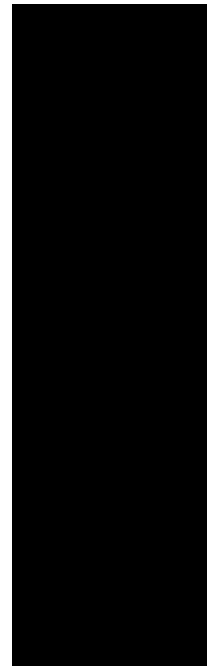
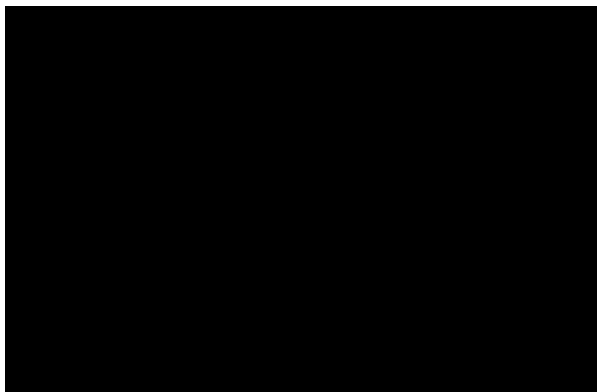


Cummins UK Pension Plan

Implementation Statement

31 December 2020



Section 1: Introduction

This document is the Annual Implementation Statement (“the Statement”) prepared by the Trustee of the Cummins UK Pension Plan (“the Plan”) covering the Plan year to 31 December 2020 (“the year”) for all of the Defined Benefit (“DB”), Defined Contribution (“DC”) and Additional Voluntary Contribution (“AVC”) sections.

The purpose of this Statement is to:

- Detail any reviews of the Statement of Investment Principles (“SIP”) the Trustee has undertaken and any changes made to the SIP over the year as a result of the review.
- Set out the extent to which, in the opinion of the Trustee, the Plan’s SIP, required under section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004 and regulations made under it), has been followed during the year.
- Describe the voting behaviour by, or on behalf of, the Trustee over the year (including most significant votes) and state any use of services of a proxy voter during that year.

A copy of this Statement will be made available on the following website alongside the Plan’s SIP and the SIP Appendix documents:

<https://www.cumminsukpensions.co.uk/>

In summary, the Trustee considers that all SIP policies and principles were adhered to over the year.

Section 2: SIP reviews/changes over the year

The SIP was reviewed and updated during the year, with the following versions being signed off by the Trustee over the year:

1. August 2019 - The SIP in place at the start of the year.
2. February 2020 - An updated SIP as part of the annual review conducted by the Trustee.
3. October 2020 - The most recent version of the SIP which was updated to be more succinct and easier to read. This was formally adopted by the Trustee in December 2020 and published on Cummins' website.

Updates to the Plan's SIP over the year were mainly carried out in response to the Shareholders Directive II legislative requirements to set out the Trustee's policies on:

- How the arrangement with the Investment Managers incentivises the Investment Managers:
 - To align its investment strategy and decisions with the Trustee's policies
 - To make decisions based on assessments about medium to long-term financial and non-financial performance and engage with issuers of relevant securities to improve medium to long-term performance
- How the method (and time horizon) of the evaluation of the Investment Managers' performance and the remuneration for asset management services are in line with the Trustee's policies.
- How the Trustee monitors portfolio turnover costs incurred by the Investment Managers, and how they define and monitor targeted portfolio turnover or turnover range.
- The duration of the arrangement with the Investment Managers.

In addition, the Trustee took the opportunity to undertake a wider review of the SIP with the aim of simplifying the document, making it more reader friendly for members.

SIP Appendix

As part of the review to simplify the SIP over the year, the Trustee decided to remove detail in relation to the DB arrangements in the SIP Appendix with regards to specific holdings and allocations.

Following the triennial investment strategy review of the DC Section over early 2020 and updated DC strategy, the Trustee updated the SIP Appendix accordingly to reflect the new arrangements for the October 2020 iteration.

The SIP Appendix document was subsequently split into two new documents: the SIP Appendix, covering the DC and AVC sections, and the SIP DB Appendix for the DB section.

