# Wincanton plc Pension Scheme

## Annual Implementation Statement
## 31 March 2022

## 1. Introduction

This statement, prepared by the Trustee of the Wincanton plc Pension Scheme ("the Scheme") sets out how, and the extent to which, the Statement of Investment Principles ("SIP") has been followed during the year to 31 March 2022 ("the Scheme year"). This statement covers the Defined Benefits ("DB") and Defined Contribution ("DC") Sections of the Scheme and should be read in conjunction with the DB Section and DC Section SIPs[1].

This statement also includes a summary of the voting activity that was carried out on behalf of the Trustee over the Scheme year by the DC Section equity investment managers.

## 2. Statement of Investment Principles

### 2.1. Investment Objectives of the Fund

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Scheme included in the SIP are as follows:

***DB Section***

- *The Trustee's primary objective is to invest the Scheme's assets in the best interests of the members and beneficiaries, and specifically to meet members' benefit obligations in full, with as high a level of certainty as possible.*
- *The Trustee also has a long-term objective for the Scheme to have sufficient assets to be able to "buy-in" all liabilities in respect of retired members through an insured annuity policy and so that the majority of remaining investment risks can be reduced, with the Scheme being able to run on until further buy-ins are possible with a low probability of requiring additional contributions from the principal employer.*

***DC Section***

- *To make available a range of investment funds to PBP members that should enable members to tailor their investment choices to meet their own individual needs.*
- *To offer funds which facilitate diversification and long-term capital growth.*
- *To offer funds which have competitive total expense ratios relative to similar funds which members might access directly.*
- *To offer funds that enable members to reduce volatility in the value of their investments as they approach retirement.*
- *To restrict the number of funds to avoid unnecessarily complicating members' investment decisions.*
- *To provide a suitable default Lifestyle investment option for those members who do not wish to make their own investment decisions, particularly taking into account each member's remaining period of service until normal retirement age and the form in which the benefits are anticipated to be taken.*
- *To provide alternative Lifestyle option(s) should the Trustee determine that there is sufficient demand from members for such alternative(s) or based on demographic / attitudes of the members.*

### 2.2. Review of the SIP

During the Scheme year the Trustee reviewed the Scheme's SIP but no changes were required. This occurred and was minuted at the ISC meeting in June 2021.

**The information provided in the following section highlights the work undertaken by the Trustee during the Scheme year to 31 March 2022 and sets out how this work followed the Trustee's policies in the SIP, relating to the Scheme as a whole and the default investment arrangement within the DC Section.**

**In summary, it is the Trustee's view that the policies in the SIP have been followed during the Scheme year to 31 March 2022.**

[1]Both available on the member website: http://www.wincantonpensions.co.uk/scheme-specific-information/newsletters-and-reports

