

# Belron UK Pension Plan - Implementation Statement for the year ended 31 March 2021

## Purpose

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This Implementation Statement provides information on how, and the extent to which, the Trustee policies in relation to the exercising of rights (including voting rights), attached to the Plan's investments, and engagement activities have been followed during the year ended 31 March 2021 ("the reporting year"). In addition, the statement provides a summary of the voting behaviour and most significant votes cast by investment managers on behalf of the Plan during the reporting year.

## Latest review of the Statement of Investment Principles

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During the reporting year, the Plan's Statement of Investment Principles ("SIP"), which covers both the Defined Benefit ("DB") and Defined Contribution ("DC") sections, was reviewed and amended.

In June 2019, the Trustee received training on Environmental, Social and Governance ("ESG") issues from its Investment Adviser, XPS Limited ("XPS") and discussed their beliefs around those issues which, up until that point, had simply been a broad reflection of the investment managers' own equivalent policies. In May 2020, the Trustee received further training on new requirements for the Plan's SIP, including the need to address stewardship in more detail, and the need to explain the incentives the Trustee uses to encourage its investment managers to align their investment strategy with the Trustee's policies and to ensure that decisions are based on long-term performance. This enabled the Trustee to consider how to update its policy in relation to ESG and voting issues. The Trustee's new policy was documented in the updated SIP dated September 2020 – and is set out below for completeness.

The previous version of the SIPs had been in existence since September 2019 meaning the previous version of the SIP was relevant for a period of the reporting year.

## Defined Benefit ("DB") Sections

### Investment-related activity during the reporting year

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#### ESG

In May 2020, the Trustee Directors received training on ESG issues from XPS and discussed its beliefs around those issues. This enabled the Trustee to consider how to update its policy in relation to ESG and voting issues which, up until that point, had simply been a broad reflection of the investment managers' own equivalent policies. In May 2020, the Trustee received further training on new requirements for the Plan's SIP, including the need to address stewardship in more detail, and the need to explain the incentives the Trustee uses to encourage its investment managers to align their investment strategy with the Trustee's policies and to ensure that decisions are based on long-term performance.

During the reporting year, the Trustee also commissioned a report from XPS on the extent to which ESG considerations are incorporated into the investment processes of the investment manager organisations appointed to the DB Section of the Plan. The Trustee recognises that the level of ESG integration within the investment processes is dependent on the asset class in question.

The report was discussed at the March 2020 Trustee meeting. One of the areas considered by the report was stewardship, which relates to influencing a company in which the Plan is ultimately invested via the funds held within the Plan's portfolio. Companies can be influenced through meaningful engagement and using voting rights to drive long term positive change in their policies and practices. The report rated each investment

management organisation in this area and on ESG matters overall. The Trustee concluded that the ESG capabilities of the investment managers were satisfactory for the Plan overall. ESG issues will be kept under review as part of the annual monitoring process and the Trustee will communicate any concerns with the relevant investment manager organisations when, for example, they present at meetings.

### **Manager selection exercises**

One of the main ways in which this updated policy is expressed is via manager selection exercises: the Trustee seeks advice from XPS on the extent to which the Trustee's views on ESG and climate change risks may be taken into account in any future investment manager selection exercises.

During the reporting year, the Trustee received advice on the Legal and General Investment Management ("LGIM") LDI Enhanced Service and the Maturing Buy and Maintain Credit funds. One of the selection criteria – in acknowledgment of the Trustee's updated ESG policy – was that LGIM had been found to have a credible ESG capability, with decisions linked to that capability applied to the fund to an acceptable degree.

ESG issues will be kept under review as part of the monitoring process and the Trustee will communicate any concerns with the relevant investment manager organisations when, for example, they present at meetings.

### **Ongoing Governance**

The Trustee generally meets quarterly to discuss investment matters. The Trustee receives quarterly reports from its Investment Adviser, XPS, on the investment performance of the DB Section of the Plan. The progression of the DB Sections' funding position is also discussed at meetings.

The Trustee, with the assistance of XPS, monitors the processes and operational behaviour of the investment managers throughout the reporting year, to ensure they remained appropriate and in line with the Trustee's requirements. Further, the Trustee has set XPS the objective of ensuring that any selected managers reflect the Trustee's views on ESG (including climate change) and stewardship

Beyond the governance work currently undertaken, the Trustee believes that its approach to, and policy on, ESG matters will evolve over time based on developments within the industry and, at least partly, on a review of data relating to the voting and engagement activity conducted annually. Stewardship and ESG matters are therefore regularly discussed at Trustee meetings.

### **Asset Allocation**

In understanding that asset allocation plays an important role in achieving investment objectives and good member outcomes, the Trustee regularly monitors the asset allocation of both sections of the Plan to ensure that these are in line with the current investment objectives.

