

Connect Pension and Life Assurance Scheme

Implementation Statement

Scheme year end 30 June 2020

Purpose of the Implementation Statement

The Implementation Statement has been prepared by the Trustees of the Connect Pension and Life Assurance Scheme ("the Scheme") and sets out:

- How the Trustees' policies on exercising rights (including voting rights) and engagement policies have been followed over the year.
- The voting behaviour of the Trustees, or that undertaken on their behalf, over the year to 30 June 2020.

How voting and engagement policies have been followed

The Trustees consider their voting and engagement policies have been met in the following ways:

- At the Scheme year-end, the Scheme's investment managers were: Legal & General Investment Management and Columbia Threadneedle Investments. The Trustees regularly consider the performance of the funds and any significant developments. Over the Scheme year, the Trustees reviewed the ESG and Stewardship considerations in relation to their investment managers.
- The Scheme invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the Scheme's fund managers. However, during the year under review the Trustees invited LGIM to present at a Trustee meeting to question the manager's voting behaviour, in relation to ESG factors and specifically regarding employment rights, gender equality and ethnic diversity.
- The Trustees undertook an initial review of the stewardship and engagement activities of the current managers in May 2019 and were satisfied that their policies were reasonable and in alignment with the Trustees' own policies. No remedial action was required during the period, but the Trustees keep this continually under review.
- Having reviewed the above in accordance with their policies, the Trustees are comfortable the actions of the Scheme's investment managers are in alignment with the Scheme's ESG and Stewardship policies.

The table below provides an indication of the asset managers' overall voting and engagement activities.

Voting Data

The voting data collated for Scheme is given over the year to 30 June 2020.

Legal & General engage with companies at a firmwide (rather than individual fund) level as they are predominantly a passive manager, voting data is therefore provided at a firmwide level.

The voting data provided by Columbia Threadneedle is specific for the pooled version Dynamic Real Return Fund, which the Scheme invests in.

Manager	Legal & General Investment Management	Columbia Threadneedle Investments
Fund name	Passive equities: Ethical Global Equity Index	Diversified Growth: Columbia Threadneedle Dynamic Real Return Fund
Structure	Pooled	
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour	
Number of resolutions the manager was eligible to vote at over the year	59,858	4,605
What % of resolutions did you vote on for which you are eligible?	99.4%	98%
What % of resolutions, for which you were eligible to vote, did you abstain from?	0.6%	2.5%
Of the resolutions, on which you voted, what % did you vote with management?	82.5%	89.2%
Of the resolutions, on which you voted, what % did you vote against management?	17.5%	8.9%
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy advisor? (if applicable)	<i>Data not provided (please see the below paragraph for an explanation of the use of proxy voting services)</i>	

Source: Legal & General Investment Management and Columbia Threadneedle Investments

Legal & General and Columbia Threadneedle Investments both employ the use of Institutional Shareholder Services (ISS) as a proxy voting service. Columbia Threadneedle also employ Glass Lewis and the Institutional Voting Information Service (IVIS).

Legal & General and Columbia Threadneedle have both stated that they only employ these proxy voting advisors for research purposes, and therefore do not keep a record of when they vote against the advice of these advisors because they maintain their own custom voting policy.

There are no voting rights attached to the other assets held by the Scheme, which include government bonds, therefore no voting information is shown above for these assets.

Significant votes

This is the Scheme's first implementation statement and at this point in time, the Trustees have delegated to the investment managers to define what a "significant vote" is.

A summary of the key voting action the managers have provided is set out below.

It should be noted that LGIM only began to define what a "significant vote" was in the second quarter of 2020 (this is highlighted in the below table). Therefore any information provided in this statement relating to earlier periods reflects voting policies announced by LGIM in the relevant period as opposed to what they have labelled "significant" votes.

