# Implementation Statement

# Royal Blind Group Pension Scheme

This Implementation Statement has been prepared by the Trustee of the Royal Blind Group Pension Scheme (“the Scheme”) and sets out:

* How the Trustee’s policies on exercising rights (including voting rights) and engagement policies have been followed over the year.
* The voting behaviour of the Trustee, or that undertaken on their behalf, over the year to 31 March 2021.

## 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. The Trustee has taken into consideration the Financial Reporting Council’s UK Stewardship Code. However, the Trustee cannot usually directly influence the managers’ policies on the exercise of investment rights where the Trustee holds assets in pooled funds. This is due to the nature of these investments. The Trustee receives reporting on the voting and engagement policies of the fund managers and considers these as part of manager appointment and review processes.

The Trustee believes that ESG factors are financially material – that is, they have the potential to impact the value of the investments from time to time.

The Trustee considers it to be part of their investment managers’ roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Scheme.

The Trustee undertook an initial review of the stewardship and engagement activities of the current asset managers in October 2020 to ensure alignment with the Scheme’s policies. The Trustee was satisfied that the asset managers’ stated policies were reasonable, and no further remedial action was required.

### Data limitations

Where information is not included, it has been requested but has not been provided in a useable format or at all by the relevant investment manager. The Trustee’s investment consultants are in discussion with the managers around how this data will be provided for future statements.

## Voting Data

Voting only applies to funds that hold equities in their portfolio. The Scheme’s equity investments are all held through pooled funds and as such the investment managers for these funds vote on behalf of the Trustee.

The Scheme’s equity investments are managed by Aberdeen Standard Investments (“ASI”) and Legal & General Investment Management (“LGIM”). The table below provides a summary of the voting activity undertaken by each manager over the year to 31 March 2021.

| **Manager** | **ASI** | **LGIM** |
| --- | --- | --- |
| **Fund name** | Diversified Growth | Passive Global Equity |
| **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** | 403 | 6,779 |
| **Number of resolutions the manager was eligible to vote on over the year** | 4,959 | 70,672 |
| **% of resolutions the manager voted on** | 98.2% | 99.9% |
| **% of resolutions the manager abstained from (as % of resolutions voted on)** | 1.7% | 0.8% |
| **% of resolutions voted *with* management (as % of resolutions voted on)** | 85.6% | 83.3% |
| **% of resolutions voted *against* management (as % of resolutions voted on)** | 12.7% | 15.9% |
| **% of resolutions voted contrary to the recommendation of the proxy advisor** | Not provided | 5.6% |

Some voting percentages quoted above may not sum to 100%. Managers assure us that this is due to classifications of votes and abstentions both internally and across different jurisdictions.

LGIM’s Investment Stewardship team uses the Institutional Shareholder Services (“ISS”) “ProxyExchange” electronic voting platform to electronically vote on clients’ shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. To ensure their proxy provider votes in accordance with their position on ESG, they have put in place a custom voting policy with specific voting instructions.

ASI also use ISS for their proxy voting requirements, and have listed company stewardship guidelines to provide a framework for engagement and proxy voting for companies worldwide.

### Significant votes

The Trustee has delegated to the investment managers to define what a “significant vote” is. ASI have not provided a shortlist of the votes they consider significant.

A summary of the data LGIM have provided is set out in the table below. We have chosen three examples to highlight a breadth of issues the manager voted on throughout the year.

