# Radstock Co-operative Society Limited Employees' Superannuation Fund

## Implementation Statement to 27 February 2024

### Introduction

In accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations, the Trustees of the Radstock Co-operative Society Limited Employees' Superannuation Fund (the "Fund"), have produced their annual Implementation Statement covering the year ending 27 February 2024 which aims to:

- outline 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
- describe the voting behaviour by or on behalf of the Trustees, including the most significant votes cast and any use of a proxy during the year.

### Meeting investment objectives and policies

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

(a) The acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet, together with contributions from the Employer, the cost of benefits which the Scheme provides as set out in the Rules.

(b) So far as reasonably possible, to avoid the risk of the assets failing to meet the liabilities on an ongoing basis; and

(c) To minimise the long-term costs of the Scheme by maximising the return on the assets so far as is both prudent and consistent with the above objectives.

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. The Trustees continue to receive quarterly reports from BlackRock and regularly 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 undertake due diligence when appointing investment managers and review each of those managers' policies on 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 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 2024, so no new 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 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 Principles and custom market-specific voting guidelines. Analysis is informed by its internally developed proxy voting guidelines, pre-vote engagements, research, and the situational factors at a particular company.

## Voting information for the Fund's BlackRock investments:

- Aquila Life UK Equity Index Fund - 96% of eligible resolutions were voted on and the investment manager voted against management in 3% of the votes

- Aquila Life Currency Hedged Overseas Equity Fund – 92% of eligible resolutions were voted on and the investment manager voted against management in 6% of the votes

- BlackRock Dynamic Diversified Growth Fund - 93% of eligible resolutions were voted on and the investment manager voted against management in 5% of the votes

Proxy vote reports are not available for leveraged funds as they are produced for equity mandates only and these are the fixed income funds. These funds do engage with the companies invested in in relation to ESG factors including:

- Board Quality and Effectiveness including diversity and inclusion
- Promoting strategy purpose and financial resilience
- Incentives for executives aligned with delivering sustainable value creation
- Climate and natural capital action plans targeting a low carbon economy and sustainable business practices
- Company impacts on people - acknowledging sustainable practices are positive for all key stakeholders

## 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:

### Canon, March 2023

Canon Inc. (Canon) is a Japanese industrial conglomerate that is engaged in the production of printers, cameras, medical imaging systems, and semiconductor lithography equipment, among others. BlackRock has a long history of engagement with Canon and attempts to promote long-term financial value creation, including board diversity and long-term executive leadership planning.

At the annual general meeting (AGM) there was a management proposal for the election of the company's five-member board of directors, all male, including the board's chair who concurrently serves as Canon's CEO. BlackRock feels that companies in the TOPIX 100 index should have at least one female director. As of 2023 BlackRock prefers larger Japanese companies to have at least two women directors to achieve more meaningful diversity of thought on the board. When companies have not appointed the expected number of women directors to their board, BlackRock will ask them to provide a reasonable explanation to investors as to why they believe their current board structure is optimal for delivering long-term financial performance.

BlackRock voted against the election of Fujio Mitarai, who serves as Board Chair and CEO, as well as Chair of the nomination committee, due to concerns about the composition of Canon's board, for which he is responsible as chair. Mr. Mitarai's election received only 50.59% support from investors compared to an average of 83.77% for the other directors recognising the concerns of investors over the lack of diversity. BlackRock will continue to monitor whether Canon makes any progress in this area.

### Shell plc, May 2023

Shell plc (Shell) is a globally integrated energy company headquartered in the United Kingdom. BlackRock has a long history of engagement with Shell and has discussed governance issues suck as board composition and management's activities in relation to climate-related risks and opportunities.

BlackRock has supported the management's Energy Transition Strategy since its inception in 2021. The management submitted a request for an advisory vote for shareholders to confirm their support of progress made to date against Shell's Energy Transition Strategy, considering the company's disclosures detailing Shell's delivery against their stated strategy. BlackRock supported this proposal.

Shell aims to reduce its scope 1 and 2 greenhouse gas (GHG) emissions by 50% by 2030 compared to 2016 levels on a net basis. By 2022, operational emissions had been reduced by 30%. In the past year, Shell has continued to deliver against their target to increase spending on low- and zero-carbon energy. Last year, Shell spent $3.5 billion of cash capital expenditure on renewables and energy solutions, of which $2.9 billion was on low carbon energy solutions, up from $2.4 billion spent on renewables and energy solutions in 2021, within which $1.8 billion was spent on low carbon energy solutions. Shell also acquired one of India's leading renewable power platforms, and has agreed to acquire Nature Energy, the largest producer of renewable natural gas in Europe, representing an investment of around $3.5 billion in new businesses to support their objectives.

