The Henkel Retirement Benefits Scheme
Annual Implementation Statement

Introduction

The Trustees want to let the Members of the Henkel Retirement Benefits Scheme ('the Scheme") know that new regulations now require certain additional information to be given to you on strategic investment decisions. We now describe how Scheme investments are responsibly invested, considering environmental, social and governance factors ('ESG').

This statement sets out how, and the extent to which, the Statement of Investment Principles ('SIP') produced by the Trustees, has been followed during the year to 31 December 2020. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator.

The Scheme has both a Defined Benefit ("DB") section and a Defined Contribution ("DC") section. The table later in the document sets out how, and the extent to which, the policies in the DB Section and DC Section of the SIP have been followed.

Members should be aware that this Statement is part of a wider set of information available on the Scheme's governance and investment responsibilities undertaken by the Trustees:

- Members can view the Scheme's SIP (mentioned above) on the Company's website which discloses, in detail, the investment principles, policies, objectives, and strategy followed. **https://www.henkel.co.uk/company/corporate-statutory-compliance**
- Members can request a copy of the Annual Report and Financial Statements of the Scheme, which contains certain information on the management of the Scheme, its governance, investment risks management and level of Trustees' knowledge and understanding.

Investment Objectives of the Scheme

DB Section

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Scheme included in the SIP are to invest the Scheme's assets in the best interests of the members and other stakeholders and, in the case of a potential conflict of interest, in the sole interest of the members and beneficiaries.

Within this context the Trustees' main objectives with regard to the investment policy are:

- to provide appropriate security for all beneficiaries
- to achieve long-term growth whilst managing investment risks.

The Trustees recognise that the Company has a key role to play in assisting the Trustees to fulfil their primary responsibility of paying benefits and accordingly seeks to maintain the continued long-term support of the Company.

The Trustees are prepared to take some risk in order to achieve the objectives outlined above, including investing in equities, alternative assets and buy and maintain credit. The Trustees ability and willingness to take such risk is subject to the principles outlined in Section 2.2 of the SIP.

DC Section

The Trustees recognise that members have differing investment needs which may change during the course of their working lives. They also recognise that members may have different attitudes to risk. The Trustees believe that the members should make their own investment decisions based on their individual circumstances.

The Trustees' objective is to provide a range of investment options, which while avoiding complexity, should assist members in achieving the following:

- Maximising the value of retirement benefits, to ensure a reasonable standard of living in retirement;
- Protecting the value of benefits in the years approaching retirement against sudden volatility in capital value and fluctuations in the cost of providing benefits;
- Tailoring a member's investments to meet his or her own needs.

The Trustees' Investment Consultant provides advice regarding the suitability of this approach.

Review of the SIP – what has changed in the last 12 months?

The Trustees formally reviewed the SIP in August 2020, revising the contents in order reflect new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019, relating to the following:

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

There were no further changes made to the SIP over this period.

Assessment of how the policies in the SIP have been followed for the year to 31 December 2020

The information provided in the following section highlights the work undertaken by the Trustees during the year, and longer term where relevant, and sets out how this work followed the Trustees' policies in the SIP, relating to the Scheme as a whole and the default investment arrangement.

	Area covered by the policy	Trustee Policy	Actions taken in the year to 31 December 2020
1	Securing compliance with the legal requirements about choosing investments	***Both Sections*** *The Trustees consider the investment objectives and policies when choosing investments either for the DB Section or DC Section of the Scheme. The Trustees receive written advice from their Investment Consultant on any investments prior to them being implemented. The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).*	**DB Section** No new investments were implemented over the period. **DC Section** No new investments were implemented in respect of the main DC section over the period. Assets previously held at Equitable Life were moved to Utmost Life on 1 January 2020 as part of the sale of the Equitable Life book of business. Unit-linked investments were transferred without change. With Profits investments previously held at Equitable Life were transferred to the Secure Cash Fund at Utmost Life and an uplift was applied to compensate members for the loss of guarantees. Following the expiry of the guarantee in value on offer following investment in the Secure Cash Fund, assets were transferred to the Utmost Money Market Fund over H2 2020. The Trustees felt that market conditions at the time were uncertain following the Coronavirus pandemic and decided to delay potential transfer to an alternative provider, until they were more comfortable with market conditions. Until this point the

			Trustee decided to leave assets in the Secure Cash Fund, for all members regardless of their age to then transition to the Utmost Money Market Fund over the final 6 months of 2020. The Trustees received written advice from their investment consultant regarding the suitability of the transfer of With Profits investments to the Secure Cash Fund and the subsequent transfer to the Utmost Money Market Fund. The Trustees believe advice received was consistent with Section 36 of the Pensions Act 1995 (as amended).
2	Kinds of investments to be held	***DB Section*** *The Trustees have agreed to de-risk the Scheme so that it is invested 90% in matching assets (such as Liability Driven Investment ("LDI") and Buy & Maintain Credit) and 10% in growth assets (UK, Global ex-UK and Emerging Market equity). This decision followed a request by the Company to change the Scheme's investment strategy to reduce the risk of deterioration in the Scheme's funding level.* *The DB Section also has a target hedge ratio of 95% of nominal and real interest rate exposure (on the Technical Provision basis for valuing the liabilities). The interest rate and inflation exposure from the LDI portfolio, together with the interest rate exposure*	**DB Section** The Trustees believe that the DB investment strategy provides for adequate diversification both within and across different asset classes and sectors. The Trustees further believe that the current investment strategy is appropriate given the DB Section's liability profile. There have been no changes to the segregated mandate over the reporting period, outside of some rebalancing back to the target hedge ratios of 95% for interest rates and inflation. This followed the recalibration of the Scheme's Liability Benchmark Portfolio ("LBP"), a Scheme specific cashflow profile against which serves as an investible benchmark that the Scheme's investment manager can use to construct an accurate hedging portfolio. **DC Section**

		from the Buy & Maintain Credit Fund, is used to achieve the required level of hedging. ***DC Section*** *A range of asset classes has been made available, including: developed market equities, emerging market equities, real estate, money market investments, gilts, index-linked gilts and diversified growth funds.*	The default investment option was last subject to its formal triennial review on 18 December 2018. The investments (fund type, management style and asset allocations) used in the default strategy were reviewed as part of the exercise in 2018. Towards the start of the Scheme year, the Covid-19 pandemic led to increased volatility across many asset classes. The Trustees have analysed the investments on the Scheme and agreed not to take any immediate action regarding the available investments due to this given the uncertain long-term implications. The next formal triennial review will commence during 2021 and represents an important exercise for the Trustees that covers the majority of the investment policies the Trustees' have in place.

