Engagement Policy Implementation Statement

Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 (the "Regulations"). The Regulations amongst other things require that pension scheme trustees produce an annual implementation statement which outlines the following:

- Explain how and the extent to which they have followed their engagement policy, which is outlined in the SIP.
- Describe the voting behaviour by, or on behalf of the pension scheme trustees (including the most significant votes cast by these trustees or on their behalf) during the scheme year and state any use of the services of a proxy voter during that year.

This document sets out the details, as outlined above. The Engagement Policy Implementation Statement (EPIS) for the Arjo UK pension scheme ("the Scheme") has been prepared by the Trustee of the Scheme ("the Trustee") and covers the Scheme year 1 April 2020 to 31 March 2021.

Scheme Stewardship Policy Summary

The below bullet points summarise the Scheme Stewardship Policy in force over the majority of the reporting year to 31 March 2021. The full SIP can be found here

arjopensions.co.uk

The Trustee has delegated certain decision making powers to their fiduciary manager Aon Investments Limited (AIL) (the "Manager").

As part of the Manager's management of the Scheme's assets, the Trustee expects the Manager to:

- *Where relevant, assess the integration of Environmental, social and governance (ESG) factors in the investment process of underlying managers;*
- *Use its influence to engage with underlying managers to ensure the Scheme's assets are not exposed to undue risk; and*
- *Report to the Trustee on its ESG activities as required.*

The Trustee will engage with their Manager as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned. This will take the form of annual reporting which will be made available to Scheme members.

Where voting is concerned the Trustee would expect the underlying managers, to recall stock lending procedures, as necessary, in order to carry out reflective voting actions.

Scheme stewardship activity over the year

Training

In April 2020, the Trustee received training from their investment adviser, which provided the Trustee with an update on the evolving regulatory requirements and the importance of stewardship activity and appropriate consideration of ESG factors in investment decision making. In particular, the training focussed on the new requirements for explicit policies within the SIP on incentivising managers, costs transparency and stewardship.

Updating the Stewardship Policy

In line with regulatory requirements, to expand the SIP for policies such as costs transparency and incentivising managers, the Trustee also reviewed and expanded the Stewardship policy in September 2020. The updated wording in the SIP illustrates how the Trustee recognises the importance of its role as a steward of capital, as well as indicating how the Trustee would review the suitability of the Scheme's investment managers and other considerations relating to voting and methods to achieve their Stewardship policy.

Ongoing Monitoring

Investment monitoring takes place on a quarterly basis with monitoring reports being provided to the Trustee by Aon Investments Limited. The Trustee discusses the key performance metrics, attribution and portfolio changes with their investment adviser at each quarterly ISC meeting. The Trustee assesses the (net of all costs) performance of AIL on a rolling three-year basis against the Scheme's specific liability benchmark and investment objective.

The Trustee and its investment adviser reviewed voting and engagement information relating to the Plan's investments as part of the process of completing this Statement and no significant concerns were identified. The fiduciary manager continues to engage with managers regularly on their processes and forward-looking strategy with respect to ESG integration and stewardship.

Cost monitoring

The remuneration paid to AIL and the fees incurred by third parties appointed by the fiduciary manager are provided annually to the Trustee. This cost information is set out alongside the performance of the fiduciary manager to provide context. The Trustee reviewed and discussed the annual cost report provided by AIL for the 2019 calendar year at their Trustee meeting in December 2020 and will be provided with their annual cost report for the 2020 calendar year in Q4 2021.

Engagement - Fiduciary Manager

Under the fiduciary mandate managed by AIL, AIL appoint underlying asset managers to achieve an overall target return. The Trustee delegates the monitoring of Environmental, Social and Governance ("ESG") integration and stewardship quality to AIL which uses Aon's four-tier ESG ratings system for assessing managers ESG credentials. More information on the Aon ESG Ratings process can be found here: https://www.aon.com/getmedia/0b52d7ec-db77-41bc-bb45-9386034db392/AonCanada-Publication-InvestmentGuideESGRatings.aspx

The Trustee has reviewed the AIL Annual Stewardship Report and is satisfied that AIL is using its resources to appropriately influence positive outcomes in the strategies in which it invests.

