Implementation Statement, covering the Scheme Year from 1 January 2020 to 31 December 2020

The Trustees of the Siemens Healthineers Benefits Scheme (the "Scheme") are required to produce a yearly statement to set out:

- the extent to which the Trustees have followed their Statement of Investment Principles ("SIP") for each of the SHL and SHDML Section (the "Sections") of the Scheme during the period from 1 January 2020 to 31 December 2020 (the "Scheme Year"); and

- details of any reviews of the Sections' SIPs during the Scheme Year, subsequent changes made with the reasons for the changes, and the date of the last SIP reviews.

Information is provided on the last review of the SIPs in Section 1 and on the implementation of the SIPs 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 Sections' SIPs dated 27 August 2020 and should be read in conjunction with the SIPs.

1. Introduction

The SIPs for each Section of the Scheme were reviewed and updated during the Scheme Year on 27 August 2020 to reflect the following:

- changes to the Scheme's strategic allocation, including details of the investment de-risking protocol;

- a new allocation to the LGIM Buy and Maintain Credit Fund;

- a 50% currency hedge of the Sections' overseas equity exposure;

- rebalancing the interest rate and inflation hedging levels to be broadly in line with the Technical Provisions funding level;

- statements on the Trustees' asset manager arrangements in relation to shareholder engagement, to comply with the 2019 regulations that came into force on 1 October 2020; and

- a full redemption from the LGIM AAA-AA-A Corporate Bond All Stocks Index Fund (SHDML Section only).

As part of these SIP updates, the employers were consulted and confirmed they were comfortable with the changes.

The Trustees have, in their opinion, followed the policies in the Sections' SIPs during the Scheme Year. The following sections provide detail and commentary about how and the extent to which this was done.

2. Investment objectives

Progress against the long-term journey plan, ie to achieve full funding on a Technical Provisions basis (including linear de-risking) by 1 January 2030, is reviewed as part of the quarterly performance monitoring reports. The Trustees are also able to view the progress on an ongoing basis using LCP Visualise online. As at 31 December 2020, both Sections of the Scheme were on track to achieve full funding by the target date.

3. Investment strategy

The Trustees, with the help of their advisers and in consultation with the sponsoring employers', reviewed the strategy in June 2020 and concluded that they should make the following changes to the Scheme's investment strategy:

SHDML Section

- an additional 15% allocation to short duration buy and maintain credit, funded by a switch from the LDI and cash allocation (5%) and passive corporate bonds allocation (10%).
- a new 10% allocation to buy and maintain credit, funded by a switch from the remainder of the passive corporate bonds allocation; and
- rebalancing the interest rate and inflation hedging levels to be broadly in line with the latest funding level.

SHL Section

- a new 10% allocation to buy and maintain credit, funded by a switch from the LDI and cash allocation; and
- rebalancing the interest rate and inflation hedging levels to be broadly in line with the latest funding level.

As part of this review, the Trustees made sure the Scheme's assets were adequately and appropriately diversified between different asset classes.

The Trustees monitor the asset allocation of each Section quarterly and compare these to the respective strategic asset allocations. The actual asset allocations deviated from the strategic allocations over the Scheme Year and therefore the Trustees undertook the following rebalancing actions:

- SHDML Section: In June 2020, £750k was transferred from the LGIM equity portfolio, this was funded by a £330k transfer from the BMO Sterling Liquidity Fund and a £420k transfer from the Trustees bank account.
- SHL Section: In June 2020, £11.4m was transferred to the L&G equity portfolio, this was carried out in four tranches and funded from the BMO Sterling Liquidity Fund.

The triggers put in place as part of the investment de-risking protocol are monitored on a quarterly basis as part of the quarterly performance monitoring report. If a trigger is hit, the Trustees would consider the appropriateness of the proposed de-risking action before it is implemented.

4. Considerations made in determining the investment arrangements

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

Following a training session from the Scheme's investment adviser, LCP, in April 2019 the Trustees updated the investment beliefs in the SIP. It added two new investment beliefs to the SIP: "environmental, social and governance (ESG) factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors" and; "long-term environmental, social and economic sustainability is one factor that the Trustee should consider when making investment decisions". Following the addition of these beliefs, the Trustee reviewed its investment manager mandates to understand the extent to which ESG factors are incorporated in the funds currently held by the Scheme.

5. Implementation of the investment arrangements

The Trustees made a new allocation to the Legal & General Investment Management ("LGIM") Buy and Maintain Credit Fund for both the SHL and SHDML Sections of the Scheme in July 2020. The Trustees obtained written advice from their investment adviser, LCP, before investing in the fund and made sure the assets of the fund chosen were adequately and appropriately diversified. Before investing in this fund, the Trustees received information on the investment process and philosophy, the investment team and past performance. The Trustees also considered the manager's approach to responsible investment and stewardship.

The Scheme's investment adviser, LCP, monitors the investment managers on an ongoing basis, through regular research meetings. The investment adviser monitors any developments at managers and informs the Trustees promptly about any significant updates or events they become aware of with regard to the Scheme's investment managers that may affect the managers' 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.

The Trustees regularly invite the Scheme's investment managers to present at Trustee meetings, seeing each manager approximately once every two years. Over the Scheme Year, the Trustees met with Fulcrum and LGIM to discuss the Scheme's investments.

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

The Trustees monitor the performance of the Scheme’s investment managers on a quarterly basis, using the quarterly performance monitoring report. The report shows the performance of each manager over the quarter, 1 year, 3 and 5 years (where available). Performance is considered in the context of the manager’s benchmark and objectives. The most recent quarterly report (Q4 2020) shows that all managers have produced performance broadly in line with expectations over the long-term.

During the Scheme Year the Trustees assessed the investment managers fees and negotiated an improved discounted fee structure with Fulcrum. Overall, the Trustees believe the investment managers 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 while maintaining a portfolio which is appropriately diversified across a range of factors, including suitable exposure to both liquid and illiquid assets.

