

Federated Pension Scheme for Treloar Trust

Implementation Statement

Year Ending 31 March 2021

Glossary

Baillie Gifford	Baillie Gifford & Co Limited
ESG	Environmental, Social and Governance
Investment Adviser	First Actuarial LLP
LDI	Liability Driven Investment
LGIM	Legal & General Investment Management
Partners	Partners Group (Guernsey) Limited
Scheme	Federated Pension Scheme for Treloar Trust
Scheme Year	1 April 2020 to 31 March 2021
SIP	Statement of Investment Principles
UNPRI	United Nations Principles for Responsible Investment

Introduction

The Trustee has reviewed the extent to which their policy from the SIP relating to the exercise of rights (including voting rights) attaching to the investments was followed over the Scheme Year and this statement confirms the outcome of that review.

In addition, the statement summarises the voting record of the Scheme's investment managers and provides information on the significant votes made in respect of the Trustee's equity holdings. Information is also provided on the how the Scheme's investment managers make use of the services of proxy voting advisers.

Relevant Investments

The Scheme's assets are invested in pooled funds and some of those funds include an allocation to equities. Where equities are held, the investment manager has the entitlement to vote.

At the end of the Scheme Year, the Scheme invested in the following funds which included an allocation to equities:

- Baillie Gifford Multi-Asset Growth Fund
- LGIM Future World Fund
- LGIM Future World Fund – GBP Hedged
- LGIM Future World Multi-Asset Fund
- The Partners Fund (Guernsey)

The Trustee's Policy Relating to the Exercise of Rights

Summary of the Policy

The Trustee's policy in relation to the exercise of the rights (including voting rights) attaching to the investments is set out in the SIP. The SIP was updated by addendum during the Scheme Year to comply with new legislation which required additional information to be stated about the nature of the arrangements in place with the investment managers. Part of the new wording provided a more detailed explanation of the Trustee's policy relating to the exercise of rights.

A summary of the Trustee's policy is as follows:

- The Trustee believes that good stewardship can help create, and preserve, value for companies and markets as a whole.
- The Trustee invests in pooled investment vehicles and therefore accept that ongoing engagement with the underlying companies (including the exercise of voting rights) will be determined by the investment managers' own policies on such matters.
- The Trustee expects the investment managers of pooled funds to invest for the medium to long term and it expects investment managers to engage with issuers of debt or equity with a view to improving performance over this time frame.

- When selecting a pooled fund, the Trustee considers various factors, how financially material considerations (including ESG factors) over the appropriate time horizon are taken into account by the investment manager.
- When selecting a pooled fund, the Trustee considers, amongst other things, the investment manager's policy in relation to the exercise of the rights (including voting rights) attaching to the investments held within the pooled fund.
- When considering the ongoing suitability of an investment manager, the Trustee (in conjunction with their Investment Adviser) will take account of any particular characteristics of that manager's engagement policy that are deemed to be financially material.
- The Trustee will normally select investment managers who are signatories to the UNPRI.
- If it is identified that a fund's investment manager is not engaging with companies the Trustee may look to replace that fund. However, in the first instance, the Trustee would normally expect their Investment Adviser to raise the Trustee's concerns with the investment manager.

Has the Policy Been Followed During the Scheme Year?

The Trustee's opinion is that their policy relating to the exercise of rights (including voting rights) attaching to the investments has been followed during the Scheme Year. In reaching this conclusion, the following points were taken into consideration:

- There has been no change to the Trustee's belief regarding the importance of good stewardship.
- The Scheme's invested assets remained invested in pooled funds over the period.
- During the Scheme Year, the Trustee introduced an allocation to the M&G Total Return Credit Investment Fund. The Trustee considered the ESG characteristics of this fund before selecting it, but, because the fund does not include an allocation to equities, consideration of the exercise of voting rights was not relevant.
- In addition, during the Scheme Year, the Trustee introduced an allocation to three of LGIM's Future World Funds (detailed above) and Baillie Gifford's Multi-Asset Growth Fund. The Trustee considered the ESG characteristics of these funds before selecting them and this included consideration of the investment managers' approach towards the exercise of voting rights.

- Two LGIM Matching Core LDI Funds were also selected during the year, however neither voting rights or ESG matters are relevant to this asset class and were not considered as part of the selection process.
- Whilst the Trustee did not consider the voting records of the investment managers during the Scheme Year, that analysis has now been undertaken. The Trustee, in conjunction with their Investment Adviser, has considered the voting record of the investment managers over the year ending 31 March 2021 as part of the work required to prepare this Implementation Statement. A summary of the key findings from that analysis is provided below.
- The investment managers used by the Scheme are all UNPRI signatories.

