Implementation Statement, covering 6 April 2020 to 5 April 2021 (the Scheme Year)

The Trustee of the Peel Ports Final Salary Pension Scheme (the "Scheme") is required to produce an annual statement to set out how, and the extent to which, the Trustee has followed the voting and engagement policies in its Statement of Investment Principles ("SIP") during the Scheme Year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

1. Introduction – Last review of the voting and engagement policies

The voting and engagement policies in the SIP were most recently reviewed and updated in July 2019. The SIP update took account of the Trustee's policy on financially material considerations, non-financial factors and engagement activities, with the amendments reflecting the Trustee's approach to regulatory changes that came into force with effect from 1 October 2019. No changes were made to the voting and engagement policies in the SIP during the Scheme Year.

The Trustee has, in its opinion, followed the Scheme's voting and engagement policies during the Scheme Year, by continuing to delegate to its investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes. The Trustee took a number of steps to review the Scheme's existing managers and funds over the period, as described in Section 2 (Voting and engagement) below.

2. Voting and engagement

The Trustee receives quarterly performance monitoring reports from the Scheme's investment adviser, LCP, which include any notable updates on the funds and investment managers held by the Scheme. Summaries of recent meetings that LCP have held with any of the managers and funds used by the Scheme are also included.

LCP's manager research process includes qualitative responsible investment ("RI") assessments as well as quantitative scoring of each fund. These scores take account of the manager's approach to environmental, social and governance ("ESG") issues, voting and engagement. These scores directly affect LCP's fund recommendations and the detailed information gained in ongoing research allows LCP to ensure that the Trustee is kept up to date with any important developments impacting the managers or funds used by the Scheme.

The Trustee decided no changes were needed during the Scheme Year to the funds or managers used by the Scheme on the basis of the commentary provided by LCP in its quarterly performance monitoring reports.

3. Description of voting behaviour during the year

All of the Trustee's holdings in listed equities are within pooled funds and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the year.

In this section we have sought to include voting data, in line with the Pensions and Lifetime Savings Association (PLSA) guidance, on the Scheme's funds that hold equities as follows:

- Legal & General Investment Management Global Equity 60:40 Index Fund;
- Legal & General Investment Management Global Equity 60:40 Hedged Index Fund; and
- Legal & General Investment Management World Emerging Markets Equity Index Fund;

We have omitted the JP Morgan Multi-Strategy Fund, BlackRock Appreciation Fund, and BlackRock Tempus Fund, due to data availability, materiality grounds, and because the Trustee has taken the decision to redeem these holdings, which are all currently winding down.

In addition to the above, the Trustee contacted the Scheme's other asset managers that do not hold listed equities, to ask if any of the assets held by the Scheme had voting opportunities over the period. Of these managers, only M&G had significant voting opportunities over the period. Commentary provided by M&G is set out in Section 3.4.

3.1 Description of Legal and General's voting processes

Legal & General's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all clients. Legal & General's voting policies are reviewed annually and take into account feedback from their clients.

All decisions are made by Legal & General's Investment Stewardship team and in accordance with relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures the stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

Every year, Legal & General holds a stakeholder roundtable event where its clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration in continuing to develop voting and engagement policies and define strategic priorities in the years ahead. Legal & General also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

Legal & General publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is policy not to engage with investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.

3.2 Summary of voting behaviour over the year

A summary of voting behaviour over the period is provided in the table below.

	Fund 1	Fund 2	Fund 3
Manager name	Legal & General Investment Management	Legal & General Investment Management	Legal & General Investment Management
Fund name	Global Equity Fixed Weights (60:40) Index Fund	Global Equity Fixed Weights (60:40) Index Fund (GBP hedged)	World Emerging Markets Equity Index Fund
Approximate value of Scheme assets	£10.6m	£25.4m	£17.9m
Number of meetings eligible to vote	3,641	3,641	3,998
Number of resolutions eligible to vote	44,680	44,680	36,036
% of resolutions voted	99.97%	99.97%	99.89%
% of resolutions voted with management	83.56%	83.56%	85.23%
% of resolutions voted against management	16.29%	16.29%	13.40%
% of resolutions abstained	0.15%	0.15%	1.38%
% of meetings with at least one vote against management	5.46%	5.46%	5.07%

3.3 Most significant votes over the year

Commentary on the most significant votes over the period is set out of the following page. Legal and General provided multiple examples of their significant votes over the Scheme Year, of which three examples have been included.

Significant votes over the year

3.3.1 Legal and General Investment Management (L&G)

1) The Procter & Gamble Company (P&G), October 2020: report on efforts to eliminate deforestation. Vote: For (against management). Outcome of the vote: For

P&G uses both forest pulp and palm oil as raw materials within its household goods products. 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. Two of their Tier 1 suppliers of palm oil were linked to illegal deforestation. Finally, the company uses mainly Programme for the Endorsement of Forest Certification (PEFC) wood pulp rather than Forestry Stewardship Council (FSC) certified wood pulp. Palm oil and Forest Pulp are both considered leading drivers of deforestation and forest degradation, which is responsible for approximately 12.5% of greenhouse gas emissions that contribute to climate change. The fact that Tier 1 suppliers have been found to have links with deforestation calls into question due diligence and supplier audits. Only FSC certification offers guidance on land tenure, workers', communities and indigenous people's rights and the maintenance of high conservation value forests.

