

AIRSPRUNG RETIREMENT AND DEATH BENEFITS PLAN

IMPLEMENTATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

IMPLEMENTATION STATEMENT

Introduction

This statement has been prepared by the Trustees of the Airsprung Retirement & Death Benefits Plan (the 'Trustees' and the 'Plan' respectively), with input from their Investment Consultants, to demonstrate how the Trustees have acted on certain policies within their Statement of Investment Principles ('SIP').

Each year, the Trustees must produce an Implementation Statement that demonstrates how they have followed certain policies within their SIP over the Plan year. This Implementation Statement covers the Plan year from 1 April 2019 to 31 March 2020.

This Implementation Statement has been prepared in accordance with the Occupational Pension Schemes (Investment and Disclosure) Regulations 2005 Amendments and is in respect of the Defined Benefit ('DB') investments held by the Plan. Note that this excludes any Additional Voluntary Contribution investments held by the Plan.

Trustees of DB pension schemes are required to provide details of how, and the extent to which, their SIP policies on engagement with investee companies have been followed over the year, including a description of their voting behaviour, the most significant votes cast and any use of a proxy voter on their behalf over the year.

SIP policies

This implementation statement should be read in conjunction with the Plan's SIP, covering the year under review, which gives details of the Plan's investment policies along with details of the Plan's governance structure and objectives. The Plan's SIP was updated during the Plan year to include policies on:

- How 'financially material considerations' including Environmental, Social and Governance ('ESG') factors are taken into account when making investment decisions for the Plan.
- The extent to which non-financial matters are taken into account in the investment decision making process.
- Stewardship and voting – including details on monitoring and engaging with the companies in which they invest (and other relevant stakeholders) on relevant matters (including performance, strategy, risks, corporate governance and ESG).

While the policies were not in place for the full Plan year, this Implementation Statement reviews the voting and engagement activities covering the 12 month period to the Plan year end and the extent to which the Trustees believe the new policies have been followed.

The SIP was further revised in September 2020 to comply with revised regulations.

The Plan invests in pooled funds managed by Aberdeen Standard Investments ('ASI'), BlackRock, Fidelity, Aviva Investors and Legal & General Investment Management ('LGIM') (together, the 'Investment Managers').

In the SIP revised during the Plan year, the Trustees stated the following policies on the exercise of voting rights and engagement activities related to their investments:

- The Trustees' policy is to invest in pooled investment vehicles. It is the Investment Managers that are responsible for the policy on taking ESG considerations into account in the selection, retention and realisation of investments within the pooled investment vehicles and for the exercise of rights (including voting rights) attaching to these investments.
- In relation to those investment vehicles which are index tracking, the Trustees recognise that the investment objective for the manager is to track the specified index and that the extent to which ESG factors are considered by the manager when selecting, retaining and realising investments will depend on the specified index. However, the Trustees expect the Investment Managers to use the voting rights and to actively engage with the senior management of the companies in which it invests in order to encourage positive ESG change.

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SIP policies - continued

- The Trustees' policy in relation to any rights (including voting rights) attaching to its investments is to exercise those rights to protect the value of the Plan's interests in the investments, having regard to appropriate advice
- The Trustees expect the Plan's Investment Managers to integrate ESG factors into the decision making process when selecting, retaining and realising investments and for this to be reported to the Trustees. The Trustees also expect the Plan's Investment Managers to provide regular updates on how it exercises voting rights and actively engages with the companies in which it invests, including how often it votes against company proposals.

Description of voting behaviour

The Plan is invested in pooled funds, which means that the responsibility for exercising the voting rights on the shares held by the Plan sits with the Investment Managers. The Trustees' voting behaviour over the Plan year is summarised below.

Over the year to 31 March 2020 the Plan held the following pooled fund investments:

- an absolute return fund managed by ASI;
- three property funds managed by BlackRock, Fidelity and Aviva Investors respectively;
- a passive equity fund, a cash fund and leveraged liability driven investment funds managed by LGIM.

