

# National Union of Rail, Maritime and Transport Workers Pension Scheme - Implementation Statement

## Purpose

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This statement provides information on how, and the extent to which, the Trustee's policies in relation to the exercising of rights (including voting rights), attached to the Scheme's investments, and engagement activities have been followed during the year ended 31 December 2021 ("the reporting year"). In addition, the statement provides a summary of the voting behaviour and most significant votes cast by investment managers on behalf of the Scheme during the reporting year.

## Background

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In February 2019, the Trustee received training on Environmental, Social and Governance ("ESG") issues from its Investment Adviser, XPS Investment ("XPS") and discussed its beliefs around those issues. This enabled the Trustee to consider how to formulate a policy in relation to ESG and voting issues. The Trustee's policy was documented in the updated Statement of Investment Principles ("SIP") dated October 2019.

XPS provided the Trustee with further guidance in September 2020 on additional regulatory requirements which came into effect from 1 October 2020. The recommended wording was agreed upon by the Trustee in Q3 2020 and documented in the SIP dated September 2020.

## The Trustee's updated policies

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During the reporting year, there have not been any additional policies introduced, or changes made to existing policies, within the SIP.

## Manager selection exercises

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One of the main ways in which the Trustee's policy in relation to ESG issues is expressed is via manager selection exercises: the Trustee seeks 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.

During the reporting year, the Trustee received advice on the StepStone Group Europe Alternative Investments Limited ("StepStone") Senior Corporate Lending Fund II. One of the selection criteria – in acknowledgement of the Trustee's updated ESG policy – was that the investment manager had been found to have credible ESG capability, with decisions linked to that capability applied to the fund to an acceptable degree.

## Ongoing Governance

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The Trustee generally meets quarterly to discuss investment matters. The Trustee receives quarterly reports from its Investment Consultant, XPS, on the investment performance of the Scheme's assets. The progression of the Scheme's funding position is also discussed at meetings.

The Trustee, with the assistance of XPS, monitors the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustee's requirements.

Beyond the governance work currently undertaken, the Trustee believes that its 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 Trustee is satisfied that it followed its 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 Scheme has specific allocations to UK and global equities through the Rathbones portfolio, and investments in equities will also form part of the strategy for the diversified growth fund (managed by LGIM) in which the Scheme invested during the reporting year. In addition, the Scheme invests in an equity overlay strategy with River and Mercantile. This fund provides exposure to equities via derivatives rather than via physical equities. As a result, there are no voting rights involved. A summary of the voting behaviour and most significant votes cast by LGIM and Rathbones is as follows.

Note that in this section the responses have been provided by the investment managers and therefore “we” or “us” or “our” will often be written from the perspective of the investment manager, not XPS or the Trustee.

### Rathbones segregated portfolio

Voting Information
Rathbones segregated portfolio
The fund manager has not provided stewardship code data at present
<sup>1</sup> The manager voted on 48.21% of resolutions of which it was eligible out of 24,755 eligible votes.
Investment Manager Client Consultation Policy on Voting
We are a discretionary fund manager; clients give delegated authority for all aspects of their portfolio management to Rathbones. We set voting policy centrally based on recognised best practice. As such we do not actively seek out the views of clients before voting. However, we are open to hearing from clients where they have views on specific voting items and are prepared to issue split votes to reflect those instructions.
Investment Manager Process to determine how to Vote
Our Responsible Investment Policy commits us to voting on 95% of our assets by value. Our active voting lists comprise our top holdings in UK and international equity, collectives and a subset of smaller companies where we account for greater than 2.5% of shares in issue.
How does this manager determine what constitutes a 'Significant' Vote?
Significance was decided upon based on a combination of the size of the holding within the portfolio and the importance of the vote itself.
Does the manager utilise a Proxy Voting System? If so, please detail
We use a proxy voting provider to implement our bespoke voting policy. We also use their proxy voting platform.
Top Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
Melrose	Executive pay i. To approve and implement the 2020 Melrose Employee Share Plan ii. To approve the amendments proposed to the 2020 Directors' Remuneration Policy to accommodate the 2020 Melrose Employee Share Plan	For	i. 17.4% of shareholders supported the resolution. ii. 18.2% of shareholders supported the resolution.
<p>Ahead of the vote on 20/01/2021, we wrote to the company's management on 30/04/2020, saying we supported the remuneration policy at the AGM although ISS recommended we abstain. We noted that the board had made a number of improvements to the 2020 Long Term Incentive Plan ("LTIP") to better align this with recognised best practice. In particular, we noted the increase in the annual charge rate and the inclusion of a cap. We also commended the board for the sensible approach of delaying the introduction of a new LTIP due to the ongoing uncertainty of the pandemic. We raised our concerns that that there still remained areas of concern under the proposed policy which the board needed to address, notably the risk of significant dilution and the level of complexity with the remuneration structure at the company. We told the board that we expected any new plan to address these areas of concerns and to be aligned with the long-term interests of shareholders.</p>			
Smith & Nephew	Gender diversity i. Re-elect Robin Freestone	Issued a split vote	i. 18% of shareholders supported the resolution.
<p>We issued a split vote on the re-election of Chairman Robert Quarta. Under our bespoke voting policy we will vote against the re-election of the nominations committee chair, or the Chairman where the position does not exist when female representation on the board falls below the 33% Hampton Alexander recommendation. We issued a split vote because we had concerns about the level of female representation on the board, which we note is only 27% following Ms. Bottomley's planned retirement from the board at the upcoming AGM. One fund manager decided to abstain, as he is aware that the company does intend to meet the 33% target in future. We called on the board to make a commitment to improving and maintaining gender diversity on its board.</p>			
Bunzl	Over-boarded directors i. Re-elect Stephan Nanninga as Director ii. Re-elect Vin Murria as Director	For	i. 21.7% of shareholders supported the resolution. ii. 24.4% of shareholders supported the resolution.
<p>Although we supported both items, we flagged that both directors have multiple responsibilities on boards elsewhere, which raises some concern. Mr Nanninga holds positions at 3 other companies and Ms Murria holds 5 other positions on boards. We flagged our concern that, should matters of crisis arise at the company, these two directors may not be able to devote sufficient time to helping the company navigate through such troubles. We called on the board to address this issue before next year's AGM, or expect that we may consider voting against next year</p>			
Unilever	Climate change i. Approve Climate Transition Action Plan	For	i. 99.6% of shareholders supported the resolution.