Over the Scheme Year, the Trustees used cashflow to help rebalance the Scheme’s assets towards the strategic asset allocation. For the SHDML Section, the Trustees receive income from the LGIM equity portfolio and BlackRock Sterling Short Duration Credit Fund which is retained in the Trustees’ bank account and used towards paying benefit payments. For the SHL Section, The Trustees did not receive any income from its investments over the Scheme Year.

7. Consideration of financially material and non-financial matters

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

In September 2020, the Trustees reviewed LCP’s responsible investment (RI) scores for the Scheme’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 manager's approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP’s ongoing manager research programme and these directly affect LCP’s manager and fund recommendations. The manager scores and red flags are based on LCP’s Responsible Investment Survey 2020.

The highest score available is 4 (strong) and the lowest is 1 (weak). The Trustees have agreed to engage to any investment manager who receives a score of 2 or lower, or a red flag, to request that they improve their RI practices.

When Fulcrum and LGIM presented to the Trustees during the Scheme Year, the Trustees asked several questions about the managers’ ESG, voting and engagement practices and were satisfied with the answers they received. The Trustees also reviewed reports from their managers on voting and engagement activities undertaken on their behalf.

The Trustees invested in a new pooled fund, the LGIM Buy and Maintain Credit Fund in July 2020. In selecting this fund, the Trustees reviewed LCP’s RI assessments of the fund, including ESG factors, voting and engagement.

8. Stewardship

This is covered in Section 7 above.

9. Responsibilities, decision-making and fees (Appendix 1 of SIPs)

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 also considered on an ongoing basis by the Trustees. 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.

10. Policy towards risk, risk measurement and risk management (Appendix 2 of SIPs)

Risks are monitored on an ongoing basis with the help of the investment adviser. The Trustees maintain a risk register, and this is discussed at quarterly 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 managers. These include, but are not limited to, credit risk, equity risk, currency risk and counterparty risk.

With regard to the risk of inadequate returns, as part of the investment strategy review in June 2020, the required returns for the SHL and SHDML Sections to be fully funded on a Technical Provisions basis by 1 January 2030 were assessed as gilts +0.7% pa and gilts +1.8% pa respectively. The best estimate expected return on the Scheme's revised strategic asset allocations were gilts + 2.3% pa for both Sections. Therefore, the return on the Scheme's assets was expected to be sufficient to produce the required return over the long-term.

The required return for each Section of the Scheme is reviewed on a quarterly basis as part of the quarterly performance monitoring report. The triggers put in place as part of the investment framework de-risking protocol are based on these required returns.

The Scheme's interest and inflation hedging levels are monitored on an ongoing basis in the quarterly monitoring reports. In July 2020 the Trustees rebalanced the Scheme's hedging portfolios to be broadly in line with the Technical Provisions funding level, ie 90% for the SHL Section and 85% for the SHDML Section.

With regard to collateral adequacy risk, the Trustees hold investments in the BMO Global Asset Management (“BMO”) Sterling Liquidity Fund alongside the LDI portfolio, to be used should the LDI manager require cash to be posted for a deleverage event. The Trustees have set the target allocation to the BMO Sterling Liquidity Fund with reference to the expected amount required to top up the LDI fund in the event of a deleveraging event, plus an additional amount to cover the Section’s near-term future cashflow requirements. As at 31 December 2020 the Scheme held more than enough liquid assets to meet the next capital call on the LDI funds.

Together, the investment and non-investment risks set out in Appendix 2 of the SIPs give rise generally to funding risk. The Trustees formally review the funding position of both Sections as part of their annual actuarial report to allow for changes in market conditions. On a triennial basis the Trustees review the funding positions allowing for membership and other experience. The Trustees also informally monitor the funding positions more regularly, on a quarterly basis at Trustee meetings and the Trustees also have the ability to monitor this daily on LCP Visualise.

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, illiquidity/marketability risk in Section 6 and ESG risks in Section 7.

11. Investment manager arrangements (Appendix 3 of the SIPs)

There are no specific policies in this section of the Scheme’s SIPs.

12. Description of voting behaviour during the Scheme Year

All of the Trustees’ holdings in listed equities are within pooled funds and the Trustees have delegated to their investment managers 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:

- Legal and General Investment Management (“LGIM”) UK Equity Index Fund;
- LGIM North America Equity Index Fund (unhedged and GBP-hedged);

- LGIM Europe (ex. UK) Equity Index Fund (unhedged and GBP-hedged);
- LGIM Japan Equity Index Fund (unhedged and GBP-hedged);
- LGIM Asia Pacific (ex. Japan) Developed Equity Index Fund (unhedged and GBP-hedged);
- BlackRock Dynamic Diversified Growth Fund ("DDGF");
- Fulcrum Diversified Core Absolute Return Fund ("DCAR"); and
- Aegon-BlackRock Aquila Life Market Advantage Fund.

We have omitted the LGIM Buy & Maintain Credit Fund, LGIM AAA-AA-A Corporate Bond All Stocks Index Fund, LGIM AVC Cash Fund, and the BlackRock Sterling Short Duration Credit Fund on materiality grounds since any potential physical equity holdings would only be a small proportion of the Funds' total equity holdings.

12.1 Description of the voting processes

LGIM

LGIM's voting and engagement activities are driven by Environment, Social and Governance (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 their views directly to the members of LGIM's Investment Stewardship team. The views expressed by attendees during this event form a key consideration as they continue to develop LGIM's 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 voting decisions are made by LGIM's Investment Stewardship team and in accordance with its 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 helps ensure LGIM's stewardship approach is consistent 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 Services' ("ISS") 'ProxyExchange' electronic voting platform to electronically vote. All voting decisions are made by LGIM and it does not outsource any part of the strategic decisions. The use of ISS's recommendations is to augment LGIM's 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 LGIM's proxy provider votes in accordance with its 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 that 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 us to apply a qualitative overlay to its voting judgement. LGIM has strict monitoring controls to ensure our votes are fully and effectively executed in accordance with its voting policies by the 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.

BlackRock

Voting decisions are made by members of the BlackRock Investment Stewardship team with input from the wider investment team as required, in accordance with BlackRock's Global Corporate Governance and Engagement Principles and custom market-specific voting guidelines.

BlackRock takes a case-by-case approach to the items put to a shareholder vote. Analysis is informed by internally developed proxy voting guidelines, its pre-vote engagement with the company, its research, and any situational factors for a particular company.

