

# Implementation Statement - Scottish Branch British Red Cross Society Retirement Benefits Scheme

## Scheme year ended 31 December 2020

This statement sets out:

- How the Trustees' policies on exercising rights (including voting rights) and engagement policies have been followed over the year to 31 December 2020; and
- The voting behaviour of the Trustees, or that undertaken on their behalf, over the year to 31 December 2020.

## How voting and engagement policies have been followed

The Scheme invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the fund managers.

The Trustees have reviewed the stewardship and engagement activities of the current managers during the year and were satisfied that their policies were reasonable and no remedial action was required during the period.

Annually the Trustees receive and review voting information and engagement policies from the asset managers, which they review to ensure alignment with the Trustees' policies.

Having reviewed the above in accordance with their policies, the Trustees are comfortable the actions of the fund manager is in alignment with the Scheme's stewardship policies.

## Voting undertaken on behalf of the Trustees

Voting only applies to equities held in the portfolio. The Scheme's equity investments are held through a pooled fund managed by LGIM. The investment manager votes on behalf of the Trustees.

The table below provides a summary of the voting activity undertaken by LGIM during the year.

Manager	LGIM Global Equity Market Weights (30:70) Index Fund – GBP 75% Currency Hedged
<b>Structure</b>	Pooled
<b>Ability to influence voting behaviour of manager</b>	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.
<b>Number of company meetings the manager was eligible to vote at over the year</b>	7,188
<b>Number of resolutions the manager was eligible to vote on over the year</b>	77,223
<b>Percentage of resolutions the manager voted on</b>	99.7%
<b>Percentage of resolutions the manager abstained from, as a percentage of the total number of resolutions voted on</b>	0.7%
<b>Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on</b>	84.5%
<b>Percentage of resolutions voted <i>against</i> management, as a percentage of the total number of resolutions voted on</b>	14.8%
<b>Percentage of resolutions voted contrary to the recommendation of the proxy advisor</b>	0.2%

## Significant votes

For the first year of implementation statements we have delegated to the investment manager to define what a “significant vote” is. A summary of the data they have provided is set out below.

### LGIM - Global Equity Market Weights (30:70) Index Fund – GBP 75% Currency Hedged

	Vote 1	Vote 2	Vote 3	Vote 4
<b>Company name</b>	International Consolidated Airlines Group	SIG plc.	Lagardere	The Procter & Gamble Company (P&G)
<b>Date of vote</b>	07-09-2020	09-07-2020	05-05-2020	13-10-2020
<b>Summary of the resolution</b>	Approve remuneration report	Approve one-off payment to interim CEO	Proposal of 8 new directors to the Supervisory Board of Lagardere, as well as to remove all the incumbent directors.	Report on effort to eliminate deforestation.
<b>How the manager voted</b>	Against	Against	For five of the proposed candidates and the removal of five of the incumbent directors.	For
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. 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.		-	-
<b>Rationale for the voting decision</b>	The COVID-19 crisis and its consequences on international transport have negatively impacted this airline company's financial performance and business model.  LGIM encouraged the board to demonstrate restraint and discretion with its executive remuneration,	The company wanted to grant their interim CEO a one-off award of £375,000. The one-off payment was outside the scope of their remuneration policy and on top of his existing remuneration.  LGIM does not generally support one-off payments, believing that the	The company's limited partnership structure means the managing partner has a significant hold on the company's strategy decisions despite only having 7% share capital.  The company strategy had not been value-enhancing and the governance structure of the company was not	P&G uses both forest pulp and palm oil as raw materials within its household goods products. Two of their Tier 1 suppliers of palm oil were linked to illegal deforestation.  Following a round of extensive engagement on the issue, LGIM decided to support the resolution.

	Vote 1	Vote 2	Vote 3	Vote 4
	particularly given the fact that the company took up support under various government schemes and also announced a 30% cut to its workforce.	remuneration committee should ensure that executive directors have a remuneration policy in place that is appropriate for their role and level of responsibility.	allowing the Supervisory Board to challenge management on this.	Although P&G has introduced a number of objectives and targets to ensure their business does not impact deforestation, LGIM felt it was not doing as much as it could.
<b>Outcome of the vote</b>	28.4% of shareholders opposed the remuneration report.	The resolution passed, although 44% of shareholders did not support it.	Approx. 30 - 40% of shareholders voted in favour of the new candidates.	The resolution received the support of 67.68% of shareholders.
<b>Implications of the outcome</b>	LGIM will continue to engage closely with the renewed board.	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.	LGIM will continue to engage with the company to understand its future strategy and how it will add value to shareholders over the long term, as well as to keep the structure of the Supervisory Board under review.	LGIM will continue to engage with P&G on the issue and will monitor its CDP disclosure for improvement.
<b>Criteria on which the vote is considered "significant"</b>	LGIM considers this vote significant as it illustrates the importance for investors of monitoring their investee companies' responses to the COVID crisis.	The vote is high-profile and controversial.	LGIM noted significant media and public interest on this vote given the proposed revocation of the company's board.	It is linked to LGIM's five-year strategy to tackle climate change and attracted a great deal of client interest.

## Fund level engagement

The investment managers may engage with their investee companies on behalf of the Trustees. The table below provides a summary of the engagement activity undertaken by managers during the year. The LGIM passive gilt funds have very limited scope to engage with its investees due to the nature of the fund (short duration), hence the engagement data is not provided.

Manager	LGIM	Insight
<b>Fund name</b>	Global Equity MW (30:70) – 75% GBP Hgd	Buy & Maintain Bond Fund
<b>Does the manager perform engagement on behalf of the holdings of the fund</b>	Yes	Yes
<b>Has the manager engaged with companies to influence them in relation to ESG factors in the year?</b>	Yes	Yes
<b>Number of entities engaged relevant to the strategy</b>	Information not provided by the manager.	76
<b>Number of engagements undertaken at a firm level in the year</b>	891*	786
<b>Examples of engagements undertaken with holdings in the fund</b>	LGIM have engaged with companies on topics such as climate change, remuneration, diversity and Covid-19.	Insight have engaged with companies on ESG considerations and the transition to a low carbon economy.

\*The data provided for LGIM is for their main FTSE pooled index funds.

## Summary

Based on the information received, the Trustees believe that the investment managers have acted in accordance with the Scheme's stewardship policies. The Trustees are supportive of the key voting action taken by the applicable fund managers over the period to encourage positive governance changes in the companies in which the managers hold shares.

The Trustees and their investment consultant are working with the investment managers to provide additional information in the future, in order to enhance their ability to assess the investment managers' actions.

**Prepared by the Trustees of the Scottish Branch British Red Cross Society Retirement Benefits Scheme April 2021**