

# AIRSPRUNG RETIREMENT AND DEATH BENEFITS PLAN

## IMPLEMENTATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

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### 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 2020 to 31 March 2021.

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 SIPs 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 SIP was formally reviewed in 2020 and again in March 2021. In September 2020 the following policies were added:

- An update to the Plan's stewardship and voting policy to include further relevant matters that the investment managers are expected to vote and engage on including capital structure and the management of actual or potential conflicts of interest.
- Enhanced policies on monitoring the Scheme's investment managers, particularly concerning financial arrangements, performance, ESG factors and engagement were added.
- A policy on the duration of the Scheme's arrangement with the investment managers was added.

These changes were made to reflect new legislative requirements.

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 Trustee believes the policies within the SIP have been followed.

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 in place at the start of 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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#### IMPLEMENTATION STATEMENT - CONTINUED

##### 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.

During the Plan year to 31 March 2021, the Trustees extended their policies to define different aspects and who they expect investment managers to be engaging with, as shown in the following paragraph.

The Trustees expect the investment manager to use its voting rights and to actively engage with the senior management of the companies in which it invests on aspects including firm performance, strategy, capital structure, management of actual and potential conflicts of interest, risks and ESG issues. The Trustees also expect the investment manager to engage with other relevant persons including issuers and holders of debt and equity and other stakeholders. The Trustees believe that such engagement will protect and enhance the long-term value of its investments.

##### 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 votes made on behalf of the Trustees over the Plan year are summarised below.

Over the year to 31 March 2021 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.

LGIM manage over £1.3 trillion in assets, and use their resulting influence, focussing their votes on climate change, income equality, diversity, and ESG integration.

The table on the following page 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.

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#### IMPLEMENTATION STATEMENT - CONTINUED

##### Description of voting behaviour - continued

<b>LGIM All World Equity Index Fund (£6.3m or 29% of Plan assets as at 31 March 2021)</b>	<b>1 April 2020 – 31 March 2021</b>
Number of meetings LGIM was eligible to vote at over the year to 31/3/2021	6,779
Number of resolutions LGIM was eligible to vote on over the year to 31/3/2021	70,672
Of the eligible resolutions, percentage that LGIM voted on.	99.9%
Of the resolutions voted, percentage that LGIM voted <b>with</b> management.	83.3%
Of the resolutions voted, percentage that LGIM voted <b>against</b> management.	16.0%
Of the resolutions voted, percentage where LGIM <b>abstained</b> .	0.8%
Percentage of eligible meetings where LGIM voted at least once against management.	5.6%
Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy adviser.	0.2%

The second 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.

<b>ASI Global Absolute Return Strategies Fund (£5.8m or 27% of Plan assets as at 31 March 2021)</b>	<b>1 April 2020 – 31 March 2021</b>
Number of companies whose meetings ASI was eligible to vote at over the year to 31/3/2021.	245
Number of resolutions ASI was eligible to vote on over the year to 31/3/2021	3,365
Of the eligible resolutions, percentage that ASI voted on.	98.2%
Of the resolutions voted, percentage that ASI voted <b>with</b> management.	87.5%
Of the resolutions voted, percentage that ASI voted <b>against</b> management.	12.5%
Of the resolutions voted, percentage where ASI <b>abstained</b> .	0.1%
Percentage of eligible meetings where ASI voted at least once against management	57.6% <sup>1</sup>

<sup>1</sup>Includes at least 1 vote against, withheld or abstained at meeting

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.

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#### **IMPLEMENTATION STATEMENT - CONTINUED**

##### **Proxy voting**

The Trustees did not employ a proxy-voting service during the year to 31 March 2021.

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.

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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### IMPLEMENTATION STATEMENT - CONTINUED

#### 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	✓	<p>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.</p> <p>Both LGIM and ASI provided several instances of votes where each voted against the boards proposed remuneration plan citing issues included lack of transparency of proposed reward (for example ASI voted against a Wolters Kluwer NV remuneration resolution), the term of the reward not aligning with the expected term of the board (for example ASI voted against Sanofi) and the board not meeting targets (for example, LGIM Voted against Medtronic plc).</p>
Risks	✓	<p>LGIM has clear voting policies on ensuring that companies manage risk effectively and have robust internal controls.</p> <p>As an example of reducing risk, LGIM encourages succession planning at the board level to ensure that a range of skills and ideologies are present, and that the continuity of the board is maintained. LGIM also expects that these plans are formal, transparent and disclosed and linked to the overall strategy of the company through methods such as a skills matrix.</p> <p>In order to mitigate risks, ASI reviews the tenure of company auditors for investee companies to ensure independence is not impeded. Examples of this over the Plan year for the ASI Global Absolute Real Strategies Fund include adidas AG, Microsoft Corporation and Amazon.com Inc.</p>
Social and Environmental impact	✓	<p>LGIM has written to over 500 companies with poor climate scores relative to their size and for those that don't meet minimum standards during the 2021 AGM season, LGIM stated it would look to sanction through voting. If these minimum standards are not met over time, LGIM may look to divest until progress is shown. Over 2020, LGIM announced that it had reinstated investments in Subaru following evidence of progress against emission targets and climate exposure. During the Plan year, to promote ethnic diversity at the board level, LGIM sent letters to engage with 35 of the largest UK companies and 44 of the largest in the US on why they have no ethnic diversity. LGIM stated it would expect at least one member at the board level to be from a minority background by 2021 and from 2022 would start to vote against the chair of the board or of the nomination committee if this is not the case.</p> <p>In relation to environmental impact, ASI expects companies to:</p> <ul style="list-style-type: none"> <li>• Comply with all environmental laws and regulations or recognised international best practice as a minimum.</li> <li>• Identify, manage and reduce their environmental impact.</li> <li>• Understand the impact of climate change throughout the company value chain.</li> <li>• Develop group-level climate policies and, where relevant, set targets to manage the impact of reducing carbon and other environmental risks within their operations.</li> </ul>