Section 3: Adherence to the SIP

Overall, the Trustee believes the policies outlined in the SIP have been adhered to during the year. In this section we set out how this has been achieved. To this end, the remainder of this Statement specifically focuses on the SIP agreed in October 2020 as all of the fundamental elements that were included in the August 2019 and February 2020 iterations are also included in the October 2020 SIP.

Introduction and third-party service providers

This section provides the relevant introductory and background rather than setting out any Trustee policies.

Objectives

DB Section

The Trustee’s long-term objective, as outlined in the SIP, is to reach 103% funding on a self-sufficiency basis by the end of 2028. The current investment strategy and risk management policies in place are structured to support this objective. As such, evidence of adherence to the policies relating to the investment strategy and risk management policies in the SIP will act to also evidence support the Trustee’s long-term objective.

DC Section

The Trustee’s Objective, as outlined in the SIP, is to facilitate members in accumulating enough capital to meet their retirement objectives. The current investment strategy and risk management policies in place are structured to support this objective. As such, evidence of adherence to the policies relating to the investment strategy and risk management policies in the SIP will act to also evidence support the Trustee’s long-term objective.

Investment strategy

Below we set out the Trustee’s approach and actions taken over 2020 with regards to the DB and DC investment strategy outlined in the SIP.

SIP Policy Area	Approach	Actions over 2020
Investment strategy	<ul style="list-style-type: none"> To manage and monitor its investments efficiently, the Trustee has delegated responsibility for investment decisions to the Investment Sub-Committee (“ISC”). The ISC meets at least on a quarterly basis to review the portfolio and any relevant investment matters. 	<ul style="list-style-type: none"> The ISC met 21 times to review and monitor the performance of the portfolio including the progression towards the long-term funding level objective. This is inclusive of a period of fortnightly meetings held between March and May 2020 following the COVID 19 outbreak, where additional operational and liquidity factors were monitored closely.

- The ISC conducts investment strategy reviews at least triennially and receives investment advice on an ongoing basis to assess the suitability of the Plan's portfolio from the perspective of member suitability (for the DC Section), risk, return and liquidity. The last full investment strategy review was conducted in 2018 for the DB Section, and 2020 for the DC Section.
- On the DB Section, the ISC has implemented a well-diversified portfolio that is expected to deliver an annual return above gilts of 1.9%. As part of this, the ISC makes use of liability driven investments to maximise the liability hedge ratio on interest rate and inflation risk, protecting the Plan's funding level from large liability present value moves and allowing the return-seeking assets to close the funding level gap. A portion of the longevity risk is hedged through the purchase of a deferred buy-in starting in 2022.
- The ISC receives quarterly manager monitoring reports as well as ongoing manager research updates on significant manager or investment fund developments.
- The ISC works with its Investment Advisor on an ongoing basis to ensure there is enough cash available at any point in time to meet benefit payments.
- The ISC is provided with live monitoring of the Plan's estimated funding level position and portfolio risk and return characteristics via the WTW Asset Liability Suite ("ALS") which the Trustee can access on a daily basis.
- The Trustee has an Integrated Risk Management ("IRM") framework in place which it refers to on an ongoing basis and looks to address covenant, investment and funding level risks present.
- In early 2020, the Plan's DB Section hit a downside trigger as determined by the established Dynamic Risk Management framework in place. The Trustee convened and agreed not to go ahead with any action given the nature of the market fall which had led to the trigger. Over the coming months, the funding level recovered in line with the central funding level journey plan.
- The ISC conducted a review of the competencies required by the ISC collectively to help highlight any current and future governance constraints.
- The ISC conducted a review of its investment beliefs across the DB and DC Sections.
- In February 2020, the ISC conducted a scenario stress test centred on an adverse market crash to run through the decision-making processes and procedures which the ISC would follow should such an event unfold, resulting in an updated dynamic risk management framework process being put in place which included an updated member communication protocol, ultimately aiding the ISC with its decision-making during the market volatility experienced over Q1 2020 as a result of the COVID-19 pandemic.
- The ISC implemented a leveraged equity facility with its LDI manager to provide the Plan with access to more flexible sources of liquidity in a scenario where a capital call is made on the LDI and liquidity elsewhere in the portfolio is scarce.
- The ISC conducted a review of the quarterly monitoring it receives to consolidate monitoring items and implement more enhanced monitoring.
- The ISC received training on the Integrated Risk Management ("IRM") framework over the year and developed and refined the associated risk register for the Plan.
- The ISC received training and reviewed the allocations in the portfolio to Diversifying Strategies and Credit following the COVID 19 outbreak. At the time of writing, the ISC is still in the process of concluding the outcome of these reviews.
- Following the completion of the triennial investment strategy review, the Trustee agreed to replace the existing default annuity focused at-retirement strategy with the new default balanced drawdown-focused ("Balanced") at-retirement strategy. The Balanced strategy has also replaced the existing Drawdown focused lifestyle strategy option. This new Balanced strategy is expected to better match employees likely at-retirement choices and it is a closer match to the trend among DC schemes to

