

Implementation Statement, covering 1 April 2019 to 31 March 2020

The Trustee of the LEONI UK Pension Scheme (the “Scheme”) 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 year. This is provided in Sections 1 and 2 below.

The Statement is also required to include a description of the voting behaviour during the year by, and on behalf of, the Trustee during the year. This includes 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.

Members are allowed to invest in Additional Voluntary Contributions (“AVCs”) to supplement the benefits they receive at retirement. The Trustee has omitted AVCs from this statement on materiality grounds.

1. Introduction

The voting and engagement policies in the SIP were reviewed and updated during the Scheme year in August 2019 to reflect the Trustee’s policies on financially and non-financially material risks, including ESG, climate change issues and stewardship. The “policy on exercise of investment rights” section of the SIP was also updated to reflect the delegation of voting rights and engagement to the Scheme’s investment managers, and to explain that the Trustee seeks to appoint managers with strong stewardship policies and processes. As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes.

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

2. Voting and engagement

As part of its advice on the selection and ongoing review of the investment managers, the Scheme’s investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers’ approaches to voting and engagement.

In May 2019, when the Trustee undertook a manager selection for the introduction of a new investment manager, it considered Lane Clark & Peacock LLP’s (“LCP’s”) responsible investment (RI) scores as part of the selection criteria. These scores cover the approach to ESG factors, voting and engagement. The Trustee also asked the shortlisted managers about their approach to RI at the selection meetings.

At the annual Trustee Investment days in January 2020, the Trustee questioned the attending managers (Veritas, Invesco, Ruffer, M&G and JP Morgan) about their approaches to RI. The Trustee was satisfied with the responses they received. The scope of the meetings in January did not include presentations from BlackRock and BMO.

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 the exercising of voting rights to its managers. 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 on the Scheme’s funds that hold equities as follows:

- Blackrock Aquila Life Currency Hedged Global Equity fund
- Invesco Global Total Return fund
- Ruffer Absolute Return fund
- Veritas Global Focus fund

Where available we have also included commentary on the following funds provided by the Scheme's asset managers who don't hold listed equities but invest in assets that can sometimes have voting opportunities:

- Alcentra Strategic Credit II fund
- M&G Secured Property Income fund

3.1 Description of the voting processes

3.1.1 Blackrock Aquila Life Currency Hedged Global Equity fund

BlackRock determines which companies to engage directly based on its assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of its 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 the firm assesses a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting.

BlackRock aims to apply its guidelines pragmatically, taking into account a company's unique circumstances where relevant. BlackRock informs its vote decisions through research and engagement as necessary.

3.1.2 Invesco Global Targeted Returns fund

Invesco has created the Global Invesco Proxy Advisory Committee ("Global IPAC"), which provides a forum for monitoring, understanding and discussing key proxy issues and voting trends within Invesco. With the exception of a conflict of interest, the Global IPAC representatives, in consultation with the respective investment team, are responsible for voting proxies for the securities the team manages.

In most instances, Invesco will vote in line with the recommendation from its proxy vote advisers. However, in certain circumstances, Invesco may refrain from voting where the economic or other opportunity costs of voting exceeds any benefit to clients. For example, if the security in question is on loan as part of a securities lending program, Invesco may determine that the benefit to the client of voting a particular proxy is outweighed by the revenue that would be lost by terminating the loan and recalling the securities.

For proxies held by certain client accounts managed in accordance with fixed income, money market and index strategies (including exchange traded funds), Invesco will typically vote in line with the majority holder of the active equity shares held by Invesco outside of those strategies ("Majority Voting"). In this way Invesco can leverage the active-equity expertise and comprehensive proxy voting reviews conducted by teams employing active-equity strategies, which typically incorporate analysis of proxy issues as a core component of the investment process.

Portfolio managers for accounts employing Majority Voting still retain full discretion to override Majority Voting and to vote the shares as they determine to be in the best interest of those accounts, paying regard to certain types of conflicts of interest. When there are no corresponding active-equity shares held by Invesco, the proxies for those strategies are voted in the following manner:

- for U.S. issuers, in line with Invesco custom voting guidelines derived from the internal guidelines; and
- non-U.S. issuers, in line with the recommendations of a third-party proxy advisory service.

