

Implementation Statement, covering the Fund Year from 1 January 2020 to 31 December 2020

This statement has been produced in accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 as amended and the guidance published by the Pensions Regulator.

1. Introduction

The voting and engagement policies in the SIP were reviewed and updated during the Fund Year on 30 September 2020 to expand the matters on which the Trustees expect their investment managers to engage with issuers and other relevant persons. As part of this SIP update, the employer was consulted and confirmed it was comfortable with the change.

The Trustees consider that they have followed the Fund's voting and engagement policies during the Fund Year by continuing to delegate to their investment managers the exercise of rights and engagement activities in relation to investments and by seeking to appoint managers that have good stewardship policies and processes, although no new appointments were made during the year under review. The Trustees took steps to review the Fund's existing funds over the period, as described in Section 2 (Voting and engagement) below.

2. Voting and engagement

As part of its advice on the selection and ongoing review of the investment managers, the Fund's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to voting and engagement.

The Trustees receive biannual performance monitoring reports on the Fund, which include any notable updates on the funds and investment managers held by the Fund. Summaries on recent meetings that LCP have held with the managers to discuss the investments that the Fund holds are also included.

LCP's manager research process includes qualitative responsible investment ("RI") assessments and scoring of each fund. These scores consider the approach to environmental, social and governance ("ESG") issues, voting and engagement. Such scores can directly affect LCP's fund recommendations and the detailed information gained in ongoing research allows LCP to provide any important updates to the Trustees within the biannual reports.

3. Description of voting behaviour during the Fund Year

The Trustees are not able to direct how votes are exercised and have not used proxy voting services themselves over the Fund Year because the Fund's holdings in listed equities are within pooled funds and the Trustees have delegated voting to their investment managers .

In this section we have sought to include voting data on the Fund's investments that hold equities namely:

- Baillie Gifford Multi Asset Growth Fund;
- L&G North America Equity Index Fund (GBP Hedged);
- L&G Europe (ex UK) Equity Index Fund (GBP Hedged);
- L&G Japan Equity Index Fund (GBP Hedged);
- L&G Asia Pacific (ex Japan) Developed Equity Index Fund (GBP Hedged);
- L&G World Emerging Markets Equity Index Fund; and
- BlackRock Aquila Life UK Equity Index Fund.

3.1 Description of the voting processes

Baillie Gifford

All voting decisions are overseen by Baillie Gifford's Governance & Sustainability team in conjunction with the investment managers. All client voting decisions are therefore made in-house in line with Baillie Gifford's Governance & Sustainability Principles and Guidelines.

Baillie Gifford uses proxy advisers' voting recommendations (Institutional Share Services ("ISS") and Glass Lewis) for information only (meaning voting decisions are not delegated or outsourced), including specialist proxy advisors in the Chinese and Indian markets in order to gather more detailed market specific information where needed.

Baillie Gifford's strong preference is to be given the responsibility to vote on behalf of its clients, stating that "the ability to vote our clients' shares strengthens our position when engaging with investee companies", and endeavours to vote every client holding in all markets.

Baillie Gifford does not regularly engage with clients prior to submitting votes, however if a segregated client has a specific view on a vote then it will engage with them on this. If a vote is particularly contentious, Baillie Gifford may reach out to clients prior to voting to advise them of this or request them to recall any stock on loan.

L&G

L&G's voting and engagement activities are driven by ESG professionals in its Investment Stewardship team. All client voting decisions are therefore made by the team in line with the relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents. 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 fully integrating voting with engagement and to ensure consistent messaging to firms.

The team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares and for additional information only (meaning final voting decisions are made by the team, but voting recommendations are used to enhance research and ESG assessment tools). To ensure its proxy provider votes in accordance with its position on ESG, L&G has a custom voting policy in place with specific voting instructions that apply to all markets globally. The Investment Stewardship team retains the ability to override any vote decisions that were based on its custom voting policy, for example due to additional information gained when engaging with a firm, and monitors votes including a regular manual check of votes that have been input on the ProxyExchange platform.

L&G holds an annual stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the Investment Stewardship team. The views expressed at the roundtable form a key consideration in the development of L&G's engagement policies, which are reviewed on an annual basis, with ad-hoc feedback also taken into account.

BlackRock

BlackRock's Investment Stewardship team reviews and updates its Global Corporate Governance and Engagement Principles and market-level voting guidelines annually, which form the basis of BlackRock's approach to voting and engagement.

The Investment Stewardship team consists of three regional teams (Americas, Asia-Pacific, and Europe, Middle East and Africa), with analysts within each team generally deciding how to vote for the companies that they cover, with input from investment colleagues as required, and in accordance with the Principles and guidelines noted above.

BlackRock subscribes to research from proxy advisory firms (ISS and Glass Lewis), only as one of many inputs into its vote analysis process (meaning voting decisions are not outsourced). Other inputs used include the company's own reporting, BlackRock's engagement and voting history with the company, the views of BlackRock's active investors, public information and ESG research. BlackRock therefore mainly utilises the proxy services to help determine which companies to prioritise for additional research and engagement. Generally, decisions on which companies to engage with are based on BlackRock's assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of its engagement being productive.