3	The balance between different kinds of investments	***DB Section*** *Within the DB Section, the Trustees monitor rebalancing ranges via the 6-monthly investment performance reports received from their investment consultant. Broadly, the asset portfolio is allowed to move in line with market movements, in a similar manner to how the Scheme's liabilities would be expected to move.* ***DC Section*** *Members can combine the investment funds in any proportion in order to achieve the desired balance between different kinds of investments that they deem appropriate for their needs. This balance of investments will also determine the expected return on a member's assets and should be related to the member's own risk appetite and tolerances. Each of the available funds is considered to be diversified across a reasonable number of underlying holdings / issuers.* *The current default investment option manages investment risks through a diversified strategic asset allocation consisting of traditional and alternative assets.*	**DB Section** The Scheme's asset allocation is allowed to drift with market movements; it has moved away from the initial target allocation put in place in June 2018 following the last investment strategy review. This is due to a combination of market movements over the period and disinvestments made from the portfolio to meet cash flows. **DC Section** The strategic asset allocation of the default investment option is reviewed on a triennial basis. The date of the last triennial review was 18 December 2018. This confirmed that the strategic asset allocation was appropriate to meet the stated aims and objectives of the default. A review of self-select options also formed part of the triennial investment review - no changes were made to the self-select fund range. The Trustees receive a six-monthly investment performance report to monitor the risk and return of options within the Scheme. After reviewing the investment performance reports, the Trustees have not made any changes to the self-select fund range, or the default strategy over the period covered by this statement.

4	Risks, including the ways in which risks are to be measured and managed	***Both Sections*** *The Trustees recognise risk (both investment and operational) from a number of perspectives in relation to the DB and DC Sections, including the Default Investment Option.* **DC Section** *The default investment option manages investment and other risks through a diversified strategic asset allocation consisting of traditional and alternative assets. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. Any investment in derivative instruments contributes to risk reduction, or efficient portfolio management.* *The Trustees have considered risk from a number of perspectives in relation to the DC Section, including the default option, all of which the Trustees believe are financially material.*	**Both Sections** As detailed in the risk sections in the SIP (for risks specific for the DB assets please refer to Section 2.2, and to section 3.2 of the SIP for those specific to the DC assets). The Trustees consider both quantitative and qualitative measures for these risks when deciding investment policies, strategic asset allocation, the choice of fund managers / funds / asset classes. The SIP was updated in August 2020 with additional clarification around how the Trustees measure and manage risk, including ESG considerations, and explicitly climate change. The Scheme's investment advisor supplies the Trustees with the following on a six-monthly basis for each of the Scheme's investments: • Investment returns and performance commentary • Updates and developments, if applicable, for each manager and fund • A Manager Research rating • An ESG rating The Trustees use Trustee meetings and Investment Sub-Committee meetings to ask further questions of the investment advisor, should any material concerns arise from the reporting and also will invite managers to present directly to the Trustees from time to time.

			DB Section In regards to the Scheme's investments in pooled investment vehicles, the Trustees accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy. For the Scheme's segregated mandates (Liability Driven Investment "LDI" and buy and maintain credit), the investment restrictions and guidelines have been structured in line with the Trustees' investment policies and objectives. **DC Section** As detailed in the risk table in the SIP, the Trustees consider both quantitative and qualitative measures for these risks when deciding investment policies, strategic asset allocation and the choice of fund managers, funds and asset classes. The Trustees believe that the risks identified are best mitigated by offering members a range of investment funds from which to choose. This will allow members to choose investment options suited to their personal requirements. The Trustees also review the investment reports, which monitor the volatility of the investment strategy.
5	Expected return on investments	***DB Section*** *Over the long term, the Trustees expect the return on the DB Section's assets to be*	**DB Section** Over the 3 years to date, the DB assets returned 7.8% p.a., gross of fees. No actions were taken by the Trustees over the year in

		sufficient to meet its objectives. ***DC Section*** *In designing the default investment option, the Trustees have explicitly considered the trade-off between risk and expected returns.* *The Default Investment Option invests in assets that are expected to grow, in excess of inflation, for the majority of a typical member's membership of the Scheme. As retirement approaches, these assets are gradually transferred into a pre-retirement funds suitable for the respective target and a cash fund (and retaining the diversified growth fund holding in the case of the Default Investment Option).*	respect of manager appointments. **DC Section** The investment performance report is reviewed by the Trustees on a six-monthly basis. The reports include information on how each manager performed against their mandate – this includes the risk and return characteristics of the default and additional investment fund choices and considers these against stated aims and objectives. Based on the review conducted by the Trustees over the period the Trustees are satisfied that the managers are meeting their objectives over the period considered. Alongside the considerations set out above, the Trustees monitor the performance of the Default Investment Option relative to inflation and against equity market performance in order to consider long term growth as well as volatility reduction compared to equity as the fund aims to mitigate against large equity market downturns. No action was taken by the Trustees over the Scheme year in respect of any managers failing to meet their investment objectives.

