Implementation Statement, covering 1 October 2019 to 30 September 2020 (the "Scheme Year")

The Trustee of the TUI Group UK Pension Trust (the "Trustee") is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the Statement of Investment Principles ("SIP") during the year, as well as details of any review of the SIP during the year, subsequent changes made with the reasons for the changes, and the date of the last SIP review. The TUI Group UK Pension Trust ("the Trust") is a sectionalised scheme with three Defined Benefit ("DB") sections called:

- the BAL Scheme ("BAL")
- the TUI UK Scheme ("TUI UK")
- the TAPS Scheme ("TAPS")

Given this segregated structure, in this document the three sections are referred to as three separate schemes (the "Schemes") to best reflect how the structure operates. The Trust also has Additional Voluntary Contributions ("AVCs") and Defined Contribution ("DC") Sections (the "Sections").

Information is provided on the last review of the SIP in Section 1 and on the implementation of the SIP in Sections 2-11 below.

The Statement is also required to include a description of the voting behaviour during the year by, and on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 12.

This Statement uses the same headings as the Trust's SIP dated 30 September 2019 and can be read in conjunction with the SIP.

1. Introduction

No review of the SIP was undertaken during the year. The last time the SIP was formally reviewed was September 2019.

The Trustee has, in its opinion, followed the policies in the Trust's SIP during the year. The following Sections provide detail and commentary about how and the extent to which the Trustee has done this.

No changes were made to the voting and engagement policies in the SIP during the year. The last time these policies were formally reviewed was in September 2019.

The Trustee has, in its opinion, followed the Trust's voting and engagement policies during the year, by continuing to delegate to its investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes. The Trustee took a number of steps to review the Trusts' existing managers and funds over the period, as described in the Statement (voting and engagement section) below.

2. Investment objectives

Defined Benefit ("DB") Sections

Progress against the long-term journey plan for each Scheme is reviewed as part of the quarterly performance monitoring reports. The Trustee is also able to view progress on an ongoing basis using LCP Visualise online.

The Trustee's objective is to invest the assets of the Trust prudently to ensure that the benefits promised to members are provided. The overall aim is to reach and maintain a position where sufficient assets are held to cover all liabilities plus an additional reserve for unforeseen events such as improvements in mortality, and to have a contribution rate which the Sponsoring Company, TUI UK Limited, can sustain.

As at 30 September 2020, the BAL and TAPS Schemes were fully funded on a Technical Provisions basis. As a less mature scheme, the TUI UK Scheme is below full funding on a Technical Provisions basis.

Additional Voluntary Contributions ("AVCs") & Defined Contribution ("DC") Sections

As part of the triennial performance and strategy review of the DC default arrangement undertaken in November 2019, the Trustee considered the AVCs and DC Sections' membership demographics and the variety of ways that members may draw their benefits in retirement.

Based on the outcome of this analysis, the Trustee concluded that a default option targeting drawdown was still in the best interests of the majority of the DC Section members and reflects the demographics of those members. As a result of the strategy review, the Trustee agreed some changes to the asset allocations in the strategy to improve diversification and the balance of risk and return. These changes are detailed in Section 3 below.

The Trustee has made available alternative lifestyle strategies (targeting a cash lump sum and annuity purchase) and a self-select fund range to members covering all major asset classes as set out in Section 3 of the SIP. The Trustee believes the range of investment options which it provides enable appropriate diversification. As part of the strategy review in November 2019, the Trustee reviewed the self-select fund range and decided to remove funds where there were concerns, such as past performance, or where there was a lack of member demand for such funds. The Trustee decided to make available the SL BlackRock ACS World Multifactor Equity Tracker Pension Fund available in the self-select range as this fund is used in the default and members may wish to invest in a equity fund that makes use of a number of factors in its investment process.

