LEONARDO ELECTRONICS PENSION SCHEME

Implementation Statement for the year ended 5 April 2021

LEONARDO ELECTRONICS PENSION SCHEME IMPLEMENTATION STATEMENT

1. Introduction

The Trustee is required to make publicly available online a statement ("the Implementation Statement") covering the Leonardo Electronics Pension Scheme (the "Scheme") in relation to the Scheme's Statement of Investment Principles (the "SIP").

The SIP was amended once during the year ending 5 April 2021, and the changes made were predominantly for regulatory changes relating to ESG factors, corporate governance and voting, as well as reflecting the updated investment strategy with regard to investments into Cash Flow Matching Credit Assets and Active Structured Equity. This SIP came into force from 22 September 2020.

A copy of the current SIP signed and dated 22 September 2020 can be found here www.lepensions.co.uk/compliance

This first Implementation Statement covers the Scheme year from 6 April 2020 to 5 April 2021 (the "Scheme Year"), although the information on engagement and voting statistics relates to the period from 1 April 2020 to 31 March 2021. It sets out:

- How the Trustee's policies on exercising voting rights and engagement have been followed over the Scheme Year; and
- The voting by or on behalf of the Trustee during the Scheme Year, including the most significant votes cast and any use of a proxy voter during the Scheme Year.

A copy of this Implementation Statement is available on the following website: www.lepensions.co.uk/compliance

2. How the Trustee's policies have been followed over the Scheme Year

Voting rights and engagement

The Scheme's SIP sets out the Trustee's policies in relation to stewardship, corporate governance and Environmental, Social and Governance (ESG) factors.

The Trustee is ultimately responsible for the investment of the Scheme assets. Where it is required to make an investment decision, the Trustee always receives advice from the relevant advisers first and they believe that this ensures that they are appropriately familiar with the issues concerned. The Trustee also sets the investment strategy and general investment policy but has delegated the day-to-day investment of the Scheme's assets, within pre-defined constraints to professional investment managers.

The Trustee has appointed River and Mercantile Investments Limited ("R&M") as its Investment Manager using its Fiduciary Management service (and is referred to as the "Fiduciary Manager" in the Implementation Statement). R&M can appoint other investment managers in respect of underlying investments (referred to as "Underlying Investment Managers").

The Scheme invests in assets with voting rights attached. However, these investments are generally made via pooled investment funds with the Underlying Investment Managers where the Scheme's investments are pooled with other investors. Therefore, direct control of the process of engaging with the companies that issue the underlying securities, whether for corporate governance purposes or other financially material considerations, is delegated to those Underlying Investment Managers. The Fiduciary Manager appoints those Underlying Investment Managers. A copy of the SIP has been provided to the Fiduciary Manager and the Fiduciary Manager is expected to adopt that approach to corporate governance and to other financially material considerations when providing Fiduciary Management services and/or in selecting Underlying Investment Managers.

The Trustee requires that the Fiduciary Manager considers stewardship activity including voting and engagement, and Environmental, Social and Governance (ESG) factors including climate change when choosing new or monitoring existing Underlying Managers. The Trustee believes it is appropriate to delegate such decisions in order to achieve an integrated and joined up approach to ESG factors, voting and engagement. The

Trustee has therefore not sought to influence voting behaviours and does not intend to change its position at this time.

Over the Scheme Year, the Fiduciary Manager provided the Trustee with monitoring of the ESG characteristics of the portfolio and stewardship activity carried out by the Fiduciary Manager on a quarterly basis. The Trustee is satisfied with the Fiduciary Manager's activity in this area.

On behalf of the Trustee, monitoring of voting and engagement policy by Underlying Investment Managers in relation to the Scheme's investments was carried out by the Fiduciary Manager through regular investment and operational due diligence meetings with the Underlying Investment Managers. In addition, the Trustee, with the help of the Fiduciary Manager, monitors the performance of the Underlying Investment Managers against the agreed performance objectives at quarterly ISC meetings held during the Scheme Year.

Following activity during the Scheme Year and by preparing this Implementation Statement, the Trustee believes that it has acted in accordance with the Statement of Investment Principles over the Scheme Year.

Investment governance

The Trustee has governed the Scheme in line with the SIP.

