

2020 UK Stewardship Code – JPMC UK Retirement Plan annual report for 1 January 2020 to 31 December 2020

Introduction

Purpose of this report

The JPMC UK Retirement Plan (“the Plan”) supports and recognises the 2020 UK Stewardship Code (‘the Code’) as setting good practice standards in the advancement and implementation of investor stewardship.

The purpose of this report is to demonstrate our adherence to the Code for the period 1st January 2020 to 31st December 2020.

Scope of this report

This report is in respect of both the Defined Benefit and Defined Contribution sections of the Plan and the activities undertaken by the Trustees and on behalf of the Trustees over the year. We will report against the principles for asset owners.

Further information and key policy documents – link them

In addition to this report, our Sustainable Investment principles, policies and activities are captured in further detail in the following places:

- [Statement of Investment Principles](#)

Section A – Purpose and governance

Principle 1 – Signatories’ purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Context

The Trustee acknowledges its fiduciary responsibility towards members to meet the Plan’s objectives across the Plan. For the DB Section, the Trustee’s primary responsibility is to manage the Plan so that members receive their pension benefits as and when they fall due. Within the DC Section, the Trustee seek to provide a suitable range of investment funds to suit individuals’ needs and attitudes to risk.

The Trustee views sustainable investing including stewardship of the Plan’s underlying assets as an important factor in meeting these high-level objectives and therefore have taken, and will continue to take, a number of actions to integrate these considerations into their decision making and management of the Plan’s assets.

The ultimate power and responsibility for deciding investment policy lies with the Trustee however the Trustee is supported by a number of internal and third-party advisors as part of the Plan’s governance structure. Both the DB section and DC Sections have a dedicated committee the Investment Committee (“IC”) and Defined Contribution Committee (“DCC”) respectively who have various responsibilities and report to the Trustee (these roles are detailed further under principle 2). The Trustee is supported by external advisors such as the Plan’s Investment Consultant, Willis Towers Watson, who provide advice around all investment related matters including sustainable investment.

The Trustee owns a mission statement which formally sets out the Plan’s purpose and objectives with respect to sustainable investment. The mission statement was established by the Plan’s Sustainable Investing Group (“SIG”) which comprises a sub-set of trustees across both the Investment Committee (“IC”) for the DB Section and the Defined Contribution Committee (“DCC”) for the DC Section of the Plan.

The Trustee acknowledges its fiduciary responsibility towards members’ assets and values the role that stewardship plays in driving long-term value for members.

Mission statement:

The Sustainable Investment Group (“SIG”) is a sub-set of Trustees of the JPMC UK Retirement Plan. The SIG is driven by the fiduciary responsibility towards members’ assets and has been formed to accelerate the Plan’s progress towards the forefront of good practice within the area of Sustainable Investment. The ultimate objective of the SIG is to establish an actionable sustainable investment policy which will aid the Trustee in the long-term management and monitoring of the Plan’s assets.

The policy is to be adopted and implemented through a number of projects and ongoing actions and will be reviewed periodically and updated where relevant as industry practice evolves over time. The SIG will also be responsible for disclosures and evidencing that the policy is being implemented. The SIG will consider a range of sustainable investment topics and initiatives and make recommendations to the Trustee where appropriate. At a high level, the SIG will focus on establishing a stance on 4 key areas:

1. ESG integration

Establish an actionable policy on how the Plan integrates Environmental, Social and Governance considerations into the management of assets. The SIG will consider ESG integration with respect to: risk management, portfolio construction, implementation, and monitoring.

2. Stewardship

Establish an actionable policy covering the stewardship of the Plan’s assets. This will include:

- i) Stewardship of assets by the Plan’s underlying investment managers and how this is monitored.
- ii) Engagement between the Trustee and the Plan’s underlying investment managers on sustainable investment matters.
- iii) Voluntary participation in sustainable investment industry initiatives and collaborative engagements.

3. Impact

Establish a policy outlining how both the positive and negative impacts of the Plan's underlying investments are measured and monitored. This includes the consideration of any specific agreed target outcomes the Plan should work towards.

4. Exclusions

Establish a policy outlining the Plan's approach to exclusions and divestments within underlying investments.

Over 2020 the Trustee established a set of 11 investment beliefs relating to sustainable investment which cover a range of areas within sustainable investment, including stewardship as follows:

	Area	Belief	Action
1	General	Long-term sustainability issues have a material impact on risk and outcomes, both financial and non-financial and therefore should be fully integrated into decision-making alongside more traditional investment factors.	Fully integrate sustainability considerations into investment decision making, manager selection and monitoring processes.
2	General	Our approach to sustainable investment should aim to be at the forefront of good practice and look to exhibit leadership amongst peers.	Go above and beyond minimum compliance to regulatory requirements with respect to sustainable investment, undertaking a range of appropriate activities.
3	General	The Trustee should make itself aware of the Sponsor's Sustainable Investment practices and look to align those of the Plan's if deemed appropriate.	Communicate with the Sponsor to determine any key areas within Sustainable Investment that are a particular focal point.
4	General	The Trustee should be open and transparent in its sustainable investing activities, and communicate progress to members	Communicate transparently and clearly with members on a regular basis through various means
5	Governance	Use of an oversight committee will materially aid the progress of fully integrating sustainable investment and ESG considerations into the investment process.	The Sustainable Investing Group provides oversight of sustainable investment considerations and accelerates the Trustee's developments in this constantly evolving area.
6	Stewardship	Voting and engagement is a more effective strategy to pursue than exclusion.	Monitor and engage with managers with respect to their voting and engagement activity. Take caution over implementing exclusions/divestments in the Plan's portfolio.
7	Stewardship	We should participate in collaborative initiatives to strengthen our own voice and leverage our impact.	Join industry wide participation initiatives as appropriate and encourage managers to be active participants in groups as relevant.
8	Stewardship	Ensuring good stewardship of assets by managers is an important part of trustee fiduciary duty towards members.	Monitor investment managers' stewardship activity and engage with managers where necessary.
9	Monitoring	It is important to hold managers to account in their approach to ESG integration and stewardship.	Monitor managers approach to sustainable investment and stewardship on an ongoing basis. Challenge managers on areas the Trustee is unsatisfied with. Be willing to terminate managers who fail to improve adequately within an appropriate timeframe.
10	Monitoring	Monitoring Sustainable Investment credentials at a Plan level is as important as monitoring the Plan's underlying investment managers.	Undertake Plan level assessment of key ESG risks e.g. climate change and monitor Plan level reporting across E,S and G factors.
11	Climate	Climate change presents a material financial risk to the Plan and therefore merits particular attention.	Undertake climate change analysis of the Plan's portfolio and integrate climate metrics into the Plan's monitoring process.

Each belief has a corresponding action which the Trustee is committed to implementing as part of its wider sustainable investment framework. The beliefs and actions will be reviewed on an annual basis and are expected to evolve over time as industry-wide developments progress and views evolve.

Activities and outcomes

The mission statement and investment beliefs serve as a constant reminder of the Trustee's purpose and help guide decision making, serving to:

Aid efficiency: An established set of beliefs allow for more efficient decision making which will accelerate the progress of actions towards the Trustee's objectives.

Fill the gap between the belief and current practice: Beliefs highlight areas where the Trustee has a view on certain aspects of sustainable investment which are not currently being reflected in the Plan's portfolio or activities which will prompt actions to be undertaken to 'fill the gap' between the belief and current practice.

Improve transparency: Beliefs help decisions be subject to greater transparency and greater institutional memory for the benefit of beneficiaries and stakeholders.