3. Investment strategy

DB Sections

The Trustee, with the help of its advisers and in consultation with the sponsoring employer, reviewed the strategy in November 2019 and agreed:

- that the investment in the BlackRock DDGF should be replaced by short-dated investment grade credit ("SDC") and asset backed securities ("ABS");
- that the LDI portfolios for the Schemes should have bespoke arrangements implemented;
- a transition should be made away from Absolute Return Bond ("ARB") Funds and into buy and maintain credit;
- to simplify and de-risk the Secure Income Common Investment Fund ("SI CIF") portfolio.

As part of this review, the Trustee made sure that the Schemes' assets were adequately and appropriately diversified between different asset classes.

The Trustee has a strategic asset allocation in place which for each Scheme is split into two portfolios: the Growth Portfolio and the LDI Portfolio. The asset allocation is monitored and compared to the strategic asset allocation on a quarterly basis. Following the latest actuarial valuation, the Trustee will review the strategic asset allocation. Over time this strategic asset allocation is expected to de-risk for the Schemes.

AVC & DC Sections

The Trustee, with the help of its advisers and in consultation with the sponsoring employer, reviewed the strategy and performance of the default arrangement over the Trust Year. The review included:

- Membership analysis to help inform an appropriate target for the default strategy for the DC and DB AVC sections of the Trust.
- A review on the suitability of the current default option.
- Consideration and modelling for an amended strategy for the default to compare the expected return and risk characteristics against the existing default option.

- Proposals to amend the default option, based on the membership analysis, modelling and performance analysis carried out.
- Review of the remaining lifestyle strategies and the self-select fund range.

The review concluded that it remained appropriate for the default for DC members to target drawdown as the "at retirement" objective of the strategy. This conclusion was based on analysis of the Sections' member demographics. As a result of this review in November 2019:

- The Trustee agreed to implement some changes to the growth phase of the lifestyle strategies, including the Drawdown Lifestyle Strategy. These changes were aimed at improving diversification in the equity allocation, with a reduction in the allocation to UK equities from 50% to 4.25% and the introduction of emerging markets and multi-factor equities.
- Further changes to the Drawdown Lifestyle Strategy were agreed, to reduce the level of risk for members approaching retirement, by reducing the allocation to equity in favour of an increased allocation to the BlackRock Market Advantage Fund.
- The Trustee also decided to close the Passive Equity Cash Lifestyle Strategy, Active Equity Annuity Lifestyle Strategy, and the Diversified Growth Annuity Lifestyle Strategy. This decision was made to streamline the range of strategies available to members, to have one strategy targeting each broad retirement outcome of drawdown (ie flexible income, by disinvesting over time), cash lump sum and annuity purchase. The DC assets were mapped to the Drawdown Lifestyle Strategy and AVC assets mapped to the Cash Lifestyle Strategy.
- The Trustee also removed the Standard Life UK Equity Select Pension Fund, BlackRock SF Systematic Global Equity Pension Fund, Standard Life At Retirement (Multi Asset Universal) Pension Fund and Standard Life 50:50 Global Equity (BlackRock) Pension Fund from the self-select fund range. The DC assets were mapped to the Flexible Income Lifestyle Strategy (which replaced the Drawdown Lifestyle) and AVC assets mapped to the Lump Sum Lifestyle Strategy (which replaced the Cash Lifestyle).
- The BlackRock ACS World Multifactor Equity Tracker Pension Fund was added to the fund range, and is used in the revised lifestyle strategies.

These changes were implemented in November 2020 (after the end of the Scheme Year), and the SIP has been updated after the Scheme Year end.

4. Considerations in setting the investment arrangements

The Trustee reviewed its investment beliefs in September 2019 whilst updating its SIP.

DB Sections

When the Trustee reviewed the DB investment strategy in November 2019 it considered the investment risks set out in Appendix 2 of the SIP. It also considered a wide range of asset classes for investment, taking into account the expected returns and risks associated with those asset classes as well as how these risks can be mitigated.