The SIP sets out that the Trustee will hold regular Investment meetings each year – these meetings provide an opportunity for the Trustee to maintain sufficient involvement in the investment process to discharge its responsibilities appropriately and to demonstrate consultation with the Sponsoring Employer. These were held through this Scheme year.

The Investment meetings held during the Scheme year led to significant changes in the investment strategy. The most notable changes to the investment strategy during the Scheme year were introducing allocations to:

- Cash Flow Matching Credit: A portfolio of investment grade bonds which are held to maturity to deliver a series of known cashflows, in order to meet a proportion of the Scheme's future cashflow requirements (i.e. benefit outgo), and providing an additional return above that available from gilts.
- Active Structured Equity: A return-seeking strategy which uses the Scheme's gilt assets as collateral, and is combined with equity derivatives. The equity derivatives are structured to provide a level of protection in the event of a fall in equities.

3. Voting and Engagement Summary

The exercise of voting rights is delegated to the Fiduciary Manager and the Fiduciary Manager has in place a voting policy which sets out how it will aim to vote at a general meeting of a pooled fund. The Trustee made no changes to the voting and engagement policies contained in the SIP this Scheme Year but this will be kept under review in future years.

River and Mercantile Group, of which the Fiduciary Manager is a division, are a PRI signatory and were rated A+ by PRI in 2019 for their Strategy and Governance.

References to "ISS" relate to Institutional Shareholder Services, a proxy voting company used by the Underlying Investment Manager, BNYM.

The Trustee has considered the voting behaviour (provided in the Appendix) along with engagement activity that took place on their behalf during the Scheme Year within the growth asset portfolio, the active structured equity portfolio, and the liability hedging portfolio and is pleased to report that the Fiduciary Manager and the Underlying Investment Managers have demonstrated high levels of voting activity, challenges to management and active engagement on a range of relevant topics.

Specifically, the Trustee noted that:

- Each relevant manager demonstrated very high levels of voting rights being acted on.
- Challenge to management was demonstrated through votes by the Underlying Investment Managers against management.
- The general themes of engagement activity were in relation to environmental issues (climate strategy in particular), executive pay, board diversity and improving social outcomes.
- Within the BNYM Global Equity Fund, which makes up the majority of the Scheme's investments in return-seeking assets, the Trustee noted that BNYM prioritised engagement with each of their underlying holdings on the following areas: governance practices, executive compensation,

sustainability including climate change, human capital management, and Diversity and Inclusion. An example would be their engagement with an S&P500 Real Estate Company. BNYM discussed the company's diversity and inclusion efforts, as well as its ongoing compensation policy enhancements. In addition, they outlined the areas where they would like to see improvements going forward.

- For the largest mandate within the return-seeking credit assets, engagement on improving social outcomes was noted as a significant example. The manager engaged with a leading manufacturer and distributor of blood testing equipment. They worked with senior management to encourage the company to develop social targets in addition to its existing environmental focus and to increase product distribution to at risk/at-need populations globally through donations of refurbished equipment. The manager also worked with the company to understand the impact the COVID-19 crisis would have on its long-term business strategy. They viewed the company's ability to deliver these solutions and products globally as a positive for society that would also boost the company's credit profile.
- In relation to the liability hedging and active structured equity mandates, the Trustee noted that the choice of counterparty (both in terms of the counterparties chosen to be part of the available roster and the choice of which counterparty of these to use when entering into derivative transactions) is driven by a number of factors including credit ratings which take into account ESG factors, and ESG scores for counterparties are regularly monitored.

The Trustee is satisfied that the voting and engagement activity undertaken by the Fiduciary Manager and Underlying Investment Managers are in line with the Trustee's policies contained in the SIP and that no changes are required to these policies at this time. The Trustee will keep the position under review.

Signed: B Walsh

Name: Bernard Walsh
Chair, Leonardo Electronics Pension Scheme (Trustee) Ltd

Appendix – Voting statistics

1. Voting in relation to underlying pooled funds, on behalf of the Trustee

Most of the rights and voting relating to the Scheme's investments relate to underlying securities investment in through pooled funds managed by underlying investment managers – this is covered in part 2 below. However, the pooled funds themselves often confer certain rights around voting or policies. These rights are exercised by the Fiduciary Manager on behalf of the Trustee and we cover these here.