As highlighted above, during the year the Plan established the Sustainable Investment Group ("SIG"), a sub-set of trustees who meet at least quarterly and pursue sustainable investment related projects to bring the Plan to the forefront of best practice in this area. The SIG developed the mission statement and sustainable investment objectives in June 2020 which have since served to:

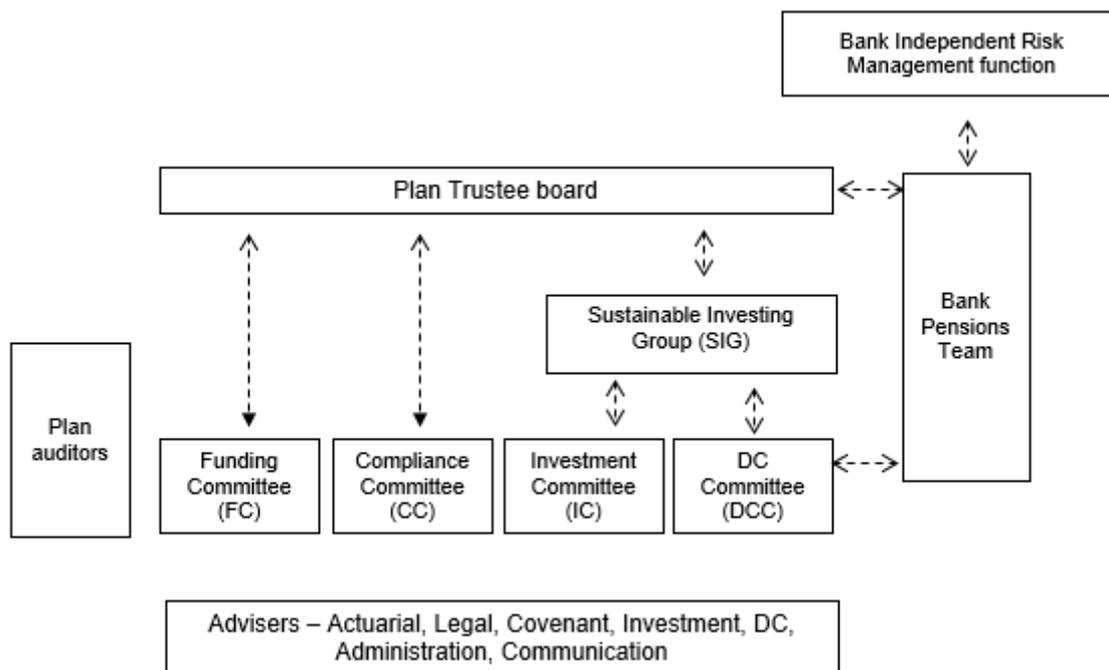
- **Formalise the Trustee's views in relation to sustainable investment, which has encouraged the integration of sustainable investment considerations throughout the Trustee's investment decision making** including manager selection exercises. During 2020, the Trustee undertook a selection exercise to replace an active equity manager and following a review of the proposed replacement decided against investing one of the reasons being related to the manager's integration of ESG considerations and stewardship not being to a high enough standard. Furthermore, the Trustee also replaced the Plan's exposure to passive market cap equities (managed by LGIM) to the LGIM Future World equity index strategy. The Future World strategy explicitly integrates ESG considerations into the investment opportunity set through a combination of tilts and exclusions. The LGIM equity strategy represents a material proportion of assets across both the DB and DC section of the Plan. In the DB Section, the allocation represented around a third of the Plan's equity allocation. In the DC Section, the strategy represents c.40% of members assets during the accumulation phase of the default strategy. This fund switch was implemented in the DB Section in 2020 and in the DC Section in early 2021.
- **Arranged a meeting with the Plan's sponsor to discuss the wider firm's approach to sustainability.** This meeting took place in early 2021 and the Trustee will seek to align its actions to that of the sponsor where deemed appropriate.
- **Sent a communication to the Plan's members** introducing the SIG, outlining the Group's mission and future priorities and providing an update on actions taken by the Plan with respect to sustainable investment.
- **Discussed and reviewed a range of industry wide initiatives which the Trustee can report against** and contribute towards to leverage their voice as an asset owner to bring about change in the investment industry. The Trustee have agreed to begin producing a Taskforce for Climate-related Risks Disclosure ("TCFD") report in 2021 and will consider becoming a signatory to the UN PRI in the longer term.
- **Enhanced the annual sustainable investment manager review undertaken across the Plan's underlying managers** every year to better monitor managers weaknesses and areas of improvement alongside their general developments in the areas of sustainable investment and ESG integration.
- **Agreed to undertake climate scenario analysis for both the DB and DC Section of the Plan** over 2021 as the first step to a longer-term project to reduce the Plan's carbon exposure over time.

The formation of the SIG, mission statement and investment beliefs have served to focus the Trustee's attentions and has led to material actions and projects being agreed and undertaken, as outlined above, to enhance the Plan's approach to sustainable investing. One of the primary objectives of the SIG is to accelerate the Plan's pace in this area by providing additional governance resource dedicated to the area which has been deemed successful given the notable progress made by the Group so far. The SIG will undergo a review of its progress against its mission and objectives in the second half of 2021 to formally review its effectiveness.

Principle 2 - Signatories' governance, resources and incentives support stewardship.

Activities and outcomes

The Plan's investment governance structure, roles and responsibilities are highlighted below. Please note that this is a simplified diagram and there are multiple interdependencies between the various committees.



- The Investment Committee's remit is to advise the Trustee on the development and implementation of appropriate strategies for the investment of the Plan's assets. In addition to this advisory role, the Trustee has delegated certain powers to the IC primarily relating to the ongoing maintenance of the investment strategy.
- The Defined Contribution (DC) Committee's remit is to advise the Trustee on DC aspects of the Plan, ensuring that appropriate action is taken with regard to governance, investment strategy, administration and communication matters.
- Trustees and members of the IC and DCC are comprised of Bank nominated and member nominated trustees who have wide-ranging experience within the investment industry and across pensions investment.

Trustees receive regular investment training sessions provided by the Investment Consultant and other service providers e.g. lawyers, scheme actuary, where relevant. These training sessions are provided on an ad-hoc basis as and when a need for training arises and are also provided to new trustees when they join the Trustee Board.

In 2020 the Trustee established a separate Sustainable Investing Group ("SIG"). Sustainable investing has been an increasing focus for the Plan over the past 18-24 months and at the beginning of 2020 year the Trustee recognised that given the aim to achieve better practice (as opposed to a minimum compliance to regulation), there are other areas within sustainable investment that could be developed further which require additional governance and resource.

The SIG was formed in June 2020 with the high-level objective of accelerating the Plan's practices in the area of sustainable investment which can be broken down into 3 primary aims:

1. **Meet regulatory requirements:** ensure the Plan meets regulatory requirements around sustainable investing with the goal of adopting a 'best in class' approach to adhering to regulation rather than a minimum compliance approach.
2. **Work towards 'best practice':** progress projects and actions to implement the Trustee's sustainable investment beliefs throughout the management of the Plan's assets so the plan can be at the forefront of developments within the area of sustainable investment.
3. **Enhancing transparency:** ensuring the work undertaken by the Trustee is clearly communicated to stakeholders including members, industry organisations and the regulator.

The SIG comprises a diverse sub-set of trustees who also sit on the IC and/or the DCC across the Plan's DB and DC Sections.

The Group has a Terms of Reference document governing its relationship with the full Trustee board, and outlining the Group's function, membership, roles and objectives and meeting and reporting procedures. The Group meet on at least a quarterly basis ahead of the wider Trustee quarterly meetings. An update is provided to the Trustee at each of its quarterly meetings (as well as at IC and DCC quarterly meetings).

Since the formation of the group in 2020 a number of actions and projects being agreed and undertaken, as outlined in Principle 1, to enhance the Plan's approach to sustainable investing. Any actions discussed by the SIG are reported to the Trustee on at least a quarterly basis.