## Strategic Asset Allocation

| | Policy | Policy Summary | How the policy has been met over the year to 31 March 2022 |
|---|---|---|---|
| 1 | **Kinds of investments to be held and the balance between different kinds of investments** | **DB Section:** The Trustee has set a range of asset classes it deems suitable for investment in order to meet the long-term objectives of the Scheme. By dynamically allocating assets to this range of asset classes, coupled with the use of active management where appropriate, as well as a buy and maintain approach to corporate bond investments, it is intended that the target return is generated in an efficient manner, while also reducing overall levels of risk. The spread of asset types and the investment managers' policies on investing in individual securities within each asset type is anticipated to provide adequate diversification of investments<br><br>**DC Section:** The Trustee has made available a range of individual self-select fund options for investment in addition to the default investment option and other lifestyle arrangements.<br><br>A range of asset classes are included within the default investment option, including: developed market equities, emerging market equities, money market investments, diversified growth funds and pre-retirement funds.<br><br>Members can combine the investment funds in any proportion in order to achieve the desired level of return and risk, in line with their own attitude towards, and tolerance of, risk.<br><br>Within the default option, the strategic asset allocation is set to achieve the expected return required to meet the objective of the default option. | **DB Section:** For the DB section of the Scheme, the Trustee reviewed its investment strategy over the year, taking into consideration the following: the Scheme's liability profile and requirements of the Statutory Funding Objective, the Trustee's appetite for risk (including financially material risks such as Environmental, Social and Governance risks, including climate change), the views of the Sponsoring Employer on investment strategy, the Sponsoring Employer's appetite for risk, and the strength of the Sponsoring Employer's covenant. As a result of the review, the Trustee chose to de-risk the Scheme's investment strategy over the year, in line with the long-term objective of reducing investment risk over time. This involved disinvesting a portion of the corporate bond portfolios and investing the proceeds in the Liability Driven Investment (LDI) portfolio, as well as reducing the credit spread duration of the corporate bond portfolios.<br><br>**DC Section:** The default investment option was subject to its formal triennial review during the Scheme year. The investments (fund type, management style and asset allocations) used in the default investment strategy were reviewed as part of this exercise. The Trustee concluded that the current default arrangement continues to meet the needs of the vast majority of members, is cost effective for members, and has delivered good long-term performance. The Trustee decided to maintain the default investment strategy structure, both in the growth phase and at retirement. In addition, the Trustee decided to add two funds, the BlackRock World ESG Equity Tracker and the HSBC Islamic Global Equity Index, to the current self-select range, resulting in ten options now being available to members. All self-select options are now available to members of all sections of the Scheme. The changes were implemented in December 2021. |

| | | | |
|---|---|---|---|
| 2 | **Risks, including the ways in which risks are to be measured and managed** | **DB & DC Sections:** The Trustee has considered a range of risks (both investment and operational) in relation to the DB Section and, within the DC Section, the self-select funds, alternative lifestyles and the default investment option. | Section 3 (DB Section) and Section 4 (DC Section) of the Statement of Investment Principles set out the risks that the Trustee explicitly considers. The Trustee considers both quantitative and qualitative measures of these risks when deciding investment policies, strategic asset allocation, the choice of fund managers / funds / asset classes.<br><br>As part of the regular quarterly investment performance monitoring, the Trustee monitored changes in these risks and their potential impact.<br>In order to reduce investment risk for the DB Section, over the Scheme year the Trustee disinvested a portion of the corporate bond portfolios, as well as reducing the credit spread duration of the portfolios. This proved beneficial to the Scheme as credit spreads subsequently widened. |
| 3 | **Expected return on investments** | **DB Section:** The Trustee has decided that the Scheme's investment strategy should target a return of 0.8% p.a. above a theoretical portfolio of liability-matching gilts (net of fees) until March 2027. The target return is then expected to step down to Gilts + 0.4% p.a. from April 2027 onwards.<br><br>**DB & DC Sections:** The funds available are expected to provide an investment return commensurate with the level of risk being taken.<br><br>**DC Section:** In designing the default, the Trustee has explicitly considered the trade-off between risk and expected returns. The expectation is that the default will generate returns in excess of inflation during the growth phase and de-risk towards the retirement date to match the likely benefits post-retirement. | Investment performance reporting is reviewed by the Trustee on a quarterly basis – this includes an assessment of the Scheme's progress against its long-term funding target (DB Section) and the risk and return characteristics of the default and additional investment fund choices (DC Section).<br><br>The investment performance report also includes information on how each investment manager is delivering against their specific mandates, including more detailed metrics for certain asset classes where appropriate. For the DC Section, example member experience for four different member profiles is considered from a risk/return perspective to assess any trade-offs. These were considered at each of the quarterly meetings during the Scheme year. |

