

Implementation Statement

Scheme year end 31 December 2020

Purpose of the Implementation Statement

The Implementation Statement has been prepared by the Trustees of the Prospect Pension Scheme ("the Scheme") and sets out:

- How the Trustees' policies on exercising rights (including voting rights) and engagement policies have been followed over the year.
- The voting behaviour of the Trustees, or that undertaken on their behalf, over the year to 31 December 2020.

How voting and engagement policies have been followed

The Trustees consider their voting and engagement policies have been met in the following ways:

- At the Scheme year-end, the Scheme's investment managers were: Legal & General Investment Management (LGIM) Limited, Columbia Threadneedle Investments, Fidelity International and Aberdeen Standard Investments. The Trustees regularly consider the performance of the funds held with each investment manager and any significant developments that arise. Over the Scheme year, the Trustees regularly reviewed the ESG, Stewardship and ethical considerations in relation to their investment managers.
- The Scheme invests entirely in pooled funds, and as such delegate's responsibility for carrying out voting and engagement activities to the Scheme's investment managers. During the year under review the Trustees invited LGIM and Aberdeen Standard Investments to present at Trustee meetings allowing the Trustees to question the managers voting behaviour, in relation to ESG factors and specifically regarding employment rights, gender equality and ethnic diversity.
- The Trustees undertook an initial review of the stewardship and engagement activities of the current managers in May 2019 and were satisfied that their policies were reasonable and in alignment with the Trustees' own policies. No remedial action was therefore required during the period, but the Trustees keep this under review.
- Having reviewed the above in accordance with their policies, the Trustees are comfortable the actions of the Scheme's investment managers are in alignment with the Scheme's ESG and Stewardship policies, however the Trustees are aware that there is more to be done within the investment portfolio to tackle ESG and engagement issues, and this will be reviewed alongside the other pension schemes under Prospect in due course.

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The table below provides an indication of the investment managers' overall voting and engagement.

Voting Data

The voting data collated for Scheme is given over the year to 31 December 2020.

The voting data provided by all managers is specific for the pooled version of the funds in which the Scheme invests.

Manager	Legal & General Investment Management Limited	Aberdeen Standard Investments	Columbia Threadneedle Investments
Fund name	World (ex UK) Equity Index Fund – GBP hedged	Aberdeen Standard UK Ethical Equity Fund	Columbia Threadneedle Dynamic Real Return 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 resolutions the manager was eligible to vote at over the year	36,465	1,564	4,565
What % of resolutions did you vote on for which you are eligible?	99.46%	96.42%	98.10%
Of the resolutions, on which you voted, what % did you abstain from?	0.58%	0.00%	2.39%
Of the resolutions, on which you voted, what % did you vote with management?	80.37%	96.95%	91.43%
Of the resolutions, on which you voted, what % did you vote against management?	19.06%	3.05%	6.18%
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy advisor? (if applicable)	0.25%	4.91%	<i>Data not provided (please see the below for an explanation of the use of proxy voting services)</i>

Source: Legal & General Investment Management Limited, Aberdeen Standard Investments and Columbia Threadneedle Investments

Columbia Threadneedle employ the use of Institutional Shareholder Services (ISS) as a proxy voting service. They also employ Glass Lewis and the Institutional Voting Information Service (IVIS) to provide proxy research services.

Columbia Threadneedle have stated that they only employ these proxy voting advisors for research purposes, and therefore do not keep a record of when they vote against the advice of these advisors because they maintain their own custom voting policy. Previously, LGIM also held this stance, but they have begun providing this information for the purpose of supporting clients with their implementation statements.

There are no voting rights attached to the other assets held by the Scheme, which include gilts and property funds, therefore no voting information is shown above for these assets.

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Significant votes

For the first year of implementation statements the Trustees have delegated to the investment managers to define what a "significant vote" is.

In determining significant votes, LGIM's investment stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association ("PLSA"). This guidance dictates significant votes include, but are not limited to:

- A 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 Stakeholder roundtable event, or where LGIM notes there has been a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- A vote linked to an LGIM engagement campaign.

