

Implementation Statement, covering the Fund Year from 31 December 2020 to 31 December 2021

The Trustees of the Ahli United Bank (UK) Pension Fund (the “Fund”) are required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed the voting and engagement policies in their Statement of Investment Principles (“SIP”) during the year. This is provided in Section 2 below.

The Statement is also required to include a description of the voting behaviour during the year by, and on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

1. Voting and engagement policies

No changes were made to the voting and engagement policies in the SIP during the year. The last time these policies were formally reviewed was September 2019.

The Trustees have, in their opinion, followed the voting and engagement policies during the year, by continuing to delegate to their investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes.

As part of its advice on the selection and ongoing review of the investment managers, the Fund's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to voting and engagement.

In May 2021, the Trustees reviewed LCP's responsible investment (RI) scores for the Fund's existing managers and funds, along with LCP's qualitative RI assessments for each fund and red flags for any managers of concern. These scores cover the approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP's ongoing manager research programme and it is these that directly affect LCP's manager and fund recommendations. The manager scores and red flags are based on LCP's Responsible Investment Survey 2020.

The Trustees were satisfied with the results of the review and no further action was taken.

2. Description of voting behaviour during the Fund Year

All of the Trustees' holdings in listed equities are within pooled funds and the Trustees have delegated to their investment manager the exercise of voting rights. Therefore, the Trustees are not able to direct how votes are exercised and the Trustees themselves have not used proxy voting services over the year.

The Fund's investment funds that hold equities as at 31 December 2021 were as follows:

- L&G UK Equity Index Fund
- L&G North America Equity Index Fund
- L&G Europe (ex UK) Equity Index Fund
- L&G Japan Equity Index Fund
- L&G Asia Pacific exJapan Equity Index Fund

The Trustees have sought to obtain the relevant voting data for all of the investment mandates listed above for the period of this Statement.

In addition to the above, the Trustees contacted L&G and JP Morgan (the Fund's infrastructure manager) with respect to the Fund's mandates that do not hold listed equities, to ask if any of the assets held by the Fund had voting opportunities over the period. Both L&G and JP Morgan confirmed that no voting is carried out with respect to these mandates.

1. Description of the voting processes

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

L&G's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by L&G. Use of ISS recommendations is purely to augment L&G's own research and tools. L&G's Investment Stewardship team also uses the research reports of Institutional Voting Information Services ("IVIS") for UK companies when making specific voting decisions.

To ensure that the proxy provider votes in accordance with L&G's position on ESG, L&G has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what L&G considers are minimum best practice standards which all companies globally should observe, irrespective of local regulation or practice.

L&G retains the ability in all markets to override any vote decisions, which are based on L&G's custom voting policy. This may happen where engagement with a specific company has provided additional information that allows L&G to apply a qualitative overlay to the L&G voting judgement. L&G has strict monitoring controls to ensure that votes are fully and effectively executed in accordance with its voting policies.

L&G believes that it is vital that the proxy voting service is regularly monitored. This is done through quarterly due diligence meetings with ISS. The standing agenda includes setting out L&G's expectations, an analysis of any issues L&G has 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.

L&G has its own internal Risk Management System ("RMS") to provide effective oversight of key processes. This includes L&G's voting activities and related client reporting.

2. Summary of voting behaviour over the Fund Year

A summary of voting behaviour over the Fund Year is provided in the table below.

	Fund 1	Fund 2	Fund 3	Fund 4	Fund 5
Manager name	L&G	L&G	L&G	L&G	L&G
Fund name	UK Equity Index Fund	North America Equity Index Fund	Europe (ex UK) Equity Index Fund	Japan Equity Index Fund	Asia Pacific exJapan Equity Index Fund
Total size of fund at end of the Fund Year (£m)	20,461	39,539	12,959	6,577	444
Value of Fund assets at end of the Fund Year (£m)	3.4	27.1	16.1	11.4	6.8
Number of equity holdings at end of the Fund Year	572	642	488	513	561
Number of meetings eligible to vote	707	638	463	442	510
Number of resolutions eligible to vote	9,923	7,846	7,665	5,306	3,797
% of resolutions voted	100%	99.73%	99.97%	100%	99.92%
Of the resolutions on which the manager voted:					
% voted with management	92.77%	70.95%	82.19%	86.26%	78.07%
% voted against management	7.23%	28.98%	17.45%	13.47%	21.74%

% abstained from voting	0.00%	0.06%	0.37%	0.00%	0.18%
% voted contrary to recommendation of proxy advisor	5.51%	22.91%	8.10%	11.01%	13.23%
% with at least one vote against management	45.69%	94.20%	75.38%	75.34%	56.78%

Columns may not sum due to rounding

3. Most significant votes over the Fund Year

Commentary on the most significant votes over the period has been provided by L&G. In determining significant votes, L&G's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes, but is not limited to:

- 1) High profile votes which have such a degree of controversy that there is high client and/ or public scrutiny;
- 2) Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at L&G's annual Stakeholder roundtable event, or where L&G notes a significant increase in requests from clients on a particular vote;
- 3) Sanction votes as a result of a direct or collaborative engagement;
- 4) Votes linked to an L&G engagement campaign, in line with L&G Investment Stewardship's 5-year ESG priority engagement themes.

