

The Cronite Pension Scheme Trustees' Report and Financial Statements

15. Governance Statement

CHAIR'S ANNUAL STATEMENT for the period from 6 April 2019 to 5 April 2020

The Cronite Pension Scheme

The Trustees are pleased to provide this Statement which gives you information about the governance of the Defined Contribution section of the Cronite Pension Scheme ("the Scheme") and explains how we have looked after the Scheme during the year which ended on 5 April 2020.

Background

Pension schemes in the UK are usually either called DC ("Defined Contribution") or DB ("Defined Benefit") schemes, depending on how pensions are built up.

The Cronite Pension Scheme has both sorts of benefit; the Scheme is fundamentally a DB Scheme but, historically, the Scheme once had a surplus and this surplus was distributed to members as a DC benefit. As a result, members of the Scheme may be entitled to a DC benefit in addition to their DB benefits. The Chair's Statement therefore deals only with the DC benefits.

The Scheme was established by and is governed by a definitive deed dated 3 June 1996 to provide the retirement and death benefits for the employees and directors of the company.

The purpose of this Statement

Every year the Trustees have to confirm in the Chair's Statement how the Scheme meets the governance standards set by the Pensions Regulator. The Statement will be published in the annual report and accounts.

The default investment strategy

There is no default fund in the Scheme. Due to the circumstances of how the DC benefits arose in the scheme, there are no separate money purchase investments; each member's DC entitlement is recorded as a notional unit allocation within the assets the Scheme holds.

The Trustees take advice on, monitor and review these investments regularly.

Your DC investments

In early 2019 the Trustees undertook a review of the investment strategy. In carrying out this review, the Trustees took advice from Mark Frost at Quattro Pensions and consulted the Scheme sponsor.

The Trustees concluded that the previous strategy in relation to DC funds no longer remained consistent with the Trustee's objectives. As the vast majority of members holding DC funds are due to retire within the next few years, the Trustees view is that the security to members from holding units in cash would be more beneficial than the risk of investing in line with the Scheme's investment strategy.

Accordingly, with effect from 6 April 2019, the notional units are held as a cash sum in the Scheme bank account, earning interest at the Bank of England base rate.

Review of Investment Performance

Given that the notional units have been held in the Scheme bank account earning Bank of England base rate, the return over the year has been as expected by the Trustees.

Core financial transactions

There are no new investments or transfers in. Transfers out and payment of benefits are arranged by Quattro Pensions, the Scheme Administrator. During the year the Trustees ensured the core financial transactions of the Scheme were processed promptly and accurately by:

- Having an agreement with their Scheme Administrator committing them to defined service

15. Governance Statement (Continued)

level agreements ("SLAs")

- Reviewing biannual administration reports to monitor the SLAs
- Retaining the Scheme auditor to independently audit the Scheme accounts

The administrator has adopted a number of processes to ensure core financial transactions are processed promptly and accurately:

- Processes and procedures are in place to ensure all work is done within any agreed SLA in place, or to Quattro's internal service levels (generally, ten working days for most events) where there is no SLA.
- Quattro employ a workflow management system to ensure that tasks are completed on time, that nothing gets missed and that a full checking process is followed before any tasks are completed. The checking process involves all automated calculations being checked by an administrator and then reviewed by a senior administrator who is independent of the doing stage.
- Monthly SLAs are reported to the administration manager who in turn reports back to the Board of Directors at Quattro each month. Some work will also be selected for audit on a sampling basis. Quattro annually conducts a quality audit, performed by a person of appropriate seniority, who chooses a selection of cases at random from across its schemes, for detailed second-checking. The quality audit is also reported to the Directors of Quattro.
- Quattro are aware of the requirement to complete core financial transactions promptly and therefore these items are given higher priority than other events.
- Directors of Quattro will ensure a sample of work is audited to ensure compliance with the SLA, internal standards and external legislative requirements. Quattro's ISO9001 accreditation requires them to carry out monthly audits to ensure their quality controls are in place and correctly adhered to. The quality controls are also audited on an annual basis by an accredited, independent company.
- To ensure the work undertaken is accurate, the Trustees receive Quattro's internal AAF01/06-style report on an annual basis to check their controls have been operating effectively throughout the period.
- The administration report also contains reconciliations between the investment manager and the units held on the administration system.
- The Trustees also review member complaints and any breaches to ensure service is being delivered in line with expectations. We have not received any member complaints and SLA performance remains in line with expectations.
- The Trustees have a close working relationship with the administrator and is able to escalate any issues to a senior member of staff to ensure that any issues arising are dealt with promptly if they were to arise.