BlackRock aims to vote at all shareholder meetings of companies in which its clients are invested. In cases where there are significant obstacles to voting, such as share blocking or requirements for a power of attorney, BlackRock will review the resolutions to assess the extent of the restrictions on voting against the potential benefits. BlackRock generally prefers to engage with the company in the first instance where there are concerns and give management time to address the issue.

BlackRock will vote in favour of proposals where it supports the approach taken by a company's management or where it has engaged on matters of concern and anticipates management will address them. BlackRock will vote against management proposals where it believes the board or management may not have adequately acted to advance the interests of long-term investors. BlackRock ordinarily refrains from abstaining from both management and shareholder proposals, unless abstaining is the valid vote option (in accordance with company by-laws) for voting against management, there is a lack of disclosure regarding the proposal to be voted, or an abstention is the only way to implement its voting intention.

Whilst BlackRock does subscribe to research from the proxy advisory firms, ISS and Glass, Lewis & Co ("Glass Lewis"), this is just one among many inputs into its voting decision process. BlackRock primarily uses proxy research firms to transform corporate governance information and analysis into a concise, easily reviewable format so that BlackRock's investment stewardship analysts can readily identify and prioritise those companies where its own additional research and engagement would be beneficial. Other sources of information BlackRock use include the company's own reporting (such as the proxy statement and the website), its engagement and voting history with the company, the views of its active investors, public information and ESG research.

Fulcrum

Fulcrum has in place a Proxy Voting Policy where it invests in listed equities. Where Fulcrum has voting rights, it casts proxy votes through the Broadridge platform based on independent research by Glass Lewis, Fulcrum's proxy adviser.

Fulcrum aims to vote proxies in a prudent and diligent manner and in the best interests of its clients, consistent with its objective of maximising long-term investment returns and protecting shareholder rights.

In order to assist Fulcrum in the independent assessment of governance issues, Fulcrum has appointed Glass Lewis, an independent corporate governance research provider, to analyse management recommendations and make vote recommendations.

In addition, Fulcrum has in place two committees - Responsible Investment Committee and Stewardship Committee - both chaired by the Chief Operating Officer with the aim of strengthening internal communications on stewardship issues. Both committees comprise members of the Risk, Fund Management, Compliance departments and Fulcrum's Governance and Sustainability Officer. The common membership of both committees aims to ensure consistency in the Firm's stewardship and ESG approach

Fulcrum's default choice is to vote as per advice from Glass Lewis. However, since August 2020 Fulcrum has incorporated the option to override their advice where it believes a vote might impact climate change/global warming. Fulcrum will, in these instances, do its own research and if it considers it right to do so, vote against their advice if this is in advantage of the topic of climate change mitigation. In particular, Fulcrum look for votes related to encouraging science-based target setting with regard to decarbonisation goals as this is a core part of its engagement focus.

12.2 Summary of voting behaviour over the Scheme Year

A summary of voting behaviour over the period is provided in the table below:

	LGIM UK Equity Index	LGIM North America Equity Index (unhedged & GBP- hedged)	LGIM Europe (ex. UK) Equity Index (unhedged & GBP-hedged)	LGIM Japan Equity Index (unhedged & GBP-hedged)	LGIM Asia Pacific (ex. Japan) Developed Equity Index (unhedged & GBP-hedged)	BlackRock Dynamic Diversified Growth Fund	Aegon-BlackRock Aquila Life Market Advantage Fund	Fulcrum Diversified Core Absolute Return Fund
Total size of fund at end of reporting period (£bn)	21.9	57.9	18.2	10.4	7.9	4.6	0.4	0.2
Total value of Scheme assets at end of reporting period (£m)	40.5	14.7	14.1	6.7	7.2	29.8	1.1 (SHDML only)	26.7
Number of holdings at end of reporting period	597	644	458	513	397	1,763	*Data not provided*	175
Number of meetings eligible to vote	894	804	635	547	515	984	2,614	28
Number of resolutions eligible to vote	12,468	9,634	10,402	6,538	3,634	12,609	24,356	251
% of resolutions voted	100.0%	100.0%	99.9%	100.0%	100.0%	96.8%	96.5%	99.0%
Of the resolutions on which voted, % voted with management	93.1%	72.3%	84.2%	86.7%	73.2%	93.5%	91.4%	96.8%
Of the resolutions on which voted, % voted against management	6.9%	27.7%	15.5%	13.3%	26.8%	5.6%	8.6%	3.2%
Of the resolutions on which voted, % abstained from voting	0.0%	0.0%	0.4%	0.0%	0.0%	0.9%	2.8%	0.0%
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%	*Data not provided*	*Data not provided*	21.4%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	0.8%	0.3%	0.3%	0.2%	0.2%	*Data not provided*	*Data not provided*	0.0%

Note that figures may not sum exactly due to rounding.
[1]Total assets across both the SHL and SHDML Sections.

12.3 Most significant votes over the Scheme Year

Commentary on the most significant votes over the period, from the Scheme's asset managers who hold listed equities, is set out below.

12.3.1 LGIM equity funds

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

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

International Consolidated Airlines Group, UK, September 2020. Vote: Against

Summary of resolution: Approve remuneration report

Rationale: The remuneration report for the financial year to 31 December 2019 was also submitted to a shareholder vote. LGIM was 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. LGIM 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, LGIM has 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.

Pearson, UK, September 2020. Vote: Against

Summary of resolution: Amend remuneration policy

Rationale: 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. LGIM also discussed the shortcomings of the company's current remuneration policy. LGIM also spoke with the chair directly before the EGM, and relayed LGIM's concerns that the performance conditions were weak and should be re-visited, to strengthen the financial underpinning of the new CEO's award. Additionally, LGIM asked that the post-exit shareholding requirements were reviewed to be brought into line with LGIM's expectations for UK companies. In the absence of any changes, LGIM took the decision to vote against the amendment to the remuneration policy.