The Group undertakes a review of the relevance and value of its work on an annual basis given the expectation that the group will not exist indefinitely with the likelihood of its responsibilities being absorbed into the wider IC at a future point in time. The first review is set to be undertaken in the second half of 2021.

The Trustee also leverage its resources by working with others e.g. the Plan's Sponsor and its Investment Consultant on stewardship and wider sustainable investment matters.

The is able to leverage the strong relationship with the wider JPMorgan group including JPMorgan Asset Management to contribute to their thinking around industry developments including those around sustainable investment. For example, the Trustee invited the Head of Sustainable Investment of JPMorgan Asset Management to an IC meeting to discuss the manager's approach to sustainable investing and as an exercise to further their understanding on some of the key issues faced by investors in this area.

The Trustee also receive support from external parties such as the Plan's Investment Consultant, Willis Towers Watson, who provide resources including sustainable investment manager research and guidance on evolving industry developments. Willis Towers Watson maintain strong relationships with the Plan's underlying managers which forms the basis for their engagement with the Plan's managers on behalf of their clients, including the Plan. Willis Towers Watson's Stewardship Code 2020 report can be found here and details the stewardship resourcing undertaken on behalf of clients.

Sustainable investment and stewardship are defined as part of the role and responsibilities of the Trustee (and delegated to the SIG in some areas) and an important part of the role is the oversight of external parties including the Plan's underlying investment managers and external advisors. This includes ensuring these parties have appropriate governance structures, resources and skills to deliver their services to the Plan. The Trustee monitor these considerations including, where appropriate, how performance management or reward programmes help incentivise the effective integration of stewardship.

Principle 3 – Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first

Context

The Trustee acknowledges the importance of managing conflicts of interest within the management of the Plan in order to ensure the best outcomes for the Plan's members. The Trustee's policy with respect to identified conflicts of interest are outlined in the Plan's SIP as follows:

The Trustee recognises the potential for conflicts of interest (actual or perceived) in the use of JP Morgan Asset Management as an investment manager to the Plan. This is addressed through restrictions in the Plan's Terms of Reference document and the formal Conflicts of Interest policy. Similarly, the Trustee recognises the potential for conflict that arises due to Willis Towers Watson's appointment as investment advisor to the Plan, and Towers Watson Investment Management acting as a fund manager to the Plan. This is addressed within a formal "Conflicts Protocol" document agreed between the Trustee and Willis Towers Watson.

The restrictions and policies outlined in the Plan's formal documentation are summarised below:

Terms of Reference

The Terms of Reference document includes guidelines around adherence to the conflicts of interest policy which states that any members of the Committee who are employees, directors of officers, or engaged in its business, or are otherwise appointed or remunerated by, an asset management company or other service provider or potential service provider to the Trustee, including J.P.Morgan Asset Management, are prohibited on voting on matters relating to the selection or de-selection of that service provider or potential service provider.

Conflicts of Interest Protocol

The protocol applies to all Trustees of the Plan and details the Trustee's procedures to identifying, monitoring and managing potential and identified conflicts of interest such as the appointment and removal of service providers, disclosure of confidential information, registering of interest etc. The protocol is reviewed on a regular basis.

Towers Watson Investment Management 'Own Funds' Conflicts Protocol

The protocol sets out the conflict risks associated with investing in an investment fund managed by Towers Watson Investment Management (TWIM) including the risk of potential lack of objectivity from the Investment Consultant when recommending a TWIM product and giving greater 'benefit of the doubt' over adverse performance signifiers which may lead to delayed disinvestment decisions.

Activities and outcomes

There are a number of actions adopted by the Trustee as part of their ongoing monitoring processes which aid the Trustee in managing the actual and potential conflicts identified.

The Plan has appointed JP Morgan Asset Management to manage assets in both the DB and DC section of the Plan and monitors this exposure on a quarterly basis.

In relation to Towers Watson Investment Management ("TWIM") being appointed as one of the Plan's investment managers through investing in the manager's Secure Income Fund ("SIF"), the Trustee undertake an annual detailed review of the manager and fund as per the requirements of the conflicts protocol, assessing TWIM against a number of pre-agreed metrics. The Trustee also aims to meet with the manager on a regular basis.

The sustainability credentials of TWIM are monitored by the Trustee alongside the other managers as part of the sustainable investment review including stewardship and engagement. The Plan's Investment Consultant produce this review for the Trustees and given the potential conflicts of interest, do not assign a rating to the TWIM SIF (as is done with the Plan's other managers and funds). The managers' responses to the questionnaire are reviewed by the Trustee.

In relation to stewardship, the Trustee receives research assessments from the Plan's Investment Consultant for the investment managers twice a year and conflicts of interests are a topic which forms part of this research. Managers are expected to document their approach to stewardship, which should include how they manage any conflicts of interest that arise to ensure that the interests of their clients are prioritised. The Plan's Investment Consultant undertake ongoing monitoring of investment managers which summarises ESG integration and stewardship activities and highlights areas of potential concern. Conflicts of interest have been consistently raised as an area of importance for managers to evidence that conflicts (potential, perceived or actual) do not inhibit effective stewardship.

Principle 4 – Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Activities and outcomes

Identification of market-wide and systemic risks

The identification of market-wide and systemic risks is considered on an ongoing basis and the Trustee is supported by the Plan's Investment Consultant, Willis Towers Watson ("WTW") in its management of identified risks. The Plan has identified a number of ongoing risks for both the DB and DC Section of the Plan and highlights the approach to managing these risks in the Plan's SIP.

The Plan's Investment Consultant plays an important role in bring market-wide and systematic risks to the Trustee's attention and where necessary, providing training to Trustees on such risks and liaising with the Plan's managers on their management of risks, on behalf of the Trustee including:

- Economic market outlook and capital market views which form an input into Trustee discussions around investment strategy, risk management and portfolio construction.
- Investment manager research which identifies market wide and systemic risks for the Plan's investment managers and investment funds. This research contributes to the Trustee's decision making around the appointment and termination of the Plan's investment managers and fund range. Trustee's review investment manager assessments biannually and WTW inform the Trustee of any emerging risks identified by their manager research team.
- Operational due diligence which identifies firm wide risks of the Plan's underlying investment managers particularly around the managers' internal controls reporting. The Trustee undertake an annual operational review which includes input from WTW's ODD team alongside input from investment managers on a range of identified risks such as guideline breaches and errors experienced over the year and topical risks. Over 2020, operational risks related to COVID-19 were included in this review.

Response to market-wide and systemic risks

The Plan responds to market-wide and systemic risks as part of their integrated risk management framework. Below we have highlighted our response to some of the significant market-wide and systemic risks identified over the year:

Climate change

The Trustee have an investment belief around climate change '*Climate change presents a material financial risk to the Plan and therefore merits particular attention*' and committed to the following action to '*undertake climate change analysis of the Plan's portfolio and integrate climate metrics into the Plan's monitoring process*'. This action falls under the remit of the SIG.

In 2020, the SIG agreed to undertake climate scenario analysis as a first step to begin measuring and monitoring the impact of climate related risks on the Plan's assets and liabilities (for the DB section). The proposed scenario analysis agreed included analysing the impact of the 3 following climate scenarios on both the DB and DC section of the Plan:

Scenario	Description	Approx. likely temperature increase
Climate emergency	A more ambition version of the Global Co-ordinated Action scenario where more aggressive policy is pursued and more extensive technology shifts are achieved, in particular the deployment of Negative Emission Technologies at scale.	limited to 1.5 degrees above pre-industrial levels.
Global Co-ordinated Action	Policy makers agree on and immediately implement policies to reduce emissions in a globally co-ordinated manner. Companies and consumers take the majority of actions available to capture opportunities to reduce emissions.	2 degrees above pre-industrial levels.
Least Common Denominator	A "business as usual" outcome where current policies continue with no further attempt to incentivise further emissions reduction. Socioeconomic and technological trends do not shift markedly from historical patterns.	likely to exceed 2 degrees above pre-industrial levels

The scenario analysis was undertaken and reviewed for the DB section of the Plan in early 2021. The DC analysis will be reviewed by the Trustee during Q2 2021. The Trustee has further agreed to undertake a carbon journey planning exercise which involves:

1. Measuring the Plan’s exposure to carbon against a number of chosen carbon metrics
2. Setting a carbon reduction target and a timescale during which to achieve the agreed target
3. Agreeing and implementing an action plan to reach the agreed target within the agreed timescale

Undertaking the 3 steps outlined above will be a primary focus for the Plan over 2021 and will be reported against more extensively in the 2021 version of this report.

