Annual Implementation Statement

Basell Polyolefins UK Pension Scheme – DC Section

Introduction

This statement sets out how, and the extent to which, the Statement of Investment Principles ('SIP') produced by the Trustees has been followed during the year to 31 March 2021. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator.

The table later in the document sets out how, and the extent to which, the policies in the DC Section of the SIP have been followed.

Investment Objectives of the Scheme

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. The Trustees' main aim is to make sure that they can meet their obligations to the members of the Scheme.

This is achieved by the following:

- Ensuring there is a sufficient number of appropriate investment options available to allow each member to plan for their retirement.
- To provide a default investment option that is designed to be broadly reasonable for any member not wishing to make his/her own investment decisions.
- By providing general information to each member, as appropriate, with regard to the purpose of each investment option.
- By encouraging the member to seek independent financial advice from an appropriate person in determining the profile of their own investments.

Review of the SIP

During the year, the Trustees reviewed the Scheme's SIP. A revised SIP was agreed at the Trustees meeting on 14 September 2020 in order to reflect the new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019 relating to the following:

- How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustee's policies in the SIP.

- How that arrangement incentivises the asset manager to make decisions based on assessments about the medium to long-term financial and non-financial performance of an issuer of debt or equity, and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.
- How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the Trustee's policies mentioned in the SIP.
- How the Trustees monitor portfolio turnover costs incurred by the asset manager and how they define and monitor targeted portfolio turnover or turnover range.
- The duration of the arrangement with the asset manager.

Assessment of how the policies in the SIP have been followed for the year to 31 March 2021

The information provided in the following table highlights the work undertaken by the Trustees during the year, and longer term where relevant, and sets out how this work followed the Trustees' policies in the SIP, relating to the DC Section of the Scheme.

In the opinion of the Trustees, the SIP has been followed during the year. The SIP is attached as an Appendix and sets out the policies referenced below.

Strategic Asset Allocation

Requirement	Policy	In the year to 31 March 2021
Kind of investments to be held	A range of asset classes are included within the default investment option including: developed market equities, emerging market equities, money market investments and diversified growth funds. It is the Trustees' policy to utilise both active and passive management within the default investment option, depending on the asset class. The Trustees have made available a range of individual self-select fund options for investment in addition to the default investment option. A range of asset classes have been made available, including: equities, diversified growth funds, money market investments, gilts, index-linked gilts and corporate bonds. It is the Trustees' policy to offer both active and passive management options to members where appropriate, depending on asset class. SIP section 3.3	The default investment option was subject to its formal triennial review in October 2018. Although this review was not undertaken during the Scheme year, it represents an important exercise for the Trustees that covers the investment policies the Trustees have in place. The investments (fund type, management style and asset allocations) used in the default strategy were reviewed as part of this exercise including the growth and at retirement phases of the default strategy and the self select fund range. The Trustees are comfortable that the Scheme's assets were invested in regulated markets during the year.
The balance between different kind of investments	Members can combine the self-select investment funds in any proportion in order to achieve the desired level of return and risk in line with their own attitude towards, and tolerance of risk. Within the default option, the strategic asset allocation is set to achieve the expected return required to meet the objective of the default option. The default investment option is designed to be broadly appropriate for members who intend to take 25% of their funds as cash at retirement (in line with current regulations regarding tax-free cash) and to purchase an annuity with the balance of their funds.SIP section 3.4.1	The strategic asset allocation of the default investment option is reviewed on a triennial basis. The date of the last formal review was October 2018. The Trustees' investment consultant provided the Trustees with an investment performance report on a quarterly basis, which the Trustees use to monitor the risk and return of the default option and the self-select funds.
Risks including the ways in which risks are to be measured and managed	The Trustees have considered risk from a number of perspectives and believe a number of risks may be financially material. The Trustees believe that the appropriate time horizon within which to assess these	The Trustees consider both quantitative and qualitative measures for the risks detailed in the risk section of the SIP (section 3.2), when deciding investment policies, strategic