6	Realisation of investments	**Both Sections** *The Investment Manager has discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation.* ***DB Section*** *The Trustees invest in pooled and segregated mandates with BlackRock, which can be traded on a daily basis as needed to meet cashflows.* ***DC Section*** *Assets in the default investment options are invested in daily traded pooled funds which hold highly liquid assets.* *The pooled funds are commingled investment vehicles which are managed by various investment managers. The selection, retention and realisation of assets within the pooled funds are delegated to the respective investment managers in line with the mandates of the funds.*	**Both Sections** Section 4.1 of the SIP details the approach to the realisation of investments for both the DB and DC assets. **DB Section** The cashflow policy will be revised by the Trustees in 2021, following the removal of BlackRock's fiduciary management responsibilities during 2020. **DC Section** The Trustees access daily dealt and daily priced pooled funds held with a range of Investment Managers. Selection, retention and realisation of assets are delegated to investment managers in line with their appointed mandate. The Trustees monitor the fund range for any issues including liquidity issues. Following monitoring over the year, no action was required in respect of liquidity issues within the DC Section. The Trustee receives an administration report on a quarterly basis to confirm to ensure that core financial transactions are processed within SLAs and regulatory timelines. As confirmed in the Chair Statement, the Trustee is satisfied that all requirements were met throughout the year – 76% of SLAs were met.
7	Financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in	**Both Sections** *The Trustees consider financially material considerations in the selection, retention and realisation of investments. Within the funds consideration of*	**Both Sections** The investment performance reports are reviewed by the Trustees on a regular basis – these include ratings (both general and specific ESG) from the investment advisers. All of the managers remained

	the selection, retention and realisation of investments	*such factors, including ESG factors, is delegated to the investment manager(s).* *The Trustees expect the underlying managers to evaluate ESG factors, including climate change considerations, exercising voting rights and stewardship obligations attached to investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. As a result, the Trustees have given the Investment Managers full discretion when evaluating ESG issues and in exercising rights and stewardship obligations attached to the Scheme's investments.*	generally highly rated during the year. The Trustees acknowledge that managers in fixed income and some diversified growth funds do not have a high ESG rating assigned by the investment consultant due to the nature of the asset class where it is harder to engage with the issuer of debt, or harder to establish ESG measurement for derivative strategies. Section 4.2 of the Scheme's SIP includes the Responsible Investment policy on ESG factors, Stewardship and Climate Change. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship. This was last reviewed in August 2020. The Trustees believe that ESG factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. The investment performance report includes how each investment manager is delivering against their specific mandates.

8	The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments	***Both Sections*** *Non-financial matters refer to the views of the members and beneficiaries including (but not limited to) their ethical views and their views in relation to social and environmental impacts of investments and the future quality of life of members.* *Member views have not been explicitly taken into account in the selection, retention and realisation of investments.*	**DB Section** No proof required. **DC Section** The Trustees did not explicitly seek member views regarding any investments or arrangements over the period covered by this statement. Whilst the policy states that member views have not been explicitly taken into account, the Trustees note that they have made available a self-select ethical fund option in the DC Section following a request from member for this type of fund.

9	The exercise of the rights (including voting rights) attaching to the investments	**Both Sections** *The Trustees expect the underlying managers to evaluate ESG factors, including climate change considerations, exercising voting rights and stewardship obligations attached to investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. As a result, the Trustees have given the Investment Managers full discretion when evaluating ESG issues and in exercising rights and stewardship obligations attached to the Scheme's investments*	**Both Sections** The Trustees have delegated their voting rights to the investment managers. As such, this activity is expected to be undertaken on the Trustees' behalf. The Trustees do not use the direct services of a proxy voter, however the investment managers may enlist the service of a proxy voter when required. During the year under review, the Trustees did not consider it necessary to actively challenge the investment managers on their voting activity. Following the update to the SIP during the year which includes the Trustees updated policies relating to engagement with investment firms and the exercising of voting rights, the Trustees have requested information on the voting activity for all funds which hold equities within the Scheme. **DB Section** See Appendix A for further details on the engagement and voting activity of the investment manager over the year to 31 December 2020. **DC Section** See Appendix B for further details on the engagement and voting activity of the investment managers over the year to 31 December 2020.

10	Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, trustees would monitor and engage with relevant persons about relevant matters)	**Both Sections** *Outside of those exercised by investment managers on behalf of the Trustees, no other engagement activities are undertaken.* *Where deemed appropriate the Trustees will engage with investment managers regarding undertaking of activities in respect of investments if they are deemed to be falling behind wider peers or not meeting the responsibilities expected of them.*	**Both Sections** No specific activity took place during the year under review. The Trustees are looking to enhance their reporting on manager engagement going forward. The Trustees require the investment managers to engage with the investee companies on the Trustees' behalf. **DB Section** See Appendix A for further details on the engagement and voting activity of the investment manager over the year to 31 December 2020. **DC Section** See Appendix B for further details on the engagement and voting activity of the investment managers over the year to 31 December 2020.
11	How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustees' policies mentioned in sub-paragraph (b) of the legislation [2-8 of this Statement]	**Both Sections** *The Trustees' policy in relation to investments to be held is set out in section 4.2 of the SIP.* *Managers are chosen based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected for.* **DB Section** *Where the Trustees invest in pooled investment vehicles they accept that they have no ability to specify the risk*	**Both Sections** Over the year to 31 December 2020, no mandates were terminated due to performance concerns or as a result of changes in underlying targets. **DC Section** Over the year to 31 December 2020, no mandates were terminated due to performance concerns or as a result of changes in underlying targets. The Trustees monitor the performance of the default strategy, additional defaults arrangements and self-select ranges bi-annually. Although no mandates were terminated over the period, in

		profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy. *The LDI and buy and maintain mandates within the DB section are actively managed, have been designed with the aim of achieving a return in excess of the liability profile of the fund, while limiting downside risk.*	previous years the Trustees have terminated appointments where the managers were not meeting long-term performance targets. The current range of investment managers are aware that their continued appointment is dependent on them meeting these performance targets.
12	How the arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.	**Both Sections** *The Trustees review the decisions made by their managers and can challenge such decisions to try to ensure the best long-term performance over the medium to long term. Managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustees are dissatisfied, then they will look to replace the manager.*	**DB Section** In the year to 31 December 2020, the Trustees moved from a fiduciary appointment with BlackRock to one which was implementation only. As BlackRock are compensated through the levels of assets held, the Trustee believes this creates alignment between managers and Trustees in their common objectives. The Scheme's investment advisers aid the Trustee in monitoring the suitability of the investment options outlined in the SIP, through ongoing research and meetings with appointed investment reviews (as part of their wider research function) from both an ESG perspective as well as overall management of the fund. No further action was taken by the Trustees over the period covered by this statement. **DC Section** The Trustees monitor the performance of the default