Columbia Threadneedle have not confirmed the criteria they utilise to determine significant votes, however the information provided by Columbia Threadneedle has been made available in the same format of that recommended by the PLSA.

A summary of the key voting action over the year has been set out below.

Manager	Key voting action over the year
LGIM World (ex UK) Equity Index Fund – GBP hedged	<p>Qantas Airways Ltd</p> <p>LGIM's investment stewardship team voted against the proposals to approve participation of CEO Alan Joyce in the Long-Term Incentive Plan (a salary bonus scheme), but voted to approve the remuneration report. This reflected LGIM's view on remuneration policies reflecting the shareholder experience during the COVID-19 pandemic, particularly in the struggling airline sector. Approval of the remuneration report was the result of executive salary cuts and short term incentive cancellations. LGIM voted against the Long-Term Incentive Plans following concerns surrounding the size of the bonus despite the share price at the time.</p> <p>Whitehaven Coal</p> <p>LGIM's investment stewardship team voted for the proposals to approve capital protection for shareholders. This involves a company report to be provided to shareholders on the potential wind down of the company's coal operations; with scope to return increasing amounts of capital to the shareholders. LGIM has advocated for a managed decline of fossil fuel companies wherein capital will be returned to shareholders instead of being spent on risky diversification projects. Although this proposal did not pass, LGIM continues to monitor the company and have excluded it from their specific ESG-focussed equity funds.</p> <p>Lagardère</p> <p>A proposal was taken by a shareholder to the Lagardère AGM to remove all incumbent directors and appoint 8 proposed new directors to the supervisory board. This was due to the few managing partners having "too tight a grip" on the company. When this type of proposal is taken to an AGM LGIM engages with both the shareholder who initiated the</p>

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proposal and the company to understand both perspectives. LGIM voted in favour of 5/8 of the shareholders' proposed new directors. LGIM notes this as a significant vote due to the significant media and public interest of this issue.

Medtronic plc

LGIM's investment stewardship team voted against the resolution to 'Ratify Named Executive Officer's Compensation'. The proposal involved providing executive officers of the company with stock options to compensate for no bonus being paid out during the financial year. This is in line with LGIM's stance on disapproving of one off incentive payments, especially where these compensate for other payments where qualifying criteria were not met, as was the case with Medtronic plc.

Olympus Corporation

LGIM's investment stewardship team voted against the proposal to 'Elect Director Takeuchi, Yasuo'. LGIM voted against this to signal their commitment to ensuring Japanese companies appoint more women to their boards. LGIM have announced they will vote against all companies in the Japanese large-cap TOPIX 100 Index that do not have at least one female board member. This policy took effect from 1 January 2020. Globally, they aspire to all boards comprising at least 30% women.

Fast Retailing Co. Limited

LGIM's investment stewardship team voted against the resolution to 'Elect Director Yanai Tadashi'. LGIM voted against this to signal their commitment to ensuring Japanese companies appoint more women to their boards. In line with policy described above, LGIM opposed the election of this director in his capacity as the most senior member of the board to signal that the company need to act on this issue.

Amazon

12 shareholder proposals were put forward at the Annual General Meeting, of which LGIM's investment stewardship team voted to support 10. The team's decision making was driven by two main areas: encouraging the disclosure of material issues, and the governance structures that benefit long term shareholders. LGIM also engaged with Amazon on media scrutiny in response to working practises during the COVID-19 pandemic. Topics of engagement covered all aspects of ESG including the establishment of a safe workplace culture and a focus on employee health and safety.

Cardinal Health

LGIM's investment stewardship team voted against the resolution to 'ratify named executive officer's compensation'. This was to signal concern over the above target bonus paid to the CEO at a time when a pre-tax charge to the company of \$5.63 billion was expected for opioid settlement costs during the fiscal year. This was excluded from the earnings calculations by the Compensation Committee and as such a boost to executive pay was granted. Furthermore, the current CEO was head of pharma globally during the worst years of the opioid crisis, accountability would therefore have been expected to be considered in this compensation. LGIM have voted against executive remuneration proposals in previous years as they have concerns that these do not adequately reflect the company's performance.