	risks should be viewed at the member level. This will be dependent on the member's age and when they expect to retire. SIP section 3.2	asset allocation, the choice of fund managers / funds / asset classes. The Trustees maintain a risk register of the key risks, including investment risks. This rates the impact and likelihood of the risks and summarises existing mitigations and additional actions. The Trustees reviewed the risk register at the Trustees' meetings on 21 April and 14 September 2020 and, following some updates to cover the risk of widespread business disruption and office closures due to external factors, agreed that it accurately represented the key risks faced by the Scheme and the control measures in place to mitigate these risks. The Trustees also received administration reports which are reviewed to ensure that core financial transactions were processed within SLAs and regulatory timelines.
Expected return on investments	The funds available are expected to provide an investment return commensurate with the level of risk being taken. In designing the default, the Trustees have explicitly considered the trade-off between risk and expected returns. The default should generate returns in excess of inflation during the growth phase and de-risk towards the retirement date to match how a member will draw their benefits. SIP section 3.4.1	The Trustees' investment consultant provided the an investment performance report on a quarterly basis, which includes the default and additional self-select investment fund choices. The report also includes how each investment manager is delivering against their specific targets. The Trustees reviewed the performance reports and no actions were taken during the year in respect of the investment arrangements. The portfolio components of the default are specifically monitored against their respective aims and objectives. The growth phase of the default (and alternative lifestyles) is reviewed against inflation and equity volatility, the de-risking phase of the default is looked at against inflation on a triennial basis as a minimum.

Investment Mandates

Requirement	Policy	In the year to 31 March 2021

Securing compliance with the legal requirements about choosing investments	The Trustees have consulted a suitably qualified person and have obtained written professional advice from their investment consultant, Mercer Limited. SIP section 1 Mercer is appointed as the Investment Consultant to the Scheme. The Investment Consultant provides advice to the Trustees but does not have responsibility for decision making in any area. SIP section 9.2	There have been no changes (or recommended changes) to the Scheme's investment arrangements over the year to 31 March 2021, hence there was no requirement for formal investment advice consistent with the requirements of Section 36 of the Pensions Act 1995. The Trustees sought the advice of their investment consultant when updating the SIP in September 2020.
Realisation of investments	The Trustees' administrators will realise assets following member requests on retirement or earlier where required. The pooled funds through which the Trustees allow members to invest provide the required level of liquidity. Units in the pooled funds in which the Scheme invests are reasonably expected to be readily available. SIP section 3.2	The Trustees receive administration reports to ensure that core financial transactions are processed within SLAs and regulatory timelines. The Trustees are satisfied that all requirements were met throughout the year. The SLA data is run on a 6 monthly basis throughout the period 1 September 2019 to 31 August 2020 94% of SLAs were met and 94% of SLAs were met throughout the period 1 September 2020 – 28 February 2021. All funds are daily dealt pooled investment vehicles. The Trustees have delegated the responsibility for buying and selling investments to LGIM. The day to day activities of LGIM are goverened by an LGIM document, the Principles of Operation, that is reviewed from time to time to ensure that the operating instructions, provisions and restrictions remain appropriate.
Financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments	The Trustees have considered risk from a number of perspectives and believe a number of risks may be financially material, including ESG risk and climate risk. The Trustees believe that the appropriate time horizon within which to assess these risks should be viewed at the member level. This will be dependent on the member's age and when they expect to retire. SIP section 3.2 The Trustees have given the investment manager full discretion when evaluating ESG issues and the Trustees expect that their investment manager will	The investment performance reports were received by the Trustees on a quarterly basis during the year under review, and considered in more detail at the Trustees meetings on 21 April and 14 September 2020 – these included ratings (both general and ESG specific) from the Scheme's investment consultant. All of the pooled funds remained highly rated during the year, where relevant (the Trustees acknowledge that some of the pooled funds do not have high ESG ratings assigned by the investment consultant due to the nature of the asset class) . During the year under review the LGIM Dynamic Diversified and Retirement Income Multi-Asset Strategies ESG ratings were upgraded. The Trustees were comfortable with the ratings applied to the funds, and continue to closely monitor these ratings and any significant developments at the investment manager. When implementing a new fund or manager, the Trustees consider the ESG rating of the fund/manager. The Scheme's SIP includes the

