XPS Investment

Scania Staff Pension Plan Implementation Statement for the year ended 30 April 2021

Purpose

This Implementation Statement provides information on how, and the extent to which, the Trustees of the Scania Staff Pension Plan ("the Plan") have followed their policy in relation to the exercising of rights (including voting rights) attached to the Plan's investments, and engagement activities during the year ended 30 April 2021 ("the reporting year"). In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

Background

The Trustees received training on Environmental, Social and Governance ("ESG") issues from its Investment Adviser, XPS Investment ("XPS") in June 2019 and discussed their beliefs around those issues. This enabled the Trustees to consider how to update their policy in relation to ESG and voting issues. Up until that point their policy had simply been a broad reflection of the investment managers' own equivalent policies and a stance whereby investment managers were encouraged to discharge their responsibilities in respect of investee companies in accordance with the Statement drawn up by the Institutional Shareholders' Committee. The Trustees updated their policy in a Statement of Investment Principles ("SIP") dated September 2019. In 2020, the Trustees then received further advice on new requirements for the Plan's SIP including the need to address stewardship in more detail, and the need to explain the incentives the Trustees use to encourage their investment managers to align their investment strategy with the Trustees' policies and to ensure that decisions are based on long-term performance. The Trustees' new policies were documented in the updated SIP dated September 2020.

The Trustees' updated policy

The September 2019 SIP introduced the following policies:

The Trustees have considered their approach to financially material considerations over the Plan's long term funding horizon – including environmental, social and corporate governance factors – by acknowledging that there can be risks relating to them. The Trustees have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Plan's investment managers. The Trustees require the Plan's investment managers to take ESG and climate change risks into consideration within their decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustees will seek advice from XPS on the extent to which its views on ESG and climate change risks may be taken into account in any future investment manager selection exercises. Furthermore, the Trustees, with the assistance of XPS, will monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in the Statement of Investment Principles.

The Trustees have delegated responsibility for the exercise of rights (including voting rights) attached to the Plan's investments to the investment managers and encourage them to vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.

The September 2020 SIP introduced the following related policies:

As the Plan invests in pooled funds, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. They have therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Plan's investments to the Investment Managers.

The Trustees encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustees require the Investment Managers to report on significant votes made on behalf of the Trustees.

If the Trustees become aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustees' expectation, then the Trustees may consider terminating the relationship with that Investment Manager.

The Trustees encourage Investment Managers to make decisions in the long-term interests of the Plan. The Trustees expect engagement with management of the underlying issuers of debt or equity and the exercising of voting rights, on the basis that such engagement can be expected to help Investment Managers to mitigate risk and improve long term returns.

The Trustees also require the Investment Managers to take ESG factors and climate change risks into consideration within their decision-making as the Trustees believe these factors could have a material financial impact in the long-term. The Trustee therefore makes decisions about the retention of Investment Managers, accordingly.

Manager selection exercises

One of the main ways in which the updated policies are expressed is via manager selection exercises: the Trustees seek advice from XPS on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises.

During the reporting year, there have been no such manager selection exercises.

Ongoing governance

The Trustees, with the assistance of XPS, monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in in the Statement of Investment Principles. Further, the Trustees have set XPS the objective of ensuring that any selected managers reflect the Trustees' views on ESG (including climate change) and stewardship.

Beyond the governance work currently undertaken, the Trustees believe that their approach to, and policy on, ESG matters will evolve over time based on developments within the industry and, at least partly, on a review of data relating to the voting and engagement activity conducted annually.

Adherence to the Statement of Investment Principles

During the reporting year the Trustees are satisfied that they followed their policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree.

Voting activity

The main asset class where the investment managers will have voting rights is equities. The Plan has exposure to public equities through its allocations to a UK equity fund and a diversified growth fund. Therefore, a summary of the voting behaviour and most significant votes cast by each of the relevant investment manager organisations is shown below:

