Implementation Statement for the Bradfords Pension Scheme

Covering 6 April 2020 to 5 April 2021

1. Background

The Trustees of the Bradfords Pension Scheme (the "Scheme") are required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed the Scheme's Statement of Investment Principles ("SIP") during the previous Scheme year. This statement also includes the details of any reviews of the SIP during the year, any changes that were made and reasons for the changes. This is the first implementation statement produced by the Trustees.

A description of the voting behaviour during the year, either by or on behalf of the Trustees, or if a proxy voter was used, also needs to be included within this statement.

This statement should be read in conjunction with the SIP and has been produced in accordance with **The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018** and the subsequent amendment in **The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019**.

2. Investment Objectives and Activity

The objective of the Scheme is to achieve, over the long term, a return on the Scheme's assets which is sufficient in conjunction with the Scheme's existing assets and contributions paid by both members and the employer to pay all members' benefits in full.

During the year, the Trustees decided to de-risk their investment strategy by reducing equity exposure in favour of investment in Liability Driven Investment ("LDI") funds in order to protect the scheme against fluctuations in interest and inflation rates. The agreed changes were implemented in two stages, in July 2020 and December 2020. The new investment strategy is set out in the Scheme's SIP.

There were some modest disinvestments made during the year to meet cash flow requirements, and the Trustees monitored the performance of their investments bi-annually at Trustees' meetings, based on a report provided by their investment consultant.

The SIP was fully reviewed and updated during the period to allow for the aforementioned de-risking, and to incorporate the Trustees' policy on Environmental, Social and Governance ("ESG") factors, stewardship and climate change, as required under new regulations.

3. ESG, Stewardship and Climate Change

The Scheme's SIP sets out the Trustees' beliefs on ESG and climate change, and the processes followed by the Trustees in relation to voting rights and stewardship.

The Trustees will continue to keep these policies under review, as well as the managers' ESG policies including the application of voting rights.

Voting and Engagement

The Trustees are keen that their managers are signatories to the UK Stewardship Code, which was revised in 2020. All three of the Scheme's investment managers have stated their commitment to the UK Stewardship Code 2020. The Financial Reporting Council (FRC) has accepted applications from two of them, LGIM and M&G, to be signatories to the Code. The Scheme's other investment manager, Schroder, is currently in the process of applying to become a signatory to the updated 2020 Code, having previously been a signatory to the earlier version of the Code.

The Trustees have elected to invest in pooled funds and cannot, therefore, directly influence the ESG policies, including the day-to-day application of voting rights, of the funds in which they invest. However, the Trustees will consider these policies in all future selections and will deepen their understanding of their existing managers' policies.

The Trustees delegate voting activity to the fund managers and monitor manager engagement and voting activity for reasonableness on an annual basis. The information that the Trustees have been provided with in relation to managers' voting activity is set out in the rest of this statement. The Scheme held the following funds at some point over the period 6 April 2020 to 5 April 2021:

- Schroder Life Diversified Growth Fund
- LGIM Global Equity Fixed Weights (60:40) Index Fund
- <u>LGIM Matching Core Fixed Long Fund</u>
- <u>LGIM Matching Core Real Short Fund</u>
- <u>LGIM Matching Core Real Long Fund</u>
- <u>LGIM Sterling Liquidity Fund</u>
- <u>M&G Long Dated Corporate Bond Fund</u>
- <u>M&G Index-Linked Passive Fund</u>

The Trustees were unable to include voting data for the <u>underlined funds</u> as they are predominantly fixed income and do not hold physical equities.

The Trustees are concerned that Schroder have not been able to provide detailed information regarding the most significant votes cast within the Schroder Life Intermediated Diversified Growth Fund, as this has limited the Trustees' ability to assess the reasonableness of their voting activity in full. The Trustees understand that Schroder are working to improve their reporting in this regard, and will continue to work with their advisers and Schroder with the aim of obtaining more information in relation to the next Scheme year (6 April 2021 to 5 April 2022).

