

Gifford Retirement Benefits Scheme – Implementation Statement for the year ended 5 April 2021

1. Introduction

In June 2019, the UK Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations (the “Regulations”). The Regulations require that the Trustee of the Gifford Retirement Benefits Scheme (the “Scheme”) outline how it has ensured compliance with the policies, on the exercise of rights (including voting) and undertaking of engagement activities with investment managers, as set out in the Scheme’s Statement of Investment Principles (“SIP”).

This Statement has been prepared by the Trustee, with the assistance of their appointed Investment Consultant (Quantum Advisory) and covers both the Defined Benefit (“DB”) and Defined Contribution (“DC”) sections of the Scheme.

References herein to the actions, review work or determinations of the Trustee refer to activity that has been carried out either by the Trustee or its Investment Adviser on behalf of the Trustee.

2. Executive summary

The Trustee:

- Updated the Scheme’s SIP in September 2020 to incorporate new regulatory requirements.
- As part of preparing this Statement, has reviewed the voting eligibility and activity of those funds that invest in equities. The Trustee is generally satisfied that their investment managers have appropriately carried out their stewardship duties. The stewardship activities for funds that do not hold equities have not been reviewed as part of this exercise, as the Trustee feels there is less scope to influence the practices of these issuers.

3. Reviews of the SIP

During the Scheme year, the SIP was updated to incorporate additional information on the Trustee’s policies in line with the requirements of the Regulations. Additional disclosures have been included to address the following areas in respect of the Scheme’s investment managers:

- How the arrangements incentivise the investment managers to make decisions based on medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.
- How the method (and time horizon) of the evaluation of the investment manager’s performance and the remuneration for asset management services are in line with the Trustee’s investment policies.
- How the Trustee monitors portfolio turnover costs incurred by the investment managers, and how they define and monitor targeted portfolio turnover or turnover range.
- The duration of the arrangements with the investment managers.
- The Trustee’s stewardship policies concerning conflicts of interest & the capital structure of companies.



ISO 9001
ISO 27001





4. Implementation of policies contained within the Scheme's SIP – DC section

This part of the statement sets out the various policies within the Scheme's SIP and the actions that the Trustee has undertaken in respect of them over the Scheme year.

SIP policy	Comments
1. Investment policies and governance structure	
<p>The Trustee recognises the need to seek professional advice when setting and reviewing the Scheme's investment strategy. The Trustee decides on the investment strategy after considering investment advice from the Investment Consultant. The Trustee recognise that their level of investment expertise must be kept under review in order to be able to critically evaluate this advice.</p> <p>The Investment Consultant advises on an investment strategy appropriate to the investment objectives.</p> <p>The Trustee's key aim is to provide a range of investments that are suitable for meeting members' long and short-term objectives. It has taken into account members' potential circumstances, in particular perceived members' attitudes to risk and how this might vary with the term to retirement.</p> <p>The Trustee will compare the annual turnover and associated costs for each fund with previous years to ensure each investment manager's process and philosophy remain consistent. The transaction charges are reviewed annually and reported in the Chair's Statement.</p> <p>Furthermore, the Trustee considers the fees and charges associated with each investment before investing, as well as transition costs.</p> <p>The Trustee will, after significant changes in policy, and at least every three years, review the appropriateness of this SIP with the help of its advisers and will amend the SIP as appropriate.</p>	<p>The Scheme's Investment Consultant is Quantum Advisory ("Quantum"). Quantum is able to provide professional advice to the Trustee and has the necessary knowledge and experience to do so. Strategic objectives were set for the Investment Consultant in December 2019. In December 2020, the Trustee undertook a review of Quantum's performance as the Scheme's Investment Consultant and were overall satisfied with the services it has received. No concerns were raised by the Trustee.</p> <p>The Scheme uses Mobius Life Limited as its implementation solution providers. The Trustee is content with the services received.</p> <p>The Trustee has included and reviewed the charges incurred in the annual Chair's Statement, covering the Scheme-year to 5 April 2021.</p> <p>Over the year, the Trustee did not add any new funds to the Scheme.</p> <p>The Trustee reviewed the Scheme's SIP in September 2020. Please see section 3 of this Statement for further details regarding this.</p>



2. Responsible Investment

This section discusses the Trustee’s policies on financially material considerations, non-financial matters and stewardship policies.

