Your Engagement Policy Implementation Statement

This document sets out the actions undertaken by the Trustees, its service providers and investment managers, to implement the stewardship policy set out in the Statement of Investment Principles ("SIP"). The document includes voting and engagement information that has been gathered from the asset managers and an overview of how the policies within the SIP have been implemented during the reporting period.

This is the engagement policy implementation statement the Trustees have prepared and covers the year ending 5 April 2021.

Scheme Stewardship Policy Summary

The below bullet points summarise the Scheme Stewardship Policy in force over the majority of the reporting year to 5 April 2021 following an update to the policy in September 2020.

- The Trustees wish to ensure that its influence as a share owner is used to safeguard and raise standards of corporate governance and social and environmental management within its investee companies and believes that this will contribute to creating long-term financial value for the Scheme and its beneficiaries.
- As part of their delegated responsibilities, the Trustees expect the Scheme's investment managers to: 1) Where appropriate, engage with investee companies with the aim to protect and enhance the value of assets; and 2) exercise the Trustees' voting rights in relation to the Scheme's assets.
- The Trustees take advice on the suitability of appointed managers from their adviser and this advice should include considerations of broader stewardship and voting. They also consider methods to monitor and engage with managers when significant concerns are identified.

The full SIP can be found here: https://www.bacardilimited.com/country-info/united-kingdom/

Scheme Stewardship Activity Over the Year

Training and Updating the Stewardship Policy

During the year, the Trustees undertook a training session with its investment adviser (Aon) to provide updates on the evolving regulatory requirements that applied to them, and the importance of stewardship considerations in investment decision making.

The SIP was then updated to ensure the SIP was appropriately updated to details in relation to the Trustees' stewardship policy in line with regulatory requirements. This included policies such as costs transparency and incentivising managers. The updated wording in the SIP illustrates how the Trustees recognise the importance of its role as a steward of capital, as well as indicating how the Trustees would review the suitability of the Scheme's investment manager and other considerations relating to voting and methods to achieve their Stewardship policy.

Ongoing Monitoring

Investment monitoring takes place on a quarterly basis with a monitoring reports being provided to the Trustees by Aon. The reports include 'ESG' ratings and highlight any areas of concern, or where action is required.

The ESG rating system is for buy rated investment strategies and is designed to assess whether investment managers integrate responsible investment and more specifically environmental, social and governance ("ESG") considerations into their investment decision making process. The ESG ratings are based on a variety of qualitative factors, starting with a proprietary due diligence questionnaire, which is completed by the fund manager. Aon's researchers also conduct a review of the managers' responsible investment related policies and procedures, including a review of their responsible investment policy (if they have one), active ownership, proxy voting and/or stewardship policies. After a thorough review of the available materials, data and policies, as well as conversation with the fund manager, the lead researcher will award an ESG rating, which is subject to peer review using an agreed reference framework. Ratings will be updated to reflect any changes in a fund's level of ESG integration or broader responsible investment developments.

Voting and Engagement Activity – Equity and Multi-Asset Funds

The Scheme invest in the following funds:

Manager	Fund Name
Legal & General Investment Management ("LGIM")	Developed Balanced Factor Equity Index Fund
Schroder Pension Management Limited ("Schroders")	Diversified Growth Fund

All managers use the services of proxy voting organisations for various services that may include research, vote recommendations, administration, vote execution.

Legal & General Investment Management ("LGIM")

Voting:

LGIM make use of the Institutional Shareholder Services ("ISS") proxy voting platform to electronically vote and augment their own research and proprietary ESG (environmental, social and governance considerations) assessment tools, but do not outsource any part of the strategic decisions. They have put in place a custom voting policy with specific instructions that apply to all markets globally, which seek to uphold what they consider to be minimum best practice standards all companies should observe. Even so, LGIM retain the ability to override any voting decisions based on the voting policy if appropriate, for example, if engagements with the company have provided additional information.

Developed Balanced Factor Equity Index Fund over year to 31 March 2021	
Number of resolutions eligible to vote on over the year	15,435
% of resolutions voted on for which the fund was eligible	100.00%
Of the resolutions on which the fund voted, % that were voted against management	17.93%
Of the resolutions on which the fund voted, % that were abstained from?	0.24%

Voting Example: Pearson

In September 2020, LGIM voted against a remuneration policy put forward by an investee company Pearson.