Charges and transaction costs

As the notional units were held in the bank account during the year, there were no charges to the members; all charges for operating the bank account and making transactions were paid by the Trustees.

The Trustees believe that the combination of the level of performance and the level of the charges for this strategy is reasonable.

Based on the Trustees' investment strategy, we have illustrated the cumulative effect of charges over time on a pot size of £5,000 for funds to be held as cash until retirement.

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15. Governance Statement (Continued)

Projected Pension Pot	Units value (£)	
	<i>Before charges</i>	<i>After charges</i>
Now	5,000	5,000
Year 1	5,005	5,005
Year 2	5,010	5,010
Year 3	5,015	5,015
Year 4	5,020	5,020
Year 5	5,025	5,025

Notes:

1. The starting pot size is assumed to be £5,000.
2. The projected pension pot values are shown in money terms and does not allow for the effect of future inflation.
3. It is assumed that no future contributions will be paid
4. Values shown are estimates and are not guaranteed
5. The projected growth rate for each fund is 0.1% (the current Bank of England base rate)

Value for Money Assessment

The Trustees have undertaken a value for money assessment by comparing the charges paid by the member against the benefits provided by the Scheme.

The assessment considered the benefits of membership in the Scheme against cost of membership with regards to the DC benefits. All charges fall to the employer and not the Scheme members.

Although the investment strategy means that members will receive low returns, due to the profile of the DC membership (the vast majority of members who hold DC funds are due to retire within the next few years), the Trustees feel that providing members with certainty and security is more important. Given the turmoil in the financial markets over the year the Trustees are happy with the results of this strategy.

Knowledge and understanding of the Trustee

The Trustees consist of two lay trustees and a professional company PTL Governance Limited. The professional trustee company has a number of directors, all of whom keep their knowledge up to date by attending seminars and reading material from the Regulator and other pension service providers.

The Trustees are aware of their training requirements and have a policy on "Trustee Knowledge and Understanding". The Trustees, as a body, brought in a professional trustee for their expertise and skills and to ensure there are no knowledge gaps. The Trustees also seek advice on their arrangements from their appointed professional advisers.

PTL have a training program for all of their staff and are subject to independent audit on their controls and processes through the AAF02/07 reporting. As part of the AAF process the Trustee is required to confirm that the current team have appropriate level of knowledge and understanding to be able to represent PTL as Trustee of the Scheme. The annual review process within PTL identifies training needs for each individual and has a requirement for a minimum of 15 hours Continuing Professional Development (CPD) to be completed each year. Each Director is shadowed by another Client Director and calls take place on a three-monthly basis to provide a peer review to the work undertaken and challenge the Director running the matter. All key decisions would be subject to peer review by the shadow Client Director or another Director.

They work for a broad range of clients and are familiar with the law relating to pensions and trusts. This can be demonstrated through the qualifications held by the Trustee and their continued involvement with many pension schemes. Their knowledge and understanding of pension schemes and the issues faced alongside their advisors Quattro Pensions are able to properly exercise their functions to act in members best interest and to deliver good member outcomes for the contributions made.

The Cronite Pension Scheme

Trustees' Report and Financial Statements

4.3 Implementation Statement

The 2019 Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations (“the Regulations”) require that the Trustees outline how they have ensured compliance with the policies and objectives set out in their Statement of Investment Principles (SIP) over the course of the year.

The Trustees' Stewardship and Engagement policies are included in the Scheme's SIP, which is available on request.

Changes to the SIP during the year

The SIP has been reviewed and revised over the period, with an updated SIP signed during September 2019. The main changes to the SIP, with reasons, were as follows:

- Added the Trustees' investment beliefs, in line with guidance from The Pensions Regulator
- Specified the responsibilities of investment and legal advisers were specified to clarify the requirements of each party
- Amended the investment objectives and strategy to reflect the Trustees' updated strategy
- Changed the policy for the investment of the BL units (money purchase pots which resulted from a historic distribution of surplus) to reflect the updated strategy
- Added the Trustees' adopted policies on voting, ESG, hedging and journey planning

A further amendment was made to the SIP in September 2020 to include the Trustees' policies regarding asset manager incentives, evaluation and monitoring as required by the updated legislation for SIPs.

