

Implementation Statement, covering the Fund Year from 1 January 2021 to 31 December 2021

1. Introduction

No changes were made to the voting and engagement policies in the SIP during the Fund Year. The last time these policies were formally reviewed was 30 September 2020.

The Trustees 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. 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 reviewed the 2021 Global Investor Statement (a statement to governments to take action against climate change) in October 2021 and agreed to sign. The Trustees also reviewed which of the Fund's existing managers were signatories of the Statement. Of the Fund's managers, L&G had signed whilst Baillie Gifford and BlackRock had not yet at the time.

The Trustees reviewed LCP's responsible investment (RI) scores for the Fund's existing managers and funds, along with potential actions to address responsible investment (including climate change) risks, at their October 2021 meeting. These scores cover the approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP's ongoing manager research programme and directly affect LCP's manager and fund recommendations. The manager scores were based on LCP's Responsible Investment Survey 2020. The Trustees were satisfied with the results of the review and no immediate action was taken.

The Trustees receive biannual updates on the Fund, which include any notable changes on the funds and investment managers held by the Fund.

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 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.

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, 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 Fund Year 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 the Fund Year	£2,464m	£16,495m	£4,564m	£2,438m	£1,434m	£7,331m	£3,649m
Value of Fund assets in the fund at end of the Fund Year	£18.9m	£3.5m	£3.4m	£2.7m	£1.2m	£2.5m	£12.9m
Number of equity holdings at end of the Fund Year	78	642	488	513	406	1,618	14,437
Number of meetings eligible to vote	112	638	463	442	329	3,627	1,167
Number of resolutions eligible to vote	1,357	7,846	7,665	5,306	2,308	31,303	15,146
% of resolutions voted	87.6	99.7	100.0	100.0	100.0	99.8	99
Of the resolutions on which voted, % voted with management	96.4	70.9	82.2	86.3	72.4	81.8	93
Of the resolutions on which voted, % voted against management	3.4	29.0	17.4	13.7	27.3	16.3	6
Of the resolutions on which voted, % abstained from voting	0.2	0.1	0.4	0.0	0.3	1.9	1
Of the meetings in which the manager voted, % with at least one vote against management	18.8	94.2	75.4	75.3	66.9	49.2	30
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	N/a ²	22.9	8.1	11.0	15.9	6.2	0

¹GBP Hedged

²Baillie Gifford was 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 Pensions and Lifetime Savings Association guidance provided.

Baillie Gifford

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 consider the following three Baillie Gifford votes to be among their "most significant votes" over the period:

Multi Asset Growth Fund

- **Vonovia, Germany, April 2021. Vote:** Against

Summary of resolution: Approval of amendment of share capital

Rationale: Baillie Gifford opposed two resolutions which sought authority to issue equity because it believed the potential dilution levels are not in the interests of shareholders.

- **Galaxy Entertainment Group, Hong Kong, May 2021. Vote:** Against

Summary of resolution: Approval of incentive plan

Rationale: Baillie Gifford opposed the Share Option Scheme due to poor disclosure, and the potential conflict of having the plan administrators eligible to participate in the plan. Baillie Gifford also believed that the level of dilution was not in the interests of shareholders.

- **Greggs, UK, May 2021. Vote:** Against

Summary of resolution: Approval of remuneration report

Rationale: Baillie Gifford opposed the resolution to approve the Remuneration Report because of the Remuneration Committee's decision not to align executive directors' pensions with the workforce until four years after the Investment Association's guidance.

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 six L&G votes to be among their "most significant votes" over the period:

North America Equity Index Fund (GBP Hedged)

- **NVIDIA Corporation, USA, June 2021. Vote:** Against

Summary of resolution: Approval of the election of director Harvey C. Jones

Rationale: L&G views gender diversity as a financially material issue for clients, with implications for the assets it manages on their behalf. As part of L&G's efforts to influence investee companies on having greater gender balance, in 2020, L&G increased its expectations on gender diversity on the board by placing a vote against the largest 100 companies in the S&P500 and S&P/TSX where there is less than 25% women on the board. In 2021, L&G expanded the scope to include all companies in the S&P 500 and S&P/TSX. L&G's expectation is for all companies in this market to reach a minimum of 30% women on the board and at senior management level by 2023.

