Europe Arab Bank plc Pension Scheme: DC Section

Implementation Statement

Implementation Statement for the period covering
1 January 2020 to 31 December 2020

Requirements for the Implementation Statement

New regulations that apply from 1 October 2020 have set out requirements for trustees of defined contribution pension schemes (or hybrid schemes that provide both defined benefit and defined contribution benefits) regarding the production of an Implementation Statement ("IS"). Trustees must produce a Statement for both the DB and DC sections of the Scheme (either separately or combined) which includes:

- A summary of any review and subsequent changes made to the Statement of Investment Principles ("SIP") over the year;
- Evidence on how trustees have fulfilled the objectives and policies included in the SIP over the year; and
- Information on voting and engagement activity undertaken by the Scheme's investment managers on trustees' behalf.

Trustees must publish the IS online (by 1 October 2021) and in the annual trustees' report and accounts where these are produced after 1 October 2020.

Purpose

This document sets out the proposed content for the Scheme's Implementation Statement for the year ending 31 December 2020 relating to the DC section of the Scheme only. We also understand that an Implementation Statement covering the DB section will need to be produced by 1 October 2021, which will be produced by the Scheme's DB investment advisers.

Prepared for: The Trustees
Prepared by: Aon
Date: 19 April 2021

Implementation Statement

Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations (“the Regulations”), which require the Trustees to produce an annual Implementation Statement.

This is the first Implementation Statement the Trustees have prepared and covers the Defined Contribution ('DC') Section of the Scheme to the year ending 31 December 2020.

This Statement is split into the following sections:

- A description of any review of the DC Statement of Investment Principles (the "SIP") and a summary of changes made to the SIP over the year to 31 December 2020;
- Evidence on how the Trustees have met the objectives and policies included within the DC SIP over the year to 31 December 2020.
- Information on voting and engagement activity undertaken in relation to the DC Section by the Scheme's investment managers on the Trustee's behalf.

Summary

The Trustees are satisfied that their policies in place over the year to 31 December 2020 have been appropriately implemented. For any activities not completed during the year, this relates only to policies that were introduced in September 2020 and a plan is in place to action these over 2021.

The Trustees are comfortable that their investment managers are exercising their respective voting and engagement duties, where applicable, to a satisfactory level, and that the Trustees' stewardship policy (detailed in Section 4.7 of the Scheme SIP, available here) is being appropriately implemented on their behalf.

The Trustees recognise that they have a responsibility as an institutional investor to encourage and promote high standards of stewardship in relation to the assets that the Scheme invests in. The Trustees will therefore continue to use their influence to drive positive behaviour and change among the managers that they have employed to invest the assets of the Scheme, and with other third parties that the Trustees rely on such as their investment advisers. The Trustees will monitor, assess and ultimately hold them to account to make sure that the assets of the Scheme are appropriately invested.

1. Review and changes made to the Statement of Investment Principles over the year to 31 December 2020

The Trustees have a policy to review the SIP formally at least every three years, or after any significant change in investment policy or member demographics. The Statement of Investment Principles ("SIP") was reviewed during the year to 31 December 2020 and updated in September 2020.

The changes made included:

- Recognising environmental, social and governance ('ESG) issues as a key risk factor that Scheme members may be exposed to, and outlining how the Trustees take account of and monitor this risk;
- Expanding on how stewardship activity is carried out on behalf of the Trustees by the Scheme's investment managers, the expectations that the Trustees have of their investment managers and how this is monitored by the Trustees; and
- Outlining information on arrangements with investment managers including:
  - how the Trustees select and monitor their investment managers;
  - the Trustees' expectations of how managers make investment decisions;
  - steps that might be taken to ensure alignment of Trustee and manager interests; and
  - the process of monitoring of investment manager costs and fees.

The Trustees sought input on these changes from their investment adviser and the Sponsoring Employer.

The latest version of the SIP is available for members to view via the Europe Arab Bank website.

2. Meeting the objectives and policies outlined in the SIP

This section details how the investment policies and objectives stated in the SIP have been adhered to and achieved in practice over the course of the year to 31 December 2020. We have summarised the objectives and policies by theme; full details are outlined in the SIP.

I. Policies and objectives related to the Scheme's DC investment strategy
Including providing and ensuring the ongoing suitability of the Scheme's investment options (including the default strategy) and ensuring appropriate risk management.

