# *Implementation Statement, covering the Scheme Year from 1 April 2020 to 31 March 2021*

The Trustee of the Hoare's Bank Pension Scheme (the "Scheme") is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the voting and engagement policies in its Statement of Investment Principles ("SIP") during the Scheme Year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

## 1. Introduction

No changes were made to the voting and engagement policies in the SIP during the Scheme Year. The last time these policies were formally reviewed was February 2020.

The Trustee has, in its opinion, followed the Scheme's voting and engagement policies during the Scheme Year, by continuing to delegate to its investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes. The Trustee took a number of steps to review the Scheme's new and existing managers and funds over the period, as described in Section 2 (voting and engagement) below.

## 2. Voting and engagement

As part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to voting and engagement.

For example, over the Scheme Year, the Trustee received quarterly reports from its investment consultant, LCP, relating to the Scheme's investment managers and mandates. As part of these reports, LCP updates the Trustee on developments relating to the Scheme's managers, including any material issues relating to ESG factors, voting and engagement, based on LCP's ongoing manager research programme. The Trustee was satisfied with these updates and no further action was taken.

Over the Scheme Year, the Trustee invested in a new short duration credit mandate (invested through LGIM's DB investment platform, but managed by BlackRock). BlackRock's responsible investment credentials, including on voting and engagement, were considered by LCP when putting this mandate forward to the Trustee.

## 3. Description of voting behaviour during the Scheme Year

All of the Trustee's holdings in listed equities are within pooled funds and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the Scheme Year.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, on the Scheme's funds that hold equities as follows:

- LGIM Future World Fund - GBP Hedged;
- LGIM All World Equity Index Fund - GBP Hedged; and
- LGIM PMC Baillie Gifford Diversified Growth Fund.

The Trustee is not aware of any voting opportunities from the other pooled funds that the Scheme invested in over the Scheme Year.

### 3.1 Description of the voting processes

#### Legal & General Investment Management ("LGIM")

All proxy voting decisions are made by LGIM's Investment Stewardship team and in accordance with its relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures its stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

LGIM's Investment Stewardship team uses ISS's 'Proxy Exchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and it does not outsource any part of the strategic decisions. Its use of ISS recommendations is purely to augment its own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services ("IVIS") to supplement the research reports that it receives from ISS for UK companies when making specific voting decisions.

To ensure its proxy provider votes in accordance with its position on ESG, LGIM has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM considers are minimum best practice standards which it believes all companies globally should observe, irrespective of local regulation or practice.

LGIM retains the ability in all markets to override any vote decisions, which are based on its custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows it to apply a qualitative overlay to its voting judgement. LGIM has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by its service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

### Baillie Gifford & Co ("Baillie Gifford")

All voting decisions are made by Baillie Gifford's Governance & Sustainability team in conjunction with investment managers. It does not regularly engage with clients prior to submitting votes, however if a segregated client has a specific view on a vote then Baillie Gifford will engage with them on this. If a vote is particularly contentious, Baillie Gifford may reach out to clients prior to voting to advise them of this or request them to recall any stock on loan.

Baillie Gifford believes that voting should be investment led, because how it votes is an important part of the long-term investment process, which is why it is a strong preference to be given this responsibility by its clients. The ability to vote on its clients' shares also strengthens its position when engaging with investee companies.

Baillie Gifford's Governance and Sustainability team oversees its voting analysis and execution in conjunction with its investment managers. Baillie Gifford does not outsource any part of the responsibility for voting to third-party suppliers. Baillie Gifford utilises research from proxy advisers (ISS and Glass Lewis) for information only. Baillie Gifford analyses all meetings in-house in line with its Governance & Sustainability Principles and Guidelines and it endeavours to vote every one of its clients' holdings in all markets.