SIG plc, UK, July 2020. Vote: Against

Resolution: Approve one-off payment to Steve Francis (interim CEO)

Rationale: The company wanted to grant their interim CEO a one-off award of £375,000 for work carried out over a two-month period (February - April). The CEO agreed to invest £150,000 of this payment in acquiring shares in the business, and the remaining £225,000 would be a cash payment. The additional payment was subject to successfully completing a capital-raising exercise to improve the liquidity of the business. The one-off payment was outside the scope of their remuneration policy and on top of his existing remuneration, and therefore needed shareholder support for its payment. LGIM does not generally support one-off payments. LGIM believes that the remuneration committee should ensure that executive directors have a remuneration policy in place that is appropriate for their role and level of responsibility. This should negate the need for additional one-off payments.

In this instance, there were other factors that were taken into consideration. The size of the additional payment was a concern because it was for work carried over a two-month period yet was equivalent to 65% of his full-time annual salary. £225,000 was to be paid in cash at a time when the company's liquidity position was so poor that it risked breaching covenants of a revolving credit facility and therefore needed to raise additional funding through a highly dilutive share issue.

Barclays, UK, May 2020. Vote: Approve both

Resolutions: Approve Barclays' commitment in tackling climate change; and Approve ShareAction requisitioned resolution

Rationale: The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers. LGIM were particularly grateful to the Investor Forum for the significant role it played in coordinating this outcome.

Rank Group, UK, November 2020. Vote: Approve both

Resolutions: Approve the remuneration report; and Approve remuneration policy

Rationale: The company and its stakeholders have been impacted by the COVID crisis. As an active owner and responsible investor, LGIM wants to ensure this is reflected in the executive remuneration package paid for this year. In addition, in 2018 the company granted 'block awards' long-term incentives (LTI) to the executives and committed not to grant any LTI awards until financial year 2022. After review of the remuneration policy, the remuneration committee asked shareholders to adopt a new LTI structure with the first award under this plan to be made in the 2021 financial year. LGIM decided to support the remuneration report, which looks back at the remuneration earned during the financial year. LGIM noted the remuneration committee's decision to apply a 20% deduction and cancel the planned increase of salaries of the executives and fees of the board members. No annual bonus was granted, given the performance of the company.

LGIM was comfortable that the impact of COVID-19 had been appropriately reflected in the remuneration of the executives and therefore decided to support the remuneration report. Regarding the remuneration policy, LGIM’s direct engagement with the company allowed it to better understand the rationale for the proposed changes to the LTIP. LGIM took their concerns around retention into account, and the fact that there would be a substantial gap in the vesting of any long-term incentives if this plan was not approved. Notably, that the structure of the proposed LTIP was in line with LGIM's remuneration principles.

Plus500 ltd, UK, September 2020. Vote: Against

Resolution: Approve special bonus payment to CFO Elad Even-Chen

Rationale: Plus500 proposed a number of pay-related proposals for shareholder approval. Amongst these, the board recommended the approval of a substantial discretionary bonus offered to the CFO of around $1.2 million, for his successful work with Israeli tax authorities over a number of years, resulting in a significant tax-saving for shareholders. The bonus is in addition to his annual variable pay and outside the normal bonus structure. LGIM does not support one-off discretionary bonuses (or transaction bonuses) as these are not within the approved policy to reward the achievement of pre-set targets. Moreover, discussions with tax authorities and the obtaining of preferential tax structures for the company are seen as part of a CFO's day-to-day job and should not be remunerated separately. Instead, a preferential tax treatment will benefit future performance and will therefore be rewarded within annual bonus and long-term incentives in future performance years.

LGIM voted against the special bonus based on the belief that such transaction bonuses do not align with the achievement of pre-set targets.

Separately, LGIM also voted against an amendment to the company's remuneration policy, which continues to allow for the flexibility to make one-off awards and offers long-term incentives that remain outside best market practice in terms of long-term performance alignment.

Medtronic plc, US, December 2020. **Vote:** Against

Resolution: Advisory Vote to Ratify Named Executive Officers' Compensation

Rationale: Following the end of the financial year, executive directors were granted a special, one-off award of stock options to compensate for no bonus being paid out during the financial year. LGIM voted against the one-off payment as it is not supportive of one-off awards in general and in particular when these are awarded to compensate for a payment for which the performance criterion/criteria were not met. Prior to the AGM, LGIM engaged with the company and clearly communicated LGIM's concerns over one-off payments.

Amazon, US, May 2020. **Vote:** Approval of 10 resolutions.

Resolution: 10 resolutions split across two areas: (1) disclosure to encourage a better understanding of process and performance of material issues; and (2) governance structures that benefit long-term shareholders.

Rationale: In addition to facing a full slate of proxy proposals, in the two months leading up to the annual meeting, Amazon was on the front lines of a pandemic response. The company was already on the back foot owing to the harsh workplace practices alleged by the author of a seminal article in the New York Times published in 2015, which depicted a bruising culture. The news of a string of workers catching COVID-19, the company's response, and subsequent details, have all become major news and an important topic for LGIM's engagements leading up to the proxy vote. LGIM's team has had multiple engagements with Amazon over the past 12 months. The topics of the engagements touched most aspects of ESG, with an emphasis on social topics:

- Environment topics: Details about the data transparency committed to in their 'Climate Pledge';
- Social topics: Establishment of workplace culture, employee health and safety; and
- Governance topics: Separation of CEO and board chair roles, plus the desire for directors to participate in engagement meetings.

The allegations from current and former employees are worrying. Amazon employees have consistently reported not feeling safe at work, that paid sick leave is not adequate, and that the company only provides an incentive of $2 per hour to work during the pandemic. Also cited is an ongoing culture of retaliation, censorship, and fear. LGIM discussed with Amazon the lengths the company is going to in adapting their working environment, with claims of industry leading safety protocols, increased pay, and adjusted absentee policies. However, some of their responses seemed to have backfired. For example, a policy to inform all workers in a facility if COVID-19 is detected has definitely caused increased media attention.

Cardinal Health, US, November 2020. **Vote:** Against

Resolution: Advisory Vote to Ratify Named Executive Officers' Compensation

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.

