

Implementation Statement, covering the Plan year from 1 July 2022 to 30 June 2023 (the ‘Plan year’)

The Trustee of the Combined Britons Pension Plan (the ‘Plan’) is required to produce a yearly 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 Plan year. This is provided in Section 2 below.

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

In preparing the Statement, the Trustee has had regard to the [guidance](#) on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions (‘DWP’s guidance’) in June 2022.

1. Introduction

No changes were made to the voting and engagement policies in the SIP during the Plan year.

The Trustee has, in its opinion, followed the Plan’s voting and engagement policies during the Plan year.

2. Voting and engagement

The Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. A link to BlackRock’s policies is included here: [Investment Stewardship | BlackRock](#)

However, the Trustee takes ownership of the Plan’s stewardship by monitoring and engaging with managers and escalating as necessary as detailed below.

As part of its advice on the selection and ongoing review of the investment managers, the Plan’s investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers’ approaches to voting and engagement. Additionally, the Trustee receives quarterly updates on ESG and stewardship related issues from LCP.

Following the introduction of DWP’s guidance, the Trustee agreed to set stewardship priorities to focus monitoring and engagement with its investment managers on specific ESG factors. At the Q1 2023 meeting, the Trustee discussed and agreed stewardship priorities for the Plan which were:

- Climate change
- Diversity, equity, and inclusion; and
- Business ethics

These priorities were selected because they represent key market-wide risks and areas where the Trustee believes that good stewardship and engagement can improve long-term financial outcomes for members. The Trustee communicated these priorities to its managers in March 2023. In this communication, the Trustee set out its expectation that its managers should:

- take account of financially material factors (including climate change and other ESG factors) when investing its assets, and to improve their ESG practices over time, within the parameters of their mandate;
- undertake voting and engagement on its behalf in line with their stewardship policies, considering the long-term financial interests of the Trustee; and
- provide information on their stewardship policies, activities and outcomes, as requested by LCP from time to time, to enable the Trustee to monitor them.

The Trustee is conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustee aims to have an ongoing dialogue with its managers to clarify expectations and encourage improvements.

3. Description of voting behaviour during the Plan 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 Plan year. However, the Trustee monitors managers' voting and engagement behaviour on an annual basis and challenges managers where their activity has not been in line with the Trustee's expectations.

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

- BlackRock ACS World Low Carbon Equity Index Tracker Fund
- BlackRock Aquila Life UK Equity Index Fund
- BlackRock Emerging Markets Equity Fund

We have omitted the following funds on materiality grounds since their physical equity holdings are only a small proportion of the Plan's total equity holdings, or there are no equity holdings at all in the fund:

- Permira Credit Solutions IV & V Funds
- BlackRock UK Strategic Alternative Income Fund
- BlackRock Aquila Life Over 25 Year UK Gilts Index Fund
- BlackRock Aquila Life Over 25 Year Index-linked Gilts Index Fund
- BlackRock Ascent UK All Stocks Corporate Bond Fund
- BlackRock Ascent UK Long Corporate Bond Fund
- BlackRock Sustainable Sterling Short Duration Credit Fund
- BlackRock ICS GBP Liquidity Heritage Fund

3.1 Description of the voting processes

For assets with voting rights, the Trustee relies on the voting policies which its managers have in place. The majority of the Plan's assets are held with BlackRock and their voting process is outlined below.

BlackRock's voting guidelines are market-specific to ensure it takes into account a company's unique circumstances by market, where relevant. BlackRock informs its vote decisions through research and engages as necessary. BlackRock's engagement priorities are global in nature and are informed by BlackRock's observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients. BlackRock may also update its regional engagement priorities based on issues that it believes could impact the long-term sustainable financial performance of companies in those markets. BlackRock welcomes discussions with its clients on engagement and voting topics and priorities to get their perspective and better understand which issues are important to them.