Meetings with fund managers

During the course of the year, the Trustees have not received presentations from any fund managers, though they have regularly reviewed the performance of the Scheme's investments.

Reviews of fund managers

During the previous accounting period, the Trustees formally reviewed the provision of fund management services and decided to alter their investment strategy. After reviewing a number of managers, the Trustees decide to appoint Legal and General Investment Management (LGIM) to provide LDI funds and a diversified growth fund; fully disinvesting funds from the M&G Long Term Growth Fund and reducing their allocation to the M&G Prudential Absolute Return Fund and M&G All Stock Bond Fund. This was undertaken in multiple stages, completing in June 2019.

Additionally, the Trustees received advice in April 2019 to alter their investment strategy for BL units in the Scheme. The Trustees elected to hold the units in cash in order to reduce risk for the relevant members as they are approaching retirement and to reduce the administrative burden of providing these funds for members.

Compliance with SIP for BL units

The Trustees are required to monitor the extent to which the SIP has been followed for the BL units. Given that the SIP requires these units to be held in the Scheme bank account, the Trustees are satisfied that the SIP has been entirely followed in respect of the BL units over the period.

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Stewardship

Both LGIM and M&G are signatories to the UK Stewardship code and UN Principles for Responsible Investment (UN PRI). The UN PRI are a set of global best practices that provide a framework for integrating ESG issues into financial analysis, investment decision-making and ownership practices. The current UN PRI scorecard scored LGIM as A+ or A in all categories and M&G received an A+ for overall strategy and governance in 2019.

Voting behaviour

Appendix A summarises the voting behaviour for the LGIM dynamic diversified fund, the M&G prudential absolute return fund and the M&G all stock corporate bond fund. The LGIM LDI funds are not included as they do not hold Company stock.

The Trustees' policy is to delegate the exercise of voting rights to their managers, but to review the voting behaviour of the managers annually to check that they are comfortable with the decisions taken by the managers and their approach generally. Having reviewed the information summarised in Appendix A, the Trustees are satisfied with the way in which the managers are exercising voting rights.

Statement of compliance with Regulations

Over the course of 2020, the Trustees are pleased to report that they have, in their opinion, adhered to the policies set out in their SIP and have complied with the Regulations.

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4.4 Appendix A – voting behavior of managers

LGIM Dynamic Diversified Fund:

Voting statistics	
Question	Response
How many meetings were you eligible to vote at over the year to 31/03/2020?	4767
How many resolutions were you eligible to vote on over the year to 31/03/2020?	54599
What % of resolutions did you vote on for which you were eligible?	97.48%
Of the resolutions on which you voted, what % did you vote with management?	84.40%
Of the resolutions on which you voted, what % did you vote against management?	15.17%
What % of resolutions, for which you were eligible to vote, did you abstain from?	0.43%
Sum check	
In what % of meetings, for which you were eligible to attend, did you vote at least once against management?	64.28%
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	8.47%