offer drawdown-oriented strategies as the default option for members. Additionally, the Flexicycle has been simplified to offer three Lifestyle strategies targeting Balanced, Annuity and Lump Sum. The Trustee communicated these changes to the membership prior to the changes formally taking place on 1 December 2020.

- The existing AVC default lifestyle which targets Lump Sum at retirement was retained as it continues to be the most appropriate default strategy for AVC members.
- The ISC received training on Master Trusts and drawdown options available to DC members for the ISC to consider in order to aid members once they reach retirement.

Investment managers

Below we set out the Trustee’s approach and actions taken over 2020 with regards to the Investment Manager arrangements outlined in the SIP. Investment Manager stewardship practices are discussed in the next section of this Statement.

SIP Policy Area	Approach	Actions over 2020
<p>Investment Manager arrangements</p>	<ul style="list-style-type: none"> • Each Investment Manager is chosen for a targeted asset class or market exposure within the Plan’s investment strategy. • The Trustee focuses on longer-term outcomes when assessing Investment Manager performance. The Trustee would not expect to terminate a manager’s appointment based purely on short term performance. • Investment Managers’ investment and risk guidelines, including prescribed benchmarks, help govern their investment mandates, thereby limiting the deviation from the Plan’s investment policy objectives in relation to the kinds of investments held, the balance between different kinds of investments, risks, including the ways in which risks are measured and managed, the expected return on 	<ul style="list-style-type: none"> • The ISC reviewed manager performance against the objectives of the fund, the benchmark and wider asset class universe throughout the year as part of its quarterly monitoring process in addition to the Investment Advisor’s ongoing monitoring activities. • The ISC concluded the switch of two Diversifying Strategies funds in the DB Section following a revised view from the Investment Advisor on the best-in-class Merger Arbitrage manager and a switch from Momentum to a more diversified Alternative Risk Premia strategy in the context of the Plan’s overall strategy and objectives. • The Plan’s Private Markets portfolio is reviewed by the Trustee on at least an annual basis due to the illiquidity of this layer. The review of this mandate concluded the current managers in this layer remained appropriate, and in order to maintain the

investments, the realisation of investments, and financially material considerations.

- The DB Section invests with multiple Investment Managers for the implementation of the DB Section's investment strategy, which provides additional mitigation of any single manager being misaligned.
 - The DC Section only invests in pooled investment funds through a platform provider (LGIM), and these are predominantly passive funds
 - The Trustee receives MiFID II compliant costs and charges reporting on an annual basis that covers all costs incurred by Investment Managers and Investment Advisor, including costs associated with portfolio turnover.
- target allocation to this layer the ISC agreed to commit to two additional funds over 2020.
 - Following a period of negative performance in the Diversifying Strategies layer in the DB Section, the ISC conducted a thorough review of each of the underlying strategies to this mandate with assistance from the Investment Advisor to re-affirm the suitability of these strategies and managers on a forward looking basis. As part of this review, the ISC decided to increase the allocation to its Reinsurance manager in July 2020 following an increased positive outlook for the strategy.
 - The ISC reviewed the main DC funds against the universe for 2020 and 3 years in terms of absolute and risk adjusted return, concluding that the current fund selection remains appropriate for the Plan's members. A similar exercise was carried out on the DB Section, also concluding the current manager line up remained appropriate ahead of the 2021 investment strategy review.
 - In March 2020 the Trustee received and reviewed the annual MiFID II cost and charges report for 2018.