			strategy, additional defaults arrangements and self-select funds bi-annually via monitoring reports and receive advice from the Investment Consultant which includes considering the investment performance net of management fees and considering whether the Trustees' aims and objectives are being met. At future monitoring meetings and when requesting monitoring information from managers, the Trustees will ask investment managers to incorporate a section on investment decisions taken over the recent period and their forward-looking assessment of market conditions. This will also cover examples of financial and non-financial considerations around investments where the managers are expected to take into account the impact of these consideration into the forward looking assessment on the performance of an issuer of debt or equity. No further action was taken by the Trustees over the period covered by this statement.
	How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the Trustees' policies mentioned in sub-paragraph (b) of the	**Both Sections** *The Trustees are long term investors and are not looking to change the investment arrangements on a frequent basis.* *Managers' performance net of fees is therefore*	**DB Section** The Trustees include a 3 year performance metric in their quarterly performance reports. The Trustees review this investment performance when meeting with BlackRock, and if the Trustees are not satisfied with the progress made in respect of performance, then

	legislation 2-8 of this Statement	*reviewed over both short and long-time horizons. Remuneration is agreed upon prior to manager appointment and is reviewed on a regular basis.*	further action or information would be sought. If no further progress were to be made following this additional engagement, the Trustees could consider whether retaining the mandate is appropriate. **DC Section** The Trustees review investment performance bi-annually, via monitoring reports, and consider adviser ESG ratings as part of the monitoring process. When meeting investment managers in the future, they will ask them to incorporate a section on how ESG issues are integrated into their strategies in presentations when updates are provided, or when managers are reviewed and/or appointed. This could include a section on voting, engagement and the methods in which ESG is integrated. If the Trustees are not satisfied with the progress that managers have made in respect of performance or level of ESG integration further action or information would be taken from managers. If no further progress were to be made following this additional engagement, the Trustees could consider whether retaining the mandate is appropriate. As managers are compensated through the levels of assets held, the Trustee believes this creates alignment between managers and Trustees in their common objectives.

			No further action was taken by the Trustees over the period covered by this statement.
	How the trustees monitor portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range.	**Both Sections** *The Trustees policy in relation to the monitoring of portfolio turnover costs is set out in section 4.2 of the SIP.*	**DB Section** The Trustees do not define set ranges in respect of portfolio turnover and costs, and at present, do not monitor portfolio turnover costs. They will look to do so in the future. **DC Section** The Trustees do not define set ranges in respect of portfolio turnover and costs. For the DC Section, the Trustees consider the level of transaction costs as a broad method to assess the level of additional costs incurred by members that may indicate higher levels of turnover within a portfolio. Transaction costs, using the 'slippage cost methodology' (as defined in COBS 19.8 of the FCA Handbook), are disclosed in the annual Chair's Statement (the latest Statement is available: INSERT WEBSITE). The transaction costs for each fund covers the buying, selling, lending and borrowing of the underlying securities in the fund by the investment manager. The Trustees consider the levels of transaction costs as part of their annual Value for Members assessment, last carried out as at 31 December 2020 and by publishing this information as part of the costs and charges disclosures mandated by

			regulations governing the Chair's Statement. The Trustees consider the level of transaction costs as part of their annual Value for Members assessment, last carried out as at 31 December 2020. While the transaction costs provided appear to be reasonably reflective of costs expected of the various asset classes and markets that the Scheme invests in, there is not as yet any industry standard or universe to compare these to. The Trustees will assess these costs on an ongoing basis moving forwards and where appropriate with help from their Adviser would challenge the level of costs incurred if they were assessed to be too high relative to expectations as this may indicate excessive turnover.
	The duration of the arrangement with the asset manager	**Both Sections** *There is no set duration for the manager appointments. However, the appointments are regularly reviewed as to their continued suitability and could be terminated either because the Trustees are dissatisfied with the managers' ongoing ability to deliver the mandate promised, or because of a change of investment strategy by the Trustees.*	**DB Section** There were no terminations of arrangements within the DB Section of the Scheme over the year to 31 December 2020. There is a residual investment in private equity, and over time the intention is for the private equity assets to decrease as investments are sold. No new allocations are being made to this asset class. **DC Section** There were no terminations over this year of arrangements within the main DC Section of the Scheme. Assets previously held at Equitable Life were moved to Utmost Life ion 1 January 2020

			as part of the sale of the Equitable Life book of business. Unit-linked investments were transferred without change. With Profits investments previously held at Equitable Life were transferred to the Secure Cash Fund at Utmost Life and an uplift was applied to compensate members for the loss of guarantees. Following the expiry of the guarantee in value on offer following investment in the Secure Cash Fund, assets were transferred to the Utmost Money Market Fund over H2 2020. The Trustees felt that market conditions at the time were uncertain following the Coronavirus pandemic and decided to delay potential transfer to an alternative provider, until they were more comfortable with market conditions. Until this point the Trustee decided to leave assets in the Secure Cash Fund, for all members regardless of their age to then transition to the Utmost Money Market Fund over the final 6 months of 2020. The Trustee continues to monitor the performance of the managers against their appointed mandates to ensure that they remain appropriate as part of the lifestyle or self-select range.

Appendix A – Defined Benefit Section – Compliance with the Scheme's Policy on ESG, Stewardship and Climate Change

Process Undertaken

The following section sets out the work that was undertaken during the year to 31 December 2020 relating to the Trustees' policy on ESG factors, stewardship, and climate change, and sets out how the Trustees' engagement and voting policies were followed and implemented during the year.

Engagement

The Trustees have given the appointed investment manager (BlackRock Investment Management) full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with its own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. The Trustees, with the assistance of the Investment Consultant, independently monitor how well these factors are incorporated into the investment process through the assignment of ESG ratings and periodic presentations from the manager.