If the Trustee feels that the fund manager is not assessing financial and non-financial performance adequately, or engaging with the companies they are investing in, it will use these factors in deciding whether to retain or terminate the relationship with the manager.

Financially material considerations

With specific regard to ESG factors, the Trustee, with the help of its investment advisers, reviews the investment managers’ policies on financially material considerations periodically using the following information/documents:

- ESG reporting and advice from their investment adviser; and
- the investment managers’ annual stewardship reports (provided to the Trustee by their investment advisers) and other publicly available ESG related information.

The Trustee has provided the appointed investment managers with full discretion concerning the evaluation of ESG factors.

Stewardship

The Trustee considers how stewardship factors are integrated into the investment processes when: (i) appointing new investment managers; and (ii) reviewing existing investment managers. The Trustee has provided the appointed investment managers with full discretion concerning the stewardship of their investments.

The Trustee monitors the fund manager’s engagement policies and voting activity on an annual basis as they believe this can improve long term performance.

Non-financial matters

The Trustee considers non-financial factors (where members have been forthcoming with their views) however the Trustee does not employ a formal policy in relation to this when selecting, retaining and realising investments.

The Trustee feels that the fund manager is performing these duties adequately. Further detail on each of these areas is set out below.

Financially material considerations

The Scheme’s investment manager, Legal & General Investment Management (“LGIM”), is a signatory to the United Nations Principles of Responsible Investment (“UNPRI”). The Scheme’s investment manager scored A+ to A on each module of the annual UNPRI assessment. A+ is the highest rating awardable.

Stewardship

The Trustee acknowledges that the voting practices of its investment managers will not necessarily reflect its views or those of the members and that the Trustee will have limited scope to influence investment managers’ voting practices. However, the Trustee will make its views known to the investment manager if they feel it is appropriate to do so, and, in the event of frequent disagreement, will review the suitability of retaining the investment manager in question.

Furthermore, the investment managers’ voting activity has been reviewed in section 5 of this Statement.

Non-financial matters

Over the period, there were no views raised by members with respect to non-financial matters.



3. Risk management	
<p>The Trustee has identified a range of risks within the SIP and seeks to minimise them as far as possible by regularly monitoring the investment funds, including performance and conflicts of interest (including both perceived and actual conflicts).</p>	<p>The Trustee has reviewed the performance of the Scheme's investments during the course of its meetings and through quarterly investment reports provided by its investment adviser. The Trustee is satisfied with the performance delivered, when allowing for the market conditions.</p> <p>The Trustee considers the prevalence of any potential or actual conflicts of interest and records these in the minutes of Trustee meetings.</p>



5. Voting policies and histories

This section sets out the voting policies of the investment managers/funds that invest in equities.

Trustee's voting and stewardship policy

The Trustee considers how stewardship factors are integrated into the investment processes when: (i) appointing new investment managers; and (ii) monitoring existing investment managers. The Trustee has provided the appointed investment managers with full discretion concerning the stewardship of their investments.

As part of this exercise, the Trustee reviewed the voting activity of funds where there is an increased ability to influence positive practises (namely those that invest in equities). The following funds have been reviewed:

DB Section

- LGIM Dynamic Diversified Fund

DC Section

- LGIM World Equity Index – GBP Hedged Fund
- LGIM World (ex-UK) Equity Index Fund
- LGIM UK Equity Index Fund
- LGIM Dynamic Diversified Fund

LGIM's voting policies and procedures are set out in Appendix 1.



Voting statistics

The voting statistics and most significant votes cast by the Scheme's investment manager/funds, over the year to 31 March 2021, is set out in the table below.

