IMPLEMENTATION STATEMENT

JULY 2021

The Trustees of the Marylebone Cricket Club Pension & Assurance Scheme (the "Scheme") are required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed their Statement of Investment Principles ("SIP") during the Scheme Year, as well as details of any review of the SIP during the Scheme Year, subsequent changes made with the reasons for the changes, and the date of the last SIP review. Details of this requirement are set out in the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure)(Amendment and Modification) Regulations 2018 (section 5(5)(c)) and the Occupational Pension Schemes (Investment and Disclosure)(Amendment) Regulations 2019 (sections 3(4)(ca) and 4(3)(c)(ii)).

This Statement covers the year from 1 January 2020 to 31 December 2020.

Information is provided on the last review of the SIP in Section 1 and on the implementation of the SIP in Sections 2-11 below.

The Statement is also required to include a description of the voting behaviour during the Scheme 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 12 below.

This Statement uses the same headings as the Scheme's SIP dated 11 September 2020 and should be read in conjunction with the SIP.

1. INTRODUCTION

The SIP was reviewed and updated during the Scheme Year on 11 September 2020 to reflect:

- updated wording to ensure compliance with the 2019 SIP regulations which implement the European Union Shareholder Rights Directive;
- updated wording regarding stewardship;
- updating the Trustees' policy towards risk; and
- changes in respect of the fund range made available to DC members, agreed at the July 2020 meeting of the Trustees.

Further detail and the reasons for these changes are set out in Section 2. As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes.

The Trustees have, in their opinion, followed the policies in the Scheme's SIP during the Scheme Year. The following Sections provide detail and commentary about how and the extent to which they did this.

The Trustees have also, in their opinion, followed the Scheme's voting and engagement policies during the Scheme Year, by continuing to delegate to its investment manager 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. The Trustees took a number of steps to review the Scheme's manager and funds over the period, as described in Section 7 below.

2. INVESTMENT OBJECTIVES

The Trustees' primary objective for the DB Section is to ensure that the Scheme should be able to meet benefit payments as they fall due. In addition to this primary objective, the Trustees have additional objectives. These are as follows:

- The expected return on the Scheme's assets is maximised whilst managing and maintaining investment risk at an appropriate level.
- The Scheme should be fully funded on a technical provisions basis (ie. the asset value should be at least that of its liabilities on this basis).

The Trustees receive regular investment and funding updates from its actuarial and investment advisers to help monitor progress against these objectives. The latest quarterly investment report provided by the Scheme's investment manager, Legal & General Investment Management ("LGIM"), is reviewed at each Trustee meeting, which generally take place 3 times a year.

The Trustees' primary objectives for the DC Section are to provide members with access to:

- an appropriate range of investment options, reflecting the membership profile of the DC Section and the variety of ways that members can draw their benefits in retirement; and
- a default investment option that the Trustees believe to be reasonable for those members that do not wish to make their own investment decisions. The objective of the default option is to generate returns significantly above inflation whilst members are some distance from retirement, but then to switch automatically and gradually to lower risk investments as members near retirement.

The Trustees have delivered on these DC Section objectives over the Scheme Year by continuing to make available to members both a suitable default option as well as alternative lifestyle strategies and a self-select fund range covering all major assets classes as set out in SIP. In the latter case, the Trustee monitors the take up of these funds and it is limited.

As part of the performance and strategy review of the DC default option in February 2020, the Trustees considered the DC Section membership demographics and the variety of ways that members may draw their benefits in retirement from the Scheme. Based on the outcome of this analysis, the Trustee concluded that the default option has been designed to be in the best interests of the majority of the DC Section members and reflects the demographics of those members.

As part of the February 2020 DC investment strategy review, it was noted that there were two funds without any members invested in them, namely the LGIM Over 15 Year Fixed Interest Gilt Index and the LGIM Over 5 Year Index-Linked Gilt Index funds. As a result, the Trustees removed these funds from the self-select fund range over the Scheme Year and added the LGIM Pre-retirement Fund, which is already used within the MCC Annuity Lifestyle, and, as such, is not a new mandate appointment.

The Trustees reviewed the membership demographics as part of the last formal strategy review in February 2020.

3. INVESTMENT STRATEGY

There were no changes to the DB Section's investment strategy over the period covered by this Implementation Statement.

However, the Trustees did review the DB Section's 10% strategic allocation to property in 2020, with the help of their advisers and in consultation with the sponsoring employer, the Marylebone Cricket Club (the "Club").

