

Implementation Statement

Hertz (UK) 1972 Pension Plan

Purpose of Implementation Statement

This Implementation Statement has been prepared by the Trustees of the Hertz (UK) 1972 Pension Plan (the "Trustees" and the "Plan" respectively) and sets out:

- How the Trustees' policies on exercising rights (including voting rights) and engagement policies have been followed over the year to 5 April 2021.
- The voting behaviour of the Trustees, or that undertaken on their behalf, over the year to 5 April 2021.

How voting and engagement policies have been followed

The Plan invests entirely in pooled funds and the Trustees delegate responsibility for carrying out voting and engagement activities to the Plan's fund managers.

Investment rights (including voting rights) have been exercised by the investment managers in line with the investment managers' general policies on corporate governance, which reflect the recommendations of the UK Stewardship Code, and which are provided to the Trustees from time to time. The Trustees also expect the investment managers to have engaged with companies in relation to environmental, social and governance ("ESG") matters, and to take these into account in the selection, retention and realisation of investments.

The Trustees are comfortable with the investment managers' strategies and processes for exercising rights and conducting engagement activities, and specifically that they attempt to maximise shareholder value as a long-term investor.

Annually the Trustees receive and review voting information and engagement policies from the asset managers, which they review to ensure alignment with their own policies. This exercise was last undertaken at the 16 September 2020 meeting.

Having reviewed the above in accordance with their policies, the Trustees are comfortable that the actions of the fund managers are in alignment with the Plan's stewardship policies.

Additional information on the voting and engagement activities carried out for the Plan's investments is provided on the following pages.

Voting Data

Manager	Baillie Gifford			State Street Global Advisors			
Fund name	Diversified Growth Fund	UK ESG Screened Index Equity Sub-Fund	Europe ex UK (50% hedged) ESG Screened Index Equity Sub-Fund	North America (50% hedged) ESG Screened Index Equity Sub-Fund	Asia Pacific ex Japan (50% hedged) ESG Screened Index Equity Sub-Fund	Japan (50% hedged) ESG Screened Index Equity Sub-Fund	Emerging Markets ESG Screened Index Equity Sub-Fund
Structure	Pooled						
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.						
Number of company meetings the manager was eligible to vote at over the year	103	740	538	674	442	518	3,310
Number of resolutions the manager was eligible to vote on over the year	925	10,486	9,178	8,377	3,104	6,233	30,252
Percentage of resolutions the manager voted on	96%	100%	99.6%	100%	100%	100%	98%
Percentage of resolutions the manager abstained from	1.2%	0.6%	0.5%	0.7%	0.6%	0.0%	2.5%
Percentage of resolutions voted with management, as a percentage of the total number of resolutions voted on	93.6%	91.4%	88.1%	90.4%	83.1%	91.6%	83.0%

Manager	Baillie Gifford			State Street Global Advisors			
Percentage of resolutions voted against management, as a percentage of the total number of resolutions voted on	5.2%	8.6%	11.2%	9.6%	17.0%	8.4%	15.4%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	n/a*				Not Provided		

Source: Fund Managers, covering the 12 month period to 31 March 2021.

Baillie Gifford do not delegate or outsource any of their stewardship activities or follow or rely upon their recommendations when deciding how to vote on investors' shares. They have noted that they vote in line with their in-house policy and not with the proxy voting advisers' policies.

The proportion of resolutions that were voted on or abstained from may not sum to 100%. This can be due to rounding or how managers or local jurisdictions define abstentions or classify formal voting or abstentions as opposed to not returning a voting form or nominating a proxy.

There were no voting rights attached the other assets held by the Plan and therefore there is no voting information shown above for those assets.

Baillie Gifford employs Institutional Shareholder Services ("ISS") and Glass Lewis as its proxy voting advisors and State Street Global Advisors uses ISS. In addition to ISS, State Street Global Advisors has access to proxy research from a number of global and regional providers including Glass Lewis and the Institutional Voting Information Service.

Significant votes

We have relied on the investment manager(s) to define what a "significant vote" is. A summary of the data they have provided is set out below.

Baillie Gifford, Diversified Growth Fund

	Vote 1	Vote 2	Vote 3
Company name	Covivio REIT	Gecina	Ediston Property Investment Company PLC
Date of vote	22/4/2020	23/4/2020	23/2/2021
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.45%	0.34%	5.59%
Summary of the resolution	Remuneration - Policy	Incentive Plan	Remuneration – Policy
How the manager voted	Against	Against	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	No	Yes	No
Rationale for the voting decision	Baillie Gifford opposed five resolutions regarding the current and proposed long term incentive scheme because it could lead to rewarding under-performance	Baillie Gifford opposed three resolutions relating to remuneration as they do not believe there is sufficient alignment between pay and performance.	Baillie Gifford opposed the resolution to approve the remuneration policy because they are concerned that an additional fee proposed for the Senior Independent Director could impact his independence.
Outcome of the vote	Pass	Pass	Pass
Implications of the outcome	Following the AGM in 2020, Baillie Gifford informed the company of their voting decision and advised that they expect more stretching performance criteria to apply to long term incentives going forward. Baillie Gifford are yet to see improvements in the targets so will continue dialogue with the company and to take appropriate voting action.	Baillie Gifford have been opposing remuneration policy at the company since 2017 due to concerns with the targets applied to the restricted stock plan. They are yet to see improvements in the remuneration plan, but continue to engage with the company to advise on areas for improvement.	Baillie Gifford engaged with the company on the issue and will continue to take voting action in relation to the vote if concerns remain.
Criteria on which the vote is considered "significant"	The resolution is significant as the manager opposed the remuneration policy		