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Conflict of Interest	✓	<p>Remuneration of personnel can lead to conflicts of interest between the principal (shareholder) and agent (management). Over the period under review, LGIM voted against incentive awards which did not have performance conditions, as these awards would not align remuneration with company performance.</p> <p>Over the period under review, ASI voted against management remuneration resolutions on a number of occasions including for the insurer AXA and the luxury brand group LVMH due to concerns regarding the link between pay and performance.</p>
Corporate Governance	✓	<p>LGIM's policy from 2020 has been to vote against all elections which combine the roles of CEO and Chair. Over 2020 LGIM voted against 411 companies that combined the roles.</p> <p>ASI has policies on business ethics and governance, detailing areas it expects underlying investment companies to have their own policies on. These include prevention of bribery &amp; corruption, respect for human rights and treatment of employees, with the aim of reducing unethical behaviour and legal and regulatory action that may be used if these areas are broken or breached. ASI will vote in line to improve business ethics and governance standards where appropriate and engage to understand a company's current and future position.</p>
Capital Structure	✓	<p>LGIM and ASI has policies on voting in respect of resolutions regarding changes to company capital structure such as share repurchase proposals and new share issuance.</p> <p>For example, LGIM has a policy that newly issued shares should not expose minority shareholders to excessive dilution.</p> <p>For example, ASI voted against a proposal by Iberdrola SA and Total SA for the issuance of additional equity.</p>

LGIM has provided examples of what it believes to be the most significant votes cast on the Trustee's behalf during the period.

Two of the most significant votes related to the remuneration of executives at two airline related companies. LGIM voted in favour of the proposed remuneration package presented to shareholders by Qantas Airways Limited, with LGIM stating that the decision to cut executive salaries, cancel short term incentive plans and defer vesting of the long-term incentive plan an appropriate measure given the financial impact on dividends, termination of employees and accepted government assistance that occurred over 2020. Conversely, LGIM voted against the remuneration package of International Consolidated Airlines Group, who had similarly accepted government support and made staff reductions but had retained a higher level of bonus payments to the current executives. 28.4% of the shareholder base also voted against this measure.

LGIM also voted in favour of a report on the wind-down of coal operations at Whitehaven Coal, given the uncertain role of the energy source as countries move to carbon neutrality by 2050. LGIM advocates a managed decline of fossil fuel companies with capital returned to investors, rather than being invested in other projects which may risk becoming stranded assets.

ASI also provided information on what they considered the most significant votes. They voted against a shareholder proposal for Fortum Oyj to include a 1.5 degrees Celsius target in the Articles of Association. ASI continues to actively engage with the company through Climate Action 100+ and submitted an AGM statement where they asked the company to commit to net zero by 2035 on all emissions for Finnish assets and 2050 globally. This is reflected in the AGM minutes. ASI's view was that while the engagement with the company is ongoing, it would not be appropriate to push for a prescriptive change to the Articles of Association.

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#### **IMPLEMENTATION STATEMENT - CONTINUED**

##### **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.

LGIM also actively engages with the investee companies via direct messages and meetings with management and engagements via email to influence positive ESG practice. LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for clients. LGIM's voting policies are reviewed annually and take into account client feedback. While engagements are not yet available at a fund level, they are published at a firm level each quarter. LGIM is working to be able to provide engagement information at a fund specific level.

Over the 12 months to 31 March 2021, LGIM undertook 974 engagements with 874 companies. Some engagements cover multiple topics and LGIM has provided the following summary:

- 427 on environmental topics;
- 241 on social topics;
- 470 on governance issues; and
- 279 on other topics including finance and strategy.

The Trustees will monitor LGIM's reporting to see if more detail at a fund level can be provided in the future for monitoring purposes.

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 as stated in the Plan's SIP. 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: 20 October 2021

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

**October 2021**