

Linton Park Pension Scheme (2011)

Implementation Statement for the Defined Contribution section for the year ending 30 June 2020

This is the Defined Contribution section Implementation Statement prepared by the Trustee of the Linton Park Pension Scheme (2011) (“the Scheme”) and sets out:

- How the Trustee’s policies on exercising rights (including voting rights) and engagement have been followed over the year to 30 June 2020
- The voting behaviour of the Trustee, or that undertaken on their behalf, over the year.
- How the Trustee has followed the Statement of Investment Principles (“SIP”) over the year.

How voting and engagement policies have been followed

The Scheme’s Defined Contribution (DC) section invests entirely with Royal London Asset Management (“RLAM”) who in turn invest the assets in pooled funds, and as such, the responsibility for carrying out voting and engagement activities have been delegated to the RLAM and any of the underlying fund managers.

The Trustee, via its Investment Subcommittee (“ISC”), initially considered its views on the financial materiality of ESG (including climate change) factors, as well as the way in which ESG is taken into account by each of the Scheme’s managers and at a strategy level at their meeting on 5 June 2019. They considered that the managers’ policies are reasonable and in broad alignment with the Trustee’s own policies. Following this, an ESG policy was developed and draft wording for an updated SIP was produced. This draft wording was considered at the Trustee meeting in September 2019 and again at an ISC meeting in late September 2019. A final version was then signed and uploaded to the company website ahead of the 1 October deadline. No actions were taken at a manager level as a result of this.

In addition to the information required for the drafting of this Statement, the ISC also received available voting and engagement information from the Scheme’s managers ahead of a meeting in February 2020, collated by its investment consultants. The Trustee is due to more formally monitor the investment managers’ approach to ESG and climate-related risks over the next Scheme year via a report from its investment consultants.

Voting undertaken on behalf of the Trustee

Voting only applies to equities held in the portfolio. The Scheme’s equity investments within the DC section are held through pooled funds (in particular equity investments are made through two pooled funds with BlackRock), and as such the investment managers of these funds vote on behalf of the Trustee.

The table below provides a summary of the voting activity undertaken by RLAM, as the overarching asset manager, and BlackRock, as the manager with whom the majority of assets are invested, during the year. Both managers provided voting data at a firm-wide level from their annual stewardship and governance reports. The available reports are based on information over the period of 1 July 2019 to 30 June 2020 for BlackRock and 1 January 2019 to 31 December 2019 for Royal London.

Manager	BlackRock	Royal London Asset Management
Fund name	BlackRock ACS Global Blend	All DC funds

Manager	BlackRock	Royal London Asset Management
Structure	Pooled	Pooled
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour.	
Does the manager use proxy voting services?	BlackRock take the advice of proxy voting services ISS and Glass Lewis but do not rely solely on their recommendations when voting.	RLAM take the advice of proxy voting service Glass Lewis but do not rely solely on their recommendations when voting.
Number of company meetings the manager was eligible to vote at over the year	16,200	n/a
Number of resolutions the manager was eligible to vote on over the year	n/a	15,665
Number of resolutions the manager voted on over the year	153,001	15,618
Percentage of resolutions voted <i>with</i> management or abstained, as a percentage of the total number of resolutions voted on	91%	91%
Percentage of resolutions voted <i>against</i> management, as a percentage of the total number of resolutions voted on	9%	9%

Significant votes

Royal London Asset Management

Royal London have not explicitly provided a summary of votes they considered to have been significant over the year. The votes set out in the following table are from case studies in their stewardship and responsible investment report for 2020.

	Vote 1	Vote 2	Vote 3
Company name	Stobart Group	Amazon	Gleeson
Summary of the resolution	Remuneration & Board Composition	Chairman independence	Remuneration

	Vote 1	Vote 2	Vote 3
How the manager voted	For	Against	For
Rationale for the voting decision	Royal London's policy suggested voting against the chairman due to there being no industry experience on the board and the pay resolution, as the CEO was granted awards prior to his promotion to the board. However, they noted that Stobart was active in communicating this to shareholders, and they had made a number of changes to bring awards closer in line with best practices. Ultimately, they voted with the chairman and for the resolution given the significant amount of change at the company recently. However, the manager noted that they expect their concerns to be addressed in the future.	Royal London voted against Jeff Bezos because he serves as both CEO and chairman. They feel strongly that the company would benefit from having a fully independent chairman to oversee the board.	Royal London had concerns regarding the company's remuneration structure, however they feel that the company did address this issue when they engaged with them during a remuneration consultation, and their policy was brought closer in line with best practice. As a result, the manager supported the resolution on the new remuneration structure.

BlackRock, Passive Equities

BlackRock list five primary stewardship priorities in their annual stewardship report, which they use to inform their voting decisions - these are listed below. For each priority, BlackRock have provided an example of how they have used voting and engagement to promote their principles.