3.1.3 Ruffer Absolute Return Fund

Ruffer uses internal voting guidelines as well as proxy voting research, currently from Institutional Shareholder Services ("ISS"), to assist in the assessment of resolutions and the identification of contentious issues. Ruffer does not rely solely on its proxy vote advisers when deciding how to vote.

Research analysts, supported by Ruffer's dedicated responsible investment team, are responsible for reviewing the relevant issues on a case-by-case basis, and exercising their judgement based on their knowledge of the company in question. If there are any controversial resolutions, the issue is discussed with senior investment staff and can be escalated further to the Head of Research or Chief Investment Officer if no agreement is reached.

To aid Ruffer's proxy vote decisions, Ruffer discusses with companies any issue that could impact its investment and requests additional information or explanation on votes if necessary. If Ruffer votes against the recommendations of management, it seeks to communicate this decision to the company before the vote, along with an explanation on Ruffer's reason for doing so.

Ruffer, as a discretionary investment manager, does not have a formal policy on consulting with clients before voting. However, it can accommodate client voting instructions for specific areas of concerns or companies where feasible (eg for segregated accounts). Ruffer also has several formal procedures to deal with conflicts of interest and to ensure they do not arise where possible.

3.1.4. Veritas Global Focus fund

The investment analysts at Veritas will receive all relevant proxies and determine if they believe that Veritas should vote in favour or against management. After discussing with the Portfolio Manager and making a final decision, the analyst will instruct the custodian or prime broker via the Operations Team how to vote. This is done via ISS, and the role of the Operations Team is to ensure that the voting of proxies is done in a timely manner. The Role of the Chief Operating Officer (“COO”) is to monitor the effectiveness of these policies.

3.2 Summary of voting behaviour over the year

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

	Blackrock Aquila Life Currency Hedged Global Equity fund	Invesco Global Targeted Return fund	Ruffer Absolute Return Fund	Veritas Global Focus fund
Value of Scheme assets at end of reporting period (£ / % of total assets)	£11.7m	£13.8m	£13.9m	£16.3m
Number of equity holdings at end of reporting period	9756	285	80	30
Number of meetings eligible to vote	3,118	364	61	28
Number of resolutions eligible to vote	38,777	4,720	857	497
% of resolutions voted	97%	96%	100%	100%
Of the resolutions on which voted, % voted with management	94%	94%	91%	90%
Of the resolutions on which voted, % voted against management	5%	6%	8%	10%
Of the resolutions on which voted, % abstained from voting	1%	0%	1%	0%
Of the meetings in which the manager voted, % with at least one vote against management	-*	28%	40%**	61%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	N/a (no single proxy advisor)	4%	11%	15%

* BlackRock were not able to provide this information due to operational reasons.

**Ruffer defines this as the number of meetings with at least one vote against management or where they withheld or abstained.

3.3 Most significant votes over the year

Commentary on the most significant votes over the period, from the Scheme’s asset managers who hold listed equities, is set out below. Note that in some instances managers were able to provide more than five significant votes, where this was the case we have included votes which constituted the largest % of the fund (where this % weighting data was provided).

3.3.1 Blackrock Aquila Life Currency Hedged Global Equity fund

BlackRock has not provided its interpretation of most significant votes and did not confirm the outcome of its most significant votes or size of holding as a % of the portfolio.

Blackrock’s “most significant” votes	Vote 1	Vote 2	Vote 3	Vote 4	Vote 5
Company name	BHP Group (“BHP”), dual-listed in UK and Australia	Qualcomm Inc.	The Walt Disney Company	Toshiba MachineCo., Ltd	Siemens AG
Date of vote	October and November 2019	March 2020	March 2020	March 2020	February 2020
Summary of the resolution	Lobbying inconsistent with the goals of the Paris Agreement	<ol style="list-style-type: none"> 1) To elect to the Board of Directors: Harish Manwani 2) To approve, on an advisory basis, executive compensation. 	<ol style="list-style-type: none"> 1) Election of Directors 2) Ratification of the appointment of auditors 3) Consideration of an advisory vote to approve executive compensation 4) Approval of an amendment to the Company's Amended and Restated 2011 Stock Incentive Plan 	<p>Approval Regarding Introduction of Response Policies for the Tender Offer, etc. for Company Shares by Office Support K.K. and Its Subsidiaries Item</p> <p>Allotment of Share Options without Contribution</p>	<ol style="list-style-type: none"> 1) Approving financial statements 2) Ratify the acts of the members of the Managing and Supervisory Boards 3) Appointment of independent auditors for financial statements 4) Repurchasing of shares 5) Issuing convertible and/or warrant bonds 6) Control and Profit-and-Loss Transfer Agreement between Siemens AG and a subsidiary
How you voted	Against	Against	BlackRock’s investment stewardship team(BIS) voted in favour of all management proposals	For all management proposals	For all management proposals
Rationale for the voting decision	Blackrock have confidence in BHP’s judgement in these issues and the goal of the resolution is more targeted at industry associations than at driving positive outcomes at BHP	Blackrock wanted to ensure accountability of the board and directors	Where companies are making progress on key corporate governance issues, BlackRock will generally support the board and management in those efforts	Proposals were reasonable and in the best interests of the shareholders	Blackrock’s view is that this is a management team that has performed in shareholders’ long-term interests. BIS therefore voted in favour of all management proposals at the 2020 AGM

