewardship and environmental (including climate change), social and governance ("ESG") issues may have a financially material impact on meeting the investment objective. The Trustees have given the Fiduciary Manager full discretion when evaluating the impact of ESG issues on the investment objective, and in exercising rights and stewardship obligations attached to the Scheme's investments.

The Scheme invests through pooled fund arrangements and so acknowledges that the investment manager exercises those rights in accordance with their own corporate governance policies on behalf of all investors in its funds. In doing so LGIM takes account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.

The Trustees have considered LGIM's stewardship activities in relation to the specific funds the Scheme holds having received specific training from LGIM on the topic. The Trustee reviewed LGIM's approach to stewardship and are comfortable with the activity taken on the Scheme's behalf.

The Trustees conclude that, based on these considerations, LGIM has followed the requirements of the SIP.

Voting behaviour

LGIM's voting decisions are made internally within LGIMs Corporate Governance team, and independently from the investment teams. They are primarily based on LGIM's global corporate governance and responsible investment principles, which set out their global approach to key governance issues. LGIM has supplementary regional policies which set out their approach to more specific regional or country issues taking into account specific market regulation or best practice. LGIM discloses monthly voting records on their website. The reports are published at the end of each month. Additionally, for votes that have received significant press attention, LGIM produces summaries of the firm's positions. The full voting record can be found on LGIM's website linked here: https://documentlibrary.lgim.com/documentlibrary/library_55458.html

LGIM does not outsource any part of its strategic voting decisions; however ISS (Institutional Shareholder Services) is used for the customisation of LGIM's voting policy, the execution and processing of the voting instruction. LGIM aims to minimise abstentions. Since 2011, it has not abstained in the UK. In other markets, LGIM seeks to minimise abstentions unless it is technically impossible to vote. LGIM regularly engages with the proxy execution agent ISS via direct meetings and through our participation in consultations on regional voting policies.

LGIM summarises its voting record across all markets each quarter. This information is available on request.

Examples of LGIM's stewardship activities during 2020:

Active ownership, which is a broader topic than voting in isolation, forms a key part of how LGIM conducts responsible investing. This is reflected in the following activities that are conducted on behalf of the Scheme:

- Company engagement
- Using voting rights globally, with one voice across all active and index funds
- Addressing systemic risks and opportunities
- Seeking to influence regulators and policymakers
- Collaborating with other investors and stakeholders.

The examples below demonstrate some of the specific initiatives undertaken by LGIM in this regard during the year.

Climate change pledge

A global consensus on climate change has taken shape in just a few years, as wildfires have devastated entire regions, millions have taken to the streets to demand action and COVID-19 has underscored the importance of averting looming threats before it is too late. In recognition of this dramatic shift, LGIM has renewed its Climate Impact Pledge, a programme of targeted engagement with about 80 companies launched in 2016 to hasten the transition to a low-carbon economy. LGIM has broadened the pledge's reach to include hundreds more companies, with the ultimate goal of aiming to achieve net-zero carbon emissions globally by 2050 – an objective of critical importance to society as a whole. LGIM's engagement will continue to carry meaningful consequences, both through voting activity and through capital allocation.

LGIM also signed up to the Net Zero Asset Manager's initiative in December 2020.

Ethnic diversity pledge

Triggered by the horrifying killing of George Floyd LGIM has committed to expand its diversity strategy and corporate engagement – including through strengthened proxy voting policies and a focused outreach campaign regarding diverse board member representation. For companies that fail to meet LGIM's transparent and rules-based minimum expectations, there will be voting and investment consequences.

ICCR Pharma letters

The pharmaceutical industry plays a vital part in a recovery from the pandemic. Improved COVID-19 medical treatments and the discovery of vaccines will form a critical part in fighting the resurgence of infections and preventing or limiting lockdowns going forwards. LGIM became co-signatories to a letter campaign to pharmaceutical companies and have further written on this together with AXA IM and the Access to Medicine Foundation.

LGIM also became a member of the US-based ICCR (the Interfaith Center on Corporate Responsibility) and co-signed with other investors representing more than $2.4tn in assets. Engagement letters were sent to the world's leading pharmaceutical companies asking for disclosure and commitments related to pandemic preparedness, public investment and "commitment to the public good" (eg fair taxes and lobbying disclosures).

Advocating for diversity through collaborations

LGIM continues to work with other global investors to push for better representation and transparency on policies in the US. During the year, LGIM's coalition of investors sent letters to 18 US companies with less than with less than 20% women on the board, and where board tenure for some non-executive directors is above average.

Significant votes for Milford Haven Port Authority Retirement Benefits Scheme during the year

In determining significant votes, LGIM takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA). This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/or public scrutiny
- Significant client interest for a vote
- Sanction vote as a result of a direct or collaborative engagement

- Vote linked to an LGIM engagement campaign

The most significant votes for the Scheme during the year have been summarised in the table below:

Company Name	Details of Vote
Barclays	**How LGIM voted: For** Barclays issued a statement outlining the ambitious target of aligning the entire business to the goals of the Paris Agreement through plans to shrink its carbon footprint to net zero by 2050. LGIM endorsed this proposal, which was voted on by shareholders at the 2020 AGM alongside a shareholder resolution on the same topic. Over the past two years we had extensive discussions with Barclays on its need to have a strategic approach to climate change. 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.
International Consolidated Airlines Group	**How LGIM voted: Against** 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.
EXXONMOBIL	**How LGIM voted: Against** In June 2019, under our annual 'Climate Impact Pledge' ranking of corporate climate leaders and laggards, we announced that we will be removing ExxonMobil from our Future World fund range, and will be voting against the chair of the board. Ahead of the company's annual general meeting in May 2020, we also announced we will be supporting shareholder proposals for an independent chair and a report on the company's political lobbying. Due to recurring shareholder concerns, our voting policy also sanctioned the reappointment of the directors responsible for nominations and remuneration.
Pearson	**How LGIM voted: Against** 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 and 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.
Olympus Corporation	**How LGIM voted: Against** Japanese companies in general have trailed behind European and US companies, as well as companies in other countries, in ensuring more women are appointed to their boards. The lack of women is also a concern below board level. LGIM have for many years promoted and supported an increase of women on boards, at the executive level and below. On a global level we consider that every board should have at least one female director. We deem this a de minimis standard. Globally, we aspire to all boards comprising 30% women. Last year in February we sent letters to the largest companies in the MSCI Japan which did not have any women on their boards or at executive level, indicating that we expect to see at least one woman on the board. One of the companies targeted was Olympus Corporation. At the beginning of 2020, we announced that we would commence voting against the chair of the nomination committee or the most senior board member (depending on the type of board structure in place) for those companies included in the TOPIX100. We opposed the election of this director in his capacity as a member of the nomination committee and the most senior member of the board, in order to signal that the company needed to take action on this issue.