

Implementation Statement

The Keepmoat Pension Plan

Plan year ended 5 April 2022

This statement has been produced by the Trustee of The Keepmoat Pension Plan ("The Plan") and sets out the following information over the year to 5 April 2022:

- the voting activity undertaken by the Plan's investment managers on behalf of the Trustee over the year, including information regarding the most significant votes.
- how the Trustee's policies on exercising rights (including voting rights) and engagement activities have been followed over the year.
- A summary of any changes to the Statement of Investment Principles ("SIP") over the period; and
- the Trustee's approach and implementation of the Environmental, Social and Governance ("ESG"), engagement and voting policies set out in the SIP.

The voting behaviour within this statement is not given over the Plan year end to 5 April 2022 because investment managers largely only report this data quarterly, we have therefore given the information over the year to 31 March 2022.

Investment manager and funds in use

The Plan's funds are invested via Legal and General Investment Management ("LGIM"). The investment funds used for the Plan as at 5 April 2022 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-pension-plan>

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 and not earmarked to any particular members. This Fund has therefore been excluded from consideration in this statement on the grounds of materiality.

Trustee policies on voting and engagement

The Trustee's Statement of Investment Principles in force at 5 April 2022 describes the Trustee's policy on the exercise of rights (including voting rights) and engagement activities as follows:

"The Trustee expects investment managers to be voting and engaging on behalf of the Plan's holdings and the Plan monitors this activity within the Implementation Statement in the Plan's Annual Report and Accounts. The Trustee does not expect ESG considerations to be disregarded by the investment manager in an effort to achieve any short term targets."

Elsewhere in the SIP, the Trustee acknowledges that when investing in a market-cap index, there is little that the manager can do to allow for ESG considerations within the investment process selecting stocks. However, the Trustee believes that positive engagement on ESG issues can lead to improved risk-adjusted returns. Therefore, the Trustee looks to the investment manager to positively engage with companies where there is scope to improve the way ESG issues are taken into account when running the company.

The Trustee, supported by research from Barnett Waddingham, considers LGIM to be market leading in its approach to ESG engagement with investee companies. In particular, LGIM continue to demonstrate that thought and consideration has been given to the issues that will affect their investments, and there is a consistency in how they engage with the companies in which they invest. There is a wealth of information on LGIM's stewardship approach available at <https://www.lgim.com/uk/en/capabilities/investment-stewardship/> and the Trustee regularly reviews the performance of LGIM in this regard.

The SIP was last reviewed in June 2020 to comply with regulations that came into force on 1 October 2020. There were no changes to the SIP over the year.

How voting and engagement policies have been followed

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.

In the previous reporting year, the default investment strategy was reviewed by the Trustee. Given this information on the appropriateness of the funds used within the default strategy, the ESG characteristics of the funds as well as the investment manager's stewardship and engagement capabilities, the Trustee opted to retain the current strategy going forward. The Trustee remains comfortable that this strategy is suitable. The Trustee will continue to review this as appropriate.

The Trustee continues to monitor 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 2022.

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	3,175	7,193
Number of resolutions the manager was eligible to vote at over the year	39,493	71,658
What % of resolutions did the manager vote on for which they were eligible?	99.88%	99.79%
Of the resolutions, on which the manager voted, what % did they vote with management?	82.85%	80.24%
Of the resolutions, on which the manager voted, what % did they vote against management?	16.95%	18.85%
Of the resolutions, on which the manager voted, what % did they abstain from?	0.20%	0.91%
What % of resolutions, on which the manager voted, did they vote contrary to the recommendation of the proxy advisor? (if applicable)	11.74%	11.31%

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, and 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-2022/>

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

	Vote 1	Vote 2	Vote 3
Company name	Apple Inc.	Microsoft Corporation	Amazon.com, Inc.
Date of vote	4 March 2022	30 November 2021	26 May 2021
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.1%	1.0%	0.7%
Summary of the resolution	Resolution 9 - Report on Civil Rights Audit	Elect Director Satya Nadella	Resolution 1a: Elect Director Jeffrey P. Bezos
How the manager voted	LGIM voted in favour the resolution	LGIM voted against 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. 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 voted in favour as they support proposals related to diversity and inclusion policies as they consider these issues to be a material risk to companies.	LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. They believe these two roles are substantially different, requiring distinct skills and experiences. Furthermore, LGIM have published a guide for boards on the separation of the roles of chair and CEO (available on their website), and have reinforced their position on leadership structures across their stewardship activities.	
Outcome of the vote	53.6% of shareholders supported the resolution.	94.7% of shareholders supported the resolution.	95.1% of shareholders supported the resolution.
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on the issue and monitor company and market-level progress.	LGIM will continue to vote against combined Chairs and CEOs and will consider whether vote pre-declaration would be an appropriate escalation tool.	LGIM will continue to engage with their investee companies, publicly advocate their position on the issue and monitor company and market-level progress.