If a client wants to implement their own voting policy, the client would need to be in a segregated account, and would engage a third-party voting execution platform to cast the votes. Otherwise, BlackRock votes on behalf of its clients.

3.2 Summary of voting behaviour over the Fund Year

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

	Fund 1	Fund 2	Fund 3	Fund 4	Fund 5	Fund 6	Fund 7
Manager name	Baillie Gifford	L&G	L&G	L&G	L&G	L&G	BlackRock
Fund name	Multi Asset Growth Fund	North America Equity Index Fund ¹	Europe (ex UK) Equity Index Fund ¹	Japan Equity Index Fund ¹	Asia Pacific (ex Japan) Developed Equity Index Fund ¹	World Emerging Markets Equity Index Fund	Aquila Life UK Equity Index Fund
Total size of fund at end of reporting period	£2,279 m	£17,345m	£4,729m	£2,703m	£1,763m	£7,672m	£4,811m
Value of Fund assets at end of reporting period	£17.7m	£3.3m	£3.1m	£2.5m	£1.3m	£2.6m	£10.9m
Number of equity holdings at end of reporting period	69	644	458	513	397	1,856	6,457
Number of meetings eligible to vote	64	804	635	547	515	3,778	1,168
Number of resolutions eligible to vote	696	9,634	10,402	6,538	3,634	34,537	15,622
% of resolutions voted	96.0	100.0	99.9	100.0	100.0	99.9	97.1
Of the resolutions on which voted, % voted with management	90.3	72.3	84.2	86.7	73.2	85.5	92.6
Of the resolutions on which voted, % voted against management	7.9	27.7	15.5	13.3	26.8	13.0	5.3
Of the resolutions on which voted, % abstained from voting	1.8	0.0	0.3	0.0	0.0	1.5	2.1
Of the meetings in which the manager voted, % with at least one vote against management	23.4	7.7	4.5	5.6	10.1	4.9	N/a ²
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	N/a ³	0.3	0.3	0.2	0.2	0.0	N/a ³

¹GBP Hedged

²BlackRock was unable to provide this data.

³Baillie Gifford and BlackRock were not able to provide this data, noting that they do not tend to rely on the recommendations of proxy research firms when voting.

3.3 Most significant votes over the Fund Year

Commentary on the most significant votes over the period, from the Fund's asset managers who hold listed equities, is set out below. The Trustees have interpreted "most significant votes" to mean their choices from an extended list of "most significant votes" provided by each of the investment managers following the PLSA guidance provided.

Baillie Gifford

Multi Asset Growth Fund

Baillie Gifford outlined a range of voting situations that it would consider to be significant. These include but are not limited to:

- situations where Baillie Gifford had a material impact on the outcome of the meeting
- voting relating to egregious remuneration, significant audit failings, or controversial equity issuance or
- where Baillie Gifford opposed mergers and acquisitions, financial statements, or the election of a director.

The Trustees did not choose any Baillie Gifford votes to include in their "most significant votes" over the period.

L&G

L&G determines the voting situations it deems to be significant to include but not be limited to:

- high profile votes which have such a degree of controversy that there is high client and/or public scrutiny
- votes where there is significant client interest for a vote that has been directly communicated by clients to the Investment Stewardship team
- sanction votes as a result of a direct or collaborative engagement and
- votes linked to an L&G engagement campaign in line with L&G's 5-year ESG priority engagement themes.

The Trustees consider the following four L&G votes to be among their "most significant votes" over the period:

North America Equity Index Fund (GBP Hedged)

- **ExxonMobil, USA, 27 May 2020. Vote: Against**

Summary of resolution: Approval of the re-election of joint CEO and Chairman of the Board.

Rationale: Due to climate change concerns, L&G announced in June 2019 that it would be removing ExxonMobil from its Future World fund range and would be voting against the Chair of the Board. The resolution passed despite this.

- **The Proctor & Gamble Company, USA, 13 October 2020. Vote: For**

Summary of resolution: Approval of shareholder proposal to report on efforts to eliminate deforestation.

Rationale: Although P&G has introduced a number of objectives and targets to ensure their business does not impact deforestation, L&G felt P&G was not doing enough. The company has not responded to the CDP Forest disclosure which was a red flag to L&G in terms of its level of commitment. As deforestation is one of the key drivers of climate change, L&G states that a key priority issue is to ensure that companies it invests clients' assets in are not contributing to deforestation. L&G will continue to engage on the topic.

The resolution passed.

- **Cardinal Health, USA, 4 November 2020. Vote: Against**

Summary of resolution: Approval of the remuneration of named executive officers.

Rationale: Cardinal Health paid out an above target bonus to its CEO in the same year that it recorded a large pre-tax charge for expected opioid settlement costs, due to the Compensation Committee excluding the settlement costs from the earnings calculations (therefore boosting executive pay). Further, the current CEO was head of pharmaceuticals at the firm globally during the worst years of the opioid crisis. L&G therefore opposed the resolution to signal its concern with the lack of accountability. The resolution passed despite this.

