



# The Options Workplace Mastertrust Implementation Statement

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## Introduction

This document is designed to be used in conjunction with the Statement of Investment Principles and:

- sets out how, and the extent to which, in the opinion of the Trustee, the policies in the SIP have been followed during the year.
- describes any reviews of the SIP undertaken during the period and any other review of how the SIP has been met, as well as explaining any changes made to the SIP during the period and the reasons for those changes.
- describes the voting behaviour performed on behalf of the Trustee (including the most significant votes cast by Trustee or on their behalf) during the period and states any use of the services of a proxy voter during that year.
- Confirms that the Trustee is comfortable that the SIP has been effectively followed throughout the period (subject to some minor points) as described in more detail below.

This document covers the scheme year period from 1st April 2020 - 31st March 2021. The SIP was most recently updated on 30th September 2020. The latest version can be found [here](#).

## Changes to investments available over the last year

The following changes were made to the range of investments made available.

Options have implemented a new multi-asset Shariah lifestyle managed by Wahed Invest, complete with a range of underlying component multi-asset funds of different risk levels which form the basis of a Shariah self select range. The Trustee believes that Shariah auto enrolment needs are not being fully met by the mastertrust universe and are optimistic that the introduction of this much needed range will address this issue. Further details are available in the latest Statement of Investment Principles.

The Trustee also formally removed a number of legacy advisor defaults across Q3 2020, including 7IM, Brooks Macdonald, Quilter Creation Strategies and Vanguard, and consolidated these into the AllianceBernstein Target Dated default fund. This is part of the process the Trustee is undergoing to streamline and optimise the available range for members.

The Trustee, assisted by their investment adviser, regularly monitor the full range of investments and consider the ongoing appropriateness of the range on an at least quarterly basis. The Trustee is able to make changes as they see fit at any time and will do so if deemed necessary. The Trustee is currently in the process of implementing a scheme wide self-select range that caters to the members' needs.

## Changes to the SIP over the last year

The SIP was updated once over the year on September 30th 2020.

The SIP has been updated to reflect the above changes in investments available, as detailed in the previous section. Specifically this covers the addition of the Wahed Shariah Default and self select range as well as the consolidation and removal of the various advisor defaults previously stated.

In addition, and in line with Shareholders Directive II, the Trustee has further expanded their policy on stewardship and manager incentivisation to make clear to members amongst other things how they engage with investments, how they avoid conflicts of interests and how they ensure their viewpoints are reflected by their investment managers.

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## Actions that were to be completed this year

Each year the Trustee ensures they review the performance and continued appropriateness of the investment range. The Trustee achieved this by receiving at least quarterly updates from the investment advisor in order to review the appropriateness and performance of the default funds. We are satisfied that the default options were appropriate for the membership during the period, and are continuing to work to improve the range of options offered to the membership. While the impact of Covid-19 has meant that meetings have had to be held virtually throughout this period, the Trustee is satisfied that there has been no member detriment as a result of this. The Trustee will resume in person meetings when they deem it safe to do so.

As part of their annual review of the SIP document which was completed on 30th September, the Trustee was due to reconsider and review their ESG statement. The Trustee reviewed their ESG statement and decided that it remained fit for purpose. The Trustee continues to engage with their managers on matters of ESG, considering their statements, actions and beliefs as part of the review process.

The Trustee has the responsibility to review the fees paid to their scheme investment managers and custodians to ensure they are consistent with industry norms for the services they provide. To satisfy this they drew on the knowledge of their investment advisor to confirm the fees being paid are not out of line with what they experience more generally in the market. While they were not due to retender any existing contracts this year they are able to further reinforce this belief by looking at other available products on the market, as well as comparing costs between the different defaults as well as reviewing information publicly available from other providers.

## Trustee Board

There have been no changes to the trustee board during this period.

The Trustee has continued enhancing their skills and training. On the 22nd July 2020 the Trustee received training on Shariah investments and understanding Shariah Beliefs. As the Trustee works to offer a multi-asset Shariah solution they felt it was important to better understand the requirements of this demographic. The Trustee sought out the guidance of a qualified Shariah Investment Advisor to explain the important aspects of these requirements. The Trustee felt as a result they were better equipped to both understand the needs of their members and to better challenge investment managers offering Shariah products.

In addition, they received training on Climate Change & impact on investments through an online course provided by AllianceBernstein in March 2021.