Europe (ex UK) Equity Index Fund (GBP Hedged)

- **JDE Peet's, Netherlands, June 2021. Vote:** Against

Summary of resolution: Approval of the remuneration report and financial statements

Rationale: L&G voted against the remuneration report as it believed it was essentially asking shareholders to support the company adopting a non-transparent approach to executive remuneration. This extended to allowing the company to provide sign-on awards without having to provide insight into the terms of the award and without placing any restrictions on such awards.

The company also failed to meet L&G's minimum standards for climate risk management and disclosure. L&G would therefore normally sanction the chairman of the company, but as no directors were up for re-election, L&G voted against the annual report to voice concerns on the company's management of climate risks.

L&G believed that the remuneration practices at the company demonstrate a disregard for minority shareholder views when it comes to executive pay. L&G see this disregard and the lack of policies and procedures to tackle climate change as potentially an indicator of poor governance at the company.

Japan Equity Index Fund (GBP Hedged)

- **Mitsubishi UFJ Financial Group, Japan, June 2021. Vote:** For

Summary of resolution: Approval of amendment of articles to disclose plan outlining company's business strategy to align investments with the goals of Paris Agreement

Rationale: L&G voted in favour of this shareholder proposal as it expects companies to be taking sufficient action on the key issue of climate change. While L&G positively note the company's announcements around net-zero targets and exclusion policies, it thought that these commitments could be further strengthened, and that the shareholder proposal provides a good directional push.

- **Sumitomo Mitsui Financial Group, Japan, June 2021. Vote:** Against

Summary of resolution: Approval of amendment of articles to allow virtual only shareholder meetings

Rationale: L&G voted against this proposal as Japanese companies are already able to hold virtual meetings using temporary regulatory relief (without amending articles) for two years, but the passage of this proposal would authorise the company to hold virtual meetings permanently, without further need to consult shareholders (even after the current health crisis is resolved). Further, the proposed language fails to specify situations under which virtual meetings will be held, raising concerns that meaningful exchange between the company and shareholders could be hindered, especially in controversial situations such as when shareholder proposals are submitted, a proxy fight is waged, or a corporate scandal occurs.

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

- **UOL Group Limited, Singapore, April 2021. Vote:** Against

Summary of resolution: Approval of the election of Director Wee Cho Yaw

Rationale: L&G views gender diversity as a financially material issue for clients, with implications for the assets it manages on their behalf. As part of L&G's efforts to influence its investee companies on having greater gender balance, it expects all companies in which it invests globally to have at least one woman on their board (and has stronger requirements in the UK, North American, European and Japanese markets, in line with its engagement in these markets).

World Emerging Markets Equity Index Fund

- **China Construction Bank Corporation, China, June 2021. Vote:** Against

Summary of resolution: Approval of the report of the Board of Directors

Rationale: L&G voted against since the company is deemed to not meet minimum standards with regards to climate risk management and disclosure.

BlackRock

Aquila Life UK Equity Index Fund

BlackRock considers votes to be significant, when issues voted on are likely to be high-profile and therefore of interest to its clients and other stakeholders, and potentially represent a material risk to the investment it undertakes on behalf of clients.

The Trustees consider the following four BlackRock votes to be among their “most significant votes” over the period:

- **Berkshire Hathaway, USA, May 2021. Vote:** For

Summary of resolution: Approval of a report on climate-related risks and opportunities

Rationale: BlackRock voted for this shareholder proposal, given that the company had not yet met BlackRock's expectations for disclosing a plan for how their business model will be compatible with a low-carbon economy, and for disclosure of natural capital policies and/or risk.

- **General Electric Company, USA, May 2021. Vote:** Against

Summary of resolution: Approval of the re-election of Director Edward Garden

Rationale: BlackRock voted against the compensation committee member because it believed that pay within the company was not properly aligned with performance and/or peers.

- **BP, UK, May 2021. Vote:** For

Summary of resolution: Approval of shareholder resolution on climate change targets

Rationale: Though BlackRock recognised the company's efforts to date, it believed that supporting the proposal may accelerate the company's progress on climate risk management and/or oversight.

- **Union Pacific Corporation, USA, May 2021. Vote:** For

Summary of resolution: Approval to publish annually a report assessing diversity and inclusion efforts

Rationale: The company did not yet meet BlackRock's expectations for disclosure of material diversity, equity, and inclusion policies and/or risks.

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.