The outcome of this review was that the Trustees agreed to consider whether to replace the allocation to UK property with a new investment in secure income assets (a diversified mix of illiquid credit assets). This change in investment strategy took place in the first half of 2021 (ie after the Scheme year end), and so is not covered by this Implementation Statement.

In respect of the DC Section, the Trustees, with the help of their advisers and in consultation with the sponsoring employer, the Club, reviewed the strategy and performance of the default option over the period. The Trustees concluded that full cash withdrawal remains an appropriate retirement target bearing in mind members also have DB benefits in the Scheme and are permitted to use their DC pot as the first source of tax-free cash at retirement. The Trustees, with the help of their investment advisers, reviewed the growth phase of the default option and considered the impact of changing the equity allocation of the growth phase:

- to reduce the UK equity allocation in favour of a more globally weighted country allocation; and,
- to introduce an environmental, social and governance ("ESG") tilted equity fund.

As part of this review, the Trustees made sure the Scheme's default option was adequately and appropriately diversified between different asset classes and that the self-select options provide a suitably diversified range to choose from.

The Trustees have currently put on hold the implementation of the changes to the default option because the Club, is considering a change to the setup of the DC arrangements. If the change being considered does not take place, then the Trustees will revisit the advice of its investment consultants and decide whether to implement the changes.

In respect of the DB Section, the Trustees monitor the asset allocation at each Trustee meeting and compares this to the strategic asset allocation. The Trustees have a policy to rebalance the asset allocation back towards the strategic allocation if it moves outside of set tolerance ranges. This is monitored and implemented automatically by LGIM in line with the Trustees' instructions.

4. CONSIDERATIONS IN SETTING THE INVESTMENT ARRANGEMENTS

When the Trustees reviewed the DB Section's property allocation in October 2020 they considered the investment risks set out in Appendix 2 of the SIP. They also considered a wide range of alternative asset classes for investment, taking into account the expected returns and risks associated with those asset classes as well as how these risks can be mitigated.

When the Trustees undertook a performance and strategy review of the DC default option, they considered the investment risks set out in Appendix 2 of the SIP. They also considered a wide range of asset classes for investment, taking into account the expected returns and risks associated with those asset classes as well as how these risks can be mitigated. As noted in the previous section, the implementation of the investment changes agreed as part of the DC strategy review carried out in February 2020 has been put on hold for the time being whilst the Club considers a potential change to the setup of the DC arrangements. However, the Trustees are comfortable with retaining the current DC Section investment arrangements for the time being.

The Trustees last reviewed their investment beliefs in March 2019, to incorporate additional beliefs on ESG matters, to reflect further industry body guidance and best practice in this area.

5. IMPLEMENTATION OF THE INVESTMENT ARRANGEMENTS

The Trustees have not made any changes to their DB manager arrangements over the period.

The Scheme's investment adviser, LCP, monitors the investment manager on an ongoing basis, through regular research meetings. The investment adviser monitors any manager developments and informs the Trustees promptly about any significant updates or events they become aware of with regard to the Scheme's investment manager that may affect the manager's ability to achieve their investment objectives. This includes any significant change to the investment process or key staff for any of the funds the Scheme invests in, or any material change in the level of diversification in the fund.

From time to time, the Trustee invites the Scheme's investment manager to present at Trustee meetings.

For both the DB and DC Sections, the Trustees monitor the performance of the Scheme's investment manager on a quarterly basis, using the quarterly performance monitoring reports provided by LGIM. The reports show the performance of each fund over the quarter, one, three and five year periods. Performance is considered in the context of each fund's respective benchmark and objectives.

The most recent quarterly report shows that LGIM has produced performance broadly in line with expectations over the long-term for each of its funds.

As a result of increased market volatility caused by the Covid-19 pandemic, trading into and out of the LGIM Property Fund was suspended in March 2020 due to the uncertainty in the valuation of the underlying property assets. Within the DB Section the Scheme had a 10% strategic allocation to the Managed Property Fund. The Trustees view this allocation as illiquid and it is not used for cash flow purposes, therefore this did not have any impact. Within the DC Section, there are no active members contributing to this fund and the one deferred member invested was not impacted as a result of this fund suspension. The fund suspension was lifted and resumed normal trading in October 2020.

The Trustees were comfortable with all of their other investment manager arrangements over the Scheme Year.

