

Implementation Statement, covering the Scheme Year from 1 April 2020 to 31 March 2021

Santander (UK) Group Pension Scheme Trustees Limited (the "Trustee"), as trustee of the Santander (UK) Group Pension Scheme (the "Scheme") is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the voting and engagement policies in its Statement of Investment Principles ("SIP") during the Scheme Year. This is provided in Section 2 below.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

1. Introduction

As most of the Scheme's assets are invested in the Santander (UK) Common Investment Fund ("CF"), the trustee of the CF (the "CF Trustee") has primary responsibility for giving effect to the Trustee's policy on voting and engagement.

The Trustee considers that both it, and the CF Trustee, have followed the Scheme's voting and engagement policies during the Scheme Year, as described in Section 2 (Voting and engagement) below.

2. Voting and engagement

The CF Trustee delegates to its investment managers the exercise of rights and engagement activities in relation to investments and seeks to appoint managers that have strong stewardship policies and processes, so far as relevant to their mandate. The Trustee took a number of steps to review the Scheme's new and existing managers and funds over the period.

In particular, as part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment advisers incorporate an assessment of the nature and effectiveness of managers' engagement with underlying companies and voting approach. This is considered at regular meetings of the CF Trustee.

The Trustee also reviews the Scheme's managers' Environmental, Social and Governance ("ESG") capabilities through the use of ESG scores provided by its investment advisers. The scores are determined by the investment adviser to the CF Trustee and are based on the criteria and framework agreed by the Trustee. The Trustee reviews these ESG scores on an annual or semi-annual basis depending on the mandate type as part of its regular monitoring of managers. In particular, the Trustee notes that a majority of the Scheme's managers score highly overall. The results across the Scheme's other managers are mixed, in particular, noting that the multi-asset managers and one of its real estate managers score below average. The CF Trustee actively engages with these managers to understand the reasons behind below average scores and to encourage improvements going forward. Furthermore, the Trustee has no plans to renew the mandates of those managers when the funds are gradually wound down.

In addition, the Trustee also receives ESG data relating to the listed equity and corporate bond portfolios, which provide an indicator of where engagement may be required with the investment manager.

3. Description of voting behaviour during the Scheme Year

Some of the Trustee's holdings in listed equities are within pooled funds where the investment managers appointed by the fund exercise the voting rights. Therefore, the Trustee is not able to direct how votes are exercised. Some of the Trustee's holdings in listed equities are within segregated mandates, and the Trustee has delegated to its investment managers the exercise of voting rights in relation to these mandates. The Trustee itself has not used proxy voting services over the Scheme Year.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, on the Scheme's funds that held equities over the period as follows:

- Baillie Gifford
- Longview
- Walter Scott

Investment managers in asset classes other than listed equities were also reviewed as part of this exercise, however, voting opportunities were limited or not applicable to these mandates. In addition, we have omitted the mandates with <1% of the Scheme's total assets invested based on materiality grounds.

The Trustee will continue to work with its advisers and investment managers to evolve the approach taken, including expansion of the engagement managers undertake with the underlying holding companies on the Trustee's behalf. It is therefore expected that further voting information and details of engagement will be included in future implementation statements.

3.1 Description of the voting processes followed by key managers

Baillie Gifford

Voting of Baillie Gifford's clients' holdings is an integral part of its commitment to stewardship. Baillie Gifford believes that voting should be investment-led, because how it votes is an important part of the long-term investment process, which is why Baillie Gifford's strong preference is to be given this responsibility by its clients. Baillie Gifford also believes that the ability to vote clients' shares strengthens its position when engaging with investee companies. Baillie Gifford's Governance and Sustainability team oversees its voting analysis and execution in conjunction with its investment managers. Baillie Gifford does not outsource responsibility for voting to third-party suppliers, utilising research from proxy advisers for information only. Baillie Gifford analyses all meetings in-house in line with its Governance & Sustainability Principles and Guidelines and endeavours to vote every one of its clients' holdings in all markets.

Longview Partners

Longview engages Glass Lewis & Co. ("Glass Lewis") to carry out proxy voting for all institutional clients who request that Longview Partners take responsibility for the implementation of their voting rights. All voting decisions are made on a case-by-case basis by Glass Lewis's specialist research analysts, in line with their detailed regional policies, which are approved by Longview on an annual basis. However, Longview would advocate the exercising of votes, contrary to Glass Lewis policy, where necessary. The decision to vote contrary to Glass Lewis's recommendation is made collectively by the research team and CIO and will often follow engagement between Longview's Research team and the company.

Walter Scott and Partners Limited

Walter Scott's Investment Operations team provides structured support such as gathering all relevant documentation and discussing the information with "Stock Champions", i.e. members of the research team who are responsible for a particular company. The decision on how to vote a particular proxy is generally made by Stock Champions, guided by Walter Scott's Proxy Voting Policy. All proxy votes are signed off by any of the following: the Executive Director of Investment Operations, the Head of Investment Operations, an Investment Director or a nominated Senior Investment Manager.