## Monitoring

The Investment Subcommittee has met either in person or via teleconference eight times over the period. The Trustee has received monitoring updates on all investments from their investment advisors on at least a quarterly basis. The latest update confirmed that, despite significant drawdowns seen as a result of Covid-19, the default funds continued to perform as expected with assets in the majority of funds having recovered by the end of the scheme year.

The Trustee has reviewed the range of defaults available with the assistance of their investment advisor who has considered the risk and return characteristics of each. The trustee is comfortable as a result of this that they are all well positioned to achieve the long term performance objective of inflation +2%.

As part of the investment advisor's assessment of suitability of the investment range, the advisor has considered, amongst other factors, the risks associated with the investments, particularly with a view on those with inadequate liquidity, poor diversification, underperformance, country/political and organisational risk.

The Woodford Equity Income fund, which is a self-select fund available to sections of the scheme, remains illiquid as the fund is being wound up. Funds are being redirected to the default fund of the section. It is expected that the fund will finish winding up some time in 2022, though more certainty is not available at this time.

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## Known Departures from SIP & Issues

A membership analysis was due to be completed this year, however this was delayed due to an issue with data extraction, this membership analysis has now been completed and the Trustee is satisfied that no issues were raised that justify a change in investments. As such the Trustee does not believe any member detriment occurred as a result of this delay.

## ESG, Stewardship & Material Non-Financial Considerations

The Trustee has previously made clear their beliefs on ESG issues and material non-financial considerations. In order to ensure that their views are accurately reflected in their investments, the Trustee has shared their views with the default investment managers, and in turn considered their ESG beliefs in return.

## Holding Managers to account

When the Trustee identifies potential causes for concern with their investment managers they prefer, where possible, to invite them to present directly and address concerns. One such example was when the Trustee identified that one of their default investment managers, Shard Capital, had a number of investments that they were concerned about as the nature of the investments means they would not be covered by the FSCS. The Trustee were reassured that good security of assets still remained, that the FSCS has never actually paid out in practice and that the proportion of these assets would decrease over time as the investments grew.

## Voting Rights

The Trustee recognises the importance of voting and engagement as essential part of good governance. However, the trustee also recognises it is impractical and often impossible to have direct involvement in the day to day voting activities of their managers, and thus delegate this responsibility. The Trustee has asked their managers to provide details of voting made within each fund holding equities, including whether a proxy was used. The responses were varied, as many of the managers further deferred these voting rights to underlying managers. Their responses are covered below.

## AB (Target Date Funds & Active Fund)

As mentioned above, AB were unable to provide complete voting records, however they have provided us with an overview of the underlying managers policies and the Trustee is reassured that their voting rights are being used effectively, that engagement is occurring and that the beliefs of the investment manager is consistent with their own views.

AB often engage issuers before votes in order to align interests ahead of time, however they are willing to vote against issuers promoting poor ESG practices. AB have informed us they are active users of their voting rights and use them to encourage sustainability and promote ESG issues. In 2018 Ceres rated them as one of the Top Four companies globally voting for climate-related proposals.

AB engages with issuers that they invest in directly, both during research and while invested. The majority of funds within the TDF are accessed through other managers. Where they use other managers within the TDFs they prefer those that actively engage, believing it is an important part of investment. These are predominantly through Blackrock, Amundi and Vanguard. They have provided us with the table overleaf. The table covers the 12 months to 31 December 2020.

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## AB (Target Date Funds & Active Fund) (Continued)

	BlackRock	Amundi	Vanguard
<b>Engagement</b>	<ul style="list-style-type: none"> <li>Engaged with 2,110 global companies</li> <li>3,501 total recorded engagements</li> <li>The primary engagement topics are split as follows:               <ul style="list-style-type: none"> <li>30% environmental matters</li> <li>21% social matters</li> <li>49% governance matters</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Engaged with 878 global companies</li> <li>1,411 total recorded engagements</li> <li>The primary engagement topics are split as follows:               <ul style="list-style-type: none"> <li>36% environmental matters</li> <li>29% social matters</li> <li>35% governance matters</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Engaged with 655 global companies</li> <li>This covers 46% of global equity assets under management</li> </ul>
<b>Voting</b>	<ul style="list-style-type: none"> <li>17,008 meetings voted</li> <li>160,769 total proposals voted</li> <li>38% of votes were against one or more management recommendations</li> <li>Opposition votes typically for the following three main reasons:               <ul style="list-style-type: none"> <li>Remuneration policies</li> <li>Anti-takeover and related</li> <li>Capital transactions</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>4,241 meetings voted</li> <li>49,968 total proposals voted</li> <li>20% of votes were against one or more management recommendations</li> <li>Opposition votes typically for the following three main reasons:               <ul style="list-style-type: none"> <li>Structure of board</li> <li>Remuneration policies</li> <li>Capital transactions</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>12,429 meetings voted</li> <li>176,834 total proposals voted</li> </ul>

While it has not been possible to get a list of the ten most significant votes made on the Trustee's behalf for each fund at this time, AB have provided us with some voting examples from securities held within the TDFs to be representative of their engagement.