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Significant Votes

In relation to the Fund named above, which 10 votes over the year to 31/03/2020 do you consider to be most significant for the Plan?					
	Vote 1	Vote 2	Vote 3	Vote 4	Vote 5
Company name	BP PLC	BAYER AG	ESSILORLUXOTTICA	HYUNDAI MOBIS	HYUNDAI MOTOR
Date of vote	21/05/2019	25/04/2019	18/05/2019	22/03/2019	22/03/2019
Summary of the resolution	Resolution 22 - Approve the Climate Action 100+ Shareholder Resolution on Climate Change Disclosures.	Res 2 - Approve Discharge of Management Board for Fiscal 2018	Res A, B and C: Elect Wendy Eward Lane as Director, Elect Jasper Brandgaard as Director, Elect Peter James Montagnon as Director	Resolution 5.2 - Elect Karl-Thomas Neumann as a Member of Audit Committee Resolution 5.4 - Elect Rudolph William C. Von Meister a Member of Audit Committee	Resolution 4.3 - Elect John Y. Liu as a Member of Audit Committee Resolution 4.4 - Elect Robert Randall MacEwen as a Member of Audit Committee Resolution 4.5 - Elect Margaret S. Bilson as a Member of Audit Committee
How you voted	For	Against	For	For	For
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	LGM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	LGM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.		LGM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	LGM and other major shareholders put forward a proposal calling on BP to explain how its strategy is consistent with the Paris Agreement on climate change. LGM worked with the board of BP to secure its support for the motion. At the company's annual general meeting, the proposal was passed with overwhelming approval from shareholders. We have since met BP repeatedly – including its chair and incoming CEO – to advise on implementing the resolution. The company has announced industry-leading targets: net zero emissions from its operations, net zero carbon emissions from the oil and gas it digs out of the ground, and a 50% reduction in the carbon intensity of all the products it sells.	Following its acquisition of agribusiness Monsanto, Bayer was asked to pay millions in damages in several court cases where plaintiffs claimed that Monsanto's glyphosate-based weedkiller RoundUp was linked to causing cancer. The damages were reduced upon appeal, and Bayer was adamant that RoundUp was not carcinogenic. We are concerned that the Bayer supervisory and management boards had not fully considered the significant risks related to glyphosate litigation in the US. Although at the time of the merger agreement in 2015 there were only about a hundred such lawsuits, by the end of 2019, the number grew to over 40,000. From the finalisation of the acquisition in May 2018 until July 2019 Bayer's share price fell by approximately 45%. Unrelated to the litigation, we have previously discussed the importance of a lead independent director, particularly in times of crisis. We spoke to the company ahead of its 2019 AGM to gain a better understanding of the decision-making process in relation to the Monsanto acquisition and the legal advice it received for litigation risk. We recommended establishing advisory and M&A committees, staffed by members appointed with specific expertise; appointing non-executive directors with specific expertise; and appointing new executives. In addition, we suggested that these incidents should have a bearing on remuneration awarded for the year.	In 2018, French lenses producer Essilor merged with Italian frame manufacturer Luxottica. Upon conclusion of the merger, the executive chair of Luxottica's holding company (Defini) owned 32.7% of the merged company's share capital. Under the terms of the merger agreement, the aforementioned executive chairman and Essilor's executive vice-chairman were both given equal powers. A board was also established, with membership split equally between Essilor and Defini. In March 2019 an internal disagreement between the two heads of the merged entity occurred. Two of the company's shareholders – Comgest and Valopies – put forward three board nominees in a bid to break the impasse. We contacted Essilor/Luxottica to discuss the issue, but received no reply. We engaged extensively with Comgest, Valopies and the board nominees. We publicly announced our support for the board nominees ahead of the AGM to ensure the current board knew our intentions and to raise awareness to the other shareholders.	