# IMPLEMENTATION STATEMENT

## Engagement Policy Implementation Statement

## Ryder Pension Fund

**Introduction**

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 (the "Regulations"). The Regulations require that the Trustee produces an annual statement called an Engagement Policy Implementation Statement ("EPIS") which outlines the following:

- Explain how and the extent to which the Trustee has followed their engagement policy which is set out in the Statement of Investment Principles ("SIP").
- Describe the voting behaviour by or on behalf of the Trustee (including the most significant votes cast) during the Fund year and state any use of third-party provider of proxy voting services.

The EPIS has been prepared by the Trustee and covers the Fund year 1st January 2021 to 31st December 2021.

**Executive summary**

Based on the activity over the year by the Trustee and its investment managers, the Trustee is of the opinion that the stewardship policy has been implemented satisfactorily in practice. The Trustee notes that both its investment managers were not able to disclose certain fund level examples that the Trustee expects, however this appears to be a reporting related issue rather than due to a lack of actual engagement on behalf of the Fund.

The Trustee expects improvements in disclosures over time in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Fund through considered voting and engagement.

**Fund stewardship policy**

An extract of the stewardship policy that was in force over the year to 31 December 2021, as set out in the Scheme's SIP, is provided below:

The Trustee recognises the importance of their role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Fund invests, as this ultimately creates long-term financial value for the Fund and its beneficiaries.

As part of their delegated responsibilities, the Trustee expects the Fund's investment managers to:

- where appropriate, engage with investee companies with the aim to protect and enhance the value of assets; and
- exercise the voting rights in relation to the Fund's assets.

The Trustee reviews the suitability of the Fund's appointed asset managers and takes advice from the investment consultant with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards the Trustee has set out in the policy, the Trustee may undertake to engage with the manager and seek a more sustainable position but may look to replace the manager.

The Trustee reviews the stewardship activities of the asset managers on an annual basis, covering both engagement and voting actions. Where the Trustee identifies significant concerns relating to performance, strategy, risks, social and environmental impact, corporate governance, the capital structure or management of conflicts of interest, of a fund manager or other stakeholder; they will consider the methods by which it would monitor and engage with such a fund manager or other stakeholders.

The full SIP can be found here: https://europe.ryder.com/about-us/ryder-pension-fund-information

**Fund stewardship activity over the year**

**Ongoing Monitoring**

The Trustee receives monitoring reports from their investment adviser on a quarterly basis. These reports outline the valuation of all investments held, the performance of these investments and, where appropriate, matters relating to responsible investment. Investment returns are compared with appropriate performance objectives to monitor the relative performance. Reporting includes ratings for Environment, Social and Governance considerations in respect to the investment management of the underlying funds.

## Voting and Engagement activity – Equity

Over the year, the material equity investments held by the Fund were:

| | |
|---|---|
| LGIM | Developed Balanced Equity Factor Index Fund |
| BlackRock | US Equity Index Fund |
| | European Equity Index Fund |
| | Emerging Markets Equity Index Fund |

Both managers use the services of proxy voting organisations for various services that may include research, vote recommendations, administration and vote execution. Please see the appendix for more information on the managers' use of proxy voting organisations.

In this section there is a summary of voting information and examples of significant voting activity for each of the Fund's relevant managers. The investment managers provided examples of 'significant' votes they participated in over the period. Each manager has their own criteria for determining whether a vote is significant. 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 Fund

The Trustee considers a significant vote as one which the voting manager deems to be significant or a vote where more than 15% of votes were cast against management.

**Legal and General Investment Management ("LGIM")**

Use of third-party voting related service providers

LGIM uses proxy voting service provider Institutional Shareholder Services ("ISS") to execute votes electronically and for research, which augments LGIM's own research and proprietary ESG assessment tools. LGIM do not outsource any part of the voting decisions to ISS. It has put in place with ISS a custom voting policy that applies to all markets globally, which seeks to uphold what it considers to be the best practice standards companies should observe. LGIM retains the ability to override any voting decisions based on the voting policy if appropriate, for example, if engagements with the company have provided additional information.