## Engagement Example – Barclays Bank (Amundi)

*Corporate:* a multinational investment bank and financial services company based in the United Kingdom.

*Engagement reason:* Following Amundi's public support of shareholder proposals to phase out of services and loans to energy companies that fail to align with the Paris climate goals (see voting example in previous reports), Amundi held discussions with management on this and related proposals.

Details:

- As Europe's largest financier of fossil fuel companies, an earlier proposal put forward by campaign group ShareAction - and publicly supported by organisations such as Amundi - called for the phasing out of services to these corporates. From Amundi's perspective, the financial sector has a key role to place in the transition to a low carbon economy and the alignment with the Paris Agreement. The phasing out of coal is paramount to achieving these goals and so they supported the proposal. Following this, and a follow-up management proposal, Amundi engaged in dialogue with management on both of these.
- Amundi acknowledged that Barclays has taken steps in the right direction. They further discussed with Barclays' ambition to be a net zero bank by 2050, covering capital markets and lending activities. This compares to peers who have developed methodologies only related to lending so far. Amundi also recognises that companies with a higher coal exposure have difficulties reducing that exposure quickly, and so are looking to follow up on Barclays' coal policy and coal exposure thresholds.

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## Voting Example 1 – Oracle Corporation (BlackRock)

*Corporate:* a multinational computer and cloud technology company based in the United States.

Key resolution(s):

- Shareholder proposal regarding pay equity report - Board recommended vote 'Against'.

Details:

- For the past four years, Oracle has received a shareholder proposal seeking disclosure on a potential gender and ethnicity pay gap. BlackRock believes that current levels of disclosure are inadequate and lag behind those of peers. Additionally, the company faces ongoing legal risks from a recent lawsuit related to gender discrimination in the workplace.
- BlackRock voted 'For' the disclosure proposal, as it had done in previous years. This year, however, BlackRock also voted against the chair of the Nomination and Governance committee due to the company's failure to address this risk and shareholders' feedback. This represented an escalation in signalling on this material business issue and is evidence of BlackRock's policy to hold directors accountable when they do not believe a material risk is being adequately managed or disclosed.

## Voting Example 2 – Macquarie Group Ltd (Amundi)

*Corporate:* a multinational, independent investment bank and financial services company based in Australia.

Key resolution(s):

- Proposal for a 10% increase in the base salary of the CEO - Board recommended vote 'For'.

Details:

- Macquarie Group proposed a 10% increase in the annual base salary of the CEO compared to the previous year, from a level that this already amongst the highest in its peers.
- Amundi generally believes that the level and evolution of compensation should not be susceptible to forming the basis for hostile reactions harmful to the company, its image and therefore its development. 2020 has been a difficult year for companies, employees and countries who have had to deal with extreme economic challenges. Therefore, they were vigilant in voting against this proposal and seeking to moderate executive compensation.

## LF (Woodford) Equity Income

We reached out to Link Fund Solutions to request information on engagement but responses from the manager have so far not yielded answers, the Trustee is disappointed but believes this is mitigated as the fund has already been closed by the scheme, with very little still remaining to be distributed.

## Blackrock

Blackrock have provided us with their PLSA Template for the Lifepath strategy we attach to this report as an appendix (Appendix 1).

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## Quilter

Quilter was unable to provide full voting information at a scheme level, however were able to provide the following information at a firm level which is expected to be representative of behaviour, with significant votes selected at a scheme level.

