

MPS PENSION SCHEME ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

IMPLEMENTATION STATEMENT

Implementation Statement, covering the Scheme Year from 1 January 2020 to 31 December 2020

The Trustee of the MPS Pension Scheme (the Scheme) is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the voting and engagement policies in its Statement of Investment Principles (SIP) during the Scheme year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Scheme year by, and on behalf of, the Trustee (including the most significant votes cast by the Trustee 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.

This Implementation Statement flows directly from and should be read in conjunction with the Scheme's SIP dated 28 September 2020 which is available here:
https://iconic-ptluk.s3.eu-west-2.amazonaws.com/s3fs-public/MPS_SIP_2020-min.pdf

1. Introduction

No changes were made to the voting and engagement policies in the SIP during the Scheme Year. The last time these policies were formally reviewed was September 2020. The Trustee has, in its opinion, followed the Scheme's voting and engagement policies during the Scheme year, by continuing to delegate to its 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 Trustee took a number of steps to review the Scheme's existing managers and funds over the period, as described in Section 2 below.

2. Voting and engagement

As part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to voting and engagement.

In February 2020, the Trustee reviewed LCP's responsible investment ("RI") scores for the Scheme's existing managers and funds, along with LCP's qualitative RI assessments for each fund and red flags for any managers of concern. These scores cover the approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP's ongoing manager research programme and it is these that directly affect LCP's manager and fund recommendations. The manager scores and red flags are based on LCP's Responsible Investment Survey 2020. The Trustee was satisfied with the results of the review and no further action was taken.

3. Description of voting behaviour during the Scheme Year

For all of the Trustee's holdings in listed equities, the Trustee has delegated to its investment managers the exercise of voting rights. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the Scheme Year.

MPS PENSION SCHEME ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

IMPLEMENTATION STATEMENT

In this section we have sought to include voting data on the Scheme's funds that hold equities as follows:

- Baillie Gifford Diversified Growth Fund;
- BlackRock Aquila Life World (ex-UK) Equity Index Fund;
- BlackRock Aquila Life Currency Hedged World ex UK Equity Fund;
- BlackRock Aquila Life UK Equity Index Fund;
- BlackRock iShares Emerging Markets Index Fund; and
- Ruffer Diversified Growth Portfolio.

In addition to the above, the Trustee contacted the Scheme's other asset managers that don't hold listed equities, to ask if any of the assets held by the Scheme had voting opportunities over the period. These managers confirmed that there were no voting opportunities for their funds over the period.

3.1 Description of the voting processes

3.1.1 Baillie Gifford

Baillie Gifford's voting decisions are made by its Governance & Sustainability team in conjunction with investment managers. Baillie Gifford does not regularly engage with clients prior to submitting votes, however if a segregated client has a specific view on a vote then it will engage with the client on this. If a vote is particularly contentious, Baillie Gifford may reach out to clients prior to voting to advise them of this or request them to recall any stock on loan.

Thoughtful voting of its clients' holdings is an integral part of Baillie Gifford's commitment to stewardship. It believes that voting should be investment led, because utilisation of votes is an important part of the long-term investment process, which is why Baillie Gifford's strong preference is to be given this responsibility by its clients. The ability to vote its clients' shares also strengthens Baillie Gifford's position when engaging with investee companies. The Governance and Sustainability team oversees Baillie Gifford's voting analysis and execution in conjunction with its investment managers. Baillie Gifford does not outsource any part of the responsibility for voting to third-party suppliers and utilises research from proxy advisers for information only. Additionally, Baillie Gifford analyses all meetings in-house in line with its Governance & Sustainability Principles and Guidelines and endeavours to vote every one of its clients' holdings in all markets.

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

MPS PENSION SCHEME ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

IMPLEMENTATION STATEMENT

Baillie Gifford have stated that the list below is not exhaustive, but provides examples of 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 Baillie Gifford has opposed mergers and acquisitions;
- where Baillie Gifford has opposed the financial statements/annual report; and
- where Baillie Gifford has opposed the election of directors and executives.

3.1.2 BlackRock

BlackRock's approach to corporate governance and stewardship is explained in its Global Corporate Governance and Engagement Principles. These high-level Principles are the framework for its more detailed, market-specific voting guidelines. The Principles include a description of BlackRock's policy on voting. This applies across relevant asset classes and products as permitted by investment strategies. BlackRock reviews its Global Corporate Governance & Engagement Principles annually and updates them as necessary to reflect in market standards, evolving governance practice and insights gained from engagement over the prior year.

BlackRock welcomes discussions with its clients on voting topics and priorities to get their perspective and better understand which issues are important to them. If a client wants to implement their own voting policy, it will need to be in a segregated account. BlackRock's Investment Stewardship team would not implement the policy itself, but the client would engage a third-party voting execution platform to cast the votes.

