Honourable Society of Gray's Inn Pension & Life Assurance Scheme

Engagement policy implementation statement for the year ended 1 March 2021

During the year ended 01 March 2021, the Scheme's investment policies were implemented in line with the principles set out in the Scheme's Statement of Investment Principles.

Changes to the Statement of Investment Principles:

Adoption date	Summary
October 2020	Update to the Statement of Investment Principles following implementation fiduciary management arrangement.

In September 2020 the Scheme was transitioned to a Fiduciary Management arrangement with Legal and General Investment Management (LGIM). As part of this transition, the Scheme's assets previously managed by Standard Life were transferred to LGIM. This statement covers LGIM's activities on behalf of the Scheme.

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment and fiduciary manager, LGIM and to encourage the manager to exercise those rights in accordance with the Statement of Investment Principles. The Honourable Society of Gray's Inn Pension & Life Assurance Scheme invests through pooled fund arrangements and so acknowledges that the investment manager exercises those rights in accordance with their own corporate governance policies on behalf of all investors in its funds. In doing so LGIM takes account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.

The Trustee has considered LGIM's stewardship activities in relation to the specific funds the Scheme holds having received specific training from LGIM on the topic. The Trustee reviewed LGIM's approach to stewardship and are comfortable with the activity taken on the Scheme's behalf.

The Trustee concludes that, based on these considerations, LGIM has met the requirements of the SIP.

Voting behaviour

LGIM's voting decisions are made internally within LGIMs Corporate Governance team, and independently from the investment teams. They are primarily based on LGIM's global corporate governance and responsible investment principles, which set out their global approach to key governance issues. LGIM has supplementary regional policies which set out their approach to more specific regional or country issues taking into account specific market regulation or best practice. LGIM discloses monthly voting records on their website. The reports are published at the end of each month. Additionally, for votes that have received significant press attention, LGIM produces summaries of the firm's positions. The full voting record can be found on LGIM's website linked here:
https://vds.issgovernance.com/vds/#/MjU2NQ==/

LGIM does not outsource any part of its strategic voting decisions; however, ISS (Institutional Shareholder Services) is used for the customisation of LGIM's voting policy, the execution and processing of the voting instruction. LGIM aims to minimise abstentions. Since 2011, it has not abstained in the UK. In other markets, LGIM seeks to minimise abstentions unless it is technically impossible to vote. LGIM regularly engages with the proxy execution agent ISS via direct meetings and through our participation in consultations on regional voting policies.

LGIM summarises its voting record across all markets each quarter. This information is available on request.

Examples of LGIM's engagement activities during 2020:

Active ownership, which is a broader topic than voting in isolation, forms a key part of how LGIM conducts responsible investing. This is reflected in the following activities that are conducted on behalf of the Scheme:

- Company engagement
- Using voting rights globally, with one voice across all active and index funds
- Addressing systemic risks and opportunities
- Seeking to influence regulators and policymakers
- Collaborating with other investors and stakeholders.

The examples below demonstrate some of the specific initiatives undertaken by LGIM in this regard during the year.

Climate change pledge

A global consensus on climate change has taken shape in just a few years, as wildfires have devastated entire regions, millions have taken to the streets to demand action and COVID-19 has underscored the importance of averting looming threats before it is too late. In recognition of this dramatic shift, LGIM has renewed its Climate Impact Pledge, a programme of targeted engagement with about 80 companies launched in 2016 to hasten the transition to a low-carbon economy. LGIM has broadened the pledge's reach to include hundreds more companies, with the ultimate goal of aiming to achieve net-zero carbon emissions globally by 2050 – an objective of critical importance to society as a whole. LGIM's engagement will continue to carry meaningful consequences, both through voting activity and through capital allocation.

LGIM also signed up to the Net Zero Asset Manager's initiative in December 2020.

Ethnic diversity pledge

Triggered by the horrifying killing of George Floyd LGIM has committed to expand its diversity strategy and corporate engagement – including through strengthened proxy voting policies and a focused outreach campaign regarding diverse board member representation. For companies that fail to meet LGIM's transparent and rules-based minimum expectations, there will be voting and investment consequences.