The Trustee undertakes an annual sustainable investment review of all of the Plan’s investment managers. This review is discussed in more detail later in this report (under Principle 7) and includes detailed monitoring of the Plan’s managers’ policies and activities to integrate climate related considerations into their investment processes and approach.

During 2020, as part of this review, all of the Plan’s managers were asked to provide an update since the 2019 review on any developments in their ‘approach to integrated climate change and climate related risk into their investment processes and monitoring’.

Every year, the Plan’s managers are rated based on their responses to the review. The managers’ ratings in the areas of climate change are outlined below:

Active Equity	Veritas Global Focus Fund	Neutral
	MSIM Global Franchise Fund	Neutral
	JPMAM Emerging Market Equity	Neutral
Passive Equity	LGIM Passive Equities	Strength
Credit	AXA Buy and Maintain	Strength
	JPMAM Corporate Bond & Emerging Market Debt	Neutral
Secure Income Assets	JPMAM Infrastructure Debt	Strength
	Aviva Real Assets	Strength

Key: ■ Strength ■ Neutral ■ Weakness

The results of the review form the basis for key areas the Trustees engage with managers on and going forward will be a key determining factor in highlighting areas in the total Plan portfolio where engagement on climate issues is a priority to meet carbon reduction targets.

In line with the one of the aims of the SIG to enhance transparency around the Trustee’s actions in the area of sustainable investing, the Trustee agreed that the Plan should sign up to the Taskforce of Climate-related Financial Disclosures (“TCFD”) and produce an annual report detailing how the Plan’s integrates climate change considerations throughout its investment processes. The Plan will produce its first annual TCFD report for the 2021 Scheme year which will be made publicly available alongside the Plan’s annual Reports & Accounts.

The DB Section holds two segregated credit investment funds which invest in global investment grade bonds and the Trustee has engaged with both managers around their investment view and approach to analysing and investing in green bonds in their opportunity set. Following a review of the managers’ approaches, the Trustee has amended the investment guidelines for investment funds to explicitly reference the potential purchase of green bonds where the investment manager believes it is appropriate.

Covid-19

The Plan's response to Covid-19 includes enhanced monitoring over the short-medium term of the Plan's investment managers and investment outcomes.

During Q1 at the beginning of the pandemic, as part of the Plan's annual operational review, the Trustee engaged with all of the Plan's underlying managers to better understand their preparedness for a potential escalation of the pandemic (which at the time was unknown). Managers' policies were reviewed by the Trustee and following the announcement of lockdown restrictions in the UK, the Plan's managers were asked to provide an update to the Trustee on their longer-term policies in response to the stay at home order.

The Trustee also engaged with managers on the implications of Covid-19 for their portfolio holdings.

In March 2020, the Trustee reviewed market commentary from the Plan's active managers with respect to how their portfolios were positioned in light of the impact of Covid-19. In April 2020, the Trustee reviewed the Plan's secure income asset investments and potential impacts of the Covid-19 pandemic on these long-term holdings. The Trustee received subsequent updates at meetings over the year to monitor any developments with the managers, whilst regularly reviewing drivers of performance.

The Trustee implemented some short-medium term measures in response to the pandemic including increasing the level of cash held by the DB section of the Plan to ensure the Plan would be able to meet any required cash outflows when required whilst preventing the Plan from being a forced seller of assets during periods of market volatility, to meet cashflows.

Political risk

During the year, against the backdrop of the Covid-19 pandemic, the Trustee engaged with managers around two key areas of political risk and uncertainty i) the conclusion to the ongoing Brexit negotiations between the UK and the EU ii) the US general election. Managers were asked to provide a response on their market views of both political events and to elaborate on how their portfolios were placed for the various outcomes of both situations, including any changes that had been made in light of their market views. Political risk remains important and the Trustee has agreed to review the Plan's exposure to political risk further over 2021.

Principle 5 – Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Context

The Trustee document their policies and their progress against these policies in governance documents, namely the Statement of Investment Principles and the Implementation Statement, which are both publicly available. As part of the Trustee's commitment to sustainable investing and active ownership of the Plan's assets, the Trustee has recently agreed to produce a UK Stewardship Code 2020 annual report.

Activities and outcomes

The Trustee's review and assurance process of these documents have led to continuous improvements and expansion of the Trustee's activities including engagement with external parties including the Plan's Sponsor and underlying investment managers, ongoing development and training in industry developments around sustainable investment, and new commitments such as becoming a signatory to the Stewardship Code 2020 and the Taskforce for Climate-related Financial Disclosures reporting.

Statement of Investment Principles

The Statement of Investment Principles "SIP" is a governance document maintained by the Trustee which sets out the Trustee's policies in relation to a range of investment matters including, but not limited to investment strategy, risk management and sustainable investment.

The statement is reviewed by the Trustee at least annually and without delay following any significant change in policy. Before finalising the SIP, the Trustee receives advice from its Investment Consultant however the ultimate power and responsibility for deciding investment policy lies with the Trustee.

The SIP covers both the DB and DC Section of the Plan and was last updated in September 2020. The latest version of the SIP includes additional policies including:

- Introduced a new policy around monitoring portfolio turnover and the costs associated with portfolio turnover of the Plan's underlying investments. The Trustee already monitors the fee structures and underlying fees of the Plan's investment managers annually. The Trustee will begin monitoring portfolio turnover of the underlying investments on an annual basis from 2021.
- Included explicit policies around how the Trustee ensures that the Plan's investment managers are aligned with the Trustees policies. For example, a policy to send the Plan's SIP to all of the Plan's managers periodically for their review to ensure managers are aware and aligned with the Trustees policies.
- Expanded the Trustee's policies around sustainable investing, with a particular focus on how the Trustee incentivises the Plan's investment managers to be strong stewards of the Plan's assets through engagement activity over a long-term time horizon.

Annual Implementation Statement

From 1 October 2020 the Trustee is required to produce an annual 'Implementation Statement' to be included in the Plan's annual Reports and Accounts and to be made publicly available online. The first Statement will cover the Plan's scheme year 1st January 2020 to 31st December 2020 and will include the following information across both the DB and DC Section of the Plan:

- How the Fund's Statement of Investment Principles ('SIP') has been followed over the year, along with details of any changes to the SIP
- A description of any review of the SIP, including an explanation of any changes
- How the Trustee's policies on exercising rights (including voting rights) and engagement have been followed over the year

- The voting behaviour of the Trustee, or that undertaken on its behalf, including the most significant votes cast and any use of a proxy.

Financial Reporting Council Stewardship Code 2020

The Trustee recognises the Stewardship Code 2020 as an industry wide standard to promote active ownership and strong stewardship across industry participants including the Trustee itself. The Trustee reports against the 12 principles of the Code to demonstrate and evidence the Plan's evolving processes to meet the industry standard on behalf of the Plan's members. The Trustee acknowledge they are on the beginning of this process and view the Stewardship Code 2020 as 'best practice' to work towards as it continues to evolve its practices to enable effective stewardship across the Plan.