Over the year to 31 March 2021, The Fiduciary Manager voted on 206 resolutions across 52 meetings. The Fiduciary Manager voted against management on 10 resolutions which was 5% of total resolutions and abstained on 8 resolutions (4% of the total resolutions).

The RAMIL Investment Research team engaged with investment managers regarding their clients' pooled fund investment on approximately 800 occasions during the 12 months period. The engagement topics covered a range of areas including executive board composition, investment management processes, auditor tenure and fund costs.

2. Underlying Managers' voting on securities, on behalf of the Trustee

There are c. 30 Underlying Managers used by the Investment Manager. Set out below is the voting statistics for the most material equity holdings during the period that held voting rights, namely BNY Mellon Global Equity. Within other asset classes there are no voting rights. However, engagement activity is very important and so examples of engagement activity for the managers that represent 2.5% or more of the portfolio have also been reviewed by the Trustee.

Summary of voting activity – BNYM Global Equity Fund

	BNYM (River and Mercantile) Global Equity Fund
Total meetings eligible to vote	1,124
Total resolutions eligible to vote	14,052
% of resolutions did you vote on for which you were eligible?	98%
% did vote with management?	89%
% vote against management?	9%
% abstained	1%
% of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	2%

- BNYM uses Institutional Shareholder Services, "ISS", for proxy voting services.
- The voting statistics provided may slightly differ depending on the exact composition the Scheme holds.

Most significant votes carried out by the Underlying Managers

BNYM Global Equity Fund

WALMART, INC.

BNYM voted for a shareholder proposal requesting that Walmart publish a report on the impact of single-use plastic bags. In terms of phasing out plastic bags, in BNYM's view Walmart does not lag its peers in the retail industry but lags its peers in the grocery sector. BNYM hold companies to a high environmental standard and believe this proposal will result in Walmart acknowledging the positive impact it can have through the elimination or reduction of single-use plastic bags.

THE PROCTER & GAMBLE COMPANY

BNYM believe that Procter & Gamble lags its peers in terms of deforestation commitments and policies that monitor supplier actions. The company has been accused of contributing to the destruction of forests that have high wildlife and climate change value. The lack of information presents potential competitive and reputational risks to the company. As a result, BNYM voted for a shareholder proposal requesting the company report on efforts to eliminate deforestation. BNYM will continue to engage with the company to ensure that the lack of reporting is adequately addressed.

RIO TINTO LIMITED

In May 2020, BNYM voted for a proposal approving emission targets for Rio Tinto. BNYM believe this resolution will provide shareholders with increased transparency, allowing them to understand how the company is addressing climate change and mitigating these risks.

KELLOGG COMPANY

In an effort to promote accountability, BNYM voted for a shareholder proposal in April 2020 to declassify Kellogg's board of directors. BNYM believe it is beneficial for directors to be elected each year. BNYM maintain that a board that is refreshed annually is often best equipped with fresh viewpoints and counsel.

VISA, INC.

BNYM voted against the election of a director to Visa's board as the individual was serving on five boards. Generally, if an individual serves on more than five boards, BNYM vote against electing them to an additional board. BNYM expect the board members they elect to focus on their current board memberships, which BNYM believe is difficult to accomplish beyond our threshold of five boards.

ORACLE CORPORATION

BNYM withheld their vote for a director because the nominee owns a large stake in the company and pledged what BNYM believe is a disproportionate number of shares against that stake. Stock pledging can have a negative impact on the company. Should market conditions deteriorate, sudden forced selling could create an inordinate amount of technical pressure on a company's stock.

LEONARDO ELECTRONICS 100+ SECTION RETIREMENT ACCOUNT PLAN ('SCHEME') IMPLEMENTATION STATEMENT

1. Introduction

The Trustee is required to make publicly available online a statement ("the Implementation Statement") covering Leonardo Electronics 100+ Section Retirement Account Plan ("the Scheme") in relation to the Scheme's Statement of Investment Principles (the "SIP").

This first Implementation Statement covers the Scheme Year from 6 April 2020 to 5 April 2021. It sets out:

- Details of any review of and/or changes made to the SIP;
- How, including the extent to which, the Scheme's SIP has been followed over the year;
- How, including the extent to which, the Trustee's policies on exercising voting rights and engagement have been followed over the year; and
- The voting by or on behalf of the Trustee, including the most significant votes cast and any use of a proxy.