## Investment Mandates

| | Policy | Policy Summary | How the policy has been met over the year to 31 March 2022 |
|---|---|---|---|
| 4 | **Securing compliance with the legal requirements about choosing investments** | The Trustee obtains advice from their investment adviser, who can provide expert advice enabling the Trustee to choose investment vehicles that can fulfil the Scheme's investment objectives. In the Trustee's opinion this is consistent with the requirements of Section 36 of the Pensions Act 1995. | The Scheme's investment advisors attended all Investment Committee meetings during the year. The investment advisors provided updates on fund performance and, where required, appropriateness of the funds used, as well as advice on asset allocation and investment risks.<br><br>**DB Section:** There were no new investments made over the year.<br><br>**DC Section:** The Trustee carried out its most recent triennial review of the investment strategy and objectives of the default arrangement in June 2021, during this Scheme year. This considered a number of factors including the Scheme's membership profile, forward looking projections, costs, historic performance and the choice of benefits taken at retirement. The review considered the suitability of the target for the default arrangement, the structure and underlying funds used within this arrangement and the range of self-select funds offered to members. |
| 5 | **Realisation of Investments** | **DB Section:** The Trustee invests the assets of the Fund in a range of pooled and segregated portfolios. The investment managers have discretion over the investment of the assets, subject to the restrictions set out in their respective investment management agreements ("IMA") or pooled fund guidelines, which define the funds' liquidity requirements and dealing frequency.<br><br>**DC Section:** The Trustee's administrators will realise assets following member requests on retirement or earlier where required. The Trustee considers the liquidity of the investment in the context of the likely needs of members. | **DB Section:** The Trustee has set a policy to address the expected cashflow requirements of the Scheme. Where cashflow is required to meet benefit payments, it is disinvested from the most overweight fund(s) within the Mercer Qualifying Investor Fund ("QIF"). There were no changes over the year to the liquidity of the funds used by the Scheme.<br><br>**DC Section:** The Trustee receives an administration report on a quarterly basis to confirm that core financial transactions are processed within Service Level Agreements (SLAs) and regulatory timelines. All funds are in daily dealt pooled investment vehicles, accessed by an insurance contract. |

| | | | |
|---|---|---|---|
| 6 | **Financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments** | **DB and DC Sections:** The Trustee considers financially material considerations in the selection, retention and realisation of investments. Within the funds, consideration of such factors, including environmental, social and governance factors, is delegated to the investment manager.<br><br>Investment managers are expected to evaluate these factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments in line with their own corporate governance policies and current best practice. | Investment performance reports for both the DB and DC Sections are reviewed by the Trustee on a quarterly basis – this includes ratings (both general and specific ESG ratings) from the investment advisers. The managers remained generally highly rated during the Scheme year.<br><br>Where managers are not highly rated from an ESG perspective the Trustee monitors them closely, including asset classes where an ESG rating is difficult to obtain (such as LDI).<br><br>When appointing a new manager the Trustee considers the ESG rating of the manager. This was factored into the strategy review for the DC Section during the Scheme year.<br><br>Within the DC Section, the BlackRock World ESG Equity Tracker was added to the self-select fund range. Within the DB Section LDI mandate, the Trustee switched from the BlackRock Institutional Sterling Liquidity Fund to the BlackRock Liquid Environmentally Aware Fund (LEAF). Both these changes improved the Scheme's overall ESG credentials.<br><br>The Scheme's SIP includes the Trustee's policy on ESG factors, stewardship and Climate Change. This policy sets out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. In order to establish these beliefs and produce this policy, the Trustee undertook investment training provided by their investment adviser on responsible investment, which covered ESG factors, stewardship, climate change and ethical investing. Additionally, the Trustee also undertook training during the year on the reporting the Trustee will need to produce under the Task Force on Climate Related Disclosures (TCFD). The Trustee keeps its policies under regular review and also maintains a standalone beliefs statement.<br><br>The Trustee also has an ESG Implementation Plan, which sets out a structured plan to determine and deliver its ESG, climate change and stewardship goals. Progress against this plan was reviewed quarterly. |