The Trustees have made available two lifestyle strategies and a range of eight self-select funds to allow members to build a portfolio suitable for meeting their individual investment objectives and needs.

For members who do not wish to make an active investment decision, the Flexible Income Lifestyle is used as the default arrangement for the Scheme. Members invested in the default arrangement are initially invested in the Passive Global Equity Fund. This fund aims to deliver long-term growth through investment in equities, and therefore minimise opportunity cost risk by making sure members target a sufficient level of investment growth during the years when they are further from retirement and can typically tolerate a higher risk exposure. When a member is 15 years from retirement, their assets are gradually moved into a mix of bonds and multi asset growth funds, with a portion remaining in equities, aiming to retain some growth potential whilst also providing some protection of the capital value of members' savings, and therefore reducing capital risk. The gradual move between funds also helps minimise market switching risk for members.

To make sure that the DC investment options remain appropriate for the needs of their members, the Trustees carry out a review of the Scheme's investment strategy annually, supplemented by a detailed review of the Scheme's default arrangement design and membership analysis at least every three years. The detailed review was last carried out in November 2020.

Following the 2020 review, the Trustees agreed that the default strategy and range of options remained appropriate and no significant changes to the strategy were required. However further work is being carried out in 2021, including investigating opportunities for explicitly incorporating environmental, social and governance ('ESG') factors within the Passive Global Equity Fund and the possible addition of an ESG-focused self-select equity fund. This work is currently underway.

Additionally, the Trustees agreed that they remained comfortable with the design of the lifestyle strategies and are confident that the provision of two clear options helped to minimise the risk to members that the 'at-retirement' asset allocation of the lifestyles would be inappropriate when compared to how a member might wish to access their retirement savings (mismatch risk). The Trustees also reviewed forward-looking return expectations for various asset classes, which in turn took into account the likelihood that inflation could erode investment returns (inflation risk).

As well as the annual investment strategy review, the Trustees reviewed investment monitoring reports on a quarterly basis over the year, to make sure that funds available to members performed in line with expectations. The quarterly investment monitoring reports were focused on long-term investment performance (over a 5-year period, or where unavailable since inception of the investment strategy), as well as providing shorter-term performance information, as the Trustees' recognise the need to review performance over a suitably long-term time horizon. The reports also included ESG ratings for each of the individual investment funds used within the investment strategy, which supported the Trustees in assessing the overall ESG risks of the Scheme's investments.

II. Policies and objectives related to investment managers

The Trustees have set specific objectives for each individual investment manager and blended fund within the DC section of the Scheme and monitored the funds against these objectives as part of the quarterly review process. The objectives and components of the blended funds were last reviewed in detail in November 2020, as explained above.

The Trustees' quarterly investment monitoring reports included information on both the short and long-term performance of each fund relative to its objective, as well a red, amber or green ('RAG') status to indicate whether funds were delivering in line with their objectives. An overall rating ('Buy', 'Qualified' or 'Sell') was assigned to each of the funds in the DC section of the Scheme to which reflected the investment adviser's conviction in the strategy. All of these elements were considered by the Trustees in their quarterly assessment and review of the Scheme's investment managers over the year to 31 December 2020.

As part of this process, the Trustees agreed to replace the fund underlying the Cash Fund option (which was rated as 'Qualified') with a higher conviction equivalent (which holds a 'Buy' rating). This equivalent is expected to provide members with a higher net of fees return. Cost-benefit analysis was undertaken by the Trustees ahead of progressing with this change (including switch costs, expected returns and changes to ongoing costs), in line with their fiduciary duty of seeking the best return for an appropriate level of risk. This switch was completed shortly after year-end in January 2021.

The Trustees also agreed to review and investigate possible replacement options for the underlying Multi-Asset Growth Fund after this fund received a combination of red and amber performance ratings over the year to 31 December 2020. This work is currently underway.

III. Policies and objectives related to investment advisers

In December 2019, the Trustees set objectives for their DC investment advisers. The investment advisers submitted a self-assessment against these objectives in November 2020, which was then compared to the Trustees' own assessments and supported constructive follow-up discussions in early 2021 to consider any areas of improvement. This review is carried out at least every three years.

IV. Policies and objectives related to ESG risks and stewardship

As covered in Section 2.I. the Trustees reviewed ESG ratings of all the individual investment funds on a quarterly basis over the year to 31 December 2020, which supported the Trustees in assessing the overall ESG risks of the Scheme's investments. The Trustees were comfortable with the quality of the funds, but agreed to investigate the feasibility of incorporating exposures with an explicit ESG-focus, in line with a belief that ESG considerations (including climate change) may be financially material. As above, this work is currently underway.