ICCR Pharma letters

The pharmaceutical industry plays a vital part in a recovery from the pandemic. Improved COVID-19 medical treatments and the discovery of vaccines will form a critical part in fighting the resurgence of infections and preventing or limiting lockdowns going forwards. LGIM became co-signatories to a letter campaign to pharmaceutical companies and have further written on this together with AXA IM and the Access to Medicine Foundation.

LGIM also became a member of the US-based ICCR (the Interfaith Center on Corporate Responsibility) and co-signed with other investors representing more than $2.4tn in assets. Engagement letters were sent to the world's leading pharmaceutical companies asking for disclosure and commitments related to pandemic preparedness, public investment and "commitment to the public good" (eg fair taxes and lobbying disclosures).

Advocating for diversity through collaborations

LGIM continues to work with other global investors to push for better representation and transparency on policies in the US. During the year, LGIM's coalition of investors sent letters to 18 US companies with less than with less than 20% women on the board, and where board tenure for some non-executive directors is above average.

Significant votes for the Scheme during the year

In determining significant votes, LGIM takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA). This includes but is not limited to:

- 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
- Sanction vote as a result of a direct or collaborative engagement
- Vote linked to an LGIM engagement campaign

The most significant votes for the Honourable Society of Gray's Inn Pension & Life Assurance Scheme during the year have been summarised in the table below:

Company Name	Details of Vote
Qantas Airways Limited	**How LGIM voted: Against** The COVID crisis has had an impact on the Australian airline company's financials. In light of this, the company raised significant capital to be able to execute its recovery plan. It also cancelled dividends, terminated employees and accepted government assistance. The circumstances triggered extra scrutiny from LGIM as we wanted to ensure the impact of the COVID crisis on the company's stakeholders was appropriately reflected in the executive pay package. In collaboration with our Active Equities team, LGIM's Investment Stewardship team engaged with the Head of Investor Relations of the company to express our concerns and understand the company's views. The voting decision ultimately sat with the Investment Stewardship team. We supported the remuneration report (resolution 4) 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. However, our concerns as to the quantum of the 2021 LTIP grant remained, especially given the share price at the date of the grant and the remuneration committee not being able to exercise discretion on LTIPs, which is against best practice. We voted against resolution 3 to signal our concerns. **Why was the vote significant?** It highlights the challenges of factoring in the impact of the COVID situation into the executive remuneration package.
Imperial Brands plc	**How LGIM voted: Against** The company appointed a new CEO during 2020, who was granted a significantly higher base salary than his predecessor. A higher base salary has a consequential ripple effect on short- and long-term incentives, as well as pension contributions. Further, the company did not apply best practice in relation to post-exit shareholding guidelines as outlined by both LGIM and the Investment Association. An incoming CEO with no previous experience in the specific sector, or CEO experience at a FTSE100 company, should have to prove her or himself beforehand to be set a base salary at the level, or higher, of an outgoing CEO with multiple years of such experience. Further, we would expect companies to adopt general best practice standards. Prior to the AGM, we engaged with the company outlining what our concerns over the remuneration structure were. We also indicated that we publish specific remuneration guidelines for UK-listed companies and keep remuneration consultants up to date with our thinking. **Why was the vote significant?** We are concerned over the ratcheting up of executive pay; and we believe executive directors must take a long-term view of the company in their decision-making process, hence the request for executives' post-exit shareholding