### Voting Activity made by Quilter

1. How many meetings were you eligible to vote at? — 357
2. How many resolutions were you eligible to vote on? — 5326
3. What % of resolutions did you vote on for which you were eligible? — 100%
4. Of the resolutions on which you voted, what % did you vote with management? — 97%
5. Of the resolutions on which you voted, what % did you vote against management? — 2.4%
6. Of the resolutions on which you voted, what % did you abstain from voting? — 0.6%
7. In what % of meetings, for which you did vote, did you vote at least once against management? — 10%
8. Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf? — As part of our responsible investment approach, we vote on the majority of the equity holdings. As a firm, we vote on our centrally monitored UK and investment trust holdings, as well as holdings where we hold more than 0.2% or £2 million, and from 1/7/21, we will vote on our centrally monitored US and European holdings across the firm as well. We use ISS as our proxy voting service provider and use its recommendations to help inform us, however, we do not always vote in line with ISS's recommendations. We will take into account previous interactions with management as well as dialogue relevant to the voting decision.
9. What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable) — 2%
10. Are you able to provide a list of the most significant votes made, as well as a rationale for why they were significant? — Please see below

### Table of Significant Votes made by Quilter

Company Name	Meeting Date	Proposal Description	QC Vote	Note
Aveva Group	21/07/2020	Approve Remuneration Policy	For	Having spoken to the board we are comfortable with their rationale and will be supporting management. The bonus increases are aligned with FTSE 100 comparisons and no furloughing or government pay-outs have been utilised during the COVID-19 pandemic
BHP Group	15/10/2020	Approve Suspension of Memberships of Industry Associations where COVID-19 Related Advocacy is Inconsistent with Paris Agreement Goals	Against	After engaging with the company, we chose to support management. Although there appears to be areas of inconsistency between the Company's climate policies and those of its industry associations, the misalignment is not so clear as to warrant overriding the Board's oversight authority. We will continue to monitor BHP's response
BP	12/05/2021	Approve shareholder resolution on climate change targets	Against	We believe BP have set out a path to carbon reduction and we would like to give them space to carry this out. We will, however, monitor progress closely

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## TAM

TAM do not have direct access to the voting rights, but were able to collect information from some of their underlying managers. We copy this out below:

### TAM - Wellington US Dynamic

1. How many meetings were you eligible to vote at? — 8
2. How many resolutions were you eligible to vote on? — 92
3. What % of resolutions did you vote on for which you were eligible? — 100%
4. Of the resolutions on which you voted, what % did you vote with management? — 98.9%
5. Of the resolutions on which you voted, what % did you vote against management? — 0% (note that there was one resolution where the management recommendation was undetermined)
6. Of the resolutions on which you voted, what % did you abstain from voting? — 0%
7. In what % of meetings, for which you did vote, did you vote at least once against management? — 0%
8. Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf? — As inputs into our internal analysis, Wellington Management subscribes to the research services of Glass Lewis & Co. and ISS. We also subscribe to the Viewpoint voting platform provided by Glass Lewis & Co. to facilitate electronic receipt and execution of ballots. Glass Lewis implement our policy and our Investment Stewardship Committee annually reviews Wellington Management's voting policies and guidelines and updates them as necessary.
9. What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable) — Not applicable, Glass Lewis implements our policy.
10. Are you able to provide a list of the most significant votes made, as well as a rationale for why they were significant? — None within the period for this account. We consider votes against management to be significant.

### TAM - Nomura Global High conviction

1. How many meetings were you eligible to vote at? — 18
2. How many resolutions were you eligible to vote on? — 279
3. What % of resolutions did you vote on for which you were eligible? — 100%
4. Of the resolutions on which you voted, what % did you vote with management? — 96.42%
5. Of the resolutions on which you voted, what % did you vote against management? — 3.58%
6. Of the resolutions on which you voted, what % did you abstain from voting? — 0%
7. In what % of meetings, for which you did vote, did you vote at least once against management? — 39% (In 7 out of 18 meetings)
8. Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf? — We use the services of Institutional Shareholder Services (ISS) to carry out proxy voting on our behalf. Based on NAM's voting policy, ISS will apply this rationale to all votes it casts on our behalf. On occasions, ISS will be unable to apply the NAM policy to a particular vote. In these instances, they would 'refer' the item back to NAM and the portfolio manager will need to make an instruction via the corporate actions department. The election made by ISS can be overridden at any time as long as the vote is cast before the ISS instruction deadline date.
9. What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable) — All votes were placed in line with the NAM voting policy.

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## TAM (Continued)

### TAM - Nomura Global High conviction (Continued)

10. Are you able to provide a list of the most significant votes made, as well as a rationale for why they were significant? — DaVita is a dialysis service provider in the USA providing critical treatments to patients with End Stage Renal Disease. We recognise that the US healthcare industry and the prosperity of the companies within it is sometimes, or even often, dependent on significant political lobbying. However as the ultimate owner of companies, on behalf of our clients, we believe we should understand a company's lobbying activity, particularly in an industry such as healthcare. At the 2021 AGM the Friends Fiduciary Corporation presented a stockholder proposal regarding the disclosure of political contributions, which would require the company to report, semi-annually, to disclose policies and procedures for making political contributions and also the actual monetary and non-monetary contributions. Management recommended voting against the resolution, but we voted FOR. Unfortunately the majority of shareholders voted against so the proposal was not approved (34.3% voted FOR).