	take account of all financially material considerations including the potential impact of ESG factors in the implementation of their mandate and in exercising rights and stewardship obligations attached to the Scheme's investments SIP section 6	Trustees' policy on ESG factors, stewardship and climate change. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship. The Scheme's SIP includes the Trustees' policy on Environmental, Social and Governance ('ESG') factors, stewardship and climate change. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in order to monitor ESG related risks and opportunities. The Trustees reviewed the investment managers latest available ESG/stewardship report at the Trustees meeting on 14 September 2020, which summarised the managers activity and voting behaviour in this area, and agreed that no action was required.
The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments	Given the objectives of the Scheme the Trustees have not considered any non-financially material factors in the development and implementation of their investment strategy. The Trustees have not imposed any restrictions or exclusions to the investment arrangements based on non-financially material considerations SIP section 6	Member views are not explicitly taken into consideration.

Monitoring the Investment Managers

Requirement	Policy	In the year to 31 March 2021
How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the trustees	Given, the DC Section is only invested in multi client pooled funds, the Trustees accept that they do not have the ability to determine the risk profile and return targets of specific funds. The Trustees are able to make investment manager appointments in such a manner that the assets are managed consistent with the investment strategy for the	The Trustees did not identify any instances where its investment manager's strategies and decisions were inconsistent with the Trustees policies over the year to 31 March 2021. The Trustees noted that all of the pooled funds remained highly rated by the investment consultant during the year, where relevant. No new investment managers were implemented over the period to 31 March 2021

policies mentioned in sub-paragraph (b) of the legislation [2-8 of this Statement]	Section. The investment managers are incentivised by the knowledge that the Trustees will review their appointment if, over time, they do not meet expectations. Investment managers are appointed by the Trustees based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class they are selected to manage. The Trustees look to their investment consultant for their forward-looking assessment of a manager's ability to outperform over a full market cycle, for mandates where outperformance is the objective. For passively managed mandates, or those where outperformance is not the primary goal, the Trustees will seek guidance from their investment consultant in relation to their forward-looking assessment of the manager's ability to achieve the stated mandate objectives. SIP section 7.1	
How the arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term	The Trustees do not have a policy about making investment decisions based on their assessment of the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the investment managers, where applicable. These managers may be in a position to engage directly with such issuers in order to improve their performance in the medium to long term. The Trustees do however consider the investment consultant's assessment of how each investment manager integrates ESG and stewardship into their investment process.	During the year to 31 March 2021, the Trustees remained comfortable that the arrangement in place with the investment manager continues to incentivise the manager to make decisions based on medium to long-term financial and non-financial performance.