The company put forward an all-or-nothing proposal in the form of an amendment to the company's remuneration policy at an extraordinary general meeting ("EGM"), which was tied to the appointment of a proposed CEO. Shareholders supportive of the new leadership were therefore unable to separately evaluate the remuneration policy.

LGIM spoke with the chair of Pearson's board in relation to plans for the change in leadership and discussed the shortcomings of the company's current remuneration policy. Additionally, LGIM relayed their concerns prior to the EGM that the performance conditions within the remuneration policy were not appropriate and should be re-evaluated to best align management incentives with those of the shareholders.

In the absence of any changes to the proposal, LGIM took the decision to vote against the amendment to the remuneration policy. In all, 33% of shareholders voted against the remuneration policy and the appointment of the new CEO. While the proposal received sufficient support to be passed, the engagement highlighted concerns around governance, which LGIM has stated will be challenged through continued engagement going forward.

Engagement:

LGIM has a six-step approach to its investment stewardship engagement activities, broadly these are:

1. Identify the most material ESG issues,
2. Formulate the engagement strategy,
3. Enhancing the power of engagement,
4. Public Policy and collaborative engagement,
5. Voting, and
6. Reporting to stakeholders on activity.

More information can be found on LGIM's engagement policy here: https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-engagement-policy.pdf

Engagement Example: Proctor and Gamble

P&G use both forest pulp and palm oil as raw materials within its household goods products. A key issue identified was that the company has only obtained certification from the Roundtable on Sustainable Palm Oil for one third of its palm oil supply, despite setting a goal for 100% certification by 2020. Furthermore, two of their Tier 1 suppliers of palm oil were linked to illegal deforestation.

Following a resolution proposed by Green Century that P&G should report on effort to eliminate deforestation (voted on in October 2020), LGIM engaged with the P&G, the resolution proponent, and with the Natural Resource Defence Counsel to fully understand the issues and concerns.

Following these engagements, LGIM voted in favour of the resolution as P&G has introduced objectives and targets to ensure their business does not impact deforestation.

However, LGIM felt P&G were not doing as much as it could, and asked P&G to respond to a Carbon Disclosure Project Forests Disclosure and continue to engage on the topic with P&G and other and companies to ensure more of their pulp and wood is from Forest Stewardship Council-certified sources.

More detail on this stewardship example can be found here: https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/cg-quarterly-report.pdf

Schroder Pension Management Limited ("Schroders")

Voting:

Schroders use research from both ISS and the Investment Association's Institutional Voting Information Services ("IVIS"), however they state that this is only one component of the analysis which feeds into their voting decisions. They will also seek information from company reporting, company engagements, country specific policies, engagements with stakeholders and the views of portfolio managers and analysts. They stress that their own research is also integral to their final voting decision. This research is conducted by their financial and ESG analysts. For contentious issues, their Corporate Governance specialists will engage with the relevant analysts and portfolio managers to seek their view and better understand the corporate context.

Schroders consider most significant votes as those against company management. They oppose management if they believe that doing so is in the best interests of shareholders and their clients. Examples of such circumstances include if they believe that a proposal diminishes shareholder rights or if remuneration incentives are not aligned with the company's long-term performance and creation of shareholder value. Such issues will lead to votes against management typically following an engagement. Schroders will inform the company of their intention to vote before any meeting and will explain their rationale for doing so. Where there have been ongoing and significant areas of concerns with a company's performance they may choose to vote against individuals on the board.

Further information can be found in Schroders' Environmental, Social and Governance Policy for Listed Assets policy: https://www.schroders.com/en/sysglobalassets/global-assets/english/campaign/sustainability/integrity-documents/schroders-esg-policy.pdf

Diversified Growth Fund over year to 31 March 2021	
Number of resolutions eligible to vote on over the year to 31/03/2021	21,560
% of resolutions voted on for which the fund was eligible	94.25%
Of the resolutions on which the fund voted, % that were voted against management	9.84%
Of the resolutions on which the fund voted, % that were abstained from?	0.17%

Voting Examples:

Schroders were unable to provide significant voting examples in line with the provided Pensions and Lifetime Savings Association ("PLSA") template. Schroders have stated they are reviewing the information they provide and are considering the best way to communicate this to their clients. They did however provide voting information relevant to the fund the Scheme invests in.