A copy of this Implementation Statement is available on the following website: www.lepensions.co.uk/compliance

The Trustee believes that it has acted in accordance with and followed the policies set out in the SIP over the Scheme year.

2. Summary of changes to the SIP during the Scheme year

The Trustee reviewed the SIP during the year to 5 April 2021, with an updated version coming into effect during September 2020 following a consultation with the Sponsoring Employer. The SIP had last been updated in August 2019, so reviewing the SIP in 2020 fulfilled the commitment to review them at least every 3 years.

A copy of the current 100+ Section Retirement Account Plan SIP signed and dated 23 September 2020 can be found here www.lepensions.co.uk/compliance

The key updates reflected as part of these reviews were to develop further the Trustee's policy on corporate governance and stewardship. To help form these policies, the Trustee received training from its advisers covering responsible investment, the financial materiality of Environmental, Social and Governance ("ESG") factors and stewardship. The policies set out in the SIP were formed following subsequent discussion.

The Trustee has added policies to the Scheme's SIP to cover the following stewardship points:

- how the trustee incentivises managers to align their investment strategy with the Trustee's own;
- how they incentivise the manager to assess investee companies' medium to long-term financial and non-financial performance, and engage accordingly;
- how the method and time horizon for evaluating the manager's performance, and the basis of its remuneration, are aligned with the Trustee's other investment policies;
- how the Trustee monitors portfolio turnover costs incurred.
- the duration of their management arrangement

In the SIP a section on whether the Trustee takes non-financial matters into account was also added.

3. Implementation of the Trustee's policies during the Scheme year

The following wording sets out the actions taken by the Trustee over the year to 5 April 2021 in order to follow various policies within the SIP.

Investment governance

The Trustee has governed the Scheme in line with the SIP.

The Trustee has met four times over the year to discuss investment matters in relation to the 100+ Retirement Account Plan. This allowed the Trustee to make the important decisions on investment policy, while delegating the day-to-day aspects to the appointed Fiduciary Manager as appropriate. There have been no changes to the Scheme's investment governance policy over the Scheme year.

Over the Scheme year the Trustee received quarterly information on the performance of the investment strategy from the Fiduciary Manager. This information was formally reviewed by the Trustee and discussed with the Fiduciary Manager. During these discussions the Trustee ensured it was clear what the key portfolio activity was over the reporting period and the rationale for any portfolio changes, as well as the key contributors and detractors to investment performance over the period.

The quarterly investment governance reports the Trustee received from the Fiduciary Manager includes information on the default strategy's exposure to ESG, ethical and carbon risk factors. Based on this ongoing assessment the Trustee is comfortable with the default strategy's level of exposure to these risk factors.

The default arrangement's risk characteristics (volatility of returns) were within tolerances agreed with the Fiduciary Manager. The self-select funds, which comprise passively managed funds, effectively tracked their respective benchmarks gross of fees.

The Trustee is required to review the SIP at least every three years. This was undertaken in September 2020 with changes as described elsewhere in this Implementation Statement.

The Trustee is comfortable the investment strategy performed as expected during the Scheme year, given wider market conditions. In particular, the Scheme's default strategy protected from the worst of the equity market falls seen during the first quarter of 2020 in light of the coronavirus pandemic. During the volatile market conditions experienced in Q1 and Q2 2020 resulting from the Covid pandemic, the Trustee received regular updates from the Fiduciary Manager, covering market updates, changes made to the Scheme's asset allocation and portfolio performance.

Corporate Governance and Stewardship

The SIP sets out how the Trustee delegates responsibility around corporate governance and stewardship to the Fiduciary Manager. The Trustee believes that the specific policies set out in the SIP have been complied with this year based on the below.

The Fiduciary Manager manages assets directly on behalf of the Trustee as well as having delegated authority to appoint, monitor and change the Underlying investment managers. The Scheme's investments are generally made via pooled investment funds. As such, direct control of the process of engaging with the companies that issue these securities (whether equities, bonds, etc.) is delegated to the Underlying Investment Managers.

