

# Implementation Statement

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## **Bowmer & Kirkland Ltd Group Pensions and Life Assurance Scheme**

### **Implementation Statement**

This implementation statement has been prepared by the Trustees of the Bowmer & Kirkland Ltd Group Pensions and Life Assurance Scheme to satisfy the requirements of the 2019 Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations.

This is the first implementation statement produced by the Trustees and sets out how the Trustees have ensured compliance with the Scheme's Stewardship Policy as set out in the Statement of Investment Principles (SIP) over the course of the year under review (6 April 2020 to 5 April 2021), in particular:

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

The Trustee's Stewardship and Engagement policies are included in the Scheme's SIP, a copy of which can be found at:

<https://www.bandk.co.uk/how-we-act/governance/>

The Scheme's Stewardship Policy is reviewed in line with the Scheme's SIP at least every three years. The SIP was last reviewed and updated on the 24th September 2020 to:

- Reflect the new legislative requirements requiring Trustees to explain their policies on how they monitor their investment manager;
- To formally incorporate the Trustees consideration of Environmental, Social and Corporate Governance (ESG) issues including Climate Risk; and
- Include a statement on how the Trustees manage conflicts of interest.

### **Policy implementation**

BlackRock Advisors (UK) acted on behalf of the Trustees during the year as sole investment manager. They are authorised under the Financial Services and Markets Act 2000 to undertake investment business and are a signatory of The Stewardship Code.

During the year, the Trustees delegated voting and engagement activities in respect of the Scheme's underlying assets to the Scheme's investment manager in accordance with the policies recorded in the SIP. The Trustees believe it is important that their investment manager takes an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on issues which affect a company's financial performance.

The Trustees' own engagement activity is focussed on their dialogue with the investment manager. The Trustees meet regularly with its investment manager and consider the investment manager's exercise of stewardship both during these meetings and through reporting provided by the investment manager. The Trustees have received the voting information and engagement policies from BlackRock Advisors. Having reviewed these policies the Trustees are comfortable that the actions of the investment manager are in alignment with the Scheme's Stewardship Policy.



## Voting Behaviour

The Trustees seek to ensure that its investment manager is exercising voting rights. The Trustees hold equity assets through a pooled multi asset fund with BlackRock and this is the only mandate that carries voting rights for the Scheme's holdings.

The key voting actions over the year made on behalf of the Trustees are noted in the table below:

| FUND NAME                                 | VOTING STATISTICS   | % OF VOTES CAST AS A PROPORTION OF TOTAL POSSIBLE VOTES |
|---|---|---|
| BlackRock: Market Advantage Strategy Fund | The proportion of the total resolutions voted on were eligible                      | 86.03%  |
|   | Proportion of resolutions voted on, where vote was with management                  | 94.17%  |
|   | Proportion of resolutions voted on, where vote was against management               | 5.83%   |
|   | Proportion of resolutions voted on for which the fund manager abstained from voting | 0.78%   |

Voting data has been provided by BlackRock covering the year to the 31st March 2021.

## Significant votes

The Trustees have asked the investment manager to report on the most significant votes cast within the portfolio they manage on behalf of the Trustees. The investment manager was asked to explain the reasons why votes were significant, the size of the position in the portfolio, how they voted, any engagement the investment manager had undertaken with the company and the outcome of the vote. From the investment manager's reports, the Trustees have identified the following votes as being of greater relevance to the Trustees. Significant votes in respect of the fund in the year were:

|                      |   |
|----------------------|---|
| Industry             | Exploration & Production  |
| Market               | North America   |
| Meeting Date         | 29th April 2020   |
| Key Resolutions      | Item 4: Report on Climate Change  |
| Board Recommendation | The company recommends shareholders vote AGAINST the shareholder proposal |

