

SAL PENSION SCHEME

IMPLEMENTATION STATEMENT FOR YEAR ENDING 31 MARCH 2021

1. INTRODUCTION

This statement has been prepared by the Trustee of the SAL Pension Scheme (“the Scheme”) to demonstrate how, and the extent to which, the policies relating to stewardship and engagement (including the exercise of investment rights such as voting) in the Scheme’s Statement of Investment Principles (“SIP”) have been implemented during the year from 1 April 2020 to 31 March 2021 (the “Scheme Year”).

This statement is based on, and should be read in conjunction with, the relevant SIPs that were in place for the Scheme Year which were the SIP dated May 2019 (which applied from April 2020 to September 2020) and the SIP dated September 2020 (which applied from September 2020 to March 2021).

The statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) Regulations 2005 Amendments and is in respect of the investments held by the Scheme.

2. STEWARDSHIP AND ENGAGEMENT POLICIES

The most recent SIP referred to above outlines the Trustee’s current policies relating to stewardship and engagement in detail.

The Trustee believes that good stewardship can enhance long term portfolio performance and is therefore in the best interests of the Scheme’s beneficiaries and aligned with its fiduciary duty. The Trustee delegates responsibility for the implementation of the Scheme’s policy on stewardship including the exercise of voting and other investment rights and engagement activities to the Investment Committee (“IC”).

Investment managers are given full discretion in exercising rights and stewardship obligations relating to the Scheme’s investments, with investment managers expected to directly engage with the debt or equity issuers to improve the issuer’s performance on a medium to long-term basis.

All investment managers are expected to monitor investee companies and engage with management on all relevant stewardship matters including but not limited to performance, strategy, risks, social and environmental impact and corporate governance. Furthermore, the Trustee encourages its investment managers to work collectively with other managers when practical.

The Scheme’s stewardship and engagement policies are reviewed as part of the review of the Scheme’s SIP. The latest review of the SIP for the Scheme took place in September 2020. A copy of the Scheme’s SIP can be found at <https://epa.towerswatson.com/doc/RSU/pdf/salps-sip---.pdf>

3. IMPLEMENTATION OF STEWARDSHIP AND ENGAGEMENT POLICIES

Policy	Comments for the year to 31 March 2021
<p>Investment managers are given full discretion in exercising rights and stewardship obligations relating to the Scheme's investments. The IC expects all investment managers to monitor investee companies and engage with management on all relevant stewardship matters including performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance. Furthermore, the IC encourages investment managers to work collectively with other managers when practical.</p>	<p><i>The exercise of investment rights (including voting) has been delegated to the investment managers. The direct services of a proxy voter are not used.</i></p> <p><i>The majority of the Scheme's investments are in fixed income instruments and the Scheme has only a modest exposure to equity investments through pooled investment vehicles. As such, the IC's principle focus is on the engagement activity of the Scheme's investment managers and examples of some of the activity undertaken have been included in this statement.</i></p> <p><i>Voting activity undertaken by the Scheme's current equity manager, BlackRock, as well as by managers Bridgewater and Coronation (whose appointments were terminated during the applicable Scheme Year) has been collated and a summary of this voting activity is included at the end of this statement.</i></p> <p><i>The IC is satisfied that voting and engagement by all managers has taken place. Specific examples of engagement are given below.</i></p>
<p>The IC requires all appointed investment managers to report regularly to the IC and disclose all voting and engagement activity undertaken on its behalf. The IC monitors the approach of each investment manager.</p>	<p><i>All investment managers have provided sufficient detail on engagement activity (and exercise of investment rights such as voting where relevant) through the year and specifically in the course of the production of this statement.</i></p> <p><i>The IC has monitored the approach of each manager during the applicable Scheme Year in accordance with the SIP. A key focus over the year has been on how the Scheme's investment managers incorporate Environmental, Social & Governance ("ESG") and climate factors into their processes for identifying and managing such risks. As part of this, the IC has considered the managers' approach to stewardship and engagement activities.</i></p>
<p>The IC may engage with its investment managers as part of its stewardship monitoring process or, potentially, as a particular stewardship matter is brought to its attention. The IC has not had, and does not expect, direct engagement with the issuers or other holders of debt or equity.</p>	<p><i>There have been no specific issues or particular stewardship matters brought to the attention of the IC over the Scheme Year which have required specific engagement with its investment managers.</i></p>
<p>The IC is supportive of the UK Stewardship code ("the Code") published by the Financial Reporting Council and expects the Scheme's managers who</p>	<p><i>The majority of the Scheme's investment managers have applied to be signatories to the 2020 UK</i></p>

are registered with the FCA to comply with the Code. Such managers are required to report on the extent of their adherence to the UK Stewardship Code on an annual basis.	<i>Stewardship Code. Of these managers, the Trustee is not aware of any that have reported instances of lack of adherence.</i>
The IC expects its investment managers to have effective policies addressing potential conflicts of interest in matters of stewardship. These will be reviewed periodically.	<i>The majority of investment managers maintained a policy relating to conflicts of interest during the Scheme Year. Where policies did not exist, this typically coincided with a manager not being a signatory to the UK Stewardship Code. The Trustee will continue to engage with managers who do not have a policy in place.</i>

4. VOTING ACTIVITY

The Scheme holds circa 5% of assets in listed equities managed by BlackRock. These investments are managed in pooled funds. In addition, over the year the Scheme disinvested out of two pooled funds for which underlying assets included publicly listed equities. These were:

- Bridgewater All Weather Sterling Fund
- Coronation Global Emerging Markets Equity Fund

Finally, the Scheme has an investment in a pooled corporate bond fund managed by Legal and General Investment Management (“LGIM”), which held a small allocation to convertible bonds to 31 March 2021. On conversion, voting rights related to the holdings have subsequently been exercised.