XPS Investment

Legal and General Investment Management Dynamic Diversified Fund

Voting Information
Legal and General Investment Management Dynamic Diversified Fund
The manager voted on 99.9% of resolutions of which they were eligible out of 83,262 eligible votes.
Investment Manager Client Consultation Policy on Voting
LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Its voting policies are reviewed annually and take into account feedback from their clients. Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as they continue to develop their voting and engagement policies and define strategic priorities in the years ahead. They also take into account client feedback received at regular meetings and / or ad-hoc comments or enquiries.
Investment Manager Process to determine how to Vote
All decisions are made by LGIM's Investment Stewardship team and in accordance with its relevant 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. This ensures its stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the voting decision process, therefore sending consistent messaging to companies.
How does this manager determine what constitutes a 'Significant' Vote?
As regulation on vote reporting has recently evolved with the introduction of the concept of 'significant vote' by the EU Shareholder Rights Directive II, LGIM wants to ensure it continues to help its clients in fulfilling their reporting obligations. They also believe public transparency of its vote activity is critical for its clients and interested parties to hold them to account. For many years, LGIM has regularly produced case studies and/ or summaries of LGIM's vote positions to clients for what they deemed were 'material votes'. They are evolving their approach in line with the new regulation and are committed to provide its clients access to 'significant vote' information. In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association consultation (PLSA). This includes but is not limited to: • 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 annual Stakeholder roundtable event, or where they note a significant increase in requests from clients on a particular vote; • Sanction vote as a result of a direct or collaborative engagement; • Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

LGIM provide information on significant votes in the format of detailed case studies in their quarterly ESG impact report and annual active ownership publications.
The vote information is updated on a daily basis and with a lag of one day after a shareholder meeting is held. LGIM also provide the rationale for all votes cast against management, including votes of support to shareholder resolutions.
If you have any additional questions on specific votes, please note that LGIM publicly discloses its vote instructions on their website at: https://vds.issgovernance.com/vds/#/MjU2NQ==/

Does the manager utilise a Proxy Voting System? If so, please detail.

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 they do not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is purely to augment their own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that they receive from ISS for UK companies when making specific voting decisions

To ensure its proxy provider votes in accordance with their 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 they consider are minimum best practice standards which they believe all companies globally should observe, irrespective of local regulation or practice.
LGIM retain the ability in all markets to override any vote decisions, which are based on their custom voting policy.
This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows them to apply a qualitative overlay to its voting judgement.
LGIM have strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its 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 LGIM of rejected votes which require further action.

Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
Qantas Airways Limited	Resolution 3 Approve participation of Alan Joyce in the Long-Term Incentive Plan Resolution 4 Approve Remuneration Report.	LGIM voted against resolution 3 and supported resolution 4.	About 90% of shareholders supported resolution 3 and 91% supported resolution 4. The meeting results highlight LGIM's stronger stance on the topic of executive remuneration, in our view.
LGIM will continue its engagement with the company.			
Whitehaven Coal	Resolution 6 Approve capital protection. Shareholders are asking the company for a report on the potential wind-down of the company's coal operations, with the potential to return increasing amounts of capital to shareholders.	LGIM voted for the resolution.	The resolution did not pass, as a relatively small number of shareholders (4%) voted in favour. However, the environmental profile of the company continues to remain in the spotlight: in late 2020 the company pleaded guilty to 19 charges for breaching mining laws that resulted in 'significant

			environmental harm'. As the company is on LGIM's Future World Protection List of exclusions, many of our ESG-focused funds – and select exchange-traded funds – were not invested in the company.
LGIM will continue to monitor this company.			
International Consolidated Airlines Group	Resolution 8: Approve Remuneration Report was proposed at the company's annual shareholder meeting held on 7 September 2020.	We voted against the resolution.	28.4% of shareholders opposed the remuneration report.
LGIM will continue to engage closely with the renewed board.			
Lagardère	Shareholder resolutions A to P. Activist Amber Capital, which owned 16% of the share capital at the time of engagement, proposed 8 new directors to the Supervisory Board (SB) of Lagardère, as well as to remove all the incumbent directors (apart from two 2019 appointments).	LGIM voted in favour of five of the Amber-proposed candidates (resolutions H,J,K,L,M) and voted off five of the incumbent Lagardère SB directors (resolutions B,C,E,F,G).	Even though shareholders did not give majority support to Amber's candidates, its proposed resolutions received approx. between 30-40% support, a clear indication that many shareholders have concerns with the board. (Source: ISS data)
LGIM will continue to engage with the company to understand its future strategy and how it will add value to shareholders over the long term, as well as to keep the structure of SB under review.			
Imperial Brands plc	Resolutions 2 and 3, respectively, Approve Remuneration Report and Approve Remuneration Policy.	LGIM voted against both resolutions.	Resolution 2 (Approve Remuneration Report) received 40.26% votes against, and 59.73% votes of support. Resolution 3 (Approve Remuneration Policy) received 4.71% of votes against, and 95.28% support.
LGIM continues to engage with companies on remuneration both directly and via IVIS, the corporate governance research arm of The Investment Association. LGIM annually publishes remuneration guidelines for UK listed companies.			