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ExxonMobil

LGIM's investment stewardship team voted against the resolution to 'Re-Elect Director Darren W. Woods'. This formed part of LGIM's 'Climate Impact Pledge' escalation sanction whereby LGIM support shareholder proposals for a new independent chair and a report on the company's political lobbying. Also, due to recurring shareholder concerns, LGIM also sanctioned the reappointment of the directors responsible for nominations and remuneration.

The Procter and Gamble Company (P&G)

LGIM's investment stewardship team voted in favour of the resolution to report on efforts to eliminate deforestation. Deforestation is a key priority issue for LGIM as it is a key driver of climate change. P&G uses both forest pulp and palm oil as raw materials, and two of their suppliers have been recently linked to illegal deforestation. The company also does not subscribe to the use of Forestry Stewardship Council (FSC) certified wood pulp, which offers guidance on land tenure, workers' communities, indigenous people's rights, and the maintenance of high conservation value forests. LGIM engaged extensively with P&G to ascertain their commitment to eliminating deforestation, and set targets to ensure their business does not impact deforestation. LGIM has asked P&G to respond to the CDP Forests disclosure on the issue of deforestation and to engage on the topic to ensure more of their pulp and wood is from FSC certified sources.

Columbia Threadneedle Dynamic Real Return Fund

Amazon.com Inc.

Columbia Threadneedle voted against the resolution to elect Director Thomas O'Ryder. This is due to his role as a serving member on a key committee associated with Amazon, and the potential conflict that could result from this.

Facebook, Inc.

Columbia Threadneedle voted for the proposal for the company to report on median gender and racial pay gap. This was due to the material social risk for the business and reporting on these key metrics is considered in the shareholder's interests.

Comcast Corporation

Columbia Threadneedle voted for the proposal to report on the risks posed by failing to prevent sexual harassment. This was due to the risk that this poses for the business and the nature of this reporting being in the shareholder's interests.

Tesco Plc

Columbia Threadneedle voted against the proposal to approve the remuneration report. This was due to ex-post adjustments to long term performance metrics and the concerns that this raises.

Whitbread Plc

Columbia Threadneedle voted against the resolution to 'approve remuneration policy' due to concerns around the quantum of pay awarded therein and the way that this reflects the company's performance.

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Aberdeen Standard Investments are not able to provide a breakdown of votes that they consider significant at this time. When the information was requested, Aberdeen Standard Investment stated that they view all votes as significant and vote all shares globally for which they have voting authority, therefore they are unable to respond directly on significant votes.

There are no voting rights attached to the other assets held by the Scheme, which include gilts and property therefore no significant voting information is shown above for these assets.

Fund level engagement

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

Manager	Legal & General Investment Management Limited	Aberdeen Standard Investments	Columbia Threadneedle Investments
Fund name	World (ex UK) Equity Index Fund – GBP hedged	Aberdeen Standard UK Ethical Equity Fund	Dynamic Real Return Fund
Number of engagements undertaken at a firm level in the year	Engaged with 796 companies at a firm level (891 individual engagements within these companies)	Engaged with 1,940 companies*	Engaged with 278 companies

Source: Legal & General Investment Management, Aberdeen Standard Investment and Columbia Threadneedle Investment

*Number of company engagements is only for central and equity engagements. ASI do not currently have a breakdown for credit engagement.

Summary

Based on the information received, the Trustees believe that the investment managers have acted in accordance with the Scheme's stewardship policies. The Trustees are supportive of the key voting action taken by the applicable investment 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 investment managers to provide additional information in the future, in order to enhance their ability to assess the investment managers' actions. The Trustees are also planning to liaise with the Trustees of the other pension schemes in Prospect and with the sponsoring employer to develop a common approach to stewardship and engagement.

**Prepared by the Trustees of the Prospect Pension Scheme
April 2021**