

Implementation Statement

Lil-lets UK Pension Fund (DB and DC Sections)

Scheme year ended 5 April 2021

This statement sets out the Trustee's approach and implementation of the Environmental, Social and Governance ("ESG") policies set out in the Statement of Investment Principles over the year.

How voting and engagement policies have been followed

The Trustee considers their voting and engagement policies to have been met in the following ways:

- At the fund year-end, the Fund's investment managers were Legal and General Investment Management (LGIM) and Aberdeen Standard Investments. The Trustee regularly considers the performance of the funds and any significant developments.
- The Fund invests entirely in pooled funds, and as such the Trustee delegates responsibility for carrying out voting and engagement activities to the Fund's asset managers.
- A formal review of LGIM's ESG and engagement policies was conducting at the Trustee's 15 May 2019 meeting. The Trustee were satisfied that LGIM's policies were in line with their own.
- Having reviewed the above in accordance with their policies, the Trustee is comfortable the actions of the fund investment managers are in alignment with the Fund's ESG and Stewardship policies.

Voting Data

The voting data collated for the Fund is given over the year to 31 March 2021.

Manager	Legal & General Investment Management**			Aberdeen Standard Investments (DC Section only)
Fund name <i>For funds marked with an asterisk (*), the Scheme invests in both GBP currency hedged and non-currency hedged share classes.</i>	UK Equity Index	World (ex UK) Equity Index	Global Real Estate Equity Index	Diversified Growth: Standard Life GARS
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	943	3,243	385	245
Number of resolutions the manager was eligible to vote on over the year	12,574	37,840	4,121	3,365
Percentage of resolutions the manager voted on	100.00%	99.83%	99.83%	98.19%
Percentage of resolutions the manager abstained from	0.01%	0.60%	0.36%	0.12%
Percentage of resolutions voted with management, as a percentage of the total number of resolutions voted on	92.94%	80.25%	82.84%	87.47%
Percentage of resolutions voted against management, as a percentage of the total number of resolutions voted on	7.05%	19.16%	16.80%	12.53%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	0.80%	0.27%	0.34%	n/a

Source: Legal and General Investment Management and Aberdeen Standard Investments

Some voting percentages quoted above may not sum to 100.00%. The managers have assured us that this is due to classifications of votes and abstentions both internally and across different jurisdictions.

There are no voting rights attached to the other assets held by the Scheme and therefore there is no voting information shown above for these assets.

Significant votes

For the first year of implementation statements we have delegated to the investment manager(s) to define what a “significant vote” is. A summary of the key voting action they have provided is set out below.

LGIM UK Equity Index

	Vote 1	Vote 2	Vote 3
Company name	International Consolidated Airlines Group	Rank Group	Barclays
Date of vote	7 September 2020	11 November 2020	7 May 2020
Summary of the resolution(s)	Approval of remuneration report	<ol style="list-style-type: none"> Approval of remuneration report Approval of remuneration policy 	<ol style="list-style-type: none"> Approval of Barclays' Commitment in Tackling Climate Change Approval of ShareAction's Requisitioned Resolution
How the manager voted	Against	<ol style="list-style-type: none"> For For 	<ol style="list-style-type: none"> For For
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Yes, LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management.		
Rationale for the voting decision	The remuneration paid to executives was considered excessive by the manager, especially because the COVID-19 crisis has negatively impacted the company and led the announcement of a 30% cut in its workforce.	The resolutions proposed new long-term incentives. The manager felt that the remuneration report appropriately reflected the impact of COVID-19, as no annual bonus was granted and there was a 20% deduction and cancelled increase to executive salaries and board fees.	The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers.
Outcome of the vote	28.4% voted against the resolution.	<ol style="list-style-type: none"> 90.8% supported the resolution 96.4% supported the resolution 	<ol style="list-style-type: none"> 99.9% supported the resolution 23.9% supported the resolution
Implications of the outcome	LGIM will continue to engage with the renewed board.	LGIM notes that their engagement with the company led to their informed vote decision.	LGIM will continue to work closely with the Barclays board and management team to develop their plans. LGIM will also continue to liaise with ShareAction, Investor Forum and others to ensure a consistency of messaging and to continue to drive positive change.
Criteria on which the vote is considered “significant”	The manager considers this vote significant as it highlights the importance of monitoring	The manager considers this vote significant because it illustrates the complexity of remuneration and importance of engagement.	The manager considers this vote significant because there was significant client interest in their voting and engagement activities

	Vote 1	Vote 2	Vote 3
	investee companies' responses to the COVID-19 crisis.	The media were also expecting a large number of votes against.	with regards to the Barclays 2020 AGM.

