

## Implementation Statement

### The Phoenix Dunlop Oil & Marine Pension Scheme

#### Purpose of this statement

This implementation statement has been produced by the Trustee of the Phoenix Dunlop Oil and Marine Pension Scheme ("the Scheme") to set out the following information over the year to 31 December 2021.

- The voting activity undertaken by the Scheme's investment managers on behalf of the Trustee over the year, including information regarding the most significant votes and
- How the Trustee's policies on exercising rights (including voting rights) and engagement activities have been followed over the year.

#### Trustee policies on voting and engagement

The Trustee's Statement of Investment Principles ("SIP") in force at September 2020 describes the Trustee's policy on the exercise of rights (including voting rights) and engagement activities as follows:

*"The Trustee's policy on the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities in respect of the investments is that these rights should be exercised by the investment managers on the Trustee's behalf. In doing so, the Trustee expects that the investment managers will use their influence as major institutional investors to exercise the Trustee's rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses."*

The Trustee's SIP was last reviewed in September 2020 to comply with regulations that came into force on 1 October 2020. The SIP has been made available online here:

[https://www.continental-industry.com/getattachment/aa430c7c-d820-461a-8d5b-e8640ac37ae3/CT-UK\\_2020-09\\_Phoenix-Statement-of-Investment-Principles.pdf](https://www.continental-industry.com/getattachment/aa430c7c-d820-461a-8d5b-e8640ac37ae3/CT-UK_2020-09_Phoenix-Statement-of-Investment-Principles.pdf)

#### 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 Scheme's investment managers.

The Trustee, with input from their investment consultant, annually receives and reviews (through their Implementation Statement), the voting information and engagement policies of their investment managers to ensure alignment with their own policies. The findings of the Trustee's review are reported in this Implementation Statement which will also be included in the Scheme's Annual Report and Accounts for the year to 31 December 2021.

Having reviewed the data presented below and in accordance with their policies, the Trustee is comfortable that the actions of the investment managers are in alignment with the Scheme's stewardship policies.

## Voting Data

The Scheme invests entirely in pooled funds and therefore the Scheme's investment managers, Legal & General Investment Management ("LGIM") and Baillie Gifford, vote on behalf of the Scheme's holdings in the pooled funds.

Voting is not applicable to the Scheme's bond holdings (i.e. the Insight UK Government Long Maturities Fund; the Insight UK Indexed-Linked Fund; the Insight UK Corporates All Maturities Fund and the Insight UK Corporate Long Maturities Fund) as these funds invest only in fixed income assets, which have no voting rights. The Baillie Gifford Multi-Asset Growth Fund invests across a diverse range of asset classes and is therefore included below as the equity holdings carry voting rights.

Manager	Baillie Gifford	LGIM	LGIM
<b>Fund name</b>	Multi-Asset Growth Fund	UK Equity Index Fund	World (ex UK) Equity Index Fund and World (ex UK) Equity Index (GBP Hedged)
<b>Structure</b>	Pooled	Pooled	Pooled
<b>Ability to influence voting behaviour of manager</b>	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour.		
<b>Number of company meetings the manager was eligible to vote at over the year</b>	112	707	2,493
<b>Number of resolutions the manager was eligible to vote on over the year</b>	1,357	9,923	29,156
<b>Percentage of resolutions the manager voted on</b>	87.6%	100.0%	99.8%
<b>Percentage of resolutions the manager abstained from, as a percentage of the total number of resolutions voted on</b>	0.2%	0.0%	0.9%
<b>Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on</b>	96.5%	92.8%	78.9%

Manager	Baillie Gifford	LGIM	LGIM
<b>Percentage of resolutions voted <i>against</i> management, as a percentage of the total number of resolutions voted on</b>	3.4%	7.2%	20.2%
<b>Proxy voting advisor employed</b>	Institutional Shareholder Services (ISS)		
<b>Percentage of resolutions voted contrary to the recommendation of the proxy advisor</b>	Baillie Gifford vote in line with their in-house policy and not with the proxy voting providers' policies.	5.5%	14.2%

Source: Baillie Gifford & LGIM

Totals may not sum due to rounding.

## Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustee over the year to be set out. The guidance does not currently define what constitutes a “significant” vote, so for this Implementation Statement the Trustee has asked the investment managers to determine what they believe to be a “significant vote”. For the Baillie Gifford Multi-Asset Growth Fund, the LGM UK Equity Index Fund and the LGIM World (ex UK) Equity Index Funds a selection of 10 votes, 36 votes and 417 votes have been included respectively for votes which they believe to be significant. In the interest of concise reporting the tables below show 3 of these votes for each fund.

A summary of the significant votes provided is set out below, but further information on other significant votes are available upon request.

### Baillie Gifford Multi-Asset Growth Fund

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	Rio Tinto plc	Vonovia SE	Six Flags Entertainment Corporation
<b>Date of vote</b>	9 April 2021	16 April 2021	5 May 2021
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	0.22%	1.28%	0.29%
<b>Summary of the resolution</b>	Resolution regarding remuneration.	Two resolutions regarding an amendment of share capital to issue equity.	Resolution regarding executives' remuneration.
<b>How the manager voted</b>	Against	Against	Against
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	No	Yes	No
<b>Rationale for the voting decision</b>	Baillie Gifford did not agree with the decisions taken by the Remuneration Committee in the last year regarding executive severance payments and the vesting of long-term incentive awards.	Baillie Gifford opposed the resolutions as they believed the potential dilution levels were not in the interests of shareholders.	Baillie Gifford opposed executive compensation for a multitude of reasons however their primary concern was the size of the long-term incentive award paid to the CEO. In light of COVID-19, when reviewing proposals relating to executive compensation Baillie Gifford assess whether executive pay is aligned with the

	Vote 1	Vote 2	Vote 3
<b>Outcome of the vote</b>	Passed	Passed	Passed
<b>Implications of the outcome</b>	Following the submission of their votes Baillie Gifford engaged with the company to communicate their concerns. Whilst they did not support the backwards looking remuneration report, Baillie Gifford took the decision to support the forward looking remuneration policy.	In advance of the AGM Baillie Gifford contacted the company to see if they could provide an assurance they would not issue shares below Net Tangible Asset (NTA). The company were not able to provide that assurance, therefore Baillie Gifford did not feel it was in their clients' interest to support the two equity issuance resolutions. Baillie Gifford encouraged the company to provide this additional assurance so they could consider supporting in future.	experience of employees and shareholders. They felt they could not justify supporting a sizeable long-term incentive award for the CEO, which was equal to the previous year, when framed against a background of company-wide salary reductions and employee lay-offs.  Baillie Gifford communicated their concerns to the company following the submission of their votes and will continue to engage on their concerns.
<b>Criteria on which the vote is considered "significant"</b>	This resolution is significant because Baillie Gifford opposed remuneration.	This resolution is significant because the resolutions received greater than 20% opposition.	This resolution is significant because the resolutions received greater than 20% opposition.

Source: Baillie Gifford

## LGIM UK Equity Index Fund

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	Imperial Brands plc	Frasers Group plc	EVRAZ plc
<b>Date of vote</b>	3 February 2021	29 September 2021	15 June 2021
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	0.64%	0.05%	0.15%