L&G engaged with P&G to hear its response to the concerns raised and the requests raised in the resolution and spoke to representatives from the proponent of the resolution, Green Century. In addition, they engaged with the Natural Resource Defence Counsel to fully understand the issues and concerns. Following a round of extensive engagement on the issue, L&G decided to support the resolution. Although P&G has introduced a number of objectives and targets to ensure their business does not impact deforestation, they felt it was not doing as much as it could. The company has not responded to CDP Forest disclosure; this was a red flag to L&G in terms of its level of commitment. Deforestation is one of the key drivers of climate change. Therefore, a key priority issue for L&G is to ensure that companies they invest their clients' assets in are not contributing to deforestation. L&G has asked P&G to respond to the CDP Forests Disclosure and continue to engage on the topic and push other companies to ensure more of their pulp and wood is from FSC certified sources.

L&G deemed this vote significant as it is linked to their five-year strategy to tackle climate change and attracted a great deal of client interest.

2) Olympus Corporation, July 2020: election of Director Takeuchi, Yasuo. Vote: against (against management). Outcome of the vote: For

Japanese companies in general have trailed behind European and US companies, as well as companies in other countries, in ensuring more women are appointed to their boards. The lack of women is also a concern below board level. L&G seek to promote and support an increase of women on boards, at the executive level and below. On a global level they consider that every board should have at least one female director. They deem this a de minimis standard.

Last year in February L&G sent letters to the largest companies in the MSCI Japan index which did not have any women on their boards or at executive level, indicating that they expect to see at least one woman on the board. In the beginning of 2020, they announced that they would commence voting against the chair of the nomination committee or the most senior board member (depending on the type of board structure in place) for larger Japanese companies which did not comply. One of the companies targeted was Olympus Corporation. L&G 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 take action on this issue.

L&G deemed this vote significant as it considers it imperative that the boards of Japanese companies increase their diversity.

3) International Consolidated Airlines Group, September 2020: remuneration report. Vote: against (against management). Outcome of the vote: For

The COVID-19 crisis and its consequences on international transport have negatively impacted this airline company's financial performance and business model. At the end of March 2020, L&G addressed a private letter to the company to state their support during the pandemic. They also encouraged the board to demonstrate restraint and discretion with its executive remuneration. As a result of the crisis, the company took up support under various government schemes. The company also announced a 30% cut to its workforce. On the capital allocation front, the company decided to withdraw its dividend for 2020 and sought shareholder approval for a rights issue of €2.75 billion at its 2020 AGM in order to strengthen its balance sheet.

L&G were concerned about the level of bonus payments, which are 80% to 90% of their salary for current executives and 100% of their salary for the departing CEO. They noted that the executive directors took a 20% reduction to their basic salary from 1 April 2020. However, whilst the bonuses were determined at the end of February 2020 and paid in respect of the financial year end to December 2019, L&G would have expected the remuneration committee to exercise greater discretion in light of the financial situation of the company.

L&G deemed this vote significant as it illustrates the importance for investors of monitoring our investee companies' responses to the COVID crisis.

3.4 Votes in relation to assets other than listed equity

The following comments were provided by the Scheme's asset managers who do not hold listed equities, but invest in assets that had voting opportunities during the period:

3.4.1 M&G – Alpha Opportunities Fund

The policy for M&G's Alpha Opportunities Fund is to not consult fund investors before voting. Voting is decided by the relevant credit analyst, in conjunction with the fund manager. ISS and Broadridge, proxy advisory firms, are sometimes used by the fund when voting. Three examples of significant votes taken by M&G in this fund over the Scheme Year are detailed below:

Significant votes over the year

1) Marstons Issuer Plc, March 2021: request for covenant relief due to COVID-19 induced shutdown of the company's pub estate. Vote: For (with management) Outcome of the vote: For

M&G granted the request for covenant relief due to a COVID-19 induced shutdown of the company's pub estate. M&G believed that failure to grant the relief would have led to an event of default on the bonds. The request was deemed reasonable considering the situation.

2) Intu Metrocentre Finance Plc, November 2020: additional super senior debt. Vote: For (with management) Outcome of the vote: For

M&G granted additional super senior debt to the company and granted a temporary waiver in respect of certain existing events of default. M&G believed the additional money would provide the resources to allow the centre to be managed through the prevailing uncertainty as a result of the COVID-19 pandemic and also provide the resources for adapting and reconfiguring existing space to attract new uses and occupiers (i.e. defend the asset in a volatile market). Failure to provide the additional money may have resulted in a fire sale of the asset, which would not have been in investors' interests.

3) Manchester Airport Group, United Kingdom, July 2020: request for covenant relief. Vote: For (with management) Outcome of the vote: For

Rationale: In July 2020, M&G voted to waive the financial covenant tests that were due to take place in September 2020. Had these tests been applied, this may have resulted in a default due to the pressures applied to the business by the impact of COVID. M&G was comfortable with agreeing to the waiver as shareholders has injected around £300m of equity into the business, thus improving the company's short and longer term prospects.