The DB Sections of the Plan are invested with LGIM and Baillie Gifford. For the DB Sections, the Trustee reviewed the investment strategy and, following advice from XPS, decided significantly to reduce the Plan's allocation to return seeking assets. Specifically, the Plan completely disinvested its allocation to multi asset funds held with Baillie Gifford and Columbia Threadneedle; it also reduced its target allocation to equity to 10% of total assets. Further changes to the investment strategy included completely disinvesting from the gilts and corporate bonds held with Baillie Gifford. During the reporting year the Trustee appointed LGIM for the Maturing Buy and Maintain Credit and Leveraged LDI mandates.

### **New policies**

As a result of the ESG training undertaken and the subsequent discussions on the Trustee's views around the relevant issues, the following new policies were introduced during the reporting period:

- ▶ Based on the structure set out in the Appendix of the SIP, the Trustee considers the arrangements with the Investment Managers to be aligned with the Plan's overall strategic objectives. Details of each specific mandate are set out in agreements and pooled fund documentation with each Investment Manager.
- ▶ The Trustee will ensure that the Plan's assets are predominantly invested in regulated markets to maximise their security.

- ▶ The amounts allocated to any individual category or security will be influenced by the overall benchmark and objectives, varied through the Investment Managers' tactical asset allocation preferences at any time, within any scope given to them through any asset allocation parameters set by the Trustee or governing the pooled funds in which the Plan is invested.
- ▶ Investment Managers are incentivised to perform in line with expectations for their specific mandate because their continued involvement as Investment Managers as part of the Plan's investment strategy – and hence the fees they receive – are dependent upon them doing so. They are therefore subject to performance monitoring and reviews based on a number of factors linked to the Trustee's expectations.
- ▶ The Trustee encourages Investment Managers to make decisions in the long-term interests of the Plan. The Trustee expects engagement with management of the underlying issuers of debt or equity and the exercising of voting rights to be in line with the investment mandate guidelines provided. This expectation is based on the belief that such engagement can be expected to help Investment Managers to mitigate risk and improve long term returns.
- ▶ Appointments of Investment Managers are expected to be long-term, but the Trustee will review the appointment of the Investment Managers in accordance with their responsibilities.
- ▶ The Trustee will receive regular performance monitoring reports from the Investment Adviser which consider performance over the quarter, one and three year periods.
- ▶ This monitoring helps to determine an Investment Manager's ongoing role in implementing the investment strategy. If there are concerns, the Trustee may carry out a more in depth review of a particular Investment Manager. Investment Managers will also attend Trustee meetings as requested. Fund manager remuneration is considered as part of the manager selection process. It is also monitored regularly with the help of the Investment Adviser to ensure it is in line with the Trustee's policies and with fee levels deemed by the Investment Adviser to be appropriate for the particular asset class and fund type.
- ▶ The Trustee requires the Investment Managers to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, how turnover compares with the range that the Investment Manager expects and the reasons for any divergence.
- ▶ The Trustee has considered its approach to environmental, social and corporate governance ("ESG") risks and it believes there can be financially material risks relating to ESG. The Trustee has delegated the ongoing monitoring and management of ESG risks to the Plan's investment managers. The Trustee requires the Plan's investment managers to take into consideration ESG risks within their decision making, recognising that how they do this will be dependent on the characteristics of the asset classes in which they invest.
- ▶ The Trustee will consider how best to take its views on ESG risks into account in any future investment manager selection exercises. Furthermore, the Trustee, through its Investment Adviser, will monitor the processes and operational behaviour of the investment managers to ensure they remain appropriate and in line with the Trustee's requirements as set out in this Statement.
- ▶ The Trustee's policy is that non-financial matters should not be taken into account in the selection, retention and realisation of investments.
- ▶ As the Plan invests in pooled funds, the Trustee acknowledges that it cannot directly influence the policies and practices of the companies in which the pooled funds invest. It has therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Plan's investments to the Investment Managers. The Trustee factors its beliefs and those of the Investment Managers into its selection of pooled funds. The Trustee encourages the Investment Managers to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustee requires the Investment Managers to report on significant votes made on behalf of the Trustee. The Investment Adviser has also carried out a

review of how well the Trustee's guidelines in relation to ESG factors are incorporated into each Investment Manager's processes and the Trustee will re-assess progress on ESG issues periodically.

- ▶ If the Trustee becomes aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that it deems inadequate or that the results of such engagement are mis-aligned with the Trustee's expectations and the investment mandate guidelines provided, then the Trustee will raise this with the Investment Managers and, if not satisfactorily resolved, this would be a contributing factor when considering the continued appointment of that Investment Manager.

### Trustee Training

To better understand responsible investing, and the DWP requirements, the Trustee received training on ESG integration and stewardship during the reporting year.

### CMA Objectives

Objectives were put in place for XPS, in line with the 10 June 2019 CMA Order which required trustees to set objectives for existing and new investment consultant appointments from 10 December 2019, in order to receive investment advice after that date.