	Vote 1	Vote 2	Vote 3
<b>Summary of the resolution</b>	Two resolutions in respect of approving a remuneration report and updated remuneration policy.	Resolution to receive and adopt the report and accounts.	Resolution in respect of re-electing Alexander Abramov as director.
<b>How the manager voted</b>	Against both resolutions	Against	Against
<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 on its website with the rationale for all votes against management. It is LGIM's 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>	<p>The company appointed a new CEO during 2020, who was granted a significantly higher base salary than his predecessor. LGIM believe a higher base salary has a consequential ripple effect on short- and long-term incentives, as well as pension contributions. Further, they believe the company did not apply best practice in relation to post-exit shareholding guidelines as outlined by both LGIM and the Investment Association. LGIM believe that an incoming CEO with no previous experience in the specific sector, or CEO experience at a FTSE100 company, should have to prove her or himself beforehand to be set a base salary at the level, or higher, of an outgoing CEO with multiple years of such experience. Further, LGIM would expect companies to adopt general best practice standards. Prior to the AGM, LGIM engaged with the company outlining what their concerns over the remuneration structure were. LGIM also indicated that they publish specific remuneration guidelines for UK-listed companies and keep remuneration consultants up to date with their thinking.</p>	<p>LGIM's corporate governance policy requires all UK-listed companies to meet the requirements of the Modern Slavery Act 2015. Section 54 of the Act requires companies to provide a statement setting out the steps they have taken to ensure that slavery and human trafficking is not taking place in their own operations or within their supply chain. In addition, the statement should be signed by the board of directors. LGIM state that they will sanction any company that has failed to meet the requirements of the Act for two consecutive years. Not only do LGIM consider this to be serious governance failing, LGIM see this as both a humanitarian crisis and a risk to a company's operating model. In 2016, it is estimated that there were more than 40 million cases of modern slavery globally; the true figure today is thought to be significantly higher. LGIM is part of a collaborative engagement group that is trying to ensure UK companies comply with this legislation. As a result, LGIM voted against receiving and adopting the report and accounts as they did not contain the required wording under Section 54 of the Modern Slavery Act 2015.</p>	<p>LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf. For 10 years, LGIM have been using their position to engage with companies on this issue. As part of their efforts to influence their investee companies on having greater gender balance, LGIM apply voting sanctions to those FTSE 350 companies that do not have a minimum of 30% women on the board. LGIM also apply voting sanctions to the FTSE 100 companies that do not have 30% women on their executive committee. For smaller companies LGIM expect at least one woman at board level.</p>
<b>Outcome of the vote</b>	All resolutions passed	Passed	Passed

	Vote 1	Vote 2	Vote 3
<b>Implications of the outcome</b>	LGIM continues to engage with companies on remuneration both directly and via IVIS, the corporate governance research arm of The Investment Association. LGIM annually publishes remuneration guidelines for UK listed companies.	While engagement with the company suggested it would be compliant with the requirements of section 54 by the end of the year, LGIM considered this to be insufficient cause to change their vote.	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.
<b>Criteria on which the vote is considered "significant"</b>	LGIM are concerned over the ratcheting up of executive pay; and they believe executive directors must take a long-term view of the company in their decision-making process, hence the request for executives' post-exit shareholding guidelines to be set.	LGIM consider this vote to be significant as it relates to one of LGIM's engagement themes: Human Rights/Inequality.	LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.

Source: LGIM

### LGIM World (ex. UK) Equity Index Fund

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	Facebook Inc.	Intel Corporation	McDonald's Corporation
<b>Date of vote</b>	26 May 2021	13 May 2021	20 May 2021
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	1.35%	0.41%	0.30%
<b>Summary of the resolution</b>	Resolution to elect Mark Zuckerberg as director	Resolution to report on global median gender/racial pay gap	Resolution to report on antibiotics and public health costs
<b>How the manager voted</b>	Abstained	For (against the recommendation of Intel's management)	For (against the recommendation of McDonald's Corporation's management)

