

John Grooms Pension and Assurance Scheme Implementation Statement for the year ended 31 March 2021

Purpose

This Implementation Statement provides information on how, and the extent to which, the Trustees of the John Grooms Pension and Assurance Scheme ("the Scheme") have followed their policy in relation to the exercising of rights (including voting rights) attached to the Scheme's investments, and engagement activities during the year ended 31 March 2021 ("the reporting year"). In addition, the statement provides a summary of the voting behaviour and votes cast during the reporting year.

Background

In Q2 2019, the Trustees received training on Environmental, Social and Governance ("ESG") issues from their Investment Adviser, XPS Investment ("XPS") and discussed their beliefs around those issues. This enabled the Trustees to consider how to update their policy in relation to ESG and voting issues which, up until that point, had simply been a broad reflection of the investment managers' own equivalent policies. The Trustees' new policy was documented in the updated Statement of Investment Principles dated September 2020.

The Trustees' updated policy

The Trustees believe that there can be financially material risks relating to ESG issues. The Trustees have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme's investment managers. The Trustees require the Scheme's investment managers to take ESG and climate change risks into consideration within their decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustees have delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the investment managers and encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.

Manager selection exercises

One of the main ways in which this updated policy is expressed is via manager selection exercises: the Trustees seek advice from XPS on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises.

During the reporting year, there have been no such manager selection exercises.

Ongoing governance

The Trustees, with the assistance of XPS, monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in this statement. Further, the Trustees have set XPS the objective of ensuring that any selected managers reflect the Trustees' views on ESG (including climate change) and stewardship.

During the reporting year, the Trustees commissioned a report from XPS on the extent to which ESG considerations are incorporated into the investment processes of the investment manager organisations appointed to the Scheme. The Trustees recognise that the level of ESG integration within the investment processes is dependent on the asset class in question.

The report was discussed at one of their regular meetings. One of the areas considered by the report was stewardship, which relates to influencing a company in which the Scheme is ultimately invested via the funds held within the Scheme's portfolio. Companies can be influenced through meaningful engagement and using voting rights to drive long term positive change in their policies and practices. The report rated each investment manager organisation in this area and on ESG matters overall. The meeting concluded that the ESG capabilities of the investment managers were satisfactory for the Scheme overall, but noted that some practices were assessed as poor for some of the funds in which the Scheme invests. ESG issues will be kept under review as part of the quarterly monitoring process and the Trustees will communicate their concerns with the relevant investment manager organisations when, for example, they present at meetings.

Beyond the governance work currently undertaken, the Trustees believe that their approach to, and policy on, ESG matters will evolve over time based on developments within the industry and, at least partly, on a review of data relating to the voting and engagement activity conducted annually. Stewardship and ESG matters are therefore regularly discussed at Trustees' meetings.

Adherence to the Statement of Investment Principles

During the reporting year the Trustees are satisfied that they followed their policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree.

Overall, the Trustees were satisfied that they followed their policy on the policies which were in place throughout the reporting year on the exercise of rights (including voting rights) and engagement activities to an acceptable degree.

Voting activity

The main asset class where the investment managers will have voting rights is equities. As the Scheme has specific allocations to public equities, a summary of the voting behaviour and votes cast by each of the relevant investment manager organisations is shown below.

Please note that the information on the managers' voting activity has been provided by the investment managers, and this is reflected in the use of "we" or "our" throughout. Any opinions contained in the following pages do not necessarily reflect the views of the Trustees.

Voting Information

Investment Manager Client Consultation Policy on Voting

BlackRock's engagement priorities are global in nature and are informed by BlackRock's observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients. BlackRock welcome discussions with its clients on engagement and voting topics and priorities to get its perspective and better understand which issues are important to them. If a client wants to implement their own voting policy, they will need to be in a segregated account. BlackRock's Investment Stewardship team would not implement the policy, but the client would engage a third-party voting execution platform to cast the votes.

Investment Manager Process to determine how to Vote

BlackRock's voting guidelines are market-specific to ensure it takes into account a company's unique circumstances by market, where relevant. BlackRock inform its vote decisions through research and engage as necessary. BlackRock's voting guidelines are intended to help clients and companies understand its thinking on key governance matters. They are the benchmark against which it assesses a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting.

How does this manager determine what constitutes a 'Significant' Vote?

During the period 1 April 2020 to 31 March 2021, BlackRock Investment Stewardship periodically published detailed explanations of specific key votes in "vote bulletins". These bulletins are intended to explain BlackRock's vote decision, including the analysis underpinning it and relevant engagement history when applicable, on certain high-profile proposals at company shareholder meetings. BlackRock make this information public shortly after the shareholder meeting, so clients and others can be aware of its vote determination when it is most relevant to them. BlackRock consider these vote bulletins to contain explanations of the most significant votes.

Does the manager utilise a Proxy Voting System? If so, please detail

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS), which consists of three regional teams – Americas ("AMRS"), Asia-Pacific ("APAC"), and Europe, Middle East and Africa ("EMEA"). Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Corporate Governance and Engagement Principles and custom market specific voting guidelines. While BlackRock subscribe to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one among many inputs into its vote analysis process, and BlackRock do not blindly follow their recommendations on how to vote. BlackRock primarily use proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that its investment stewardship analysts can readily identify and prioritise those companies where its own additional research and engagement would be beneficial.

BlackRock Aquila Life (50:50) Global Equity Fund		
Voting summary		
The manager voted on 94.2% of resolutions of which they were eligible out of 35,781 eligible votes.		
5 Significant Votes during the Period		
Company	Voting Subject	How did the Investment Manager Vote?
3i Group Plc	Re-elect Jonathan Asquith as Director	For
n/a		
ACS Actividades de Construcción y Servicios SA	Approve Scrip Dividends and Approve Reduction in Share Capital via Amortization of Treasury Shares	For
n/a		
Adobe Inc.	Report on Gender Pay Gap	Against
Company already has policies in place to address these issues.		
AIA Group Limited	Approve New Share Option Scheme and Terminate Existing Share Option Scheme	For
n/a		
Alphabet Inc.	Assess Feasibility of Including Sustainability as a Performance Measure for Senior Executive Compensation	Against
Company already has policies in place to address these issues.		

BlackRock Aquila Life MSCI World Fund		
Voting summary		
The manager voted on 90.7% of resolutions of which they were eligible out of 15,759 eligible votes.		
5 Significant Votes during the Period		
Company	Voting Subject	How did the Investment Manager Vote?
3i Group Plc	Re-elect Caroline Banszky as Director	For
n/a		
AstraZeneca Plc	Approve Remuneration Policy	For
n/a		
Aviva Plc	Approve Remuneration Report	For
n/a		
Barclays Plc	Approve Barclays' Commitment in Tackling Climate Change	For
n/a		
BNP Paribas SA	Approve Remuneration Policy of CEO and Vice-CEO	For
n/a		