Taskforce for Climate-related Financial Disclosures ("TCFD") report

the Trustee agreed that the Plan should meet the reporting requirements of the Taskforce of Climate-related Financial Disclosures ("TCFD") and produce an annual report detailing how the Plan's integrates climate change considerations throughout its investment processes. The Plan will produce its first annual TCFD report for the 2021 Scheme year which will be made publicly available alongside the Plan's annual Reports & Accounts.

The Trustee has a strong review and assurance process around the documents outlined above to ensure that the information reported is accurate, relevant and meets the relevant regulation and requirement. This process includes review by the relevant Committee or Group and input from relevant third party such as the Plan's Investment Consultant and lawyers.

Sustainable Investment Group annual review

The Group is committed to delivering on the mission statement it has set and acknowledges the importance of strong governance structure and processes in meeting these objectives over the long-term. In the Terms of Reference of the SIG is a policy that the Group will undergo a review of its progress against its mission and objectives in the second half of 2021 to formally review its effectiveness.

Section B – Investment approach

Principle 6 – Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Context

The JPMC UK Retirement Plan is a UK occupational pension scheme comprising a DB Section and a DC Section.

DB Section as at 31 December 2020:

Asset value	£2,183m
Number of members	6,906 (3,296 non-pensioners and 3,610 pensioners)
Average age of members	59 (non-pensioners) and 73 (pensioners)
Average pension of members	£6,600 (non-pensioners, revalued to 31 Dec 2020) and £12,800 (pensioners)

The Trustee acknowledges the time horizon of the Plan and takes account of all financially material risks and opportunities in the context of the Plan's time horizon. For the DB Section of the Plan this includes investing certain asset classes with a long-term focus such as secure income assets and buy-and-maintain credit strategies, which provide additional benefits and premiums such that the Plan is better placed to meet its objectives and meet members pension payments as they fall due. The Trustee also acknowledges the importance of sustainability as a long-term investor and factors sustainable investment considerations into both its manager selection and monitoring processes.

DC Section as at 31 December 2020:

Asset value	£441m
Number of members	7,005
Average age of members	52
Average pension pot of members	£62,000

The DC Section provides members with a suitable range of investment options to suit individuals' needs and attitudes to risk. The Trustee offers two approaches for members to invest their DC pension:

Default investment options "Lifestyle" : Designed to reduce risk as a member approaches their target retirement age by switching to a broader mix of assets with lower risk over time.

Self-select investment options "Freestyle" : A range of investment funds across various asset classes and strategies which members can choose to invest into.

The Trustee believes that the range of funds offers adequate diversification and is appropriate for the DC Section. The Trustee monitors the range of investment options regularly to ensure that the options are sufficiently diverse and consistent with the risk profile of DC members.

Activities and Outcomes

The Trustee does not formally seek the views of members in an explicit manner however does aim to act in the best interest of members at all times. Further, the Trustee is committed to communicating transparently and frequently with the Plan's members and is open to reviewing this stance if there is appetite from the Plan's membership.

The Trustee's policy with respect to the investment time horizon and how this should drive stewardship is outlined in the SIP:

The Trustee appoints investment managers with the expectation of a long-term partnership, which encourages active ownership of the Plan's assets. The Trustee expects investment managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods.

The Trustee monitors investment managers' alignment to the Trustee's policies which reflect the needs of beneficiaries in a number of ways. The Plan's SIP sets out the Trustee's policies across a number of investment areas including, investment managers, investment strategy and sustainable investing. All of the Plan's managers are provided with a version of the latest version of the SIP and are required to review the document and confirm if there are any areas of misalignment between how they manage the Plan's assets and the Trustee's policies outlined in the Statement. Managers responses to the Plan's SIP were collected over Q4 2020 and were reviewed by the SIG in early 2021. The Trustee are satisfied that the Plan's assets are being managed in line with the Trustee's policies and will undertake this exercise again following the next review of the SIP.

Alignment is also monitored through the Trustee's ongoing monitoring process, for example the annual sustainable investment manager reviewed (discussed in this report), investment manager research provided by the Plan's Investment Consultant, and through meetings with managers.

Members receive regular communications about the Plan's investments and developments through a member 'OnePlan' newsletter which is issued twice a year, in spring and winter.

For the DB Section, information provided includes:

- Information around the Plan's asset allocation
- Review of investment markets and the Plan's investment strategy, including any changes made to the investment strategy over the period
- Forward looking commentary around the Trustee's priorities for the upcoming period

For the DC Section, information provided includes:

- An overview of the value for members assessment for the year
- Signpost to the Plan's latest Chair's statement and the Plan's SIP
- Reminder to review their investments regularly and signposting to how members can check and make changes to their pension investments if they wish

During Q4 2020, communications included an introduction to the SIG, outline the Group's mission, priorities and agenda. Enhancing member communications, particularly in the area around sustainable investment will be a priority for the Plan over the next 12-18 months as per the sustainable investment belief:

4	General	The Trustee should be open and transparent in its sustainable investing activities, and communicate progress to members	Communicate transparently and clearly with members on a regular basis through various means
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Principle 7 - Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Context

Sustainable investment has been an increasingly important focus for the Trustee over recent years and the Trustee's approach to monitoring and integrating ESG issues into the management of the Plan has evolved over time. The Trustee expects managers to integrate ESG considerations into their management of the Plan's assets and recognises that as investors in a diversified portfolio of various underlying asset classes with different objectives and characteristics, a 'one size fits all' approach to ESG is not optimal.

Therefore, the expectations of managers which form the Trustee's engagements and discussions with managers are not uniform across all of the Plan's investment managers and funds:

<p>Passive equity</p>	<p>The Trustee acknowledge that given the index tracking nature of the Plan's passive equity investments, that the Plan's manager LGIM is limited with respect to portfolio construction decisions and therefore scope to explicitly integrate ESG considerations into the underling investments in limited.</p> <p>Stewardship and the manager's voting and engagement practices are a key component in LGIM's management of the Plan's assets. The Trustee expects LGIM to be participating in all votes (where feasible) and to be able to provide a robust rationale in instances the manager either withhold or abstain from voting on behalf of the Plan. Corporate engagement is important, and the Trustee expects the managers to use their expertise and influence with underlying companies to drive long-term outcomes.</p> <p>Over 2020 the Trustee reviewed the Plan's market cap passive equity exposure and switched to the LGIM Future World equity strategy for both the DB and DC sections, which explicitly integrates ESG considerations into a passive equity strategy.</p>
<p>Active equity</p>	<p>The Trustee monitors the Plan's equity managers integrate ESG considerations across the entire investment process from company research, portfolio construction , monitoring and reporting.</p> <p>Over the year, there were two key areas in which the Trustee identified as key for the Plan's active equity managers i) the integration of climate risk considerations ii) the managers' fund level (as opposed to firm wide level) reporting on the ESG credentials of the portfolio including engagement and voting activities. These issues were addressed with managers as part of the annual sustainable investment review undertaken during the year, and managers' progress will continue to be monitored and challenged where necessary by the Trustee.</p> <p>Similarly, to passive equity, the Trustee expects managers to be voting on the Plan's behalf in all eligible votes and undertake corporate engagement on key ESG issues with investee companies.</p>
<p>Credit</p>	<p>The Plan expect managers to integrate ESG considerations into the selection and retention of issuers across the Plan's credit portfolio. Where the Plan has segregated credit accounts, the Trustee have engaged with managers around the use of use of purchase bonds e.g. bonds and have integrated the investment guidelines for these investments to support the investment in these types of bonds where the managers deems appropriate.</p> <p>Whilst the Plan's credit managers do not hold voting rights, the Trustee expects managers to engage with underlying issuers on ESG issues . An identified area for further engagement with managers is around managers' corporate engagement processes in that the Trustee's believe it is important for credit managers to undertake rigorous corporate engagement with issuers through a credit specific lens rather than to solely rely on their company-wide engagement and/or engagement undertaken by the managers' equity teams.</p> <p>The DB Section holds a segregated Buy and Maintain credit strategy which has a long-term time horizon as the manager is expected to hold the underlying bonds to maturity. The Trustee acknowledge that as long-term holders, sustainability is a key factor in this mandate.</p>

