

# THE PILKINGTON SUPERANNUATION SCHEME

## Implementation Statement for year to 31 December 2021

### 1) Overview

This document is the Annual Implementation Statement (the "statement") prepared by the Trustee of the Pilkington Superannuation Scheme (the "Scheme") covering the Scheme year to 31 December 2021.

The purpose of this statement is to:

- set out the extent to which, in the opinion of the Trustee, the engagement policy under the Scheme's Statement of Investment Principles ("SIP") has been followed during the year
- describe the voting behaviour by, or on behalf of, the Trustee over the year.

A copy of this statement will be made available on the following website alongside the most recent SIP, which was formally adopted by the Trustee on 23 September 2021. These updates were made in accordance with the Trustee's policy of reviewing the SIP on an annual basis and no significant changes were made from the previous version dated June 2020; it was mainly to reflect the termination of one of the Scheme's managers.

<https://www.pilkington.com/en-gb/pilkington-superannuation-scheme/financials/investment-managers>

### 2) Adherence to the Trustee's engagement and voting policies

The Trustee has agreed a funding plan with the Company and developed a consistent de-risking investment strategy. The Scheme has achieved full funding on the Technical Provisions basis (gilts + 0.5% pa) and no recovery plan is needed at the present time. The Trustee and the Company have also agreed a Secondary Funding Target (achieving a funding ratio of 100% on a gilts flat basis) with the intention to achieve this within the period of 2021-2026.

The investment policy is structured to support this objective. The Trustee maintains a diversified allocation portfolio with 5 components; Equity, Alternative Beta, high-quality long term Credit, Illiquids and LDI (Liability Driven Investments).

During the year, the Trustee decided to terminate the mandate with the reinsurance manager due to reduced conviction in the asset class and the impact of severe weather. The proceeds of this redemption will be invested in the LDI portfolio.

**The Trustee believes that the Scheme's assets have been invested in line with these objectives over the year.**

### Engagement policy

The Trustee's policies in relation to engagement are set out in the SIP and are as follows:

- The selection, retention and realisation of the Scheme's underlying investments will, where applicable, be delegated to the Investment Managers; this includes relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and ESG impact of underlying holdings. Matters of corporate governance in general, and voting in particular, are integral parts of that delegation.
- The Trustee encourages the Investment Managers to (where practical) vote on all resolutions at annual or extraordinary general meetings of companies in which the

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Scheme invests. Investment Managers should exercise any voting power with the objective of preserving and enhancing long-term shareholder value. The Trustee accepts that, in general, Investment Managers may often choose to support and vote with incumbent company management; therefore “exception reporting” is expected.

- The Trustee has asked Investment Managers to report exceptions to the Stewardship Code. The Stewardship Code should be followed in so far as it is possible to do so without restricting the investment decisions being taken. Significant shareholder action other than voting against incumbent management (for example, the acceptance of a hostile take-over bid) should also be reported. An immediate report to the Trustee may be appropriate where an issue is particularly contentious or topical.

In September 2021, the Trustee carried out a Sustainable Investment beliefs exercise which aimed to better understand the Trustee’s views on the significance of ESG factors, including climate, in investment. A questionnaire was produced by the Investment Consultant and the results summarised in a note dated November 2021 which proposed amendments to the existing Statement on Investment Beliefs.

The Trustee conducts formal reviews of the Scheme’s Investment Managers at least annually to ensure that their investment approach is robust, long-term focussed and sustainable. The Trustee informs Investment Managers of the Trustee’s Stewardship and Engagement policy when they are first appointed and provides updates to them as required.

An annual Sustainable Investment report is produced by the Investment Consultant and enables the Trustee to monitor the Investment Managers’ consideration of ESG factors and stewardship.

Should the Trustee’s monitoring process reveal that a manager’s portfolio is not aligned with the Trustee’s policies, the Trustee will engage with the manager further to encourage alignment

Through its monitoring processes, the Trustee has not identified any significant non-adherence to the policies outlined in the SIP, and therefore no remedial actions have been required in the year.