Social, environmental and ethical issues

Below we set out the Trustee's approach and actions taken over 2020 with regards to social, environmental and ethical issues outlined in the SIP. Further information on manager voting and engagement practices is provided in Section 4 of this Statement.

SIP Policy Area	Approach	Actions over 2020
Stewardship and Environmental, Social and Governance ("ESG") considerations	<ul style="list-style-type: none"> • The ISC conducts Sustainable Investment ("SI") reviews of Investment Managers on an annual basis, including meeting with relevant Investment Managers to ensure their stewardship policies and activities align well with the Trustee's. The review includes the Investment Advisor's SI assessment of each manager in the portfolio. 	<ul style="list-style-type: none"> • The ISC undertook its' annual corporate governance review of its Investment Managers in February 2020 and concluded it was comfortable with the current position of its Investment Managers with no weak areas identified, and neutral rated funds being engaged with by the Investment Advisor on the Trustee's behalf. The Trustee also reviewed its own ESG policy and concluded it remained suitable.

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- If, following engagement with the Investment Manager, it is the view of the Trustee that the degree of alignment between the policies of the Trustee and an Investment Manager remain unsatisfactory, the manager will be terminated and replaced.
 - The ISC looks to implement explicit ESG considerations into its investments as much as is practicable. Current strategies with explicit ESG tilts include the Adaptive Capped Equity funds in both the DB and DC sections and the Market Neutral Equity fund in the DB Section. Self-select funds in the DC Section also include options to invest in an ethical focussed equity fund and an Islamic focussed equity fund.
 - The Trustee accesses the services of Hermes EOS, a stewardship services provider which works to engage with the underlying security issuers in the Adaptive Capped Equity fund in the DB Section of the Plan and public institutions, as well as offering voting advice to the manager on relevant issues. The Trustee believes services provided by Hermes EOS enhance the Plan's voice on ESG matters which align closely with the Trustee's policies through the scale and resources of Hermes EOS.
 - The ISC received training on SI developments in relation to the broader market, as well as the engagement policies and activities carried out by the Investment Managers and Hermes EOS. The ISC also reviewed the Investment Advisor's approach to SI in the way it reviews Investment Managers and engages with them and the wider industry.
 - The ISC conducted a review of the 2019 manager voting record and engagement plans, concluding it was satisfied that it was broadly in line with the Trustee's policies and expectations.
 - As part of the review conducted on the Investment Advisor's objectives, the ISC included an explicit objective on ESG considerations weighted at 5% of the overall objectives.
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Other matters

Derivatives

The Plan does not invest directly in any derivative instruments.

AVCs

The AVC fund range was reviewed in conjunction with the DC fund range as part of the 2020 investment strategy review.

Risk Management

The Trustee recognises several risks involved in the investment of the Plan's assets in the SIP. The risks are mitigated and considered when setting investment policies and the associated investment strategy. The Trustee's IRM framework aims to capture and codify the key risks which the Plan is exposed to, aiding the Trustee in its monitoring of these risks on an ongoing basis. This encompasses risk capacity and appetite, strategies and processes to manage and monitor these risks and drawing out procedures involved in enacting any contingency plans in the event of adverse scenarios. These risks are monitored and reported on periodically. The Trustee received further training on developing the IRM framework further in February 2020 which led to a review conducted by the ISC.

