

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

The Trustees of the Marubeni UK Pension and Life Assurance Fund (the “Fund”) are required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed the voting and engagement policies in their Statement of Investment Principles (“SIP”) during the Fund Year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Fund 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 Fund Year. The stewardship policy in the SIP was last updated in August 2019.

The Trustees have, in their opinion, followed the Fund’s voting and engagement policies during the Fund Year, by continuing to delegate to their 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 Trustees took steps to review the Fund’s new 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 Fund’s investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers’ approaches to voting and engagement.

The Trustees invested in a new pooled fund, the BlackRock Sterling Short Duration Credit Fund in March 2021. Part of LCP’s assessment of the BlackRock fund prior to recommending it to the Trustee is to review BlackRock’s approach to Stewardship and Responsible Investment.

During the year, the Trustees also received training on relevant climate risks and regulations for DB schemes with further training on climate risk and opportunities to take place in 2021.

## **3. Description of voting behaviour during the Fund Year**

All of the Trustees’ holdings in listed equities are within pooled funds and the Trustees have delegated to their investment managers the exercise of voting rights. Therefore the Trustees are not able to direct how votes are exercised and the Trustees themselves have not used proxy voting services over the Fund Year.

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

- BlackRock Aquila Life MSCI World Fund;
- BlackRock Aquila Life MSCI World Fund (Currency Hedged); and
- Baillie Gifford Multi Asset Growth Fund (to the Fund’s redemption on 7 December 2020).

Note that the Fund fully redeemed from the BlackRock Aquila Life MSCI World Fund and the BlackRock Aquila Life MSCI World Fund (Currency Hedged) funds on 16 March 2021, however the voting data provided is for the year long period to 31 March 2021 as BlackRock is unable to provide data for part year periods.

The Fund invested in the BlackRock Sterling Short Duration Credit Fund on 11 March 2021, because it was invested in so close to the end of the Fund year we did not ask BlackRock to comment on whether the fund had any voting opportunities as this period was deemed immaterial. None of the other pooled funds that the Fund invested in over the Fund Year held any assets with voting opportunities.

### **12.1 Description of the voting processes**

#### **BlackRock**

In response to the LCPs’ requests BlackRock provided the following wording to describe its voting practices:

*Voting decisions are made by members of the BlackRock Investment Stewardship team with input from the wider investment team as required, in accordance with BlackRock's Global Corporate Governance and Engagement Principles and custom market-specific voting guidelines.*

*BlackRock takes a case-by-case approach to the items put to a shareholder vote. Analysis is informed by internally-developed proxy voting guidelines, its pre-vote engagement with the company, its research, and any situational factors for a particular company.*

*BlackRock aims to vote at all shareholder meetings of companies in which its clients are invested. In cases where there are significant obstacles to voting, such as share blocking or requirements for a power of attorney, BlackRock will review the resolutions to assess the extent of the restrictions on voting against the potential benefits.*

*BlackRock generally prefers to engage with the company in the first instance where there are concerns and give management time to address the issue.*

*BlackRock will vote in favour of proposals where it supports the approach taken by a company's management or where it has engaged on matters of concern and anticipates management will address them. BlackRock will vote against management proposals where it believes the board or management may not have adequately acted to advance the interests of long-term investors. BlackRock ordinarily refrains from abstaining from both management and shareholder proposals, unless abstaining is the valid vote option (in accordance with company by-laws) for voting against management, there is a lack of disclosure regarding the proposal to be voted, or an abstention is the only way to implement its voting intention.*

*Whilst BlackRock does subscribe to research from the proxy advisory firms, ISS and Glass Lewis, this is just one among many inputs into its voting decision process. BlackRock primarily uses proxy research firms to transform corporate governance information and analysis into a concise, easily reviewable format so that BlackRock's investment stewardship analysts can readily identify and prioritise those companies where its own additional research and engagement would be beneficial. Other sources of information BlackRock uses includes the company's own reporting (such as the proxy statement and the website), its engagement and voting history with the company, the views of its active investors, public information and ESG research.*