AVC & DC Sections

When the Trustee undertook a performance and strategy review of the DC default arrangement in November 2019, they considered best interests of members and the investment risks set out in Appendix 2 of the SIP. They also considered a range of asset classes for investment, taking into account the expected returns and risks associated with those asset classes as well as how these risks can be mitigated.

5. Implementation of the investment arrangements

The Trustee's investment adviser, LCP, monitors the investment managers on an ongoing basis, through regular research meetings. The investment adviser monitors any developments at managers and informs the Trustee promptly about any significant updates or events they become aware of with regard to the Schemes' investment managers that may affect the managers' ability to achieve their investment objectives. This includes any significant change to the investment process or key staff for any of the funds the Schemes invest in, or any material change in the level of diversification in the fund.

Where appropriate the Trustee invites the Trusts' investment managers to present at Trustee meetings. The Trustee monitors the performance of the Trusts' investment managers on a quarterly basis, using the quarterly performance monitoring report. The report shows the performance of each manager over 1, 3 and 5 year periods. Performance is considered in the context of the manager's benchmark and objectives.

DB Sections

The Trustee implemented investments in a series of new mandates over the year across the TAPS, BAL and TUI UK Schemes:

- Aegon Short Dated Credit (within the Secure Income CIF, in which each of the Schemes hold units);
- Insight High Grade ABS (within the Secure Income CIF, in which each of the Schemes hold units);
- Insight bespoke LDI (individual segregated mandates for each of TAPS, BAL and TUI UK);
- Invesco Buy & Maintain Credit (individual segregated mandates for each of TAPS, BAL and TUI UK); and
- ICG Senior Debt Partners IV (within the Secure Income CIF, in which each of the Schemes hold units).

Before entering into these new investment arrangements, the Trustee received information on the investment process and philosophy, the investment team and past performance. For each new investment, the Trustee obtained formal written advice from its investment adviser, LCP, before investing in the fund and made sure the investment portfolio of the fund chosen was adequately and appropriately diversified. The Trustee also considered the manager's approach to responsible investment and stewardship.

AVC & DC Sections

The Trustee has not made any changes to the manager arrangements during the period covered by this document. The agreed changes to the AVC and DC Sections outlined in Section 3 were implemented in November 2020 (after the end of the Scheme Year) and the SIP has been updated accordingly following implementation.

As part of the triennial strategy review in November 2019, Trustee received advice from its investment consultants that a number of funds used within the DC and AVC Sections should be removed due to concerns including not achieving their performance objectives, and lack of member demand. As a result, the Trustee agreed to remove the Standard Life UK Equity Select Pension Fund, BlackRock SF Systematic Global Equity Pension Fund, Standard Life At Retirement (Multi Asset Universal) Pension Fund and Standard Life 50:50 Global Equity (BlackRock) Pension Fund from the DC and AVC Sections.

The Trustee undertook a value for members assessment on 5 February 2020, considering a range of factors, including the investment fund fees members incur. The conclusion of the fee analysis was that fees were mostly competitive when compared against schemes with similar sized mandates. However, the analysis indicated that the Standard Life Deposit and Treasury Fund fee appeared high, and as such the Trustee's advisers helped to negotiate a more competitive fee, which was implemented during the Scheme Year.

6. Realisation of investments

For the DB Sections, where appropriate, the Trustee, on the administrators' recommendation, decides on the amount of cash required for benefit payments and other outgoings and informs the investment managers of any liquidity requirements. The Trustee's preference is for investments that are readily realisable but recognises that achieving a well-diversified portfolio may mean holding some investments that are less liquid.

The Trustee also receives income from the underlying assets in the TUI Secure Income CIF, which is retained in a cash fund managed by the Schemes' custodian, Northern Trust. Cashflows are then paid to the Trustee's bank accounts and used towards paying benefit payments.

For the AVC and DC Sections, the Trustee's policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments. All of the DC Section funds that the Trustee offers are daily priced.

7. Financially material considerations and non-financial matters

As part of its advice on the selection and ongoing review of the investment managers, the Trustee's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations), voting and engagement.