Engagement:

Schroders will engage and vote on any issue affecting the long-term sustainable value of a company in which it is invested. Issues may include, but are not limited to, business strategy, performance, financing and capital allocation, management, acquisitions and disposals, operations, internal controls, risk management the membership and composition of governing bodies/boards and committees, sustainability, governance, remuneration, climate change, environmental and social responsibility.

Schroders engagement activities combine the perspectives of their portfolio managers, financial analysts and ESG specialists in order to form a rounded opinion of each company and the issues it faces. Intervention will generally begin with a process of enhancing their understanding of the company and helping the company to understand their position. The extent to which Schroders would expect to effect change will depend on the specific situation. Schroders focus will be on issues material to the value of the company's shares.

Schroders state that they generally engage for one of three reasons:

1. To seek improvement in performance and processes in order to enhance and protect the value of their investments
2. To monitor developments in ESG practices, business strategy and financial performance within a company
3. To enhance our analysis of a company's risks and opportunities

Their mechanism for engagement varies but typically involves one of the following:

One-to-one meetings with company representatives (e.g. members of the Board including Committee chairs, senior executives, investor relations, managers of specialist areas); or focused ESG engagements undertaken by the ESG specialists, written correspondence, discussions with company advisers and stakeholders; voting; phone conversations and collective engagement with other investors.

They prioritise their engagement activities based on the materiality of the issue, and the size of their exposure to the individual company, either by the total amount of assets invested on behalf of clients or by the percentage of shares held.

Engagement Example: Tesco

An example of engagement during the period took place in May 2020, with Tesco as a result of them awarding their CEO, Dave Lewis (who left the helm of the supermarket in September) a pay package worth £6.4m. As the Guardian reported at the time, "his basic salary alone is 355 times that of the lowest-paid average employee". Schroders have engaged with Tesco on remuneration issues since 2015 and they voted against its pay policy in 2018 when Tesco shifted its remuneration policy to focus on earnings per share, something that Schroders felt was not an optimal alignment with the interests of shareholders. Additionally, executive pay is influenced by Tesco's share performance relative to a custom list of rivals. In 2020, Tesco removed Ocado from that custom list, with effect from May 2018. By doing so, Tesco's relative share performance notably improved, leading to a handsome benefit for company executives.

Schroders state that they will keep engaging with Tesco ahead of the 2021 annual general meeting, and that they are regularly engaging with hundreds of companies on remuneration and, especially in light of Covid-19, about how companies are compensating executive management.

More information on this case study can be found here: https://publications.schroders.com/view/851406/

Engagement Activity – Fixed Income and Real Estate

The Scheme also invests in a corporate bond fund managed by LGIM and a UK Property fund managed by BlackRock.

While the Trustees acknowledge the ability to engage and influence companies may be less direct then in comparison to equity holdings; from the information received, it is encouraging that the managers are aware and active in their role as a steward of capital.

The following example demonstrates engagement activity being carried out on behalf of the Scheme over the year for within the property fund.

BlackRock UK Property Fund: Engagement Policy

The UK property fund invests directly in UK real estate, where stewardship and engagement is less applicable. However, BlackRock have stated that they recognise that the long-term and physical nature of real asset investments make ESG considerations especially important, and that attention is given to sustainability issues, including the impact of climate change, resource constraints and demographic trends through their real asset investments. BlackRock reports annually on its property funds to the Global ESG Benchmark for Real Estate ("GRESB"), which aims to assess and benchmark the ESG and other related performance of real assets across the market.

LGIM Active Corporate Bond Over 10 Year Fund: Engagement Policy

The Scheme also invests in the LGIM Active Corporate Bond fund. The Trustees acknowledge that stewardship may be less applicable with respect to its fixed income investments and are comfortable with the manager's firm-wide engagement policy detailed above.

In Summary

Based on the activity over the year by the Trustees and their service providers, the Trustees are of the opinion that the stewardship policy has been implemented effectively in practice. The Trustees note that most of their applicable asset managers were able to disclose evidence of voting and engagement activity.

The Trustees expect improvements in disclosures over time in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Scheme through considered voting and engagement.