*BlackRock has for over a decade also used an independent fiduciary, Sustainalytics, to vote proxies where they are required by regulation not to vote themselves or where there are actual or perceived conflicts of interest. The independent fiduciary makes voting decisions based solely on BlackRock's publicly available proxy voting guidelines, which aim to advance their clients' long-term economic interests, and public information disclosed by the relevant company. Sustainalytics, may engage with companies at its discretion to ask clarifying questions or in response to a company's request for engagement on voting matters, though it is not authorised to represent BlackRock's views. BlackRock are committed to enhancing the transparency of their stewardship practices. Where they believe it will help to understand the voting decisions at shareholder meetings, BlackRock will publish a Voting Bulletin explaining the rationale for how they or, in this case, the independent fiduciary, have voted on select resolutions, and (where relevant) provide information around their engagement with the issuer.*

## **Baillie Gifford**

In response LCPs questions Baillie Gifford provided the following wording to describe its voting practices:

### What is your policy on consulting with clients before voting?

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

### Please provide an overview of your process for deciding how to vote.

*Thoughtful voting of our clients' holdings is an integral part of our commitment to stewardship. We believe that voting should be investment led, because how we vote is an important part of the long-term investment process, which is why our strong preference is to be given this responsibility by our clients. The ability to vote our clients' shares also strengthens our position when engaging with investee companies. Our Governance and Sustainability team oversees our voting analysis and execution in conjunction with our investment managers. Unlike many of our peers, we do not outsource any part of the responsibility for voting to third-party suppliers. We utilise research from proxy advisers for information only. Baillie Gifford analyses all meetings in-house in line with our Governance & Sustainability Principles and Guidelines and we endeavour to vote every one of our clients' holdings in all markets.*

### How, if at all, have you made use of proxy voting services?

Whilst we are cognisant of proxy advisers' voting recommendations (ISS and Glass Lewis), we do not delegate or outsource any of our stewardship activities or follow or rely upon their recommendations when deciding how to vote on our clients' shares. All client voting decisions are made in-house. We vote in line with our in-house policy and not with the proxy voting providers' policies. We also have specialist proxy advisors in the Chinese and Indian markets to provide us with more nuanced market specific information.

What process did you follow for determining the "most significant" votes?

The list below is not exhaustive, but exemplifies potentially significant voting situations:

- 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 we have opposed mergers and acquisitions
- Where we have opposed the financial statements/annual report
- Where we have opposed the election of directors and executives

## 12.2 Summary of voting behaviour over the Fund Year

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

	BlackRock Aquila Life MSCI World Fund	BlackRock Aquila Life MSCI World Fund (Currency Hedged)	Baillie Gifford Multi Asset Growth Fund
Manager name	BlackRock	BlackRock	Baillie Gifford
Fund name	Aquila Life MSCI World Index Fund	Aquila Life MSCI World Index Fund (GBP currency hedged)	Multi Asset Growth Fund
Total size of fund at end of reporting period	n/a	n/a	£2,279m
Value of Fund assets at end of reporting period (£ / % of total assets)	£0m	£0m	£0m
Number of equity holdings at end of reporting period	Not provided by BlackRock	Not provided by BlackRock	22
Number of meetings eligible to vote	1,091	1,091	52
Number of resolutions eligible to vote	15,759	15,759	659
% of resolutions voted	90.7	90.7	97.7
Of the resolutions on which voted, % voted with management	92.7	92.7	90.4

Of the resolutions on which voted, % voted against management	7.3	7.3	7.9
Of the resolutions on which voted, % abstained from voting	0.7*	0.7*	1.7
Of the meetings in which the manager voted, % with at least one vote against management	Not provided by BlackRock	Not provided by BlackRock	26.9
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	Not applicable	Not applicable	Not applicable

\*Note that the % of votes abstained has also been counted in the % of votes against management, as BlackRock has counted an abstained vote as a vote against management.

### 12.3 Most significant votes over the Fund Year

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

We have provided a subset of the significant votes provided by managers based on the following criteria:

- The size of each holding in the fund (ie use the significant votes for the largest holdings); and
- providing a balance between votes cast on environmental, governance and social criteria.

#### BlackRock

- **Royal Dutch Shell, United Kingdom and Netherlands (dual-listed), May 2020. Vote:** Against.