In March 2018, the Hyundai group announced a restructure involving Hyundai Mobis and Hyundai Motor. Activist investor Elliott Management, which owned a \$1 billion stake in the group, challenged these plans by putting forward its own proposals for the two businesses. This included increasing the dividend payout, establishing separate compensation and governance committees, and appointing directors who were not already on the group's boards. We have been actively engaging with Hyundai Motor for a number of years on the composition of the board, the risks associated with a chaebol structure, and excess of capital. Following Elliott Management's announcement, we discussed the proposals with it and the chief financial officer of Hyundai Mobis. We decided to support all the resolutions put forward by Elliott Management in relation to Hyundai Motor. With regards to Hyundai Mobis, we noted the risk of a potential conflict of interest with one nominee and decided not to support their election. We supported all other resolutions put forward.	In March 2018, the Hyundai group announced a restructure involving Hyundai Mobis and Hyundai Motor. Activist investor Elliott Management, which owned a \$1 billion stake in the group, challenged these plans by putting forward its own proposals for the two businesses. This included increasing the dividend payout, establishing separate compensation and governance committees, and appointing directors who were not already on the group's boards. We have been actively engaging with Hyundai Motor for a number of years on the composition of the board, the risks associated with a chaebol structure, and excess of capital. Following Elliott Management's announcement, we discussed the proposals with it and the chief financial officer of Hyundai Mobis. We decided to support all the resolutions put forward by Elliott Management in relation to Hyundai Motor. With regards to Hyundai Mobis, we noted the risk of a potential conflict of interest with one nominee and decided not to support their election. We supported all other resolutions put forward.
Outcome of the vote	99.1% support	44.6% for; 55.5% against	Res A: 43.7% support; Res B: 34.1% support	Both resolutions were defeated. Detailed meeting results are not available for this meeting.	All three resolutions were defeated. Detailed meeting results are not available for this meeting.
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGM continues to engage with the company and monitor progress.	The company subsequently established a glyphosate litigation committee to monitor litigation and consult with the board. We will continue to pay close attention to the litigation and any possible settlements, as well as the decisions of Bayer's remuneration committee. The company also announced that the chair would step down at the 2020 AGM.	Before the AGM was due to take place, the company's board announced that it had reached a governance agreement and all disputes had been resolved. Essilor/Luxottica's CEOs had been tasked with focusing on the integration process and to accelerate the simplification of the company. The board confirmed that neither CEO would seek to become the leader of the combined entity. The board nominees received significant support from the company's independent shareholders, equalling respectively 43.7% and 35% of the total votes. We continue to engage with the company for the benefit of our clients.	Elliott Management's proposals were defeated at both companies' AGMs. However, the two companies decided to broaden the skillset of their boards through the appointment of new directors from outside the group. The management also supported the introduction of separate board committees, including a remuneration committee. Following the vote, the CEO confirmed that the group would listen more to dissenting shareholders.	Elliott Management's proposals were defeated at both companies' AGMs. However, the two companies decided to broaden the skillset of their boards through the appointment of new directors from outside the group. The management also supported the introduction of separate board committees, including a remuneration committee. Following the vote, the CEO confirmed that the group would listen more to dissenting shareholders.
On which criteria (as explained in the cover email) have you assessed this vote to be 'significant'?	This is the first shareholder resolution put forward by LGM.	Vote of no confidence, a rare escalation step.	Escalation of engagement. We publicly announced our support for the board nominees ahead of the AGM to ensure the current board knew our intentions and to raise awareness to the other shareholders.	Shareholder activism is not common in South Korea.	Shareholder activism is not common in South Korea.