### TAM - JP Morgan UK Equity plus

1. How many meetings were you eligible to vote at? — 76
2. How many resolutions were you eligible to vote on? — 1333
3. What % of resolutions did you vote on for which you were eligible? — 96.85
4. Of the resolutions on which you voted, what % did you vote with management? — 98.37%
5. Of the resolutions on which you voted, what % did you vote against management? — 1.55%
6. Of the resolutions on which you voted, what % did you abstain from voting? — 0.08%
7. In what % of meetings, for which you did vote, did you vote at least once against management? — 15.79%
8. Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf? — ISS-Although we use the ISS ProxyExchange platform and see their voting recommendations, this forms only the starting point for our proprietary thinking, and all our voting decisions are made on a case by case basis by in-house specialists in conjunction with the Analyst and/or Fund Manager in reference to the JPMAM Corporate Governance Policy and Voting Guidelines.
9. What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable) — 1.6072%
10. Are you able to provide a list of the most significant votes made, as well as a rationale for why they were significant? — At the 2021 AGM, at Barclays Plc a shareholder resolution was filed by a group of retail shareholders coordinated by Market Forces, an Australian non-governmental campaign group, requesting the Company to set short, medium and long-term targets and to phase out the provision of financial services to fossil fuel projects and companies, following a timeline aligned with the Paris Agreement. J. P. Morgan Asset Management voted against the shareholder proposal as it was too prescriptive. The Company has announced its approach to addressing climate change, and among the objectives was an ambition to become a net-zero bank across Scope 1, 2 and 3 by 2050, and to be net-zero by 2030 in Scope 1 and 2. The Company also made a commitment to align its entire financing portfolio to the goals of the Paris Agreement. For Barclays this means that its own operations, and its provision of financing to clients, in every sector, will support the goal of limiting global warming.

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## TAM (Continued)

### TAM - JP Morgan UK Equity plus (Continued)

The oil major, Royal Dutch Shell Plc has been under increasing stakeholder pressure with regards to its approach to climate change. J.P. Morgan Asset Management have had extensive ESG engagement with the company over the years including a discussion on climate with the Chief Executive in Q2 2021. The company has taken steps to diversify its business portfolio into renewables and alternative energy sources. The company announced earlier this year that it would accelerate the transition of its business to net-zero emissions, including targets to reduce the carbon intensity of energy products sold by 6-8% by 2023, 20% by 2030, 45% by 2035 and 100% by 2050. Despite these moves, the Dutch court ordered it to cut global carbon emissions by 45% by the end of 2030 compared with 2019 levels, in a landmark case brought by environmental activists. There was also a shareholder proposal filed by other activists for the company to set and publish targets that are consistent with the goal of the Paris Climate Agreement: to limit global warming to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C. The Board of Shell also filed a management proposal on climate - in what is being dubbed “say-on-climate” - to seek shareholder approval for its energy transition strategy. Having carefully considered these two separate climate proposals and the progress seen in our engagement dialogue, we voted in support of the management proposal to acknowledge Shell’s commitment to transparency and accountability on climate issues. We did not support the shareholder proposal as we assessed that it would not necessarily be additive to Shell’s existing strategy on climate nor in shareholder’s best interests at this time.

J. P. Morgan Asset Management has also been engaging with mining company Rio Tinto Plc, who has been under scrutiny to strengthen its governance practices on the Board, and have a robust cultural heritage programme, since the events at Juukan Gorge. We have had extensive engagement with Rio Tinto, and since the events they have reviewed internal processes and consulted with traditional owners and stakeholders, this has led to strengthened internal practices, policies and governance practices, with additional disclosure. The company will establish an Indigenous Advisory Group (IAG) to ensure Rio Tinto has a better understanding of Indigenous culture and issues in Australia, including at Board level. At this year’s annual general meeting, a resolution to re-elect the sustainability committee chair was up for review. With much deliberation, we elected to vote against the re-election, due to accountability on the Board, for the events that occurred at Juukan Gorge, and thus having served in the role for significant period, thought that there had been a failure of oversight under the firms cultural heritage programme.