Data on significant votes was requested from State Street Global Advisors but was not provided in a usable format. The Trustees' investment consultant is liaising with the manager to improve delivery of the data in the future and we understand that the managers are working to improve their disclosures with intentions to better meet the Trustees' requirements from mid-2021.

Fund level engagement

Manager	Baillie Gifford	State Street Global Advisors	CQS	Insight
Fund name	Diversified Growth Fund	Passive Equity Funds and the Sterling Non-Gilts Bond All Stocks ESG Screened Index Sub-Fund	Credit Multi Asset Fund	Maturing Buy & Maintain Bond Funds
Does the manager perform engagement on behalf of the holdings of the fund	Yes	Yes	Yes	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes	Yes	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	50	Data not provided	179	167*
Number of engagements undertaken at a firm level in the year	Data not provided	564	231	1,218

Examples of engagements undertaken with holdings in the fund

Baillie Gifford met the chairman of John Laing Group to discuss the newly appointed CEO, the company's shift from renewables and the difficulties faced in previous projects and what the board has learnt from them. The chairman demonstrated a clear understanding of the importance of ESG and how this relates to individual projects. Baillie Gifford will continue to engage with the company in the future.

At a firm level, SSgA have pledged to improve gender diversity in corporate leadership roles and, since 2017, have sent letters to over 1,400 companies without a woman on the board. Since then 862 of those companies have appointed at least one woman to the board and SSgA have begun to vote against all members of the nominating committee if a company doesn't have at least one woman on the board and has not engaged with

CQS have engaged with one company, Logoplaste, to incorporate a new sustainability driven margin ratchet. They provided feedback to Logoplaste which enabled them to create the first institutional term loan with interest payments linked directly to ESG factors. CQS will continue to monitor any opportunities to bring together economic and sustainability objectives.

CQS have had discussions with First Quantum on

[Maturing Buy & Maintain 2031-2035 fund](#)

Insight engaged with TOTAL who were planning to issue transition bonds as part of their new ESG strategy. Insight fed back on the details provided by TOTAL on the ESG strategy, their aims and processes going forward. They will continue to monitor TOTAL's progress and assist in shaping the potential transition bonds.

[Maturing Buy & Maintain 2021-2025 and 2026-2030 funds](#)

Manager	Baillie Gifford	State Street Global Advisors	CQS	Insight
	<p>Baillie Gifford also met with Hammerson to discuss their governance and sustainability strategy, including meeting with the director of sustainability to discuss target setting. Hammerson is working to ensure the properties it builds work at maximum efficiency as well as renewable power supplies. Baillie Gifford discussed the Task Force on Climate-Related Disclosures (TCFD) and will continue to monitor the extent to which Hammerson works in line with these in the future.</p>	<p>State Street on this for 3 consecutive years. SSgA are engaging with companies to raise awareness of climate change and the risk on long term performance by utilising the Task Force on Climate-Related Financial Disclosures framework (governance, strategy, risk management and metrics). They note that while changes are being made, they are not happening at the necessary pace, so will focus on companies especially vulnerable to the transition risks of climate change.</p>	<p>governance and alignment with ESG metrics. They requested the company set TCFD aligned emissions targets, as well as monitor their energy usage. They plan to conduct additional diligence on the board and suggest that the company adds board seats for independent directors. They will follow up to assess if the company have aligned their emissions targets to the TCFD or not.</p>	<p>Insight have discussed the ESG strategy and carbon emissions reduction plans with Enel. They sent a letter to the chair addressing four main areas including disclosure, investor communications, climate competence of the board and management incentives. A follow up call has been scheduled with the chair in due course so Enel's team can present solutions and future plans to improve on the areas addressed.</p>

Source: Fund Managers

*Number of engagements includes engagements for the 2021-2025, 2026-2030 and 2030-2035 Maturing Buy & Maintain Bond Funds

The Trustees believe that there is limited scope for engagement in relation to the Liability Driven Investment ("LDI") and liquidity funds and therefore there is no information provided above for these assets.

Summary

Based on the information received, the Trustees believe that the fund managers have acted in accordance with the Plan's stewardship policies. The Trustees are supportive of the key voting action taken by the fund managers over the period to encourage positive governance changes in the companies in which the funds hold shares.

The Trustees and their investment consultant are working with the fund managers to provide additional information in the future, including where indicated above, in order to enhance their ability to assess the fund managers' actions.

Prepared by the Trustees of the Hertz (UK) 1972 Pension Plan

April 2021