The ISC has implemented the following tools and procedures to help manage the risks identified in the SIP:

- The ALS portal provides daily updated estimated funding level, risk and return metrics for the DB Section.
- The Trustee receives regular Sponsor updates, with a representative of the Sponsor serving on the ISC on a permanent basis.
- The ISC reviews the liquidity of the DB Section portfolio at least on an annual basis. Cashflow movements and requirements are monitored by the Trustee on an ongoing basis and cash disinvestments managed by the Trustee with assistance from the Investment Advisor.
- A well-diversified range of investments in terms of asset class, geography, return drivers and risks.
- Quarterly investment performance monitoring reports.
- A process whereby manager research updates are shared with the Trustee in a timely manner, where these signal significant updates to the status of the Investment Managers by the Investment Advisor which could lead to Trustee action.
- A liability driven investment portfolio is utilised to match the majority of the Plan's liability interest rate and inflation sensitivities; a deferred pensioner buy-in to hedge a portion of the Plan's longevity risk.
- Investments are largely hedged against foreign currency movements, although an appropriate level of foreign currency exposure is maintained in both Sections given the costs, risks and time horizon associated with hedging foreign currency exposure.
- An appropriate default lifecycle strategy for DC members' needs and an associated member communications strategy to maximise member engagement.
- Annual costs and charges reviews of fees incurred from Investment Managers and the Investment Advisor.

Section 4: Engagement and voting

The Trustee's stewardship policy is set out in the SIP and was reviewed as part of the review of the SIP in February 2020.

The Trustee has delegated the day-to-day ESG integration and stewardship activities (including voting and engagement) to its Investment Managers.

The tables below set out the voting activities of the Plan's Investment Managers over 2020 on behalf of the Plan which invest in securities with associated voting rights (i.e. listed equity). Furthermore, information is provided on the Investment Manager's use of proxy voting services, as well as some examples of votes cast that both the Investment Manager and the Trustee deems to be significant.

Voting statistics - DB Section	SSGA RAFI Equity*	AMX SSGA Adaptive Capped ESG Equity**	LGIM Heitman Global Prime Property
Number of meetings eligible to vote	3,088	1,653	123
Number of resolutions eligible to vote on	37,782	21,985	1,213
Proportion of eligible resolutions voted on	99.4%	100.0%	100.0%
Proportion of resolutions voted with management	88.5%	88.2%	85.2%
Proportion of resolutions voted against management	9.0%	11.8%	14.7%
Proportion of eligible resolutions abstained from	0.8%	N/A	0.2%
Proportion of eligible to attend meetings where voted at least once against management	N/A	52.3%	5.8%
Proportion of resolutions voted contrary to the proxy advisor (if applicable)	N/A	N/A	0.4%

Voting statistics - DC Section	Accelerated Growth	Moderate Growth	UK Equity	Ethical Global Equity Index	World Equity Index***	World Emerging Markets Equity Index	HSBC Islamic Titans
Number of meetings eligible to vote	4,879	10,973	1,027	1,248	3,659	4,346	108
Number of resolutions eligible to vote on	55,819	112,453	13,941	17,763	42,494	37,948	1,605
Proportion of eligible resolutions voted on	99.7%	98.8%	99.9%	99.8%	99.1%	99.8%	97.0%
Proportion of resolutions voted with management	81.4%	82.0%	93.1%	83.7%	81.8%	85.6%	87.4%
Proportion of resolutions voted against management	18.0%	17.5%	7.0%	16.2%	17.7%	12.9%	12.6%
Proportion of eligible resolutions abstained from	0.5%	0.6%	0.0%	0.1%	0.5%	1.5%	0.0%
Proportion of eligible to attend meetings where voted at least once against management	6.0%	6.3%	3.3%	5.2%	6.0%	5.0%	57.4%
Proportion of resolutions voted contrary to the proxy advisor	0.3%	0.2%	0.8%	0.6%	0.3%	0.0%	9.0%

*Proportion of resolution statistics will do not sum to 100 due to the Manager reporting on eligible (not voted) resolutions and Say on Pay resolutions being classified as a separate category to the For/Against/Abstain options.

**Voting and engagement activities undertaken by Hermes EOS on behalf of SSgA on the Asset Managers Exchange (“AMX”) platform.

***Includes both GBP hedged and unhedged share classes.

Notes: Data sourced from investment managers. The totals of ‘Proportion of resolutions voted with management’, ‘Proportion of resolutions voted against management and ‘Proportion of eligible resolutions abstained from’ may not sum due to rounding.