The Fiduciary Manager undertakes regular reviews of all Underlying Investment Managers.

Financially material factors including ESG and climate change

The Trustee attributes appropriate weight to ESG factors (and stewardship) when considering changes to the investment strategy and in appointing and reviewing investment managers. The Trustee's expectations for any current or future investment manager depends on the asset class involved, the degree of discretion given to the investment manager, and the time horizon over which the Trustee expects to hold the investment.

The SIP was updated in 2019 and 2020 to reflect new regulatory requirements relating to financially material factors (including ESG and climate change). This section considers the actions taken and decisions made in connection with those changes.

The Fiduciary Manager, who takes investment decisions on behalf of the Trustee, is expected to follow the Trustee's SIP in respect of financially material factors specifically ESG and climate change. The Trustee receives and reviews quarterly monitoring reports which include a matrix of ESG scores of the Scheme's portfolio and details of carbon emissions.

The Fiduciary Manager considers the impact of the ESG characteristics and climate change at a total portfolio level and implications for risk and return on investments.

When the Fiduciary Manager invests the Scheme's assets in equities, it typically uses a mandate where it can directly invest to take account of relevant factors such as ESG. For example, in its primary equity mandate with BNY Mellon, an Underlying Investment Manager, the Fiduciary Manager seeks to avoid investing in companies with poor or worsening ESG credentials, where ESG represents a risk to the value of the investment, and seeks to invest in those companies with good or improving ESG credentials, where ESG represents an opportunity for investment growth. As examples, the Fiduciary Manager excluded a United States Healthcare provider due to poor safety issues and excluded a European pharmaceutical firm over poor corporate governance. The Trustee is satisfied that the policies in its SIP are being adhered to.

Where the Fiduciary Manager selects Underlying Investment Managers where it cannot directly influence ESG factors, how an Underlying Investment Manager evaluates ESG factors and mitigates ESG risks forms an important part of its evaluation at both investment and operational due-diligence stages. This may lead to the exclusion of potential Underlying Investment Managers.

The Trustee undertook training sessions on ESG and climate change in 2020, which resulted in the implementation of a new ESG fund being added to the self-select fund range.

Monitoring

Over the year the Trustee monitored the performance of the underlying managers, and the strategy as a whole, on a quarterly basis. Particular attention was given to strategy performance during the volatile market conditions across Q1 and Q2 2020. The Trustee is satisfied the strategy performed as expected during this period in the context of the market conditions, through mitigating the worst of the wider market falls, especially for those members closest to retirement.

Risk management

This section of the SIP sets out how risks are monitored and managed within the Scheme. Many of these aspects are also covered in various other parts of the SIP and hence in this section there may be some repetition from other parts of the Implementation Statement. The Trustee is satisfied that risks are monitored in line with the SIP on the basis set out below.

The Trustee sets investment guidelines for the Fiduciary Manager which cover a range of risks to manage which are mitigated by minimum or maximum amounts of diversification, liquidity and counterparties. The Fiduciary Manager has operated within these restrictions throughout the Scheme Year. The Trustee has monitored the Fiduciary Manager against the investment guidelines on a quarterly basis through quarterly monitoring reports and is satisfied that the guidelines have been adhered to on the basis of those reports.

The default arrangement's risk characteristics (volatility of returns) were within tolerances agreed with the Fiduciary Manager. The self-select funds, which comprise passively managed funds, effectively tracked their respective benchmarks gross of fees.

The Trustee maintains a risk register that gives consideration to the risks detailed in the SIP. Risks are assessed using a "treat, tolerate, transfer, terminate" control framework.

In identifying and evaluating all risks, the Trustee assesses both impact and likelihood (among other items). Mitigation of all risks identified is considered and applied where appropriate as part of the process.

In addition, risk identification is a standing agenda item in all quarterly Trustee meetings.

Non-financially material factors

In line with the SIP, The Trustee does not at present take into account non-financial matters (such as members' ethical considerations, social and environmental impact matters or future quality of life considerations for members and beneficiaries) when making investment decisions as there is no likely common view on any ethical matters which members are likely to hold.