Voting and Engagement activity – Equity and multi-asset funds

Over the year, the Scheme has invested in various arrangements with AIL. The voting statistics for all funds are noted within the appendix and the following demonstrates a selection of examples over the period from the most material investment within the Active Global Equity Strategy.

Sands Capital ("Sands")

Voting policy

Sands monitors the occurrence of shareholders' meetings for the businesses owned in each strategy and obtains and evaluates the proxy-related research and materials relating to the securities being voted. The firm also receives proxy voting research from Glass Lewis, Stakeholders Empowerment Services ("SES") and Institutional Shareholder Services ("ISS") but does not necessarily vote according to the guidelines provided by these services. The research is instead used as an efficient means to collect and organise the proxy issues.

When a client has delegated its proxy voting authority to Sands, the firm determines, prior to the voting deadline, how to vote on each proxy proposal based on the firm's analysis of any relevant information and the firm's proxy voting policy. Sands uses ISS to electronically receive proxy ballots, to submit voting instructions, and to record client votes for reporting purposes.

Sands holds a policy that votes made in proxy should consider the short and long term implications of each proposal. Sands states that it's neither an activist in corporate governance nor an automatic supporter of management, but holds a policy which usually means it will vote with recommendations from management. This is because it believes the management teams of most companies it invests in generally seek to serve shareholder interests. Sands will vote in accordance with the recommendation of management, unless, in Sands' opinion, such a recommendation is not conducive to long term value creation or otherwise in the best interest of its clients.

Any specific voting instructions provided by a client or its designated agent in writing will supersede Sands' proxy voting decision.

Voting example: NIKE

An example of a significant vote against management took place in September 2020 regarding executive officer's compensation at NIKE, and was assessed as significant as Sands was in the minority on this issue and felt that the company's disclosures around a multi-year compensation plan made it difficult to support. Sands believed that:

- Paying a combined $20M transition bonus to the ex-Chief Executive Officer ("CEO") & incoming CEO without clear disclosed targets was inappropriate; and
- That utilising the 'top 45% total shareholder return for the S&P 500' was not an appropriate hurdle for compensating top-tier executives at a company like NIKE.

Sands engaged with the company and a compromise was made and adjusted for as part of the compensation package. Sands still felt as though the quality of the pay program did not match the levels of pay provided to the CEOs. There is also a notable gap between other senior executives and incoming CEO's pay package. Sands plans to continue engaging the company on this to assist in improving the plan over time.

Engagement policy

Sand's engages on business-specific matters that may have a material impact on its investments. It will engage with companies for the following three objectives:

1. To inform its business cases and build conviction in businesses
2. To exchange perspective on matters relevant for long-term shareholders' interest
3. To discuss ballot proposals and inform its proxy voting decision.

Engagement example: Grail

In September 2020, Sands engaged with Illumina regarding its acquisition of Grail, a company it had spun out in 2016. Sands had several concerns around the deal (valuation, process, possibly insider ownership), and decided to engage the company on the matter in order to better understand the acquisition. Sands first engaged the CEOs of Illumina and Grail, who laid out their strategic thinking behind the proposed acquisition, and then followed up with two Illumina board members. The engagement allowed Sands to gain some comfort around the transaction given the long-term opportunity for Illumina. Following the closure of the deal, Sands has advised the board that it would like the CEO's compensation to be directly tied to the performance of Grail given that it was his decision.

Harris

Voting policy

Harris has a proxy voting committee that is responsible for recommending proxy voting guidelines, establishing and maintaining policies and procedures for proxy voting, and ensuring compliance with these policies and procedures.

Harris uses its own bespoke policy, however it uses ISS' platform to vote.

Harris states that it will normally vote in line with management's recommendations, as it believes "voting with management is generally the same as voting to maximise the expected value of investments" following the extensive assessment of the company's management when choosing to invest.

Voting example: Liberty Global

An example of a significant vote against management took place in June 2020 whereby Harris voted against management in relation to executive officers' compensation at Liberty Global plc. Harris, along with c. 35% of shareholders voted against management regarding its remuneration policy, as they believed the CEO's compensation was excessive, and that half of it was time based, rather than performance.