- **Board quality:** BlackRock believe that high-quality leadership and business management is essential to delivering sustainable financial performance. They voted against management at a UK hotel and pub company as the continued presence of non-executive directors was impairing board independence.
- **Environmental risks & opportunities:** BlackRock believe that sound practices in relation to material environmental factors can be a signal of operational excellence and management quality. Based on their analysis and engagement with the company, they voted against two sustainability-related shareholder proposals at Sanderson Farms (the third largest poultry producer in the US) given the company's current level of sustainability disclosures and its willingness to improve its reporting.
- **Corporate strategy & capital allocation:** BlackRock believes that aligning purpose, strategy, and culture is key to a company's ability to create value for all its stakeholders. They engaged with the CEO of one of Italy's largest banks to understand his views on the culture and purpose of the bank, and how such vision filters through to strategy and cascades throughout the organisation.
- **Human capital management:** BlackRock view a company's approach to human capital management as a potential competitive advantage. They supported a shareholder proposal at CorVel that requested information regarding the risks associated with omitting sexual orientation and gender identity from its written equal employment opportunity policy.
- **Compensation that promotes long-termism:** BlackRock expect executive pay policies to use performance measures that are closely-linked to the company's long-term strategy and goals. They supported a shareholder proposal at Swedish retailer H&M seeking sustainability targets in pay, because the company's

own compensation guidelines indicated that it uses sustainability targets in setting executive pay, yet little was disclosed.

Fund level engagement

Manager	Manager 1	Manager 2
Fund name	Royal London Asset Management – all DC funds	BlackRock equity
Does the manager perform engagement on behalf of the holdings of the fund(s)	Yes	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes
Number of engagements undertaken on behalf of the holdings in this fund(s) in the year	not applicable	not available
Number of engagements undertaken at a firm level in the year	Engaged with 175 companies on 260 occasions addressing 440 ESG topics	1,230 environmental, 870 social and 2,835 governance engagements
Examples of engagements undertaken	<p>Cladding risks – engaged with 19 companies to determine whether they still had buildings vulnerable to cladding-related fire risks.</p> <p>Carnival Corporations – engaged directly on key concerns including levels of emissions and whether the company was underestimating its environmental risks in the medium term.</p>	<p>ExxonMobil – voted against directors due to significant concerns about climate risk management.</p> <p>Korea Electric Power Corporation – initiated direct dialogue after concerns raised over planned investments in coal-fired power plants.</p>

How the SIP has been followed over the year

In the Trustee’s opinion, the SIP has been followed over the year in the following ways:

- The Scheme offers a suitable default strategy for members. This was last reviewed in 2017 and appropriate changes made based on the membership profile of the Scheme.
- The Scheme offers a range of self-select fund options, which give members a reasonable choice from which to select their own strategy. The self-select fund range was reviewed in 2017 and changes made accordingly.

- In 2020, initial work began on a DC review, which is currently ongoing.
- The Trustee monitors the investment strategy and fund performance through six-monthly investment monitoring reports received from their investment consultants to ensure that that the strategy remains appropriate.
- The Trustee, via its Investment Subcommittee (“ISC”), initially considered its views on the financial materiality of ESG (including climate change) factors, as well as the way in which ESG is taken into account by each of the Scheme’s managers and at a strategy level at their meeting on 5 June 2019. They considered that the managers’ policies are reasonable and in broad alignment with the Trustee’s own policies. Following this, an ESG policy was developed and draft wording for an updated SIP was produced. This draft wording was considered at the Trustee meeting in September 2019 and again at an ISC meeting in late September 2019. A final version was then signed and uploaded to the company website ahead of the 1 October deadline. No actions were taken at a manager level as a result of this.
- In addition to the information required for the drafting of this Statement, the ISC also received available voting and engagement information from the Scheme’s managers ahead of a meeting in February 2020, collated by its investment consultants. The Trustee is due to more formally monitor the investment managers’ approach to ESG and climate related risks over the next Scheme year via a report from its investment consultants.
- The Scheme’s SIP is reviewed as part of any changes to underlying funds or strategy. The SIP was last updated in September 2020 to reflect new regulation in relation to documenting manager arrangements and providing an extended stewardship policy. The SIP was previously reviewed in September 2019 to reflect new regulatory requirements around documenting policies around financially material factors including ESG and climate risk.
- The Trustee has a policy of meeting its investment managers to monitor performance and mitigate manager risk. No meetings happened over the year under review in relation to the DC Section – there are plans to meet managers over the next year.
- The Trustee has made no new manager appointments over the year.

**Prepared by the Trustee of the Linton Park Pension Scheme (2011)
January 2021**