Regarding member views on ESG matters (including non-financially material considerations), the Trustees' policy is to give due consideration to any member feedback received. No such feedback was received over the year to 31 December 2020.

As part of the SIP changes over the year, the Trustees formalised a policy related to the regular review of their investment managers' stewardship activities. With the help of their investment advisers, the voting and engagement activity of each individual manager has been collated and reviewed. Details of this review can be found in Section 3 of this Statement.

V. Policies relating to costs and charges associated with the Scheme

The investment monitoring report reviewed by the Trustees on a quarterly basis included information on the explicit charges (including the Total Expense Ratio, 'TER') applying to the funds available to members. The TERs were reviewed against typical market ranges and against the advisers' experience of other similar schemes as part of the investment strategy review carried out in November 2020. This review confirmed that all charges were reasonable and within the expected range for the size of the Scheme.

The Trustees also monitored the level of implicit charges applying to the Scheme's funds via the Annual Governance Statement. This includes disclosure of transaction costs, which are incurred on an ongoing basis in addition to the TER and are included within the performance of each fund. Whilst there are not yet any set benchmarks to monitor transaction costs against, the Trustees relied on their investment adviser to highlight if any cost levels appear out of line versus experience of the wider market. This process was completed as part of the production of the Annual Governance Statement and supported a view that the Scheme offers good value for members.

3. Voting and engagement activity over the year

The following sections outline voting behaviour and stewardship information, including examples of significant votes cast, to illustrate engagement activity carried out by the Scheme's pooled fund managers on the Trustees' behalf.

3.I. Equity Funds

Over the year, the Scheme invested in the following equity funds, managed by LGIM and HSBC:

Fund Name	Underlying Investment Manager	Underlying Fund Name
Passive Global Equity Fund	Legal and General Investment Management ("LGIM")	World Equity Index
		World Equity Index (GBP Hedged)
		RAFI All World 3000 Equity Index
		RAFI All World 3000 Equity Index (GBP Hedged)
		Minimum Volatility Index
		World Emerging Markets Index
UK Equity Fund	LGIM	UK Equity Index Fund

Ethical Global Equity Fund	LGIM	Ethical Global Equity Index
Shariah Compliant Global Equity Fund	HSBC	Islamic Global Equity Index Fund

LGIM

Voting Policy

LGIM's Investment Stewardship team use the leading voting research and platform provider Institutional Shareholder Services (ISS) to assist with the application of their own voting guidelines. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is purely to augment their 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 they receive from ISS for UK companies when making specific voting decisions.

The table below sets out the voting activity carried out by LGIM in relation to the underlying funds held by the Scheme over the year to 31 December 2020:

Fund	**Passive Global Equity Fund**						**UK Equity Fund**	**Ethical Global Equity Fund**
Underlying funds	World Equity Index	World Equity Index (GBP Hedged)	RAFI All World 3000 Equity Index	RAFI All World 3000 Equity Index (GBP Hedged)	Minimum Volatility Index	World Emerging Markets Index	UK Equity Index Fund	Ethical Global Equity Index
% resolutions voted	99.10%	99.50%	99.58%	99.65%	99.51%	99.84%	99.94%	99.63%
% of resolutions voted against management	17.74%	17.92%	17.87%	18.11%	18.05%	12.93%	6.95%	16.09%
% resolutions abstained	0.51%	0.53%	0.39%	0.41%	0.17%	1.5%	0.01%	0.15%

LGIM have provided examples of significant votes cast for these funds, with a vote being considered as significant in line with the criteria provided by the Pension and Lifetime Savings Association guidance. This includes (but is not limited to) high profile votes which are subject to a degree of controversy or high public scrutiny, votes with significant client interest, or votes linked to an LGIM engagement campaign. LGIM have also provided details of votes across their wider book of business that they believe to be significant, detailed in their quarterly stewardship reports, more detail on recent activity can be found here: https://www.lgim.com/landg-assets/lgim/_document-library/esg/esg-impact-report-q4-2020.pdf

Voting Example

In September 2020, LGIM voted against a remuneration policy put forward by an investee company Pearson. Pearson issued a series of profit warnings under its previous CEO. Despite this, 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 in the year, on the board's succession plans and progress for the new CEO. They also discussed the shortcomings of the company's current remuneration policy.