Engagement policy

Harris regularly monitors invested companies and takes appropriate action if investment returns are at risk. To ensure that the companies are acting in its shareholders’ best interests, Harris regularly communicates with management about new initiatives and matters affecting the business. Annually, Harris has more than a thousand management meetings with C-level executives and board members.

By the time Harris decides to invest in a company, it already concludes that management and the board of directors are likely to act in shareholders’ best interests. When management does not meet Harris' expectations, a private, direct conversation is initiated. Engagement is carried out under the premise that unsatisfactory or insufficient change by the company will generally be met with divestment.

Engagement example: Oracle

In November 2020, Harris engaged with Oracle Corporation regarding gender and racial pay gap reporting. After considering the case, Harris decided to vote with management against this resolution, but engaged with the company directly to communicate the importance that it attaches to this issue, which Harris has stated it will continue to monitor to insure that the issue is being adequately managed. Harris did not support the shareholders' resolution as it believed it was not in the financial interest of shareholders, but because it stated that Oracle are already reporting in line with other tech companies and undertaking sufficient initiatives to ensure gender equality in the workplace.

GQG

Voting policy

GQG's portfolio management team is responsible for proxy voting decisions. While the majority of portfolio company proxy votes are company-management-initiated, routine in nature, and voted in accordance with GQG’s proxy voting policy, some proxy categories warrant an escalated review by GQG. The categories warranting a review generally represent proxies that are strategic to the company. Therefore, GQG escalates certain categories of proxy votes to a designated GQG investment analyst with the responsibility to ensure that those proxies are being voted in the best interests of GQG’s clients given the potential significance of the proxy vote to the company’s shareholders. An example of some of the categories/sub-categories of proxies that are escalated are: takeover related, corporate governance, shareholder rights etc.

GQG uses ISS's Sustainability Policy.

At least annually, GQG’s Trading Research and Execution working group reviews, with the designated proxy review investment analyst, any votes that were inconsistent with GQG’s proxy voting policy and the recommendations of GQG’s proxy voting agent, ISS, to consider and recommend to the Investment Review Committee whether any changes should be made to GQG’s proxy voting policy. GQG was unable to provide an example of a significant vote as it does not track significant votes.

AIL have opened a dialogue with GQG to assist it in improving its policy for reporting on significant votes.

Engagement policy

GQG states it will engage with company management if it believes such an engagement will maximise shareholder value in the long term. GQG leverages its third-party ESG service provider, Sustainalytics, to monitor and provide ESG risk rankings across its portfolios. If a company's ESG Risk Rating is significantly downgraded, GQG’s investment team will review the cause of such a downgrade and where appropriate, will engage with company management to discuss the issue further. GQG may also use individual engagements with companies to supplement research and monitoring for current and potential holdings.

GQG also periodically partakes in thematic engagement, whereby it sends questionnaires to selected companies regarding a certain topic and shares the responses across investment teams. This may lead to additional engagement if necessary. Collaborative engagement is also something GQG participates in through working with ISS to identify companies who have failed to respect established ESG norms, or joining conference calls with companies in collaboration with other investors.

Engagement example: Barrick Gold

In August of 2020, GQG disinvested from the company Barrick Gold following engagements regarding tailings dam (a dam used to store by-products of mining operations) safety issues. The discussions with management intensified concerns about the effectiveness of Barrick's ESG procedures and the safety of its tailings dams. The company's response to GQG's questions lacked transparency and were undermined by further research by GQG’s non-traditional analysts.

Longview

Voting policy

Longview engages Glass Lewis to carry out proxy voting for all institutional clients who request that Longview takes responsibility for the implementation of its voting rights.

All voting decisions are made on a case-by-case basis by Glass Lewis's specialist research analysts, in line with its detailed regional policies, which are approved by Longview on an annual basis. However, Longview would advocate the exercising of votes, contrary to Glass Lewis policy, where necessary. The decision to vote contrary to Glass Lewis's recommendation is made collectively by the Research team and Chief Investment Officer (“CIO”) and will often follow engagement between our Research team and the company.

