Radstock Co-operative Society Limited Employees' Superannuation Fund

Implementation Statement

Introduction

On 6 June 2019, the U.K. Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations (the "Regulations"). The Regulations, amongst other things, require that the Trustees of the Radstock Co-operative Society Limited Employees' Superannuation Fund (the "Fund"), produce an Implementation Statement which:

- outlines how the Trustees have ensured that the voting and engagement policies set out in its Statement of Investment Principles (SIP) have been followed over the course of the Fund year; and
- describes the voting behaviour by or on behalf of the Trustees, including the most significant votes cast and any use of a proxy.

The Implementation Statement has been prepared by the Trustees and covers the year ending 27 February 2022.

Meeting investment objectives and policies

The Trustees' investment objectives for the Fund are as set out in the SIP and include the following:

- To ensure that the assets are of a nature to enable the Trustees to meet benefits as they fall due;
- To invest assets in an appropriately diverse and liquid range of investments;
- To invest in a way that is consistent with the Scheme's funding objectives i.e. to invest so that the investment return assumptions used to determine the Trustees' funding plan have a reasonable chance of being achieved in practice;
- Where future opportunities arise to increase protection against liability-related risks in such a way that does not invalidate the Trustees' funding plan, the Trustees will consider steps to reduce the volatility of the Scheme's funding position relative to its liabilities calculated under the statutory funding objective.

The Trustees set their investment strategy, including appointment of investment managers, fund selection and asset allocation, considering the advice provided by their professional advisers. It is the Trustees' policy to keep the Fund's investments under regular review. A review of the Trustees' investment strategy is taking place during 2022 and details of this will be included in next year's Implementation Statement. In the meantime, the Trustees receive quarterly reports from BlackRock and continue to monitor ongoing performance.

Voting and engagement

As set out in the SIP, the Trustees undertake due diligence when appointing investment managers and review each of those managers' policies on Environmental, Social and Corporate Governance ("ESG") considerations. The Trustees appreciate that those investment managers which integrate ESG considerations can help mitigate risks and have the potential to lead to better, long-term financial outcomes. The Trustees will expect fund managers to have signed up to the United Nations-supported Principles for Responsible Investment ("PRI"), a set of six voluntary and aspirational principles supported by the United Nations, which offer an assortment of possible actions for incorporating ESG issues into investment practice.

As the Trustees invest in pooled funds, the fund managers make decisions related to the exercise of any rights, including voting rights, attaching to the investments and engagement activities in respect of the investments. The Trustees currently invest in pooled funds with BlackRock, which are subject to BlackRock's own policies on ESG considerations, including climate change. No new investment managers have been appointed over the year to 27 February 2022, so no due diligence has been carried out over this period.

Voting behaviour on behalf of the trustees

As a holder of assets with attaching voting rights, the Trustees can exercise these voting rights on behalf of members of the Fund. As part of their delegated responsibilities, the Trustees expect the Fund's investment manager (BlackRock) to:

- Ensure that (where appropriate) underlying managers exercise the Trustees' voting rights in relation to the Fund's assets; and
- Report to the Trustees on stewardship activity by underlying managers as required.

The investment manager reaches a voting decision by using a combination of research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, and several other inputs, including a company's own disclosures. BlackRock's voting process is led by the BlackRock Investment Stewardship team. The investment manager does not automatically accept the vote recommendations from the proxy advisory firms. The views of their active investors, public information and ESG research are all also considered.

Voting information for the Fund's BlackRock investments:

- Aquila Life UK Equity Index Fund - 99% of eligible resolutions were voted on and the investment manager voted against management in 6% of the votes

- Aquila Life Currency Hedged Overseas Equity Fund – 99% of eligible resolutions were voted on and the investment manager voted against management in 8% of the votes

- BlackRock Dynamic Diversified Growth Fund - 100% of eligible resolutions were voted on and the investment manager voted against management in 6% of the votes

Significant votes

BlackRock prioritises its work around themes that will encourage sound governance practices and deliver sustainable long-term financial performance at the companies in which they invest on behalf of their clients. BlackRock maintains a compliance program for identifying, escalating, avoiding and/or managing potential or actual conflicts of interest when casting votes.