Liability hedging	<p>To date, the Trustee has not explicitly included the Plan's liability hedging portfolio in its ongoing monitoring of sustainable investment across the Plan. However, during 2020, following the review of the annual sustainable investment report, the Trustee decided to include the liability hedging portfolio managed by BlackRock in the review going forward.</p> <p>As well as assessing BlackRock's firm wide credentials in relation to sustainable investing, the Trustee will seek to gain an initial understanding of BlackRock's policies and stewardship activities and due diligence taken with counterparties with which BlackRock enter derivative contracts with on behalf of the Plan.</p>
Secure income assets	<p>The Trustee acknowledge the importance of ESG integration throughout the Plan's Secure Income Portfolio given the portfolio is invested in real assets and have a long-term time horizon. Within the Secure Income Asset portfolio, the Trustee looks to allocate to opportunities which target sustainability themed and impact investments, for example in renewable energy.</p> <p>The Trustee monitors the managers' adherence to industry regulatory requirements and those in line with industry benchmarks for example the Global ESG Benchmark for Real Assets ("GRESB") to ensure underlying properties and assets are being managed to a high standard with respect to environmental and social risks.</p>

The Trustee monitors managers' performance against the expectations outline above on an ongoing basis through meetings with mangers, research from the Plan's Investment Consultant and explicitly through the annual sustainable investment review.

With respect to additional future stewardship priorities, over 2021, the Trustee will be undertaking a climate journey plan project to set targets across the portfolio. As part of this project, setting out an engagement policy with respect to climate related issues and risks will be a priority.

Activities and outcomes

The Trustee undertake an annual sustainable investment review of all of the Plan's managers as part of its monitoring process. The review has historically been undertaken for the DB Section of the Plan and in 2020 was introduced for the DC section also.

The review involves reviewing managers' responses to a questionnaire covering the following areas within sustainable investment. Managers are encouraged to provide examples and quantitative data to evidence their policies where relevant.

ESG integration	To measure how ESG issues are assessed as part of the investment approach and process
Materiality	To understand the process to determine responsibility for ESG issues and how is they are measured
Resources	To understand what ESG resources are at the disposal of the investment team e.g. data tools, personnel
Commitment	To understand the managers' commitment and proactivity within the industry e.g. participation in industry initiatives
Carbon transition	To understand the managers' approach for considering climate-related risks of underlying holdings and if/how climate related exposures are measured
Engagement	To understand and measure the managers' approach and success in its corporate engagement activities
Collaboration	To demonstrate the extent to which managers proactively contribute to wider engagement efforts outside of their own firm/team
Voting	To understand managers' voting policies including how votes decisions are determined and executed and to measure the voting record of managers (where relevant)
Reporting	To understand the level of reporting at both a manager level and investment fund level provided by managers

DB Section review

In 2020 the Trustee enhanced the sustainable investment review to adopt a more tailored approach. Each manager received a questionnaire which contained 5 high level questions around developments over the year in the following areas:

- Developments with respect to climate change considerations and how these are integrated into the investment process including carbon metrics for the fund
- Changes made to the stewardship/corporate engagement policies and process
- Changes in voting policy included when and how they have been implemented
- Developments and improvements in fund level reporting on sustainable investment issues and metrics
- ESG area in which managers expect to see change and improvement over the next 12 months

Managers we also asked a series of more tailored questions with a narrower focus which were based on specific areas weakness identified from the previous reviews. The aim of the tailored approach will help the Committee identify any areas which they may wish to pursue further engagement and discussions with managers.

Managers are provided a rating based on their responses of either strong, neutral or weakness according to the definitions highlighted below. Assigned ratings consider the nature of the fund and underlying assets as opposed to applying the same standards across all managers and asset classes.

	Strength: the asset manager largely adheres to and may exceed recognised good practice standards
	Neutral: the asset manager's approach is satisfactory but may not be wholly consistent with recognised good practice
	Weakness: the asset manager's approach is not satisfactory in our opinion and would benefit from improvement

		Integration	Materiality	Resources	Commitment	Carbon transition	Engagement	Collaboration	Voting	Reporting
Active Equity	Veritas Global Focus Fund									
	MSIM Global Franchise Fund									
	JPMAM Emerging Market Equity									
Passive Equity	LGIM Passive Equities									
Credit	AXA Buy and Maintain								n/a	
	JPMAM Corporate Bond & Emerging Market Debt								n/a	
Secure Income Assets	JPMAM Infrastructure Debt								n/a	
	Aviva Real Assets								n/a	

The review forms the basis for future engagements with managers. For the 2021 review, the Trustee have agreed to include the Plan’s LDI manager to gain a better understanding of the due diligence and engagement the manager undertakes with the counterparties it trades with on behalf of the Plan.

Stewardship within the Plan’s credit holdings was also raised as a future priority of engagement. The Trustee acknowledges that engagement and active ownership are of importance for its credit holdings similar to its equity holdings despite no voting rights being attached to bonds.

DC Section review

The Sustainable Investment review for the DC Section of the Plan involved analysing managers’ responses to a questionnaire of 7 questions across the topics outlined in the above table. The review was introduced for the DC Section in 2020 and therefore this exercise served as an opportunity for the Trustee to develop a detailed insight to the policies and practices of managers.

For the 2021 review, a similar approach to the DB Section will be adopted whereby managers are asked to provide updates on their progress and developments over the year with a focus on those areas of identified weakness. The Trustee reviewed key strengths and weaknesses on a manager by manager basis as part of the review process.

		Integration	Resources	Collaboration	Climate change	Engagement	Voting policy	Reporting
Equity	Veritas Global Focus Fund	Grey	Grey	Grey	Grey	Green	Green	Green
	LGIM Passive Equities	Green	Grey	Green	Green	Grey	Green	Green
	JPM Life Diversified Equity	Grey	Green	Green	Grey	Grey	Green	Grey
Diversified Growth funds	LGIM Diversified Fund	Green	Grey	Green	Green	Grey	Green	Green
	JPM Life Diversified Growth Fund	Grey	Green	Green	Grey	Grey	Green	Grey
	Baillie Gifford Multi Asset Growth Fund	Grey	Green	Green	Grey	Green	Green	Grey
Bonds	LGIM Fixed Income	Green	Grey	Green	Green	Grey	n/a	Green

The Plan’s DC Committee are working with the managers on the areas that require improvement and having explicitly integrated sustainability factors within the passive equities that form part of the Plan’s lifestyle strategy, are looking at ways in which to incorporate ESG elsewhere.

Manager selection

Sustainable investment considerations are considered throughout the Trustee's investment process beginning with the appointment of new managers. Shortlisted managers for manager selection exercises are required to provide the Trustee with information around their sustainable investing approach as part of the selection approach. The Plan's Investment Consultant prepare sustainable investment scorecard reports which includes a summary of a managers' practices across 3 high level areas: ESG integration, voting and engagement. These reports are also utilised by the Trustee during manager selection decisions.

During 2020, the Trustee undertook a selection exercise to replace an active equity manager and following a review of the proposed replacement decided against investing one of the reasons being related to the manager's integration of ESG considerations and stewardship not being to a high enough standard.

During 2020, the Plan also decided to switch from its market cap passive equity strategy managed by LGIM to LGIM's Future World equity strategy which integrates sustainable investment considerations into the equity strategy. This strategy was implemented across both the DB and DC section. As an existing manager, the Trustee have a positive view of LGIM's sustainable investing credentials particularly around their voting and corporate engagement record. The Trustee have strong conviction in the manager to be active owners of the Plan's assets.