Longview receives Glass Lewis Proxy Voting reports from Glass Lewis, which cover all proposals to be discussed at upcoming company meetings, including those related to ESG. These reports are circulated to the lead Research Analyst for each stock, who confirm, in writing, their agreement or otherwise with Glass Lewis's recommendations.

In cases where Longview deems Glass Lewis's decision to not be in the best interest of its clients, the Research team will intervene and cast a vote against its recommendation.

Longview states that it believes companies should be managed in the interest of the shareholders and therefore it ensures clients' voting rights are used responsibly. Longview provided a number of significant voting examples at a strategy level.

Voting example: Anonymised at request of Longview

In April 2020, Longview voted against management on the resolution of a shareholder proposal regarding right to act by written consent proposed by a multinational financial services corporation. No intent was communicated to the company ahead of the vote. Rationale for the voting decision was that bonuses and share based incentives should only be paid when management reach clearly defined and relevant targets, which are aligned with the interest of the shareholders, as written consent enables shareholder to take action on important issues that arise between annual meetings. The outcome of the vote was not tracked by the proxy provided by Glass Lewis, but only the percentage of votes cast.

This was a significant example based on the portfolio weight of the company at the time of voting and as more than 15% of votes were against management.

Engagement policy

Longview engages with the senior management of the companies it invests in, and concentrates on strategy, corporate responsibility, and any factors that would affect a company's ability to deliver long-term sustainable value for shareholders. It evaluates engagement with companies through ongoing dialogue with management and incorporates these results into its own investment criteria. While Longview will put its views forward strongly in meetings, it does not consider itself an activist. If it did not believe, after lengthy discussions, that management were acting in the shareholders' best interest, it would sell the holding in order to minimise loss of shareholder value.

Arrowstreet

Voting policy

Arrowstreet engages a third-party service provider, ISS, to provide proxy-voting services for client accounts (including Arrowstreet Sponsored Funds). This includes vote analysis, execution, reporting and certain recordkeeping services. ESG principles are taken into account in the service provider's standard proxy voting policies. In addition, Arrowstreet makes enhanced, ESG-specific, proxy voting services available upon request. Proxy voting services are monitored periodically by Arrowstreet's Client Operations team.

Arrowstreet generally follows the recommendations of its proxy provider, ISS, but may override an ISS decision in circumstances where ISS discloses a material conflict of interest, and Arrowstreet determines that doing so would be in the best interests of its clients. The third-party voting service is reviewed regularly, to ensure proxy voting recommendations are based on current and accurate information and to address any conflicts of interest or other areas of concern from the service provider.

Arrowstreet does not currently track significant votes.

AIL have opened a dialogue with ArrowStreet to assist them in improving its policy for reporting on significant votes.

Engagement policy

At a firm level, Arrowstreet recognises that engagement is increasingly important to some of its investors and, as a result, have partnered with a leader in responsible investing to provide that service. All engagement activities are fully outsourced through Sustainalytics, offering an established, standardised and systematic engagement framework with a global investor base. The engagement framework is incident and compliance based; driven to remediate and mitigate violations of international norms and standards involving: labour, environment, business ethics and human rights. Historically, Arrowstreet did not engage with companies and, due to the timing of this new partnership with Sustainalytics, has not been able to provide engagement data for the requested time period but hope to be able to accommodate future requests.

Engagement activity – Fixed Income

The Scheme also invests in a number of fixed income strategies with AIL sub-funds:

While Equity managers may have more direct influence on the companies they invest in, Fixed Income managers are also increasingly influential in their ability to encourage positive change. The Trustee appreciates that this may be more apparent for direct fixed income holdings, such as credit, rather than asset backed securities.

The following are a selection of examples that demonstrate some of the engagement activity being carried out on behalf of the Scheme over the year.

BlackRock

Engagement policy

BlackRock believes bond investors, with their often multi-year perspective, are well positioned to engage collaboratively with management to endorse and promote sound ESG practices. Such engagement enhances BlackRock's credit analysis, by providing it with more comprehensive credit profiles of its borrowers.

