

Implementation Statement

Scott Bader Retirement Benefits Scheme

Purpose of this statement

This implementation statement has been produced by the Trustee of the Scott Bader Retirement Benefits Scheme ("the Scheme") to set out the following information over the year to 31 December 2021:

- the voting activity undertaken by the Scheme's investment managers on behalf of the Trustee over the year, including information regarding the most significant votes; and
- how the Trustee's policies on exercising rights (including voting rights) and engagement activities have been followed over the year.

Trustee's policies on voting and engagement

The Trustee's Statement of Investment Principles (SIP) in force at 31 December 2021 describes the Trustee's policy on the exercise of rights (including voting rights) and engagement activities as follows:

"The Trustee believes that good stewardship and positive engagement are likely to lead to improved governance and better risk-adjusted returns. The Trustee delegates the exercise of rights (including voting rights) attached to the Scheme's investments to the investment managers, who are all signatories to the UK Stewardship Code. The Trustee will periodically review the investment managers' stewardship and voting policy and practice and whether this has been in line with their stated policy on engagement."

The Trustee's SIP was last reviewed in June 2020 to comply with regulations that came into force on 1 October 2020. The SIP has been made available online here:

[Scott Bader Retirement Benefits Scheme - Statement of Investment Principles](#)

How voting and engagement policies have been followed

The Scheme invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the Scheme's fund managers.

Investment rights (including voting rights) have been exercised by the investment managers in line with the investment managers' general policies on corporate governance. The Trustee also expects the investment managers to have engaged with companies in relation to ESG matters, and to take these into account in the selection, retention and realisation of investments where appropriate.

The Trustee is comfortable with the investment managers' strategies and processes for exercising rights and conducting engagement activities, and specifically that they attempt to maximise returns for a given level of risk.

The Trustee undertook an initial review of the stewardship and engagement activities of the current managers at their 2 July 2019 meeting, and were satisfied that their policies were reasonable and no remedial action was required at that time.

All investment managers have attended a Trustee's meeting over the year and they have included a discussion on stewardship and voting as part of their presentations. The Trustee also reviewed and discussed an ESG monitoring report from their investment advisors. No further actions were taken following these discussions.

**Prepared by the Trustee of the Scott Bader Retirement Benefits Scheme
March 2022**

Voting Data

Voting only applies to funds that hold equities in their portfolio. The Scheme's equity investments are all held through pooled funds with Legal & General Investment Management (LGIM), who vote on behalf of the Trustee. The M&G credit fund and BMO Global Asset Management's Liability Driven Investment Funds do not participate in voting activities on behalf of the holdings in the funds.

The table below provides a summary of the voting activity undertaken by LGIM over the year to 31 December 2021, together with information on any key voting priorities and information on the use of proxy voting advisors by the managers.

Manager	Legal & General Investment Management
Fund type	Global equity fund
Structure	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.
Number of company meetings the manager was eligible to vote at over the year	5,699
Number of resolutions the manager was eligible to vote on over the year	57,452
Percentage of resolutions the manager voted on	99.85%
Percentage of resolutions the manager abstained from, as a percentage of the total number of resolutions voted on	1.10%
Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on	81.05%
Percentage of resolutions voted <i>against</i> management, as a percentage of the total number of resolutions voted on	17.84%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	9.51%

Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustee over the year to be set out. The guidance does not currently define what constitutes a "significant" vote, so for this Implementation Statement the Trustee has asked the investment managers to determine what they believe to be a "significant vote". LGIM have provided a selection of 510 votes which they believe to be significant, and in the interest of concise reporting the tables below show 5 of these votes for the global equity fund.

LGIM global equity fund (currency unhedged and hedged)

	Vote 1	Vote 2	Vote 3
Company name	Facebook, Inc	NVIDIA Corporation	Intel Corporation
Date of vote	26 May 2021	3 June 2021	13 May 2021
Summary of the resolution	Elect Director Mark Zuckerberg	Elect Director Harvey C. Jones	Report on Global Median Gender/Racial Pay Gap
How the manager voted	Withhold	Against	For
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is LGIM's policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.		
Rationale for the voting decision	<p>LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 LGIM have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 they are voting against all combined board chair/CEO roles. Furthermore, they have published a guide for boards on the separation of the roles of chair and CEO and have reinforced their position on leadership structures across stewardship activities – e.g. via individual corporate engagements and director conferences.</p>	<p>LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf. As part of their efforts to influence their investee companies on having greater gender balance, in 2020, LGIM increased its expectations on gender diversity on the board by placing a vote against the largest 100 companies in the S&P500 and the S&P/TSX where there is less than 25% women on the board. In 2021, they expanded the scope of their vote policy to include all companies in the S&P 500 and the S&P/TSX. LGIM's expectation is for all companies in this market to reach a minimum of 30% women on the board and at senior management level by 2023</p>	<p>Transparency: A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf. As part of their efforts to influence their investee companies on having greater gender balance, LGIM expect all companies in which they invest globally to have at least one female on their board. They also have stronger requirements in the UK, North American, European and Japanese markets, in line with their engagement in these markets.</p>
Outcome of the vote	97.2% of shareholders supported the resolution	94.2% of shareholders supported the resolution.	14.3% of shareholders supported the resolution.
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.		
Criteria on which the vote is considered "significant"	<p>LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO.</p>	<p>LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.</p>	<p>LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.</p>