Over the period, the Trustees undertook a value for members assessment which assessed a range of factors, including the fees payable to manager in respect of the DC Section, which was carried out at the time the Trustees reviewed the DC Section investment strategy. These were found to be fair value when compared against schemes with similar sizes mandates, particularly after the 0.30% pa subsidy from the Club in respect of the DC Section. In addition, the Trustees, with assistance from their investment adviser, negotiated a lower fee on the LGIM Future World Fund saving members 0.04% pa. Overall, the Trustees believe the investment arrangements with LGIM provide reasonable value for money.

6. REALISATION OF INVESTMENTS

The Trustees review the Scheme's net current and future cashflow requirements on a regular basis. The Trustees' policy is to have access to sufficient liquid assets in order to meet any outflows by maintaining a portfolio which is appropriately diversified across a range of factors, including suitable exposure to both liquid and illiquid assets.

For the DC Section it is the Trustees' policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments. All of the DC Section funds which the Trustees offer are daily priced.

7. FINANCIALLY MATERIAL CONSIDERATIONS AND NON-FINANCIAL MATTERS

As part of its advice on the selection and ongoing review of the investment manager, the Scheme's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of the manager's approach to financially material considerations (including climate change and other ESG considerations), voting and engagement.

The Trustees do not take into account any non-financial matters (i.e. matters relating to ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.

Within the DC Section the Trustees recognise that some members may wish for ethical or responsible investment matters to be taken into account in their investments and therefore, as mentioned in the SIP, they have made available the LGIM Future World Fund as an investment option to members and will be introducing the LGIM Future World Fund to the default option if the Club does not make any changes to the set-up of the DC arrangements.

8. STEWARDSHIP

This is covered in Section 7 above.

9. INVESTMENT GOVERNANCE, RESPONSIBILITIES, DECISION-MAKING AND FEES (APPENDIX 1 OF SIP)

As mentioned in Section 5, the Trustees assess the performance of the Scheme's investments on an ongoing basis as part of the quarterly monitoring reports they receive.

The performance of the professional advisers is considered on an ongoing basis by the Trustees. More specifically, the Trustees have put in place formal objectives for their investment adviser and will review the adviser's performance against these objectives on a regular basis. The next review is to take place in December 2021.

The Trustees actuarial and investment advisers' work is charged for by an agreed fixed fee or on a "time-cost" basis while the investment manager receive fees calculated by reference to the market value of assets under management. The fee rates are believed to be consistent with the manager's general terms for institutional clients and are considered by the Trustees to be reasonable when compared with those of other similar providers.

10. POLICY TOWARDS RISK (APPENDIX 2 OF SIP)

Risks are monitored on an ongoing basis with the help of the investment adviser. The Trustees maintain a risk register and this is reviewed annually at Trustees' meetings.

The Trustees' policy for some risks, given their nature, is to understand them and to address them if it becomes necessary, based upon the advice of the Scheme's investment adviser or information provided to the Trustees by the Scheme's investment manager. These include credit risk, equity risk, currency risk and counterparty risk.

From time to time the Trustees monitor the Scheme's risk of inadequate returns to ensure that there is a sufficient allocation to growth assets, as well as sufficient interest rate and inflation hedging.

Together, the investment and non-investment risks (set out in Appendix 2 of the SIP) give rise generally to funding risk. The Trustees formally review the Scheme's funding position as part of its annual actuarial report to allow for changes in market conditions. On a triennial basis the Trustees review the funding position allowing for membership and other experience. The Trustees also informally monitor the funding position more regularly, for example at Trustee meetings.

The following risks are covered earlier in this Statement: diversification risk in Sections 3 and 5, investment manager risk and excessive charges in Section 5, liquidity/marketability risk in Section 6 and ESG risks in Section 7.

With regard to the risk of inadequate returns in the DC Section, the Trustees make use of equity and equity-based funds, which are expected to provide positive returns above inflation over the long term. These are used in the growth phase of the default option and are also made available within the self-select options. These funds are expected to produce adequate real returns over the longer term.

11. INVESTMENT MANAGER ARRANGEMENTS

There are no specific policies in this section of the Scheme's SIP.

12. DESCRIPTION OF VOTING BEHAVIOUR DURING THE SCHEME YEAR

All of the Trustees' holdings in listed equities are within pooled funds managed by LGIM, and the Trustees have delegated to LGIM 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 Scheme Year. In this section we have sought to include voting data on the Scheme's funds that hold equities as follows:

DB Section

- LGIM UK Equity Index Fund
- LGIM North America Equity Index Fund
- LGIM Europe (ex UK) Equity Index Fund
- LGIM Japan Equity Index Fund
- LGIM Asia Pacific (ex-Japan) Developed Equity Index Fund
- LGIM World Emerging Markets Equity Index Fund
- LGIM Dynamic Diversified Fund

In addition to the above, the Trustees contacted LGIM to ask if any of the other funds held by the Scheme had voting opportunities over the period. No commentary was provided on these funds.