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Voting policies	
Please answer the following questions in relation to the Fund named above.	
Question	Response
What is your policy on consulting with clients before voting?	<p>LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients. Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.</p>
Please provide an overview of your process for deciding how to vote.	<p>All decisions are made by LGIM's Investment Stewardship team and in accordance with our relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.</p>
How, if at all, have you made use of proxy voting services over the year to 31 March 2020	<p>LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. Our use of ISS recommendations is purely to augment our own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that we receive from ISS for UK companies when making specific voting decisions</p> <p>To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.</p> <p>We retain the ability in all markets to override any vote decisions, which are based on our custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.</p>

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<p>What process did you follow for determining the "most significant" votes?</p>	<p>As regulation on vote reporting has recently evolved with the introduction of the concept of 'significant vote' by the EU Shareholder Rights Directive II, LGIM wants to ensure we continue to help our clients in fulfilling their reporting obligations. We also believe public transparency of our vote activity is critical for our clients and interested parties to hold us to account.</p> <p>For many years, LGIM has regularly produced case studies and/ or summaries of LGIM's vote positions to clients for what we deemed were 'material votes'. We are evolving our approach in line with the new regulation and are committed to provide our clients access to 'significant vote' information.</p> <p>In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association consultation (PLSA). This includes but is not limited to:</p> <ul style="list-style-type: none"> • High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny; • Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote; • Sanction vote as a result of a direct or collaborative engagement; • Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes. <p>We will provide information on significant votes in the format of detailed case studies in our quarterly ESG impact report and annual active ownership publications.</p> <p>If you have any additional questions on specific votes, please note that we publicly disclose our votes for the major markets on our website. The reports are published in a timely manner, at the end of each month and can be used by clients for their external reporting requirements. The voting disclosures can be found by selecting 'Voting Report' on the following page: http://documentlibrary.lgim.com/litlibrary/lglibrary_463150.html?req=internal</p>
<p>Please include here any additional comments which you believe are relevant to your voting activities or processes</p>	<p>It is vital that the proxy voting service are regularly monitored and LGIM do this through quarterly due diligence meetings with ISS. Representatives from a range of departments attend these meetings, including the client relationship manager, research manager and custom voting manager. The meetings have a standing agenda, which includes setting out our expectations, an analysis of any issues we have experienced when voting during the previous quarter, the quality of the ISS research delivered, general service level, personnel changes, the management of any potential conflicts of interest and a review of the effectiveness of the monitoring process and voting statistics. The meetings will also review any action points arising from the previous quarterly meeting.</p> <p>LGIM has its own internal Risk Management System (RMS) to provide effective oversight of key processes. This includes LGIM's voting activities and related client reporting. If an item is not confirmed as completed on RMS, the issue is escalated to line managers and senior directors within the organisation. On a weekly basis, senior members of the Investment Stewardship team confirm on LGIM's internal RMS that votes have been cast correctly on the voting platform and record any issues experienced. This is then reviewed by the Director of Investment Stewardship who confirms the votes have been cast correctly on a monthly basis. Annually, as part of our formal RMS processes the Director of Investment Stewardship confirms that a formal review of LGIM's proxy provider has been conducted and that they have the capacity and competency to analyse proxy issues and make impartial recommendations.</p>
<p><u>Disclaimer</u></p> <p>All voting data provided in this report is produced by LGIM using data extracted from our third-party proxy-voting provider Institutional Shareholder Services' (ISS) ProxyExchange platform, an electronic voting platform used by LGIM's Investment Stewardship team to vote its clients' shares. Data relates to all votes cast in the [12-month] period to [31 March 2020] by LGIM in each fund in line with our Corporate Governance & Responsible Investment Policy. It does not include any voting directed by policyholders. Please note that this data is provided at fund-level only and can include, in the case of feeder fund structures, multiple underlying fund information. Such information is based on the weighting of the underlying funds held as at [18 August 2020] and does not reflect any change in weightings throughout the preceding year.</p>	

