

SMP Playgrounds Pension Fund Implementation Statement – 2021

This document has been prepared by the Trustees of SMP Playgrounds Pension Fund (the “Pension Fund”).

It sets out the stewardship¹ policies of the Pension Fund’s investment managers, the Trustees’ voting and engagement policies (that are also stated in the Pension Fund’s Statement of Investment Principles (“SIP”) dated September 2020) and demonstrates how these policies have been followed over the year to 31 March 2021.

References herein to the actions, review work or determinations of the Trustees refer to activity that has been carried out either by the Trustees and/or its investment advisers on behalf of the Trustees.

1. Trustees’ policies regarding stewardship

The Trustees have appointed investment providers to manage the Pension Fund’s assets. The Trustees recognise that the size and nature of the Pension Fund’s investments (including the use of an investment platform) means that they are more constrained in the influence they can have on the companies the Pension Fund invests in as this responsibility ultimately lies with the investment managers. The Trustees do, however, acknowledge the need to be responsible stewards and exercise the rights associated with the Pension Fund’s investments in a responsible manner. This is accomplished using the following processes:

1. The Trustees consider how stewardship factors are integrated into the investment processes when: (i) appointing new investment managers; and (ii) reviewing existing investment managers. The Trustees have provided the appointed investment managers with full discretion concerning the stewardship of their investments.
2. Whilst the Trustees have delegated voting rights to their investment managers, they do review voting behaviour and raise any concerns. A frequent occurrence of disagreement would result in the Trustees terminating the investment manager on the premise that their beliefs are not consistent with those of the Trustees.

The Trustees review the voting activity of the investments managers/funds where there is the opportunity to influence positive practises through voting and engagement (namely those that invest in equities). The Pension Fund was invested in equities through the BlackRock DC Diversified Growth Fund, Insight Broad Opportunities Fund and LGIM Dynamic Diversified Fund (at the time of the Pension Fund’s year-end).

¹ Investment stewardship refers to engagement with public companies to promote corporate governance practices that are consistent with encouraging long-term value creation for shareholders in the company. Engagement and voting provide shareholders an opportunity to express their views.

The Trustees have reviewed the managers' voting policies and processes including most significant votes cast over the period. This information, and the conclusions that Trustees have drawn, are set out in the following pages.

2. Manager's voting policies

This section summarises the voting policies and processes of the BlackRock DC Diversified Growth Fund, Insight Broad Opportunities Fund and LGIM Dynamic Diversified Fund.

BlackRock

BlackRock votes annually at approximately 16,000 shareholder meetings, taking a case-by-case approach to the items put to a shareholder vote. Their analysis is informed by their internally developed proxy voting guidelines, their pre-vote engagements, research, and the situational factors at a particular company. BlackRock aim to vote at all shareholder meetings of companies in which their 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. They generally prefer to engage with the company in the first instance where they have concerns and give management time to address the issue.

BlackRock will vote in favour of proposals where they support the approach taken by a company's management, or where they have engaged on matters of concern and anticipate management will address them.

BlackRock will vote against management proposals where they believe the board or management may not have adequately acted to advance the interests of long-term investors. They 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 their voting intention. In all situations the economic interests of their clients will be paramount.

BlackRock's voting guidelines are intended to help clients and companies understand their thinking on key governance matters. They are the benchmark against which they assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. BlackRock apply their guidelines pragmatically, taking into account a company's unique circumstances where relevant.

The BlackRock Stewardship team publishes statements on their analysis, engagements and votes in relation to certain high-profile proposals at company shareholder meetings. These vote bulletins aim to explain their approach and decision publicly so interested clients and others can be aware of BlackRock's vote when it is of most relevance to them. They consider these vote bulletins to contain explanations of the most significant votes for the purpose of the Shareholder Rights Directive II.

BlackRock perform independent research and analysis, carefully arriving at proxy vote decisions, including the re-election of directors, that are consistent with their voting guidelines and that they believe are in the best long-term economic interest of their clients. They have the largest global stewardship team in the industry with over 45 people across 7 offices who have regional presence and local expertise across 85 voting markets. They aim to vote at 100% of meetings (circa 16,000 meetings per annum). This globally coordinated team enables BlackRock to better understand the context within which a company is

operating. They are positioned as an investment function because investment stewardship is core to long-term value creation. More details can be found via the link above.

While BlackRock will subscribe to research from the proxy advisory firms ISS and Glass Lewis, they do not follow any single proxy research firm's voting recommendations. BlackRock use several other inputs, including a company's own disclosures, and their record of past engagements, in their voting and engagement analysis.

Insight

Insight are not eligible to vote on the equity exposure in the Insight Broad Opportunities Fund, as it is gained through derivatives. However, where the fund has exposure to listed infrastructure companies, Insight do vote on those. As part of their real asset exposure, the strategy invests in listed closed-end investment companies with a focus on cash-generative investments in social infrastructure, renewable energy and asset-backed aviation finance. Insight exercise their stewardship role through engagement and voting on their shareholdings. Insight engage with investee management and company boards to discuss governance, strategy and other relevant issues.