**LGIM, World Equity Index**

|  | **Vote 1** | **Vote 2** | **Vote 3** |
| --- | --- | --- | --- |
| **Company name** | Whitehaven Coal | Olympus Corporation | Tyson Foods |
| **Date of vote** | 22 November 2020 | 30 July 2020 | 11 February 2021 |
| **Summary of the resolution** | Report on the potential wind-down of the company's coal operations, with the potential to return increasing amounts of capital to shareholders. | Elect Director Takeuchi, Yasuo. | Report on Human Rights Due Diligence |
| **How the manager voted** | For | 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 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** | LGIM has publicly advocated for a ‘managed decline’ for fossil fuel companies, in line with global climate targets, with capital being returned to shareholders 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. | Olympus Corporation does not have any women on their boards or at executive level. LGIM have for many years promoted and supported an increase in female representation, at the executive level and below. LGIM opposed the election of this director in his capacity as a member of the nomination committee and the most senior member of the board, in order to signal that the company needed to take action on this issue. | The pandemic highlighted potential deficiencies in the application of Tyson’s human rights policies. It is also believed that there have been over 10,000 positive COVID cases at the company and 35 deaths. LGIM believes that invested companies should ensure the health and safety of employees over profits. LGIM believes that this report would have been a good opportunity for the board to re-examine the steps they have taken and assess any potential shortfalls to improve controls in future. |
| **Outcome of the vote** | Fail (96% voted against). | Pass (95% voted for) | Fail (83% voted against) |
| **Implications of the outcome** | LGIM will continue to monitor this company. | LGIM will continue to advocate for increased diversity. | LGIM will continue to monitor the company. |
| **Criteria on which the vote is considered “significant”** | The vote received media scrutiny and is emblematic of a growing wave of green shareholder activism. | LGIM considers it imperative that the boards of Japanese companies increase their diversity. | LGIM's clients were particularly interested in the outcome of this vote. |

## Fund level engagement

The investment managers may engage with their investee companies on behalf of the Trustee. Whilst the Scheme’s credit holdings do not attach any voting rights, the Trustee focuses on how the investment process of the managers is aligned with the Scheme’s ESG policies.

The tables below provides a summary of the engagement activity undertaken by ASI, LGIM and Janus Henderson Investors (“Janus Henderson”) during the year to 31 March 2021.

| **Manager** | **ASI** | **LGIM** | **Janus Henderson** |
| --- | --- | --- | --- |
| **Applicable fund(s)** | Aberdeen Life Diversified Growth Fund , Aberdeen Life and Pensions UK Property Fund, Cash Fund | World Equity Index (MSCI), Gilt Funds, LDI, Sterling Liquidity Fund | Multi Asset Credit Fund |
| **Does the manager perform engagement on behalf of the holdings of the fund** | Yes | Yes | Yes |
| **Has the manager engaged with companies to influence them in relation to ESG factors in the year?** | Yes | Yes | Yes |
| **Number of company engagements undertaken at a fund level in the year** | Not provided | Not provided | 106 |
| **Number of company engagements undertaken at a firm level in the year** | 2,271 | 874 | 776 |

| **Manager** | **Engagement undertaken** |
| --- | --- |
| **ASI (firm-level)** | **Omega Geracao**: ASI’s engagement was driven by identified gaps in disclosure, an aspect they find common with companies who have not been publicly listed for long. During their meeting, they covered a number of topics affecting power generators – environmental impact, health & safety at asset sites and corruption controls. ASI’s engagement with Omega provided comfort on progress the company is making on the management of factors discussed. They came away with a clear set of timelines which they will continue to track as milestones during their ongoing dialogue with the company. |
| **LGIM (firm-level)** | **Barclays:** At the AGM, LGIM endorsed Barclay’s ESG target to shrink its carbon footprint to net zero by 2050, and are focusing on helping Barclays develop plans and achieve their target. |
| **Janus Henderson (fund-level)** | **Porsche Bank Austria**: As Janus Henderson started to develop their Carbon Emission Measurement Framework, their close relationship with the company offered them an opportunity to discuss the framework in a more open forum. They highlighted specific variables required to calculate carbon emissions, and discussed the possibility of making the data available to all market participants. The company took on the feedback and will conduct an internal review to identify whether this is feasible. Janus Henderson agreed to continue maintaining a close dialogue on the subject, with a follow up meeting ahead of next new issue. |