Voting example:

In June 2021, LGIM voted against a resolution to elect the CEO of retailer Target Corporation to the role of chair of the company's board as well. It is LGIM's policy to advocate for the separation of CEO and board chair roles. LGIM believes these two roles to be substantially different, requiring distinct skills and experiences due to risk management and oversight. Further, LGIM expects a CEO or Non-Executive Director not to hold too many board positions to ensure they can undertake their duties effectively. 93.7% of shareholders voted in favour of the resolution. LGIM considered this vote to be significant because it is an example of how it applied and escalated its voting policy on the topic of combined board chair and CEO role.

Engagement:

LGIM has a six-step approach to its investment stewardship engagement activities, broadly these are:

1. Identify the most material ESG issues,
2. Formulate the engagement strategy,
3. Enhancing the power of engagement,
4. Public policy and collaborative engagement,
5. Voting, and
6. Reporting to stakeholders on activity.

LGIM takes an active role in stewardship and considers it a duty to be accountable to its clients' assets and ensure it upholds the highest corporate governance standards. LGIM monitors several ESG subjects and conducts engagement on various issues. It's top five engagement topics are climate change, remuneration, diversity, board composition and strategy.

All decisions are made by LGIM's investment stewardship team and in accordance with its relevant corporate governance, Responsible Investment and Conflicts of Interest policy documents, which are reviewed annually. The corporate governance team meets with the active equity and fixed income team on a bi-weekly basis to share information gained from analysis and engagement activity. This is a forum for raising and discussing particular investment and ESG concerns, insights and updates.

LGIM's engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all their clients.

More information can be found on LGIM's engagement policy here.

As at the time of writing, LGIM was unable to provide engagement examples at a fund level. The Trustee's investment adviser Aon engaged with LGIM on this topic to encourage it to report on its engagement activities in relation to the Scheme's specific assets. Aon and the Trustee expects to see improvements in LGIM's stewardship reporting in the next reporting year.

Engagement example:

Over 2021, LGIM engaged with a number of companies on the topic of antimicrobial resistance. Antimicrobial resistance occurs when bacteria, viruses, fungi and parasites change over time and no longer respond to medicines making infections harder to treat and increasing the risk of disease. LGIM states that the overuse and inappropriate use of antimicrobials in human activities are often linked to the uncontrolled release of antimicrobial agents into the ecosystem. In particular, water sanitation systems have not been designed to address antimicrobial resistance.

LGIM reached out to 20 water utility companies through an open letter to understand if they were aware of the issue of antimicrobial resistance and if they plan to introduce monitoring systems to detect agents such as antibiotic-resistant bacteria. LGIM also had meetings with some of the companies and found that awareness of antimicrobial resistance was generally low. LGIM believed this was due to the lack of regulatory requirements and little perception of the potential business risks.

After these engagements, LGIM found several investee companies were considering their approach to antimicrobial resistance. In particular, one utility company sought to understand what happens to contaminants in its wastewater treatment process and implemented a programme to try to understand improvements it could make to its systems.

**BlackRock**

Use of third-party voting related service providers

BlackRock's proxy voting process is led by its Investment Stewardship team. Voting decisions are made by the Investment Stewardship team with input from investment colleagues. Blackrock's voting decisions are informed by its internally developed proxy voting guidelines, its engagements with companies, and research on each underlying company. BlackRock reviews its proxy voting guidelines annually and updates them as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the prior year.

BlackRock subscribes to research from the proxy advisory firms ISS and Glass Lewis. BlackRock uses the research and its own analysis to identify companies where additional engagement would be beneficial. BlackRock do not routinely follow the voting recommendations of their proxy voting advisers.

Voting example (Emerging Markets Equity Fund):

In June 2021, BlackRock voted against a proposal from the management of Huadian Power International ("Huadian International"), a Chinese energy company, to reorganize its wind and solar power portfolio by transferring all related assets into a dedicated renewable energy entity, which the majority is controlled by its parent company Huadian Group, in exchange for a minority stake in the renewable energy entity.