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M&G All Stocks Corporate Bond Fund:

Significant Votes

Event ID	Ext Event ID	Asset ID	Issuer Description	Important Date	Ex Date	Payable Date	Processing Date	Expiry Date	Action Type	Event Status	V/M Code	Source	Sec Group	Sec Type	ELECTION	Comment
165390	1592437250365-165389	BRS33XRA7	Meadowhall Finance PLC	13-Jul-2020		13-Jul-2020	13-Jul-2020	01-Jul-2020	Consent (Consent with Payment)	Approved	Voluntary	COMPOSITE	CMBS	SENIOR	CONSENT GRANTED	Meadowhall Finance PLC (Consent Granted) – View as Significant . Waiver request relating to amendments to the payment default provisions and covenant tests as a result of COVID-19 impact. JV sponsors submitting fresh equity into transaction. Vote was not controversial. Code red 19/06/20 and subsequent email/PM meeting 03/07/20.
162778	1590531099894-162777	BPM2P2L76	Manchester Airport Group Funding PLC	02-Jul-2020		02-Jul-2020	02-Jul-2020	25-Jun-2020	Consent (Consent with Payment)	Approved	Voluntary	COMPOSITE	BND	CORP	CONSENT GRANTED	Manchester Airport Group (Consent Granted) – View as Significant . Waiver request relating to COVID-19 impact. Granted as shareholders injected £300mn of equity with a work fee. (CodeRed 26/05/2020)
162774	1590527248047-162773	BRSMXB8M5	MANCHESTER AIRPORT GROUP FUNDIN	02-Jul-2020		02-Jul-2020	02-Jul-2020	25-Jun-2020	Consent (Consent with Payment)	Approved	Voluntary	COMPOSITE	BND	CORP	CONSENT GRANTED	Manchester Airport Group (Consent Granted) – View as Significant . Waiver request relating to COVID-19 impact. Granted as shareholders injected £300mn of equity with a work fee. (CodeRed 26/05/2020)
171462	159660996932-171461	BRSQ7AU4	Intu (SGS) Finance PLC	28-Aug-2020			28-Aug-2020	21-Aug-2020	Bondholders Meeting	Approved	Voluntary	COMPOSITE	BND	CORP	CONSENT GRANTED	The meetings were arranged to approve the consent solicitation votes which made some material changes to the structure that would fit under the definition of "Potential impact on financial outcome on future company performance". If the votes didn't pass, the SGS will have had to file for insolvency which would have resulted in lower recoveries for Bondholders versus the alternative. Therefore the Intu events are Significant . M&G did not physically attend the meetings.
171464	1596609967076-171463	BRSHM7672	Intu (SGS) Finance PLC	28-Aug-2020			28-Aug-2020	21-Aug-2020	Bondholders Meeting	Approved	Voluntary	COMPOSITE	BND	CORP	CONSENT GRANTED	The meetings were arranged to approve the consent solicitation votes which made some material changes to the structure that would fit under the definition of "Potential impact on financial outcome on future company performance". If the votes didn't pass, the SGS will have had to file for insolvency which would have resulted in lower recoveries for Bondholders versus the alternative. Therefore the Intu events are Significant . M&G did not physically attend the meetings.
166184	1592981165079-166181	BRS8RGV3	Greene King PLC	22-Jul-2020			22-Jul-2020	14-Jul-2020	Bondholders Meeting	Approved	Voluntary	COMPOSITE	ABS	ABS	CONSENT GRANTED	Related to COVID impact. Without covenant relief an event of default would likely have occurred in the short term. Significant
166187	1592981165224-166186	BPM2EH4V1	Greene King Finance PLC	22-Jul-2020			22-Jul-2020	14-Jul-2020	Bondholders Meeting	Approved	Voluntary	COMPOSITE	BND	CORP	CONSENT GRANTED	Related to COVID impact. Without covenant relief an event of default would likely have occurred in the short term. Significant
169002	159025690247-169001	BRSTK4JS5	CPUK Finance Limited	17-Aug-2020		17-Aug-2020	17-Aug-2020	07-Aug-2020	Consent (Consent with Payment)	Approved	Voluntary	COMPOSITE	ABS	ABS	CONSENT DENIED	Related to COVID impact. We felt the request was too wide ranging, not essential and set a bad precedent on covenant waivers. Significant
169006	159025764631-169005	BPM224JQ8	CPUK FINANCE LTD 3.69 -VAR 28/02/204	17-Aug-2020		17-Aug-2020	17-Aug-2020	07-Aug-2020	Consent (Consent with Payment)	Approved	Voluntary	COMPOSITE	ABS	ABS	CONSENT DENIED	Related to COVID impact. We felt the request was too wide ranging, not essential and set a bad precedent on covenant waivers.
160179	1589496980367-160178	BRSDH3031	ABP Finance PLC	08-Jun-2020			08-Jun-2020	08-Jun-2020	Consent	Approved	Voluntary	COMPOSITE	BND	CORP	CONSENT GRANTED	ABP STID Proposal was Non-significant . This was a consent to rectify drafting errors in the original documentation (see attached email from the time of the request for full details if required). Significant
158553	1588897808734-158551	BRS27Z5N6	Marston's Issuer PLC	08-Jun-2020		08-Jun-2020	08-Jun-2020	27-May-2020	Consent (Consent with Payment)	Approved	Voluntary	COMPOSITE	ABS	ABS	CONSENT GRANTED	Related to COVID impact. Without covenant relief an event of default would likely have occurred in the short term. Significant
158558	1588897809265-158555	BRS1DNF56	Marston's Issuer PLC	27-May-2020		05-Jun-2020	27-May-2020	27-May-2020	Consent (Consent with Payment)	Approved	Voluntary	COMPOSITE	ABS	ABS	CONSENT GRANTED	Related to COVID impact. Without covenant relief an event of default would likely have occurred in the short term. Significant
158556	1588897809190-158552	BRS8GFSB8	Marston's Issuer PLC	27-May-2020		05-Jun-2020	27-May-2020	27-May-2020	Consent (Consent with Payment)	Approved	Voluntary	COMPOSITE	ABS	ABS	CONSENT GRANTED	Related to COVID impact. Without covenant relief an event of default would likely have occurred in the short term. Significant
158557	1588897809223-158554	BKR01HEM4	Marston's Issuer PLC	27-May-2020		05-Jun-2020	27-May-2020	27-May-2020	Consent (Consent with Payment)	Approved	Voluntary	COMPOSITE	ABS	ABS	CONSENT GRANTED	Related to COVID impact. Without covenant relief an event of default would likely have occurred in the short term. Significant

