

Implementation Statement

The Keepmoat Pension Plan (“the Plan”)

Plan year ended 5 April 2021

This statement sets out the Trustee’s approach and implementation of the Environmental, Social and Governance (“ESG”), engagement and voting policies set out in the Statement of Investment Principles (“SIP”) over the year to 5 April 2021.

The voting behaviour within this statement is not given over the Plan year end to 5 April 2021 because investment managers largely only report this data quarterly, we have therefore given the information over the year to 31 March 2021.

Investment manager and funds in use

The Plan’s funds are invested via the Legal and General Investment Management (“LGIM”) Platform. The investment funds used for the Plan as at 5 April 2021 are set out in the table below.

The Trustee offers a default strategy for the Plan. Details of the default strategy offered by the Trustee can be found in the SIP which is available online.

<https://www.keepmoat.com/Keepmoat/media/Content-Page-Assets/Corporate/Documents/Signed-SIP-18-June-2020.pdf>

Investment manager	Fund
LGIM	Global Equity Fixed Weights (50:50) Index Fund
	Dynamic Diversified Fund
	All Stocks Index-Linked Gilts Index Fund
	Investment Grade Corporate Bond – All Stocks – Index Fund
	Cash Fund

The Plan also invests in the Schroders Cash Fund. This Schroders investment is a legacy asset from when the Plan was incorrectly treated as having a Defined Benefit (“DB”) element. This Fund is therefore not earmarked to any particular members. This Fund has therefore been excluded from consideration in this statement on the grounds of materiality.

Voting and engagement policies

The Plan invests entirely in pooled funds, and as such delegates the responsibility for carrying out voting and engagement activities to the Plan’s investment manager. The Trustee monitors the engagement and voting activities of the manager by receiving regular ESG updates. The Trustee’s investment manager and consultant regularly attend Trustee meetings, providing training and discussing ESG issues with the Trustee.

The Trustee has reviewed the default investment strategy within the year under review. The Trustee reviewed the appropriateness of the funds used within the default strategy, considering the ESG characteristics of the funds as well as the investment manager’s stewardship and engagement capabilities. The Trustee remains comfortable

that the current strategy is suitable, however the possibility of implementing a passive ESG equity solution remains under consideration. The Trustee will continue to review this as appropriate.

The Trustee has also monitored the Dynamic Diversified Fund in greater detail, comparing it to the wider market on a number of metrics including factors that align it to the Trustee's ESG beliefs.

The Trustee has reviewed the available voting data from the Plan's manager and investment funds over the year under review. The Trustee is comfortable that the manager is undertaking their voting and engagement in line with the Trustee's policies as far as the reporting is available.

The voting data collated for the Plan is shown in the table below. The voting data shown is for the funds within the Plan's default investment strategy. These funds make up a majority of the Plan's assets.

Voting Data

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

Manager	LGIM	
Fund name	Global Equity Fixed Weights (50:50) Index Fund	Dynamic Diversified 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	3,641	7,887
Number of resolutions the manager was eligible to vote at over the year	44,680	83,262
What % of resolutions did the manager vote on for which they were eligible?	99.97%	99.90%
Of the resolutions, on which the manager voted, what % did they vote with management?	83.56%	84.09%
Of the resolutions, on which the manager voted, what % did they vote against management?	16.29%	15.24%
Of the resolutions, on which the manager voted, what % did they abstain from?	0.15%	0.68%
What % of resolutions, on which the manager voted, did they vote contrary to the recommendation of the proxy advisor? (if applicable)	0.44%	0.25%

Source: LGIM

LGIM employs the use of Institutional Shareholder Services (ISS) as their proxy voting advisor to electronically vote all shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic voting

decisions. To ensure that ISS vote in accordance with LGIM's ESG policies, there has been a custom voting policy put in place with ISS.

There are no voting rights attached to the other assets held by the Plan's other default investments, which include investment in the All Stocks Index-Linked Gilts Index Fund, the Investment Grade Corporate Bond – All Stocks – Index Fund and the Cash Fund. These funds do not hold equities.

Significant votes

The Trustee has delegated to the investment manager to define what a "significant vote" is.