BlackRock voted against the proposal because it was concerned about the conflict of interest between Huadian International and its parent company. This proposal would prevent Huadian International from investing in wind or solar power projects, to avoid it being in competition with the majority shareholder, Huadian Group. In BlackRock's view, the transaction would disadvantage the minority shareholders of Huadian International by preventing them from participating in China's renewable energy market. The proposal passed with a majority vote.

Further information can be found in the voting bulletin here:
https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-huadian-international-jul-2021.pdf

Voting example (European Equity)

In March 2021, BlackRock abstained from a vote at the Danish bank Danske Bank ("Danske"). The vote was in relation to the re-election of members of the remuneration committee. Due to the plurality voting standard in Denmark, it is not possible to vote against director elections when voting by proxy. BlackRock withheld support because it had continued to see limited progress on the company's remuneration structure, disclosures and outcomes. BlackRock also voted against the approval of the remuneration report and guidelines of incentive-based compensation for executive management due to these concerns.

Further information can be found in the voting bulletin here: blk-vote-bulletin-danske-bank-may-2021.pdf (blackrock.com)

Voting example (US Equity)

In April 2021, BlackRock voted against a shareholder proposal to the management of Pfizer. The proposal requested the company to report "on whether and how receipt by Pfizer or its business partners of public financial support for development and manufacture of vaccine or therapeutics for COVID-19 is being, or will be, taken into account when making decisions that affect access to such products, such as setting prices."

BlackRock voted against this proposal because it believes the company has demonstrated transparency during the COVID crisis, and the board has demonstrated sound oversight of matters related to access to medicine. BlackRock expect Pfizer to continue updating the market regularly as the situation evolves, and to provide assurance regarding continued access to the company's products for those in need. The resolution was not passed.

Further information can be found in the voting bulletin here: blk-vote-bulletin-pfizer-apr-2021.pdf (blackrock.com)

Engagement:

BlackRock considers engagement to be at the core of its stewardship efforts. It enables BlackRock to provide feedback to companies and build a mutual understanding about corporate governance and sustainable business practices. Each year, BlackRock sets engagement priorities to focus on, such as governance and sustainability issues that it considers to be most important for companies and its clients.

BlackRock's priorities reflect an emphasis on board effectiveness and the impact of sustainability-related factors on a company's ability to generate long-term financial returns. BlackRock Investment Stewardship ("BIS") team's stated key engagement priorities include board quality, climate and natural capital, strategy purpose and financial resilience, incentives aligned with value creation, company impacts on people.

More information can be found here: https://www.blackrock.com/corporate/literature/publication/blk-stewardship-priorities-final.pdf

Engagement Example (Emerging Markets Equity)

BlackRock engaged with Vale S.A. ("Vale"), a Brazilian mining company, since 2019. In January 2019, a tailings dam at one of Vale's iron ore mines collapsed and killed approximately 270 people. Tailings dams are used to store water and waste that are by products from the mining process. The collapse also caused significant environmental damage.

Over the course of 2020 and 2021, BlackRock held frequent engagements with Vale. Vale provided updates on the dam collapse, including the status of the investigation and the final settlement. Vale provided additional context on the frequent public announcements about: 1) the steps taken to strengthen risk management and governance policies to ensure the safety of people and operations; and 2) the remediation measures regarding the environmental damage and socio-economic impact on the local community.

BlackRock's engagements with Vale also focused on board effectiveness and sustainability. It shared its expectations of board quality including composition, diversity, and independence. BlackRock also discussed the company's sustainability disclosures and carbon emissions reduction targets.

Engagement Example (European Equity)

BlackRock engaged with Equinor ASA (Equinor), a Norway-based energy company to discuss corporate governance issues. These included the oversight and management of climate-related risks and opportunities. When BIS most recently engaged with the company, the discussion encompassed the numerous shareholder resolutions included on the ballot at the 2021 annual general meeting (AGM) which were primarily climate focused.