4. Description of investment manager's voting processes

a. LGIM

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 their clients. Their 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.

All decisions are made by LGIM's Investment Stewardship team and in accordance with their 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 their 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.

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. Their 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 their proxy provider votes in accordance with their position on ESG, they 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.

They 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 their voting judgement. They have strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their 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 them of rejected votes which require further action.

It is vital that the proxy voting service are regularly monitored and LGIM do this through quarterly due diligence meetings with ISS. Representatives from a range of departments attend these meetings, including the client relationship manager, research manager and custom voting manager. The meetings have a standing agenda, which includes setting out their expectations, an analysis of any issues they have experienced when voting during the previous quarter, the quality of the ISS research delivered, general service level, personnel changes, the management of any potential conflicts of interest and a review of the effectiveness of the monitoring process and voting statistics. The meetings will also review any action points arising from the previous quarterly meeting.

LGIM has its own internal Risk Management System (RMS) to provide effective oversight of key processes. This includes LGIM's voting activities and related client reporting. If an item is not confirmed as completed on RMS, the issue is escalated to line managers and senior directors within the organisation. On a weekly basis, senior members of the Investment Stewardship team confirm on LGIM's internal RMS that votes have been cast correctly on the voting platform and record any issues experienced. This is then reviewed by the Director of Investment Stewardship who confirms the votes have been cast correctly on a monthly basis. Annually, as part of their formal RMS processes the Director of Investment Stewardship confirms that a formal review of LGIM's proxy provider has been conducted and that they have the capacity and competency to analyse proxy issues and make impartial recommendations.

b. Schroder

Schroder evaluates voting issues arising at their investee companies and, where they have the authority to do so, votes on them in line with their fiduciary responsibilities in what they deem to be the interests of their clients. Schroder utilises company engagement, internal research, investor views and governance expertise to confirm their intention.

They receive research from both ISS and the Investment Association's Institutional Voting Information Services (IVIS) for upcoming general meetings, however this is only one component that feeds into their voting decisions. In addition to relying on their policies they will also be informed by company reporting, company engagements, country specific policies, engagements with stakeholders and the views of portfolio managers and analysts.

It is important to stress that their own research is also integral to their final voting decision; this will be conducted by both their financial and ESG analysts. For contentious issues, their Corporate Governance specialists will be in deep dialogue with the relevant analysts and portfolio managers to seek their view and better understand the corporate context.

They continue to review their voting practices and policies during their ongoing dialogue with their portfolio managers. This has led them to raise the bar on what they consider 'good governance practice.'

5. Summary of voting behaviour over the year

a. LGIM

A summary of LGIM's voting behaviour over the period is provided in the table below:

	Summary Info
Manager name	Legal & General Investment Management
Fund name	Global Equity Fixed Weights (60:40) Index Fund
Approximate value of trustees' assets	c.£9.9m as at 5 April 2021
Number of meetings eligible to vote	3641
Number of resolutions eligible to vote	44680
% of resolutions voted	99.97%
% of resolutions voted with management	83.56%
% of resolutions voted against management	16.29%
% of resolutions abstained	0.15%
% of meetings voted at least once against management?	5.46%
% of resolutions voted contrary to the recommendation of your proxy adviser?	0.44%

b. Schroder

6. A summary of Schroder's voting behaviour over the period is provided in the table below:

	Summary Info
Manager name	Schroder
Fund name	Schroder Life Diversified Growth Fund
Approximate value of trustees' assets	c.£9.3m as at 5 April 2021
Number of meetings eligible to vote	1586
Number of resolutions eligible to vote	18951
% of resolutions voted	99.6%
% of resolutions voted with management	92.0%
% of resolutions voted against management	8.0%
% of resolutions abstained	0.4%
% of meetings voted at least once against management?	45.6%
% of resolutions voted contrary to the recommendation of your proxy adviser?	5.4%

7. Most significant votes over the year

a. LGIM

Commentary on the most significant votes over the period is set out below.

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.