In March 2020 the Trustee reviewed LCP's responsible investment ("RI") scores for the Schemes' existing managers and funds, along with LCP's qualitative RI assessments for each fund and red flags for any managers of concern. These scores cover the manager's approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP's ongoing manager research programme and it is these that directly affect LCP's manager and fund recommendations. The manager scores and red flags are based on LCP's Responsible Investment Survey 2020.

The Trustee was broadly satisfied with the results of the review, recognising that below average RI scores for several managers within the Secure Income CIF reflect the nature of its underlying illiquid investments where there is less scope for voting and engagement.

As part of the Invesco appointment process the Trustee asked questions about the manager's ESG, voting and engagement practices and was satisfied with the answers it received.

Within the DC and AVC Sections the Trustee recognises that some members may wish for ethical matters to be taken into account in their investments and therefore, as mentioned in the SIP, they have made available the SL Vanguard ESG Developed World All Cap Equity Index Pension Fund and SL HSBC Islamic Global Equity Index Pension Fund as investment options to members.

8. Voting and engagement

This is covered in Section 7 above.

9. Investment governance, responsibilities, decision-making and fees (Appendix 1 of SIP)

As mentioned in Section 5, the Trustee assesses the performance of the Schemes' investments on an ongoing basis as part of the quarterly monitoring reports they receive.

The performance of the professional advisers is considered on an ongoing basis by the Trustee.

The Trustee has put in place formal objectives for its investment adviser and will review the adviser's performance against these objectives on a regular basis.

10. Policy towards risk (Appendix 2 of SIP)

Risks are monitored on an ongoing basis with the help of the investment adviser.

The Trustee maintains a risk register, and this is discussed at quarterly meetings.

The Trustee's policy for some risks, given their nature, is to understand them and to address them if it becomes necessary, based upon the advice of the Trustee's investment adviser or information provided to the Trustee by the Schemes' investment managers. These include credit risk, equity risk, currency risk and counterparty risk.

With regard to the risk of inadequate returns, as part of the investment strategy review in November 2019, the expected returns assumed for the BAL, TAPS and TUI UK investment strategies exceeded the Schemes' required returns to reach a fully funded position on the respective Technical Provisions liability measures in the long-term. As a result, the Trustee planned to de-risk the Schemes' strategies appropriately where the liquidity of assets allowed.

With regard to the risk of inadequate returns, for the DC Section the Trustee makes use of equity and equity-based funds, which are expected to provide positive returns above inflation over the long term. These are used in the growth phase of the default option and are also made available within the self-select options. These funds are expected to produce adequate real returns over the longer term.

The Schemes' interest and inflation hedging levels are monitored on an ongoing basis in the quarterly monitoring report. The Schemes' bespoke LDI arrangements with Insight Investments ("Insight") are designed with an objective to hedge around 100% of the interest rate and inflation sensitivity of the Schemes' Technical Provisions liability measures.

Following investment by the Schemes in bespoke LDI portfolios in Q4 2019, the Trustee revised the LDI benchmarks in March 2020 for each of the portfolios to better fit the Schemes' respective liability profiles. In September 2020, the Trustee rebalanced BAL and TAPS' LDI portfolios, to reflect the changing liability profiles of the Schemes. Consequently, the BAL LDI portfolio decreased the level of interest rate hedging from c114% to c100% and inflation hedging from c111% to c100%. The TAPS LDI portfolio was also rebalanced with interest rate hedging reduced from 123% to 100% and inflation hedging level 126% to 100%. With regards to collateral adequacy risk, the Trustee holds sufficiently liquid bond and cash assets alongside the LDI portfolio, to be used should the Trustee wish to reduce the leverage in the Schemes' portfolios.

