

Thermofil Polymers Pension Scheme

Implementation Statement

This implementation statement was prepared by the Trustee of the Thermofil Polymers Pension Scheme (the "Trustee" and the "Scheme", respectively) and sets out:

- How the Trustee's policies on exercising rights (including voting rights) and engagement have been followed over the year to 5 April 2021; and
- The voting and engagement behaviour of the Trustee, or that undertaken on the Trustee's behalf over the year.

How voting and engagement policies have been followed

The Scheme invests entirely in pooled funds, and the Trustee delegates responsibility for carrying out voting and engagement activities to the Scheme's fund manager. The Trustee expects that the investment manager will use their influence as major institutional investors to exercise the Trustee's rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance and accountability and to understand how those companies take account of ESG issues in their businesses. The Trustee will periodically monitor and engage with the investment manager about relevant matters through the Scheme's investment advisors.

The Trustee reviewed the stewardship and engagement activities of the investment manager during the year, alongside the preparation of the Implementation Statement. Having reviewed the above in accordance with their policies, the Trustee is comfortable that the actions of the fund manager are in alignment with the Scheme's stewardship policies.

The Trustee sets out below the voting and engagement activity of their investment manager during the year.

Voting Data - table 1 of 2

An overview of the voting data throughout the year to 31 March 2021 for each of the funds that holds equities is shown in the tables below. Funds with an asterisk (*) next to their names indicate that the Scheme also invests in the currency-hedged version of this fund. The information is identical for both the hedged and unhedged versions of these funds, so the hedged versions have been omitted to avoid duplication.

Data for the year to 31 March 2021		LGIM		
Fund name	UK Equity Index Fund	World Emerging Markets Equity Index Fund	North America Index Fund*	
Structure	Pooled			
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour.			
Number of company meetings the manager was eligible to vote at over the year	943	3,998	794	
Number of resolutions the manager was eligible to vote on over the year	12,574	36,036	9,495	
Percentage of resolutions the manager voted on	100.0%	99.9%	100.0%	
Percentage of resolutions the manager abstained from	0.0%	1.4%	0.0%	
Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on	92.9%	85.2%	71.8%	
Percentage of resolutions voted <i>against</i> management, as a percentage of the total number of resolutions voted on	7.1%	13.4%	28.2%	
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	0.8%	0.0%	0.3%	

Voting Data - table 2 of 2

Data for the year to 31 March 2021		LGIM		
Fund name	Japan Equity Index Fund*	Asia Pacific (ex Japan) Equity Index Fund*	Europe (ex UK) Equity Index Fund*	
Structure	Pooled			
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour.			
Number of company meetings the manager was eligible to vote at over the year	551	703	686	
Number of resolutions the manager was eligible to vote on over the year	6,518	5,150	11,412	
Percentage of resolutions the manager voted on	100.0%	100.0%	99.9%	
Percentage of resolutions the manager abstained from	0.0%	0.0%	0.5%	
Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on	86.1%	77.8%	84.2%	
Percentage of resolutions voted <i>against</i> management, as a percentage of the total number of resolutions voted on	13.9%	22.2%	15.3%	
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	0.2%	0.2%	0.4%	

The proportion of resolutions that were voted on or abstained from may not sum to 100%. This can be due to rounding or how managers or local jurisdictions define abstentions or classify formal voting or abstentions as opposed to not returning a voting form or nominating a proxy.

There were no voting rights attached the other assets held by the Scheme and therefore there is no voting information shown above for those assets.

Significant votes

The Trustee has delegated to the investment manager the task of defining what a “significant vote” is. A summary of the data they have provided is set out in the Appendix. LGIM have provided details on a large number of votes that they deemed significant. For the purposes of this statement the Trustee has selected a sample of these. In doing so, the Trustee has not taken a view on the relative significance of the votes included or excluded.

Fund level engagement

The data provided below is relevant for the period 31 March 2020 to 31 March 2021. LGIM performs engagements on behalf of its funds and has engaged with companies over the year to influence them in relation to ESG factors.