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M&G Absolute Return Fund

Voting statistics		
Please answer the following questions in relation to the <u>Fund</u> named above.		
Question	Response	Additional Comments
How many meetings were you eligible to vote at over the year to 05/04/2020?	1021	year to 31/03/2020
How many resolutions were you eligible to vote on over the year to 05/04/2020?	15098	year to 31/03/2020
What % of resolutions did you vote on for which you were eligible?	72.6%	
Of the resolutions on which you voted, what % did you vote with management?	94.3%	
Of the resolutions on which you voted, what % did you vote against management?	5.7%	Includes any vote that was not in line with the Board recommendation
What % of resolutions, for which you were eligible to vote, did you abstain from?	0.6%	
Sum check		
In what % of meetings, for which you were eligible to attend, did you vote at least once against management?	33.2%	
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	6.6%	

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Significant Votes

In relation to the Fund named above, which 10 votes over the year to 05/04/2020 do you consider to be most significant for the Plan?					
	Vote 1	Vote 2	Vote 3	Vote 4	Vote 5
Company name	BP plc	FirstGroup Plc	Manx Telecom Plc	KCOM Group Plc	Barclays plc
Date of vote	21/05/2019	25/06/2019	26/04/2019	05/06/2019	02/05/2019
Summary of the resolution	A binding resolution requiring BP to set and publish GHG reduction targets aligned with the Paris Agreement, which would be irrevocable except by way of a further special	Coast Capital LLC, a 10 percent shareholder, sought to remove six incumbents and elect seven new nominees to a reconstituted 12-member board. This resolution was to remove	Approve Matters Relating to the Cash Offer for Manx Telecom plc by Kelson Bidco Limited	Approve Sale of Company Assets	Approve Remuneration Report
How you voted	For and Oppose across different funds	Oppose	Oppose	Oppose	Oppose
Where you voted against management, did you communicate your intent to the company ahead of the vote?	Yes	Yes	Yes	Yes	Not recorded
Rationale for the voting decision	There was variance of opinion leading to different voting decisions across funds	Support the board was considered to be in best interests of shareholders and the company	Opposition due to offer undervaluing the company	Opposition due to concerns over impact on shareholders	Opposition due to concern over CEO remuneration light of his behaviour and resultant fines imposed by regulators.
Outcome of the vote	Not in a position to provide	Not in a position to provide	Not in a position to provide	Not in a position to provide	Not in a position to provide
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	Not in a position to provide	Not in a position to provide	Not in a position to provide	Not in a position to provide	Not in a position to provide
On which criteria (as explained in the cover email) have you assessed this vote to be "significant"?	Issue/subject matter that has high sensitivity to clients, stakeholders, the Company or M&G	Executive directors or chairperson	Corporate structure – including acquisitions, disposals, takeovers and mergers	Corporate structure – including acquisitions, disposals, takeovers and mergers	Issue/subject matter that has high sensitivity to clients, stakeholders, the Company or M&G

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Vote 6	Vote 7	Vote 8	Vote 9	Vote 10
First Pacific Company Limited 16/12/2019	Bayer AG 26/04/2019	Gresham House Strategic Plc 19/09/2019	Drax Group Plc 17/04/2019	Vodafone Group plc 23/07/2019
Approve Renewal of Indofood Group's Noodles Business, New Annual Caps and Related Transaction	Approve Discharge of Management Board	Re-elect Ken Lever as Director	Approve Political Donations	Approve Remuneration Report
Oppose	Abstain	Oppose	Oppose	Oppose
Not recorded	Not recorded	Yes	Not recorded	Yes
Opposition due to concern over related party transaction	Abstention due to legal issues relating to Monsanto	Opposition due to concern over lack of strategic progress	Opposition, as in our view, political donations are not appropriate	Opposition due to concern over performance and shareholder alignment
Not in a position to provide	Not in a position to provide	Not in a position to provide	Not in a position to provide	Not in a position to provide
Not in a position to provide	Not in a position to provide	Not in a position to provide	Not in a position to provide	Not in a position to provide
Executive directors or chairperson	Executive directors or chairperson	Executive directors or chairperson	Issue/subject matter that has high sensitivity to clients, stakeholders, the Company or M&G	Issue/subject matter that has high sensitivity to clients, stakeholders, the Company or M&G

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Voting policies	
Please answer the following questions in relation to the Fund named above.	
Question	Response
What is your policy on consulting with clients before voting?	Voting decisions are taken in the best interests of clients and decision-making takes into account a wide range of factors. Whilst we do not solicit clients' views we would take them into account should they be known to us.
Please provide an overview of your process for deciding how to vote.	An active and informed voting policy is an integral part of our investment philosophy. In our view, voting should never be divorced from the underlying investment management activity. By exercising our votes, we seek both to add value to our clients and to protect our interests as shareholders. We consider the issues, meet the management if necessary, and vote accordingly.
How, if at all, have you made use of proxy voting services over the year to 05/04/2020	We use research provided by ISS and the Investment Association; and we use the ProxyEdge from ISS voting platform for managing our proxy activity.
What process did you follow for determining the "most significant" votes?	Under the Shareholder Rights Directive II M&G is required to report on its stewardship activities including proxy voting and the identification of significant vote. We have therefore determined our own definition of significant votes (though for this purpose we largely disregarded our 3% shareholding criterion) following internal discussion and consider external guidance.
Please include here any additional comments which you believe are relevant to your voting activities or processes	Our voting policy and our voting records are published on our website. Policy is regularly reviewed as continues to evolve.