The Plan therefore had company investments which carried voting rights within the absolute return fund managed by ASI and the passive equity fund managed by LGIM.

The following table shows LGIM's voting summary covering the Plan's investment in the LGIM All World Equity Index Fund, which the Plan was invested in throughout the Plan year.

| LGIM All World Equity Index Fund (£5.3m or 25% of Plan assets as at 31 March 2020) | 1 April 2019 – 31 March 2020 |
|---|-------------------------------------|
| Number of meetings LGIM was eligible to vote at over the year to 31/3/2020 | 3,712 |
| Number of resolutions LGIM was eligible to vote on over the year to 31/3/2020 | 41,452 |
| Of the eligible resolutions, percentage that LGIM voted on. | 97.4% |
| Of the resolutions voted, percentage that LGIM voted with management. | 82.8% |
| Of the resolutions voted, percentage that LGIM voted against management. | 16.7% |
| Of the resolutions voted, percentage where LGIM abstained . | 0.5% |
| Percentage of eligible meetings where LGIM voted at least once against management. | 59.6% |
| Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy adviser. | 9.4% |

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Description of voting behaviour - continued

The table shows a summary of the voting activity carried out on behalf of the Trustees in respect of the Plan's investment in the ASI Global Absolute Return Strategies Fund, in which the Plan was also invested throughout the Plan year.

| ASI Global Absolute Return Strategies Fund (£5.6m or 27% of Plan assets as at 31 March 2020) | 1 April 2019 – 31 March 2020 |
|---|-------------------------------------|
| Number of companies whose meetings ASI was eligible to vote at over the year to 31/3/2020. | 153 |
| Number of resolutions ASI was eligible to vote on over the year to 31/3/2020 | 2,522 |
| Of the eligible resolutions, percentage that ASI voted on. | 97.9% |
| Of the resolutions voted, percentage that ASI voted with management. | 86.6% |
| Of the resolutions voted, percentage that ASI voted against management. | 13.0% |
| Of the resolutions voted, percentage where ASI abstained . | 0.4% |

Regarding the Plan's property investments managed by Fidelity, Aviva and BlackRock, these funds did not invest in any Real Estate Investment Trusts (REITs) and therefore held no investments that carried voting rights.

Proxy voting

The Trustees did not employ a proxy-voting service during the year to 31 March 2020.

LGIM votes by proxy through the Institutional Shareholder Service's ('ISS') electronic voting platform as given the scale of its holdings, the manager cannot be present at shareholder meetings to cast votes. It should be noted that all voting decisions are made by LGIM using its individual market specific voting policies, with LGIM's own research only supplemented by ISS recommendations and research reports produced by the Institutional Voting Information Service ('IVIS').

ASI also uses ISS to process voting execution. ASI receives recommendations on how to vote but has a customised voting policy that ISS apply and where that is not relevant, ASI reviews and decides on all votes.

How engagement policies have been followed

The Trustees intend to review a summary of the voting and engagement activity taken on their behalf on an annual basis going forwards. The information published by the Investment Managers on their voting policies has provided the Trustees with comfort that their voting and engagement policies have been followed during the Plan year. A summary of the voting and engagement topics that the Trustees expect the Investment Managers to engage on are shown in the following table.

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How engagement policies have been followed - continued