However, LGIM is currently unable to provide engagement information on a fund level basis and has therefore provided information on a firm-wide basis. As a result of this, the LGIM funds have been grouped together and the information is representative of all LGIM funds.

Manager	LGIM
Fund name	Applicable for all funds
Number of engagements undertaken at a firm level in the year	974
Examples of engagements undertaken with holdings in the fund	<p style="text-align: center;">Amazon</p> <p>Amazon had been accused of interfering with efforts by its workers to unionise, ahead of a vote by workers in an Alabama facility on unionisation. LGIM signed a letter to Amazon, along with more than 70 other investors, to emphasise the role that worker representation plays in supporting companies in identifying and managing operating risks. LGIM set out their expectations that Amazon should have in place policies and processes appropriate to its size and circumstances.</p> <p>Following this engagement, Amazon launched its Global Human Rights Principles, which demonstrates a commitment to the UN Guiding Principles on Business and Human Rights, which in turn recognise the fundamental right of workers to exercise their right to organise. Amazon has also commissioned a human rights impact assessment by an external consultant. Despite these commitments, LGIM remains concerned as the company is yet to demonstrate how these commitments will be met, so this engagement will continue.</p>

Summary

Based on the information received, the Trustee believes that the fund manager has acted in accordance with the Scheme’s stewardship policies. The Trustee is supportive of the key voting action taken by the fund manager over the period to encourage positive governance changes in the companies in which the funds hold shares.

The Trustee and their investment consultant are working with the fund manager to provide additional information in the future, including where indicated above, in order to enhance their ability to assess the fund manager’s actions.

Appendix - Significant votes

A summary of the data provided by the fund manager in relation to what they determine to be their significant votes is set out below. As above, an asterisk by the fund name indicates that the currency-hedged version is also held, although this would have the same significant votes.

LGIM were not able to provide the approximate size of the funds' holdings at the date of vote for any of the votes they provided, so this row has been omitted for all LGIM funds.

LGIM UK Equity Index Fund

	Vote 1	Vote 2	Vote 3
Company name	Barclays	Pearson	Imperial Brands plc
Date of vote	7 May 2020	18 September 2020	3 February 2021
Summary of the resolution	<p>Resolution 29: Approve Barclays' commitment in tackling climate change.</p> <p>Resolution 30: Approve ShareAction requisitioned resolution.</p>	<p>Resolution 1: Amend the remuneration policy.</p>	<p>Resolution 2: Approve the remuneration report.</p> <p>Resolution 3: Approve the remuneration policy.</p>
How the manager voted	<p>Resolution 29: For</p> <p>Resolution 30: For</p>	<p>Resolution 1: Against</p>	<p>Resolution 2: Against</p> <p>Resolution 3: Against</p>
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	<p>LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is LGIM's policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.</p>		
Rationale for the voting decision	<p>The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers. LGIM are particularly grateful to the Investor Forum for the significant role it played in coordinating this outcome.</p>	<p>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. The company put forward an amendment to the remuneration policy seeking shareholder approval for the grant of a co-investment award. If this resolution failed the</p>	<p>The company appointed a new CEO during 2020, who was granted a significantly higher base salary than his predecessor. A higher base salary has a consequential ripple effect on short- and long-term incentives, as well as pension contributions. Further, the company did not apply best practice in relation to post-exit shareholding guidelines. An incoming CEO with no experience in the specific sector, or CEO</p>