## The Trustee's investment policies

The Trustee has various investment objectives for the Plan on the topics listed in the table below; the table also provides commentary on how and the extent to which the various policies were followed during the reporting year.

In summary, during the reporting year the Trustee is satisfied that it followed its policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree.

### DB Sections

Policy	How the policy was followed	The extent to which the policy was followed
<p><b>Kinds of investments to be held</b></p> <p>The asset allocation strategy is appropriate for the Plan, given the strength of the covenant, the Plan's liability profile and other considerations.</p>	<p>During the reporting year the Trustee significantly de-risked the investment strategy, as a result of the improvement in the scheme funding level. The Trustee took advice from its Investment Adviser on new investments and the appointment of new investment managers to ensure they are able to deliver on the scheme objectives.</p>	<p>The Trustee is satisfied that it is following this policy in full.</p>
<p><b>Balance between different investments</b></p> <p>The investment objectives are best achieved by determining, and investing in accordance with, an appropriate split between "on-risk" assets and "off-risk" assets.</p>	<p>During the reporting year the Trustee switched some of the Plan's on-risk assets to off-risk assets in order to improve the level of liability hedging of both interest rates and inflation risk.</p>	<p>The Trustee is satisfied that it is following this policy in full.</p>
<p><b>Risks (measurement and management)</b></p> <p>The Trustee has a number of policies in respect of risk management and measurement.</p>	<p>During the reporting year the Plan's investment strategy was updated to improve the level of liability hedging to both interest rates and inflation and reduce the level of funding level volatility. The Trustee receives regular monitoring updates from its Investment Adviser where the level of risk exposure of the scheme is</p>	<p>The Trustee is satisfied that it is following this policy in full.</p>

	discussed. The Trustee also received advice from Lane Clark & Peacock LLP ("LCP") on the strength of the Employer's covenant.	
<p><b>Expected return</b></p> <p>The primary objectives of the Defined Benefit Sections of the Plan are:</p> <p>a. to meet the benefit payments promised as they fall due;</p> <p>b. to adopt a risk profile consistent with the Employers' covenant; and</p> <p>c. to maximise the return without prejudice to the above points.</p>	<p>The DB Sections are invested in a range of growth and matching assets to deliver investment returns in a risk-controlled way.</p> <p>During the reporting year the Trustee received regular performance monitoring reports from its Investment Adviser on the extent to which the Investment Managers are performing in line with their benchmarks. The Trustee also received advice from LCP on the strength of the Employer's covenant.</p>	The Trustee is satisfied that it is following this policy in full.
<p><b>Realisation of investments</b></p> <p>There should be sufficient investments in liquid or readily realisable assets to meet unexpected cash flow requirements in the majority of foreseeable circumstances in order that the realisation of assets will not disrupt the Plan's overall investment strategy.</p>	The Trustee has considered the overall level of liquidity risk within the investment strategy. The Trustee and XPS are comfortable that the overall amount of liquidity within the strategy is appropriate for the Plan.	The Trustee is satisfied that it is following this policy in full.
<p><b>ESG</b></p> <p>Delegate ongoing monitoring and management of ESG risks and those related to climate change to the Plan's investment managers.</p>	During the reporting year, the Trustee commissioned a report from XPS on the extent to which ESG and climate change considerations are incorporated into the investment processes of the Investment Managers appointed to the DB Section of the Plan. ESG integration was a key consideration of the manager selection exercises undertaken in the year to ensure the chosen managers could effectively carry out the management of ESG risk on behalf of the Trustee.	The Trustee is satisfied that it is following this policy in full.
<p><b>Non-financial matters</b></p> <p>The Trustee's policy is that non-financial matters should not be taken into account in the selection, retention and realisation of investments.</p>	None of the above investment-related activities applied specifically in relation to this policy.	The Trustee is satisfied that it is following this policy in full.
<p><b>Voting rights</b></p> <p>The Trustee has delegated responsibility for the exercise of rights (including voting rights) attached to the Plan's investments to the investment managers. The investment managers are expected to vote</p>	None of the above investment-related activities applied specifically in relation to this policy.	The policy has only recently been updated and the Trustee, in conjunction with XPS, will look to monitor this going forward.

in accordance with their internal voting policies.		
<p><b>Stewardship/relationship with managers</b></p> <p>The Trustee's policy is to encourage investment managers to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.</p>	None of the above investment-related activities applied specifically in relation to this policy.	The policy has only recently been updated and the Trustee, in conjunction with XPS, will look to monitor this going forward.

## Voting activity

### DB Sections

The main asset class where the investment managers will have voting rights is equities. The Plan has specific allocations to equities, and investments in equities will also form part of the strategy for the diversified growth funds in which the Plan invested during the scheme year. A summary of the voting behaviour and most significant votes cast for the relevant investment managers is below.

(Note that, in this section, the responses have been provided by the managers and therefore "we" or "us" or "our" will often be written from the perspective of the investment manager, not the Plan or Trustee.)