Investment Manager	Use of Proxy Voting
Legal & General Investment Management (LGIM)	<p>LGIM’s Investment Stewardship team uses Institutional Shareholder Services’ (“ISS”) ‘ProxyExchange’ electronic voting platform to electronically vote clients’ shares. All voting decisions are made by LGIM and LGIM do not outsource any part of the strategic decisions. To ensure LGIM’s proxy provider votes in accordance with LGIM’s position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. LGIM retain the ability in all markets to override any vote decisions, which are based on their custom voting policy. 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>
State Street Global Advisors (SSGA)	<p>SSGA has contracted the services of a third-party provider - ISS - to assist SSGA with the management of the voting process and provide inputs into our research of shareholder meetings. SSGA use ISS as:</p> <ul style="list-style-type: none"> • a proxy voting agent providing SSGA with vote execution and administration services; • SSGA’s trusted resource for applying Proxy Voting Guidelines; and • SSGA’s provider of research and analysis relating to general corporate governance issues and specific proxy items. <p>In addition to ISS, State Street Global Advisors has access to proxy research from a number of global and regional providers including Glass Lewis & Co. and the Institutional Voting Information Service. Research and data provided by these third parties complement our in-house analysis of companies and individual ballot items. All final voting decisions are based on State Street Global Advisor’s proxy voting policies and in-house operational guidelines.</p>
Hermes EOS (on behalf of SSgA on AMX)	<p>Hermes EOS is a stewardship services provider that provides company voting, engagement and public policy voting activity on behalf of the AMX SSGA Adaptive Cap ESG Fund. Hermes EOS provide engagement-led voting recommendations where possible, tailored to individual company circumstances and utilising a three-tier framework to guide voting policy which considers country specific policies, regional EOS corporate governance principles and overarching global voting guidelines. Hermes executive voting recommendations directly for the Fund, and both SSgA and AMX have the ability to override voting recommendations, although this option has not yet been exercised.</p>
HSBC	<p>HSBC use the voting research and platform provider Institutional Shareholder Services (ISS) to assist with the global application of our own bespoke voting guidelines. ISS reviews company meeting resolutions and provides recommendations highlighting resolutions which contravene HSBC’s guidelines.</p>

Investment Manager	Significant votes
LGIM	<p>Qantas Airways Limited. 23/10/2020, support management - Approve Remuneration Report. LGIM wanted to ensure the impact of the COVID crisis on the company's stakeholders was appropriately reflected in the executive pay package. LGIM supported the remuneration report given the executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the long-term incentive plan (LTIP), in light of the pandemic.</p>
	<p>International Consolidated Airlines Group. 07-Sep-20, against management - Approve Remuneration Report. The COVID-19 crisis has negatively impacted this airline company's financial performance and business model. At its 2020 AGM the remuneration report for the financial year to 31 December 2019 was submitted to a shareholder vote. LGIM were concerned about the level of bonus payments, which are 80% to 90% of their salary for current executives and 100% of their salary for the departing CEO. LGIM noted that the executive directors took a 20% reduction to their basic salary from 1 April 2020. However, whilst the bonuses were determined at the end of February 2020 and paid in respect of the financial year end to December 2019, LGIM would have expected the remuneration committee to exercise greater discretion in light of the financial situation of the company, and also to reflect the stakeholder experience (employees and shareholders).</p>
	<p>Barclays. 07/05/2020, supported management - Approve Barclays' Commitment in Tackling Climate Change. The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers.</p>
	<p>Olympus Corporation. 30/07/2020, against management - Elect Director Takeuchi, Yasuo' at the company's AGM. LGIM expressed concern about the lack of gender diversity on the company's board. The lack of gender diversity is also a concern for below board level.</p>
	<p>The Procter & Gamble Company (P&G). 13/10/2020, supported management - Report on effort to eliminate deforestation. P&G uses both forest pulp and palm oil as raw materials within its household goods products. The company has only obtained certification from the Roundtable on Sustainable Palm Oil for one third of its palm oil supply, despite setting a goal for 100% certification by 2020. Two of their Tier 1 suppliers of palm oil were linked to illegal deforestation. Finally, the company uses mainly Programme for the Endorsement of Forest Certification (PEFC) wood pulp rather than Forestry Stewardship Council (FSC) certified wood pulp. Only FSC certification offers guidance on land tenure, workers', communities and indigenous people's rights and the maintenance of high conservation value forests. Palm oil and Forest Pulp are both considered leading drivers of deforestation and forest degradation, which is responsible for approximately 12.5% of greenhouse gas emissions that contribute to climate change. The fact that Tier 1 suppliers have been found to have links with deforestation calls into question due diligence and supplier audits. Following a round of extensive engagement on the issue, LGIM decided to support the resolution.</p>
SSGA	<p>Exxon Mobil Corp Common Stock USD. 27/05/2020, support management - Community Environment Impact. This proposal merits support as the company's environmental disclosure and/or practices can be improved.</p>
	<p>AT&T Inc Common Stock USD 1.0. 24/04/2020, Abstain - Advisory Vote to Ratify Named Executive Officers' Compensation. This proposal merits qualified support as SSGA has some concerns with the remuneration structure for senior executives at the company.</p>
	<p>JPMorgan Chase & Co Common Stock USD 1.0. 19/05/2020, against management - Report on Climate Change. This proposal does not merit support as the company's disclosure and/or practices related to climate change are reasonable.</p>
	<p>Chevron Corp Common Stock USD 0.75. 27/05/2020, against management - Establish Environmental / Social Issue Board Committee.</p>