	Vote 4	Vote 5
Company name	Wells Fargo & Company	McDonald's Corporation
Date of vote	27 April 2021	20 May 2021
Summary of the resolution	Report on Racial Equity Audit	Report on Antibiotics and Public Health Costs
How the manager voted	For	For
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is LGIM's policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.	Given LGIM's recent engagement with the company on the topic of antibiotic use in their supply chain and their decision to publicly pre-declare their support to the shareholder resolution on the topic, LGIM exceptionally decided to communicate their vote intentions to the company as part of their continuous engagement with them.
Rationale for the voting decision	Diversity: A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as they consider these issues to be a material risk to companies.	LGIM voted in favour as they believe the proposed study will contribute to informing shareholders and other stakeholders of the negative externalities created by the sustained use of antibiotics in the company's supply chain and its impact on global health, with a particular focus on the systemic implications. Antimicrobial resistance (AMR) is a key focus of the engagement strategy of LGIM's Investment Stewardship team. They believe that, without coordinated action today, AMR could prompt the next global health crisis, with a potentially dramatic impact on the planet, its people, and global GDP. Whilst LGIM applauds the company's efforts over the past few years on reducing the use of antibiotics in its supply chain for chicken and beef as well as pork, they believe AMR is a financially material issue for the company and other stakeholders, and want to signal the importance of this topic to the company's board of directors.
Outcome of the vote	12.9% of shareholders supported the resolution	11.3% of shareholders supported the resolution.
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	LGIM will continue to engage with the company and monitor progress.
Criteria on which the vote is considered "significant"	LGIM views diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.	LGIM consider this vote to be significant as they took the rare step of publicly pre-declaring it before the shareholder meeting. Publicly pre-declaring their vote intention is an important tool for their engagement activities. LGIM decide to pre-declare their vote intention for a number of reasons, including as part of their escalation strategy, where they consider the vote to be contentious, or as part of a specific engagement programme.

Fund level engagement

Data Limitations

Information relating to fund level engagement policies was requested from the Scheme's investment managers.

Manager	Legal & General Investment Management	M&G Investments
Fund type	LGIM global equity fund	M&G credit fund
Does the manager perform engagement on behalf of the holdings of the fund	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 in the year	601	35
Number of engagements undertaken at a firm level in the year	772	183

Examples of engagement activity undertaken over the year to 31 December 2021

LGIM: Amazon - Unionisation

What was the issue?

Amazon had been accused of interfering with efforts by its workers to unionise, ahead of a vote by workers in an Alabama facility on unionisation.

What did LGIM do?

LGIM signed a letter to Amazon along with more than 70 other investors with collective assets under management (AUM) of \$6.4 trillion, to emphasise the role that worker representation plays in supporting companies in identifying and managing operating risks. They highlighted that Amazon should meet the expectations set out in the UN Guiding Principles on Business and Human Rights, and that as an internationally recognised human right, workers should be free to exercise their freedom of association and right to collective bargaining.

Outcome

As a result of this, Amazon launched its Global Human Rights Principles. Through this policy, LGIM have taken note of the company's commitment to The UN Guiding Principles on Business and Human Rights, which in turn recognise the fundamental right of workers to exercise their right to organise, should they choose to do so. LGIM were also encouraged by the announcement that Amazon has commissioned a human rights impact assessment by an external consultant.

However, in spite of these initiatives that have been announced and following discussions with Amazon's Head of ESG Engagement, LGIM remain concerned that the company has yet to demonstrate how it meets the

commitments that it has set, not only with respect to human rights but also to transparency and stakeholder engagement.

M&G: Volkswagen – Net Zero

Engagement objective

To encourage motor vehicle manufacturer Volkswagen (VW) to improve on the weakest areas highlighted by the Climate Action 100+ benchmarking exercise, including capital expenditure alignment with decarbonisation, and to get the company's perspective on the process and results.

Action taken

M&G supported the Climate Action 100+ leads on their engagement with VW, following publication of the Benchmark results.

Engagement result

Overall, VW was pleased with its Benchmark position in comparison to those of its peers. The company highlighted that, at present, there was no scientifically accepted 1.5°C pathway for the auto sector, although it is working on this with the Science Based Target initiative. M&G asked the company for more clarity on short and medium-term greenhouse gas reduction targets, and pushed for greater disclosure on the proportion of revenues coming from electric vehicles, and any commitments to targets around this. In addition, M&G made clear that increased disclosure from the company around the processes and commitments to align lobbying activities with the Paris Agreement would give investors more confidence in how the company acted with regard to emerging regulation. M&G suggested VW might consider a vote on its transition plan at its next AGM to highlight its leadership position and give shareholders a voice. M&G will continue to engage with the company over the coming year.