As outlined in its Global Principles, BlackRock determines which companies to engage with directly based on BlackRock's assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of the engagement being productive. BlackRock's voting guidelines are intended to help clients and companies understand its thinking on key governance matters. They are the benchmark against which BlackRock assesses a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. BlackRock applies its guidelines pragmatically, taking into account a company's unique circumstances where relevant. BlackRock informs its vote decisions through research and engages as necessary.

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS), which consists of three regional teams – Americas ("AMRS"), Asia-Pacific ("APAC"), and Europe, Middle East and Africa ("EMEA") - located in seven offices around the world. The analysts within each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines.

While BlackRock subscribes to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one among many inputs into its vote analysis process, and BlackRock does not blindly follow their recommendations on how to vote. BlackRock primarily uses proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that its investment stewardship analysts can readily identify and prioritise those companies where BlackRock's own additional research and engagement would be beneficial. Other sources of information BlackRock uses includes the company's own reporting

(such as the proxy statement and the website), BlackRock's engagement and voting history with the company, and the views of BlackRock's active investors, public information and ESG research.

3.2 Summary of voting behaviour

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

Voting Behaviour			
Manager name	BlackRock	BlackRock	BlackRock
Fund name	ACS World Low Carbon Equity Index Tracker Fund	Aquila Life UK Equity Index Fund	Emerging Markets Equity Fund
Total size of fund at end of the Plan year	£5.9bn	£2.3bn	£544.6m
Value of Plan's unhedged assets at end of the Plan year	£3.0m	£1.5m	£1.6m
Value of Plan's hedged assets at end of the Plan year	£4.5m	-	-
Number of equity holdings at end of the Plan year	1,008	572	72
Number of meetings eligible to vote	956	1,046	96
Number of resolutions eligible to vote	13,820	15,046	878
% of resolutions voted	97%	97%	100%
Of the resolutions on which voted, % voted with management	95%	95%	90%
Of the resolutions on which voted, % voted against management	4%	4%	9%
Of the resolutions on which voted, % abstained from voting	0%	1%	3%
Of the meetings in which the manager voted, % with at least one vote against management	24%	22%	36%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	0%	0%	0%

Source: BlackRock

Figures may not sum due to rounding. Additionally, voting figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote of 'Abstain' is also considered a vote against management.

The Plan's hedged equity funds have the same underlying holdings as their unhedged equivalents, and therefore the same voting data.

3.3 Most significant votes

Commentary on the most significant votes over the Plan year, where available from the Plan's asset managers who hold listed equities, is set out below.

The Trustee did not inform its managers which votes it considered to be most significant in advance of those votes. The Trustee will consider the practicalities of informing managers ahead of the vote and will report on it in next year's Implementation Statement.

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustee did not identify significant voting ahead of the reporting period. Instead, the Trustee has retrospectively created a shortlist of most significant votes by requesting BlackRock to provide a shortlist of votes, which comprises a minimum of ten most significant votes, and suggested BlackRock could use the PLSA's criteria¹ for creating this shortlist. By informing its managers of its stewardship priorities and through its regular interactions with the managers, the Trustee believes that its managers will understand how it expects them to vote on issues for the companies they invest in on its behalf.

The Trustee has interpreted "significant votes" to mean those that:

- align with the Trustee's stewardship priorities;
- might have a material impact on future company performance;
- the investment manager believes to represent a significant escalation in engagement;
- impact a material fund holding, although this would not be considered the only determinant of significance, rather it is an additional factor;
- have a high media profile or are seen as being controversial; or
- the Plan or the sponsoring company may have a particular interest in.

The Trustee has reported on two of these significant votes per fund only as the most significant votes. If members wish to obtain more investment manager voting information, this is available upon request from the Trustee.

BlackRock

BlackRock determines which votes are significant using the following criteria:

BlackRock Investment Stewardship prioritises its work around themes that it believes will encourage sound governance practices and deliver sustainable long-term financial performance. BlackRock's year-round engagement with clients to understand their priorities and expectations, as well as its active participation in market-wide policy debates, help inform these themes. The themes that BlackRock has identified in turn shape its Global Principles, market-specific Voting Guidelines and Engagement Priorities, which form the benchmark against which BlackRock looks at the sustainable long-term financial performance of investee companies.