LGIM spoke with the chair directly before the EGM and relayed their 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 expectations for UK companies. In the absence of any changes, LGIM took the decision to vote against the amendment to the remuneration policy.

33% of shareholders voted against the co-investments plan and therefore, by default, the appointment of the new CEO. While this resulted in the plan being passed, it highlighted concerns around governance, which LGIM has stated will need to be addressed through continuous engagement going forward.

Engagement Policy

LGIM has a six-step approach to its investment stewardship engagement activities, broadly these are:

1. Identify the most material ESG issues,
2. Formulate the engagement strategy,
3. Enhancing the power of engagement,
4. Public Policy and collaborative engagement,
5. Voting, and
6. Reporting to stakeholders on activity.

More information can be found on LGIM's engagement policy here: https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-engagement-policy.pdf

LGIM's latest annual active ownership report showed that in 2019 they engaged with 493 companies as well as participating in about 30 engagements with regulators, and policy-makers, to improve market standards around the world. LGIM have also begun producing quarterly stewardship reports, more detail on recent activity can be found here: https://www.lgim.com/landg-assets/lgim/_document-library/esg/esg-impact-report-q4-2020.pdf

This report shows that over Q4 2020 alone, LGIM carried our 489 engagements with 428 companies: 357 of these engagements were on environmental topics, 64 on social and 139 on governance topics.

Engagement Example

LGIM have provided an engagement case study where they engaged with the energy company BP. Believing that the shift to a low-carbon economy has profound implications, LGIM and other major shareholders put forward a motion calling on BP to explain how its strategy was consistent with the Paris Agreement on climate change. In May 2019, LGIM worked with the board of BP to secure its support for the motion. At BP's annual general meeting, the proposal was passed with overwhelming approval from shareholders. LGIM have since met BP repeatedly – including its chair and incoming CEO – to advise on implementing the resolution. At the time of this report, the company 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.

HSBC - Shariah Compliant Global Equity Fund

Voting Policy

As with LGIM, HSBC also use ISS to assist with the global application of their own voting guidelines.

ISS reviews company meeting resolutions and provides recommendations highlighting resolutions which contravene HSBC guidelines. Recommendations are provided for all companies held, whether in active or passive funds. HSBC then review voting policy recommendations for all active holdings, which enables them to ensure that ISS has applied the policy correctly and to determine whether there are company-specific reasons to depart from the policy.

HSBC will often provide feedback to ISS on their application of the policy - either to amend the recommendation for a particular meeting or for future meetings. A decision to depart from a policy recommendation is made by the portfolio manager and/or a member of the Governance team. This could result from an investment insight into the company concerned that goes beyond the ISS analysis or from an engagement with the company which indicates that the governance concern is misplaced or will be addressed. Reasons for departures from policy are recorded and reviewed subsequently by a governance oversight group. Policy recommendation on passive holdings are reviewed on an ad hoc basis and can also result in feedback to ISS to amend the recommendation concern and/ or future recommendations.

HSBC policy is applied at three levels: market-specific criteria for developed Europe; global 'good practice' standards for other developed markets; more flexible application for emerging and frontier markets.

Voting information for the Islamic Global Equity Fund is shown below.

	Q1 2020*	Q2 2020	Q3 2020	Q4 2020
% resolutions voted	81%	100%	100%	100%
% of resolutions voted against management	8%	14%	20%	6%
% resolutions abstained	0%	0%	0%	0%

*In the first quarter of 2020, HSBC could not vote 49 resolutions across a number of meetings due to share blocking / power of attorney requirements in place.

HSBC exercise their voting rights as an expression of stewardship for client assets. They have global voting guidelines which protect investor interests and foster good practice, highlighting independent directors, remuneration linked to performance, limits on dilution of existing shareholders and opposition to poison pills.

Voting example

An example of a significant vote over the year concerned Chevron Corporation. In May 2020, HSBC voted against management so as to support a resolution for the company to report on climate lobbying, in alignment with the goals of the Paris Climate Agreement. HSBC favour resolutions that request increased reporting and accountability on climate change issues. HSBC had contacted the company to explain the voting rationale and to request the opportunity to discuss further, highlighting that they would vote in favour of increased reporting at the AGM and in future cases. HSBC were successful in voting for the resolution, with it passing at 53.50% of the vote.