The Plan also invested in a Buy-and-Maintain bond segregated fund with AXA during the year. Given the long-term nature of the investment strategy where the investment manager is expected to hold the underlying assets until maturity, the sustainable investment credentials of the managers was particularly important to the Trustee. Sustainable investment credentials were considered during the manager selection process and AXA completed the sustainable investment questionnaire above before the Trustee invested with them.

Engagements with managers

The Trustee meets with the Plan's managers on a regular basis and aims to meet with each manager approximately once per year and more frequently as required. Sustainable investment considerations are a key part of these discussions and provide a forum for the Trustee to discuss with managers any issues or questions raised from the annual sustainable investment review.

Principle 8 - Signatories monitor and hold to account managers and/or service providers

Context, activities and outcomes

The Trustee has a number of service providers relating to the investment arrangements of the Plan and monitor service providers on a regular basis to ensure they are acting in the best interest of the Plan and ultimately, the Plan's members. Service providers are monitored by the Trustee on an ongoing basis and also through various periodic reviews relating to different functions of their roles.

The Trustee's monitoring processes have led to a number of actions to be undertaken over the year for example changes to the Plan's passive equity investment strategy to the Future World strategy and de-selecting a manager based on their sustainable investment credentials (as outlined under principles 1 & 7).

Monitoring investment managers

The Trustee monitors the performance of the Plan's investment managers on a quarterly basis over the Plan year, including via a quarterly consolidated monitoring report provided by the Plan's investment consultant. This report includes, but is not limited to, the following information which contributes to the Trustee's manager monitoring process:

- Investment performance for the Plan's underlying investment funds over a 3-month, 1 year, 3-year time horizon and since inception if the fund.
- Research assessment of the Plan's underlying investment funds provided by the Trustee's investment consultant research team. These assessments include qualitative research on each investment strategy across a number of different areas including firm wide assessments (team stability, business issues) and strategy level considerations (investment approach, opportunity set, integration of sustainable investment considerations).

The Trustee also undertake standalone reviews of the Plan's managers across other areas including:

Area	Frequency	Information
Sustainable investing review	Annually	The Trustee monitors the investment managers' approach to sustainable investing across a number of areas, including but not limited to: resources, climate-related risk, internal resources, industry participation, voting and engagement. This review exercise is outlined in greater detail under principle 7.
Operational review	Annually	The Trustee review the operational robustness of the Plan's investment managers to ensure the managers remain well placed operationally to manage assets on behalf of the Plan. This review includes a review of the audited internal controls of the Plan's managers (including input from the Plan's Investment Consultant), reviewing any experienced guideline breaches incurred by the manager over the year, and a review of any emerging operation risks. For example, in 2020, the Trustee reviewed managers' preparedness for the COVID-19.
Fee review	Annually	Both investment management fees and underlying fees for all of the Plan's managers are reviewed annually to ensure the Plan's managers are delivering value for money and where the Trustee feel better value can be achieved, the Trustee will enter fee negotiations which ultimately serve to improve investment outcomes for the Plan's members.

The Trustee's monitoring processes form the basis for identifying areas for further engagement with managers which can involve inviting the manager in to discuss with the IC or DCC directly or writing to managers to initiate discussions.

Monitoring the Investment Consultant

The Plan's Investment Consultant, Willis Towers Watson, provide support and advice to the Trustee across a range of investment matters and similarly to the Plan's investment managers, are reviewed by the Trustee on a periodic basis.

The Trustee has also set a number of objectives for Willis Towers Watson and review the investment consultant against these objectives annually.

Section C – Engagement

Principle 9 - Signatories engage with issuers to maintain or enhance the value of assets

Context

The Trustee acknowledges engagement as a key component to stewardship and managers' integration of ESG factors into their investment processes and delegates the oversight and engagement of invested assets to the Plan's investment managers. The Trustee's policy is outlined in the Plan's SIP:

The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. The Trustee expects the investment managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods.

The Trustee monitors the engagement undertaken by investment managers through manager reporting, the annual sustainable investment review outlined under principle 7.

Activities and outcomes

As outlined under principles 7 & 8, the Trustee has set up a number of frameworks to monitor and engage with the Plan's managers and service providers across a range of areas and topics including: sustainable investment, fees and operational due diligence.

The Trustee delegates engagement with the Plan's investee companies to the Plan's investment managers. Across the DB and DC Section, the Plan has a material exposure to LGIM through equity funds and multi asset funds and has made portfolio decisions within both Sections given the Trustee's view of the managers strong sustainable investment credentials, particularly around stewardship. Case studies of engagement undertaken on the Trustee's behalf are outlined below:

Manager: LGIM

Company: The Procter & Gamble Company (P&G)

Engagement: P&G's policies around deforestation in response to a shareholder resolution requesting the company report on their efforts to eliminate deforestation.

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 Council to fully understand the issues and concerns. Following a round of extensive engagement on the issue, LGIM decided to support the resolution.

Although P&G has introduced a number of objectives and targets to ensure their business does not impact deforestation, LGIM felt it was not doing as much as it could. The company has not responded to CDP Forest disclosure; this was a red flag to LGIM in terms of its level of commitment.

Deforestation is one of the key drivers of climate change. Therefore, a key priority issue for LGIM is to ensure that companies we invest their 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.

Manager: LGIM

Engagement: Corporate engagement with investee companies in the MSCI Japan index around board diversity.

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. LGIM 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. One of the companies targeted was Olympus Corporation.

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.

Principle 10 – Signatories, where necessary, participate in collaborative engagement to influence issues

Context

In June 2020 as part of the investment belief exercise, the Trustee set the following belief around collaborative engagement as part of their stewardship:

7	Stewardship	We should participate in collaborative initiatives to strengthen our own voice and leverage our impact.	Join industry wide participation initiatives as appropriate and encourage managers to be active participants in groups as relevant.
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Activities and outcome

Over the year, the SIG and Trustee have had ongoing discussions around potential collaborative efforts. The Trustee has made the decision to prioritise the Plan's reporting on sustainable investing in the short-term by becoming a signatory to the Stewardship Code 2020 and the TCFD in 2021 with a view to consider becoming a signatory to the UN PRI in the longer term.

During the year, the SIG reviewed a number of collaborative industry initiatives around sustainable investment and discussions are ongoing around which initiatives the Trustee believe align with the Plan's mission. Selecting and subsequently participating in collaborative initiatives is one of the Trustee's priorities over 2021.

The Plan actively encourages its underlying investment managers and service providers to participate in collaborative engagements and industry wide initiatives as part of their role as active owners of the Plan's assets. Managers' participation in such projects is monitored by the Trustee as part of the annual sustainable investment review as outlined under principle 7.

Principle 11 – Signatories, where necessary, escalate stewardship activities to influence issuers

Context

The Trustee believes that the management of ESG risks can enhance value and promotes the proactive management of ESG risks amongst the assets in which the Plan's invest and delegates engagement to the Plan's underlying investment managers.