	LGIM Dynamic Diversified Fund	LGIM World Equity Index – GBP Hedged Fund	LGIM World (ex-UK) Equity Index Fund	LGIM UK Equity Index Fund
Number of equity holdings	3,951	2,662	2,540	598
Meetings eligible to vote at	7,887	3,421	3,243	943
Resolutions eligible to vote on	83,262	40,987	37,840	12,574
Resolutions voted on for which fund manager was eligible (%)	>99	>99	>99	100
Votes with management (%)	84	81	80	93
Votes against management (%)	15	18.	19	7
Votes abstained from (%)	<1	<1	<1	<1
Meetings where at least one vote was against management (%)	5	6	6	3
Votes contrary to the recommendation of the proxy (%)	<1	<1	<1	<1

Source: LGIM. Totals may not sum due to rounding. Please note, data is accurate to 31 March 2021 due to availability of information.

Significant votes

The Trustee has reviewed the significant votes cast by the investment manager and are generally satisfied with their voting behaviour. A cross section of the most significant votes cast is contained in Appendix 2.



6. Conflicts of interest

This part of the statement assesses whether the investment managers are affected by the following conflicts of interest, and if so, how these are managed:

1. The asset management firm overall having an apparent client-relationship conflict e.g. the manager provides significant products or services to a company in which they also have an equity or bond holding.
2. Senior staff at the asset management firm holding roles (e.g. as a member of the Board) at a company in which the asset management firm has equity or bond holdings.
3. The asset management firm's stewardship staff having a personal relationship with relevant individuals (e.g. on the Board or the company secretariat) at a company in which the firm has an equity or bond holding.
4. A situation where the interests of different clients diverge. An example of this could be a takeover, where one set of clients is exposed to the target and another set is exposed to the acquirer.
5. Differences between the stewardship policies of managers and their clients.
6. Any other conflicts across any of the holdings.

LGIM have refrained from directly commenting on which of the conflicts of interest, detailed above, they are affected by. Instead, LGIM refer investors to their conflicts of interest policy, which includes several examples of conflicts and how these might be managed. The Trustee has received a copy of the conflicts of interest policy.



Appendix 1- Voting policies and procedures

LGIM's voting policies and process

LGIM's Investment Stewardship team make all voting decisions, in accordance with LGIM's Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This is intended to ensure LGIM's stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all of their clients. LGIM's voting policies are reviewed annually and take into account feedback from clients.

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and strategic decisions are not outsourced. The use of ISS recommendations is purely to augment LGIM's own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that are received from ISS for UK companies when making specific voting decisions. To ensure the proxy provider votes in accordance with LGIM's position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM consider are minimum best practice standards which LGIM believe all companies globally should observe, irrespective of local regulation or practice. LGIM retain the ability in all markets to override any vote decisions, which are based on their custom voting policy. This may happen where engagement with a specific company has provided additional information that allows LGIM to apply a qualitative overlay to their voting judgement. LGIM have strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as LGIM continue to develop their voting and engagement policies and define strategic priorities in the years ahead. LGIM also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.



Appendix 2 – Most significant votes cast

The tables below set out a cross section of significant votes undertaken by LGIM for each of the funds held by the Scheme. Information on further significant votes undertaken by the Scheme’s investment managers has been reviewed by the Trustee.

The criteria that LGIM have applied in selecting the most significant votes is set out below.

In determining significant votes, LGIM’s Investment Stewardship team consider the criteria provided by the Pensions & Lifetime Savings Association consultation (PLSA). This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM’s annual Stakeholder roundtable event, or where LGIM note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement; and
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship’s 5-year ESG priority engagement themes.

LGIM have determined their most significant votes at a firmwide level.