ExxonMobil, US, May 2020. **Vote:** Against

Resolution: Elect Director Darren W. Woods

Rationale: In June 2019, under LGIM's annual 'Climate Impact Pledge' ranking of corporate climate leaders and laggards, LGIM announced that it would be removing ExxonMobil from its Future World fund range and would 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.

The Procter & Gamble Company (P&G), US, October 2020. Vote: Approve

Resolution: Report on effort to eliminate deforestation

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 that P&G 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.

Lagardere, Europe (ex UK), May 2020. Vote: LGIM voted in favour of five of the Amber-proposed candidates and voted off five of the incumbent directors.

Resolution: Activist Amber Capital, which owned 16% of the share capital at the time of engagement, proposed 8 new directors to the Supervisory Board (SB) of Lagardere, as well as to remove all the incumbent directors (apart from two 2019 appointments).

Rationale: Proposals by Amber were due to the 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. The company continues to have a commandite structure; a limited partnership, which means that the managing partner has a tight grip on the company, despite only having 7% share capital and 11% voting rights.

LGIM engages with companies on their strategies, any lack of challenge to these, and with governance concerns. The company strategy had not been value-enhancing, and the governance structure of the company was not allowing the SB to challenge management on this. Where there is a proxy contest, LGIM engages with both the activist and the company to understand both perspectives. LGIM engaged with both Amber Capital, where it was able to speak to the proposed new SB Chair, and also Lagardere, where LGIM spoke to the incumbent SB Chair. This allowed LGIM to gain direct perspectives from the individual charged with ensuring their board includes the right individuals to challenge management.

Olympus Corporation, Japan, July 2020. Vote: Against

Resolution: Elect Director Yasuo Takeuchi

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 have 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. LGIM deems this a de-minimis standard. 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. ltd, Japan, November 2020. Vote: Against

Resolution: Elect Director Yanai Tadashi

Rationale: 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 act on the issue (as covered under the previous significant vote) of having no female directors on the board.

Qantas Airways Limited, Developed Asia Pacific (ex Japan), October 2020. Vote: Against resolution 3 and Approve resolution 4

Resolutions:

- Resolution 3 – Approve participation of Alan Joyce in the Long-Term Incentive Plan; and
- Resolution 4 – Approve Remuneration Report.

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 it 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 its concerns and understand the company's views. The voting decision ultimately sat with the Investment Stewardship team.

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, Developed Asia Pacific (ex Japan), October 2020. Vote: Approve

Resolution: Approve capital protection. Shareholders are asking the company for a report on the potential wind-down of the company's coal operations, with the potential to return increasing amounts of capital to shareholders.

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.

12.3.2 BlackRock DDGF and Aegon-BlackRock Market Advantage Fund

Exxon Mobil Corporation, US, May 2020. Vote: Against items 1.2 and 1.4, and Approve item 4

Resolutions:

- Item 1.2 – Elect Director Angela F. Braly;
- Item 1.4 – Elect Director Kenneth C. Frazier; and
- Item 4 – Require Independent Board Chair.

Rationale: BlackRock voted against electing Director Angela F. Braly for insufficient progress on TCFD aligned reporting and related action. Ms. Braly is the Chair of Public Issues Committee, and as such, BIS holds her accountable for lack of progress in driving greater action on climate risk in line with TCFD guidance, SASB recommendations, and BIS' feedback over several years.

BlackRock voted against electing Director Kenneth C. Frazier for insufficient progress on TCFD aligned reporting and related action, and for failure to provide investors with confidence that the board is composed of the appropriate mix of skillsets and can exercise sufficient independence from the management team to effectively guide the company in assessing material risks to the business.

BlackRock voted for the Independent Chair proposal on account of its belief that the board would benefit from a more robust independent leadership structure. The non-binding shareholder proposal requests that the company establish an Independent Board Chair position in place of the present Lead Independent Director structure by appointing one of the independent members of the board to the Chair position. The Independent Chair proposal would be phased in for the next CEO transition.

Royal Dutch Shell plc, UK, and Netherlands (dual-listed), May 2020. Vote: Against

Resolutions: Request Shell to Set and Publish Targets for Greenhouse Gas (GHG) Emissions

Rationale: The shareholder proposal requested that Shell set and publish targets across Scope 1, 2 and 3, aligned with the Paris Agreement. The proponent argued that Shell's ambition to reduce its net carbon intensity by 50% by 2050 in a growing energy system would not ultimately lead to the level of absolute emissions reduction necessary to achieve the goals of the Paris Agreement. The proponent asked for more "aspirational" targets.

Since the submission of the shareholder proposal, Shell has updated its climate commitments to more aggressively reduce its carbon footprint, and to become a "net-zero emissions energy business" by 2050 or sooner. This commitment now includes:

- Scope 1 and 2: net zero on all emissions from the manufacture of all products by 2050;
- Scope 3: reducing the Net Carbon Footprint of its energy products by around 65% by 2050 (up from a previous target of around 50%), and by around 30% by 2035 (up from a previous target of around 20%), both now consistent with the Paris Agreement goal to limit the average temperature rise to 1.5 degrees Celsius; and
- A transition towards serving businesses and sectors that by 2050 are also net-zero emissions.

BlackRock has been engaged with Shell on its climate commitments for a number of years and was engaged with the company throughout the process of this latest upgrading of its commitments.

In determining BlackRock's vote, BlackRock took into consideration that Shell already had some of the most ambitious climate targets in the industry on all relevant scopes (1,2,3), and that the company already makes strong TCFD disclosures. Furthermore, the shareholder resolution refers to Shell's previous climate commitments, which are now out of date and have been superseded by renewed and stronger commitments. As a result of Shell's responsiveness, BlackRock considers the request made in the resolution to have substantively been delivered.

BlackRock understands from its engagement with the company that the recently revised targets will be kept under review, with a view to evolving them even further if possible. BlackRock will be monitoring closely the delivery against the targets set out to date. BlackRock will hold the management and board directors to account for lack of progress on their delivery through future voting on director elections. For now, BlackRock notes that Shell's existing disclosure of 3-year net carbon footprint targets already makes the company a sector leader in the global oil & gas industry.