In determining significant votes, LGIM's investment stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association ("PLSA"). This guidance dictates significant votes include, but are not limited to:

- A 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 Stakeholder roundtable event, or where LGIM notes there has been a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- A vote linked to an LGIM engagement campaign.

We have provided some detailed examples of significant votes that LGIM have provided for ease of reporting. However, if you would like to review further significant votes this information can be found online.

<https://www.lgimblog.com/categories/esg-and-long-term-themes/lgim-s-voting-intentions-for-2021/>

LGIM Global Equity Fixed Weights (50:50) Index Fund

	Vote 1	Vote 2	Vote 3
Company name	International Consolidated Airlines Group	The Procter & Gamble ("P&G") Company	Olympus Corporation
Date of vote	7 September 2020	13 October 2020	30 July 2020
Summary of the resolution	Approve a Remuneration Report proposed at the company's Annual General Meeting ("AGM")	Report on effort to eliminate deforestation	Elect Director Takeuchi Yasuo at the company's AGM
How the manager voted	LGIM voted against the resolution	LGIM voted in favour of the resolution	LGIM voted against this resolution
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, where applicable.		
Rationale for the voting decision	LGIM were concerned about the level of bonus payments within the remuneration report,	Although P&G has introduced a number of objectives and targets to ensure their business	In the beginning of 2020, LGIM announced that they would commence voting against the

	Vote 1	Vote 2	Vote 3
	<p>which were 80% to 90% of salary for current executives and 100% of salary for the departing CEO.</p> <p>LGIM would have expected the remuneration committee to exercise greater discretion in light of the financial situation of the company, and also to reflect the stakeholder experience (employees and shareholders).</p>	<p>does not impact deforestation, LGIM felt it was not doing as much as it could. LGIM has asked P&G to continue to engage on the topic and push other companies to ensure more of their pulp and wood is from FSC certified sources.</p>	<p>board for those companies included in the TOPIX100 that did not have at least one woman on the board. LGIM opposed the election of this director, in order to signal that the company needed to take action on this issue.</p>
Outcome of the vote	28.4% of shareholders opposed the remuneration report.	The resolution received the support of 67.7% of shareholders (including LGIM).	94.9% of shareholders supported the election of the director
Implications of the outcome	LGIM will continue to engage closely with the board.	LGIM will continue to engage with P&G on the issue and will monitor its disclosure for improvement.	LGIM will continue to engage with and require increased diversity on all Japanese company boards.
Criteria on which the vote is considered "significant"	It illustrates the importance for investors of monitoring our investee companies' responses to the COVID crisis.	It is linked to LGIM's five-year strategy to tackle climate change and attracted a great deal of client interest.	This vote is deemed significant as LGIM considers it imperative that the boards of Japanese companies increase their diversity.

Source: LGIM

LGIM Dynamic Diversified Fund

	Vote 1	Vote 2	Vote 3
Company name	Whitehaven Coal	SIG PLC	Samsung Electronics
Date of vote	22 November 2020	9 July 2020	17 March 2021
Summary of the resolution	<p>Approve capital protection. Shareholders asked the company for a report on the potential wind-down of the company's coal operations and how this will affect shareholder capital.</p>	<p>Approve one-off payment to Steve Francis, proposed at the company's AGM.</p>	<p>Elect Park Byung-gook as Outside Director, Elect Kim Jeong as Outside Director, and Elect Kim Sun-uk as Outside Director to Serve as an Audit Committee Member</p>
How the manager voted	LGIM voted in favour of the resolution	LGIM voted against this resolution	LGIM voted against this resolution
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, where applicable.		
Rationale for the voting decision	LGIM has publicly advocated for a managed decline' for fossil	The company wanted to grant their interim CEO a one-off	Lee Jae-yong, the vice chairman of Samsung Electronics, was