LGIM World (ex. UK) Equity Index

	Vote 1	Vote 2	Vote 3
Company name	Qantas Airways Limited	Whitehaven Coal	Lagardère
Date of vote	23 October 2020	22 November 2020	5 May 2020
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	n/a	n/a	n/a
Summary of the resolution	Resolution 3 Approve participation of Alan Joyce in the Long-Term Incentive Plan Resolution 4 Approve Remuneration Report.	Resolution 6 Approve capital protection. Shareholders are asking the company for a report on the potential wind-down of the company's coal operations, with the potential to return increasing amounts of capital to shareholders.	Shareholder resolutions A to P. Activist Amber Capital, which owned 16% of the share capital at the time of engagement, proposed 8 new directors to the Supervisory Board (SB) of Lagardère, as well as to remove all the incumbent directors (apart from two 2019 appointments).
How the manager voted	LGIM voted against resolution 3 and supported resolution 4.	LGIM voted for the resolution.	LGIM voted in favour of five of the Amber-proposed candidates (resolutions H,J,K,L,M) and voted off five of the incumbent Lagardère SB directors (resolutions B,C,E,F,G).
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 their 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	The COVID crisis has had an impact on the Australian airline company's financials. In light of this, the company raised significant capital to be able to execute its recovery plan. It also cancelled dividends, terminated employees and accepted government assistance. The circumstances triggered extra scrutiny from LGIM as they wanted to ensure the impact of the COVID crisis on the company's stakeholders was appropriately reflected in the executive pay package. In	The role of coal in the future energy mix is increasingly uncertain, due to the competitiveness of renewable energy, as well as increased regulation: in Q4 2020 alone three of Australia's main export markets for coal – Japan, South Korea and China – have announced targets for carbon neutrality around 2050. LGIM has publicly advocated for a 'managed decline' for fossil fuel companies, in line with global climate targets, with capital being returned to shareholders	Proposals by Amber were due to the opinion that the company strategy was not creating value for shareholders, that the board members were not sufficiently challenging management on strategic decisions, and for various governance failures. The company continues to have a commandite structure; a limited partnership, which means that the managing partner has a tight grip on the company, despite only having 7 % share capital and 11% voting rights.

	<p>collaboration with their Active Equities team, LGIM's Investment Stewardship team engaged with the Head of Investor Relations of the company to express their concerns and understand the company's views. The voting decision ultimately sat with the Investment Stewardship team. LGIM supported the remuneration report (resolution 4) given the executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the long-term incentive plan (LTIP), in light of the pandemic. However, their concerns as to the quantum of the 2021 LTIP grant remained, especially given the share price at the date of the grant and the remuneration committee not being able to exercise discretion on LTIPs, which is against best practice. LGIM voted against resolution 3 to signal their concerns.</p>	<p>instead of spent on diversification and growth projects that risk becoming stranded assets. As the most polluting fossil fuel, the phase-out of coal will be key to reaching these global targets.</p>	<p>LGIM engages with companies on their strategies, any lack of challenge to these, and with governance concerns. The company strategy had not been value-enhancing and the governance structure of the company was not allowing the SB to challenge management on this. Where there is a proxy contest, LGIM engages with both the activist and the company to understand both perspectives. LGIM engaged with both Amber Capital, where they were able to speak to the proposed new SB Chair, and also Lagardère, where they spoke to the incumbent SB Chair. This allowed us to gain direct perspectives from the individual charged with ensuring their board includes the right individuals to challenge management.</p>
Outcome of the vote	<p>About 90% of shareholders supported resolution 3 and 91% supported resolution 4. The meeting results highlight LGIM's stronger stance on the topic of executive remuneration, in their view.</p>	<p>The resolution did not pass, as a relatively small amount of shareholders (4%) voted in favour. However, the environmental profile of the company continues to remain in the spotlight: in late 2020 the company pleaded guilty to 19 charges for breaching mining laws that resulted in 'significant environmental harm'. As the company is on LGIM's Future World Protection List of exclusions, many of their ESG-focused funds – and select exchange-traded funds – were not invested in the company.</p>	<p>Even though shareholders did not give majority support to Amber's candidates, its proposed resolutions received approx. between 30-40% support, a clear indication that many shareholders have concerns with the board. (Source: ISS data)</p>
Implications of the outcome	<p>LGIM will continue their engagement with the company.</p>	<p>LGIM will continue to monitor this company.</p>	<p>LGIM will continue to engage with the company to understand its future strategy and how it will add value to shareholders over the long term, as well as to keep the structure of SB under review.</p>
Criteria on which the vote is considered "significant"	<p>It highlights the challenges of factoring in the impact of the COVID situation into the</p>	<p>The vote received media scrutiny and is emblematic of a</p>	<p>LGIM noted significant media and public interest on this vote given the proposed revocation of the company's board.</p>