BlackRock World Low Carbon Equity Tracker Fund

Yum! Brands, Inc. 18 May 2023

Summary of resolution: Shareholder proposal regarding issuance of a report on efforts to reduce plastic use.

Relevant stewardship priority: Climate change

Why this vote is considered to be most significant: Relates to a stewardship priority

Company management recommendation: Against **Fund manager vote:** Against

Rationale: In BlackRock's analysis, Yum!'s existing disclosures on plastic use – particularly their new packaging policy and reduction goals – are comprehensive and provide sufficient information to allow investors to understand the company's approach to managing the risks of plastic use.

Outcome of the vote: Not passed

DCC Plc, 15 July 2022

Summary of resolution: Resolution to re-elect Mark Breuer as Director

Relevant stewardship priority: Diversity, equity and inclusion

Why this vote is considered to be most significant: Relates to a stewardship priority

Company management recommendation: For **Fund manager vote:** Against

Rationale: BlackRock voted against the Director due to failure to adequately account for diversity on the board.

Outcome of the vote: Not passed

¹ [Vote reporting template for pension Plan implementation statement – Guidance for Trustees \(plsa.co.uk\)](https://plsa.co.uk). Trustees are expected to select "most significant votes" from the long-list of significant votes provided by their investment managers.

BlackRock UK Equity Index Fund

J Sainsbury Plc, 7 July 2022

Summary of resolution: Shareholder resolution on living wage accreditation.

Relevant stewardship priority: Business ethics

Why this vote is considered to be most significant: Relates to a stewardship priority

Company management recommendation: Against **Fund manager vote:** Against

Rationale: BlackRock recognizes the importance of frontline workers to Sainsbury's long-term success, and it sees pay and benefits more broadly as a critical issue for companies to be managing effectively. However, BlackRock did not support the proposal given Sainsbury's strong positive track record on offering above-market employee benefits and because it believes the legally binding proposal is unduly constraining on management decision-making on a critical operational and financial issue given that it would require management to cede control of worker pay to a third-party entity.

Outcome of the vote: Not passed

Shell Plc, 23 May 2023

Summary of resolution: Shareholder resolution requesting Shell to align its existing 2030 reduction target covering greenhouse gas (GHG) emissions of the use of its energy products (scope 3) with the goal of the Paris Climate Agreement.

Relevant stewardship priority: Climate change

Why this vote is considered to be most significant: Relates to a stewardship priority

Company management recommendation: Against **Fund manager vote:** Against

Rationale: BlackRock did not support this shareholder proposal because, in its view, it was overly prescriptive and unduly constraining on management's decision making. Adhering to the proposal would require Shell to reduce product sales or alter its business composition, which could impact the company's financial strength and unduly constrain management. For those reasons, BlackRock determined that the shareholder proposal was not aligned with the financial interest of shareholders. In BlackRock's assessment of Shell's Energy Transition Strategy, the company was addressing the risks and opportunities in its business model stemming from a low carbon transition and had demonstrated that it was delivering against its stated plan.

Outcome of the vote: Not known

BlackRock Emerging Markets Fund

Ganfeng Lithium Group Co., Ltd. 29 June 2023

Summary of resolution: Shareholder resolution to approve proposed derivatives trading with self-owned funds.

Relevant stewardship priority: Business ethics.

Why this vote is considered to be most significant: Relates to a stewardship priority

Company management recommendation: For **Fund manager vote:** Against

Rationale: BlackRock believed that such investments could expose the company to unnecessary risks

Outcome of the vote: Not known

Kweichow Moutai Co., Ltd., 13 June 2023

Summary of resolution: Resolution to elect Sheng Leiming as Director

Relevant stewardship priority: Diversity, equity and inclusion

Why this vote is considered to be most significant: Relates to a stewardship priority

Company management recommendation: For **Fund manager vote:** Against.

Rationale: BlackRock voted against the proposal due to concerns regarding gender-related diversity at the board level.

Outcome of the vote: Not known