The Trustees requested that the Scheme's investment manager confirm compliance with the principles of the UK Stewardship Code. BlackRock Management confirmed that they are signatories of the current UK Stewardship Code and Scheme to submit the required reporting to the Financial Reporting Council by 31 March 2021 in order to be on the first list of signatories for the UK Stewardship Code 2020 that took effect on 1 January 2020.

BlackRock (the Scheme's investment manager) advocates for sound corporate governance and sustainable business practices that result in long-term value creation for their clients. The BlackRock Investment Stewardship team engages companies to provide feedback on their practices and inform BlackRock's voting. They focus on a range of issues that fall within each of the ESG categories where they assess whether there is potential for material long-term financial impact on a company's performance. They engage with companies held in index and active portfolios alike to encourage them to adopt the robust business practices consistent with sustainable long-term performance.

Engagement is core to BlackRock's stewardship program as it helps them assess a company's approach to governance, including the management of relevant environmental and social factors. To that end, they conduct approximately 3,000 engagements a year on a range of ESG issues likely to impact their client's long-term economic interests. BlackRock meet with executives and board directors, communicate with the company's advisors, and engage with other shareholders where appropriate.

BlackRock are a founding member of the Task Force on Climate-related Financial Disclosures (TCFD) and since 2017 have been working to increase the transparency of their climate related disclosures. One of BlackRock's most recent steps towards furthering a global approach to combating climate change was taken in January 2020 through their decision to join Climate Action 100+, a group which engages with companies to improve climate disclosure and align business strategy with the goals of the Paris Agreement.

BlackRock have also commented that engagements include multiple company meetings during the year with the same company and that most engagement conversations cover multiple topics. All of their voting is based on their voting and engagement priorities.

Voting Activity

The Trustees have delegated their voting rights to the investment manager, BlackRock.

As noted in the section above, the Scheme invests in both a segregated LDI mandate, and a buy and maintain credit holding. As an LDI investor, BlackRock have limited scope for engagement as they have no voting rights. In regards to the buy and maintain credit investment, again there is limited power as bond investors to formally vote on engagement issues. Despite this challenge, BlackRock do formally engage with companies to get greater clarity and raise issues that concern them.

BlackRock votes annually at approximately 16,000 shareholder meetings, taking a case-by-case approach to the items put to a shareholder vote. BlackRock analysis is informed by their internally developed proxy voting guidelines, pre-vote engagements, research, and the situational factors at a particular company.

A summary of the voting activity on behalf of the Trustees over the last 12 months is set out below. This in relation to the Scheme's holdings within the UK Equity Index Fund, Currency Hedged World ex UK Equity Fund and Emerging Markets Index Fund.

Key votes undertaken over the year - 1 January 2020 to 31 December 2020	
UK Equity Index Fund Over the year to 31 December 2020 BlackRock engaged with 1,654 companies (from a total of 2,794 engagements). BlackRock engaged with 623 companies on more than one occasion over the period.	**Barclays PLC** In January 2020, a coalition of investors filed a shareholder resolution (Resolution 30) asking Barclays to set and disclose targets to phase out the provision of financial services to the energy sector, as well as electric and gas utility companies that are not aligned with Articles 2.1(a) and 4.1 of the Paris Agreement. Following engagement with its shareholders and other stakeholders, including BlackRock, Barclays proposed its own resolution (Resolution 29) to commit the company to a strategy, with targets, for alignment of its entire financing portfolio to the goals of the Paris Agreement. BlackRock voted to approve Barclays' Commitment to Tackling Climate Change (resolution 29) but against the ShareAction Requisitioned Resolution (resolution 30). The rationale behind this was that support for both resolutions would have been problematic as they are both binding. BlackRock determined that Barclays sets a clear ambition to become net-zero and align to the goals of the Paris Agreement, addressing shareholders' concerns for the time being.

Key votes undertaken over the year - 1 January 2020 to 31 December 2020	
Currency Hedged World ex UK Equity Fund Over the year to 31 December 2020 BlackRock engaged with 844 companies (from a total of 1,505 engagements). BlackRock engaged with 374 companies on more than one occasion over the period.	**Chevron Corporation** An American multinational oil and gas corporation headquartered in San Ramon, CA, Chevron engages in integrated energy, chemicals, and petroleum operations worldwide and operates in two segments, Upstream and Downstream. Shareholders requested that the Board of Directors conduct an evaluation and issue a report within the next year describing if, and how, Chevron's lobbying activities align with the goal of limiting average global warming to well below 2 degrees Celsius (the Paris Climate Agreement's goal). BlackRock acknowledged that Chevron has been responsive to investors and transparent in their detailed Task Force on Climate-related Financial Disclosures (TCFD) and Sustainability Accounting Standards Board (SASB) reporting, however BlackRock voted for this proposal, as in their view, the company could provide investors with a more detailed explanation of the alignment between Chevron's political activities and the goal of the Paris Agreement to limit global warming to no more than two degrees Celsius. While BlackRock applaud Chevron's current TCFD and SASB-aligned reporting, they believe that greater transparency into the company's approach to political spending as aligned with its stated support for the Paris Agreement will help articulate consistency between private and public messaging for managing climate risk and transition to a lower-carbon economy.

Key votes undertaken over the year - 1 January 2020 to 31 December 2020	
Emerging Markets Index Fund Over the year to 31 December 2020 BlackRock engaged with 259 companies (from a total of 397 engagements). BlackRock engaged with 72 companies on more than one occasion over the period.	**ČEZ, a. s.** Czech power company controlled by the Czech Republic Government (70%). The Company's core businesses are generation and distribution of electricity, electricity trading, generation and distribution of heat, gas trading, and relate activities. CEZ discusses climate related challenges in a dedicated section in its 2019 annual report but its disclosures lack some of the key features expected, including TCFD-aligned reporting to further describe the resilience of the company's business model under different energy transition scenarios, the responsibility of the Supervisory board with regards to climate-related issues, and further details on short and medium term greenhouse gas (GHG) emissions reduction targets. BlackRock voted against approving the company's Remuneration Policy as it contained insufficient detail concerning incentives and performance-related elements such as how performance measures are defined or weighted. Moreover, CEZ only provided limited disclosure on award levels for both its short-term and long-term incentive plans. CEZ is not an official TCFD supporter and has made no public commitment regarding the alignment of its disclosures with the recommendations of the TCFD. Despite a section in the company's 2019 annual report dedicated to climate protection, these climate-related disclosures do not demonstrate sufficient progress towards CEZ aligning its reporting with the TCFD recommendations. In line with BlackRock's approach of holding directors accountable when a company is not effectively addressing a material issue, they voted against recalling and re-electing Supervisory Board members for lack of progress in relation to climate-risk reporting. Additionally, as at the time of the analysis, the names of the candidates were not disclosed, making it impossible for minority shareholders to make an informed decision about the election of board members.