HSBC also tabled a resolution with Exxon Mobil Corporation, which made up 0.90% of the fund’s holdings at the time. The resolution called for disclosure of Scope 3 emissions, in line with the funds' climate change policies. This resolution was withdrawn before the AGM as the company announced it would publish these figures.

Engagement policy

HSBC meet with companies on a range of ESG issues and have a clear set of engagement objectives which may include:

- Improving understanding of a company’s business and strategy
- Monitoring performance
- Signalling support or raising concerns about company management, performance or direction

- Promoting good practice

HSBC undertake a risk assessment on an annual basis, helping to identify ESG practices of concern in different regions and where they have the most exposure on an absolute and relative basis. They prioritise themes, sectors or key stocks on the basis of scale of client holdings, salience of the issues concerned and our overall exposure. This process results in the development of an annual engagement plan.

HSBC have developed a clear process for each formal equity engagement based on setting defined company specific objectives, tracking progress made, measuring company action and recording engagement. They meet with companies on a range of issues including delivery of corporate strategy, financial and non-financial performance and risk, allocation of capital and management of ESG issues. Their active equity and credit analysts and portfolio managers (c.340 investment professionals) engage with issuers as part of the investment process, both before and during the period of investment and they also cover relevant ESG issues in their research and discussions.

To support HSBC's research from engagement activities, they have also developed "ESG key topic sheets", and this ESG executive summary is then supplemented by a set of potential engagement questions to guide our analysts and portfolio managers when meeting an issuer.

Environmental factors considered include climate change risk and environmental impacts, and the associated carbon emissions, energy efficiency, and renewable and alternative energies. Material supply chain issues are also considered. Social factors encompass a variety of different issues including human capital management, health and safety, and supply chain labour standards as well as demographics and the digital divide, financial exclusion, access to healthcare, and nutrition and health.

Governance factors address business ethics, cultures and values, and corporate governance. These can also include bribery and corruption, financial system instability, anti-competitive practices and responsible tax practices, as well as minority shareholder rights.

When analysing issuers, HSBC consider which specific ESG factors are generally material for the industry in which each company operates. They also use proprietary sector-specific weighting for ESG factors to reflect the materiality of each set of issues to the sector. The factors included above are by no means exhaustive, and they can consider further unlisted ESG factors that may have meaningful impact on companies' future potential.

Engagement Example

HSBC engaged with a number of companies including Royal Dutch Shell, Exxon Mobil and Rio Tinto on the investor initiative launched in 2017 to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change; Climate Action 100+. HSBC engaged with these companies to:

- Curb emissions;
- Improve governance; and
- Strengthen climate-related financial disclosures.

The companies include 100 'systemically important emitters', accounting for two-thirds of annual global industrial emissions, alongside more than 60 others with significant opportunity to drive the clean energy transition. HSBC participated in group meetings with the Chairs of all three companies as well as other meetings and its own direct engagement. During the year, both Royal Dutch Shell and Rio Tinto made significant progress in commitments related to the carbon transition.

3.II Multi-Asset Fund

Over the year, the Scheme invested in one multi-asset product managed by Schroders plc (Schroders).

Schroders - Dynamic Multi-Asset Fund

Voting policy

The Schroders Dynamic Multi-Asset Fund invests partly in shares of publicly listed companies which are eligible for voting at shareholder meetings.

When voting, Schroders receive research from both ISS and the Investment Association's Institutional Voting Information Services (IVIS) for upcoming general meetings, however this is only one component that feeds into their voting decisions. In addition to relying on their own policies, Schroders will also be informed by company reporting, company engagements, country specific policies, engagements with stakeholders and the views of portfolio managers and analysts. Further information can be found in the Environmental, Social and Governance Policy for Listed Assets found here.

Voting information for the Schroder Dynamic Multi-Asset Fund is shown below.

	Year to 31 December 2020
% resolutions voted	99.09%
% of resolutions voted against management	7.94%
% resolutions abstained	0.25%

On a quarterly basis, Schroders also produce sustainable investment reports at the firm level, and in each quarter over the year to 31 December 2020, the firm has voted on 99.68% of all possible resolutions. Of these resolutions, 26 were ESG related and the manager voted with management on 20 of these. More information on voting and engagement statistics, including case studies can be found in these reports. The Q4 stewardship report can be found here.

While there are a number of case studies within these reports, Schroders are as yet unable to disclose fund level significant vote examples. The Trustee recognise that these disclosures are relatively new but do expect improved transparency at a fund level moving forward.