Most significant votes for the LGIM Global Equity Fixed Weights (60:40) Index Fund

Vote 1

Company name	Qantas Airways Limited
Date of vote	23-Oct-20
Summary of the resolution	Resolution 3 Approve participation of Alan Joyce in the Long-Term Incentive Plan Resolution 4 Approve Remuneration Report.
How you voted	LGIM voted against resolution 3 and supported resolution 4.
Where you voted against management, did you communicate your intent to the company ahead of the vote?	Given our engagement, LGIM's Investment Stewardship team communicated the voting decision directly to the company before the AGM and provided feedback to the remuneration committee.
Rationale for the voting decision	The COVID crisis has had an impact on the Australian airline company's financials. In light of this, the company raised significant capital to be able to execute its recovery plan. It also cancelled dividends, terminated employees and accepted government assistance. The circumstances triggered extra scrutiny from LGIM as we wanted to ensure the impact of the COVID crisis on the company's stakeholders was appropriately reflected in the executive pay package. In collaboration with our Active Equities team, LGIM's Investment Stewardship team engaged with the Head of Investor Relations of the company to express our concerns and understand the company's views. The voting decision ultimately sat with the Investment Stewardship team. We supported the remuneration report (resolution 4) given the executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the long-term incentive plan (LTIP), in light of the pandemic. However, our concerns as to the quantum of the 2021 LTIP grant remained, especially given the share price at the date of the grant and the remuneration committee not being able to exercise discretion on LTIPs, which is against best practice. We voted against resolution 3 to signal our concerns.
Outcome of the vote	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.
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	We will continue our engagement with the company.
On which criteria (as explained in the cover email) have you assessed this vote to be "significant"?	It highlights the challenges of factoring in the impact of the COVID situation into the executive remuneration package.

Vote 2

Company name	Whitehaven Coal
Date of vote	22-Nov-20
Summary of the resolution	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.
How you voted	LGIM voted for the resolution.
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	The role of coal in the future energy mix is increasingly uncertain, due to the competitiveness of renewable energy, as well as increased regulation: in Q4 2020 alone three of Australia's main export markets for coal – Japan, South Korea and China – have announced targets for carbon neutrality around 2050. LGIM has publicly advocated for a 'managed decline' for fossil fuel companies, in line with global climate targets, with capital being returned to shareholders instead of spent on diversification and growth projects that risk becoming stranded assets. As the most polluting fossil fuel, the phase-out of coal will be key to reaching these global targets.
Outcome of the vote	The resolution did not pass, as a relatively small amount 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.
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to monitor this company.
On which criteria (as explained in the cover email) have you assessed this vote to be "significant"?	The vote received media scrutiny and is emblematic of a growing wave of 'green' shareholder activism.

Vote 3

Company name	International Consolidated Airlines Group
Date of vote	07-Sep-20
Summary of the resolution	Resolution 8: Approve Remuneration Report' was proposed at the company's annual shareholder meeting held on 7 September 2020.
How you voted	We voted against the resolution.
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	The COVID-19 crisis and its consequences on international transport have negatively impacted this airline company's financial performance and business model. At the end of March 2020, LGIM addressed a private letter to the company to state our support during the pandemic. We also encouraged the board to demonstrate restraint and discretion with its executive remuneration. As a result of the crisis, the company took up support under various government schemes. The company also announced a 30% cut to its workforce. On the capital allocation front, the company decided to withdraw its dividend for 2020 and sought shareholder approval for a rights issue of €2.75 billion at its 2020 AGM in order to strengthen its balance sheet. The remuneration report for the financial year to 31 December 2019 was also submitted to a shareholder vote. We were concerned about the level of bonus payments, which are 80% to 90% of their salary for current executives and 100% of their salary for the departing CEO. We noted that the executive directors took a 20% reduction to their basic salary from 1 April 2020. However, whilst the bonuses were determined at the end of February 2020 and paid in respect of the financial year end to December 2019, LGIM would have expected the remuneration committee to exercise greater discretion in light of the financial situation of the company, and also to reflect the stakeholder experience (employees and shareholders). Over the past few years, we have been closely engaging with the company, including on the topic of the succession of the CEO and the board chair, who were long-tenured. This engagement took place privately in meetings with the board chair and the senior independent director. This eventually led to a success, as the appointment of a new CEO to replace the long-standing CEO was announced in January 2020. A new board chair: an independent non-executive director, was also recently appointed by the board. He will be starting his new role in January 2021.
Outcome of the vote	28.4% of shareholders opposed the remuneration report.
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage closely with the renewed board.
On which criteria (as explained in the cover email) have you assessed this vote to be "significant"?	LGIM considers this vote significant as it illustrates the importance for investors of monitoring our investee companies' responses to the COVID crisis.