## Monitoring the Investment Managers

| | Policy | Policy Summary | How the policy has been met over the year to 31 March 2022 |
|---|---|---|---|
| 7 | **How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustee's policies** | **DB and DC Sections:** Managers are chosen based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected for.<br><br>Where the Trustee invests in pooled investment vehicles it accepts that it has no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy. Where the mandate is segregated, the Trustee can, and does, set specific targets and constraints (DB Section only). | **DB Section:** There were no changes to the Trustee's policy on incentivising investment managers to align their investment strategies and decisions with the Trustee's policies during the Scheme year. The majority of the Scheme's appointed investment managers are compensated with a fee based on the total assets under management. However, the Trustee has agreed to the use of performance fees for a small number of mandates (for example, the private debt mandates).<br><br>If an investment manager is not meeting performance objectives or targets, or the investment objectives for a mandate have changed, the Trustee will review the fund appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives. Manager appointments were reviewed over the Scheme year. No changes were made due to managers not meeting performance objectives or targets, but the allocation to corporate bonds was reduced in line with the Trustee's wider de-risking objective.<br><br>**DC Section:** During the Scheme year, the Trustee carried out a detailed investment strategy review. As part of this review the Trustee reconsidered whether the funds used have appropriate objectives and targets to align with the Trustee policies. The Trustee concluded that the existing funds remained appropriate, and added the BlackRock World ESG Equity Tracker and the HSBC Islamic Global Equity Index, to the current self-select range. The appointed investment managers are compensated with a fee based on assets under management, and not changes were made to this arrangement over the Scheme year. The incentivisation of the managers of the new self-select funds is consistent with the approach taken for the existing funds. |

| | | | |
|---|---|---|---|
| 8 | **How the arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term** | **DB and DC Sections:** The Trustee meets with its managers and challenges decisions made as appropriate. Managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then it will look to replace the manager. | **DB Section:** The Trustee chose not to meet with any of the managers over the year, but reviewed a detailed annual report with the investment adviser and concluded that they retained confidence in all managers' ability to deliver the required mandate, as well as how ESG factors are embedded in the managers' investment processes.<br><br>**DC Section:** No meetings with managers were held during the year as performance was broadly in line with expectations for the fund options, with the exception of the Aquila Life Market Advantage Fund, which is being kept under ongoing review.<br><br>The Trustee will continue to consider all appointments from an investment, strategic and ESG perspective on an ongoing basis. |
| 9 | **Evaluation of the asset manager's performance and the remuneration for asset management services** | **DB and DC Sections:** The Trustee recognises the importance of various time horizons across the DB and DC Sections, as noted in the SIP. Managers' performance net of fees is therefore reviewed over both short and long time horizons. Remuneration is agreed upon prior to manager appointment and is reviewed on a regular basis. | **DB Section:** Each quarter the Trustee considered performance over the prior quarter, one year and three year periods, alongside other relevant metrics depending on the mandate. For example, within the buy and maintain corporate bond mandates, metrics such as defaults and turnover are explicitly considered within the quarterly reporting.<br><br>The Trustee reviewed manager remuneration versus the investment advisers' manager fee database during the year, and conducted an in depth review of the appropriateness of the fee paid to the LDI manager. Based on these exercises the Trustee concluded that the investment managers' remuneration remained appropriate and in line with the Trustee's policies.<br><br>**DC Section:** In addition to the monitoring noted on the DB Section, the Trustee also considers member experience in terms of performance. Sample member performance from a risk and return perspective is considered, such as a member who was 25 years old as at 31 March 2021 and invested in the Cash at Retirement Lifestyle Option. The Pre-Retirement Fund is also considered against estimated annuity pricing.<br><br>Manager remuneration is reviewed annually by the Trustee as part of the Value for Members' assessment of which the findings are summarised in the Chair's Statement. |