	Vote 1	Vote 2	Vote 3
		<p>company confirmed that the proposed new CEO would not take up the role. Shareholders were unable to vote separately on the different items, and felt forced to accept a less-than-ideal remuneration structure for the new CEO.</p> <p>LGIM spoke with the chair of the board, on the succession plans and the shortcomings of the company's current remuneration policy. As no changes were made, LGIM decided to vote against the amendment to the remuneration policy.</p>	<p>experience at a FTSE100 company, should have to prove themselves beforehand to be set a base salary at the level, or higher, of an outgoing CEO with multiple years of such experience. Further, LGIM would expect companies to adopt general best practice standards.</p> <p>Prior to the AGM, LGIM engaged with the company outlining what their concerns over the remuneration structure were.</p>
Outcome of the vote	<p>Resolution 29: Supported by 99.9% of the shareholders.</p> <p>Resolution 30: Supported by 23.9% of the shareholders.</p>	<p>Resolution 1: Opposed by 33% of the shareholders.</p>	<p>Resolution 2: Supported by 59.7% of the shareholders.</p> <p>Resolution 3: Supported by 95.3% of the shareholders.</p>
Implications of the outcome	<p>LGIM's focus will now be to help Barclays on the detail of their plans and targets, more detail of which is to be published this year. They plan to continue to work closely with the Barclays board and management team in the development of their plans and will continue to liaise with ShareAction, Investor Forum, and other large investors, to ensure a consistency of messaging and to continue to drive positive change.</p>	<p>Such significant dissent clearly demonstrates the scale of investor concern with the company's approach. It is important that the company has a new CEO, a crucial step in the journey to recover value; but key governance questions remain which will now need to be addressed through continuous engagement.</p>	<p>LGIM continues to engage with companies on remuneration both directly and via IVIS, the corporate governance research arm of The Investment Association. LGIM annually publishes remuneration guidelines for UK listed companies.</p>
Criteria on which the vote is considered "significant"	<p>There has been significant client interest in LGIM's voting intentions and engagement activities in relation to the 2020 Barclays AGM. LGIM consider the outcome to be extremely positive for all parties.</p>	<p>Pearson has had strategy difficulties in recent years and is a large and well-known UK company. Given the unusual approach taken by the company and LGIM's outstanding concerns, they deem this vote to be significant.</p>	<p>LGIM are concerned over the ratcheting up of executive pay; and they believe executive directors must take a long-term view of the company in their decision-making process, hence the request for executives' post-exit shareholding guidelines to be set.</p>

LGIM North America Equity Index Fund*

	Vote 1	Vote 2	Vote 3
Company name	ExxonMobil	Medtronic plc	AmerisourceBergen Corporation
Date of vote	27 May 2020	11 December 2020	11 March 2021
Summary of the resolution	Resolution 1.10: Elect Darren W. Woods as director.	Resolution 3: Advisory vote to ratify named executive officers' compensation.	Resolution 3: Advisory vote to ratify named executive officers' compensation.
How the manager voted	Resolution 1.10: Against	Resolution 3: Against	Resolution 3: Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is LGIM's policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.		
Rationale for the voting decision	<p>In June 2019, under LGIM's annual 'Climate Impact Pledge' ranking of corporate climate leaders and laggards, they announced that they will 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 they will be supporting shareholder proposals for an independent chair and a report on the company's political lobbying. Due to recurring shareholder concerns, Their voting policy also sanctioned the reappointment of the directors responsible for nominations and remuneration.</p>	<p>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 they are not supportive of one-off awards in general and in particular when these are awarded to compensate for a payment for which the performance criteria were not met. Prior to the AGM LGIM engaged with the company and clearly communicated their concerns over one-off payments.</p>	<p>The company recorded a \$6.6 billion charge related to opioid lawsuits, yet its CEO's total compensation was approximately 25% higher than the previous year. By excluding the settlement costs, the compensation committee ensured executive pay was not impacted by an operating loss of \$5.1bn. LGIM has previously 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 their concern over the overall increased compensation package during a year that the company recorded a charge relating to lawsuits and a total operating loss.</p>
Outcome of the vote	Resolution 1.10: Supported by 93.2% of the shareholders. Approximately 30% of the shareholders supported the proposals for independence and lobbying.	Resolution 3: Supported by 91.7% of the shareholders.	Resolution 3: Supported by 51.6% of the shareholders.