### 3) Voting information

Voting is delegated to the Scheme’s investment managers, in particular LGIM (for the equity and listed infrastructure funds) and SSgA (for the equity funds).

The Scheme’s investment managers have their own voting policies which determine their approach to voting, and the principles they follow when voting on investors’ behalf. The Scheme’s investment managers also use voting proxy advisors which aid in their decision-making when voting. Details are summarised in the table below:

Manager	Use or proxy advisor services:
LGIM	LGIM’s Investment Stewardship team uses Institutional Shareholder Services’ (ISS) ‘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. 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.

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SSgA	SSgA uses Institutional Shareholder Services' (ISS) Governance as a proxy voting agent. They are not making any voting decisions on SSgA's behalf; they are voting according to SSgA's voting policy or engaging with SSgA's Asset Stewardship Team for guidance on certain designated topics.
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The below table sets out the voting activity of the Scheme's equity investment managers, on behalf of the Trustee, over the year (unless stated otherwise):

Fund	Voting activity
<b>LGIM - Asia Pacific Japan Equity Index Fund</b>	<p><b>Number of meetings at which the manager was eligible to vote: 329</b></p> <p><b>Number of resolutions on which manager was eligible to vote: 2,308</b></p> <p><b>Percentage of eligible votes cast: 100.0%</b></p> <p><b>Percentage of votes with management: 72.4%</b></p> <p><b>Percentage of votes against management: 27.3%</b></p> <p><b>Percentage of votes abstained from: 0.3%</b></p> <p><b>Percentage of meetings voted at least once against management: 66.9%</b></p> <p><b>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 15.9%</b></p>
<b>LGIM – Japan Equity Index Fund / LGIM – Japan Equity Index Fund GBP Currency Hedged</b>	<p><b>Number of meetings at which the manager was eligible to vote: 442</b></p> <p><b>Number of resolutions on which manager was eligible to vote: 5,306</b></p> <p><b>Percentage of eligible votes cast: 100.0%</b></p> <p><b>Percentage of votes with management: 86.3%</b></p> <p><b>Percentage of votes against management: 13.7%</b></p> <p><b>Percentage of votes abstained from: 0.0%</b></p> <p><b>Percentage of meetings voted at least once against management: 75.3%</b></p> <p><b>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 11.0%</b></p>

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<p><b>LGIM – World Emerging markets Equity Fund</b></p>	<p><b>Number of meetings at which the manager was eligible to vote: 3,627</b></p> <p><b>Number of resolutions on which manager was eligible to vote: 31,303</b></p> <p><b>Percentage of eligible votes cast: 99.8%</b></p> <p><b>Percentage of votes with management: 81.8%</b></p> <p><b>Percentage of votes against management: 16.3%</b></p> <p><b>Percentage of votes abstained from: 1.9%</b></p> <p><b>Percentage of meetings voted at least once against management: 49.2%</b></p> <p><b>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 6.2%</b></p>
<p><b>LGIM – Infrastructure Equity MFG Fund (GBP hedged)</b></p>	<p><b>Number of meetings at which the manager was eligible to vote: 89</b></p> <p><b>Number of resolutions on which manager was eligible to vote: 1,036</b></p> <p><b>Percentage of eligible votes cast: 100.0%</b></p> <p><b>Percentage of votes with management: 83.5%</b></p> <p><b>Percentage of votes against management: 16.3%</b></p> <p><b>Percentage of votes abstained from: 0.2%</b></p> <p><b>Percentage of meetings voted at least once against management: 78.7%</b></p> <p><b>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 12.2%</b></p>
<p><b>SSgA – UK ESG Screened Index Equity Sub-Fund</b></p>	<p><b>Number of meetings at which the manager was eligible to vote: 739</b></p> <p><b>Total proposals voted on: 10,240</b></p> <p><b>Percentage of votes with management: 92.38%</b></p> <p><b>Percentage of votes against management: 7.62%</b></p> <p><b>Percentage of votes abstained from: 0.18%</b></p> <p><b>Percentage of meetings voted at least once against management: 65.90%</b></p> <p><b>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 7.29%</b></p>