| | | | |
|---|---|---|---|
| 10 | **Monitoring portfolio turnover and costs** | **DB and DC Sections:** The Trustee's policy in relation to the monitoring of portfolio turnover costs is set out in the SIP. | **DB Section:** In the year to 31 March 2022, the Trustee received the MIFID Costs and Charges statement from their investment adviser, containing portfolio turnover costs for the Mercer Fund and private markets holdings. Portfolio turnover and costs for the corporate bond portfolios over the Scheme year were also assessed and deemed in line with expectations. As such. the Trustee did not need to engage with the managers on portfolio turnover over the Scheme year.<br><br>The Trustee did not explicitly monitor portfolio turnover costs across the whole portfolio in its entirety.<br><br>**DC Section:** Transaction costs, using the 'slippage cost methodology' (as defined in COBS 19.8 of the FCA Handbook), are disclosed in the annual Chair's Statement.<br><br>The Trustee is required to assess these costs for value on an annual basis. However, at present, the Trustee notes a number of challenges in assessing these costs:<br><br>-No industry-wide benchmarks for transaction costs exist;<br><br>-The methodology leads to some curious results, most notably "negative" transaction costs; and<br><br>-Explicit elements of the overall transaction costs are already taken into account when investment returns are reporting, so any assessment must also be mindful of the return side of the costs.<br><br>As noted in the most recent Chair's Statement, there is little flexibility for the Trustee to impact transaction costs as the DC Section invests in pooled funds. While the transaction costs provided appear to be reflective of costs expected of various asset classes and markets that the DC Section invests in, there is not as yet any "industry standard" or universe to compare these to. As such, any comments around transaction costs at this stage can only be viewed as speculative. The Trustee will continue to monitor transaction costs on an annual basis and developments on assessing these costs for value. |

| | | | |
|---|---|---|---|
| 11 | **The duration of the arrangement with the asset manager** | **DB Section:** The Scheme invests in a number of closed ended funds, such as the private markets funds. At the time of appointment the life of the fund is indicated, however this could be extended in line with the relevant documentation.<br><br>**DB and DC Section:** For the majority of funds, there is no set duration for the manager appointment. However, the appointment is regularly reviewed as to its continued suitability and could be terminated either because the Trustee is dissatisfied with the manager's ongoing ability to deliver the mandate promised or because of a change of investment strategy. | The investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then they will look to replace the manager.<br><br>**DB Section:** For open-ended funds, there is no set duration for the manager appointments.<br><br>The Trustee's last commitment to a private markets fund was in 2016 and the fund is expected to have fully paid out in the latter part of the 2020s. The Trustee at present does not have plans to commit to a further closed ended fund.<br><br>**DC Section:** The performance for all funds is reviewed quarterly and, aside from the addition of two new funds to the self-select range, no changes were made during the Scheme year. The performance of the BlackRock Aquila Life Market Advantage Fund has been challenged for periods where it has underperformed its target during the year and potential alternatives were considered as part of the last strategy review. The Trustee has maintained the fund, for the specific role that it plays. The Trustee will consider carrying out a deep-dive review of the fund, if concerns remain. |

## ESG Stewardship and Climate Change

| | Policy | Policy Summary | How the policy has been met over the year to 31 March 2022 |
|---|---|---|---|
| 12 | **Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, trustee would monitor and engage with relevant persons about relevant matters)** | **DB and DC Sections:** Investment managers are expected to evaluate these factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments in line with their own corporate governance policies and current best practice.<br><br>The Trustee will also engage with the underlying managers as appropriate. | Where relevant to the asset class, investment managers are expected to provide reporting on their engagement activity on a regular basis, at least annually, including stewardship monitoring results. These are reviewed by the Trustee.<br><br>**DB Section:** The Trustee requires the investment managers to engage with the investee companies on their behalf. Given the de-risked nature of the Scheme and the asset classes utilised, the Trustee notes that there are limited opportunities for engagement, with activity concentrated on the corporate bond mandates. As these are held within a Mercer Fund, Mercer monitors the managers' stewardship activities and engages actively with them to promote effective stewardship practices and ensure attention is given to strategic themes and topics. These activities and the outcomes thereof are tracked and reported to the Trustee.<br><br>The Trustee may as engage directly with the investment managers from time to time, and have done so historically, but not over the Scheme year.<br><br>**DC Section:** The voting policies and the ESG integration policies of BlackRock, as the underlying equity manager of the funds within the DC Section, have been considered by the Trustee and the Trustee deems them consistent with the Scheme's investment beliefs. The Trustee, via its advisers, has continued to push for greater transparency from BlackRock on its stewardship activity. |