Engagement policy

Schroders define engagement to be purposeful communication with an entity (e.g. government, corporate, institution, financial counterparties, regulator, industry body) on particular matters of concern with the goal of encouraging change at the entity and/or wider system improvement. Active ownership is a key part of the ESG process at Schroders. The Multi-Asset team monitor the engagement and voting activity that takes place in relation to the underlying holdings of the fund in partnership with the Schroders' Sustainable Investment team, to ensure they are driving ESG improvements at the underlying holding level. Engagement is an ongoing activity and where change is required, it can take 2-3 years from initial engagement to conclusion. Investment decisions are made by the underlying fund manager based on engagement activity.

Schroder provided the following breakdown of their engagement activities for the Dynamic Multi Asset Fund over the year to 31 December 2020:

	Year to 31 December 2020
Number of entities engaged	232
% of entitles engaged with	14%
% total weight of entities engaged with	18%
Number of proactive engagements	682

Engagement and voting examples

An example of Schroders firm-wide engagement and voting over the year would be with Amazon, specifically on their labour standards. Schroders requested increased transparency of the company's workforce structure and employment practices. This is part of an ongoing engagement with Amazon, having done so sixteen times since 2015. Over the recent year, Schroders decided to escalate engagement by voting against the company at the AGM on social issues, namely voting against the lead independent director in May 2020. Schroders had a call with Amazon in March and again in May before the meeting. Whilst some improvements on sustainability issues had been made overall, such as increased transparency and an ambitious climate pledge, the fund did not think their labour and business ethics concerns had been addressed.

At the AGM in May 2020, Schroders supported six calls for increased disclosure on employment issues. These were resolutions, or recommendations, from other shareholders which we voted in favour of. Schroders have explained to Amazon that the vote marks the start of a 12-month window for improvement, and that further escalation will be considered at the 2021 AGM.

A further example of Schroders engagement over the year would be with Schneider Electric, specifically in relation to board structure, remuneration and governance oversight. Schroders carried out fact finding and engaged with Schneider Electric in a meeting with Fred Kindle, the new Lead Independent Director for the first time since his appointment at the 2020 AGM. During this meeting, it was disclosed that more board meetings took place to ensure good management of the unprecedented events of 2020, with 12 taking place in the calendar year versus 7 in the previous 12 months. Board attendance was also good at 97% and information exchange has become more frequent with Fred meeting the chairman each week. Schroders have requested that the CEO and Chair role be kept separate. Schneider Electric will seek to do this in the future, setting out more clarity at their next governance roadshow, but for the moment these roles will continue to be combined due to the external uncertainty in the market right now. Further, a female director is to be recruited by the 2021 AGM to comply with the target 40% ratio.

Further to this, Schroders enquired about executive remuneration in the year given the events surrounding the Covid-19 pandemic. Schneider Electric have invoked their discretion clause around executive remuneration in the year. Schroders will continue to engage on governance issues in future.

3.III Fixed income

The Scheme also invests in the following fixed income funds, managed by LGIM:

Fund Name	Underlying Investment Manager	Underlying Fund Name
Government Bond (Index Linked) Fund	LGIM	Over 5 Year Index-Linked Gilt Fund
Corporate Bond Fund	LGIM	Investment Grade Over 15 Year Target Duration Fund
Cash Fund	LGIM	Cash Fund

The Trustees acknowledge that the concept of stewardship may be less applicable with respect to its fixed income investments, particularly for short-term money market instruments (as per the LGIM Cash Fund) and gilt investments (the LGIM Over 5 Year Index-Linked Gilt Fund).

The fixed income investments are all invested with LGIM and are managed in line with the same LGIM-wide engagement policy laid out above.

3. IV Summary

Overall the Trustees believe that the stewardship carried out on behalf of the Scheme is adequate and appropriate, noting examples of the willingness and ability of LGIM, Schroders and HSBC to take proactive votes against management where appropriate.

The Trustees recognise that they have a responsibility as a large institutional investor to encourage and promote high standards of stewardship in relation to the assets that the Scheme invests in. Accordingly, the Trustees continue to seek improvements over time (for example, fund level examples of significant votes from Schroders) and will monitor progress. By placing increasing expectations on asset managers and their significant influence to implement considered voting and engagement activities, the Trustees seek to generate positive outcomes for the Scheme.