The Investment Managers' Voting Records

A summary of the investment managers' voting records is shown in the table below.

Investment Manager	Number of votes	Split of votes:		
		For	Against	Did not vote/ abstained
Baillie Gifford	13,677	95%	4%	2%
LGIM	26,807	79%	19%	2%

Notes

Split of votes may not sum to 100% due to rounding.

These voting statistics are based on each manager's full voting record over the 12 months to 31 March 2021 rather than votes related solely to the funds held by the Scheme.

Use of Proxy Voting Advisers

Investment Manager	Who is their proxy voting adviser?	How is the proxy voting adviser used?
Baillie Gifford	No Proxy Voting Adviser	All done in-house, Manager aims to participate in all votes
LGIM	ISS and IVIS	ISS and IVIS provide research and ISS administer votes. However, all voting is determined by guidelines set by LGIM.

The Investment Managers' Voting Behaviour

The Trustee has reviewed the voting behaviour of the investment managers by considering the following:

- broad statistics of their voting records such as the percentage of votes cast for and against the recommendations of boards of directors (i.e. “with management” or “against management”);
- the votes they cast in the year to 31 March 2021 on the most contested proposals in eight categories across the UK, the US and Europe;
- the investment managers' policies and statements on the subjects of stewardship, corporate governance and voting.

The Trustee has also compared the voting behaviour of the investment managers with their peers over the same period.

The Trustee's key observations are set out below.

Voting in Significant Votes

Based on information provided by the Trustee's Investment Adviser, the Trustee has identified significant votes in eight separate categories. The Trustee considers votes to be more significant if they are closely contested. i.e. close to a 50:50 split for and against. A closely contested vote indicates that shareholders considered the matter to be significant enough that it should not be simply “waved through”. In addition, in such a situation, the vote of an individual investment manager is likely to be more important in the context of the overall result.

The five most significant votes in each of the eight categories based on shares held by the Scheme's investment managers are listed in the Appendix. In addition, the Trustee considered each investment manager's overall voting record in significant votes (i.e. votes across all stocks not just the stocks held within the funds used by the Scheme).

Description of Voting Behaviour

LGIM

Relative to its peers, LGIM shows a higher tendency to vote against directors' proposals. The manager has also shown strong support for shareholders' proposals aimed at tackling a broad range of environmental and social issues.

The manager's voting policy is detailed and includes clear rationales and rules for when it will vote against directors' recommendations on a proposal.

LGIM voted against 19% of director proposals during the year and showed a tendency to do this in contentious votes. This suggests that LGIM is taking its stewardship responsibilities seriously.

Baillie Gifford

Baillie Gifford tends to support director proposals, but this is consistent with its active management style – the manager has chosen to invest in companies so it is unsurprising it wishes to support their management.

Although Baillie Gifford tends to support management in director proposals, over the course of the Scheme year the investment manager has demonstrated a willingness to vote in favour of shareholder proposals (which typically means voting against management).

Conclusions

Based on the analysis undertaken, the Trustee has no concerns regarding the voting records of LGIM and Baillie Gifford.

The Trustee will keep the voting actions of these investment managers under review.

Rosemary Kennell

Date: 9 September 2021

Signed on behalf of the Trustee of the Federated Pension Scheme for Treloar Trust

Significant Votes

The table below records how the Scheme's investment managers voted in the most significant votes identified by the Trustee.