| Voting and Engagement topic | Policy followed in the opinion of Trustees? | Comments |
|--------------------------------------|---|---|
| Performance of debt or equity issuer | ✓ | ASI and LGIM's voting and engagement policies do not cover the past financial performance of investee companies. However, the voting and engagement which has been undertaken aims to improve the long term future performance of the investee companies. |
| Strategy | ✓ | The Trustees believe that the board's duty is to decide the appropriate company strategy, with the CEO in turn responsible for executing the strategy. For this structure to work effectively, the Trustees also believe that the appropriate governance structures need to be in place. These include the separation of duties between the board and the CEO, as well as policies covering independence, diversity and remuneration. ASI and LGIM have clear voting policies covering each of these topics and have acted on them throughout the Plan year on behalf of the Trustees. |
| Risks | ✓ | As an example of reducing risk, LGIM encourages all audit committee chairs globally to have a financial background and in the UK, votes against the audit committee chair's appointment if this is not the case. In order to mitigate risks, ASI uses the UN Global Compact's four areas of focus to assess companies. It expects companies it invests in to be able to demonstrate how they manage the following four exposures: Environmental Responsibility; Employee Relations; Human Rights and International Operations; and Business Ethics. ASI also has policies on monitoring investee companies and on escalating engagement to the board and to the companies' regulators if necessary. |
| Social and Environmental impact | ✓ | <p>LGIM has stated that it will vote against the chair of the board if it believes insufficient action is being taken on the issue of climate change.</p> <p>Also, if there are no women on the board, LGIM will vote against the chair and/or the chair of the nomination committee.</p> <p>In relation to environmental impact, ASI expects companies to:</p> <ul style="list-style-type: none"> • Comply with all environmental laws and regulations, or recognised international best practice as a minimum. • Identify, manage and reduce their environmental impact. • Understand the impact of climate change throughout the company value chain. • Develop group-level climate policies and, where relevant, set targets to manage the impact of reducing carbon and other environmental risks within their operations. |
| Corporate Governance | ✓ | <p>LGIM's policy from 2020 is to vote against all elections which combine the roles of CEO and Chair.</p> <p>ASI expects board directors to stand for election every three years so that they are accountable to investors. ASI also believes that investors should have the right to propose directors to be elected to the board by all shareholders. ASI will also vote against companies which do not demonstrate adequate gender diversity.</p> |

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How engagement policies have been followed - continued

LGIM has provided examples of what it believes to be the most significant votes cast on the Trustees' behalf over the Plan year. One example in May 2019 was that LGIM and other major shareholders put forward a proposal calling on the energy firm BP to explain how its strategy was consistent with the Paris Agreement on climate change. LGIM worked with the board of BP to secure its support for the motion. This was the first shareholder resolution put forward by LGIM and it received 99.1% support at the Annual General Meeting.

While ASI provided detailed information on its voting behaviour, it did not provide examples of what it believes to be the most significant votes cast over the Plan year. However, looking at its voting summaries, ASI introduced a policy of including minimum proportion of female directors on company boards, and voted against the chair of an investee company's nomination committee where this was not achieved. ASI also voted against the reappointment of company auditors with a tenure of more than 20 years.

Engagement with investee companies

Exercising voting rights is not the only method of influencing behaviours of investee companies and is not directly applicable for the Plan's fixed income investments within the ASI Global Absolute Return Strategies Fund as these investments do not carry voting rights.

The Trustees have requested information on engagement activities on behalf of the Plan's investment in the ASI Global Absolute Return Strategies Fund but this information is only available at the company level, rather than the fund level. The Trustees have therefore asked ASI to provide this at the fund level in future when possible.

Extent to which Trustees' policies have been followed during the year

Having reviewed the actions taken by LGIM and ASI on behalf of the Trustees, the Trustees believe that their policies on voting rights and engagement have been implemented appropriately over the year and in line with their views. The Trustees will continue to monitor the actions taken on their behalf each year, and press for improved information from the Investment Managers, especially in relation to engagement activities relating to the Plan's Absolute Return investment managed by ASI.

If the Investment Managers deviate substantially from the Trustees' stated policies, the Trustees will initially discuss this with the relevant manager. If in the opinion of the Trustees the difference between the policies and the investment manager's actions is material, the Trustees will consider terminating the mandate.

Signed: *Bob Hymas*

Name: Bob Hymas for BESTrustees

Date: 29 October 2020

Signed on behalf of the Trustees of the Airsprung Retirement and Death Benefits Plan

October 2020