DC Section

- LGIM Global Equity Fixed Weights (50:50) Index Fund;
- LGIM Dynamic Diversified Fund; and,
- LGIM Future World Fund.

For the DC Section we have only included the funds with equity holdings which:

- are used in the default option - as the majority of the DC Section's members are invested in the default option; and,
- the ESG-focussed fund - given the assumed reasons why a member would choose this type of fund.

Description of the voting processes
LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all LGIM's clients. LGIM's voting policies are reviewed annually and take into account feedback from clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as 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.

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

LGIM's Investment Stewardship team uses Institutional Shareholder Solutions' ("ISS") '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 to supplement the research reports that LGIM receives from ISS for UK companies when making specific voting decisions. LGIM regularly monitors the proxy voting service through quarterly due diligence meetings with ISS.

To ensure its proxy provider votes in accordance with LGIM's position on ESG, LGIM 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 are 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 LGIM 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.

a. Summary of voting behaviour over the Scheme Year

DB Section

A summary of voting behaviour in respect of the DB Section over the period is provided in the table below.

	FUND 1	FUND 2	FUND 3	FUND 4	FUND 5	FUND 6	FUND 7
Manager name	LGIM	LGIM	LGIM	LGIM	LGIM	LGIM	LGIM
Fund name	UK Equity Index Fund	North America Equity Index Fund	Europe (ex UK) Equity Index Fund	Japan Equity Index Fund	Asia Pacific Equity Index Fund	World Emerging Markets Equity Fund	Dynamic Diversified Fund
Total size of fund at end of reporting period	£21,852M	£40,548M	£13,429M	£7,701M	£6,130M	£7,672M	£2,527M
Value of DB Section assets at end of reporting period	£5.96M	£1.79M	£1.80M	£1.19M	£0.63M	£0.60M	£7.88M
Number of equity holdings at end of reporting period	597	240	458	513	397	1,856	3,956
Number of meetings eligible to vote	894	804	635	547	515	3,778	7,600
Number of resolutions eligible to vote	12,468	9,634	10,402	6,538	3,634	34,537	81,093
% of resolutions voted	100.0	100.0	99.9	100.0	100.0	99.9	99.9
Of the resolutions on which voted, % voted with management	93.1	72.3	84.2	86.7	73.2	85.5	84.3
Of the resolutions on which voted, % voted against management	6.9	27.7	15.5	13.3	26.8	13.0	15.0
Of the resolutions on which voted, % abstained from voting	0.0	0.0	0.4	0.0	0.0	1.5	0.7
Of the meetings in which the manager voted, % with at least one vote against management	3.2	7.7	4.5	5.6	10.1	4.9	5.3
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy adviser	0.8	0.3	0.3	0.2	0.2	0.0	0.2

Figures may not sum to 100% due to rounding.

DC Section

A summary of voting behaviour in respect of the DC Section over the period is provided in the table below.

	FUND 1	FUND 2	FUND 3
Manager name	LGIM	LGIM	LGIM
Fund name	Global Equity Fixed Weights (50:50) Index Fund	Dynamic Diversified Fund	Future World Fund
Total size of fund at end of reporting period	£4,093M	£2,527M	£5,195M
Value of DC Scheme assets at end of reporting period	£2.55M	£1.07M	£0.01M
Number of holdings at end of reporting period	2,830	3,956	2,193
Number of meetings eligible to vote	3,533	7,600	3,031
Number of resolutions eligible to vote	43,630	81,093	36,677
% of resolutions voted	100.0%	99.9%	99.6%
Of the resolutions on which voted, % voted with management	83.7%	84.3%	81.6%
Of the resolutions on which voted, % voted against management	16.2%	15.0%	17.7%
Of the resolutions on which voted, % abstained from voting	0.1%	0.7%	0.8%
Of the meetings in which the manager voted, % with at least one vote against management	5.4%	5.3%	5.7%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	0.4%	0.2%	0.3%

Figures may not sum to 100% due to rounding.

b. Most significant votes over the Scheme Year

Commentary on the most significant votes over the period, from LGIM for the funds that hold listed equities, is set out below. We have interpreted "most significant votes" to mean those provided by LGIM, the investment manager, following the PLSA guidance provided.