We notified the board that we would be supporting item 4, 'Approve Climate Transition Action Plan.' We commended Unilever's commitment to achieve net zero value chain emissions by 2039, from the sourcing of the materials used, up to the point of sale of products. This is particularly positive as the real challenge pertains to Scope 3 emissions, which account for approximately 96% of Unilever's emissions, generated by the supply chain and retail (30%) and consumers (66%). Further, we welcome the fact that medium-term emission reduction targets in absolute terms have been formally approved by the Science Based Targets initiative (SBTi). The approval by the SBTi offers further reassurance to shareholders that net zero targets are credible, robust and science based. Finally, we praise Unilever's approach to offsetting and agree that credible net zero strategies must lead with science-based emissions reductions pathways, complemented with carbon removals only when all feasible reductions have been implemented. Overall, the company's climate transition plan includes clear targets, specific actions and is governed by an appropriate governance framework. Reporting is in line with the TCFD recommendations and meets market standards. It is for these reasons that we have decided to support the item on this occasion.

Rio Tinto	ESG risk management failure i. Approve Remuneration Report for UK Law Purposes ii. Approve Remuneration Report for Australian Law Purposes	Against	i. 61.6% of shareholders supported the resolution. ii. 60.8% of shareholders supported the resolution.
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We noted concerns over the outstanding LTIP awards, which the former CEO was allowed to retain despite being in post when the Juukan incident occurred. Some fund managers felt that more use should have been made of malus and clawback provisions in the remuneration policy. As a group, however, we decided to support management on both items. We felt that the company took swift action in the wake of Juukan with the former CEO forfeiting his 2020 bonus, losing £1m from his 2020 LTIP vesting outcome and ultimately moving on from the company. The majority view was that the actions taken reflected the gravity of the situation and further financial penalties would have been unnecessary. We also note that the board took into consideration a wide range of factors in determining the level of malus to use to the former CEO's remuneration, in particular the strong performance delivered in the period preceding the incident. Although we supported both items, we remain very concerned about the way in which ESG risks are managed at site level and would welcome any move by the company to strengthen its oversight practices in this area.

- Rathbones' Responsible Investment Policy commits them to voting on 95% of their assets by value. This compares with 48.2% of resolutions on which Rathbones were eligible to vote out of 24,755 eligible votes. The reason for the difference is that the 95% relates to the value of assets, whereas the 48.2% relates to the total number of available resolutions. There is a large tail of smaller investments held by managers across the firm which would be included in the 95%, so Rathbones do not vote on them, but may still have a large number of available resolutions.

#### Legal and General Investment Management ("LGIM") – Dynamic Diversified Fund

<b>Voting Information</b>
LGIM Dynamic Diversified Fund
The fund manager has not provided stewardship code data at present
The manager voted on 99.81% of resolutions of which they were eligible out of 59616 eligible votes.
<b>Investment Manager Client Consultation Policy on Voting</b>
<p>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. Our voting policies are reviewed annually and take into account feedback from our clients.</p>
<p>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 we continue to develop our voting</p>

and engagement policies and define strategic priorities in the years ahead. We 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 our 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 our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote 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 we continue to help our clients in fulfilling their reporting obligations. We also believe public transparency of our vote activity is critical for our clients and interested parties to hold us to account.

For many years, LGIM has regularly produced case studies and/ or summaries of LGIM's vote positions to clients for what we deemed were 'material votes'. We are evolving our approach in line with the new regulation and are committed to provide our 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 (PLSA) guidance. 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 we 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.

We provide information on significant votes in the format of detailed case studies in our 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. We 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 our 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 we do not outsource any part of the strategic decisions. Our use of ISS recommendations is purely to augment our 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 we receive from ISS for UK companies when making specific voting decisions.

To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.

We retain the ability in all markets to override any vote decisions, which are based on our 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 us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies

by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.

For more information on how we use the services of proxy providers, please refer to the following document available on our website: [https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/how-lgim-uses-proxy-voting-services.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/how-lgim-uses-proxy-voting-services.pdf)

#### Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
Barrick Gold Corporation	Gender diversity i. Elect Director Gustavo A. Cisneros	Withhold	i. 93.0% of shareholders supported the resolution.
LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.			
Wheaton Precious Metals Corp.	Gender diversity i. Elect Director George L. Brack	Withhold	i. 87.6% of shareholders supported the resolution.
LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.			
Duke Energy Corporation	Board chair and CEO i. Elect Director Michael G. Browning	Withhold	i. 88.1% of shareholders supported the resolution.
LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.			
Prologis, Inc.	Board chair and CEO i. Elect Director Hamid R. Moghadam	Against	i. 93.5% of shareholders supported the resolution.
LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.			
The Southern Company	Board chair and CEO i. Elect Director Thomas A. Fanning	Against	i. 91.8% of shareholders supported the resolution.
LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.			

Sources: Rathbones & Legal and General Investment Management