	guidelines to be set.
Hollywood Bowl Group	**How LGIM voted: Against** The bowling alley operator has been financially impacted by the COVID-19 pandemic. This resulted in staff being furloughed and the company not paying dividends to shareholders. Despite this, the remuneration committee decided to exercise its discretion to allow for the performance period of the 2017 Long-Term Incentive Plan (LTIP) award to be reduced from September 2020 to February 2020, to avoid having to factor-in the financial consequences of the pandemic into the incentive plan. This resulted in the pro-rated LTIP vesting at 81% of salary. The remuneration committee did not consult with LGIM before taking the decision to retrospectively reduce the performance period of the LTIP. We applied our policy and sanctioned this practice by a vote against the remuneration report. Given the seriousness of our concerns and the precedent this could set, we decided to escalate our vote sanction by a rare vote against all members of the remuneration committee. **Why was the vote significant?** We took the rare step of escalating our vote against all members of the remuneration committee given the seriousness of our concerns. This highlights the importance of ensuring that executive remuneration remains in line with stakeholder experience.
Toshiba Corp.	**How LGIM voted: For** Toshiba Corp's extraordinary general meeting (EGM) was precipitated by a significant decline in trust between its shareholders and management team following recent controversies, including allegations of abnormal practices and behaviour by the company surrounding its July 2020 AGM. As a result, the company faced two independent shareholder resolutions at the EGM calling for it to introduce remedies that would restore confidence and trust in the company's governance, management and strategy. LGIM supported the resolution calling for the appointment of investigators to address doubts over the company's 2020 AGM conduct and vote tallying. We believe the enquiry, which is unlikely to be a burden on the company, will be an important step in rebuilding trust between shareholders and the company's executive team and board. We also supported the shareholder resolution mandating the company to present its strategic investment policy to a shareholder vote in order to send a clear message to the Toshiba Board and executive team: shareholders expect increased transparency and accountability. **Why was the vote significant?** The vote was high profile and controversial.
Samsung Electronics	**How LGIM voted: Against** In January 2021, Lee Jae-yong, the vice chairman of Samsung Electronics and only son of the former company chairman, was sentenced to two years and six months in prison for bribery, embezzlement and concealment of criminal proceeds worth about KRW 8.6 billion. Lee Jae-yong was first sentenced to five years in prison in August 2017 for using the company's funds to bribe the impeached former President Park Geun-hye. While Lee was released from prison, he was not acquitted of the charges. Based on the court's verdict, Lee actively provided bribes and implicitly asked then president Park to use her power to help his smooth succession. The court further commented that the independent compliance committee established in January 2020 has yet to become fully effective. LGIM engaged with the company ahead of the vote. However, we were not satisfied with the company's response that ties have been severed. We are

	concerned that Lee Jae-yong continues to make strategic company decisions from prison. Additionally, we were not satisfied with the independence of the company board and that the independent directors are really able to challenge management. LGIM voted against the resolutions as the outside directors, who should provide independent oversight, have collectively failed to remove criminally convicted directors from the board. The inaction is indicative of a material failure of governance and oversight at the company. **Why was the vote significant?** This was a high-profile vote, which has such a degree of controversy that there is high client and/or public scrutiny and the sanction vote was a result of a direct or collaborative engagement.
Walgreens Boots Alliance, Inc.	**How LGIM voted: Against** The company's compensation committee applied discretion to allow a long-term incentive plan award to vest when the company had not even achieved a threshold level of performance. This is an issue because investors expect pay and performance to be aligned. Exercising discretion in such a way during a year in which the company's earnings per share (EPS) declined by 88% caused a significant misalignment between pay and performance. LGIM had a constructive engagement with the company in November 2020; however, it failed to mention the application of discretion during that call. We found this surprising given the significant impact it had on compensation, which was discussed, giving the company an opportunity to raise this. LGIM does not generally support the application of retrospective changes to performance conditions. Although the company was impacted by COVID, many of its shops remained open as they were considered an essential retailer. The company did not provide sufficient justification for the level of discretion applied which resulted in the payment of 94,539 shares or approximately $3.5m to the CEO in respect of the 2018-2020 award, which would otherwise have resulted in zero shares vesting. **Why was the vote significant?** It was high-profile and controversial.

Significant voting summary

What % of resolutions LGIM voted on where eligible	99.9%
Of the resolutions on which LGIM voted, the % voted with management was	84.1%
Of the resolutions on which LGIM voted, the % voted against management was	15.2%
Of the resolutions on which LGIM voted, the % abstained was	0.7%

Note: Voting information available at quarter end dates therefore summary for the 1-year period to 31 March 2021 shown.