**Summary of resolution:** shareholder resolution requesting that Shell set and publish targets for Greenhouse Gas Emissions (GHG)

#### Rationale:

*Given the company's progress towards aligning its reporting with TCFD recommendations, which has been one of BIS' key requests of large carbon emitters, and its responsiveness to shareholder engagement on portfolio resilience and reduction of scope 1, 2, and 3 GHG emissions, we are supportive of management for the time being.*

*For these reasons, BIS voted with management on all resolutions at the AGM.*

*We will continue to engage with the company on its governance practices, reporting on material factors including the alignment with the SASB guidelines, and on the development of its plans to achieve its ambitious climate commitments.*

- **Barclays plc, United Kingdom, May 2020. Vote:** BlackRock, through an independent fiduciary, voted for all management resolutions and against shareholder Resolution 30.

#### Summary of resolutions:

- **Resolution 29:** Approve Barclays' Commitment to Tackling Climate Change
- **Resolution 30:** Approve Share Action Requisitioned Resolution

#### Rationale:

*The independent fiduciary (Sustainalytics) reported that it took into consideration several factors when voting to support the company's own climate change resolution (Resolution 29) and against the shareholder resolution (Resolution 30). Support for both resolutions would have been problematic as they are both binding. The independent fiduciary determined that, as outlined in Resolution 29, the company*

*sets a clear ambition to become net-zero and align to the goals of the Paris Agreement, addressing shareholders' concerns for the time being.*

- **Volvo AB, Sweden, June 2020. Vote:** BlackRock voted against all resolutions outlined, and it did not provide details on the outcomes of these votes.

**Summary of resolutions:**

- **Items 12.1, 12.4, 12.8, 12.11:** Re-elect Matti Alahuhta, James Griffith, Martina Merz and Carl-Henric Svanberg as Directors;
- **Item 13:** Re-elect Carl-Henric Svanberg as Board Chairman;
- **Item 15:** Approve remuneration policy and other terms of employment for executive management; and
- **Item 18:** Limit contributions to Chalmers University of Technology Foundation to a maximum of SEK 4 million per year.

**Rationale:**

*We voted against all key resolutions outlined above given our concerns about progress on climate-related risks reporting, the structure of executive pay at the company and the approach taken by the shareholder to micromanage company activities.*

- **Exxon Mobil Corporation, United States, May 2020. Vote:** BlackRock voted against items 1.2 and 1.4 and for item 4.

**Summary of resolutions:**

- **Item 1.2:** Elect Director Angela F. Braly;
- **Item 1.4:** Elect Director Kenneth C. Frazier; and
- **Item 4:** Require Independent Board Chair.

**Rationale:**

*(Voted) Against Director Angela F. Braly for insufficient progress on TCFD aligned reporting and related action.*

*(Voted) Against Director Kenneth C. Frazier for insufficient progress on TCFD aligned reporting and related action, and for failure to provide investors with confidence that the board is composed of the appropriate mix of skillsets and can exercise sufficient independence from the management team to effectively guide the company in assessing material risks to the business.*

*(Voted) For the Independent Chair proposal on account of our belief that the board would benefit from a more robust independent leadership structure given the concerns noted below.*

- **Daimler AG Germany, July 2020. Vote:** BlackRock voted against all resolutions outlined

**Summary of resolutions:**

- **Item 4:** Resolution on ratification of Supervisory Board members' actions in the 2019 financial year;
- **Item 7:** Resolution on the election of Timotheus Höttges as a member of the Supervisory Board; and
- **Item 12b:** Resolution on the amendment of Article 16 of the Articles of Incorporation (Annual Meeting – Resolution).

**Rationale:**

*We voted against all key resolutions outlined above given our concerns about progress on climate-related risk reporting, the external mandates held by the proposed Supervisory Board member, and the reduction in shareholder rights from the proposed article amendment.*

- **Volkswagen AG Germany, September 2020. Vote:** BlackRock voted for all management proposal presented.

**Summary of resolutions:** Numerous key resolutions voted on.

**Rationale:**

*BlackRock voted AGAINST the discharge of a number of Management Board and Supervisory Board members (items 3.1, 3.3, 3.5 and items 4.1, 4.3, 4.6, 4.7, 4.8, 4.12, 4.13, 4.15, 4.16, 4.17, 4.18, 4.19, 4.21) due to ongoing concerns with:*

- (i) oversight in relation to the emissions scandal,*
- (ii) the insufficient level of independence on the Supervisory Board and its sub-committees, and*
- (iii) the independence of the external auditor.*

*BlackRock voted against item 5 to re-elect Dr. Hussain Ali Al Abdulla as Supervisory Board member due to the insufficient level of independence on the Supervisory Board.*