#### LGIM – LDI Enhanced Service

The sub-funds in the LDI Enhanced Service invest primarily in gilts and other gilt derivatives. Therefore, there is no voting activity associated with these funds.

#### LGIM – Buy and Maintain funds

These funds invest in corporate bonds which do not carry voting rights. Therefore, there is no voting activity associated with these funds.

#### Baillie Gifford – Global Stewardship Fund

##### Voting Information

##### Baillie Gifford Global Stewardship Fund

The manager voted on 100% of resolutions of which they were eligible out of 789 eligible votes.

##### Investment Manager Client Consultation Policy on Voting

All voting decisions are made by our Governance & Sustainability team in conjunction with investment managers. We do not regularly engage with clients prior to submitting votes, however if a segregated client has a specific view on a vote then we will engage with them on this. If a vote is particularly contentious, we may reach out to clients prior to voting to advise them of this or request them to recall any stock on loan.

##### Investment Manager Process to determine how to Vote

Thoughtful voting of our clients' holdings is an integral part of our commitment to stewardship. We believe that voting should be investment led, because how we vote is an important part of the long-term investment process, which is why our strong preference is to be given this responsibility by our clients. The ability to vote our clients' shares also strengthens our position when engaging with investee companies. Our Governance and Sustainability team oversees our voting analysis and execution in conjunction with our investment managers. Unlike many of our peers, we do not outsource any part of the responsibility for voting to third-party suppliers. We utilise research from proxy advisers for information only. Baillie Gifford analyses all meetings in-house in line with our Governance & Sustainability Principles and Guidelines and we endeavour to vote every one of our clients' holdings in all markets.

### How does this manager determine what constitutes a 'Significant' Vote?

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 and Baillie Gifford opposed
- Egregious remuneration
- Controversial equity issuance
- Shareholder resolutions that Baillie Gifford supported and received 20% or more support from shareholders
- Where there has been a significant audit failing
- Where we have opposed mergers and acquisitions
- Where we have opposed the financial statements/annual report
- Where we have opposed the election of directors and executives.

### Does the manager utilise a Proxy Voting System? If so, please detail

Whilst we are cognisant of proxy advisers' voting recommendations (ISS and Glass Lewis), we do not delegate or outsource any of our stewardship activities or follow or rely upon their recommendations when deciding how to vote on our clients' shares. All client voting decisions are made in-house. We vote in line with our in-house policy and not with the proxy voting providers' policies. We also have specialist proxy advisors in the Chinese and Indian markets to provide us with more nuanced market specific information.

### Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
Amazon.com	Shareholder Resolution - Governance	We voted for the resolution.	Fail
<p>Amazon provides good disclosure of its direct political expenditures and there is board level oversight of its activities by the audit committee. However, areas for improvement relate to its indirect spending through trade associations, coalitions and charities. Whilst the company discloses the gross amounts of trade association payments, it does not break out payment by group and does not disclose the portion of these payments that are used for lobbying. Peer companies Facebook and Alphabet publish a list of trade associations where they maintain membership, while Amazon only discloses names of those associations it made payments &gt;\$10,000. Greater transparency of all political expenditures and lobbying would enable shareholder to assess alignment with Amazon's values and corporate goals.</p>			
Alphabet Inc	Remuneration - Say on Pay	We voted against the resolution	Pass
<p>We had concerns regarding the short vesting period attached to the transitional award, the short performance period for the PSUs – 50% based on 2 year performance, and the weak TSR hurdles for threshold and target payouts. Given the quantum of pay, we did not think the structure and stringency of objectives were appropriate.</p>			
Alphabet Inc	Shareholder Resolution - Governance	We voted for the resolution.	Fail

The board is currently elected by according to a plurality voting standard. Majority voting raises the threshold for re-election and therefore greater accountability. We will continue to assess similar proposals in the future.			
Facebook	Shareholder Resolution - Governance	We voted for the resolution.	Fail
The board is currently elected by according to a plurality voting standard. Majority voting raises the threshold for re-election and therefore greater accountability. We will continue to assess similar proposals in the future.			
Cosmo Pharmaceuticals	Remuneration - Policy	We voted against the resolution	Pass
We have previously opposed this because non-executives are eligible to participate in the Employee Stock Option Plan. Additionally, there are other aspects of the policy which also fall below best practice, for example a lack of disclosure of metrics and targets in relation to the short-term incentive plan. We shall continue to engage with the company on this matter.			

#### Baillie Gifford – Multi Asset Growth Fund

Please note, the Plan completely disinvested from the fund in December 2020. However, for completeness we have provided voting information in the table below covering the full scheme year.

