

# United Society for the Propagation of the Gospel Overseas Staff Pension Scheme

## Implementation Statement

### Scheme year ended 31 March 2021

This Implementation Statement has been prepared by the Trustee of the United Society for the Propagation of the Gospel Overseas Staff Pension Scheme ("the Scheme") and sets out:

- How the Trustee's policies on exercising rights (including voting rights) and engagement have been followed over the year.
- The voting behaviour of the Trustee, or that undertaken on their behalf, over the year to 31 March 2021.

### How voting and engagement policies have been followed

Over the year to 31 March 2021 the Scheme was invested predominantly in a segregated mandate with Rathbone Brothers Investment Management ("Rathbones").

Having carried out a full investment strategy review with assistance from their investment advisers, the Trustee transferred the Scheme's invested assets from Rathbones to Legal and General Investment Management ("LGIM") during the final quarter of the year.

Following the transfer of assets to LGIM, the Scheme invests entirely in pooled funds. The Trustee delegates responsibility for carrying out voting and engagement activities to the Scheme's fund managers. The Trustee, with assistance from their investment advisers, considered LGIM's stewardship and engagement activities as part of the exercise to appoint them.

Going forward, the Trustee plans to review the fund managers' strategies and processes for exercising rights and conducting engagement activities periodically, usually annually alongside the preparation of the Implementation Statement, and will engage with the investment managers to the extent that any issues or questions are identified.

Having reviewed the above in accordance with their policies, the Trustee is comfortable the actions of the fund managers are in alignment with the Scheme's stewardship policies.

Additional information on the voting and engagement activities carried out for the Scheme's investments during the year are provided on the following pages.

### **The Trustee of the United Society for the Propagation of the Gospel Overseas Staff Pension Scheme July 2021**

## Voting Data

| Manager   | Legal & General Investment Management  | Rathbone Unit Trust Management |
|---|--|--------------------------------|
| <b>Fund name</b>  | Ethical Global Equity Index (both GBP hedged and unhedged share classes)   | Segregated Multi Asset Fund    |
| <b>Structure</b>  | Pooled   |                                |
| <b>Ability to influence voting behaviour of manager</b>   | The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour. |                                |
| <b>Number of company meetings the manager was eligible to vote at over the year</b>   | 1274   | 1736                           |
| <b>Number of resolutions the manager was eligible to vote on over the year</b>  | 18,215   | 20,960                         |
| <b>Percentage of resolutions the manager voted on</b>   | 99.9%  | 35.2%                          |
| <b>Percentage of resolutions the manager abstained from</b>   | 0.3%   | 0.6%                           |
| <b>Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on</b>    | 83.8%  | 97.2%                          |
| <b>Percentage of resolutions voted <i>against</i> management, as a percentage of the total number of resolutions voted on</b> | 16.0%  | 3.2%                           |
| <b>Percentage of resolutions voted contrary to the recommendation of the proxy advisor</b>                                    | 0.6%   | 4.0%                           |
| <b>Proxy voting advisor</b>   | ISS  | ISS                            |

Source: Legal & General Investment Management and Rathbone Unit Trust Management

There are no voting rights attached to the other assets of the Scheme (i.e. LDI and Cash with Legal & General). As such, there is no voting information shown for these assets.

## Significant votes

For this, the Scheme's first implementation statement, we have delegated to investment managers to define what a "significant vote" is. A summary of the data they have provided is set out below.

### Legal & General Investment Management, Ethical Global Equity Index (both GBP hedged and unhedged share classes)

|   | Vote 1  | Vote 2  | Vote 3   |
|---|---|---|--|
| <b>Company name</b>   | Qantas Airways Limited  | Fast Retailing Co. Limited.   | The Procter & Gamble Company (P&G)   |
| <b>Date of vote</b>   | 23 October 2020   | 26 November 2020  | 13 October 2020  |
| <b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>                              |   | Data not provided.  |  |
| <b>Summary of the resolution</b>  | Approve Remuneration Report.  | Elect Director Yanai Tadashi.   | Report on effort to eliminate deforestation.   |
| <b>How the manager voted</b>  | For   | Against   | For  |
| <b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b> | LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. LGIM's policy is not to engage with investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics. |   |  |
| <b>Rationale for the voting decision</b>  | LGIM supported the remuneration report given the executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the long-term incentive plan (LTIP), in light of the COVID-19 pandemic.   | On a global level LGIM consider that every board should have at least one female director. LGIM opposed the election of this director in his capacity as a member of the nomination committee and the most senior member of the board, in order to signal that the company needed to act on this issue. | LGIM engaged with P&G to voice their concerns, e.g. the company has only obtained certification from the Roundtable on Sustainable Palm Oil for one third of its palm oil supply, despite setting a goal for 100% certification by 2020, and Two of their Tier 1 suppliers of palm oil were linked to illegal deforestation. |
| <b>Outcome of the vote</b>  | About 91% of shareholders supported the report.   | Shareholders supported the election of the director.  | The resolution received the support of 67.68% of shareholders (including LGIM).  |

|   | Vote 1  | Vote 2  | Vote 3  |
|---|---|---|---|
| <b>Implications of the outcome</b>                            | LGIM will continue their engagement with the company.   | LGIM will continue to engage with and require increased diversity on all Japanese company boards. | LGIM will continue to engage with P&G on the issue and will monitor its CDP disclosure for improvement (P&G has not responded to the CDP Forest disclosure; this was a red flag to LGIM in terms of its level of commitment). |
| <b>Criteria on which the vote is considered "significant"</b> | It highlights the challenges of factoring in the impact of the COVID situation into the executive remuneration package. | LGIM considers it imperative that the boards of Japanese companies increase their diversity.      | It is linked to LGIM's five-year strategy to tackle climate change and attracted a great deal of client interest.   |