Appendix B – Defined Contribution Section – Compliance with the Scheme's Policy on ESG, Stewardship and Climate Change

The following section sets out the work that was undertaken during the year to 31 December 2020 relating to the Trustees' policy on ESG factors, stewardship, and climate change, and sets out how the Trustees' engagement and voting policies were followed and implemented during the year.

The Trustee has delegated their voting rights to the investment managers from which Scheme assets are invested. The SIP states *"The Trustees have given the appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code".*

A greater emphasis has been placed at BlackRock as their funds represent around 44% of total assets of the Scheme and around 65% of the Scheme's default strategy.

For further information on BlackRock's approach on engagement please see information in Appendix A.

BlackRock 2020 Engagement priorities

BlackRock is committed to providing transparency into how they conduct investment stewardship activities in support of long-term sustainable performance for clients. As part of their commitment to clients, BlackRock enhance its disclosures in 2020. Key steps towards increased transparency include 1) moving from annual to quarterly voting disclosure, 2) prompt disclosure around key votes including an explanation of their voting decisions, and 3) enhanced disclosure of their company engagements.

Each year, BlackRock prioritises work around engagement themes that they believe will encourage sound governance practices and deliver sustainable long-term financial performance for clients. BlackRock Engagement Priorities for 2020 represented a continuation and evolution of themes identified over the past several years. They hope that highlighting priorities will help company boards and management prepare for engagement with the Investment Stewardship team and provide clients with insight into how they are conducting engagement and voting activities on their behalf. Some governance issues, like board quality and performance, have long been core components of the Investment Stewardship team's work. Other Engagement Priorities evolve over time and are informed by regulatory and market developments. In 2020, BlackRock placed an increased focus on sustainability-related issues and relevant disclosures, given the growing impact of these issues on long-term value creation. BlackRock are also mapping engagement priorities to specific United Nations Sustainable Development Goals, such as Gender Equality and Clean and Affordable Energy, and providing a high level, globally relevant Key Performance Indicator (KPI) for each Priority so companies are aware of our expectations.

BlackRock's Investment Stewardship 2020 priorities were:

- Board Quality

- Environmental Risks and Opportunities
- Corporate strategy & Capital Allocation
- Compensation that promotes long-termism
- Human capital management

BlackRock's Investment Stewardship team (BIS) engages with portfolio companies to encourage corporate governance and business practices aligned with sustainable long-term financial performance. Core tenets of good governance — board oversight, minority shareholder rights, and management quality — are desirable qualities for all investors and can be a differentiating factor for equity and debt investors' decision-making.

BlackRock overview of voting process for deciding how to vote

Voting guidelines are market-specific to ensure BlackRock take into account a company's unique circumstances by market, where relevant. They inform vote decisions through research and engage as necessary. Engagement priorities are global in nature and are informed by BlackRock's observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients. They may also update their regional engagement priorities based on issues that they believe could impact the long-term sustainable financial performance of companies in those markets. As outlined on **Global Corporate Governance and Engagement Principles,** BlackRock determines which companies to engage directly based on their assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of their engagement being productive.

Voting guidelines are intended to help clients and companies understand BlackRock's thinking on key governance matters. They are the benchmark against which BlackRock assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. If a client wants to implement their own voting policy, they will need to be in a segregated account. BlackRock's Investment Stewardship team would not implement the policy, but the client would engage a third-party voting execution platform to cast the votes.

BlackRock proxy voting decision process

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS), which consists of three regional teams – Americas ("AMRS"), Asia-Pacific ("APAC"), and Europe, Middle East and Africa ("EMEA"). The analysts with each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with ***BlackRock's Global Corporate Governance and Engagement Principles*** *and* ***custom market-specific voting guidelines****.*

BlackRock subscribes to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, as one among many inputs into their vote analysis process. They primarily use proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that our investment stewardship analysts can readily identify and prioritise those companies where BlackRock's additional research and engagement would be beneficial; to manage client accounts in relation to voting and facilitate client reporting on voting. Other sources of information include the company's own reporting, engagement and voting history with the company, and the views of its active investors, public information and ESG research.

In summary, proxy research firms help them deploy resources to greatest effect in meeting client expectations.

BlackRock Proxy Voting Guidelines

BlackRock votes annually at approximately 16,000 shareholder meetings, taking a case-by-case approach to the items put to a shareholder vote.

In cases where there are significant obstacles to voting, such as share blocking or requirements for a power of attorney, they will review the resolutions to assess the extent of the restrictions on voting against the potential benefits. BlackRock prefer to engage with the company in the first instance where they have concerns and give management time to address the issue. BlackRock will vote in favour of proposals where they support the approach taken by a company's management or where they have engaged on matters of concern and anticipate management will address them.

BlackRock will vote against management proposals where they believe the board or management may not have adequately acted to and advance the interests of long-term investors. In all situations, the economic interests of clients will be paramount. Voting guidelines are the benchmark against which they assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. BlackRock inform its vote decisions through research and engage as necessary. BlackRock review its voting guidelines annually and update them as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the prior year.

LGIM overview of use of proxy services

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 they do not outsource any part of the strategic decisions. To ensure their proxy provider votes in accordance with their position on ESG, LGIM have put in place a custom voting policy with specific voting instructions.