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|----------------|---|
| BlackRock Vote | BlackRock voted FOR the proposal given the materiality of climate risk to the company's business model and the uncertainty regarding the company's near-term timeframe for setting greenhouse gas emissions reduction targets. The company has made notable progress on their climate reporting from a governance and risk management perspective, the company has yet to set targets recommended by the TCFD framework or disclose a clear timeline for doing so. During BlackRock's engagements, they have discussed the expectations of investors, including BlackRock, that companies report in line with the full recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This includes the disclosures and actions outlined in Pillar Four, requesting "the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material" |
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| Industry             | Banking and Finance  |
| Market               | Sweden   |
| Meeting Date         | 28th May 2020  |
| Key Resolutions      | Director Discharge2 (Items 10a-10j): Shareholders are asked to approve the discharge of former Ordinary Board Members<br><br>Item 10o: Shareholders are asked to approve Discharge of individual as CEO until 28th March 2019  |
| Board Recommendation | The company recommends shareholders vote FOR all management items  |
| BlackRock Vote       | BlackRock voted AGAINST the discharge of relevant board members and the former CEO (items 10a-10j, 10o). Following confirmation of governance and risk oversight failures related to money-laundering, and the levy of a 4 billion SEK fine, BlackRock voted against the discharge of relevant board members and the former CEO. In doing so, they are holding those individuals accountable for the deficiencies in the bank's governance of its anti-money laundering measures given they served on the board over the period these issues occurred. The new leadership has initiated several actions to strengthen its governance, culture and controls, and work is ongoing. BlackRock continue to engage with the company and monitor developments. |

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| Industry             | Banking and Finance   |
| Market               | United Kingdom  |
| Meeting Date         | 7th May 2020  |
| Key Resolutions      | Resolution 29: Approve company Commitment to Tackling Climate Change<br><br>Resolution 30: Approve ShareAction Requisitioned Resolution |
| Board Recommendation | The company recommends shareholders vote FOR Resolutions 1-29 and AGAINST Resolution 30.  |

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| BlackRock Vote | BlackRock, through an independent fiduciary, voted FOR all management resolutions and AGAINST shareholder Resolution 30. The independent fiduciary reported that it took into consideration several factors when voting to support the company's own climate change resolution (Resolution 29) and against the shareholder resolution (Resolution 30). Support for both resolutions would have been problematic as they are both binding. The independent fiduciary determined that, as outlined in Resolution 29, the company sets a clear ambition to become net-zero and align to the goals of the Paris Agreement, addressing shareholders' concerns for the time being. |
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Taking the key voting action, as noted above, into account the Trustees believe that BlackRock acted in accordance with the Scheme's Stewardship Policies.

### **Use of a proxy advisor**

The Scheme's investment manager does not use a proxy voting advisor, except in circumstances where they are required by regulation not to vote themselves or where there are actual or perceived conflicts of interest. In these circumstances they use an independent fiduciary to vote proxies and make voting decisions based solely on BlackRock's publicly available proxy voting guidelines. The independent fiduciary BlackRock uses is Sustainalytics.

### **Engagement activity**

The Trustees meet regularly with its investment manager where Responsible Investment and Stewardship issues are discussed in further detail.

Over the last year the Trustees met with the investment manager three times. Due to the timing of Trustee meetings, they met with them a further time, just outside the reporting period. Topics of discussion included recent fund performance, impact of the covid-19 pandemic and the introduction of buy and maintain credit including integration of ESG within the buy and maintain investment process.

The Trustees also receive reporting on the investment manager's own engagement activity. Within the Market Advantage Strategy Fund, the investment manager carried out 1,414 engagements with 821 underlying portfolio companies on a range of different issues over the year to 31st March 2021. A significant number of engagements related to climate risk management, remuneration and operational sustainability. Due to the covid-19 pandemic, the majority of engagements took place via conference call with company management.

### **How the Statement of Investment Principles (SIP) has been followed over the year**

In the Trustees' opinion, the Statement of Investment Principles has been followed over the year in the following way

- The Trustees reviewed their policies on ESG and Stewardship. The Trustees agree that ESG factors are potentially financially material, and that Stewardship is an important issue and the Trustees' policies in their SIP were updated in September 2020 to reflect this. The SIP also incorporated the Trustees' policies on monitoring and reviewing the investment managers performance and activities relative to the Trustees' objectives.