## Shard Capital Default

Shard have informed the Trustee that they have no voting rights in any of the collective funds they invest into. Similarly, they do not have voting rights on the Minerva bond or Riverfort participating shares. They would be eligible to vote for any meetings for the direct shareholding in Sure Ventures PLC. However they have not done so to date.

## Wahed Default

Wahed have informed us they do not have access to voting rights, and do not keep a record of the voting activity of their underlying managers. As part of their investments are invested in the HSBC Islamic Equity fund the voting activity will be the same for that section as is listed there.

## Tatton Oak Advanced – Amber Self Select

No voting activity has taken place within this fund over the last 3 years.

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## Kames Ethical Cautious – Amber Self Select

1. How many meetings were you eligible to vote at? – 75
2. How many resolutions were you eligible to vote on? – 1257
3. What % of resolutions did you vote on for which you were eligible? – 100
4. Of the resolutions on which you voted, what % did you vote with management? – 98.01%
5. Of the resolutions on which you voted, what % did you vote against management? – 0.72%
6. Of the resolutions on which you voted, what % did you abstain from voting? – 1.27%
7. In what % of meetings, for which you did vote, did you vote at least once against management? – 8.00%
8. Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf? – ISS, IVIS. We only use their research as a reference when making voting decisions.
9. What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable) – 3.73%
10. Are you able to provide a list of the most significant votes made, as well as a rationale for why they were significant?

Company Name	Standard Life	Advanced Medical Solutions	Informa PLC
Date of vote	12th May 2020	10th June 2020	12th June 2020
Approximate size of fund's/ mandate's holding as at the date of the vote (as % of portfolio)	0.11%	0.70%	1.40%
Summary of the resolution	To approve the Remuneration Policy	To Re-elect Steve Bellamy	To approve the Remuneration Report
How you voted	In favour	Abstain	Against
Where you voted against management, did you communicate your intent to the company ahead of the vote?	Yes, we were involved in many conversations over the past few years and eventually a consultation on the new LTIP	Yes, conversations with the company secretary and Chairman prior to the meeting and an email to confirm our voting action and the progress we would like to see	Yes. Spoke to the Company Secretary and followed up with a letter

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## Kames Ethical Cautious – Amber Self Select (Continued)

<b>Rationale for the voting decision</b>	After many years of concern with the structure of remuneration at SLA where we believed the remuneration structure was overly complicated and unlikely to align our interests with the management, I raised the topic with the new Chair of the Remuneration Committee and asked him to review the Policy a year early and to simplify the Long Term Incentive Plan. He heeded our advice and the new LTIP was far more palatable with Shareholders. In previous years there has been a fair amount of opposition to the remuneration, however the new policy passed with overwhelming support.	Mr Bellamy has served on the audit committee for more than 13 yrs concurrently with the CEO, which means we no longer consider him to be independent. We raised this with the company previously, however, succession planning has been hampered with the COVID situation and the departure of another non-executive. We decided to give them the benefit of the doubt and abstained rather than vote against.	The challenge of the annual bonus targets continued to be a concern, and does not align with previous EPS ranges applied to the LTIP. Taken, with the decision not to reduce 2020 LTIP grants, there is significant potential for undeserved reward.
<b>Outcome of the vote</b>	Approved by 97%	>25% vote against his re-election	>35% vote against
<b>Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?</b>	Persistence has paid off	We will monitor progress on this issue	We have continued engagement on this issue. The company brought another vote in December on remuneration policy that was a completely different structure. This is a company in a difficult situation because of COVID, however, this was still not a satisfactory outcome and we were also unsupportive of the EGM resolutions.
<b>On which criteria have you assessed this vote to be “most significant”?</b>	A change as a result of persistent engagement	Large degree of opposition	Large degree of opposition

## HSBC Islamic Global Equity Fund and Newton Global Income

The PLSA templates for these funds are attached as an appendix to this report (Appendices 2 & 3).

## Trustee Comments

The Trustee is pleased to see that those managers who engage and exercise their votes do so, and that they are taking their responsibilities seriously. The vast majority of the Mastertrust’s funds are with these managers. They are however disappointed that some managers were unable to collect sufficient information to provide full coverage. In future years the Trustee will put increasing pressure to disclose, and where disclosure consistently falls short the Trustee will reconsider the appropriateness of the service provided. The Trustee will continue to review and engage with managers in order to carry out their investment principles and strive to continually improve their investment practices.



PART OF



GROUP PLC

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