Due to the number of votes provided by LGIM, the Trustees have chosen a subset of votes to report on in this Statement. The votes selected are those which relate to environmental, social or corporate governance factors. If members wish to obtain more investment manager voting information, this is available upon request.

AMAZON, MAY 2020.

Summary of resolution: Shareholder proposal requesting a mandatory independent Board Chair policy.

Vote: For

Rationale: LGIM voted for the proposal of a mandatory independent Chair of the Board policy, believing that such a governance structure would benefit long-term shareholders. LGIM has engaged regularly with Amazon over the period leading up to the vote and over 2020 in general. This vote (along with eleven others which LGIM made for Amazon) was considered significant as there was considerable market and press attention in the lead up. The final outcome of the vote was that the resolution was not passed.

EXXONMOBIL, MAY 2020.

Summary of resolution: Elect Director Darren W. Woods.
Vote: Against
Rationale: In June 2019, under LGIM's annual 'Climate Impact Pledge' ranking of corporate climate leaders and laggards, the manager announced that it would be removing ExxonMobil from their 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, LGIM also announced it would be supporting shareholder proposals for an independent chair and a report on the company's political lobbying. Due to recurring shareholder concerns, LGIM's voting policy also sanctioned the reappointment of the directors responsible for nominations and remuneration.

LAGARDERE, MAY 2020.

Summary of resolution: Shareholder resolution proposing new directors, as well as to remove the incumbent directors.
Vote: For (in most cases - see below)
Rationale: The resolution was put forward by activist shareholder Amber Capital due to its opinion that the company strategy was not creating value for shareholders, that the board members were not sufficiently challenging management on strategic decisions, and for various governance failures, most of which LGIM agreed with. LGIM engaged with both Amber Capital and Lagardere, which allowed it to gain direct perspectives from the current and proposed Chairs. LGIM voted in favour of five of eight of the candidates proposed by Amber Capital and voted off five of the incumbent Lagardere directors. The final outcome of the vote on these resolutions was that they were not passed.

QANTAS AIRWAYS LIMITED, OCTOBER 2020

Summary of resolution:
Resolution 3: Approve participation of Alan Joyce in the Long-Term Incentive Plan
Resolution 4: Approve Remuneration Report
Vote: Against Resolution 3, For Resolution 4
Rationale: The COVID crisis has had an impact on the Australian airline company's financials. In light of this, the company raised significant capital to be able to execute its recovery plan. It also cancelled dividends, terminated employees and accepted government assistance. The circumstances triggered extra scrutiny from LGIM as LGIM wanted to ensure the impact of the COVID crisis on the company's stakeholders was appropriately reflected in the executive pay package. In collaboration with LGIM's Active Equities team, LGIM's Investment Stewardship team engaged with the Head of Investor Relations of the company to express LGIM's concerns and understand the company's views.

LGIM supported the remuneration report (resolution 4) given the executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the long-term incentive plan (LTIP), in light of the pandemic. However, LGIM's concerns as to the quantum of the 2021 LTIP grant remained, especially given the share price at the date of the grant and the remuneration committee not being able to exercise discretion on LTIPs, which is against best practice. LGIM voted against resolution 3 to signal its concerns.

WHITEHAVEN COAL, OCTOBER 2020

Summary of resolution: Approve capital protection. Shareholders asked the company to report on the potential wind-down of the company's coal operations, with the potential to return increasing amounts of capital to shareholders.

Vote: For

Rationale: The role of coal in the future energy mix is increasingly uncertain, due to the competitiveness of renewable energy, as well as increased regulation: in Q4 2020 alone, three of Australia's main export markets for coal - Japan, South Korea and China - have announced targets for carbon neutrality around 2050. LGIM has publicly advocated for a 'managed decline' for fossil fuel companies, in line with global climate targets, with capital being returned to shareholders instead of spent on diversification and growth projects that risk becoming stranded assets. As the most polluting fossil fuel, the phase-out of coal will be key to reaching these global targets.

OLYMPUS CORPORATION, JULY 2020

Summary of resolution: Elect Director Takeuchi, Yasuo

Vote: Against

Rationale: 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 has for many years promoted and supported an increase of women on boards, at the executive level and below. On a global level, LGIM considers that every board should have at least one female director. Globally, LGIM aspires to all boards comprising 30% women.

Last year in February, LGIM 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 LGIM expects to see at least one woman on the board. One of the companies targeted was Olympus Corporation. In the beginning of 2020, LGIM announced that it 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. LGIM 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.