Aviva overview of use of proxy services

Aviva subscribe to proxy advisory services for independent research and recommendations including recommendations based on their own policy (where certain resolutions will be referred to us for further consideration). These providers include the IVIS service, ISS-Ethix and MSCI. Aviva use research for data analysis only as they have their own robust voting policy, which is applied to all Aviva's holdings. Aviva also take into consideration the views of the fund manager and the conversations with the company through their voting specific engagement.

Voting Activity

A summary of the voting activity on behalf of the Trustees over the last 12 months is set out below. This in relation to the Scheme's equity holdings within the BlackRock DC Diversified Growth, BlackRock 30:70 Currency Hedged Global Equity Index, BlackRock Aquila Life UK Equity Index, LGIM Diversified, LGIM Retirement Income Multi-Asset Fund (RIMA), LGIM Ethical UK Equity Index, BlackRock Aquila Life Currency Hedged World Equity ex UK Fund. The Diversified Growth Strategy is made up of AI Multi-Strategy Target Return, LGIM Diversified and BlackRock DC Diversified Growth.

	BlackRock DC Diversified Growth	BlackRock 30:70 Currency Hedged Global Equity Index	BlackRock UK Equity Index Fund	LGIM Diversified Fund	AI Multi-Strategy Target Return	LGIM RIMA	LGIM Ethical UK Equity Index Fund	BlackRock World (ex-UK) Equity Index
How many meetings were you eligible to vote at?	931	2649	772	12317	630	10836	312	2156
How many resolutions were you eligible to vote on?	11872	35192	11067	121670	6994	111748	5007	26530
What % of resolutions did you vote on for which you were eligible?	95.78%	95.48%	99.62%	0.98%	97.63%	1.00%	1.00%	93.98%
Of the resolutions on which you voted, what % did you vote with management?	94.37%	74.20%	93.48%	0.82%	62.73%	0.82%	0.94%	65.85%
Of the resolutions on which you voted, what % did you vote against management?	5.63%	25.80%	6.52%	0.17%	32.27%	0.17%	0.06%	34.15%

Of the resolutions on which you voted, what % did you abstain from voting?	0.91%	1.76%	1.39%	0.01%	2.39%	0.01%	0.00%	1.88%

Key votes undertaken during the year – 1 January 2020 to 31 December 2020	
BlackRock UK Equity Index Fund	**Barclays Plc** **Resolution 29. Approve Barclays' Commitment in Tackling Climate Change** Supported the resolution on 7 May 2020. Proposed by the Board, this resolution set out Barclays' commitment to climate change. Barclays is one of the largest lenders to fossil fuels globally, and it previously showed little intent to reduce its exposure. As such, support for this resolution is warranted at it sets out an ambition for Barclays to become a net zero bank by 2050 and directs the Company to set a strategy, with targets, to transition its provision of financial services across all sectors to align with the goals and timelines of the Paris Agreement. Barclays will report on progress annually starting from 2021. This resolution also signifies a dramatic cultural shift at the bank and culminates extensive work led by the Chair, Nigel Higgins and supported by the board and management team. Vote was selected given it's a relatively large shareholding and the positive impact it will have on the company's reputation.
BlackRock 30:70 Currency Hedged Global Equity Index	**Apple Inc.** **Resolution 6. Report on Freedom of Expression and Access to Information Policies** Supported the resolution on 26 February 2020. In its statement supporting the proposal, the proponent suggests that Apple faces human rights risks because it does business in countries where the government does not allow free speech or free access to information. The proponent asserts that Apple has cooperated in the past with requests from the Chinese government to restrict free speech and free access to information. The statement says the company has removed virtual private network (VPN) applications from its Chinese App Store, has taken off the New York Times application after a request from the Chinese government, and has removed other apps without explanation of why they were removed. The report criticized Apple for a lack of transparency on policies and practices related to freedom of expression. As such this resolution was considered important, and in the best interest of shareholders. Additional information regarding the company's policies and processes regarding freedom of expression and access to information would help shareholders gauge the company's management of related reputational risk. Vote was deemed significant given the materiality of human rights issues for the Brand if not handled properly and in turn, on the valuation of the stock.
	Alphabet Inc **Resolution 7. Establish Human Rights Risk Oversight Committee** Supported the resolution on 3 June 2020. As one of the co-filers of this resolution, BlackRock view is that human rights are embedded in Alphabet's business model. The lack of a clear human rights programme that is comprehensive, company-wide, with policies, processes and due diligence systems is considered a business risk. Board-level oversight is considered necessary to sufficiently address the human rights risks associated with the Company's technologies. Further, continued controversies call into question the extent to which the existing structures provide adequate oversight on risks the company's technologies present to human rights, which, in turn, creates risks for the company in terms of retaining management and employees and retaining a good reputation in the eyes of users and advertisers. Vote was selected given the materiality of the shareholder resolution (i.e lack of a clear human rights programme) and the high level of support the proposal received. Investors will also be scrutinised about what they done to challenge and change practices at the company, particularly if employee