LGIM Dynamic Diversified Fund

Company Name	Qantas Airways Ltd	Lagardère
Date of Vote	23-Oct-20	05-May-20
Summary of the resolution	Resolution 3 - to approve participation of Alan Joyce in the Long-Term Incentive Plan and Resolution 4 - to approve Remuneration Report.	Shareholder resolutions A to P. Activist Amber Capital, which owned 16% of the share capital at the time of engagement, proposed 8 new directors to the Supervisory Board (SB) of Lagardère, as well as to remove all the incumbent directors (apart from two 2019 appointments).
How the firm voted	LGIM voted against resolution 3 and supported resolution 4.	LGIM voted in favour of five of the Amber-proposed candidates (resolutions H,J,K,L,M) and voted off five of the incumbent Lagardère SB directors (resolutions B,C,E,F,G).
On which criteria has the vote been deemed as 'significant'?	It highlights the challenges of factoring in the impact of the COVID situation into the executive remuneration package.	LGIM noted significant media and public interest on this vote given the proposed revocation of the company’s board.
Outcome of the vote	About 90% of shareholders supported resolution 3 and 91% supported resolution 4. The meeting results highlight LGIM's stronger stance on the topic of executive remuneration, in their view.	The vote did not pass.

Source: Investment Manager.



LGIM World Equity Index – GBP Hedged Fund

Company Name	Whitehaven Coal	Imperial Brands plc
Date of Vote	22-Oct-20	03-Feb-21
Summary of the resolution	Resolution 6 - approve capital protection. Shareholders are asking the company for a report on the potential wind-down of the company's coal operations, with the potential to return increasing amounts of capital to shareholders.	Resolutions 2 and 3, respectively, Approve Remuneration Report and Approve Remuneration Policy.
How the firm voted	LGIM voted for the resolution.	LGIM voted against both resolutions.
On which criteria has the vote been deemed as 'significant'?	The resolution did not pass, as a relatively small amount of shareholders (4%) voted in favour. However, the environmental profile of the company continues to remain in the spotlight: in late 2020 the company pleaded guilty to 19 charges for breaching mining laws that resulted in significant environmental harm. As the company is on LGIM's Future World Protection List of exclusions, many of our ESG-focused funds and select exchange-traded funds were not invested in the company.	We are concerned over the ratcheting up of executive pay; and we 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.
Outcome of the vote	The vote received media scrutiny and is emblematic of a growing wave of green shareholder activism.	Both resolutions passed.

LGIM World (ex-UK) Equity Index Fund

Company Name	Medtronic plc	Olympus Corporation
Date of Vote	11-Dec-20	30-Jul-20
Summary of the resolution	Resolution 3 Advisory Vote to Ratify Named Executive Officers' Compensation.	Resolution 3.1: Elect Director Takeuchi, Yasuo at the company's annual shareholder meeting held on 30 July 2020.
How the firm voted	LGIM voted against the resolution.	LGIM voted against the resolution.
On which criteria has the vote been deemed as 'significant'?	We believe it is contrary to best practice in general and our pay principles in particular to award one-off awards, especially if they are to compensate for a forgone payment.	This vote is deemed significant as LGIM considers it imperative that the boards of Japanese companies increase their diversity.
Outcome of the vote	The vote passed	The vote passed



LGIM UK Equity Index Fund

Company Name	International Consolidated Airlines Group	Pearson
Date of Vote	07-Sep-20	18-Sep-20
Summary of the resolution	Resolution 8: Approve Remuneration Report' was proposed at the company's annual shareholder meeting held on 7 September 2020.	Resolution 1: Amend remuneration policy was proposed at the company's special shareholder meeting, held on 18 September 2020.
How the firm voted	LGIM voted against the resolution.	LGIM voted against the resolution.
On which criteria has the vote been deemed as 'significant'?	LGIM considers this vote significant as it illustrates the importance for investors of monitoring our investee companies' responses to the COVID crisis.	Pearson has had strategy difficulties in recent years and is a large and well-known UK company. Given the unusual approach taken by the company and our outstanding concerns, we deem this vote to be significant.
Outcome of the vote	The vote passed	The vote passed