BlackRock takes a case-by-case approach to the items put to a shareholder vote. BlackRock's analysis is informed by its internally developed proxy voting guidelines, its pre-vote engagements, research, and the situational factors at 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 prefer to engage with the company in the first instance where it has 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 anticipate management will address them. BlackRock will vote against management proposals where it believes the board or management may not have adequately acted to and advance the interests of long-term investors. BlackRock ordinarily refrain 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. BlackRock stresses that in all situations the economic interests of BlackRock's clients will be paramount.

MPS PENSION SCHEME ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

IMPLEMENTATION STATEMENT

BlackRock's voting guidelines are intended to help clients and companies understand its thinking on key governance matters. They are the benchmark against which BlackRock assesses a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. In summary, BlackRock:

- aims to apply its guidelines pragmatically, taking into account a company's unique circumstances where relevant;
- informs its vote decisions through research and engage as necessary; and
- BlackRock reviews its voting guidelines annually and updates them as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the prior year.

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") - located in seven offices around the world. The analysts with each team will generally determine how to vote at the meetings of the companies they cover. They may seek input from other team members, their regional head, senior BIS leaders, and/or portfolio managers.

3.1.3 Ruffer

Ruffer, as a discretionary investment manager, does not have a formal policy on consulting with clients before voting. However, Ruffer can accommodate client voting instructions for specific areas of concerns or companies where feasible.

It is Ruffer's policy to vote on Annual General Meeting ("AGM") and Extraordinary General Meeting ("EGM") resolutions, including share-holder resolutions, as well as corporate actions. Ruffer endeavours to vote on the vast majority of its holdings but retains discretion to not vote when it is in clients' best interests (for example in markets where share blocking applies). Ruffer votes on its total shareholding of the companies held within the Ruffer Absolute Return Fund. Voting on companies not held within these funds is subject to materiality considerations. Ruffer applies this policy to both domestic and international shares, reflecting the global nature of its investment approach.

To apply this policy, Ruffer works with various industry standards, organisations and initiatives and actively participates in debates within the industry, promoting the principles of active ownership and responsible investment. For example, Ruffer is a Principles for Responsible Investment ("PRI") signatory, participates in several working groups at the Investment Association and, through its commitment to Climate Action 100+, has co-filed resolutions where it felt this was the most appropriate course of action.

Ruffer has internal voting guidelines as well as access to proxy voting research, currently from ISS, to assist in the assessment of resolutions and the identification of contentious issues. In general, Ruffer does not delegate or outsource stewardship activities when deciding how to vote on clients' shares. Each research analyst, supported by Ruffer's responsible investment team, reviews the relevant issues on a case-by-case basis and exercises their judgement, based on their in-depth knowledge of the company. If there are any controversial resolutions, a discussion is convened with senior investment staff and, if agreement cannot be reached, there is an option to escalate the decision to the Head of Research or the Chief Investment Officer.

**MPS PENSION SCHEME
ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

IMPLEMENTATION STATEMENT

Ruffer looks to discuss with companies any relevant or material issue that could impact holdings. Ruffer will ask for additional information or an explanation, if necessary, to inform voting discussions. If Ruffer decides to vote against the recommendations of management, it will endeavour to communicate this decision to the company before the vote along with an explanation for doing so.

Ruffer recognises that collaborative engagement can also provide a platform to engage on wider sector, regulatory and policy matters with investors and other stakeholders. Ruffer is open to working alongside other investors on both policy and company specific matters. The decision to collaborate on company specific matters will be judged on a case-by-case basis by the responsible investment team with input from research analysts and portfolio managers as well as the legal and compliance teams. Ruffer engages regularly with the Investment Association and the Institutional Investor Group on Climate Change (“IIGCC”). Through its commitment to Climate Action 100+, Ruffer has collaborated with other investors or asset owners engaging with a number of European and American companies, including making statements at AGMs and co-filing shareholder resolutions.

Ruffer’s proxy voting advisor is ISS. In the 12 months to 31 December 2020, of the votes in relation to holdings in the Ruffer Absolute Return Fund, Ruffer voted against the recommendation of ISS over 7.9% of the time.

Ruffer defines ‘significant votes’ as those of particular interest to clients. In most cases, these are when they form part of continuing engagement with the company and/or Ruffer has held a discussion between members of the research, portfolio management and responsible investment teams to make a voting decision following differences between the recommendations of the company, ISS and Ruffer’s internal voting guidelines.

3.2 Summary of voting behaviour over the Scheme Year

A summary of voting behaviour over the period is provided in the table on the following page. Figures may not sum due to rounding.