	practices and human rights are found to be below expectations. Alphabet is an active position for Aviva Investors
Aviva Multi Strategy Target	**Amazon.com, Inc.** **Shareholder resolution (15) requiring to Company to produce a human rights risk assessment** Supported on 27 May 2020. Aviva have engaged with Amazon on human rights risks management over the past year. Whilst they have observed improvements, with the publication of its Global Human Rights Principles, Aviva find current reporting falls short of expectations. The assessment (and public disclosure) of the company's actual and potential impacts of its products will benefit shareholders as it will help understand the policies the company has implemented to address human rights impacts in its operations and supply chain. Aviva look forward to see the expanded risk assessment approach and further details as discussed with the company. Vote was selected given the materiality of the shareholder resolution (i.e the impact on the brand reputation if the issue is not adequately addressed) and the high level of support the proposal received. Investors will also be scrutinised about what they done to challenge and change practices at the company, particularly if employee practices and human rights are found to be below expectations. Amazon is an active position for Aviva Investors
LGIM Retirement Income Multi-Asset Fund	**The Procter & Gamble Company (P&G)** **Resolution 5 Report on effort to eliminate deforestation.** Voted in favour of the resolution on 13 October 2020. P&G uses both forest pulp and palm oil as raw materials within its household goods products. The company has only obtained certification from the Roundtable on Sustainable Palm Oil for one third of its palm oil supply, despite setting a goal for 100% certification by 2020. Two of their Tier 1 suppliers of palm oil were linked to illegal deforestation. Finally, the company uses mainly Programme for the Endorsement of Forest Certification (PEFC) wood pulp rather than Forestry Stewardship Council (FSC) certified wood pulp. Palm oil and Forest Pulp are both considered leading drivers of deforestation and forest degradation, which is responsible for approximately 12.5% of greenhouse gas emissions that contribute to climate change. The fact that Tier 1 suppliers have been found to have links with deforestation calls into question due diligence and supplier audits. Only FSC certification offers guidance on land tenure, workers', communities and indigenous people's rights and the maintenance of high conservation value forests. LGIM engaged with P&G to hear its response to the concerns raised and the requests raised in the resolution. We spoke to representatives from the proponent of the resolution, Green Century. In addition, we engaged with the Natural Resource Defence Counsel to fully understand the issues and concerns. Following a round of extensive engagement on the issue, LGIM decided to support the resolution. Although P&G has introduced a number of objectives and targets to ensure their business does not impact deforestation, we felt it was not doing as much as it could. The company has not responded to CDP Forest disclosure; this was a red flag to LGIM in terms of its level of commitment. Deforestation is one of the key drivers of climate change. Therefore, a key priority issue for LGIM is to ensure that companies we invest our clients' assets in are not contributing to deforestation. LGIM has asked P&G to respond to the CDP Forests Disclosure and continue to engage on the topic and push other companies to ensure more of their pulp and wood is from FSC certified sources. This vote is linked to LGIM's five-year strategy to tackle climate change and attracted a great deal of client interest.
	Whitehaven Coal **Resolution 6 Approve capital protection. Shareholders are asking the company for a report on the potential wind-down of the company's coal operations, with the potential to return increasing amounts of capital to shareholders.** Voted in favour of the resolution on 22 October 2020. The role of coal in the future energy mix is increasingly uncertain, due to the competitiveness of renewable energy, as well as increased regulation: in Q4 2020 alone three of Australia's main export markets for coal - Japan, South Korea and China - have announced targets for carbon neutrality around 2050. LGIM has publicly advocated for a 'managed decline' for fossil fuel companies, in line with global climate targets, with capital being returned to shareholders instead of spent on diversification and growth projects that risk becoming stranded assets. As the most polluting fossil fuel, the phase-out of coal will be key to reaching these global targets. This vote received media scrutiny and is emblematic of a growing wave of green shareholder activism.

LGIM Ethical UK Equity Index Fund	**Barclays** **Resolution 29 - Approve Barclays' Commitment in Tackling Climate Change** **Resolution 30 - Approve ShareAction Requisitioned Resolution** LGIM voted for resolution 29, proposed by Barclays and for resolution 30, proposed by ShareAction on May 7th 2020. The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers. We are particularly grateful to the Investor Forum for the significant role it played in coordinating this outcome. Since the beginning of the year there has been significant client interest in our voting intentions and engagement activities in relation to the 2020 Barclays AGM. We thank our clients for their patience and understanding while we undertook sensitive discussions and negotiations in private. We consider the outcome to be extremely positive for all parties: Barclays, ShareAction and long-term asset owners such as our clients.
BlackRock DC Diversified Growth	**Royal Dutch Shell plc** **Item 21: Request Shell to Set and Publish Targets for Greenhouse Gas (GHG) Emissions** BlackRock voted against the shareholder resolution on 19th May 2020 The shareholder proposal (Item 21) requested that Shell set and publish targets across Scope 1, 2 and 3, aligned with the Paris Agreement. The proponent argued that Shell's ambition to reduce its net carbon intensity by 50% by 2050 in a growing energy system would not ultimately lead to the level of absolute emissions reduction necessary to achieve the goals of the Paris Agreement. The proponent asked for more "aspirational" targets. Since the submission of the shareholder proposal, Shell has updated its climate commitments to more aggressively reduce its carbon footprint, and to become a "net-zero emissions energy business" by 2050 or sooner. This commitment now includes: • ***Scope 1&2:***net zero on all emissions from the manufacture of all products by 2050; • ***Scope 3:*** reducing the Net Carbon Footprint of its energy products by around 65% by 2050 (up from previous target of around 50%), and by around 30% by 2035 (up from previous target of around 20%), both now consistent with the Paris Agreement goal to limit the average temperature rise to 1.5 degrees Celsius; • A transition towards serving businesses and sectors that by 2050 are also net-zero emissions. BlackRock has been engaged with Shell on its climate commitments for a number of years and was engaged with the company throughout the process of this latest upgrading of its commitments. Most of Shell's Scope 3 emissions are the Scope 1 emissions of their customers. Because no single oil & gas company is fully in control of the global energy mix, Shell's Scope 3 commitments will only be achievable if key stakeholders such as policymakers, businesses and consumers accelerate the development and use of low-carbon technologies, incentivize more energy efficiency, reduce demand for fossil fuels, and remove emissions from the atmosphere.
	Chevron Corporation **Key Resolutions1 Item 6: Report on Climate Lobbying Aligned with Paris Agreement Goals** BlackRock voted for this proposal on 27th May 2020, as greater transparency into the company's approach to political spending and lobbying as aligned with their stated support for the Paris Agreement will help articulate consistency between private and public messaging in the context of managing climate risk and the transition to a lower-carbon economy. Support for this proposal is not meant to be punitive or suggest that we feel the board has failed to appropriately consider climate risk in the context of strategy. Rather, we believe this is a further point of refinement to solidify best in class reporting amongst US oil and gas peers. The proposal does not suggest or require Chevron to alter its current actions; instead, it affords an opportunity to provide greater context for investors. This is in line with our view that the risks of climate change and the transition to a lower carbon economy present material regulatory, reputational, and legal risks to companies. As a fiduciary for our clients, we see it as material to better understand how these risks are being adequately disclosed and overseen.