Together, the investment and non-investment risks set out in Appendix 2 of the SIP give rise generally to funding risk. The Trustee formally reviews the Schemes' funding positions as part of its annual actuarial report to allow for changes in market conditions. On a triennial basis the Trustee reviews the funding position allowing for membership and other experience. The Trustee also informally monitors the funding position more regularly, on a quarterly basis at Trustee meetings and the Trustee Directors also have the ability to monitor this daily on LCP Visualise.

The following risks are covered earlier in this Statement: diversification risk in Sections 3 and 5, investment manager risk in Section 5, illiquidity/marketability risk in Section 6 and ESG risks in Section 7.

11. Investment manager arrangements (Appendix 3 of SIP)

There are no specific policies in this section of the Trust's SIP.

12. Description of voting behaviour during the year

All of the Trustee's holdings in listed equities are within pooled funds and the Trustee has delegated to their investment managers the exercise of voting rights. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee themselves has not used proxy voting services over the year.

In this section we have sought to include voting data on the Trust's funds that hold equities as follows:

DB Sections:

LGIM Global Real Estate Equity Index Fund

AVC and DC Sections:

BlackRock 50:50 Global Equity Pension Fund

BlackRock Market Advantage Pension Fund

For the AVC and DC Sections we have included only the funds used in the default option (the Drawdown Lifestyle Strategy), as we deem these to be the Trust's material DC holdings.

The Trustee has sought to obtain the relevant voting data for Sections 12.2 and 12.3, from all of the funds listed above. However, we were unable to obtain this data from BlackRock in respect of the Market Advantage Pension Fund. BlackRock has stated that this fund does not have voting rights for its equity holdings. The Trustee contacted the fund manager to understand why there were no voting opportunities over the period. BlackRock's Investment Stewardship team have confirmed that for the BlackRock Market Advantage Fund they have reviewed and set up reporting. The equity positions where they would be able to vote proxies were only funded in August 2020, and they are not able to provide voting data since then to 30 September 2020.

The Trustee will continue to work with their advisers and investment managers with the aim of providing fuller voting information in future implementation statements.

In addition to the above equity funds, the Trustee contacted the Schemes' other asset managers that do not hold listed equities, to ask if any of the assets held by the Schemes had voting opportunities over the period. This excludes the CBRE Property investment held by the TUI UK Scheme on materiality grounds. Commentary provided from managers with voting opportunities is set out in Section 12.4.

Description of the voting processes

Legal and General Investment Management Limited ("LGIM")

"LGIM's voting and engagement activities are driven by ESG professionals and its assessment of the requirements in these areas seeks to achieve the best outcome for all its clients. LGIM's voting policies are reviewed annually and take into account feedback from its clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express its views directly to the members of the

Investment Stewardship team. The views expressed by attendees during this event form a key consideration as LGIM continue to develop its voting and engagement policies and define strategic priorities in the years ahead. LGIM also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

All decisions are made by LGIM's Investment Stewardship team and in accordance with its relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents, which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company, with the aim of ensuring that its stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

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 LGIM do not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is purely to augment its own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services ("IVIS") to supplement the research reports that LGIM receives from ISS for UK companies when making specific voting decisions.

To ensure LGIM's proxy provider votes in accordance with its position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM consider are minimum best practice standards which LGIM believe all companies globally should observe, irrespective of local regulation or practice.

LGIM retains the ability in all markets to override any vote decisions, which are based on its custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows LGIM to apply a qualitative overlay to its voting judgement. LGIM has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by its service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action."

BlackRock Investment Management (UK) Limited ("BlackRock")

"Voting decisions are made by members of the BlackRock Investment Stewardship team with input from the wider investment team as required, in accordance with BlackRock's Global Corporate Governance and Engagement Principles and custom market-specific voting guidelines.

BlackRock takes a case-by-case approach to the items put to a shareholder vote. Analysis is informed by internally developed proxy voting guidelines, its pre-vote engagement with the company, its research, and any situational factors for a company.