	SIP section 7.2	
How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the trustees' policies mentioned in sub-paragraph (b) of the legislation [2-8 of this Statement]	The Trustees receive investment performance reports on a quarterly basis. The Trustees review the performance against a suitable index used as the benchmark (where appropriate), and/or against the managers' stated performance target over the relevant period. The Trustees maintain a focus on long term performance. They may review a manager's appointment if the manager has extended periods of underperformance, there is a material change in personnel or there are developments that may severely impact the outcome of the investment. The investment managers are remunerated by way of a fee calculated as a percentage of assets under management. As part of the annual Value for Money assessment, the Trustees review the investment manager fees within the DC section, including benchmarking against appropriate peer groups. SIP section 7.3	The investment performance reports were received by the Trustees on a quarterly basis during the year under review, and considered in more detail at the Trustees meetings on 21 April and 14 September 2020. The Trustees reviewed the performance against suitable benchmarks over both the short and long-term, and did not draw any concerns around the performance of the investment manager. Over the year, there were no changes to the remuneration arrangements with the Scheme's investment manager.
How the trustees monitor portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range.	Portfolio turnover costs for each of the funds are reviewed on an annual basis as part of the annual value for members assessment. The ability to assess the appropriateness of these costs is limited by the availability of data. The Trustees will monitor industry developments in how to assess these costs and incorporate this in future value for members assessments. Importantly, performance is reviewed net of portfolio turnover costs. SIP section 7.4	As noted in the most recent Chair's Statement, dated 31 March 2021 there is little flexibility for the Trustees to impact transaction costs as they invest in pooled funds. While the transaction costs provided appear to be reflective of costs expected of various asset classes and markets that the Scheme invests in, there is not as yet any "industry standard" or universe to compare these to. As such, any comments around transaction costs at this stage can only be viewed as speculative. However, the Trustees will continue to monitor transaction costs on an annual basis and developments on assessing these costs for value.
The duration of the arrangement with the asset manager	The Trustees are long-term investors and are not looking to change the investment arrangements on a frequent basis.	As part of the annual Value for Members assessment, the Trustees review the Manager fees and the performances of the funds held by the Scheme. If the Trustees are not satisfied with an Investment Manager, they will ask the Investment Manager to take steps to rectify the situation. If the Investment

	Within the DC section, all of the funds are open-ended with no set end date for the arrangement. The fund range and default strategy are reviewed on at least a triennial basis. A manager's appointment may be terminated if it is no longer considered to be optimal nor have a place in the default strategy or general fund range. SIP section 7.5	Manager still does not meet the Trustees requirements, the Trustees will remove the Investment Manager and appoint another after taking advice and following necessary due diligence. There were no changes to the Scheme's investment arrangements, nor were the appointments of any of the Scheme's investment managers placed under review by the Trustees, over the year to 31 March 2021. As a result, all of the Scheme's existing arrangements with its investment managers remained in place over the period. This is consistent with the Trustees' desire not to make frequent changes to the investment arrangements unless it is deemed necessary

ESG, Stewardship, Climate Change and Voting Disclosures

Requirement	Policy	In the year to 31 March 2021
The exercise of the rights (including voting rights) attaching to the investments	The Scheme's voting rights are exercised by its investment manager on the basis that voting power will be exercised by it with the objective of preserving and enhancing long term shareholder value, in accordance with its own corporate governance policies. The investment manager also takes into account current best practice including the UK Corporate Governance Code and the UK Stewardship Code. Equity managers who are registered in the UK are expected to report on their adherence to the UK Stewardship Code on an annual basis. Where relevant, the Trustees will review the voting policies of the investment manager and determine that these policies are appropriate. The Trustees will request their investment manager provides details of any change in its house policy periodically. SIP section 6	The Trustees have delegated the exercise of voting rights to the investment managers through the contract with LGIM, on the basis that voting powers will be exercised by them with the objective of preserving and enhancing long term shareholder value. The key voting activity on behalf of the Trustees over the year to 31 March 2021 is outlined at the end of this Statement. During the year under review the Trustees did not actively challenge the investment manager on its voting activity.

Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, trustees would monitor and engage with relevant persons about relevant matters)	Where appropriate the Trustees will engage with and may seek further information from their investment manager on how portfolios may be affected by a particular issue. The Trustees do not engage directly but believe it may be appropriate for their investment managers to engage with key stakeholders in order to improve corporate behavior and performance and to mitigate financial risks. Such stakeholders may include corporate management, regulators and governance bodies. The Trustees will review engagement activity undertaken by their investment manager as part of their broader monitoring activity. SIP section 6	As the Scheme invests solely in pooled funds, the Trustees require their investment manager to engage with the investee companies on their behalf. The Trustees wish to encourage best practice in terms of corporate activism. They therefore encourage their investment manager to discharge its responsibilities in respect of investee companies in accordance with relevant legislation and codes. At the Trustees meeting held on 14 September 2020, the Trustees reviewed the investment manager’s latest available stewardship report which summarised their activity and voting behaviour in this area. The Trustees noted that within passively managed equities, the investment manager remained highly rated from an ESG perspective by their investment consultant, which provided the Trustees with comfort regarding the engagement activities being undertaken by the investment manager in this area.

Key Voting Activity

Fund	Votable meetings	Total votable proposals	No. of proposals voted on behalf of investors	Participation rate	% votes against management
Dynamic Diversified Fund	7,887	83,262	83,179	99.9%	15%
Retirement Income Multi Asset Fund	11,211	114,644	114,415	99.8%	18%
Global Equity Fund	7.515	79,697	79,617	99.9%	15%

LGIM disclosed details of a number significant votes that occurred during the year under review, below we have summarised some examples:

Dynamic Diversified Fund

AmerisourceBergen Corporation

Date of Vote: 11 March 2021
Summary of the resolution: Advisory vote to ratify named Executive Officers' Compensation.
Voting decision: Against
Rationale for voting decision:
During the same year the Company recorded a $6.6 billion charge related to opioid lawsuits, 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 (on unadjusted basis). LGIM has in previous years voted against executives' pay packages due to concerns over the remuneration structure not comprising a sufficient proportion of awards assessed against the company's performance. We voted against the resolution to signal our concern over the overall increased compensation package during a year that the company recorded a $6.6bn charge related to opioid lawsuits and a total operating loss of $5.1 billion.
Outcome of the vote:
The resolution encountered a significant amount of oppose votes from shareholders, with 48.36% voting against the resolution and 51.63% supporting the proposal. LGIM continues to engage with US companies on their pay structures and has published specific pay principles for US companies.

SIG plc

Date of Vote: 9 July 2020
Summary of the resolution: Approve one-off payment to Steve Francis proposed at the company's special shareholder meeting held on 9 July 2020.
Voting decision: Against
Rationale for voting decision:
The company wanted to grant their interim CEO a one-off award of £375,000 for work carried out over a two-month period (February - April). The CEO agreed to invest £150,000 of this payment in acquiring shares in the business, and the remaining £225,000 would be a cash payment. The additional payment was subject to successfully completing a capital-raising exercise to improve the liquidity of the business. The one-off payment was outside the scope of their remuneration policy and on top of his existing remuneration, and therefore needed shareholder support for its payment. LGIM does not generally support one-off payments. We believe that the remuneration committee should ensure that executive directors have a remuneration policy in place that is appropriate for their role and level of responsibility. This should negate the need for additional one-off payments. In this instance, there were other factors that were taken into consideration. The size of the additional payment was a concern because it was for work carried over a two-month period, yet was equivalent to 65% of his full-time annual salary. £225,000 was to be paid in cash at a time when the company's liquidity position was so poor that it risked breaching covenants of a revolving credit facility and therefore needed to raise additional funding through a highly dilutive share issue.
Outcome of the vote:
The resolution passed. However, 44% of shareholders did not support it. LGIM believe that with this level of dissent the company should not go ahead with the payment.

<u>Retirement Income Multi Asset Fund</u>

Fast Retailing Co. Limited

Date of Vote: 26 November 2020
Summary of the resolution: Elect Director Yanai Tadashi.**Voting decision:** Against
Rationale for voting decision:
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. A lack of women employed is also a concern below board level. LGIM has for many years promoted and supported an increase of appointing more women on boards, at the executive level and below. On a global level we consider that every board should have at least one female director. We deem this a de minimis standard. Globally, we aspire to all boards comprising 30% women. In the beginning of 2020, we announced that we would vote against the chair of the nomination committee or the most senior board member (depending on the type of board structure in place) for companies included in the TOPIX100 where these standards were not upheld. We opposed the election of this director in his capacity as a member of the nomination committee and the most senior member of the board, in order to signal that the company needed to act on this issue.
Outcome of the vote:
Shareholders supported the election of the director. LGIM will continue to engage with and require increased diversity on all Japanese company boards, including Fast Retailing.