3.2 Summary of voting behaviour over the Scheme Year

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

	Longview	Walter Scott	Baillie Gifford
Total size of fund at end of reporting period	£232m	£576m	£3,942m
Value of Scheme assets at end of reporting period (£)	£232m	£576m	£518m
Number of equity holdings at end of reporting period	33	49	39
Number of meetings eligible to vote	31	47	34
Number of resolutions eligible to vote	435	719	382
% of resolutions voted	100.0%	100.0%	100.0%
Of the resolutions on which voted, % voted with management	94.2%	97.0%	97.1%
Of the resolutions on which voted, % voted against management	5.3%	2.6%	2.9%
Of the resolutions on which voted, % abstained from voting	0.5%	0.4%	0.0%
Of the meetings in which the manager voted, % with at least one vote against management	38.7%	19.0%	14.7%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy adviser	0.0%	9.6%	N/a ¹

¹ All client voting decisions are made in-house at Baillie Gifford.

3.3 Most significant votes over the Scheme Year

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

Baillie Gifford

The list below is not exhaustive, but exemplifies potentially significant voting situations:

- Baillie Gifford's holding had a material impact on the outcome of the meeting;
- The resolution received 20% or more opposition (/support) and Baillie Gifford opposed (/supported) it;
- Resolutions relating to egregious remuneration, controversial equity issuance, or where there has been a significant audit failing; and
- Where Baillie Gifford have opposed mergers and acquisitions, the financial statements/annual report, or the election of directors and executives.

Longview

Longview defines a significant vote as one where it has voted against management; or where >15% of total votes have been cast against management; or where it has voted against its proxy adviser's recommendation.

Walter Scott and Partners Limited

Walter Scott and Partners Limited use a combination of a methodology and principles-based approach in order to determine significant votes. Discounting all routine voting items, Walter Scott applies its discretion to the remaining votes using a general set of principles. Key considerations will be whether an item has the potential to impact shareholder rights or the long-term interests of shareholders. It then reviews all significant votes on an item by item basis and applies its discretion to determine the most significant votes.

	Company	Date of vote	Summary of the resolution	For/Against	Rationale for the voting decision
Baillie Gifford	Amazon	May 2020	Shareholder Resolution - Governance	For	Baillie Gifford supported a shareholder proposal to improve the transparency of Amazon's corporate lobbying policies and governance. Baillie Gifford believes greater transparency of all political expenditures and lobbying, particularly indirect spending through trade associations, coalitions and charities, would enable shareholders to assess alignment with Amazon's values and corporate goals.
	Tesla	September 2020	Shareholder Resolution - Social	For	<p>Baillie Gifford supported a shareholder proposal requesting a report on the company's use of arbitration to resolve employee disputes, as it believed that additional disclosure and transparency on this provision would be helpful in order to better understand Tesla's workplace practices.</p> <p>Baillie Gifford believes that Tesla's peers provide better disclosure of the racial, ethnic and gender breakdown of its workforce and the grievance mechanism for employees, and have started to move away from the use of mandatory arbitration.</p>
Longview	TJX Companies Inc.	May 2020	Shareholder Resolution – Environmental	Against	<p>In line with Glass Lewis (Longview's proxy voting provider), Longview voted against a shareholder proposal requesting a report on reduction in chemical footprint.</p> <p>Glass Lewis partnered with the Sustainability Accounting Standards Board (SASB) in 2019, considering their definitions of materiality on votes relating to environmental and social issues. However, TJX was an example of Glass Lewis disagreeing with SASB on material topics. SASB listed TJX's primary industry as "Apparel, Accessories & Footwear", which means "chemicals in products" is listed as a financially material topic. However, Glass Lewis notes that TJX only sources products from other manufacturers, and that there was no evidence of scandal, controversy or punitive action for TJX as a result of its chemical footprint. Glass Lewis therefore did not believe that the management of chemicals in products was a pressing issue for the company.</p>
	Arrow Electronics Inc.	April 2020	Advisory vote on Executive Compensation	Against	<p>In April 2020, Longview engaged with Arrow Electronics on a peer group change introduced by Longview's proxy voting provider (Glass Lewis) which had implications on this advisory vote on "Say-On-Pay". "Say-on-Pay" provides shareholders with an opportunity to register their approval or disapproval of Arrow's Executive Compensation. Arrow informed Longview of their filing with the SEC made in response to Glass Lewis' analysis of the advisory vote, stating the analysis was flawed.</p> <p>Upon review of both Glass Lewis' proxy recommendation and Arrow's filing, though Longview did believe that Arrow had raised good points, ultimately Longview believes that the merits of total shareholder return (TSR) versus earnings per share (EPS) as a compensation incentive are complex and supports operational performance represented by EPS with a return on invested capital hurdle over a TSR measure.</p>

	Company	Date of vote	Summary of the resolution	For/Against	Rationale for the voting decision
					Therefore, Longview did not believe that overturning Glass Lewis' vote against Executive Compensation would be in the interest of shareholders and is looking into the opportunity of engaging further with Arrow and Glass Lewis to ensure that the most appropriate analysis of compensation is being undertaken.
Walter Scott	Alphabet	June 2020	Elect three Directors	Withhold all	Walter Scott withheld votes for the re-election of three Directors on the Leadership Development and Compensation Committee due to concerns about poor pay stewardship.
	Reckitt Benckiser	May 2020	Authorise issuance of Equity	Against	Concerns on the potential dilution of ownership being greater than 10%.