A summary of the voting activity undertaken by BlackRock, Bridgewater, Coronation and LGIM (including the most significant votes cast on the Scheme’s behalf) in respect of the Scheme’s equity holdings is summarised in the tables below and overleaf. Note voting records for Bridgewater and Coronation cover the partial year prior to disinvestment.

Voting activity	BlackRock Canadian Equity Index Fund	BlackRock European Equity Index Fund	BlackRock Israel Equity Index Fund	BlackRock Japanese equity Index Fund	BlackRock Pacific Rim Equity Index Fund
<i>No. of meetings eligible to vote during the period</i>	54	546	55	517	448
<i>No of resolutions eligible to vote during the period</i>	740	9,326	485	6,221	3,150
<i>% of resolutions voted</i>	100.00%	81.42%	100.00%	100.00%	99.62%
<i>% of resolutions voted with management</i>	98.65%	87.71%	91.75%	97.97%	90.12%

<i>% of resolutions voted against management</i>	1.35%	12.29%	8.25%	2.03%	9.88%
<i>% of resolutions abstained</i>	0.00%	1.15%	1.44%	0.00%	0.13%

Voting activity	BlackRock US Equity Index Fund	BlackRock UK Equity Index Fund	BlackRock Global Developed Fundamental Weighted index Fund	Coronation Global Emerging Markets Equity Fund	Bridgewater All Weather Sterling Fund	LGIM Core Plus Fund
No. of meetings eligible to vote during the period	611	1,211	658	34	119	5
No of resolutions eligible to vote during the period	7,542	15,742	10,315	452	1,501	34
% of resolutions voted	100.00%	97.17%	90.65%	100.00%	98.00%	100.00%
% of resolutions voted with management	97.20%	94.26%	93.96%	85.20%	90.24%	70.59%
% of resolutions voted against management	2.80%	5.84%	6.04%	11.70%	9.69%	26.47%
% of resolutions abstained ¹	0.09%	1.85%	0.71%	3.10%	1.02%	2.94%

Source: BlackRock, Bridgewater and Coronation

¹BlackRock and Bridgewater have advised that they classify an abstention as a vote against management, hence the rows above relating to % of resolutions for, against or abstained will total more than 100%.

Note the Scheme also has an allocation to a Multi Asset Credit fund managed by CQS, which can hold convertible bonds. CQS have confirmed that no voting was undertaken in respect of these securities over the Scheme Year.

BlackRock, Coronation and LGIM have voted by proxy through the Institutional Shareholder Service's ('ISS') electronic voting platform as, given the scale of its holdings, the managers cannot be present at shareholder meetings to cast votes.

BlackRock subscribes to research from the proxy advisory firms ISS and Glass Lewis. This research is primarily used to synthesise corporate governance information and analysis into an easily reviewable format. BlackRock do not follow all recommendations from ISS and Glass Lewis but use information provided to inform decision making.

LGIM also make use of ISS recommendations but purely to augment their own research. All voting decisions are made by LGIM.

Similarly, Coronation notes that services from proxy voting firms have been used for information only. The exact firms used are not detailed.

Bridgewater engaged with Glass Lewis to vote proxies on behalf of its clients. In general, Bridgewater will subscribe to the proxy voting policy adopted by Glass Lewis but reserves the right to direct that Glass Lewis vote in a manner that is contrary to such policy where appropriate.

Each of the four managers have been asked for a description of the process followed for determining most significant votes. These descriptions differ by manager and are set out below:

Manager	Process for determining significant votes
BlackRock	BlackRock prioritises its work around themes that they believe will encourage sound governance practices and deliver sustainable long-term financial performance at the companies in which they invest on behalf of clients. BlackRock’s year-round engagements with clients to understand their focus areas and expectations, as well as active participation in market-wide policy debates, help inform these priorities. The themes identified are reflected in BlackRock’s global principles, market-specific voting guidelines and engagement priorities, which underpin their stewardship activities and form the benchmark against which they look at the sustainable long-term financial performance of investee companies.
Coronation	Coronation has selected votes from a broad variety of categories with more emphasis on those that also stand out from an engagement perspective.
Bridgewater	Positions in one of Bridgewater’s strategies are based on fundamental linkages between asset classes and macro-economic conditions, and not the evaluation of specific companies. As such, Bridgewater has not adopted a policy for identifying significant votes as any particular voting matter’s outcome is inconsequential in the context of the overall portfolios.
LGIM	<p>In determining significant votes, LGIM’s Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:</p> <ul style="list-style-type: none"> • High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny; • Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM’s annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular

	<p>vote;</p> <ul style="list-style-type: none"> • Sanction vote as a result of a direct or collaborative engagement; • Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship’s 5-year ESG priority engagement themes. <p>We provide information on significant votes in the format of detailed case studies in our quarterly ESG impact report and annual active ownership publications.</p> <p>The vote information is updated on a daily basis and with a lag of one day after a shareholder meeting is held. We also provide the rationale for all votes cast against management, including votes of support to shareholder resolutions.</p>
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September 2021