BlackRock believes that Shell has demonstrated that its targets are aligned with the Paris Climate Agreement. At the May 2023 AGM BlackRock voted against a shareholder proposal for Shell to set an absolute reduction target for their scope 3 GHG emissions. It took the view that this would be overly prescriptive and unduly constraining on management's decision making.

## Yum! Brands inc, May 2023

Yum! Brands, Inc. (Yum!) is a restaurant company that owns the KFC, Pizza Hut, Taco Bell, and The Habit Burger Grill restaurant franchises. Yum! is headquartered in Louisville, Kentucky, and has over 55,000 restaurants in more than 155 markets globally.

BlackRock has engaged with Yum! to understand its approach to human capital management as well as the board's oversight of, and management's approach to, climate-related risks and opportunities in the context of Yum!'s franchised business model.

At the May 2023 AGM there were five shareholder proposals. These addressed a range of issues: plans to reduce single-use plastic packaging, political lobbying, civil rights and non-discrimination policies, share retention by named executive officers, and paid sick leave provisions for franchisee employees. Yum!'s board recommended that shareholders vote against all these proposals.

BlackRock supported management and voted against the shareholder proposal for a report on efforts to reduce plastics use. The existing disclosures were deemed comprehensive already providing sufficient information for investors. BlackRock was satisfied that the company has goals to eliminate unnecessary plastics use, reduce virgin plastic content by 10%, and move consumer-facing packaging to be reusable, recyclable, or compostable by 2025 across all brands.

BlackRock held a similar view on a request for an annual report on the company's lobbying practices and voted with management against this.

A request for an audit analysing the Company's impacts on civil rights and non-discrimination, and the impacts of those issues on the Company's business was also deemed to be unwarranted. After due consideration, BlackRock's view was that Yum!'s disclosures provide sufficient information regarding the company's diversity, equity, and inclusion policies and practices; therefore, BlackRock supported management and voted against.

BlackRock was also unable to support a shareholder proposal concerning the paid sick leave policy, as in its assessment, it was unduly prescriptive. Yum!'s existing paid sick leave policy for employees is already robust. BlackRock noted that the company enhanced employee benefits during COVID-19 to include paid sick leave for full and part-time restaurant employees, irrespective of hours worked. Additionally, as 98% of the company's restaurants are franchised, it is ultimately the responsibility of individual franchisees to determine employment practices and benefit offerings that position them competitively.

## Chevron Corporation, May 2023

BlackRock engages regularly with Chevron, a global energy company based in the US, on corporate governance and sustainability topics to help the company deliver long term shareholder returns.

In May 2023 BlackRock voted against a shareholder proposal which requested that the company rescind a 2021 shareholder proposal to reduce scope 3 emissions. BlackRock found Chevron's approach to incorporating scope 3 greenhouse gas emissions into their Portfolio Carbon Intensity (PCI) targets, to be a meaningful way for the company to reduce greenhouse gas emissions in their value chain while maintaining the integrity of their core business, to rescind this would not be good corporate governance practice.

Chevron published a Climate Change Resilience Report in 2021 setting the company's approach to a transition to a low-carbon economy, including a scenario analysis incorporating the International Energy Agency's (IEA) Sustainable Development Scenario (SDS) and Net Zero Scenario. A shareholder proposal, to set a medium-term reduction target covering the greenhouse gas emissions of the use of its energy products consistent with the goal of the Paris Climate Agreement, appeared to attempt to dictate the company's investment strategy rather than aid climate risk management activities, therefore BlackRock voted against this.

BlackRock also voted against an independent racial equity audit, analysing the adverse impacts of Chevron's policies and practices that discriminate against or disparately impact communities of colour, above and beyond legal and regulatory matters. Chevron's published its own report in March 2023 outlining the company's underlying policies and practices as evidenced through Chevron's disclosures, which demonstrate the robustness of the approach taken to diversity, equity and inclusion. The external report sought by the shareholder would not, in BlackRock's view, have provided shareholders with any enhancement of their understanding of either the risks or robustness of Chevron's approach in this area. After full consideration of ESG factors BlackRock came to these conclusions as it was satisfied that the existing targets were sufficiently ambitious.

**Prepared by the Trustees of the Radstock Co-operative Society Limited Employees' Superannuation Fund**