	Vote 1	Vote 2	Vote 3
	<p>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.</p>	<p>award of £375,000 for work carried out over a two-month period.</p> <p>LGIM does not generally support one-off payments. The remuneration committee should ensure that executive directors have a remuneration policy in place that is appropriate for their role and level of responsibility. This should negate the need for additional one-off payments.</p> <p>Furthermore, the size of the additional payment was a concern because it was for work carried over a two-month period, yet was equivalent to 65% of his full-time annual salary. The money was to be paid in cash at a time when the company's liquidity position was so poor that it risked breaching covenants of a revolving credit facility and therefore needed to raise additional funding through a highly dilutive share issue.</p>	<p>sentenced to two years and six months in prison for bribery, embezzlement and concealment of criminal proceeds worth about KRW 8.6 billion.</p> <p>LGIM were concerned that Lee Jae-yong continues to make strategic company decisions from prison. Additionally, they were not satisfied with the independence of the company board and that the independent directors are really able to challenge management.</p> <p>LGIM voted against the resolutions as the outside directors, who should provide independent oversight, have collectively failed to remove criminally convicted directors from the board. The inaction is indicative of a material failure of governance and oversight at the company.</p>
Outcome of the vote	<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'.</p>	<p>The resolution passed. However, 44% of shareholders did not support it. LGIM believe that with this level of dissent the company should not go ahead with the payment.</p>	<p>The meeting results are not yet available.</p>
Implications of the outcome	<p>LGIM will continue to monitor this company.</p>	<p>LGIM intend to engage with the company over the coming year to find out why this payment was deemed appropriate and whether they made the payment despite the significant opposition.</p>	<p>LGIM will continue to monitor the company.</p>
Criteria on which the vote is considered "significant"	<p>The vote received media scrutiny and is emblematic of a growing wave of 'green' shareholder activism.</p>	<p>The vote is high-profile and controversial.</p>	<p>This was a high-profile vote, which has such a degree of controversy that there is high client and/or public scrutiny and the sanction vote was a result of a direct or collaborative engagement.</p>

Fund level engagement

The investment manager may engage with their investee companies on behalf of the Trustee.

Over the year to 31 March 2021, LGIM engaged with 874 companies at a firm level, with a total of 974 individual engagements being carried out.

Strategy review

The Trustee reviewed the appropriateness of each phase of the default investment strategy during the year under review. There were no changes implemented to the Plan's platform provider, the default investment strategy for members in the Plan, or self-select options available to members in the Plan over the year to 31 March 2021.

The Trustee, with advice from their investment consultant, have also considered the investment managers ESG approach to voting and engagement. The Trustee remains comfortable with LGIM's capabilities to engage actively on their behalf regarding ESG issues. Following this review however, the Trustee is considering the possibility of passive ESG equity solutions for the Plan.

Plan governance

Governance arrangements, in terms of the constitution of the Trustee, service level agreements with providers, processing of core financial transactions, costs and charges, and investment arrangements, are detailed in the Chair's Statement.

The Trustee is responsible for making investment decisions, and seeks advice as appropriate from Barnett Waddingham LLP, as the Trustee's investment consultant.

There were no changes to the objectives put in place for Barnett Waddingham LLP in 2019. The Trustee conducted a formal review of these objectives in December 2020.

Statement of Investment Principles

The Statement of Investment Principles was last updated in June 2020 to allow for an update for the Plan's ESG policies as required under pension regulations.

Prior to this, the SIP was updated in June 2019 to again reflect additional policies on ESG as required by pension regulations.

Monitoring of investment managers

The Trustee receives monitoring reports from their investment consultant every six months which analyse the Plan's assets, investment manager performance and performance of the default strategy. This report is discussed at Trustee meetings where appropriate.

The Trustee reviewed the investment manager as part of the default investment strategy review over the period under review.

The Trustee's investment manager periodically attends Trustee meetings to provide insight into the Plan's funds and strategy performance.

Non-financially material considerations

The Trustee does not currently research members' views when selecting the Plan's investments. If a significant number of members expresses to the Trustee a desire to incorporate their views into the investment choices then the Trustee may take members' views into account.

Summary

Based on the information received, the Trustee believes that the investment manager has acted in accordance with the Plan's stewardship policies. The Trustee is supportive of the key voting action taken by the investment manager over the period to encourage positive governance changes in the companies in which the manager holds shares.

The Trustee and their investment consultant (along with the investment industry as a whole) are working with the investment managers to provide additional voting and engagement information in the future. This will enhance the Trustee's ability to assess the investment managers' stewardship and engagement with investee companies on their behalf.

Prepared by the Trustee of the Keepmoat Pension Plan

August 2021