Chevron Corporation, US, May 2020. Vote: Approve

Resolution: Report on Climate Lobbying Aligned with Paris Agreement Goals

Rationale: BlackRock voted for this proposal, as greater transparency into the company's approach to political spending and lobbying as aligned with their stated support for the Paris Agreement will help articulate consistency between private and public messaging in the context of managing climate risk and the transition to a lower-carbon economy.

The proposal does not suggest or require Chevron to alter its current actions; instead, it affords an opportunity to provide greater context for investors. This is in line with BlackRock's view that the risks of climate change and the transition to a low er carbon economy present material regulatory, reputational, and legal risks to companies. As a fiduciary for BlackRock's clients, BlackRock sees it as material to better understand how these risks are being adequately disclosed and overseen.

Woodside Petroleum ltd, Developed Asia Pacific (ex Japan), April 2020. Vote: Against

Resolutions: Special Resolution to Amend the company Constitution (4a), Ordinary Resolution on Paris Goals and Targets (4b), Ordinary Resolution on Climate-Related Lobbying (4c), and Ordinary Resolution on Reputation Advertising Activities (4d).

Rationale: Resolution 4a is required under Australian voting rules, which require a change in the company's constitution in order to file an underlying resolution. Therefore, a resolution calling for an amendment to the company's constitution is necessary to allow for the three non-binding resolutions (4b, 4c, and 4d). A group of shareholders owning 5% of voting shares or 100 shareholders (with no minimum holding size or length of holding period) may file a resolution. BlackRock is generally not supportive of constitutional amendment resolutions as the relative ease of filing risks distracting and time-consuming proposals being submitted by shareholders whose interests are not necessarily aligned with those of the broader shareholder base. BlackRock believe shareholder proposals should be a tool used after engagement has failed, which in its experience is not the case here.

BlackRock believes the company recognises the priority it must place on carbon disclosure and reduction targets. While BlackRock is supportive of the goals underlying the resolution, its bundled structure presents a challenge as Scope 3 emissions remain particularly complicated in the natural gas sector and will require time to define and implement as they encompass all indirect emissions of a company's entire value chain. Nevertheless, BlackRock encourages the company to continue to review and set ambitious emissions targets as the natural gas sector improves its ability to understand and manage them.

On BlackRock's assessment, Woodside already substantively addresses the request made in the resolution. Woodside's capital expenditure disclosures incorporate the International Energy Agency's (IEA) Sustainable Development Scenario (SDS) into the values it uses to calculate levels of resilience and prioritise investments. While it is only one of several internal and external scenarios, the IEA's SDS does align to the Paris Agreement objective of holding the increase in the global average temperature to well below 2°C above pre-industrial levels, this century.

Based on BlackRock's analysis, Woodside's lobbying is consistent with its public position on climate change. Where differences are identified, the company discloses them openly. BlackRock's conditional support for management on this resolution is based on the company's public commitment to undertake a more comprehensive review of its industry association advocacy by November 2020.

Based on BlackRock's evaluation, Woodside provides adequate transparency on their advertising activities and the community groups that they support. BlackRock recognises that there are a range of strongly held and differing views in the energy transition debate and maintain that all parties, including the company, are within their rights to state their views/engage in the discussion within OECD guidelines.

Furthermore, based on its research, there is no indication that Woodside's sponsorships and community partnerships do not comply with relevant laws and the underlying principles of the OECD Guidelines for Multinational Enterprises.

Barclays plc, UK, May 2020. Vote: Approve resolution 29 and against resolution 30.

Resolutions:

- Resolution 29 – Approve Barclays' Commitment to Tackling Climate Change; and
- Resolution 30 – Approve ShareAction Requisitioned Resolution.

Rationale: The independent fiduciary reported that it took into consideration several factors when voting to support the company's own climate change resolution (Resolution 29) and against the shareholder resolution (Resolution 30). Support for both resolutions would have been problematic as they are both binding. The independent fiduciary determined that, as outlined in Resolution 29, the company sets a clear ambition to become net-zero and align to the goals of the Paris Agreement, addressing shareholders' concerns for the time being.

BHP Group plc/ltd, UK and Australia (dual listed), October 2020. Vote: Against item 23; and Approve item 25

Resolutions:

- Item 23 – Amend Constitution of BHP Group Limited; and
- Item 25 – Approve Review of Advocacy Activities and Suspension of Memberships of Industry Associations where COVID-19 related Advocacy is Inconsistent with Paris Agreement Goals.

Rationale: Item 23 – BlackRock is not generally supportive of this type of constitutional amendment resolution, as the relative ease of the filing process increases the risk that these types of proposals are potentially distracting, time-consuming or are submitted by shareholders whose interests may not be necessarily aligned with those of the broader shareholder base.

Item 25 - On balance, Black supported the shareholder proposal (Item 25) to signal the importance of the opportunity for BHP to continue to use its leadership position to constructively influence its trade associations to further advance the global energy transition. As support for this resolution is not a signal of dissatisfaction, BlackRock has not voted against any members of BHP's Board of Directors, which would typically be its approach to flag significant concerns around a company's management of material ESG issues.

Air Liquide SA, Europe (ex UK), May 2020. **Vote:** Against item 5; and Approve items 6 and 7.

Resolutions:

- Item 5 – Re-elect Brian Gilvary as Director;
- Item 6 – Elect Anette Bronder as Director; and
- Item 7 – Elect Kim Ann Mink as Director.

Rationale: Item 5 – In line with BlackRock's approach of holding directors accountable when a company is not effectively addressing a material issue, BlackRock voted against the election of Brian Gilvary for lack of progress in relation to climate-risk reporting. Mr. Gilvary is the only independent non-executive director up for re-election at the 2020 annual general meeting (AGM) as the company has a staggered board. Additionally, no members of the company's Environment and Society Committee are up for shareholder considerations at this year's AGM.

Items 6 and 7 – BlackRock voted in favour of Anette Bronder and Kim Ann Mink. They are new board members; therefore, BlackRock does not hold them accountable for the company's lack of progress on climate-related disclosures.

Cheniere Energy Inc, US, May 2020. **Vote:** Against three resolutions

Resolutions: Elect Director G. Andrea Botta (Item 1A), Elect Director Andrew Langham (Item 1H) and Report on Plans to Address Stranded Carbon Asset Risks (Item 5).