Company	Meeting Date	Proposal	Votes For (%)	Votes Against (%)	LGIM	Baillie Gifford
Audit & Reporting						
NORTHROP GRUMMAN CORPORATION	20/05/2020	Appoint the Auditors	24	75	Against	Not held
VIVENDI SA	20/04/2020	Approval of the Information set out in the Corporate Governance Report	74	23	Against	Not held
CAPGEMINI SE	20/05/2020	Renew Appointment of PricewaterhouseCoopers Audit as Auditor	82	18	Against	Not held
SARTORIUS STEDIM BIOTECH SA	24/06/2020	Approve Auditors' Special Report on Related-Party Transactions	15	85	Not held	For
UDR INC	21/05/2020	Appoint the Auditors	86	14	Against	Not held
Shareholder Capital & Rights						
STMICROELECTRONICS NV	17/06/2020	Grant Board Authority to Issue Shares Up To 10 Percent of Issued Capital and Exclude Pre-emptive Rights	46	54	Against	Not held
JUST EAT TAKEAWAY.COM N.V.	14/05/2020	Issue Shares for Cash for the Purpose of Financing an Acquisition or Other Capital Investment	60	40	Not held	For
ASSICURAZIONI GENERALI SPA	27/04/2020	Authorize Share Repurchase Program and Reissuance of Repurchased Shares to Service Performance Share Plan	68	32	Against	Not held
VIVENDI SA	20/04/2020	Authorize Specific Buyback Program and Cancellation of Repurchased Share	69	31	Against	Not held
SHAFTESBURY PLC	25/02/2021	Issue Shares for Cash for the Purpose of Financing an Acquisition or Other Capital Investment	71	29	For	Not held
Pay & Remuneration						
ALTRIA GROUP INC.	14/05/2020	Advisory Vote on Executive Compensation	49	50	Against	Not held
STMICROELECTRONICS NV	17/06/2020	Approve Remuneration Policy for Management Board	50	50	Against	Not held
AROUNDTOWN SA	24/06/2020	Approve Remuneration Policy	49	51	Against	Not held
STARBUCKS CORPORATION	17/03/2021	Advisory Vote on Executive Compensation	47	52	Against	Not held
WALGREENS BOOTS ALLIANCE	28/01/2021	Advisory Vote on Executive Compensation	47	52	Against	Not held
Constitution of Company, Board & Advisers						
UBS GROUP AG	29/04/2020	Elect Remuneration Committee Member: Dieter Wemmer	48	48	For	Not held
THE BOEING COMPANY	27/04/2020	Elect Susan C. Schwab	56	43	For	Not held
WASTE MANAGEMENT INC	12/05/2020	Elect Director Victoria M. Holt	58	41	Against	Not held
KBC GROEP NV	07/05/2020	Re-elect Sonja De Becker	59	41	For	Not held
GECINA	23/04/2020	Amend Article 9 of Bylaws Re: Shareholding Disclosure Thresholds	59	41	Against	Not held
Merger, Acquisition, Sales & Finance						
DELIVERY HERO SE	18/06/2020	Approve Issuance of Warrants/Bonds with Warrants Attached/Convertible Bonds without Preemptive Rights up to Aggregate	78	22	Not held	For
DASSAULT SYSTEMES SE	26/05/2020	Delegate Power to the Board to Acquire Certain Assets of Another Company	80	20	Against	Not held
SOCIETE GENERALE SA	19/05/2020	Authorize Issuance of Convertible Bonds for Private Placements without Preemptive Rights, up to Aggregate Nominal Amount of	93	7	For	Not held
MUENCHENER RUECK AG (MUNICH RE)	29/04/2020	Issue Bonds/Debt Securities	93	7	For	Not held
IBERDROLA SA	02/04/2020	Issue Bonds/Debt Securities	90	6	For	Not held
Other Company Resolutions						
PEUGEOT SA	25/06/2020	Authorize Board to Issue Free Warrants with Preemptive Rights During a Public Tender Offer	69	31	Against	Not held
VIVENDI SA	20/04/2020	Approve Additional Pension Scheme Agreement with Herve Philippe, Management Board Member	70	27	Against	Not held
UBISOFT ENTERTAINMENT SA	02/07/2020	Delegate Powers to the Board to Amend Bylaws to Comply with Legal Changes	80	20	Not held	For
BRITISH LAND COMPANY PLC	29/07/2020	Meeting Notification-related Proposal	83	17	For	Not held
SEGRO PLC	21/04/2020	Meeting Notification-related Proposal	85	15	For	Not held
Governance & Other Shareholder Resolutions						
HP INC	12/05/2020	Shareholder Resolution: Written Consent	50	50	Against	Not held
CHEVRON CORPORATION	27/05/2020	Shareholder Resolution: Report on Lobbying Payments and Policy	49	43	For	Not held
BOOKING HOLDINGS INC.	04/06/2020	Shareholder Resolution: Written Consent	49	51	Against	Not held
CENTENE CORP	28/04/2020	Shareholder Resolution: Political Donations	51	48	For	Not held
ANTHEM INC	21/05/2020	Shareholder Resolution: Right to Call Special Meetings	49	50	For	Not held
Environmental & Socially Focussed Shareholder Resolutions						
JPMORGAN CHASE & CO.	19/05/2020	Shareholder Resolution: Climate Change Targets	49	49	For	Not held
ORACLE CORPORATION	04/11/2020	Shareholder Resolution: Report on Gender Pay Gap	46	54	For	Not held
THE TJX COMPANIES INC.	09/06/2020	Shareholder Resolution: Report on Reduction of Chemical Footprint	44	55	For	Not held
CHEVRON CORPORATION	27/05/2020	Shareholder Resolution: Report on Human Rights Practices	61	30	For	Not held
PFIZER INC.	23/04/2020	Gender Pay report	36	59	For	Not held

Note

Where the voting record has not been provided at the fund level, the analysis is based on the shares held within the Scheme's pooled funds as at 31 March 2021. This means it is possible that some of the votes listed above may relate to companies that were not held within the Scheme's pooled funds at the date of the vote.