The Trustees expectations of the Plan's investment managers' approach to stewardship are set out in the Plan's SIP:

- *Sustainable investment factors, including environmental, social and governance ('ESG') considerations, are considered in the context of the Plan's broader risk management. The Trustee believes that companies that manage ESG risks effectively can protect and enhance value by, for example, avoiding risks to their reputation, reducing potential financial liability and by increasing their ability to recruit and retain high-quality staff. Therefore, the Plan wishes to promote the proactive management of ESG risks amongst the companies in which the Plan invests and expects its appointed investment managers, where appropriate, to have integrated ESG factors as part of their investment analysis and decision-making process, and also to exercise their voting rights.*
- *Should the Trustee's monitoring process reveal that a manager's portfolio is not aligned with the Trustee's policies, the Trustee will engage with the manager further to encourage alignment. This monitoring process includes, but is not limited to, specific consideration of the sustainable investment/ESG characteristics of the portfolio and managers' engagement activities. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the manager will consider terminating and replacing the manager. A similar process is carried out when considering the appointment of a new investment manager.*
- *The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. The Trustee expects the investment managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods.*

Activities and outcomes

The Trustee monitors the stewardship activity of the Plan's investment managers through the annual sustainable investment review outlined in more detail under principle 7 which includes assessing managers' approach to:

- Collaborative engagement with other investors. The Trustee acknowledges the importance of collaborative engagement efforts to strengthen the impact of investors' voice to accelerate change within the industry.
- Process and internal resources for undertaking corporate engagement across all asset classes. One of the ongoing focuses for the Trustee is to engage with the Plan's credit managers to ensure that corporate engagement is being undertaken through a credit specific lens with issuers as opposed to credit teams 'piggybacking' off engagement undertaken by their firms' equity team and/or central stewardship team.
- Any changes to the managers' engagement policy and case studies of notable corporate engagement the managers have undertaken over the year including the outcome of these engagements.

Looking forward the Trustee have the following priorities to enhance their approach to engagement over 2021:

- Considering any areas of priority they wish to highlight and direct the Plan's segregated managers to escalate engagements on the Trustee's behalf. This applies to the segregated listed equity and listed credit investments within the DB Section.
- Following the completion of the carbon journey plan project, when creating the Plan's action plan to reduce carbon exposure throughout the portfolio, engagement will be a key focus. The outcome of this project will include a separate engagement policy on climate issues and consideration of the use of a third-party stewardship provider to represent the Trustee's engagement priorities at an underlying company level and also at a public policy level.

Section D – Exercising rights and responsibilities

Principle 12 – Signatories actively exercise their rights and responsibilities

Context

The Trustee invests primarily in pooled funds across the Plan's listed equity exposure. The Trustee's policy is to delegate voting decisions to the Plan's underlying investment managers, as outlined in the Plan's SIP:

- *The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and expects the managers to exercise those rights.*

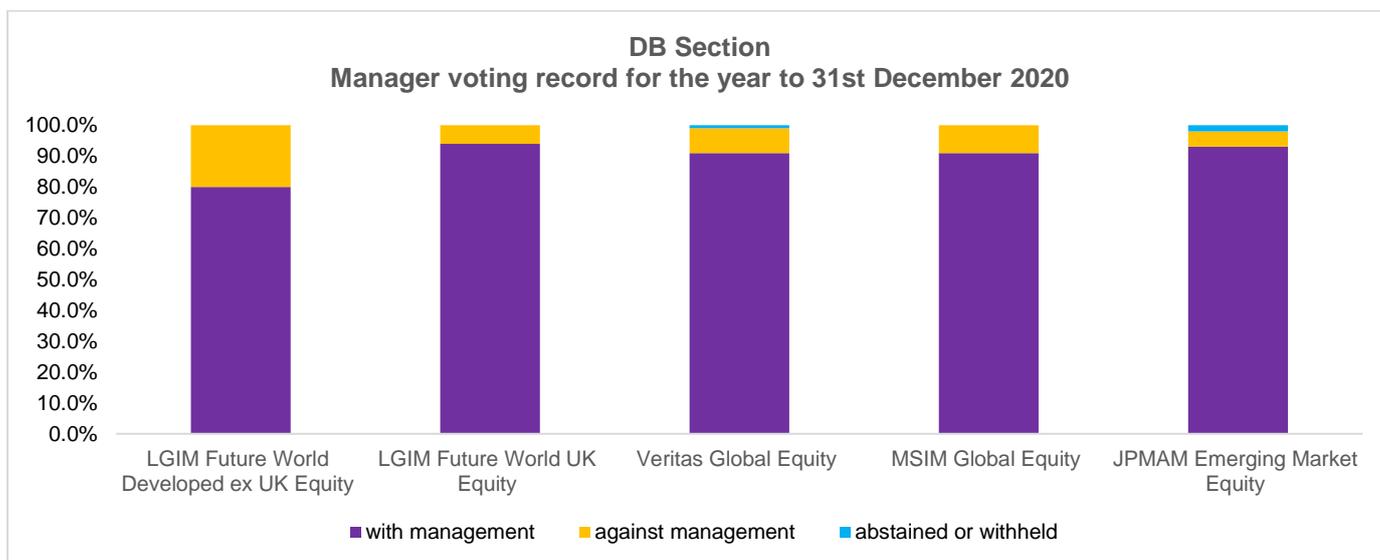
The Plan's investment managers have reviewed the Trustee's policies and have confirmed their management of the Plan's assets are aligned with the Trustee's policies as outlined in the SIP.

Activities and outcomes

As part of the annual sustainable investment review, the Trustee reviews the managers' voting policies and approach to voting. This includes managers' voting process and whether the manager takes responsibility for determining voting decisions or whether these decisions are delegated to a proxy voting service provider.

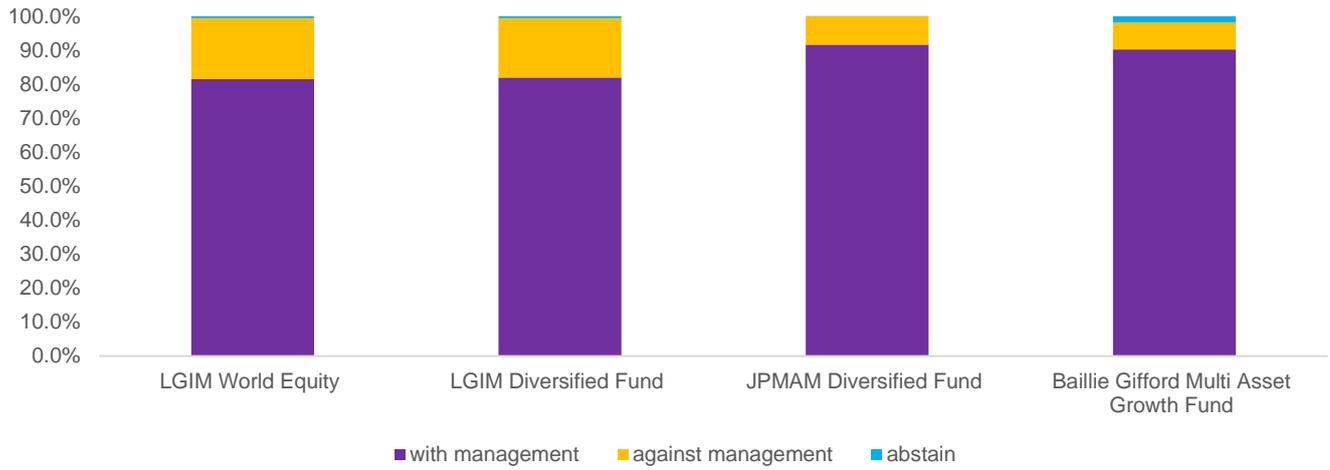
For the Plan's managers which invest in listed equities voting data is reviewed by the Trustee annually and made publicly available in the Plan's implementation statement. The implementation statement is included in the Plan's annual reports and accounts.

The voting record for the Plan's DB and DC sections are highlighted below:



Fund	LGIM Future World Developed ex UK Equity	LGIM Future World UK Equity	Veritas Global Equity	MSIM Global Equity	JPM Emerging Market Equity
Eligible votes cast	100%	100%	94%	100%	100%

**DC Section
Manager voting record for the year to 31st December 2020**



Fund	LGIM World Equity	LGIM Diversified Fund	JPMAM Diversified Fund	Baillie Gifford Multi Asset Growth Fund
Eligible votes cast	100%	99%	96%	96%