Vote 4

Company name	Lagardère
Date of vote	05-May-20
Summary of the resolution	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).
How you voted	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).
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	Proposals by Amber were due to the opinion that the company strategy was not creating value for shareholders, that the board members were not sufficiently challenging management on strategic decisions, and for various governance failures. The company continues to have a commandite structure; a limited partnership, which means that the managing partner has a tight grip on the company, despite only having 7 % share capital and 11% voting rights. LGIM engages with companies on their strategies, any lack of challenge to these, and with governance concerns. The company strategy had not been value-enhancing and the governance structure of the company was not allowing the SB to challenge management on this. Where there is a proxy contest, LGIM engages with both the activist and the company to understand both perspectives. LGIM engaged with both Amber Capital, where we were able to speak to the proposed new SB Chair, and also Lagardère, where we spoke to the incumbent SB Chair. This allowed us to gain direct perspectives from the individual charged with ensuring their board includes the right individuals to challenge management.
Outcome of the vote	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)
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	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.
On which criteria (as explained in the cover email) have you assessed this vote to be "significant"?	LGIM noted significant media and public interest on this vote given the proposed revocation of the company's board.

Vote 5

Company name	Imperial Brands plc
Date of vote	03-Feb-21
Summary of the resolution	Resolutions 2 and 3, respectively, Approve Remuneration Report and Approve Remuneration Policy.
How you voted	LGIM voted against both resolutions.
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	The company appointed a new CEO during 2020, who was granted a significantly higher base salary than his predecessor. A higher base salary has a consequential ripple effect on short- and long-term incentives, as well as pension contributions. Further, the company did not apply best practice in relation to post-exit shareholding guidelines as outlined by both LGIM and the Investment Association. An incoming CEO with no previous experience in the specific sector, or CEO experience at a FTSE100 company, should have to prove her or himself beforehand to be set a base salary at the level, or higher, of an outgoing CEO with multiple years of such experience. Further, we would expect companies to adopt general best practice standards. Prior to the AGM, we engaged with the company outlining what our concerns over the remuneration structure were. We also indicated that we publish specific remuneration guidelines for UK-listed companies and keep remuneration consultants up to date with our thinking.
Outcome of the vote	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.
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	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.
On which criteria (as explained in the cover email) have you assessed this vote to be "significant"?	We are concerned over the ratcheting up of executive pay; and we believe executive directors must take a long-term view of the company in their decision-making process, hence the request for executives' post-exit shareholding guidelines to be set.

b. Schroder

Schroder consider "most significant" votes as those against company management.

They are not afraid to oppose management if they believe that doing so is in the best interests of shareholders and their clients. For example, if they believe 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 votes against will typically follow an engagement and they will inform the company of their intention to vote against before the meeting, along with their rationale. Where there have been ongoing and significant areas of concern with a company’s performance they may choose to vote against individuals on the board.

However, as active fund managers they usually look to support the management of the companies that they invest in. Where they do not do this, they classify the vote as significant and will disclose the reason behind this to the company and the public.

Due to limitations in the information provided by Schroder, the Trustees were unable to include specifics regarding the most significant votes cast within the Schroder Intermediated Diversified Growth Fund, however they will continue to work with their advisers and Schroder with the aim of providing more information in future statements.