Manager	Key voting action over the year
<p>LGIM Funds:</p> <p>LGIM Ethical Global Equity Fund</p>	<p>From 1 January 2020 LGIM announced that they would be voting against the largest 100 companies in the S&P500 Index that have less than 25% women on the board, and have announced that they will strengthen this policy to include all companies in the S&P500 from 2021.</p> <p>LGIM announced their decision to vote against all companies where the Board chair also acts as CEO from 1 January 2020 (excluding Japan due to unique structure).</p> <p>LGIM announced their decision to vote against all companies in the Japanese large-cap TOPIX 100 Index that do not have at least one female board member. This policy also took effect from 1 January 2020.</p> <p>Ahead of the 2019 Metro Bank annual general meeting, LGIM publicly pre-announced their intention to vote against the board chair, members of the audit committee, and directors over whom they had independence concerns.</p> <p>LGIM have also signed up to a climate impact pledge under which they divest from companies that do not meet their requirements following a period of engagement. Over 2019, this involved LGIM taking action against 11 companies.</p> <p>LGIM co-filed their first ever shareholder resolution over the year to 31 March 2020. LGIM and other major shareholders put forward a proposal calling on BP to explain how its strategy is consistent with the Paris Agreement on climate change. Following the success of this resolution BP announced it will become a 'net zero greenhouse gas emissions' company by 2050.</p> <p>Legal & General began defining "significant votes" from 1 April 2020 onwards At the end of March, Barclays PLC published its ESG report and issued a statement outlining the target of aligning the entire business to the goals of the Paris Agreement. LGIM endorsed this proposal at the May 2020 Annual General Meeting (AGM).</p>

A proposal was put forward by a shareholder to the AGM of Lagardère to remove all incumbent directors and appoint eight proposed new directors to the supervisory board. This was due to the managing partner of the limited partnership structure having “too tight a grip” on the company despite only having a small amount of the share capital and voting rights. When this type of proposal is taken to an AGM, LGIM engages with both the shareholder who initiated the proposal and the company to understand both perspectives. LGIM voted in favour of five out of eight of the shareholders’ proposed new directors. LGIM notes this as a significant vote due to the significant media and public interest of this issue.

LGIM’s ESG Active View tool raised red flags about Wirecard’s governance, in particular accounting irregularities. In LGIM’s view the company management’s responses to the accounting allegations were considered unsatisfactory, with some of the responses even more concerning than the allegations themselves. Given these concerns, at the company’s 2019 AGM, LGIM cast a vote of no confidence. On the 25 June 2020 the company filed for insolvency after admitting the €1.9 billion of cash on its balance sheet did not exist, the CEO at the time of the fraud was subsequently arrested. LGIM notes this as a significant vote now given the implications of the scandal during the second quarter of 2020.

Data on significant votes was requested from Columbia Threadneedle, to which the manager responded that they define a “significant vote” as one where they have voted against management.

Over the year to 30 June 2020 Columbia Threadneedle, as a firm, have voted against management on 6,111 separate items. The Trustees’ investment consultant is liaising with Columbia Threadneedle to improve delivery of significant vote data in future, and we understand that the managers are working to improve their disclosures.

There are no voting rights attached to the Scheme’s investment in government bonds, and therefore no voting data is shown for these assets.

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 activities undertaken by each manager during the year for the relevant funds. Engagement activities are not undertaken in respect of government bond holdings.

Manager	Legal & General Investment Management	Columbia Threadneedle Investments
Fund name	Passive equities: Ethical Global Equity Index	Diversified Growth: Columbia Threadneedle Dynamic Real Return Fund
Does the manager perform engagement on behalf of the holdings of the funds		Yes
Number of engagements undertaken on behalf of the holdings of the fund		<i>Data not provided</i>

Manager	Legal & General Investment Management	Columbia Threadneedle Investments
Number of engagements undertaken at a firm level in the year	Engaged with 557 companies <i>(659 individual engagements within these companies)</i>	Engaged with 112 companies <i>(141 individual engagements within these companies)</i>

Source: Legal & General Investment Management and Columbia Threadneedle Investments

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 investment 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, including where indicated above, in order to enhance their ability to assess the investment managers' actions. The Trustees are also planning to liaise with the Trustees of the other pension schemes in Prospect and with the sponsoring employer to develop a common approach to stewardship and engagement.

Prepared by the Trustees of the Connect Pension and Life Assurance Scheme

November 2020