	Vote 1	Vote 2	Vote 3
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>			Given LGIM's recent engagement with the company on the topic of antibiotic use in their supply chain and their decision to publicly pre-declare their support to the shareholder resolution on the topic, LGIM exceptionally decided to communicate their vote intentions to the company as part of their continuous engagement with them.
<b>Rationale for the voting decision</b>	<p>LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 LGIM have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 they are voting against all combined board chair/CEO roles. Furthermore, LGIM have published a guide for boards on the separation of the roles of chair and CEO (available on LGIM's website), and they have reinforced their position on leadership structures across their stewardship activities – e.g. via individual corporate engagements and director conferences.</p>	<p>A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. LGIM views gender diversity as a financially material issue for their clients, with implications for the assets LGIM manage on their behalf. For 10 years, LGIM have been using their position to engage with companies on this issue. As part of LGIM's efforts to influence their investee companies on having greater gender balance, LGIM expect all companies in which they invest globally to have at least one female on their board. LGIM notes that they have stronger requirements in the UK, North American, European and Japanese markets, in line with their engagement in these markets.</p>	<p>LGIM voted in favour as they believe the proposed study will contribute to informing shareholders and other stakeholders of the negative externalities created by the sustained use of antibiotics in the company's supply chain and its impact on global health, with a particular focus on the systemic implications. Antimicrobial resistance (AMR) is a key focus of the engagement strategy of LGIM's Investment Stewardship team. LGIM believe that, without coordinated action today, AMR could prompt the next global health crisis, with a potentially dramatic impact on the planet, its people, and global GDP. Whilst LGIM applauds the company's efforts over the past few years on reducing the use of antibiotics in its supply chain for chicken and beef as well as pork, they believe AMR is a financially material issue for the company and other stakeholders, and they want to signal the importance of this topic to the company's board of directors.</p>
<b>Outcome of the vote</b>	Pass	Failed	Failed
<b>Implications of the outcome</b>	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.		
<b>Criteria on which the vote is considered "significant"</b>	<p>LGIM considers this vote to be significant as it is application of an escalation of their voting policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).</p>	<p>LGIM views gender diversity as a financially material issue for their clients, with implications for the assets LGIM manage on their behalf.</p>	<p>LGIM consider this vote to be significant as LGIM took the rare step of publicly pre-declaring it before the shareholder meeting. LGIM believe publicly pre-declaring their vote intention is an important tool for their engagement activities. LGIM decide to pre-declare their vote intention for a number of reasons, including as part of their escalation strategy, where they consider the vote to be contentious, or as part of a specific engagement programme.</p>

Source: LGIM



## Fund level engagement

The investment managers may engage with investee companies on behalf of the Trustee. The table below provides a summary of the engagement activities undertaken by each manager during the year for the relevant funds.

Engagement activities are limited for the Insight UK Government Long Maturities Fund and the Insight UK Index-Linked Bond Fund due to the nature of the underlying holdings, so engagement information for these assets have not been shown. Engagement data for LGIM funds are currently only collated at a firm-wide level.

Manager	Baillie Gifford	LGIM	Insight	Insight
<b>Fund name</b>	Multi-Asset Growth Fund	UK Equity Index Fund World (ex UK) Equity Index Fund and World (ex UK) Equity Index (GBP Hedged) Fund	UK Corporates All Maturities Fund	UK Corporate Long Maturities Bond Fund
<b>Does the manager perform engagement on behalf of the holdings of the fund</b>	Yes	Yes	Yes	Yes
<b>Has the manager engaged with companies to influence them in relation to ESG factors in the year?</b>	Yes	Yes	Yes	Yes
<b>Number of entities engaged on behalf of the holdings in this fund in the year</b>	30	Data not provided	94	82
<b>Number of entities engaged at a firm level in the year</b>	377	683	981	981

## Examples of engagement activity undertaken over the year to 31 December 2021

### LGIM, Equity Index Funds – Cardinal Health Inc.<sup>1</sup>

Cardinal Health, Inc. is an American multinational health care services company. In May 2021, LGIM America co-filed a shareholder resolution, together with LGIM's investor colleagues within The Investors for Opioid Accountability (IOPA). The objective of this engagement was to encourage the company to publish annual in-depth reports disclosing its direct and indirect lobbying activities and expenditures, as well as its policies and procedures governing such activities (a 'Political Contributions and Activities Report').