Voting Information			
Baillie Gifford Multi Asset Growth Fund			
The manager voted on 97.73% of resolutions of which they were eligible out of 749 eligible votes.			
Investment Manager Client Consultation Policy on Voting			
Consistent with the approach outlined for the Baillie Gifford Global Stewardship Fund.			
Investment Manager Process to determine how to Vote			
Consistent with the approach outlined for the Baillie Gifford Global Stewardship Fund.			
How does this manager determine what constitutes a 'Significant' Vote?			
Consistent with the approach outlined for the Baillie Gifford Global Stewardship Fund.			
Does the manager utilise a Proxy Voting System? If so, please detail			
Consistent with the approach outlined for the Baillie Gifford Global Stewardship Fund.			
Top 5 Significant Votes during the Period			
Company	Voting Subject	How did the Investment Manager Vote?	Result
COVIVIO SA	Remuneration – Report and Policy	Against	Pass



<p>We voted against 5 policies in relation to the Remuneration Report and Policy.</p> <p>Following the AGM in 2020, we informed the company of our voting decision and advised that we expect more stretching performance criteria to apply to long term incentives going forward. We have yet to see improvements in the targets so will continue dialogue with the company and to take appropriate voting action.</p>			

### Columbia Threadneedle – Dynamic Real Return Fund

Please note, the Plan completely disinvested from the fund in December 2020. However, for completeness we have provided voting information in the table below covering the full scheme year.

Voting Information	
Columbia Threadneedle Dynamic Real Return Fund	
The manager voted on 98.8% of resolutions of which they were eligible out of 4659 eligible votes.	
Investment Manager Client Consultation Policy on Voting	
N/A for pooled vehicles	
Investment Manager Process to determine how to Vote	
<p>Proxy voting decisions are made in accordance with the principles established in the Columbia Threadneedle Investments Corporate Governance and Proxy Voting Principles (Principles) document, and our proxy voting practices are implemented through our Proxy Voting Policy.</p> <p>For those proposals not covered by the Principles, or those proposals set to be considered on a case by case basis (i.e., mergers and acquisitions, share issuances, proxy contests, etc.), the analyst covering the company or the portfolio manager that owns the company will make the voting decision. We utilise the proxy voting research of ISS and Glass Lewis &amp; Co., which is made available to our investment professionals, and our RI team will also consult on many voting decisions.</p> <p>The administration of our proxy voting process is handled by a central point of administration at our firm (the Global Proxy Team). Among other duties, the Global Proxy Team coordinates with our third-party proxy voting and research providers.</p> <p>Columbia Threadneedle Investments utilises the proxy voting platform of Institutional Shareholder Services, Inc. (ISS) to cast votes for client securities and to provide recordkeeping and vote disclosure services. We have retained both Glass, Lewis &amp; Co. and ISS to provide proxy research services to ensure quality and objectivity in connection with voting client securities.</p> <p>In voting proxies on behalf of our clients, we vote in consideration of all relevant factors to support the best economic outcome in the long-run. As an organisation, our approach is driven by a focus on promoting and protecting our clients' long-term interests; while we are generally supportive of company management, we can and do frequently take dissenting voting positions. While final voting decisions are made under a process informed by the RI team working in collaboration with portfolio managers and analysts, our Global Proxy Team serves as the central point of proxy administration with oversight over all votes cast and ultimate responsibility for the implementation of our Proxy Voting Policy. Our voting is conducted in a controlled environment to protect against undue influence from individuals or outside groups.</p>	
How does this manager determine what constitutes a 'Significant' Vote?	
We consider a significant vote to be any dissenting vote i.e. where a vote is cast against (or where we abstain/withhold from voting) a management-tabled proposal, or where we support a shareholder-tabled proposal not endorsed by management. We report annually on our reasons for applying dissenting votes	

via our website. Our report on dissenting votes cast across 2019 is available at: [https://www.columbiathreadneedle.co.uk/uploads/2021/03/a3211533327fca86c825bdf2feb17125/en\\_voting\\_rationales\\_2020.pdf](https://www.columbiathreadneedle.co.uk/uploads/2021/03/a3211533327fca86c825bdf2feb17125/en_voting_rationales_2020.pdf)

#### Does the manager utilise a Proxy Voting System? If so, please detail

As active investors, well informed investment research and stewardship of our clients' investments are important aspects of our responsible investment activities. Our approach to this is framed in the relevant Responsible Investment Policies we maintain and publish. These policy documents provide an overview of our approach in practice (e.g., around the integration of environmental, social and governance (ESG) and sustainability research and analysis).