Insight retains the services of Minerva Analytics for the provision of proxy voting services and votes at meetings where it is deemed appropriate and responsible to do so. Minerva Analytics provides research expertise and voting tools through sophisticated proprietary IT systems allowing Insight to take and demonstrate responsibility for voting decisions. Independent corporate governance analysis is drawn from thousands of markets, national and international legal and best practice provisions from jurisdictions around the world. Independent and impartial research provides advance notice of voting events and rules-based analysis to ensure contentious issues are identified. Minerva Analytics analyses any resolution against Insight-specific voting policy templates which will determine the direction of the vote. Where contentious issues are identified, these are escalated to Insight for further review and direction.

LGIM

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.

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 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 voting 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 them of rejected votes which require further action.

3. Voting eligibility and activity

Voting statistics

The table below sets out the key statistics on voting eligibility and actions over the year to 31 March 2021 for the BlackRock DC Diversified Growth Fund, Insight Broad Opportunities Fund and LGIM Dynamic Diversified Fund.

Statistic	BlackRock DC Diversified Growth Fund	Insight Broad Opportunities Fund	LGIM Dynamic Diversified Fund
Number of equity holdings	687	14	3,951
Meetings eligible to vote at	928	12	7,887
Resolutions eligible to vote on	11,707	122	83,262
Proportion of eligible resolutions voted	95.8	100.0	99.9
Votes with management	94.1	100.0	84.1
Votes against management	5.9	0.0	15.2
Votes abstained from	0.9	0.0	0.7
Meetings where at least one vote was against management	N/A	0.0	5.4
Votes contrary to the recommendation of the proxy adviser (where applicable)	N/A	0.0	0.3

Source: BlackRock, Insight and LGIM.

Note: Totals may not sum due to rounding.

The Trustees are satisfied with the level of voting activity that has been undertaken.

Most significant votes cast

The Trustees have reviewed the significant votes cast by the investment managers and are generally satisfied with their voting behaviour.

Insight have not provided significant votes as they feel it is not applicable to the fund's exposures. Specifically, they are only able to vote on the infrastructure equity holdings, which form a small proportion of the overall portfolio. Furthermore, these companies have an independent board which is responsible for providing an overall oversight function on behalf of all shareholders and therefore Insight tend to be aligned with management.

A cross section of the most significant votes cast is contained in Appendix 1.

4. Managers' conflicts of interest

This section assesses whether BlackRock, Insight and LGIM are affected by the following conflicts of interest, and 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; and
5. Differences between the stewardship policies of managers and their clients.

BlackRock

BlackRock have confirmed that they are not affected by these conflicts of interests.

Insight

Insight have confirmed that, in relation to the Broad Opportunities Fund, they are not affected by the five conflicts of interest detailed above. They have also confirmed that there were no conflicts of interest that impaired their ability to manage the Broad Opportunities Fund.

LGIM

LGIM have not directly commented on which of the above conflicts of interest they are affected by. The Trustees are challenging this.

The Trustees have received a copy of the conflicts of interest policy from LGIM and will request sight of this document and details of any relevant conflicts of interest annually from LGIM.

Appendix 1 – Most significant votes cast

The tables below set out a cross section of significant votes undertaken by the investment managers of the funds held by the Scheme. Information on further significant votes undertaken by the Scheme's investment managers has been reviewed by the Trustees.

BlackRock

Company Name	Barclays PLC	Facebook Inc	Air Liquid SA
Date of Vote	May 2020	May 2020	Ma 2020
Summary of the resolution	Approve Barclays' Commitment to Tackling Climate Change.	Elect Director Marc L. Andreessen.	Re-elect Brian Gilvary as Director
How the firm voted	For	Against	Against
Outcome of the vote	Resolution did not pass.		Resolution passed.
On which criteria have you assessed this vote to be "most significant"?	BlackRock's Key engagement priorities includes Environmental Risks and Opportunities.	Mr. Andreessen serves on the Audit Committee and Blackrock do not consider him independent.	BlackRock's Key engagement priorities includes Environmental Risks and Opportunities.

Source: Blackrock

LGIM Dynamic Diversified

Company Name	Pearson	International Consolidated Airlines Group	SIG plc.
Date of Vote	18-Sep-20	07-Sep-20	09-Jul-20
Summary of the resolution	Resolution 1: amend remuneration policy	Resolution 8: approve remuneration report	Resolution 5: Approve payment to S. Francis
How the firm voted	LGIM voted against the amendment to the remuneration policy	LGIM voted against the resolution	LGIM voted against the resolution
Outcome of the vote	At the EGM, 33% of shareholders voted against the co-investment plan and therefore, by default, the appointment of the new CEO	28% of shareholders opposed the remuneration report	The resolution passed. However, 44% of shareholders did not support it
On which criteria have you assessed this vote to be "most significant"?	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 LGIM's outstanding concerns, they deem this vote to be significant	LGIM considers this vote significant as it illustrates the importance for investors of monitoring their investee companies' responses to the COVID crisis	The vote is high-profile and controversial

Source: LGIM