Default Investment Strategy and Self-select range

The Trustee's objectives for the Scheme are:

- To provide members with a robust default solution which makes available vehicles designed to focus on members' needs by:
    - Optimising the value of members' assets at retirement;
    - Maintaining the purchasing power of members' savings; and
    - Protecting the value of accumulated assets as members approach retirement.
- To provide members with a range of investment options to enable them to tailor their investment strategy to their own needs, should they not wish to partake in the default solution.
- To avoid over-complexity in investment in order to keep administration costs and member understanding to a reasonable level.

There were no changes made to the default investment strategy during the 2020/2021 Scheme year. A review of the default strategy is scheduled to take place in the second half of 2021; any changes implemented will be detailed in next year's implementation statement. The previous review was conducted in the 2017/18 Scheme year, which fulfils the requirement to review the default strategy triennially.

At least once in each Scheme year, the Trustee reviews the suitability of the Scheme's self-select options. Following a Trustee training session and subsequent advice provided by their Fiduciary Manager, the Trustee decided to implement the following changes during the 2020/21 Scheme year:

- add an ESG Equity fund to the self-select range, following heightened member interest, identified in a Member survey carried out by the Trustee
- reduce the UK exposure within the Global Equity fund (by changing the underlying fund composition), in line with global market weightings, to reflect a more globally diversified equity allocation through an increase in exposure to Developed and Emerging markets

Since the end of the Scheme year, the Trustee has also introduced a Shariah-compliant fund to the self-select range.

The Trustee is comfortable the investment strategy reflects the needs of the Scheme's membership. In particular:

- a default strategy which gradually de-risks member's investments as they approach retirement, and reflects inflation-related investment return targets which are aligned to member's expected retirement income requirements; and
- a self-select fund range offering outside the default strategy that offers members a wide choice of asset classes and risk-based options, without the range being so large as to be overwhelming and hinder member decision-making. In addition, members can choose to invest in the alternative lifestyle funds, introduced in 2018.

Strategy implementation

The Trustee has chosen to incorporate active management within the default arrangement, through the Fiduciary Manager. This is aligned with the Trustee's investment belief that active management can add value by managing risk during adverse market conditions, and taking advantage of investment opportunities to generate return, subject to the agreed risk tolerances of the default arrangement's funds.

The Trustee has chosen to incorporate passive management within the self-select fund range (aside from the self-select lifestyle profiles, which mirror the default arrangement during the growth phase). The Trustee believes passive management offers low cost, effective access to the core range of asset classes offered within the range, for those members actively choosing to access those asset classes.

The policies set out above were unchanged during the Scheme year.

The Fiduciary Manager carried out a full due diligence review of the platform manager, Mobius Life, concluding during the 2020/21 Scheme year. This review covered areas including corporate structure, organisational strength, security of assets, platform technology and reporting functionality. Based on this review, the Trustee remains comfortable with the appointment of Mobius Life as platform manager.

The Trustee receives quarterly reports from the Scheme's administrators that enable it to monitor the administration service and, in particular, that agreed service levels are being met in relation to the accuracy and timeliness of core financial transactions, including correct investment of ongoing contributions.

Further detail regarding the processing of core financial transactions over the year is set out in the DC governance statement ("chair's statement").

The Trustee delegates the day to day management of the assets to various investment managers, these managers are accessed through the Mobius Life platform.

Aspects of implementation related to administration, investment of contributions and transitions are reviewed annually by the Trustee in its Value for Members assessment. Details of this is set out in the DC governance statement ("chair's statement").

4. Voting and Engagement Summary

The Trustee's investment advice is provided by River and Mercantile Investments Limited ("RAMIL"), a division of the River and Mercantile Group. The River and Mercantile Group is a PRI signatory and were rated A+ by PRI for their Strategy and Governance.

The Scheme's investments are made via pooled investment funds via the Platform Manager, Mobius Life, in which the Scheme's investments are pooled with those of other investors. As such, direct control of the process of engaging with the companies that issue the underlying securities, monitoring and voting, whether for corporate governance purposes or other financially material considerations, is delegated to the underlying investment managers.