	Vote 1	Vote 2	Vote 3
Implications of the outcome	LGIM believe this sends an important signal, and will continue to engage, both individually and in collaboration with other investors, to push for change at the company.	LGIM will continue to monitor this company.	LGIM continues to engage with US companies on their pay structures and has published specific pay principles for US companies.
Criteria on which the vote is considered "significant"	LGIM voted against the chair of the board as part of their 'Climate Impact Pledge' escalation sanction.	LGIM believe it is contrary to best practice in general, and their pay principles in particular, to award one-off awards, especially if they are to compensate for a forgone payment.	LGIM considers it imperative that pay structures are aligned with company performance and that certain expenses over which directors have control and influence should not be allowed to be excluded in the calculation of their pay, in particular if these would be detrimental to the executive director in question.

LGIM Europe (ex UK) Equity Index Fund*

Vote 1	
Company name	Lagardère
Date of vote	5 May 2020
Summary of the resolution	Resolutions A-P: 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 Lagardère, as well as to remove all the incumbent directors (apart from two 2019 appointments).
How the manager voted	LGIM voted in favour of five of the Amber-proposed candidates (Resolutions H, J, K, L and M) and voted off five of the incumbent Lagardère SB directors.
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	LGIM publicly communicated its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.

Vote 1

Rationale for the voting decision	<p>The 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; which means that the managing partner has a tight grip on the company, despite only having 7% of the share capital and 11% of the voting rights. LGIM engages with companies on their strategies, any lack of challenge to these, and with governance concerns.</p> <p>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. LGIM engaged with both Amber Capital, where they were able to speak to the proposed new SB Chair, and also Lagardère, where they 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.</p>
Outcome of the vote	Even though the shareholders did not give majority support to Amber's candidates, its proposed resolutions received approximately between 30-40% support, a clear indication that many shareholders have concerns with the board.
Implications of the outcome	LGIM will continue to engage with the company to understand its future strategy and how it will add value to shareholders over the long term, as well as to keep the structure of the SB under review.
Criteria on which the vote is considered "significant"	LGIM noted significant media and public interest on this vote given the proposed revocation of the company's board.

LGIM Japan Equity Index Fund*

	Vote 1	Vote 2	Vote 3
Company name	Olympus Corporation	Fast Retailing Company Limited	Toshiba Corporation
Date of vote	30 July 2020	26 November 2020	18 March 2021
Summary of the resolution	Resolution 3.1: Elect Yasuo Takeuchi as director.	Resolution 2.1: Elect Yanai Tadashi as director.	<p>Resolution 1: Appoint three individuals to investigate status of operations and property of the company.</p> <p>Resolution 2: Amend articles to mandate shareholder approval for strategic investment policies including capital strategies.</p>
How the manager voted	Resolution 3.1: Against	Resolution 2.1: Against	<p>Resolution 1: For</p> <p>Resolution 2: For</p>

	Vote 1	Vote 2	Vote 3
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?			LGIM publicly communicated its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	<p>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 consider that every board should have at least one female director. They deem this a de minimis standard. Globally, LGIM aspire 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 they expect to see at least one woman on the board. Two of the companies targeted were Olympus Corporation and Fast Retailing Company Limited. In the beginning of 2020, LGIM announced that they 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.</p> <p>LGIM opposed the election of these directors in their capacity as members of the nomination committee and the most senior members of the respective boards, in order to signal that the companies needed to take action on this issue.</p>		<p>Recent controversies have led to a significant decline in trust between shareholders and management, including allegations of abnormal practices and behaviour by the company at its AGM. As a result, the company faced two shareholder resolutions at the EGM calling for action that would restore confidence and trust in the company's governance, management and strategy.</p> <p>LGIM supported Resolution 1 and believe the enquiry will be an important step in rebuilding trust between shareholders and management. They also supported Resolution 2 in order to send a clear message to the Board: shareholders expect increased transparency and accountability.</p>
Outcome of the vote	Resolution 3.1: Supported by 94.90% of the shareholders.	Resolution 2.1: Supported by the shareholders.	<p>Resolution 1: Supported by 57.9% of the shareholders.</p> <p>Resolution 2: Supported by 39.3% of the shareholders.</p>
Implications of the outcome	LGIM will continue to engage with and require increased diversity on all Japanese company boards, including Olympus Corporation and Fast Retailing Company Limited.		LGIM will continue to monitor this company.
Criteria on which the vote is considered "significant"	This vote is deemed significant as LGIM considers it imperative that the boards of Japanese companies increase their diversity.		The vote was high profile and controversial.