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<p><b>SSgA – Europe ex UK ESG Screened Index Equity Sub-Fund</b></p>	<p><b>Number of meetings at which the manager was eligible to vote:</b> 498</p> <p><b>Total proposals voted on:</b> 8,766</p> <p><b>Percentage of votes with management:</b> 89.76%</p> <p><b>Percentage of votes against management:</b> 10.24%</p> <p><b>Percentage of votes abstained from:</b> 0.39%</p> <p><b>Percentage of meetings voted at least once against management:</b> 61.21%</p> <p><b>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser:</b> 5.81%</p>
<p><b>SSgA – North America ESG Screened Index Equity Sub-Fund</b></p>	<p><b>Number of meetings at which the manager was eligible to vote:</b> 642</p> <p><b>Total proposals voted on:</b> 7,845</p> <p><b>Percentage of votes with management:</b> 90.25%</p> <p><b>Percentage of votes against management:</b> 9.75%</p> <p><b>Percentage of votes abstained from:</b> 0.32%</p> <p><b>Percentage of meetings voted at least once against management:</b> 58.35%</p> <p><b>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser:</b> 10.02%</p>

The following table outlines how the investment managers define significant votes and details on significant votes cast by the Scheme’s investment managers on the Trustee’s behalf over the Scheme year.

Manager	Definition of significant votes:	Most significant votes cast
<p><b>LGIM</b></p>	<p>In determining significant votes, LGIM’s Investment Stewardship team takes into account the criteria provided by the Pensions &amp; Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:</p> <ul style="list-style-type: none"> <li>• High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;</li> <li>• Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM’s annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;</li> <li>• Sanction vote as a result of a direct or collaborative engagement;</li> </ul> <p>Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship’s 5-year ESG priority engagement themes.</p>	<p><b>Sands China Ltd.</b></p> <p><b>Date:</b> 21 May 2021  <b>Country:</b> China  <b>% of Fund:</b> 0.3%  <b>Proposal:</b> Elect Robert Glen Goldstein as Director  <b>Instruction:</b> Against  <b>Vote against management:</b> Yes  <b>Rationale:</b> LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair</p> <p><b>Mitsubishi UFJ Financial Group, Inc.</b></p> <p><b>Date:</b> 29 June 2021  <b>Country:</b> Japan  <b>% of Fund:</b> 1.6%  <b>Proposal:</b> Amend Articles to Disclose Plan Outlining Company's Business Strategy to Align</p>

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		<p>Investments with Goals of Paris Agreement  <b>Instruction:</b> For  <b>Vote against management:</b> Yes  <b>Rationale:</b> LGIM expects companies to be taking sufficient action on the key issue of climate change. While they positively note the company’s recent announcements around net-zero targets and exclusion policies, they think that these commitments could be further strengthened and they believe the shareholder proposal provides a good directional push.  <b>Alibaba Group Holding Limited</b></p> <p><b>Date:</b> 17 September 2021  <b>Country:</b> China  <b>% of Fund:</b> 3.8%  <b>Proposal:</b> Elect Director Joseph C. Tsai  <b>Instruction:</b> Against  <b>Vote against management:</b> Yes  <b>Rationale:</b> LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair.</p> <p><b>SBA Communications Corporation</b></p> <p><b>Date:</b> 13 May 2021  <b>Country:</b> USA  <b>% of Fund:</b> 1.9%  <b>Proposal:</b> Elect Director George R. Krouse, Jr.  <b>Instruction:</b> Against  <b>Vote against management:</b> Yes  <b>Rationale:</b> The company is deemed to not meet minimum standards with regards to climate risk management and disclosure</p>
SSgA	<p>State Street Global Advisors identifies “significant votes” for the purposes of Shareholder Rights Directive II as follows:</p> <ul style="list-style-type: none"> <li>• All votes on environmental related shareholder proposals.</li> <li>• All votes on compensation proposals where we voted against the company management’s recommendation.</li> <li>• All against votes on the re-election of board members due to poor ESG performance of their companies (as</li> </ul>	<p><b>Rio Tinto PLC</b></p> <p><b>Date:</b> 9 April 2021  <b>Country:</b> UK  <b>% of Fund:</b> 2.9%  <b>Proposal:</b> Advisory vote to ratify named executive officer’s compensation  <b>Instruction:</b> Against  <b>Vote against management:</b> Yes  <b>Rationale:</b> SSGA has concerns with the proposed remuneration structure for senior executives at the company</p>