FAST RETAILING CO. LIMITED, NOVEMBER 2020.

Summary of resolution: Approval of the re-election of the CEO as a director.
Vote: Against
Rationale: As with Olympus Corporation the rationale related to a lack of women on the board. The final outcome of the vote on this resolution was that it was passed.

LUCKIN COFFEE, JULY 2020

Summary of resolution: Remove Director Charles Zhengyao Lu
Vote: For
Rationale: Shortly after its public listing in May 2019, the Chinese coffee start-up, which holds the ambition of disrupting the traditional coffee-shop model and competing with Starbucks in China, was accused by an anonymous report of potential fraudulent behaviour. This was initially denied by the board, and the company later opened an internal investigation with the formation of a special board committee and advice from outside law and forensic firms. The investigation revealed fabricated sales of approximately $300 million, which represented almost half of the company's 2019 sales. As a result, the CEO and chief operating officer were dismissed, and the company was delisted from Nasdaq in June 2020. Two Chinese regulators are investigating the issue. As a result of these findings, Haode Investment inc., a significant shareholder of the company, beneficially owned by the chair and founder, requested a special meeting to ask for the removal of three board directors including the director leading the internal investigation, and proposed the election of two outside directors. The company board proposed a resolution at the meeting to seek shareholder approval to remove the board chair from the board. This resolution was put forward by the majority of the board as a result of the findings of the internal investigation.

Given the findings of the investigation, LGIM decided to sanction the board for its lack of oversight. LGIM supported the removal of the board chair, and also voted in favour of the removal of two outside non-independent directors of the board. LGIM opposed the election of the two outside directors proposed by the board chair himself, as LGIM had concerns about their independence.

CARDINAL HEALTH, NOVEMBER 2020

Summary of resolution: Ratify named executive officers' compensation
Vote: Against
Rationale: The company paid out an above target bonus to the CEO, the same year it recorded a total pre-tax charge of $5.63 billion ($5.14 billion after tax) for expected opioid settlement costs during the fiscal year ended 30 June 2020. The Compensation Committee excluded the settlement costs from the earnings calculations which resulted in executive pay being boosted. Further, the current CEO was head of pharma globally during the worst years of the opioid crisis. Accountability would therefore have been expected. LGIM has in previous years voted against executives' pay packages due to concerns over the remuneration structure not comprising a sufficient

proportion of awards assessed against the company's performance. LGIM voted against the resolution to signal its concern over the bonus payment to the CEO in the same year the company recorded the charge for expected opioid settlement.

THE PROCTER & GAMBLE COMPANY (P&G), OCTOBER 2020

Summary of resolution: Report on effort to eliminate deforestation
Vote: For
Rationale: P&G uses both forest pulp and palm oil as raw materials within its household goods products. The company has only obtained certification from the Roundtable on Sustainable Palm Oil for one third of its palm oil supply, despite setting a goal for 100% certification by 2020. Two of their Tier 1 suppliers of palm oil were linked to illegal deforestation. Finally, the company uses mainly Programme for the Endorsement of Forest Certification (PEFC) wood pulp rather than Forestry Stewardship Council (FSC) certified wood pulp. Palm oil and Forest Pulp are both considered leading drivers of deforestation and forest degradation, which is responsible for approximately 12.5% of greenhouse gas emissions that contribute to climate change. The fact that Tier 1 suppliers have been found to have links with deforestation calls into question due diligence and supplier audits. Only FSC certification offers guidance on land tenure, workers', communities and indigenous people's rights and the maintenance of high conservation value forests.

LGIM engaged with P&G to hear its response to the concerns raised and the requests raised in the resolution. LGIM spoke to representatives from the proponent of the resolution, Green Century. In addition, LGIM engaged with the Natural Resource Defence Counsel to fully understand the issues and concerns. Following a round of extensive engagement on the issue, LGIM decided to support the resolution. Although P&G has introduced a number of objectives and targets to ensure their business does not impact deforestation, LGIM felt it was not doing as much as it could. The company has not responded to CDP Forest disclosure; this was a red flag to LGIM in terms of its level of commitment. Deforestation is one of the key drivers of climate change. Therefore, a key priority issue for LGIM is to ensure that companies it invests its clients' assets in are not contributing to deforestation. LGIM has asked P&G to respond to the CDP Forests Disclosure and continue to engage on the topic and push other companies to ensure more of their pulp and wood is from FSC certified sources.

The resolution received the support of 67.68% of shareholders (including LGIM).