## Voting Disclosures

| | Policy | Location in SIP | How the policy has been met over the year to 31 March 2022 |
|---|---|---|---|
| 13 | **The exercise of the rights (including voting rights) attaching to the investments** | **DB and DC Sections:** Investment managers are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments in line with their own corporate governance policies and current best practice. | The Trustee has delegated its voting rights to the investment managers.<br><br>Investment managers are expected to provide voting summary reporting on a regular basis, at least annually, where possible (noting that the DB Section is predominantly invested in assets where voting is not applicable). The reports are reviewed by the Trustee to ensure that they align with the Trustee's policy. The Trustee does not use the direct services of a proxy voter.<br><br>DC Section: Voting activity carried out over the last 12 months on behalf of the Trustee is shown in the appendix of this Statement . |

## Voting and Engagement Activity

## DB Section – Corporate Bond Portfolios

### PGIM engage with NatWest Group

PGIM engaged with NatWest Group, a banking and insurance holding company, in 2022, on the company's strategy, business model and ESG strategy. The objective was to assess how the ESG approach influenced the company credit outlook, customer interactions and investment approach. PGIM discussed the shifts in green loan portfolio make up and customer interactions in order to aid the bank to lower environmental impact.

PGIM concluded that NatWest is being proactive in restructuring sector exposures as coal and oil & gas assets are a very small percentage of the total portfolio. The company also helps customers to measure their environmental impact through their app and give preferential rates for electric vehicles and solar panels. This engagement improved NatWest's ESG rating with PGIM.

### Insight engage with Volkswagen

Insight engaged with the vehicle manufacturer Volkswagen over lingering controversy and corporate governance concerns related to the diesel emission scandal. The regular engagement with the company was viewed by Insight as constructive, with numerous steps taken to improve product quality, governance and the corporate structure. However, the large board size, which was raised as an issue by Insight, will be retained due to structural constraints in Germany such as mandatory employee representation on the board. Insight view the diesel emissions scandal as historic, and the financial impact of it well under control and manageable for the company. As a result of the steps taken by Volkswagen since engagement began, Insight have upgraded their ESG rating of the company from 5 to 4, and retain exposure in the portfolio.

## DC Section

The voting policies of the managers in the DC Section have been considered by the Trustee and the Trustee deems them consistent with the Scheme's investment beliefs.

***BlackRock***

Voting undertaken over the prior year is summarised in the table below:

| Votes Cast | BlackRock Market Advantage | BlackRock UK Equity Index | BlackRock 30/70 Currency Hedged Global Equity |
|---|---|---|---|
| How many meetings were you eligible to vote at over the year? | 5,305 | 754 | 5,121 |
| How many resolutions were you eligible to vote on over the year? | 52,301 | 10,693 | 55,536 |
| What % of resolutions did you vote on for which you were eligible? | 99% | 100% | 99% |
| Of the resolutions on which you voted, what % did you vote with management? | 91% | 94% | 91% |
| Of the resolutions on which you voted, what % did you vote against management? | 8% | 5% | 8% |
| Of the resolutions on which you voted, what % did you abstain from? | 1% | 0% | 2% |
| In what % of meetings, for which you did vote, did you vote at least once against management? | - | - | - |
| Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf? | See below. | | |
| What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable) | - | - | - |

Data as at 31 March 2022 covering a 12 month period. May not sum due to rounding.