Examples of what might be considered a significant vote are:

- a vote where a significant proportion of the votes (e.g. more than 15%) went against the management's proposal
- where the investment manager voted against a management recommendation or against the recommendation of a third-party provider of proxy voting

- a vote that is connected to wider engagement with the company involved
- a vote that demonstrates clear and considered rationale
- a vote that the Trustee considers inappropriate or based on inappropriate rationale
- a vote that has significant relevance to members of the Scheme

A summary of some of the significant votes over the year in relation to the BlackRock funds, which reflect BlackRock's engagement priorities around board quality and effectiveness, climate and nature capital and company impacts on its people (human capital management), is set out below:

Pfizer, April 2021

Pfizer Inc. (Pfizer) is a U.S.-based pharmaceutical company which engages in the discovery, development, and manufacture of healthcare products, specialising in medicines, vaccines, and consumer healthcare.

Pfizer has played a leading role in the vaccine development for COVID-19. The company publicly stated that it did not receive any funding from the U.S. government for the development of its COVID-19 vaccine and Pfizer participated in Operation Warp Speed through the federal purchase of doses only.

BlackRock believes that Pfizer has demonstrated transparency during this ongoing crisis and the board has demonstrated sound oversight of matters related to access to medicine.

However, BlackRock voted against the company and voted for the proposal to publish an annual report "analysing the congruency of political and electioneering expenditures during the preceding year against publicly stated company values and policies." While BlackRock has historically been supportive of Pfizer's transparency, there is value in increased disclosure on political activities – particularly in the wake of the recent political climate in the U.S., as well as around the COVID-19 vaccine, among other factors.

BP plc, May 2021

Shareholders requested that the company set and publish targets that are consistent with the goal of the Paris Climate Agreement: to limit global warming to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C, including reporting on the strategy and underlying policies for reaching these targets and on the progress made, at least on an annual basis, at reasonable cost and omitting proprietary information. On this occasion BlackRock voted against the company and voted to approve the shareholder resolution on climate change targets.

Currently, BP has set an ambition to be net zero by 2050 or sooner. BP aims to reduce the carbon intensity of the products it sells by 50% by 2050 or sooner. It also plans to increase the proportion of investment in non-oil and gas businesses, and to reduce the methane intensity of its operations by 50%. Although BlackRock feels that BP has a credible climate strategy which it needs to implement and continue to refine as the industry's understanding of the necessary transition pathways advances it believes that investors would benefit from having greater specificity around what constitutes targets aligned with the Paris Agreement.

Tyson Foods Inc, Feb 2021

Tyson Foods is a multinational, protein-focused food company headquartered in Arkansas, U.S. The company produces approximately 20% of the beef, pork, and chicken in the U.S., in addition to a portfolio of food products under the company's multiple brands.

Shareholders requested that the board of directors prepare a report on the company's "human rights due diligence process to assess, identify, prevent, mitigate, and remedy actual and potential human rights impacts" given that the company has limited disclosure regarding its supply chain audits.

As a member of the UNGC, Tyson Foods is required to produce an annual Communication on Progress (COP) report reiterating the company's commitment to the Global Compact's 10 principles, however company representatives could not confirm whether these annual COP reports are publicly available. During the coronavirus pandemic, there have been claims that Tyson has maintained punitive attendance policies (with minor exceptions), inconsistent or insufficient access to testing, workstations ill-equipped for social distancing, high line speeds, and incomplete COVID-19 reporting, which has already resulted in over 10,000 reported positive cases and at least 35 worker deaths.

Despite the company's initiatives and in light of the recent investigation into the COVID-19 related allegations, BlackRock remains concerned about Tyson Foods' health and safety protocols, as well as the overall corporate culture and decided to vote for the shareholder resolution.

Johnson & Johnson, April 2021

Johnson & Johnson (JNJ) is a global healthcare company based in the U.S. that engages in the research, development, manufacture, and sale of healthcare products.

JNJ faces ongoing risks due to litigation and media scrutiny associated with allegations of product safety associated with the company's talc-related baby powder, the company's role in the opioid crisis, as well as the company's ongoing efforts in developing and rolling out the Covid-19 vaccine. BlackRock has discussed these topics with the company in depth and continues to feel that the risk oversight function of the board and management is currently sound.

The shareholder proposal requested the company conduct and publish a third-party audit to review its corporate policies, practices, products, and services, above and beyond legal and regulatory matters; to assess the racial impact of the company's policies, practices, products, and services; and to provide recommendations for improving the company's racial impact. BlackRock agrees with the intent of advancing diversity, equity, and inclusion (DEI) and supports the company's existing efforts to recruit, retain, support, and develop a diverse set of employees but agreed with the proposal of a third-party audit as this would reinforce the effectiveness of the company's current programs to advance racial equity and might yield further insights.