As part of this, acting on behalf of our clients and as shareholders of a company, we are charged with responsibility for exercising the voting rights associated with that share ownership. Unless clients decide otherwise, that forms part of the stewardship duty we owe our clients in managing their assets. Subject to practical limitations, we therefore aim to exercise all voting rights for which we are responsible, although exceptions do nevertheless arise (for example, due to technical or administrative issues, including those related to Powers of Attorney, share blocking, related option rights or the presence of other exceptional or market-specific issues). This provides us with the opportunity to use those voting rights to express our preferences on relevant aspects of the business of a company, to highlight concerns to the board, to promote good practice and, when appropriate, to exercise related rights. In doing so we have an obligation to ensure that we do that in the best interests of our clients and in keeping with the mandate we have from them. Corporate governance has particular importance to us in this context, which reflects our view that well governed companies are better positioned to manage the risks and challenges inherent in business, capture opportunities that help deliver sustainable growth and returns for our clients. Governance is a term used to describe the arrangements and practices that frame how directors and management of a company organise and operate in leading and directing a business on behalf of the shareholders of the company. Such arrangements and practices give effect to the mechanisms through which companies facilitate the exercise of shareholders' rights and define the extent to which these are equitable for all shareholders.

We recognise that companies are not homogeneous and some variation in governance structures and practice is to be expected. In formulating our approach, we are also mindful of best practice standards and codes that help frame good practice, including international frameworks and investment industry guidance. While we are mindful of company and industry specific issues, as well as normal market practice, in considering the approach and proposals of a company we are guided solely by the best interests of our clients and will consider any issues and related disclosures or explanations in that context. While analysing meeting agendas and making voting decisions, we use a range of research sources and consider various ESG issues, including companies' risk management practices and evidence of any controversies. Our final vote decisions take account of, but are not determinatively informed by, research issued by proxy advisory organisations such as ISS, IVIS and Glass Lewis as well as MSCI ESG Research. Proxy voting is effected via ISS.

#### Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
Amazon.com, Inc.	Elect Director Thomas O. Ryder	Against	Pass

Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.

Alphabet Inc.	Elect Director L. John Doerr	Withhold	Pass
Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.			
Facebook, Inc.	Report on Median Gender/Racial Pay Gap	For	Fail
Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.			
Comcast Corporation	Report on Risks Posed by Failing to Prevent Sexual Harassment	For	Fail
Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.			
Knorr-Bremse AG	Elect Heinz Thiele to the Supervisory Board	Abstain	Pass
Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.			

#### Baillie Gifford – Fixed and Index-Linked Gilts

Please note, the Plan completely disinvested from these funds during the Scheme year. There is no voting activity associated with this holding.

#### Baillie Gifford – UK Corporate Bond Fund

Please note, the Plan completely disinvested from these funds during the Scheme year. There is no voting activity associated with this fund.

## Defined Contributions (“DC”) Section

### Monitoring investments against the SIP

As part of the Trustee governance of the Plan’s DC Section the Trustee has established a process to review the investments within the Plan to ensure that they continue to perform in line with the SIP. In this section, the Trustee sets out the actions taken during the Plan year:

- **Trustee governance process:** The SIP sets out that the Trustee monitors the investment funds during the Plan year. The Plan’s DC Section’s investments are structured as pooled funds, which the SIP sets out the Trustee will monitor against its objective. During the Plan year the Trustee met each quarter to monitor and review the performance of the Plan’s DC Section investments against its objective. The level of

monitoring is in accordance with the policy established in the SIP.

The Trustee, through its DC investment adviser PS Aspire, was able to raise queries and concerns that arose with the relevant Fund Manager, as well as receive additional updates on activity as a result of the pandemic.

- **Trustee governance knowledge and understanding:** As set out earlier in this statement, the Trustee undertook investment training on key topics. As part of this training plan the Trustee received training on Environmental, Social and Governance (ESG) investment matters during the Plan year and intends to further enhance its knowledge over the coming Plan year. As a result, the level of understanding of the Plan's investments and the SIP has remained sufficiently high to enable the Trustee to monitor the Plan effectively.
- **Trustee governance investment advice:** During the Plan year, the Trustee received investment advice from PS Aspire as part of its ongoing monitoring of the Plan's investments including updates on structural changes to the underlying investment funds utilised by the Plan. The advice provided by PS Aspire met the monitoring processes set out within the SIP. The Trustee is satisfied that it had appropriate support to undertake the monitoring of the investments included in the Scheme. One of the ways this was achieved was by the Trustee setting a number of measurable objectives for PS Aspire, as the Scheme's DC investment adviser.

As part of PS Aspire's ongoing support, an assessment of planned changes by Scottish Widows, the Plan's DC administrator, to the Plan's default investment strategy were assessed. The assessment considered the impact of the changes on the strategy's continued ability to meet the needs of the Plan's membership and continue to align with the Plan's investment strategy. As a result, the Plan engaged with Scottish Widows to ensure that appropriate changes were made and formally requested Scottish Widows not to apply changes that would materially change the objective of the default investment strategy. This request was accepted by Scottish Widows, demonstrating the Trustee's and its advisers' ongoing engagement with fund managers, and ensuring accountability is taken for continued compliance with the policies set out in the SIP.