BlackRock aims to vote at all shareholder meetings of companies in which its clients are invested. In cases where there are significant obstacles to voting, such as share blocking or requirements for a power of attorney, BlackRock will review the resolutions to assess the extent of the restrictions on voting against the potential benefits. BlackRock generally prefers to engage with the company in the first instance where there are concerns and give management time to address the issue.

BlackRock will vote in favour of proposals where it supports the approach taken by a company's management or where it has engaged on matters of concern and anticipates management will address them. BlackRock will vote against management proposals where it believes the board or management may not have adequately acted to advance the interests of long-term investors. BlackRock ordinarily refrains from abstaining from both management and shareholder proposals, unless abstaining is the valid vote option (in accordance with company by-laws) for voting against management, there is a lack of disclosure regarding the proposal to be voted, or an abstention is the only way to implement its voting intention.

Whilst BlackRock does subscribe to research from the proxy advisory firms (ISS and Glass, Lewis & Co) this is just one among many inputs into its voting decision process. BlackRock primarily uses proxy research firms to transform corporate governance information and analysis into a concise, easily reviewable format so that BlackRock's investment stewardship analysts can readily identify and prioritise those companies where its own additional research and engagement would be beneficial. Other sources of information BlackRock use include the company's own reporting (such as the proxy statement and the website), its engagement and voting history with the company, the views of its active investors, public information and ESG research."

Summary of voting behaviour over the year

A summary of voting behaviour over the period is provided in the table below.

	DB Fund 1	DC Fund 1
Manager name	LGIM	BlackRock
Fund name	Global Real Estate Equity Index Fund	50:50 Global Equity Pension Fund
Total size of fund at end of reporting period	£196.6m	£49.0m
Value of assets at end of reporting period (£ / % of total assets)	£38.2m	£21.7m
Number of holdings at end of reporting period	362	2,612
Number of meetings eligible to vote	395	2,660
Number of resolutions eligible to vote	4,074	34,885
% of resolutions voted	>99%	95%
Of the resolutions on which voted, % voted with management	84%	90%
Of the resolutions on which voted, % voted against management	16%	5%
Of the resolutions on which voted, % abstained from voting	<0.1%	0.4%
Of the meetings in which the manager voted, % with at least one vote against management	63.8%	Not Provided
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	0%	Not Provided

Most significant votes over the year

Commentary on the most significant votes over the period, from the Trust's asset managers who hold listed equities, is set out below.

We have interpreted "most significant votes" to mean those that:

- the investment manager believes to be significant; and
- impact a material fund holding (eg a holding that sits within the funds' top ten largest equity holdings).

DB Sections – LGIM

LGIM reported that there were no significant votes made in relation to the securities held by the Global Real Estate Equity Index Fund during the reporting period.

DC Sections – BlackRock

During the period 1 October 2019 to 30 September 2020, BlackRock Investment Stewardship periodically published detailed explanations of specific key votes in "vote bulletins". BlackRock consider these vote bulletins to contain explanations of the most significant votes for the purpose of the Shareholder Rights Directive II. BlackRock determine their engagement priorities based on our observation of market developments and emerging governance themes and evolve them year over year as necessary. The key engagement priorities include:

1. Board Quality
2. Environmental risks and opportunities
3. Corporate Strategy and Capital Allocation
4. Compensation that promotes long-termism
5. Human capital management

Over the period, BlackRock issued 39 of these vote bulletins. We have presented below information about votes which BlackRock has deemed significant for companies which fell within the underlying funds' top holdings at 30 September 2020.

Alphabet, United States, June 2020. Vote: For

The proposal asks that Alphabet's *"Board take all practicable steps in its control to initiate and adopt a recapitalization plan for all outstanding stock to have one vote per share. We (Blackrock) recommend that this be done through a phase-out process in which the board would, within seven years or other timeframe justified by the board, establish fair and appropriate mechanisms through which disproportionate rights of Class B shareholders could be eliminated. This is not intended to unnecessarily limit our (BlackRock) Board's judgment in crafting the requested change in accordance with applicable laws and existing contracts."*

BlackRock believes that certain fundamental rights such as effective voting rights should be attached to share ownership. Companies and their boards should be accountable to shareholders and structured with appropriate checks and balances to ensure that they operate in shareholders' interests. As BlackRock note in their proxy voting guidelines, they strongly prefer a "one vote for one share" capital structure for publicly-traded companies.