Rationale: Item 1A – When a company is not effectively addressing a material issue likely to impact its ability to deliver sustainable long-term value, BlackRock look to hold the company's board members accountable. In line with that approach, BlackRock voted against the Chair of the Nominating and Governance Committee for insufficient progress on climate-related reporting.

Item 1H – BlackRock has a longstanding focus on board commitments. Serving on an excess number of boards limits a director's capacity to focus on issues important to each company. As BlackRock explains in its proxy voting guidelines for U.S. securities, non-CEO directors should limit themselves to serving on a total of no more than four public company boards. Director Langham currently sits on five public company boards. BlackRock therefore voted against his re-election for being over-committed. In BlackRock's view, board members should be able to contribute effectively to the board as corporate strategy evolves and business conditions change, and all directors, regardless of tenure, must demonstrate appropriate engagement in their duties. A director that serves on an excessive number of boards may be limited in his or her capacity to focus on each board's requirements.

Item 5 – BlackRock share the underlying concerns reflected in the resolution regarding board oversight of climate-related risks and ambitious emissions targets. However, in BlackRock's view, the shareholder proposal is highly prescriptive as it is requesting that the company report on stranded asset risks associated with carbon emissions reduction of 50% or higher applied to Scope 2 and Scope 3 emissions by 2030, as well as 'net zero' emissions targets by 2050. Given the specificity of this proposal and the company's lack of reporting baseline on account of its lagging scenario analysis disclosures, the company should prioritise bringing its reporting in line with the recommendations of SASB and the TCFD. Once BlackRock has had an opportunity to review the company's forthcoming disclosures, it believes it can better provide them its feedback on the rigor of their targets.

Siemens AG, Europe (ex UK), February 2020. Vote: Approve

Resolutions: The agenda items for the 2020 AGM, and upon which BlackRock voted, were:

- To receive and consider the adopted Annual Financial Statements of Siemens AG and the approved Consolidated Financial Statements, together with the Combined Management Report of Siemens AG and the Siemens Group as of September 30, 2019, as well as the Report of the Supervisory Board and the Corporate Governance Report for fiscal year 2019.
- To resolve on the appropriation of the net income of Siemens AG.
- To ratify the acts of the members of the Managing Board.
- To ratify the acts of the members of the Supervisory Board.
- To resolve on the appointment of independent auditors for the audit of the Annual Financial Statements and the Consolidated Financial Statements and for the review of the Half-year Financial Report and audit of the Closing Statements of Financial Position pursuant to the German Transformation Act.
- To resolve on the approval of the system of compensation for the members of the Managing Board.
- To resolve on the authorisation to repurchase and use Siemens shares pursuant to Section 71 (1) no. 8 of the German Stock Corporation Act (AktG) and to exclude shareholders' subscription and tender rights.
- To resolve on the authorisation to use derivatives in connection with the repurchase of Siemens shares pursuant to Section 71 (1) no. 8 of the AktG, and to exclude shareholders' subscription and tender rights.
- To resolve on granting a new authorisation of the Managing Board to issue convertible bonds and/or warrant bonds and exclude shareholders' subscription rights, and on the creation of Conditional Capital 2020, cancellation of the Conditional Capital 2015 and the Conditional Capital 2010 and related amendments to the Articles of Association.
- To resolve on the approval of a Control and Profit-and-Loss Transfer Agreement between Siemens AG and a subsidiary.

Rationale: Based on BlackRock's assessment of company leadership from its analysis and engagements, and specifically on an evaluation of management's delivery against the five BlackRock engagement priorities, BlackRock's view is that this is a management team that has performed in shareholders' long-term interests. BlackRock therefore voted in favour of all management proposals at the 2020 AGM.

Santander Consumer USA Holdings Inc, US, June 2020. Vote: Approve

Resolutions: Report on Risk of Racial Discrimination in Vehicle Lending

Rationale: BlackRock voted for the shareholder proposal, as discriminatory lending practices (of all forms) are a material risk to the company's business and shareholders would benefit from increased and improved disclosure on compliance programs, processes and procedures, as well as risk mitigation processes and procedures, to prevent discriminatory lending (including racial discrimination).

Mizuho Financial Group Inc, Japan, June 2020. Vote: Against

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

Rationale: BlackRock voted through an independent fiduciary. This independent fiduciary reported that it took into consideration the company's policies and the announcements made since the shareholder proposal was filed. The independent fiduciary determined that the company now has policies in place that address the issues raised in the proposal.

National Fuel Gas Company, US, March 2020. Vote: Against the election; and Approve the proposal

Resolutions:

- Director election – to elect Director Jeffrey W. Shaw
- Shareholder proposal – to Declassify the Board

Rationale: BlackRock engaged with the company both prior to, and after the vote, to set out its expectations for future reporting and action on climate risk, as well as to explain its voting decision. BlackRock encouraged the company to work quickly to bring its climate oversight and reporting in line with peers and best practice.

Given the significant material climate risks for the company, including; operational risks (including the need to set emissions reduction targets); the potential for decreased demand for the company's products over time; and physical, reputational and regulatory risks; among others, BlackRock expected the company to be farther along in its reporting.

In line with BlackRock's approach of holding directors accountable when a company is not effectively addressing a material issue, BlackRock voted against the Chair of the Audit Committee and longest tenured director up for election because of the company's lagging disclosure related to the oversight and management of climate-related risks and the materiality of the risk to the company. The company noted in its proxy that climate risk oversight is the responsibility of the full board. However, due to a classified board structure, not all directors were up for election this year. BlackRock decided to hold the Chair of the Audit Committee accountable as the longest tenured director up for election.

BlackRock voted in favour of a shareholder proposal requesting the declassification of the board. BlackRock believes it to be standard good governance practice for companies to hold annual elections of board members such that shareholders can hold those directors accountable for the effective oversight of the business.