## Rathbones Unit Trust Management, Segregated Multi Asset

|   | Vote 1                        | Vote 2   | Vote 3  |
|---|-------------------------------|--|---|
| <b>Company name</b>   | SSE                           | Vodafone   | Royal Dutch Shell   |
| <b>Date of vote</b>   | 12 August 2020                | 28 July 2020   | 19 May 2020   |
| <b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>                              |                               | This information was not provided.   |   |
| <b>Summary of the resolution</b>  | Re-elect Richard Gillingwater | Re-elect David Thodey as Director  | Request Shell to Set and Publish Targets for Greenhouse Gas (GHG) Emissions   |
| <b>How the manager voted</b>  | Supported management          | Voted against management   | Supported management by opposing the shareholder resolution   |
| <b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b> | N/A                           | Rathbones wrote to the Chair ahead of the AGM to signal their reasons for voting against management. | Rathbones wrote to the Chair ahead of the AGM to signal their reasons for supporting management but raising a concern they had. |

|   | Vote 1  | Vote 2   | Vote 3  |
|---|---|--|---|
| <b>Rationale for the voting decision</b>                      | <p>Concerns were raised by Rathbones' external proxy voting advisor regarding the re-election of a Chair who had been on the board for 13 years. Rathbone decided to support the re-election given Rathbones had been leading a collaborative engagement with SSE on transitioning to a low-carbon strategy and putting forward an Annual say on climate vote for shareholders to analyse the company's net-zero commitment. Rathbones also recognised that the Chair would be stepping down at the next AGM, and so chose a more lenient approach.</p> | <p>Having assessed the number of additional roles filled by all members of the board, Rathbones were not confident that the company has achieved the right balance between ensuring the retention of expertise on the board and ensuring the capacity of directors to dedicate enough time to Vodafone. Mr. Thodey holds positions at three other companies where he is also a Chair outside of his role at Vodafone. Rathbones are concerned that the multiple external mandates held by the Chair could potentially compromise their ability to commit sufficient time to their role at Vodafone should a crisis in any one of these companies' affairs arise.</p> | <p>Rathbones decided to oppose the shareholder resolution calling for the company to set and publish targets for Greenhouse Gas (GHG) Emissions.</p>  |
| <b>Outcome of the vote</b>                                    | 93.31% For (6.69% Against)  | Resolution withdrawn as David decided to step down from the Board ahead of the AGM in view of the fact that his other commitments could be regarded as affecting his ability to make a full contribution to the Board.   | 14.39% For (85.61% Against)   |
| <b>Implications of the outcome</b>                            | <p>Rathbones discussed whether the nine year tenure limit prescribed by the UK Corporate Governance Code needed to be met or whether the explanation was satisfactory. Rathbones review each situation on a comply or explain basis. In this instance, their fruitful ongoing engagement with the company led to their support of management.</p>   | <p>Rathbones feel the difficulties for global companies caused by the ongoing pandemic will likely result in increasing time commitments for directors. Rathbones asked the board to address this issue as a matter of urgency and to ensure that all directors have sufficient time to carry out their roles.</p>   | <p>Rathbones called on the board to continue to clearly disclose to investors the interim steps taken by the company to meet these commitments, and to further link executive pay practices to the delivery of these long term ambitions.</p> |
| <b>Criteria on which the vote is considered "significant"</b> | Independent chair   | Over-boarded director  | Climate change  |

## Fund level engagement

| Manager   | Legal & General Investment Management   | Rathbone Unit Trust Management  |
|---|---|---|
| <b>Fund name</b>  | <b>Passive Equities:</b><br>Ethical Global Equity Index<br>Ethical Global Equity Index (GBP Hedged)           | <b>Cash:</b><br>LGIM Sterling Liquidity Fund<br><br>Segregated Multi Asset Fund   |
| <b>Does the manager perform engagement on behalf of the holdings of the fund</b>                        | Yes   | Yes   |
| <b>Has the manager engaged with companies to influence them in relation to ESG factors in the year?</b> | Yes   | Yes   |
| <b>Number of engagements undertaken on behalf of the holdings in this fund in the year</b>              | This data was not provided at a fund level  | 15  |
| <b>Number of engagements undertaken at a firm level in the year</b>                                     | 974   | 226   |
| <b>Examples of engagements undertaken with holdings in the fund</b>                                     | LGIM engaged with a range of companies on issues including: ESG disclosures, remuneration and Climate change. | Rathbones engaged with a range of companies on issues including: Climate change, remuneration and elections of company board members. |

There is less scope for engagement in relation to the Liability driven investment ("LDI"), and therefore there is no information shown above for these assets.