BlackRock's firm-wide engagement program also benefits investments in corporate bonds issued by companies. BlackRock Investment Stewardship team (“BIS”) is positioned as an investment function, which allows for the mutual exchange of views with active portfolio management teams across equity and credit. In addition, BlackRock’s Global Fixed Income (“GFI”) Responsible Investing (“GFI-RI”) team may partner with the BIS team both to reflect ESG related topics from GFI investors as well to attend or host engagement meetings on certain highlighted “ESG flagged” holdings. An “ESG flagged” holding is one where BlackRock holds a significant exposure in GFI portfolios, and the issuer is flagged as low rated/controversial by external ESG rating providers or is highlighted by their credit research.

Engagement example: Exxon

An example of an engagement by the GFI-RI team was that with Exxon. In BlackRock’s discussion with the company, several engagement topics have been discussed such as governance structure, corporate strategy, environmental risks and opportunities. These included questions from the GFI-RI team including, the company's approach to the European regulatory environment, its views on electric vehicle penetration as a risk to their business, and its risk management in relation to physical climate change risks.

PIMCO

Engagement policy

At the firm level, PIMCO incorporates material ESG factors into the investment research process to better assess issuer risks. In ESG dedicated portfolios, PIMCO implements an additional ESG scoring system which considers how an issuer fairs against its peers regarding ESG momentum and chooses to invest in the issuers who score well in this ("ESG issuers"). PIMCO stated that for non-ESG dedicated portfolios, like the PIMCO Absolute Returns Bonds fund the Plan is invested in, there is no explicit objective to actively engage with ESG issuers on sustainability practices. However, it may benefit from the intensive engagement work pursued in the ESG dedicated portfolios, given that issuers may be held in both strategies.

Aegon

Engagement policy

Through AIL the Plan invests in European Asset Backed Securities ("ABS") managed by Aegon. For Aegon, ESG analysis forms a critical aspect of its risk mitigation analysis. This is at the collateral, the originator and country of domicile levels, where each level is scored between one (best) and five (worst), with a weighted average taken to form their overall ESG score for the ABS bond.

Aegon's engagement efforts can be categorised according to three buckets; policy-based, thematic and product support. The reasons it starts these engagements include seeking to:

- Improve performance and promote companies' long-term financial performance;
- Monitor, manage and mitigate investment risk;
- Better understand companies and set expectations on company management;
- Set goals and timeframes to meet, in order to reach compliance with our policies;
- Improve ESG disclosure;
- Maximise positive sustainability outcomes, including those related to the SDGs;
- Encourage the issuance of green, social and sustainable bonds for the purpose of investment participation and growing sustainable business practices.

Engagement example: Climate 100+

At a firm level, Aegon has engaged with a steel company regarding climate change. The goal here was to develop a transition plan to reduce greenhouse gas emissions across the value chain, consistent with the Paris Agreement, and implement a climate governance framework. Aegon is part of an investor group that collaboratively aims to increase transparency around climate change.

Aegon sent an engagement letter on behalf of the Climate Action 100+ investor group and met with top executives of the company at its headquarters. Aegon also represented a group of investors in the company's AGM in discussions on lobbying practices, science-based targets and scenario planning and then followed-up after the release of the company's first climate action report. The CEO then committed to join the Energy Transitions Commission and announced that their first Carbon Action report is expected to include scenario analysis.

Engagement activity – Alternatives

The Scheme invests in a few alternative strategies. These include hedge funds, managed futures, insurance linked securities, defensive equities, risk parity, gold and listed property.

The Trustee recognises that the respective investment processes and often illiquid nature of the alternative investments may mean that stewardship is potentially less applicable or may have a less tangible financial benefit. Nonetheless, the Trustee still expect that all their managers should open a dialogue to engage with issuers/companies they invest in should they identify concerns that may be financially material.

Liquid Assets

The Scheme invests in liquid alternatives through investments within their arrangement with AIL. Below demonstrates just two of the most material funds as part of these investments.

Boussard and Givaudan ("BG") BG Fund – Hedge Fund

Voting example: Boussard & Givaudan

An example from the Scheme's most material liquid alternative is Boussard and Givaudan ("BG"), the BG fund. BG Analysts are in charge of the investments and will recommend how to vote. For contentious situations, the decision is discussed during investment committees. BG to not utilise any service provider. It also deems any votes against management as significant.