**Baillie Gifford**

- **COVIVIO SA, France, April 2020. Vote:** Against. **Outcome of the vote:** Pass

**Summary of resolutions:**

*We opposed five resolutions regarding the in-flight and proposed long-term incentive scheme because it could lead to rewarding under-performance.*

**Rationale:**

*Following the AGM in 2020, we informed the company of our voting decision and advised that we expect more stretching performance criteria to apply to long term incentives going forward. We have yet to see improvements in the targets so will continue dialogue with the company and to take appropriate voting action.*

**Criteria against which this vote has been assessed as “most significant”:**

*This resolution is significant because we opposed remuneration.*

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

**Summary of resolutions:**

*We opposed three resolutions relating to remuneration as we do not believe there is sufficient alignment between pay and performance.*

**Rationale:**

*We have been opposing remuneration at the company since 2017 due to concerns with the targets applied to the restricted stock plan. We are yet to see improvements in the remuneration plan however continue to engage with the company to advise of areas for improvement.*

**Criteria against which this vote has been assessed as “most significant”:**

*This resolution is significant because we opposed remuneration.*

- **MERLIN PROPERTIES SOCIMI S.A, France, June 2020. Vote:** Against. **Outcome of the vote:** Pass

**Summary of resolutions:**

*We opposed the resolution to approve the Remuneration Report because of concerns with quantum.*

**Rationale:**

*We have been opposing remuneration at the company since 2017 and engaging with the company on the issue. In 2020, we saw significant improvements in the company's remuneration policy which is a positive outcome.*

**Criteria against which this vote has been assessed as “most significant”:**

*This resolution is significant because we opposed remuneration.*

- **ADO PROPERTIES S.A., France, September 2020. Vote:** Against. **Outcome of the vote:** Pass

**Summary of resolutions:**

*We opposed the resolution which sought authority to issue equity because the potential dilution levels are not in the interests of shareholders.*

**Rationale:**

*We opposed the request to increase authorised capital which would permit share issuance without pre-emptive rights, given shares are currently trading at a high discount to NAV and there is no NAV commitment. We have since sold out of the stock.*

**Criteria against which this vote has been assessed as “most significant”:**

*This resolution is significant because it received greater than 20% opposition.*

## **12.4 Votes in relation to assets other than listed equity**

The Fund invested in the BlackRock Sterling Short Duration Credit Fund on 11 March 2021, because the investment in the fund was incepted so close to the end of the Fund year we did not ask BlackRock to comment on whether the fund had any voting opportunities as the period was deemed immaterial.

The following comments were provided by the Fund's asset managers who don't hold listed equities:

- **BlackRock Sterling Liquidity Fund, LMF Long Nominal LDI Fund and LMF Long Real LDI Fund:**

BlackRock have confirmed that these funds did not have any voting opportunities over the period.

- **M&G Total Return Credit Investment Fund:**

*M&G's approach to stewardship is set out in our document 'M&G and the UK Stewardship Code', available on our website. An active and informed voting policy is an integral part of our investment philosophy. In our view, voting should never be divorced from the underlying investment management activity. By exercising our votes, we seek both to add value to our clients and to protect our interests as shareholders. We consider the issues, meet management if necessary, and vote accordingly.*

*We aim to vote on all resolutions at general meetings of companies held in M&G's actively managed portfolios, as well as our UK passive holdings. Typically, M&G votes by proxy at general meetings, but on occasion we will attend a general meeting where our clients' interests are best served by us doing so.*

*When considering resolutions we look to support management, but the ultimate decision will be determined by an assessment of the impact on our investments and the long-term interests of our clients. In determining our vote, number of factors will be taken into consideration including our voting policy, company specific information and the extent to which we have been able to obtain any additional information required to make an informed decision.*

*We will vote against proposals that compromise our clients' interests. We may not vote in favour of resolutions where we are unable to make an informed decision on the resolution because of poor quality disclosure, or due to an unsatisfactory response to questions raised on specific issues. We would always*

*seek to discuss any contentious resolutions with company management before casting our votes, in order to ensure that our objectives are understood. However, we consider it unnecessary to inform investee companies ahead of meetings of routine capital management resolutions that we typically oppose, as our position is clearly disclosed.*

*Any shares on loan may be recalled whenever there is a vote on any issue affecting the value of shares held, or any issue deemed to be material to the interests of our clients.*

*We disclose our voting records on our website on a quarterly basis.*