3.3.2 Invesco Global Targeted Returns fund

Invesco has interpreted “most significant votes” to mean votes on securities where:

- Invesco own more than 1% of the security and the vote includes a key ESG proposal;
- Invesco own more than 1% of the security and the security is part of Invesco’s ESG watchlist; or
- Invesco own more than 1% of the security, the vote includes a key ESG proposal and the security is part of Invesco’s ESG watchlist.
- Securities that are traded on European stock exchanges will be considered as part of Shareholder Rights Directive II disclosure.

Invesco’s “most significant” votes	Vote 1	Vote 2	Vote 3	Vote 4	Vote 5
Company name	NewRiver REIT Plc	BCA Marketplace Plc	Babcock International Group Plc	Allied Minds Plc	TalkTalk Telecom Group Plc
Approx size of holding at vote date (as % of portfolio)	>1% Invesco ownership	>1% Invesco ownership	>1% Invesco ownership	>1% Invesco ownership	>1% Invesco ownership
Date of vote	19 July 2019	23 July 2019	12 July 2019	31 October 2019	11 July 2019
Summary of the resolution	Authorise the Company to Call General Meeting with Two Weeks' Notice	Approve Matters Relating to the Cash Acquisition of BCA Marketplace plc by BBD Bidco Limited	Authorise the Company to Call General Meeting with Two Weeks' Notice	Approve Disposal by the Company of its Entire Shareholding in the Share Capital of HawkEye 360, Inc	Authorise the Company to Call General Meeting with Two Weeks' Notice
How you voted	In line with Management Recommendations in all five votes				
Rationale for the voting decision	Supportive of this amendment as provides flexibility	We are supportive of this acquisition as the terms are at an attractive premium	Supportive of this amendment as provides flexibility	The proposal is in line with the company's strategy	Supportive of this amendment as provides flexibility

3.3.3 Ruffer Absolute Return Fund

Ruffer has interpreted “most significant votes” as those that it thinks will be of particular interest to clients. In most cases, this is when:

- the vote forms part of continuing engagement with the company; and/or
- Ruffer has held a discussion between members of its research, portfolio management and responsible investment teams to make a voting decision following differences between the recommendations of the company, ISS and Ruffer’s internal voting guidelines.

Ruffer’s “most significant” votes	Vote 1	Vote 2	Vote 3	Vote 4	Vote 5
Company name	BP	Ocado	Cigna	Exxon Mobil	Barrick Gold
Date of vote	21/05/2019	01/05/2019	24/04/2019	29/05/2019	05/07/2019
Approx size of holding at vote date (as % of portfolio)	1.1%	1.0%	1.2%	1.3%	1.1%
Summary of the resolution	Shareholder resolution urging the company to set a business strategy consistent with the goals of the Paris Agreement	Re-election of the Chair of the Board	Re-election of non-executive directors	Shareholder resolution urging further disclosure of the company’s lobbying activities	Re-election of non-executive directors
How you voted	For	Against	Against 6 non-executive directors	For	Against 2 non-executive directors
Where you voted against management, did you communicate your intent to the company ahead of the vote?	Yes	Yes	No	Yes	No
Rationale for the voting decision	Would allow Ruffer to make better informed investment decisions	Concerns around board structure and a lack of urgency to address them	Concerns around board independence	An important issue and would allow Ruffer to make better informed investment decisions	Concerns around board independence

3.3.3 Veritas Global Focus fund

Veritas has interpreted “most significant votes” to mean “those which may have a material impact on long-term sustainable value creation or influence corporate governance/business practices”.