- **Plan Investment objective:** The Plan's default investment strategy is the Scottish Widows Passive Interim Lifestyle. The objectives of the default investment strategy are:

The lifestyle strategy is managed by Scottish Widows to provide a passively managed investment solution that seeks potential real growth in the accumulation phase with the aim to protect income as the member approaches their selected retirement age. It has been designed for members who have not decided, or cannot decide, how to take their retirement benefits from the range of options now available.

Through the governance and monitoring process the Trustee concludes that these funds continue to meet these objectives in line with the SIP.

- **Strategic asset allocation:** The Default investment strategy's underlying asset allocation is designated by Scottish Widows. It is the Trustee's duty to review the asset allocation to ensure that it continues to meet the needs of the Plan's membership and aligns with the objectives and policies set out within the SIP. During the Plan year, Scottish Widows reviewed the asset allocation and made a number of changes that were phased in from September 2020. The changes were as follows:
  - Reduce the home bias in the strategy's equity holdings by reducing the investment in UK equities. This would move the asset allocation to align with market capitalisation more closely.
  - Broaden the range of asset classes utilised in order to provide greater diversity while seeking equivalent investment returns to the existing asset allocation.

- Incorporate ESG factors directly through investing in the BlackRock ACS Climate Transition World Equity Fund that tilts its investments towards companies having a positive impact on climate change through transition to a low carbon economy.
- These changes would be made through the investment of incoming cashflows in order to reduce the impact on members' funds through the potential to incur transaction costs.

The Trustee, with support from its DC Investment Adviser PS Aspire, reviewed the proposed changes and concluded that the revised asset allocation does not have a material impact by altering the strategy's objective and is expected to enhance the capabilities of achieving this objective over the long-term investment horizon.

- **Manager monitoring – default investment strategy:** The monitoring that took place during the Plan year concluded that, overall, the default investment strategy was performing in line with its overarching objective. The de-risking period into the retirement phase of the default includes an allocation to the SW Passive Annuity Purchase Fund. During the Plan year this fund diverted from its stated objective over the short-term but remained in line with its long-term investment. The Trustee will continue to monitor this fund but has no planned action due to the long-term performance of this fund.
- **Manager monitoring – wider fund range:** The Trustee reviewed the funds that members can invest in on a self-select basis. The Trustee offers a relatively small range of funds for members to utilise and does not assess the appropriateness of the funds selected by members on a self-select basis. However, during the year the Trustee considers whether the funds have performed in line with their stated objective. With the exception of the SW Passive Annuity Purchase Fund, discussed above, each fund has performed in line with its objective over the Plan year and longer-term investment horizon.
- **Environmental, Social and Governance matters:** The Trustee's policy as detailed in the SIP is to delegate consideration for Environmental, Social and Governance to the underlying investment managers. During the Plan year, the default investment strategy's stewardship activity was undertaken by BlackRock as the investment manager for all underlying funds with the exception of the Schroeder's Liquidity Fund, which invests predominantly in money market instruments. Therefore, the default investment strategy has performed in line with the policies set out in the SIP.
- The Trustee has received updates from Scottish Widows on behalf of the underlying fund manager on its approaches to Stewardship and ESG considerations. The Trustee will be monitoring voting behaviour of the underlying Investment Manager from the next Plan year.

Later in this report we consider further some of the activity undertaken within the Default investment strategy. The Trustee notes that BlackRock has a strong ESG team with clear policies on major matters. Key features of this include being a signatory to the UN Principles of Responsible Investing and having in place a climate change policy committed to tackling climate change.

- **Non-financial matters:** The Trustee's policy is that non-financial matters should not be taken into account in the selection, retention, and realisation of investments. The Trustee concludes that the Plan's investments have aligned with this policy throughout the Plan year.
- **Engagement with underlying Companies invested in:** The Trustee is aware that BlackRock undertakes a high level of engagement with companies and organisations that are invested in through the policyholder assets. The Trustee's policy remains to delegate this to BlackRock and therefore the Plan's investments have aligned with this policy throughout the Plan year.
- **Divergences from the SIP:** The Trustee, through its monitoring of the Plan, conclude that there has not been a material deviation to the SIP.

## Trustee Conclusion

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The Trustee acknowledges that it is its responsibility, with guidance from its DC Investment Adviser, to ensure that the assets of the DC Section under the Plan are invested in accordance with the policies and objectives set out in the Statement of Investment Principles.

The Trustee confirms that a review of the SIP has occurred during this scheme year and has included an explanation of changes to the SIP.

The Trustee confirms that it has considered this implementation statement and agrees that, in its opinion, the policies and objectives set out in the Plan's Statement of Investment Principles relating to the DC Section have been followed without material deviation during this Plan year

## Assessing voting rights of the Plan

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During the Plan year the Trustee's DC investments were managed by Scottish Widows, with underlying investment funds managed by BlackRock.