Voting Example: Qiagen

An example of a significant vote was in May 2020 where BG voted against the resolution to reappoint the managing director Mr Roland Sackers for Qiagen. The rationale behind this was that BG do not endorse the achievements of Mr Sackers over the past years with multiple profit warnings and different speeches concerning the strategic pathways for the company. The resolution was approved; however, BG consider this a significant vote since it was a vote against management to improve governance.

Engagement policy

In its role as an asset manager BG acts on behalf of a number of retail, professional and institutional clients in its engagement with companies it invests in. BG recognises that it has a fiduciary duty to act in the best interest of its clients over both short and long-term horizons. This duty includes undertaking responsible stewardship of client assets in a way that should add value for clients through time.

The Engagement policy sets out how BG engages with investee companies. The implementation of this policy will be reported publicly on an annual basis and will include a general description of voting behaviour, an explanation of the most significant votes and the use of proxy advisers. More information can be found here Engagement_Policy_2020_FINAL.pdf (boussard-gavaudan.com)

Engagement Example: RWE

An example of engagement over the period, is where BG engaged with RWE to encourage a reduction in Greenhouse Gas emissions and transition toward renewables (SDG 13). BG engaged through direct dialogue with management, expressing full support on the decarbonisation and closure of coal power plants and encouraging them to accelerate the process. BG states that the company is moving in the right direction but the outcome is multiple years away. BG believe the company can become a European champion in renewable energy and plan to continue to encourage the management to follow this strategy.

Leadenhall Capital Partners ("Leadenhall") Insurance Linked Securities

Leadenhall (an Insurance Linked Securities Fund manager within the AIL strategy) assesses adherence to ESG principles by considering specific factors. Examples may include

1. Environmental impact including pollution prevention (via underwriting standards) and remediation (via providing capital for protection), reduced emissions, preventing the spread of pandemic disease and adherence to environmental safety and regulatory standards
2. Social impact including human rights, welfare and community impact issues
3. Governance issues including board structure, remuneration, accounting quality and corporate culture

Pricing for climate change risk is an inherent part of Leadenhall's analysis of potential investments. MS Amlin, part of Leadenhall's parent group (MS&AD) and a reinsurer with sourcing and underwriting resources that Leadenhall leverages, is very active in monitoring, studying and looking at ways to tackle climate change. It is a member of the Cambridge Institute for Sustainability Leadership and ClimateWise. Through this, MS Amlin aims to better communicate, disclose and respond to the risks and opportunities associated with the climate-risk protection gap.

Leadenhall performs a detailed review of its Investment counterparties policies and controls including those concerning their explicit ESG and CSR frameworks. Where appropriate it will make recommendations to avoid investment counterparties who are not aligned with ESG policies.

Illiquid Assets

York Capital Management ("York") York Distressed Asset Fund IV – Illiquid Credit

York has been active in integrating Environmental Social and Governance (ESG) principles/criteria into our investment decision and risk assessment. York is committed to working collaboratively with its clients to develop custom ESG solutions. York's ESG committee drives the integration of ESG into its investment processes and seeks to proactively develop new solutions that will serves the best interest of its clients.

Engagement example: Diversity

Over 2020, York engaged on the theme of diversity inclusion in order to promote this on the individual boards for each investment. The investment team together with the operating partners developed an ESG impact plan identifying initial goals for the theme. Progress against the ESG impact plan was tracked through regular and established monitoring and reporting procedures. The Fund seeks to continually improve diversity and inclusion at all levels, especially board level. Female Board representation across the Fund's SPVs has increased during the past year.

The fund continues to monitor the potential diversity and inclusion opportunities across all investments at Board level as well as below.

Federated Hermes ("Hermes") Property Unit Trust ("FHPUT")

The Federated Hermes Property Unit Trust (FHPUT) is a pooled tax-exempt UK property investment fund that invests 100% directly into real estate properties and as such there are no entities which to engage. Hermes do however take time to regularly engage with occupiers of the properties, usually through managing agents and leasing agents, to encourage them to be more energy efficient, and have been looking into wellbeing for occupiers as a way to better its engagement efforts. It also engages with occupiers on ESG matters with regards to lease negotiations.