L&G Asia Pacific (ex Japan) Developed Equity Index Fund (GBP Hedged)

- **WhiteHaven Coal, Australia, 22 October 2020. Vote: For**

Summary of resolution: Shareholder resolution requesting that the company disclose, in subsequent annual reporting, a plan that demonstrates how the company will wind up its coal production assets and operations in a manner consistent with the climate goals of the Paris Agreement.

Rationale: L&G voted for the resolution due to a belief that the role of coal in the future energy mix is increasingly uncertain, due to the competitiveness of renewable energy as well as increased regulation. L&G is in favour of a 'managed decline' for fossil fuel companies, in line with global climate targets, with capital being returned to shareholders instead of spent on diversification and growth projects that risk becoming stranded assets. Even so the resolution did not pass.

BlackRock

Aquila Life UK Equity Index Fund

BlackRock currently considers a vote to be significant if:

- it relates to a large and dominant company
- it is a shareholder proposal or
- if it falls under one of BlackRock's key engagement priorities such as climate risk, human risk, human capital management, corporate strategy, or board effectiveness and accountability.

This is not an exhaustive list and votes may also be considered significant for various other reasons.

The Trustees consider the following four Blackrock votes to be among their "most significant votes" over the period.

- **Woodside Petroleum Ltd., Australia, 30 April 2020. Vote: Against**

Summary of resolution: Shareholder proposals to approve: the amendment of the company constitution; targets for the company in line with the Paris Agreement; a review of the company's climate-related lobbying; and a review of the company's 'reputation advertising' activities.

Rationale: BlackRock is generally not supportive of constitutional amendment resolutions, believing that the relative ease of filing risks time-consuming proposals being submitted by shareholders whose interests are not necessarily aligned with those of the broader shareholder base. BlackRock believes that shareholder proposals should be a tool used after engagement has failed, which it did not believe to be the case here.

BlackRock voted against the shareholder proposal to approve targets for the company in line with the Paris agreement as, based on Woodside's reporting and engagement to date, it believed the company already recognised the importance of carbon disclosure and reduction targets and was already responsive to shareholder concerns regarding carbon disclosure and emissions targets.

BlackRock voted against the shareholder proposal to review the company's climate-related lobbying as it believed that Woodside's lobbying was already consistent with its public position on climate change.

BlackRock voted against the shareholder proposal to review the company's 'reputation advertising' activities as it believed that the company already provides adequate transparency on their advertising activities and the community groups that it supports.

The resolution did not pass.

- **Royal Dutch Shell plc, UK & Netherlands, 19 May 2020. Vote: Against**

Summary of resolution: Shareholder proposal requesting that the company set and publish targets for greenhouse gas emissions.

Rationale: BlackRock voted against the shareholder proposal given its belief that the company already had some of the most ambitious climate targets in the industry, and had already made strong TCFD disclosures. BlackRock believed that Shell had also made its climate commitments more aggressive since the proposal was submitted and had generally shown to be responsive to shareholder engagement on portfolio resilience and reduction of emissions.

The resolution did not pass.

- **Chevron Corporation, USA, 27 May 2020. Vote: For**

Summary of resolution: Shareholder proposal requesting reporting on how the company's direct and indirect climate lobbying align with the Paris Climate Agreement goals.

Rationale: Although BlackRock believed that Chevron had been responsive and transparent in its TCFD reporting, greater transparency into the company's approach to political spending and lobbying related to climate risk, was an area it believed could be strengthened. BlackRock therefore supported the proposal, in line with its view that the risks of climate change and the transition to a lower carbon economy present material regulatory, reputational, and legal risks to companies, including Chevron.

The resolution passed.

- **AGL Energy Ltd., Australia, 7 October 2020. Vote: For**

Summary of resolution: Shareholder proposal requesting the alignment of the closure dates of two of its coal-fired power stations with a strategy to limit the increase in global temperatures to 1.5°C above pre-industrial levels.

Rationale: BlackRock's support for this proposal was intended to encourage the company to manage the climate risk in its business model. BlackRock expected that doing so would help offset the potential financial risks of climate change, and capture some of the opportunities of the global energy transition, thus protecting the long-term economic interest of shareholders.

The resolution did not pass.

3.4 Engagement in relation to assets other than listed equity

The following comments are additional information provided by BlackRock relating to the BlackRock BIBF Over 10 Years Corporate Bond Fund, which does not hold listed equities but may engage with companies to which it lends.

BlackRock's credit analysts regularly undertake joint engagement meetings with the Investment Stewardship team to ensure the "voice of the bond holder" is reflected in conversations. BlackRock also engage with bond issuers via its Global Capital Market Team, although more recently this has tended to be focused on areas such as the issuance of green bonds in the sterling market, which can form a part of the portfolio held by the Fund. As significant investors in the sterling fixed income market, BlackRock also may work with market participants including index providers, rating agencies and policy makers, with the intention of upholding standards and enabling the flow of financing to attractive ESG issues.