### 3.2 Summary of voting behaviour over the Scheme Year

A summary of voting behaviour over the period is provided in the table below.

| | Fund 1 | Fund 2 | Fund 3 |
|---|---|---|---|
| Manager name | Legal and General Investment Management | Legal and General Investment Management | Baillie Gifford & Co[1] |
| Fund name | LGIM Future World Fund - GBP Hedged | LGIM All World Equity Index Fund - GBP Hedged | LGIM PMC Baillie Gifford Diversified Growth Fund |
| Total size of fund at end of reporting period | £3,354.5m | £4,291.7m | £6,131.6m |
| Value of Scheme assets at end of reporting period | £2.7m | £4.8m | £7.3m |
| Number of equity holdings at end of reporting period | 2,181 | 4,077 | 112 |
| Number of meetings eligible to vote | 3,250 | 6,779 | 103 |
| Number of resolutions eligible to vote | 39,016 | 70,672 | 925 |
| % of resolutions voted | 99.80% | 99.85% | 96.00% |

| | | | |
|---|---|---|---|
| Of the resolutions on which voted, % voted with management | 81.79% | 83.25% | 93.58% |
| Of the resolutions on which voted, % voted against management | 17.61% | 15.96% | 5.18% |
| Of the resolutions on which voted, % abstained from voting | 0.60% | 0.79% | 1.24% |
| Of the meetings in which the manager voted, % with at least one vote against management | 5.69% | 5.59% | 16.50% |
| Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor | 0.29% | 0.20% | N/A[2] |

[1] *The Scheme invests in the Baillie Gifford Diversified Growth Fund through LGIM's DB investment platform.*

[2] *Whilst Baillie Gifford is cognisant of its proxy advisers' voting recommendations (ISS and Glass Lewis), it does not delegate or outsource any of its stewardship activities or follow or rely upon its proxy advisers' recommendations when deciding how to vote on its clients' shares. All client voting decisions are made in-house and line with Baillie Gifford's in-house policy and not with the proxy voting providers' policies.*

### 3.3 Most significant votes over the Scheme Year

Commentary on the most significant votes over the period, from the Scheme's asset managers who hold listed equities, is set out below.

### LGIM

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:

- 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 vote;
- Sanction vote as a result of a direct or collaborative engagement; and
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

For the Scheme's equity investments with LGIM, the Trustee has selected a subset of the "most significant votes" provided by the manager by taking into account votes linked to LGIM's engagement themes and significant responsible investment matters (eg climate change).

**The Procter & Gamble Company ("P&G"), US, October 2020**. **Vote**: For. **Outcome of the vote**: Pass

**Summary of resolution:** Report on effort to eliminate deforestation.

**Rationale:** P&G uses both forest pulp and palm oil as raw materials within its household goods products. The company has only obtained certification from the Roundtable on Sustainable Palm Oil for one third of its palm oil supply, despite setting a goal for 100% certification by 2020. Two of their Tier 1 suppliers of palm oil were linked to illegal deforestation. Finally, the company uses mainly Programme for the Endorsement of Forest Certification wood pulp rather than Forestry Stewardship Council ("FSC") certified wood pulp. Palm oil and Forest Pulp are both considered leading drivers of deforestation and forest degradation, which is responsible for approximately 12.5% of greenhouse gas emissions that contribute to climate change. The fact that Tier 1 suppliers have been found to have links with deforestation calls into question due diligence and supplier audits. Only FSC certification offers guidance on land tenure, workers', communities and indigenous people's rights and the maintenance of high conservation value forests. LGIM has asked P&G to respond to the CDP Forests Disclosure and continue to engage on the topic and push other companies to ensure more of their pulp and wood is from FSC certified sources.

**Criteria against which this vote has been assessed as “most significant”:** It is linked to LGIM’s five-year strategy to tackle climate change and attracted a great deal of client interest.

**Walgreens Boots Alliance Inc, USA, January 2021. Vote:** Against. **Outcome of the vote**: Did not pass

**Summary of resolution:** Advisory vote to ratify named executive officer’s compensation.

**Rationale:** The company’s compensation committee applied discretion to allow a long-term incentive plan award to vest when the company had not even achieved a threshold level of performance. This is an issue because investors expect pay and performance to be aligned; as such exercising it over a year in which the company’s earnings per share (“EPS”) declined by 88% caused a significant misalignment between pay and performance. LGIM does not generally support the application of retrospective changes to performance conditions. Although the company was impacted by the pandemic, many of its shops remained open as they were considered an essential retailer. The company did not provide sufficient justification for the level of discretion applied which resulted in the payment of 94,539 shares or approximately $3.5m to the CEO in respect of the 2018-2020 award, which would otherwise have resulted in zero shares vesting.