Engagement example: Dexcom

At a firm level, Hermes' engagement with US diabetes care company Dexcom's head of corporate affairs in 2020 focused on increasing board diversity and environmental, social and governance (ESG) disclosures. Hermes have encouraged the company to increase its board diversity since 2019, and, in its discussion with the company in Q4 2020 Hermes were pleased to learn it had increased gender diversity from 11% in 2019 to 22%, with the addition of two new board directors. The company also appointed a head of human resources focused on increasing diversity and inclusion and building a strong diverse talent pool. The company undertakes many positive impact programmes, including human capital initiatives, many of which are not disclosed publicly. Since 2019, Hermes have intensified its engagement with the company on the benefits of increased ESG disclosures. In March 2020, it was pleased to see the company publish its inaugural sustainability report, structured on the company's core values. Engagements in 2021 will focus on further improvements to the company's ESG disclosures and strategy including encouraging target setting for priority topics such as climate and waste, among other topics.

BlackRock UK Property Fund

The UK property fund invests directly in UK real estate, where the concept of stewardship and engagement is less applicable. BlackRock reports annually on its property funds to the Global ESG Benchmark for Real Estate ("GRESB"), which aims to assess and benchmark the ESG and other related performance of real assets across the market.

Engagement Example

Sustainability campaigns have been implemented at various properties across the BlackRock UK Property Fund to engage with tenants on a range of sustainability topics; from energy efficiency and carbon reduction, to sustainable transport and travel, waste management and recycling, wildlife conservation, and health and well-being. Birmingham Business Park ("BBP") is a large office campus comprising over 1.7m sq ft of office space, spread across 148 acres of mature parkland, and with over 130 occupants, including Rolls Royce, IMI and Goodyear. Ongoing sustainability campaigns, together with quarterly 'Sustainability Week' events are now held at BBP and are open to all occupiers, as well as the wider local community.

BlackRock has conducted numerous campaigns and initiatives, a few examples being:

The establishment of three on site bee-hives. The ‘BBP Honey’ generated by the bees is sold on site to tenants and visitors, with all proceedings going to local charities.

On site pond dipping, woodland walks and ‘wildlife awareness’ talks at lunchtimes and after hours.

The provision of ‘Pool Bikes’, together with on-site cycle storage facilities, for the use of all tenants.

As a result, BBP was awarded the Transport for West Midlands Top Cycling Award and Top Walking Award in 2017 in recognition of the efforts to encourage more sustainable modes of transport for all occupiers and tenants.

In Summary

This year’s report is the Trustee’s first and provides information on the latest voting and engagement activities provided by the Scheme’s managers. Based on the activity over the year by the Trustee and its service providers, the Trustee is of the opinion that the stewardship policy has been implemented effectively in practice. The Trustee notes that its applicable investment managers were able to disclose evidence of voting and engagement activity.

The Trustee expects improvements in disclosures over time in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Scheme through considered voting and engagement.

Appendix

Equity and multi-asset manager voting statistics

	% of resolutions voted on for which the fund was eligible	% that were voted against management	% that were abstained from
Sand Global Growth	98.1%	4.5%	0.0%
Harris Global Equity	100.0%	5.0%	0.0%
GQG Global Equity	100.0%	6.7%	0.0%
Longview Global Equity	100.0%	5.3%	0.5%
Arrowstreet Global Developed Equity	96.5%	9.4%	1.1%
LGIM Multi Factor Equity	99.9%	18.0%	0.2%
Neuberger Berman	100.0%	10.9%	0.7%
Oaktree	100.0%	9.1%	1.8%
Coronation	100.0%	10.3%	4.2%
TT International	98.2%	9.5%	0.0%
GQG	97.2%	9.0%	2.4%
Baillie Gifford	95.2%	2.5%	0.6%
Mirova	100.0%	12.0%	5.0%
Nordea	83.9%	8.8%	0.1%

Source: Investment managers

Hedge Fund – Boussard and Gavaudan Voting Statistics

	% of resolutions voted on for which the fund was eligible	% that were voted against management	% that were abstained from
Boussard and Gavaudan	24.3%	1.8%	0.4%