LGIM Asia ex Japan Equity Index Fund*

	Vote 1	Vote 2	Vote 3
Company name	Qantas Airways Limited	Whitehaven Coal	Samsung Electronics
Date of vote	23 October 2020	22 November 2020	17 March 2021
Summary of the resolution	<p>Resolution 3: Approve participation of Alan Joyce in the Long-Term Incentive Plan (LTIP).</p> <p>Resolution 4: Approve Remuneration Report.</p>	<p>Resolution 6: Approve capital protection. Shareholders are asking the company for a report on the potential wind down of the company's coal operations.</p>	<p>Resolution 2.1.1: Elect Park Byung-Gook as an outside director.</p> <p>Resolution 2.1.2: Elect Kim Jeong as an outside director.</p> <p>Resolution 3: Elect Kim Sun-Uk as an outside director to serve as an Audit Committee member.</p>
How the manager voted	<p>Resolution 3: Against</p> <p>Resolution 4: For</p>	<p>Resolution 6: For</p>	<p>Resolution 2.1.1: Against</p> <p>Resolution 2.1.2: Against</p> <p>Resolution 3: Against</p>
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	<p>Given their engagement, LGIM's Investment Stewardship team communicated the voting decision directly to the company before the AGM and provided feedback to the remuneration committee.</p>	<p>LGIM publicly communicated its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.</p>	
Rationale for the voting decision	<p>Due to the impact of the COVID crisis, the company raised significant capital to be able to execute its recovery plan. They also cancelled dividends, terminated employees and accepted government assistance. LGIM engaged with the company to express their concerns and understand the company's views.</p> <p>LGIM supported resolution 4 given the executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the LTIP. LGIM voted against resolution 3 to signal their concerns regarding the quantum of the 2021 LTIP grant. This was especially concerning given the share price at the date of the grant and the remuneration committee not being</p>	<p>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 have announced targets for carbon neutrality around 2050.</p> <p>LGIM has publicly advocated for a 'managed decline' for fossil fuel companies, in line with global climate targets. The excess capital would then be 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.</p>	<p>In January 2021, Lee Jae-Yong, the vice chairman of Samsung Electronics, was sentenced to two and a half years in prison for bribery, embezzlement and concealment of criminal proceeds worth about KRW 8.6 billion. Lee was first sentenced to five years in August 2017 for using the company's funds to bribe the impeached former President Park Guen-Hye. LGIM are concerned that Lee continues to make strategic company decisions from prison.</p> <p>They voted against these resolutions as the outside directors, who should provide independent oversight, have collectively failed to remove criminally convicted directors from the board. The inaction is indicative of a material</p>

	Vote 1	Vote 2	Vote 3
	able to exercise discretion on LTIPs, which is against best practice.		failure of governance and oversight at the company.
Outcome of the vote	<p>Resolution 3: Supported by about 90% of the shareholders.</p> <p>Resolution 4: Supported by about 91% of the shareholders.</p>	<p>Resolution 6: Supported by about 4% of the shareholders.</p> <p>The environmental profile of the company continues to remain in the spotlight: in late 2020 the company pleaded guilty to 19 charges for breaching mining laws that resulted in 'significant environmental harm'.</p>	The meeting results are not yet available
Implications of the outcome	LGIM will continue their engagement with this company.	LGIM will continue to monitor this company.	LGIM will continue to monitor this company.
Criteria on which the vote is considered "significant"	This vote highlights the challenges of factoring in the impact of the COVID situation into the executive remuneration package.	The vote received media scrutiny and is emblematic of a growing wave of 'green' shareholder activism.	This was a high-profile vote, which has such a degree of controversy that there is high client and/or public scrutiny and the sanction vote was a result of a direct or collaborative engagement.

LGIM World Emerging Markets Equity Index Fund

LGIM reported that there were no significant votes made by this fund over the year to 31 March 2021.