	<p>This item does not merit support due to concerns with the terms of the proposal.</p> <p>Royal Dutch Shell PLC Ordinary GBP 0.07. 19/05/2020, against management - GHG Emissions. This proposal does not merit support as the company's disclosure and/or practices related to GHG emissions are reasonable.</p>
HSBC	<p>Alphabet Inc. 03/06/2020, supported management - Approve Recapitalization Plan for all Stock to Have One-vote per Share. HSBC support the principle of one share-one vote as HSBC believe that this is the best means of ensuring accountability to all shareholders, in the long-term interest of the company.</p> <p>Exxon Mobil Corporation. 27/05/2020, Supported Management - Require Independent Board Chairman. HSBC regard the role of Chairman of the board as extremely important; it is time-consuming and requires a particular perspective. Whilst HSBC recognise that the role is often combined with that of CEO in some markets, HSBC believe that the roles should normally be distinct and separate.</p>

At the time of producing this statement, the Trustee was unable to source significant vote data from Hermes EOS specifically for the AMX SSGA Adaptive Cap ESG Fund. The Trustee understands that Hermes and AMX are currently working on a process to provide this data at a fund level on an ongoing basis as soon as possible.

As part of the ISC's annual SI review in February 2020, the ISC reviewed the implementation of stewardship considerations in the Investment Advisor's:

- Manager research;
- Asset research and portfolio construction advice;
- Public policy and investment industry initiatives and collaborations.

The ISC deemed the Investment Advisor's current policies to be in line with the Trustees. The ISC also reviewed the manager SI assessments, noting LGIM's strong rating in both ESG integration and engagement activities. SSgA was rated strongly on ESG engagement but neutral on ESG integration which both the ISC and Investment Advisor agreed to monitor and engage with the manager on over the next year. The ISC also reviewed Hermes EOS public policy engagement activities, which over 2020 included the following:

- Providing feedback on a new investor engagement guide on plastic usage designed by the PRI working group in order to help investors focus their engagements particularly with fast moving consumer goods companies and plastic usage in their supply chains
- Became a signatory to the Carbon Disclosure Project's initiative to encourage companies to adopt science-based climate and de-carbonization targets in line with the Paris agreement targets.
- Contributed to a Research report by the Asian Corporate Governance Association on Chinese voting disclosure improvements to include board gender metrics on all A-Share companies as well as publication of subsidiary and broader mainland company ownership structures.
- Co-hosted a training event to US pharmaceutical companies on increasing access to medicines for socioeconomically deprived regions and countries, focussing on the 'Access to Medicine' index which is a public tool investors can use to gauge pharmaceutical companies efforts to improve access.

The Trustee considers its managers to have appropriate corporate engagement policies in place covering an array of areas such as environmental factors including climate change, social and inclusion factors, governance factors and strategy/risk factors. The performance of the managers engagement activities against these policies is monitored by the Investment Advisor and captured in the annual SI review manager ratings.