We have selected the following significant votes to report based on a variety of region, subject matter and vote:

- **Johnson & Johnson April 2021.**

Vote: Against

Outcome of the vote: 93.4% of shareholders supported the resolution.

Summary of resolution: Elect Director Alex Gorsky

Manager rationale: L&G has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 L&G have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 L&G are voting against all combined board chair/CEO roles. Furthermore, L&G have published a guide for boards on the separation of the roles of chair and CEO (available on their website), and L&G have reinforced their position on leadership structures across their stewardship activities – e.g. via individual corporate engagements and director conferences.

Criteria against which this vote has been assessed as “most significant”: L&G considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).

- **Imperial Brands plc February 2021**

Vote: Against (for both resolutions)

Outcome of the vote: Resolution 2 (Approve Remuneration Report) received 40.26% votes against, Resolution 3 (Approve Remuneration Policy) received 4.71% of votes against.

Summary of resolution: Resolutions 2 and 3, respectively, Approve Remuneration Report and Approve Remuneration Policy.

Manager rationale: The company appointed a new CEO during 2020, who was granted a significantly higher base salary than his predecessor. A higher base salary has a consequential ripple effect on short- and long-term incentives, as well as pension contributions. Further, the company did not apply best practice in relation to post-exit shareholding guidelines as outlined by both L&G and the Investment Association. An incoming CEO with no previous experience in the specific sector, or CEO experience at a

FTSE100 company, should have to prove her or himself beforehand to be set a base salary at the level, or higher, of an outgoing CEO with multiple years of such experience. Further, L&G would expect companies to adopt general best practice standards. Prior to the AGM, L&G engaged with the company outlining what their concerns over the remuneration structure were. L&G also indicated that they publish specific remuneration guidelines for UK-listed companies and keep remuneration consultants up to date with their thinking.

Criteria against which this vote has been assessed as “most significant”: They are concerned over the ratcheting up of executive pay; and believe executive directors must take a long-term view of the company in their decision-making process, hence the request for executives’ post-exit shareholding guidelines to be set.

- **Sika AG April 2021**

Vote: Against

Outcome of the vote: 98.1% of shareholders supported the resolution.

Summary of resolution: Reelect Paul Haelg as Board Chairman

Manager rationale: L&G views gender diversity as a financially material issue for their clients, with implications for the assets they manage on the Trustees behalf. For 10 years, L&G have been using their position to engage with companies on this issue. As part of their efforts to influence investee companies on having greater gender balance, they expect companies in well-governed markets to have at least 30% women on their boards. For further details, please refer to the L&G voting policies on their website.

Criteria against which this vote has been assessed as “most significant”: L&G views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.

- **Mitsubishi UFJ Financial Group, Inc. June 2021**

Vote: For

Outcome of the vote: 22.7% of shareholders supported the resolution.

Summary of resolution: Amend Articles to Disclose Plan Outlining Company's Business Strategy to Align Investments with Goals of Paris Agreement.

Manager rationale: Climate change: A vote in favour of this shareholder proposal is warranted as L&G expects companies to be taking sufficient action on the key issue of climate change. While they positively note the company’s recent announcements around net-zero targets and exclusion policies, L&G think that these commitments could be further strengthened and they believe the shareholder proposal provides a good directional push.

Criteria against which this vote has been assessed as “most significant”: L&G views climate change as a financially material issue for their clients, with implications for the assets they manage on their behalf. This was also a high profile proposal in Japan, where climate-related shareholder proposals are still rare.

- **Suntec Real Estate Investment Trust Imperial Brands plc February 2021**

Vote: Against (for both resolutions)

Outcome of the vote: 98.6% of shareholder supported the resolution.

Summary of resolution: Resolution 1 Adopt Report of the Trustee, Statement by the Manager, and Audited Financial Statements and Auditors' Report

Manager rationale: The company is deemed to not meet minimum standards with regards to climate risk management and disclosure.

Criteria against which this vote has been assessed as “most significant”: L&G considers this vote to be significant as it is applied under the Climate Impact Pledge, their flagship engagement programme targeting some of the world's largest companies on their strategic management of climate change.