* The percentage of votes cast with and against management by BlackRock includes abstained votes already (abstained votes are counted as votes against management).

**MPS PENSION SCHEME
ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

IMPLEMENTATION STATEMENT

	Baillie Gifford Diversified Growth Fund	BlackRock Aquila Life World (ex-UK) Equity Index Fund	BlackRock Aquila Life Currency Hedged World ex UK Equity Fund	BlackRock Aquila Life UK Equity Index Fund	BlackRock iShares Emerging Markets Index Fund	LF Ruffer Absolute Return Portfolio
Manager name	Baillie Gifford & Co	BlackRock	BlackRock	BlackRock	BlackRock	Ruffer LLP
Fund name	Diversified Growth Fund	Aquila Life World (ex UK) Equity Index Fund	Aquila Life Currency Hedged World ex UK Equity Fund	Aquila Life UK Equity Index Fund	iShares Emerging Markets Index Fund	Diversified growth portfolio
Total size of fund at end of reporting period (£m)	£6,295.1m	£2,210.0m	£1,220.0m	£4,810.0m	£10,210.0m	£20.8m
Value of Scheme assets at end of reporting period (£m)	£14.8m	£9.8m	£10.5m	£11.1m	£3.7m	£20.8m
Number of holdings at end of reporting period	86	3,951	3,951	600	1,480	92
Number of meetings eligible to vote	97	2,207	2,207	1,168	2,417	84
Number of resolutions eligible to vote	877	27,008	27,008	15,622	22,849	1,074
% of resolutions voted	95%	94%	94%	97%	97%	97%
Of the resolutions on which voted, % voted with management	93%	94%	94%	94%	91%	90%
Of the resolutions on which voted, % voted against management	6%	6%	6%	6%	9%	9%
Of the resolutions on which voted, % abstained from voting*	1%	0%	0%	2%	3%	1%
Of the meetings in which the manager voted, % with at least one vote against management	18%	n/a	n/a	n/a	n/a	39%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	n/a	n/a	n/a	n/a	n/a	8%

**MPS PENSION SCHEME
ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

IMPLEMENTATION STATEMENT

3.3 Most significant votes over the Scheme Year

Commentary on the most significant votes over the period, from the Scheme's asset managers who hold listed equities.

3.3.1 Baillie Gifford Diversified Growth Fund

• EDP Renovaveis, 26 March 2020

Summary of resolution: Director Election.

Vote: Against.

Rationale: Baillie Gifford opposed the election of a director due to the lack of independence and diversity on the board.

• Covivio REIT, 20 April 2020

Summary of resolution: Remuneration Policy.

Vote: Against.

Rationale: Baillie Gifford opposed five resolutions regarding the in-flight and proposed long term incentive scheme because it could lead to rewarding under-performance.

• Gecina, 23 April 2020

Summary of resolution: Incentive Plan.

Vote: Against.

Rationale: Baillie Gifford opposed three resolutions relating to remuneration as it did not believe there was sufficient alignment between pay and performance.

3.3.2 BlackRock Aquila Life World (ex-UK) Equity Index Fund & Aquila Life Currency Hedged World ex UK Equity Fund

• Exxon Mobil Corporation, 27 May 2020

Summary of resolution: elect Director Angela F. Braly, elect Director Kenneth C. Frazier, and require Independent Board Chair

Vote: Against election of both Directors, For the Independent Chair.

Rationale: BlackRock believed both Directors had made insufficient progress on TCFD aligned reporting and related action. It also viewed the company as having failed to provide investors with confidence that the board was composed of the appropriate mix of skillsets and could exercise sufficient independence from the management team to effectively guide the company in assessing material risks to the business. BlackRock voted for the Independent Chair proposal on account of its belief that the board would benefit from a more robust independent leadership structure.

**MPS PENSION SCHEME
ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

IMPLEMENTATION STATEMENT

• **Chevron Corporation, 27 May 2020**

Summary of resolution: Report on Climate Lobbying Aligned with Paris Agreement Goals.

Vote: For.

Rationale: BlackRock voted in favour of this proposal, as greater transparency into the company's approach to political spending and lobbying as aligned with their stated support for the Paris Agreement will help articulate consistency between private and public messaging in the context of managing climate risk and the transition to a lower-carbon economy.

• **AGL Energy Ltd, 7 October 2020**

Summary of resolution: Approve Coal Closure Dates.

Vote: For.

Rationale: BlackRock Investment Stewardship voted in favour of this proposal because it believed the company, and its shareholders, would benefit from a continued focus on long-term strategic planning covering several decades.