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	<p>measured by their R-Factor ESG score*).</p> <ul style="list-style-type: none"> <li>• All against votes on the re-election of board members due to poor compliance with the local corporate governance score of their companies (as measured by their R-Factor CorpGov score**).</li> <li>• All against votes on the re-election of board members due to a lack of gender diversity on board.</li> </ul> <p>For the purpose of this report we have selected a “significant” vote from each fund relating to the investment with the highest market value.</p>	<p><b>Moët Hennessy Louis Vuitton SE</b></p> <p><b>Date:</b> 15 April 2021  <b>Country:</b> France  <b>% of Fund:</b> 2.4%  <b>Proposal:</b> Advisory vote to ratify named executive officer’s compensation  <b>Instruction:</b> Against  <b>Vote against management:</b> Yes  <b>Rationale:</b> SSGA has concerns with the proposed remuneration structure for senior executives at the company</p> <p><b>Microsoft Corporation</b></p> <p><b>Date:</b> 30 November 2021  <b>Country:</b> USA  <b>% of Fund:</b> 6.0%  <b>Proposal:</b> Miscellaneous environmental and social  <b>Instruction:</b> Against  <b>Vote against management:</b> No  <b>Rationale:</b> SSGA views the company's disclosure and/or practices pertaining to the item are reasonable.</p>
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The following table outlines the level of turnover for each of the Scheme’s investments where this is an applicable measure. Managers were asked to provide this information for the 12 months to 31 December 2021 using the SECs preferred methodology (Lesser of: the value of purchases or the value of sales /Average annual market value).

Fund	Portfolio Turnover 01/01/21 – 31/12/21
LGIM - Asia Pacific ex Japan Equity Index Fund	7.93%
LGIM – Japan Equity Index Fund	9.80%
LGIM – Japan Equity Index Fund – GBP Currency Hedged	35.98%
LGIM – World Emerging markets Equity Fund	20.51%
LGIM – Infrastructure Equity MFG Fund (GBP Currency Hedged)	27.46%
SSgA – UK ESG Screened Index Equity Sub-Fund	0.00%

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<b>SSgA – Europe ex UK ESG Screened Index Equity Sub-Fund</b>	5.59%
<b>SSgA – North America ESG Screened Index Equity Sub-Fund</b>	6.77%
<b>Insight Liability Driven Investment Portfolio</b>	23.85%
<b>AXA Buy &amp; Maintain Credit Portfolio</b>	4.20%
<b>Aviva Lime Property Fund</b>	2.60%
<b>Alpha Real Index Linked Income Fund</b>	0.20%
<b>Nephila Reinsurance</b>	n/a

#### **4) Summary**

The Trustee believes that the Scheme's engagement and voting policies, as outlined in the SIP, has been adhered to over the Scheme year.

Following monitoring of the Scheme's investment managers over the year, and reviewing the voting information outlined in this statement, the Trustee is satisfied that Legal and General and SSgA are acting in the Scheme members' best interest and are effective stewards of the Scheme's assets.

The Trustee will continue to monitor the investment managers' stewardship practices on an ongoing basis.