	Vote 1	Vote 2	Vote 3
Criteria on which the vote is considered "significant"	LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.	A vote linked to an LGIM engagement campaign, in line with the Investment Stewardship team's five-year ESG priority engagement themes.	LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).

Source: LGIM

LGIM Dynamic Diversified Fund

	Vote 1	Vote 2	Vote 3
Company name	Barrick Gold Corporation	Wheaton Precious Metals Corp	SBA Communications Corporation
Date of vote	4 May 2021	14 May 2021	13 May 2021
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.3%	0.3%	0.1%
Summary of the resolution	Resolution 1.2: Elect Director Gustavo A. Cisneros	Resolution a1: Elect Director George L. Brack	Resolution 1.2: Elect Director George R. Krouse, Jr.
How the manager voted	LGIM withheld this resolution	LGIM withheld 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. 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 views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf. For 10 years, LGIM have been using their position to engage with companies on this issue. In 2020, LGIM increased its expectations of gender diversity on the board by placing a vote against the largest 100 companies in the S&P500 and the S&P/TSX where there is less than 25% women on the board. In 2021, this was expanded to include all companies in the S&P 500 and the S&P/TSX. LGIM's expectation is for all companies in this market to reach a minimum of 30% women on the board and at senior management level by 2023.		The company is deemed to not meet minimum standards with regards to climate risk management and disclosure.
Outcome of the vote	93.0% of shareholders supported the resolution.	87.6% of shareholders supported the resolution.	90.0% of shareholder supported the resolution.
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on the issue and monitor company and market-level progress.	LGIM will continue to engage with their investee companies, publicly advocate their position on the issue and monitor company and market-level progress.	LGIM will continue to engage with the company and monitor progress.

	Vote 1	Vote 2	Vote 3
Criteria on which the vote is considered "significant"	LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.	LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.	LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, their flagship engagement programme targeting some of the world's largest companies on their strategic management of climate change.

Source: LGIM

Fund level engagement

The investment manager may engage with their investee companies on behalf of the Trustee. The table below provides a summary of the engagement activities undertaken by LGIM during the year for the relevant funds.

Please note that LGIM engage at a firm level as opposed to at a fund specific level.

Manager	LGIM
Fund name	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
Does the manager perform engagement on behalf of the holdings of the fund	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	This information was not provided as LGIM engage at a firm level as opposed to at a fund specific level.
Number of engagements undertaken at a firm level in the year	593
Examples of engagements undertaken with holdings in the fund	<p>The key engagement topics at a firm level over the year to 31 March 2022 included:</p> <ul style="list-style-type: none"> • Remuneration • Climate change • Board composition • (Ethnic) Diversity • Public Health • Strategy • Water • Energy • Climate impact pledge <p>An example is LGIM's engagement with Volkswagen AG in relation to the diesel emissions scandal. LGIM note the progress made by the company in its strategy towards the transition to a lower emission world, however they remain concerned about how Volkswagen have handled the 2015 diesel emissions scandal and therefore will continue to engage with them on this matter.</p>

How the SIP has been followed over the year

In the Trustees' opinion, the SIP has been met over the year in the following ways:

- The Plan offers a suitable default strategy for members. 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 2022.
- The Plan offers a range of self-select fund options which give members a reasonable choice from which to select their own strategy.
- The Trustee monitors the performance of the manager funds quarterly to ensure that the funds are meeting their stated objectives. 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's investment manager periodically attends Trustee meetings to provide insight into the Plan's funds and strategy performance.
- The Trustees have made no new manager appointments over the year.

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 2021.

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.

Prepared by the Trustee of the Keepmoat Pension Plan

June 2022