**Criteria against which this vote has been assessed as “most significant”:** The vote was high-profile and controversial.

**Whitehaven Coal, Australia, November 2020. Vote:** For. **Outcome of the vote**: Did not pass

**Summary of resolution:** Approve capital protection. Shareholders are asking the company for a report on the potential wind-down of the company’s coal operations, with the potential to return increasing amounts of capital to shareholders.

**Rationale:** The role of coal in the future energy mix is increasingly uncertain, due to the competitiveness of renewable energy, as well as increased regulation: in Q4 2020 alone three of Australia’s main export markets for coal – Japan, South Korea and China – announced targets for carbon neutrality around 2050. 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.

**Criteria against which this vote has been assessed as “most significant”:** The vote received media scrutiny and is emblematic of a growing wave of ‘green’ shareholder activism.

**ExxonMobil, US, May 2020. Vote:** Against. **Outcome of the vote**: Pass

**Summary of resolution:** Elect Director Darren W. Woods.

**Rationale:** In June 2019, under LGIM’s annual 'Climate Impact Pledge' ranking of corporate climate leaders and laggards, LGIM announced that it would be removing ExxonMobil from its Future World fund range, and would be voting against the chair of the board. Ahead of the company’s annual general meeting in May 2020, LGIM also announced that it would be supporting shareholder proposals for an independent chair and a report on the company’s political lobbying. Due to recurring shareholder concerns, LGIM’s voting policy also sanctioned the reappointment of the directors responsible for nominations and remuneration.

**Criteria against which this vote has been assessed as “most significant”:** LGIM voted against the chair of the board as part of its 'Climate Impact Pledge' escalation sanction.

### Baillie Gifford

In determining significant votes, Baillie Gifford considered the following:

- Baillie Gifford’s holding had a material impact on the outcome of the meeting;
- The resolution received 20% or more opposition and Baillie Gifford opposed;
- Egregious remuneration;
- Controversial equity issuance;
- Shareholder resolutions that Baillie Gifford supported and received 20% or more support from shareholders;

- Where there has been a significant audit failing;
- Where Baillie Gifford has opposed mergers and acquisitions;
- Where Baillie Gifford has opposed the financial statements/annual report; and
- Where Bailie Gifford has opposed the election of directors and executives.

For the diversified growth mandate, the Trustee has selected a subset of the "most significant votes" provided by Baillie Gifford in which the manager has voted against the resolutions on remuneration, as well as votes relating to securities that comprise a significant proportion of the diversified growth mandate's equity assets.

**Ediston Property Investment Company Plc, UK, February 2021. Vote:** Against. **Outcome of the vote**: Pass

**Summary of resolution:** Remuneration Policy

**Rationale:** Baillie Gifford opposed the resolution to approve the remuneration policy because it was concerned that an additional fee proposed for the Senior Independent Director could impact his independence.

**Criteria against which this vote has been assessed as "most significant":** This resolution is significant because Baillie Gifford opposed remuneration.

**Gecina, France, April 2020. Vote:** Against. **Outcome of the vote**: Pass

**Summary of resolution:** Incentive Plan

**Rationale:** Baillie Gifford opposed three resolutions relating to remuneration as it did not believe there was sufficient alignment between pay and performance.

**Criteria against which this vote has been assessed as "most significant":** This resolution is significant because Baillie Gifford opposed remuneration.

**Merlin Properties, Spain, June 2020. Vote:** Against. **Outcome of the vote**: Pass

**Summary of resolution:** Remuneration Policy

**Rationale:** Baillie Gifford opposed the resolution to approve the Remuneration Report because of concerns with quantum.

**Criteria against which this vote has been assessed as "most significant":** This resolution is significant because Baillie Gifford opposed remuneration.