**Voting information as at 31 March 2021*

BlackRock ACS UK Equity Index

Voting Information
BlackRock Aquila Life UK Equity Index - EP
The manager voted on 97.17% of resolutions of which they were eligible out of 15,742 eligible votes.
Investment Manager Client Consultation Policy on Voting
BlackRock's engagement priorities are global in nature and are informed by BlackRock's observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients. BlackRock welcome

discussions with its clients on engagement and voting topics and priorities to get its perspective and better understand which issues are important to them. If a client wants to implement their own voting policy, they will need to be in a segregated account. BlackRock's Investment Stewardship team would not implement the policy, but the client would need to engage a third-party voting execution platform to cast the votes.

Investment Manager Process to determine how to Vote

BlackRock's voting guidelines are market-specific to ensure it takes into account a company's unique circumstances by market, where relevant. BlackRock informs its vote decisions through research and engages as necessary. BlackRock's voting guidelines are intended to help clients and companies understand its thinking on key governance matters. They are the benchmark against which it assesses a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting.

How does this manager determine what constitutes a 'Significant' Vote?

During the period 1 April 2020 to 31 March 2021, BlackRock Investment Stewardship periodically published detailed explanations of specific key votes in "vote bulletins". These bulletins are intended to explain BlackRock's vote decision, including the analysis underpinning it and relevant engagement history when applicable, on certain high-profile proposals at company shareholder meetings. BlackRock make this information public shortly after the shareholder meeting, so clients and others can be aware of its vote determination when it is most relevant to them. BlackRock consider these vote bulletins to contain explanations of the most significant votes.

Does the manager utilise a Proxy Voting System? If so, please detail

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS), which consists of three regional teams – Americas ("AMRS"), Asia-Pacific ("APAC"), and Europe, Middle East and Africa ("EMEA"). Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Corporate Governance and Engagement Principles and custom market specific voting guidelines. While BlackRock subscribe to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one among many inputs into its vote analysis process, and BlackRock do not blindly follow their recommendations on how to vote. BlackRock primarily use proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that its investment stewardship analysts can readily identify and prioritise those companies where its own additional research and engagement would be beneficial.

Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
EXXON MOBIL CORP	Require Independent Board Chair	For	Not Provided
BIS typically defers to the board to establish the appropriate structure of governance. Their governance and voting guidelines do not normally necessitate an Independent Chair so long as there is evidence of strong independence in the boardroom that is facilitated by a Lead Independent Director. However, BlackRock had concerns that their previous voting			

action had not produced the substantiate action expected given the material climate risks facing the company. BlackRock believe board independence may encourage progress on robust GHG emissions reduction target setting and disclosure.			
ROYAL DUTCH SHELL PLC	Request Shell to Set and Publish Targets for Greenhouse Gas (GHG) Emissions	Against	Not Provided
BIS has been engaged with Shell on its climate commitments for a number of years and was engaged with the company throughout the process of this latest upgrading of its commitments. Shell already had some of the most ambitious climate targets in the industry on all relevant scopes (1,2,3), and the company already makes strong TCFD disclosures. BlackRock will monitor closely the delivery of the recently revised targets set out to date. BlackRock will hold the management and board directors to account for lack of progress on their delivery through future voting on director elections. BlackRock will continue to engage with the company on its governance practices, reporting on material factors including the alignment with the SASB guidelines, and on the development of its plans to achieve its ambitious climate commitments.			
BARCLAYS PLC	Barclays' Own Commitment to Tackling Climate Change / Activist Shareholders' climate change proposals	For / Against	Not Provided
BlackRock used an independent fiduciary to vote on these motions due to regulatory and conflict of interest constraints. The independent fiduciary believes that Barclays sets a clear ambition to become net-zero and align to the goals of the Paris Agreement (via its own commitment), addressing shareholders' concerns for the time being and so supported Barclays' resolution and voting against the activists' resolution . BlackRock will continue to engage with the company to provide feedback on governance business practices.			
CHEVRON CORP	Report on Climate Lobbying Aligned with Paris Agreement Goals Board Recommendation	For	Not Provided
Blackrock believe enhanced disclosure will help investors better understand the company's political activities in the context of policy that supports the transition to a lower carbon economy, to provide greater context for investors and build on their current actions. BlackRock will vote, were appropriate, in line with their view that the risks of climate change and the transition to a lower carbon economy present material regulatory, reputational, and legal risks to companies.			
MIZUHO FINANCIAL GROUP INC	Shareholder Proposal: Amend Articles to Disclose Plan Outlining Company's Business Strategy to Align Investments with Goals of Paris Agreement	Against	Not Provided
BlackRock believes the company already have processes in place for mapping climate risk and since the shareholders proposal was filed have put policies in place that cover this issue.			

**Voting information as at 31 March 2021*

Signed: Richard Gray, Chair of Trustees Date: 23 August 2021