Korea Electric Power Corporation, Asia Pacific (ex. Japan), November 2020. Vote: Approve

Resolutions: To elect Choi Young-ho as an Inside Director and as a Member of the Audit Committee

Rationale: Upon engagement and extensive analysis, and in consideration of the company's response to investor concerns by committing to move away from future coal-power projects, BlackRock supported the candidate Choi Young-ho as an inside director and audit committee member on the basis that:

- Choi is a new nominee who ought not to be held accountable for KEPCO's past decisions;
- the prevailing regulation dictates the election of a government-appointee to the board and audit committee; and
- given KEPCO's recent announcement to stop all future coal projects, a safeguard is now in place that he, as well as other members of the board, will not be assessing any new coal projects going forward.

Ovintiv Inc, North America, April 2020. Vote: Approve

Resolutions: Report on Climate Change

Rationale: In the course of BlackRock's multi-year engagement with the company on climate-related risks and opportunities, BlackRock has emphasised the importance of consistent disclosures in line with the TCFD and the Sustainability Accounting Standards Board (SASB). In endorsing the TCFD framework, BlackRock expects companies to disclose not only scenario analysis, but a credible plan for operating under a Paris-aligned 2 degree or lower scenario.

For companies with a carbon-intensive business model, especially those such as Ovintiv with whom BlackRock has had prior engagement on the subject, BlackRock expect reporting that is substantially aligned with the TCFD framework. While Ovintiv has made notable progress on their climate reporting from a governance and risk management perspective, the company has yet to set targets recommended by the TCFD framework or disclose a clear timeline for doing so.

Daimler AG, Europe (ex UK), July 2020. Vote: Against 3 resolutions

Resolutions:

- Item 4 – Resolution on ratification of Supervisory Board members' actions in the 2019 financial year;

- Item 7 – Resolution on the election of Timotheus Höttges as a member of the Supervisory Board; and

- Item 12b – Resolution on the amendment of Article 16 of the Articles of Incorporation (Annual Meeting – Resolution).

Rationale:

Item 4 – BlackRock believes Supervisory Board members should be held accountable for the level of oversight provided on governance matters, including how management addresses material issues such as climate risk. Given the lack of progress Daimler has made on its climate disclosures, BlackRock's policy is to withhold support from the re-election of those Supervisory Board members who are most accountable through their membership of relevant board sub-committees. In the absence of such committees, BlackRock will hold accountable the most senior Supervisory Board member. However, Daimler has 'staggered' Supervisory Board elections, meaning that shareholders do not have the opportunity to vote on all members in any given year. Rather, Supervisory Board members are re-elected on rotation, in line with the expiry of their appointment term which is every five years at Daimler. While BlackRock accepts this as common practice in several markets, the hindrance of this model to shareholders being able to optimally reflect their views is illustrated at this AGM. BlackRock is unable to withhold support from the re-election of Supervisory Board chair Dr. Manfred Bischoff as the most senior director responsible for climate disclosures. As such, BlackRock voted against the discharge of the Supervisory Board as a whole for actions taken in 2019.

Item 7 – As the role of director is becoming increasingly demanding, BlackRock believes directors must be able to commit an appropriate amount of time to board and committee matters. Given the nature of the role, it is important a director has flexibility for unforeseen events and therefore only takes on the number of mandates to ensure such flexibility. BlackRock views Timotheus Höttges to hold an excessive number of mandates. In addition to his proposed role at Daimler, Mr. Höttges already serves as CEO of Deutsche Telekom AG and a Supervisory Board member at Henkel AG & Co. KGaA. This raises substantial concerns about his ability to exercise sufficient oversight on Daimler's Supervisory Board.

Item 12b – Daimler has proposed to amend its articles such that support from 75% of votes cast would be required to dismiss a Supervisory Board member. This is an increase from the simple majority support stipulated in its current articles. BlackRock regards this proposed amendment to be a deterioration of shareholder rights and therefore voted against.

Facebook Inc, US, May 2020. **Vote:** Against item 1.2 and Approve item 4.

Resolutions:

- Item 1.2: Elect Director Marc L. Andreessen

- Item 4: Shareholder Proposal to Approve Recapitalisation Plan for all Stock to Have One-vote per Share

Rationale: Item 1.2 – BlackRock voted against Mr. Andreessen as it did not consider him independent and he serves on the audit committee. BlackRock considers Mr. Andreessen to be affiliated as he is a founding partner at Andreessen Horowitz which has held significant stakes in companies acquired by Facebook (e.g. Instagram, Oculus). BlackRock believes all members of key committees, including audit, should be independent.

Item 4 – BlackRock strongly prefer a "one vote for one share" capital structure for publicly-traded companies. BlackRock prefers this capital structure as it provides control proportionate to shareholders' capital at risk and is thus more aligned with its clients' interests. While BlackRock recognises the potential benefits of dual class shares to newly public companies as they establish themselves, BlackRock believes that these structures should have a specific and limited duration for well-established public companies such as Facebook.

12.3.3 Fulcrum DCAR

Fulcrum have identified four types of significant votes:

- votes relating to climate change or the environment due to the theme of this fund;

- shareholder proposals as these tend to be most likely to include "interesting/unusual/controversial" proposals;

- votes where Fulcrum voted against the proxy adviser's recommendation as these could be considered significant given it's a diversion from its usual voting pattern; and

- meetings related to companies that have a high weighting in the portfolio.

Alstria Office Reit-Aktiengesellschaft, Europe (ex UK), September 2020. **Vote:** Approve

Resolution: Approve increase in the dividend by partially changing the profit carried forward in accordance with agenda item 2 or if rejected, approve investment in green projects.

Rationale: Followed Glass Lewis's advice. Glass Lewis believed in the dividend policy proposed by the company. They found that the dividend pay-out was reasonable and did not see any cause for concern in terms of the board's process in making this determination.

Microsoft Corporation, US, December 2020. **Vote:** Against

Resolution: Report on Employee Representation on Board of Directors

Rationale: Followed Glass Lewis's advice. Glass Lewis believes that board recruitment policies are best left to management and the board, absent a showing of egregious or illegal conduct that might threaten shareholder value. Requiring nominees from a relatively narrow group negates the principle of selecting the most qualified directors to serve on the board at any given time, and, in this case, would further erode the board's independence; and it was unclear how the proposed report would benefit shareholders.