Following engagements with the company, the board agreed to expand its Political Contributions and Activities Report to include all disclosures relating to state lobbying expenses exceeding US\$25,000; payments to trade associations and other organisations (including to those that draft and support model legislation); and the approach the company will take when a trade association of which it is a member takes a position which differs from the company's corporate position. Following the engagement LGIM, together with the other co-filing investors, withdrew the shareholder proposal.

<sup>1</sup> LGIM only provide case studies at firm-wide level, so this engagement may not be directly relevant to the particular strategies the Scheme has invested in, but demonstrates the types of engagements being carried out at a firm wide level.

### **Baillie Gifford, Multi-Asset Growth Fund – Greencoat UK Wind plc**

Greencoat UK Wind (“Greencoat”) specialises in renewables infrastructure investments in onshore and offshore wind farms. On 9 February 2021, Baillie Gifford met with Greencoat to discuss the board’s approach to valuation assumptions and to understand the extent to which the board engages with and challenges the investment manager and portfolio operator’s carbon footprint. Baillie Gifford found the discussion to be encouraging.

1. Greencoat explained the Fund’s focus on maintaining oversight of the pipeline of possible deals and its rigorous approach to assessing potential new acquisitions for the portfolio. For example, last year, 20 possible acquisitions were priced, but only five were committed to.
2. As the board chooses to use what it thinks are consistent and conservative power price assumptions, the expected level of dividend can be delivered to shareholders, even during the period of low wind generation and difficult market conditions resulting from the Covid-19 pandemic during Q1 2020, for example.
3. Although Greencoat is ‘fairly at the beginning of its carbon agenda’, in the upcoming annual report the fund will report for the first time in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and set out the fund’s thinking about its road to net zero.

Baillie Gifford hope to see improvements to the board’s oversight of, and challenge to the management of the portfolio’s operational carbon performance. Baillie Gifford consider Greencoat’s commitment to disclose at fund level and to align their carbon reporting to the TCFD’s recommendations a promising step forward. Baillie Gifford will continue to engage with the company going forward.

### **Insight, UK Corporate Long Maturities Bond Fund - América Móvil**

América Móvil is the leading provider of integrated telecommunications services in Latin America. Insight scores the Company particularly poorly on governance issues given controlling shareholder and lack of diversity & skills on the Board. Insight engaged with América Móvil on the following governance concerns:

- There are no intentions to remove the controlling shareholder’s children from the Board;
- The only female Board member is the controlling shareholder’s daughter;
- One of the Board members is “over boarded” with 5 board mandates; and
- They conducted their first comprehensive Board review in November 2021, with results to be published alongside their Sustainability Report in April 2022

América Móvil have committed to setting and disclosing Environmental, Social and Governance targets within their next report. Insight will review their disclosures in H1 2022, focussing on their Board review and assessing the quality of their targets. Insight’s assessment of these disclosures and the progress on targets will influence their future engagement strategy and their positions in their bonds

### **Insight, UK Corporate All Maturities Bond Fund – A2Dominion Housing Group**

A2Dominion Housing Group are a social housing provide across London and the South of England. They build affordable, private and social rented homes, student, key worker and temporary accommodation, as well as supported housing and retirement homes. Insight engaged with the Group on governance and environmental topics which included;

- A target to ensure all of their homes pass the “Decent Homes Standard” for the year;
- The change in the Chair of the board and the appointment of non-executive directors;
- Discrepancies in previously reported emissions and carbon disclosures; and
- Requested additional information on carbon emissions disclosures and scope 3 plans to be shared outside of the meeting.

Insight were satisfied with the company's governance updates and are confident that the management's understanding of the importance of emissions reporting has increased as a result of this engagement. A2Dominion followed up on Insight's emission queries with satisfactory responses, however Insight still think there is room for improvement. Insight will continue to monitor the development of their environmental disclosures and engage later in 2022.