This was deemed as a significant vote as it is through this manner that disproportionate rights of Class B shareholders can be eliminated. BlackRock remains its stance that this is not meant to unnecessarily limit the Board's judgement in crafting the requested change in accordance with applicable laws and existing contracts but that proportionate voting rights are integral to good governance and accountability.

Amazon.com, Inc., United States, May 2020. Vote: For all management proposals and against all shareholder proposals.

Amazon's annual meeting agenda included 12 shareholder proposals in addition to management proposals covering director elections, ratification of the company's auditors, approval of executive compensation, and a proposal to lower the stock ownership threshold for shareholders to request a special meeting.

BlackRock voted FOR all directors (item 1), the ratification of auditors (item 2), and the advisory resolution to approve executive compensation (item 3) as they have no concerns relating to these items. BlackRock voted FOR management's proposal to lower the stock ownership threshold for shareholders to request a special meeting from 30% to 25% (item 4).

The company received 12 shareholder proposals including to report on potential customer misuse of certain technologies and create an alternative report on gender/racial pay. After thorough review of the company's existing disclosures, along with insights gleaned from multiple engagements, BlackRock determined that Amazon is actively addressing those material issues raised by the various shareholder proposals. Some of the proposals were too prescriptive in their request for additional information, such as requesting an alternative report on gender/racial pay in addition to the one the company already publishes. For a subset of the proposals, including the request for a report on customer use of certain technologies, such are Rekognition and an additional report on lobbying, the company is already meeting the best practices guidelines.

Royal Dutch Shell, United Kingdom & Netherlands, May 2020. Vote: Against

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.

BlackRock took into consideration that Shell already had some of the most ambitious climate targets in the industry on all relevant scopes (1,2,3), and that the company already makes strong TCFD disclosures. Furthermore, the shareholder resolution refers to Shell’s previous climate commitments, which are now out of date and have been superseded by renewed and stronger commitments. As a result of Shell’s responsiveness, BlackRock considered the request made in the resolution to have substantively been delivered. For these reasons, BlackRock voted with management on all resolutions at the AGM.

Total SA, France, May 2020. Vote: Against

The shareholder proposal (Item A) requested an amendment of Total’s bylaws, stating that management should report on how the company’s strategy and activities are aligned with the Paris Agreement, and include objectives for the reduction in the absolute value of scope 1,2 & 3 emissions. According to the proponents, Total’s commitments and continued investments in hydrocarbons are not aligned with the goals of the Paris Agreement.

BlackRock voted against this resolution due to the company’s strong commitments and responsiveness to engagement with BlackRock and other shareholders on the issues in question (including Total publishing revised climate commitments to further reduce its carbon footprint and to “get to net zero” emissions by 2050 ahead of the shareholder vote); the consequent redundancy of many of the resolution’s key areas of focus; and the unsuitability of a proposal to amend the bylaws to address a question of corporate strategy.

This was deemed a significant vote as BlackRock expect robust disclosures of climate-related risks and opportunities in line with the recommendations of the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD). Greater transparency will contribute to improved market level data, better engagements with shareholders, and more informed voting decisions aligned with long-term value creation.

Votes in relation to assets other than listed equity

The Trustee also requested comments for the non-equity funds within the default strategy. The following comments were provided by the Trust’s asset managers who do not hold listed equities but invest in assets that had voting opportunities during the period.

We have excluded funds that confirmed that they had no voting opportunities over the period.

DB Sections – Hayfin Direct Lending Fund II (Private Equity holding)

In July 2020, Hayfin exercised its voting rights and became the majority shareholder of one of its underlying investments, controlling the board and all decisions.