BlackRock concluded, on its assessment, that Equinor has a robust energy transition plan and climate-related ambitions, which includes the ambition to reach net zero greenhouse gas (GHG) emissions by 2050. However, it still noted areas where it believed the company could further improve and demonstrate continued progress to shareholders. As such, BlackRock used its vote in shareholder proposals instructing the company to report key information on both climate risk and nature risk, and to set short, medium and long term targets of GHG emissions.

Engagement Example (US Equity)

BlackRock has held regular engagements with the independent members of the board at Chevron Corporation (Chevron), a global integrated energy, chemicals, and petroleum company. BlackRock has a long history of constructive engagement with Chevron where it discusses corporate governance and sustainability topics that it believes drives long-term shareholder value. This has included climate risk, corporate strategy, and human capital management, among others.

BlackRock has found Chevron to be receptive and open to shareholder feedback. The company announced new 2028 greenhouse gas reduction targets during its annual investor day in 2021. The company also updated plans to increase investments in renewable energy, carbon offsets. Still, BlackRock has used its voting power to encourage Chevron to improve with regards to managing climate risk further. While recognizing the company's effort to date, BlackRock voted for a shareholder proposal in June 2021 for the company to reduce its Scope 3 emissions.

BlackRock does not currently have concerns about the company's governance and oversight practices and it welcomes the steps that the company has taken to enhance the oversight, management, and disclosure of climate-related risks and opportunities.

## Engagement activity – Fixed Income

Whilst voting rights are not applicable to non-equity mandates, the Trustee recognises that debt investors have significant capacity for engagement with issuers of debt. Debt financing is continuous, and therefore a vested interest on the part of debt issuers is to ensure that institutional investors are satisfied with the issuer's strategic direction and policies. Whilst upside potential may be naturally limited in comparison to equities, downside risk mitigation and credit quality is a critical part of investment decision-making.

The following example demonstrates the engagement activity carried out by the Fund's fixed income manager over the year.

**BlackRock – Over 15 year Corporate Bond Fund (legacy holding redeemed during 2021)**

Engagement

BlackRock's firm-wide engagement program benefits its fixed income investments. The BlackRock Investment Stewardship (BIS) team exchanges its views with the equity and credit portfolio management teams. In addition, BlackRock's Global Fixed Income Responsible Investing team may partner with the BIS team to reflect on ESG related topics from fixed income investors as well to attend or host engagement meetings on certain highlighted ESG flagged holdings. An ESG flagged holding is one where BlackRock have significant exposure in fixed income portfolios, and the issuer is flagged as low rated/controversial by external ESG rating providers or is highlighted by their credit research. BlackRock was unable to provide an engagement example specific to this fund and so a firm level example has been provided

Engagement Example

BIS has engaged with British science-focussed manufacturing and research company, Oxford Instruments, on the lack of diversity on its board ahead of the company's AGM in September 2021. The company has yet to reach the Hampton-Alexander target to have 33% representation of women and missed the 2020 target timeframe.

BIS deems diverse and experienced board directors to be critical to the success of a company and long-term value creation. Oxford Instruments has since appointed an additional female board member as a Senior Independent Director in the 2021 AGM and stated that it intends to reach the target by its 2022 AGM. Oxford Instruments has also expressed its intention to work with consultants and search firms who have signed the Voluntary Code of Conduct for Executive Search Firms on gender diversity and best practice in order to improve its recruitment of diverse executives and directors.
BIS intends to continue monitor the progress of the investee company as the company identifies and integrates new leadership in the months ahead.

## Appendix

### Voting Statistics for the year ending 31 December 2021

| | Number of resolutions eligible to vote on over the period | % of resolutions voted on for which the fund was eligible | Of the resolutions on which the fund voted, % that were voted against management | Of the resolutions on which the fund voted, % that were abstained from |
|---|---|---|---|---|
| LGIM Balanced Factor Equity Fund | 10,329 | 99.98% | 19.14% | 0.07% |
| BlackRock Aquila Life US Equity | 7,341 | 99.0% | 4.0% | 0.0% |
| BlackRock iShares Emerging Market Equity | 28,844 | 100.0% | 9.0% | 4.0% |
| BlackRock European Equity | 6,821 | 99.0% | 14.0% | 1.0% |