The Trustee has delegated responsibility for monitoring and voting on decisions relating to their underlying Manager holdings to Mobius Life, which implements its fund voting policy. At the fund manager level Mobius Life hold voting rights and at the underlying company/stock level, the underlying fund manager holds the voting and engagement rights. The default blended funds include allocations to Exchange Traded Funds (ETFs), for which RAMIL holds voting rights. Over the year to 5 April 2021, RAMIL voted on two ordinary and one special resolution in relation to the Vanguard FTSE All-World UCITS fund. From the first quarter of 2020, RAMIL has enlisted a proxy voting service (to vote based on RAMIL's instruction), to increase the robustness of its voting process on these funds.

Summary

The key areas the Trustee notes from voting and engagement activity across their underlying managers over the Scheme year is set out below. Voting activity is set out in the Appendix and engagement activity over the year has been collated separately with a summary provided here:

- Most managers were able to provide evidence of high levels of engagement activity.
- The common themes over the Scheme year were environmental issues, (climate strategy in particular), executive pay and board diversity.
- Water stress and engagement on improving social targets were also key themes.
- Each relevant manager demonstrated very high levels of voting rights being acted on.
- Challenge to management was demonstrated through votes against management.
- Significant votes provided were typically in relation to board remuneration.
- BlackRock has a strong engagement philosophy and has made more commitments to this very recently.

Signed: B Walsh

Name: Bernard Walsh
Chair, Leonardo Electronics Pension Scheme (Trustee) Ltd

Appendix – Voting statistics

There are c. 30 managers in the default strategy. Set out below is the voting statistics for the most material equity holdings during the period that held voting rights, namely BNY Mellon Global Equity. Within other asset classes there are no voting rights. However, engagement activity is very important and so examples of engagement activity for the managers that represent 2.5% or more of the portfolio have also been reviewed by the Trustee.

Summary of voting activity – BNY Mellon Global Equity Fund

Total meetings eligible to vote	1,124
Total resolutions eligible to vote	14,052
% of resolutions did you vote on for which you were eligible?	98%
% did vote with management?	89%
% vote against management?	9%
% abstained	1%
% of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	2%

- BNY Mellon uses Institutional Shareholder Services, "ISS", for proxy voting services.
- The voting statistics provided may slightly differ depending on the exact composition the Scheme holds.

Most significant vote(s) and examples of engagement

WALMART, INC.

BNY Mellon voted for a shareholder proposal requesting that Walmart publish a report on the impact of single-use plastic bags. In terms of phasing out plastic bags, in BNY Mellon's view Walmart does not lag its peers in the retail industry, but it lags it's peers in the grocery sector. BNY Mellon hold companies to a high environmental standard and believe this proposal will result in Walmart acknowledging the positive impact it can have through the elimination or reduction of single-use plastic bags.

THE PROCTER & GAMBLE COMPANY

BNY Mellon believe that Procter & Gamble lags its peers in terms of deforestation commitments and policies that monitor supplier actions. The company has been accused of contributing to the destruction of forests that have high wildlife and climate change value. The lack of information presents potential competitive and reputational risks to the company. As a result, BNY Mellon voted for a shareholder proposal requesting the company report on efforts to eliminate deforestation. BNY Mellon will continue to engage with the company to ensure that the lack of reporting is adequately addressed.

RIO TINTO LIMITED

In May 2020, BNY Mellon voted for a proposal approving emission targets for Rio Tinto. BNY Mellon believe this resolution will provide shareholders with increased transparency, allowing them to understand how the company is addressing climate change and mitigating these risks.

KELLOGG COMPANY

In an effort to promote accountability, BNY Mellon voted for a shareholder proposal in April 2020 to declassify Kellogg's board of directors. BNY Mellon believe it is beneficial for directors to be elected each year. BNY Mellon maintain that a board that is refreshed annually is often best equipped with fresh viewpoints and counsel.

VISA, INC.

In January 2020, BNY Mellon voted against the election of a director to Visa's board as the individual was serving on five boards. Generally, if an individual serves on more than five boards, BNY Mellon vote against electing them to an additional board. BNY Mellon expect the board members they elect to focus on their current board memberships, which BNY Mellon believe is difficult to accomplish beyond our threshold of five boards.

ORACLE CORPORATION

BNYN withheld their vote for a director because the nominee owns a large stake in the company and pledged what BNY Mellon believe is a disproportionate number of shares against that stake. Stock pledging can have a negative impact on the company. Should market conditions deteriorate, sudden forced selling could create an inordinate amount of technical pressure on a company's share price.