The Plan's investment holdings are structured as unit holdings within pooled investment funds. Therefore, the Trustee does not have direct influence on the voting rights and so delegates this to the Investment Manager. The below list confirms those funds that hold equity:

- Scottish Widows Passive Multi Asset I Fund
- Scottish Widows Passive Multi Asset II Fund
- Scottish Widows Passive Multi Asset III Fund
- Scottish Widows Passive Multi Asset IV Fund
- Scottish Widows Passive Multi Asset V Fund

Each of the above funds utilised within the default investments strategy invest in underlying funds. Each underlying fund that has equity holdings is managed by BlackRock. BlackRock has a set of Global Principles that all its stewardship activity aligns to. The BlackRock Investment Stewardship Team has overall oversight of stewardship activity and make decisions regarding BlackRock's voting activity. BlackRock uses Proxy Voting services to provide input on votes and provide research, however no recommendation is followed without oversight by the BlackRock Investment Stewardship Team.

In the below table we summarise the activity undertaken within each underlying fund that has equity holdings for the year to 31 March 2022:

<b>Underlying Funds</b>	<b>Utilised by the following funds</b>	<b>Number of meeting eligible to vote at</b>	<b>Number of votes that could have been participated in</b>	<b>Number of resolutions voted:</b>	<b>Proposal voted For/Against/Abstained</b>
Blackrock ACS Continental European Equity Tracker Fund	Scottish Widows Passive Multi Asset II Fund Scottish Widows Passive Multi Asset III Fund Scottish Widows Passive Multi Asset IV Fund Scottish Widows Passive Multi Asset V Fund	546	9,326	7,161	6,155 / 931 / 75
Blackrock iShares Emerging Markets Equity Index Fund	Scottish Widows Passive Multi Asset II Fund Scottish Widows Passive Multi Asset III Fund Scottish Widows Passive Multi Asset IV Fund Scottish Widows Passive Multi Asset V Fund	2,777	25,487	24,474	21,369 / 2,041 / 1,014
Blackrock ACS Climate Transition World Equity Fund	Scottish Widows Passive Multi Asset III Fund Scottish Widows Passive Multi Asset IV Fund Scottish Widows Passive Multi Asset V Fund	141	1,774	1,292	1,203 / 79 / 8
Blackrock Aquila Connect Pacific Rim Equity Fund	Scottish Widows Passive Multi Asset II Fund Scottish Widows Passive Multi Asset III Fund Scottish Widows Passive Multi Asset IV Fund Scottish Widows Passive Multi Asset V Fund	448	3,150	3,138	2,781 / 353 / 4
Blackrock Aquila Connect UK Equity Fund	Scottish Widows Passive Multi Asset I Fund Scottish Widows Passive Multi Asset II Fund Scottish Widows Passive Multi Asset III Fund Scottish Widows Passive Multi Asset IV Fund Scottish Widows Passive Multi Asset V Fund	808	11,044	11,044	10,444 / 528 / 72
Blackrock Aquila Connect World Ex UK Equity Fund	Scottish Widows Passive Multi Asset I Fund Scottish Widows Passive Multi Asset II Fund Scottish Widows Passive Multi Asset III Fund Scottish Widows Passive Multi Asset IV Fund Scottish Widows Passive Multi Asset V Fund	2203	27246	25077	22688 / 2203 / 92

The Trustee delegates voting to the fund manager. Therefore, no one vote is more significant in the context of the Trustee's policies or the policies set out within the SIP.

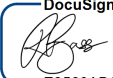
The voting policies utilised by the fund managers include a focus on:

- Board leadership and effectiveness, including its composition to ensure it is diverse, appropriate and includes independent elements
- Climate change and carbon emissions
- Environmental and social disclosure to ensure investors have adequate information

Below, we set out example voting and engagement activity that may be of significant interest to our membership.

Company	Details
<b>Ocado Group Plc</b>	<p>Voted against the Executive Remunerations report and reappointment of three board members.</p> <p>The rationale for these votes were due to BlackRock's belief that the remuneration structure proposed did not sufficiently encourage management to seek a to deliver superior, sustainable, long-term growth. To support this, BlackRock voted against the re-appointment of three Directors on the Remuneration Committee.</p>
<b>Siemens AG</b>	<p>Voted for all management proposals. However, BlackRock engaged with Siemens AG on key topics, including projects to provide signalling equipment to railways servicing a coal mine in Australia. BlackRock were reassured by the Company's acknowledgement that it intends to assess this projects impact and risks.</p>
<b>Exxon Mobil Corporation</b>	<p>Voted against the reappointment of two board members and for a shareholder proposal to require an independent Chair.</p> <p>The rationale for these votes were due to BlackRock's belief that a degree of independence supports good corporate governance as well as concerns over the lack of progress regarding actions relating to and reporting in line with the Taskforce on Climate Related Financial Disclosures.</p>

The above is based on the information provided by Scottish Widows, the Plan's administrator.

DocuSigned by:  
  
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Signed: \_\_\_\_\_, Chair of Trustee

23 September 2021

Date: \_\_\_\_\_