executive remuneration
package.

growing wave of 'green'
shareholder activism.

LGIM Global Real Estate Equity Index

LGIM have reported no significant votes made in relation to the securities held by this fund during the reporting period.

Aberdeen Standard Investments, Global Absolute Return Strategies Pension Fund

The Plan's investment advisor requested key voting data from ASI, but it was not possible to get fund level voting and engagement data in a usable format. ASI have provide us with comprehensive data in respect to voting but has not provided information on which votes were the most significant. We will continue to work with Aberdeen Standard Investments to ensure significant votes are able to be identified going forward.

There are no voting rights attached to the other assets held by the Fund and therefore no key voting information is shown above for these assets.

Fund level engagement

The investment managers may engage with their investee companies on behalf of the Trustee. The table below provides a summary of the engagement activity undertaken by each manager during the year for the relevant funds. The information is given over the year to 31 March 2021.

Manager	LGIM	Aberdeen Standard Investments
Fund name	Applicable for all LGIM funds	Standard Life GARS
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	Not Provided	Data not available
Number of engagements undertaken at a firm level in the year	974	2,271 on a corporate level*
Number of companies the manager engaged with at a firm level during the year	874	Not Provided

Examples of engagements undertaken with holdings in the fund	<p>The top engagement topics over the year to 31 March 2021 were:</p> <ul style="list-style-type: none"> • Remuneration • Board compensation • Strategy • Climate change • COVID-19 • Gender and ethnic diversity • Disclosures • Public health • Climate change • ESG disclosures (including LGIM ESG Score) <p>An example is LGIM's engagement regarding Barclays' AGM, in which there has been significant client interest. LGIM endorsed Barclays' ESG target, to shrink its carbon footprint to net zero by 2050 and are focusing on helping Barclays develop plans and achieve their target.</p>	<p>No fund level examples were given.</p> <p>At a firm level the key engagement topics included were: disclosure concerns, climate change, corporate governance, labour practices, remuneration, and social issues.</p>
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* ASI were not able to provide data for Q1 2021 and so figures are shown to 31 December 2020.
Source: Legal and General Investment Management and Aberdeen Standard Investments

The Trustee believes there is less scope for engagement in relation to the government bond and cash funds, and therefore there is no information shown above for these assets.

How the SIP has been followed over the year

In relation to the DC Section of the Fund, in the Trustee's opinion, the Statement of Investment Principles has been followed over the year in the following ways:

- The Fund offers a suitable default strategy for members. This was last reviewed in May 2017 and appropriate decisions made based on the membership profile of the Fund.
- The Fund 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 last reviewed in May 2017.
- The Trustee initially considered the ESG capabilities of each of the Fund's managers at a Trustee meeting in May 2019 and agreed that the managers' policies are reasonable. No action was taken as a result of this exercise.
- The Trustee regularly reviews the ESG capabilities of the managers as part of the monitoring process.
- The Trustee has made no new manager appointments over the year that affect voting or engagement.

The Statement of Investment Principles was updated during the period under review to allow for an update to the Fund's ESG policies and to incorporate consultant objectives. Neither of these updates affected the way the SIP has been followed over the year as stated above.

Summary

Based on the information received, the Trustee believes that the investment managers have acted in accordance with the Fund's stewardship policies. The Trustee is supportive of the key voting action taken by the applicable fund managers over the period to encourage positive governance changes in the companies in which the managers hold shares.

The Trustee and their investment consultant are working with the investment managers to provide additional information in the future, including where indicated above, in order to enhance their ability to assess the investment managers' actions.

Prepared by the Trustee of the Lil-lets UK Pension Fund

June 2021