*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") - located in seven offices around the world. The analysts with each team will generally determine how to vote at the meetings of the companies they cover. 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. While BlackRock subscribes to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one among many inputs into their vote analysis process, and they do not blindly follow their recommendations on how to vote. BlackRock primarily uses proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that their investment stewardship analysts can readily identify and prioritise those companies where their own additional research and engagement would be beneficial.*

BlackRock defines significant voting as:

- High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny.

**Sample of the key votes**

| Company | Date | Resolutions | BlackRock Vote | Rationale |
|---|---|---|---|---|
| Exxon Mobil Corporation (1, 3) | 26/05/2021 | Require Independent Board Chairman | Against | Company has a designated lead director who fulfills the requirements appropriate to such role. |
| Chevron Corporation (1, 3) | 26/05/2021 | Reduce Scope 3 Emissions | For | BlackRock believe it is in the best interests of shareholders to have access to greater disclosure on this issue. |
| Dow Inc. (1, 3) | 15/04/2021 | Provide Right to Act by Written Consent | Against | Shareholders should have the right to act without waiting for the company to call a shareholder meeting. At this company, shareholders already have the right to act by calling a special meeting. |
| Pfizer Inc. (1, 3) | 22/04/2021 | Report on Access to COVID-19 Products | Against | The company already provides sufficient disclosure and/or reporting regarding this issue, or is already enhancing its relevant disclosures |
| Delta Air Lines, Inc. (1, 3) | 17/06/2021 | Report on Climate Lobbying | Against | The company already has policies in place to address the request being made by the proposal, or is already enhancing its relevant policies. |
| JBS SA (1, 3) | 28/04/2021 | Elect Jose Paulo da Silva Filho Fiscal Council Member and Sandro Domingues Raffai as Alternate | Against | Vote against audit committee member because of substantial accounting irregularities for which we believe the audit committee bears some responsibility. |
| Woodside Petroleum Ltd. (1, 3) | 15/04/2021 | Elect Christopher Haynes as Director | Against | The Company does not meet our expectations of having adequate climate risk disclosures against all 4 pillars of TCFD and does not meet our expectations of having adequate Scope 3 metrics and targets. |
| BP Plc (1, 2, 3) | 12/05/2021 | Approve Shareholder Resolution on Climate Change Targets | For | We recognize the company's efforts to date but believe that supporting the proposal may accelerate the company's progress on climate risk management and/or oversight. |
| Fortescue Metals Group Ltd. (2, 3) | 09/11/2021 | Approve Support for Improvement to Western Australian Cultural Heritage Protection Law | Against | The request is either not clearly defined, too prescriptive, not in the purview of shareholders, or unduly constraining on the company |

1 – applicable to BlackRock Market Advantage, 2 – applicable to BlackRock UK Equity, 3 – applicable to 30/70 Global Equity Fund.

**Engagement activity**

# BlackRock engages with BP on climate change targets

BP Plc (BP) is an integrated oil and gas company, operating through the following segments: Upstream, Downstream and Rosneft. The company was founded in 1909 and is headquartered in London, the United Kingdom.

BlackRock has engaged extensively with the company to discuss corporate governance and sustainability issues that BlackRock believes drive long-term shareholder value. These included, among others, the management, oversight, and disclosure of climate-related risks and opportunities. Most recently, BlackRock engaged with the company and discussed the shareholder resolution included on the ballot at the 2021 annual general meeting (AGM).

BlackRock supports BP's climate strategy and the Board of Directors in their oversight of the company's climate strategy. BlackRock voted for the climate-related shareholder resolution (which requested the company set and publish targets in line with the Paris Climate Agreement and report annually on progress) because BlackRock see it as a means to reiterate their expectation that BP progressively refine its GHG emissions reduction targets. BlackRock believe that progress aligned with the shareholder resolution will be essential to achieving broad-based support for the transition strategies of large energy companies. Supporting this resolution signals their belief that the company should continue to make progress, both on its strategy and in demonstrating the validity of its targets.