3.3.3 BlackRock Aquila Life UK Equity Index Fund

• **Barclays, 7 May 2020**

Summary of resolution: Approve Barclays' Commitment to Tackling Climate Change and Approve ShareAction Requisitioned Resolution (to set and disclose targets to phase out provision of financial services to the energy sector and utility companies not aligned with the Paris Agreement).

Vote: For Approve Barclays' Commitment to Tackling Climate Change and Against Approve ShareAction Requisitioned Resolution

Rationale: BlackRock used proxy voting through Sustainalytics for Barclays to satisfy US regulatory requirements. Sustainalytics reported that support for both resolutions would have been problematic as they are both binding. It determined that the company has set a clear ambition to become net-zero and align to the goals of the Paris Agreement, addressing shareholders' concerns for the time being.

**MPS PENSION SCHEME
ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

IMPLEMENTATION STATEMENT

• Royal Dutch Shell plc, 19 May 2020

Summary of resolution: Request Shell to Set and Publish Targets for Greenhouse Gas Emissions.

Vote: Against.

Rationale: The shareholder proposal requested that Shell set and publish targets across Scope 1, 2 and 3, aligned with the Paris Agreement. The proponent argued that Shell's ambition to reduce its net carbon intensity by 50% by 2050 in a growing energy system would not ultimately lead to the level of absolute emissions reduction necessary to achieve the goals of the Paris Agreement. The proponent asked for more "aspirational" targets. Since the submission of the shareholder proposal, Shell has updated its climate commitments to more aggressively reduce its carbon footprint, and to become a "net-zero emissions energy business" by 2050 or sooner.

• National Fuel Gas Company, 11 March 2020

Summary of resolution: Director election: to elect Director Jeffrey W. Shaw and Shareholder proposal to Declassify the Board.

Vote: Against.

Rationale: BlackRock voted against the election of director Jeffrey W. Shaw for insufficient progress with respect to climate-related reporting. Shaw is the Chair of the Audit Committee and the longest tenured director up for election. BlackRock supported the shareholder proposal to declassify the board of directors in line with its view that directors should generally be elected annually to discourage entrenchment and allow shareholders sufficient opportunity to hold appropriate directors accountable.

3.3.4 BlackRock iShares Emerging Markets Index Fund

• Korea Electric Power Corporation, 9 November 2020

Summary of resolution: Elect Choi Young-ho as an Inside Director and as a Member of the Audit Committee.

Vote: For.

Rationale: While it remained concerned about the company's coal projects in Indonesia and Vietnam, BlackRock voted in favor of the candidate for reasons including that he is a new nominee and therefore not responsible for KEPCO's past decisions.

• GE Polska Grupa Energetyczna SA, 26 June 2020

Summary of resolution: Approve Remuneration and Approve Discharge of Anna Kowalik (Supervisory Board Chairman).

Vote: Against both items.

Rationale: BlackRock voted against the remuneration policy for the lack of transparency and against the approval of the discharge of Anna Kowalik for the company's lack of progress on climate-related reporting.

**MPS PENSION SCHEME
ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

IMPLEMENTATION STATEMENT

• PT Indofood CBP Sukses Makmur Tbk (ICBP), 3 August 2020

Summary of resolution: Approve Acquisition of the total issued share capital of Pinehill Company Limited.

Vote: Against.

Rationale: BlackRock recognised the proposed acquisition had merit from a strategic perspective. ICBP has in-depth knowledge of Pinehill's Indomie business and Pinehill's established footprint in its current markets could provide ICBP a strong platform for overseas growth. Nevertheless, BlackRock believed it was in its clients' economic interests to vote against the proposed acquisition due to concerns over the valuation and terms of the transaction, and the board's oversight in relation to an inherent conflict of interest.

3.3.5 Ruffer Absolute Return portfolio

• Cigna, 20 April 2020

Summary of resolution: Votes for re-election of non-executive directors

Vote: Against 6 non-executive directors.

Rationale: Taking into account the average tenure of members of the board, the regions in which the company is domiciled and the sector in which the company operates, Ruffer did not support the re-election of a number of directors in the period because of concerns that they were not independent.

• National Oilwell Varco, 20 May 2020

Summary of resolution: Votes for re-election of non-executive directors.

Vote: Against 4 non-executive directors.

Rationale: Taking into account the average tenure of members of the board, the regions in which the company is domiciled and the sector in which the company operates, Ruffer did not support the re-election of a number of directors in the period because of concerns that they were not independent.

• Ocado, 6 May 2020

Summary of resolution: Re-election of the Chair of the Board.

Vote: Against.

Rationale: As in 2019, Ruffer voted against the re-election of the Chair of the Board, who also serves as the Chair of the Nomination Committee. Ruffer was not comfortable with the board structure and believed the company was acting slowly to rectify the situation. In particular, Ruffer did not think there were a sufficient number of independent directors on the board.