Luckin Coffee inc

Date of Vote: 5 July 2020
Summary of the resolution: Remove Director Charles Zhengyao Lu proposed at the company's special shareholder meeting held on 5th July 2020.
Voting decision: For
Rationale for voting decision:
Shortly after its public listing in May 2019, the Chinese coffee start-up, which holds the ambition of disrupting the traditional coffee-shop model and competing with Starbucks in China, was accused by an anonymous report of potential fraudulent behaviour. This was initially denied by the board, and the company later opened an internal investigation with the formation of a special board committee and advice from outside law and forensic firms. The investigation revealed fabricated sales of approximately $300 million, which represented almost half of the company's 2019 sales. As a result, the CEO and chief operating officer were dismissed, and the company was delisted from Nasdaq in June 2020. Two Chinese regulators are investigating the issue. As a result of these findings, Haode Investment inc., a significant shareholder of the company (holding at the time approximately 37% of unequal voting rights), beneficially owned by the chair and founder, requested a special meeting to ask for the removal of three board directors including the director leading the internal investigation, and proposed the election of two outside directors. The company board proposed a resolution at the meeting to seek shareholder approval to remove the board chair from the board. This resolution was put forward by the majority of the board as a result of the findings of the internal investigation. Given the findings of the investigation, LGIM decided to sanction the board for its lack of oversight. We supported the removal of the board chair, and also voted in favour of the removal of two outside non-independent directors of the board. LGIM opposed the election of the two outside directors proposed by the board chair himself, as we had concerns about their independence.
Outcome of the vote:
A majority of investors (% not available) supported the removal of the board chair. Three other board directors were also removed, and two new outside directors were appointed to the board.The company subsequently appointed a new combined chair and CEO, who is a co-founder of the company. LGIM will continue to monitor developments.

<u>Global Equity Fund</u>

Pearson

Date of Vote: 18 September 2020
Summary of the resolution: Amend remuneration policy was proposed at the company's special shareholder meeting, held on 18 September 2020.
Voting decision: Against
Rationale for voting decision:
Pearson issued a series of profit warnings under its previous CEO. Yet shareholders have been continuously supportive of the company, believing that there is much value to be gained from new leadership and a fresh approach to their strategy. However, the company decided to put forward an all-or-nothing proposal in the form of an amendment to the company's remuneration policy. This resolution at the extraordinary general meeting (EGM) was seeking shareholder approval for the grant of a co-investment award, an unusual step for a UK company, yet if this resolution was not passed the company confirmed that the proposed new CEO would not take up the CEO role. This is an unusual approach and many shareholders felt backed into a corner, whereby they were keen for the company to appoint a new CEO, but were not happy with the plan being proposed. However, shareholders were not able to vote separately on the two distinctly different items, and felt forced to accept a less-than-

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

Outcome of the vote:

At the EGM, 33% of shareholders voted against the co-investment plan and therefore, by default, the appointment of the new CEO. 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.

The Procter & Gamble Company (P&G)

Date of Vote: 13 October 2020

Summary of the resolution: Report on effort to eliminate deforestation.

Voting decision: For

Rationale for voting decision:

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. LGIM engaged with P&G to hear its response to the concerns raised and the requests raised in the resolution. 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 our 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.

Outcome of the vote:

The resolution received the support of 67.68% of shareholders (including LGIM). LGIM will continue to engage with P&G on the issue and will monitor its CDP disclosure for improvement.