Veritas’ “most significant” votes	Vote 1	Vote 2	Vote 3	Vote 4	Vote 5
Company name	Alphabet Inc.	Microsoft	The Cooper Companies, Inc.	Allergan	Aena S.M.E. SA
Date of vote	June 2019	December 2019	March 2020	May 2019	April 2019
Approx size of holding at vote date (as % of portfolio)	5.5%	3.2%	2.3%	2.0%	2.8%
Summary of the resolution	Approve Recapitalization Plan	Report on Gender Pay Gap	Elect Director A. Thomas Bender	Require Independent Board Chairman	Advisory Vote on Remuneration Report
How you voted	For	For	Against	For	Against
Where you voted against management, did you communicate your intent to the company ahead of the vote?	No	No	Veritas communicated their thoughts to the company following the AGM.	Veritas engaged with Allergan on governance. Company management had not executed well on behalf of shareholders. There had been a number of issues that brought into question the ability to steer the company under the joint Chairman/CEO Brent Saunders.	No
Rationale for the voting decision	Veritas has a preference for a capital structure that aligns economic ownership with voting power	In favour of transparency and measuring changes in equality in the workforce	Veritas’ ESG voting policy warranted a vote against due to the company’s lack of disclosure relating to climate metrics	Intended to separate the CEO and Chairman positions at the company, as Invesco believed that new leadership and increased management oversight would be beneficial	Invesco’s voting policy looks for variable remuneration linked to long term (at least 3 yr) targets which Aena do not have
Outcome of the vote	Rejected with 69.94% majority.	Rejected with 70.45% majority.	Approved with 89.40% majority.	Rejected with 61.3% majority.	Approved with 94.83% majority.

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 can sometimes have voting opportunities.

Alcentra Strategic Credit II fund

Loan and bond investments generally do not confer creditors voting rights unlike for equity holders. Where Alcentra have an equity stake in a business Alcentra exercise control either via its membership of the board of directors, where certain resolutions as prescribed for in the Company articles are voted on, and/or as a shareholder alongside other affected parties.

In Alcentra's Special Situations strategy of which SCF II is a part, it may hold equity positions in stressed and distressed issuers. In these cases, Alcentra will use its voting rights to push through or support all initiatives that benefit its end investors. In certain cases, Alcentra has board representation, typically serving as a non-executive director, and may also be a member of the audit committee or remuneration committee. These positions are held as part of Alcentra's strategy to realise value for its investors from the stressed or distressed assets that make up the portfolio. As a result, there will be matters where Alcentra has a high level of engagement with the strategy of the business. This will be affected in two ways, first via decisions taken by the board, where Alcentra may have influence through the seats it holds, and secondly via shareholder votes in respect of the equity the fund owns and which Alcentra holds the voting rights on behalf of investors. The decisions of the board are not a matter of public record, so Alcentra would not be able to report annually on these situations. Where Alcentra owns equity in a public company and matters are put to a shareholder vote, it would be able to report on the fund's engagement annually. Where equity positions are held in a private company, as for board decisions, these are not a matter of public record and Alcentra would not be able to include these in the annual reporting.

For the reporting period in question there have been no such reportable shareholder votes.

M&G Secured Property Income fund ("SPIF")

The M&G Secured Property Income Fund invests in physical property assets and as such does not have voting rights. However, M&G does practice engagement where possible.

M&G pro-actively engages with the occupiers in the buildings it invests in on ESG issues and partakes in property specific ESG monitoring (such as the annual GRESB¹ process). For example, M&G engage with its tenants to request the sharing of energy performance data on an annual basis. Where data is made available (ie environmental performance) this is measured on an absolute, like-for-like and intensity basis by M&G's third-party consultant Verco.

In addition to the above, the Fund regularly meets with its tenants and occupiers (for instance David Lloyd, Notting Hill Genesis Trust, Tesco, Morrisons and Sainsburys) to understand their particular approaches to ESG issues. ESG issues are always raised as these help with improving the Fund GRESB rating. For example, the Fund is actively allowing licences for asset improvements such as solar panels some of its supermarkets and electric car charging points across SPIF's Tesco assets. The Fund also engages with tenants to ensure that new developments fundings are rated BREEAM² 'Excellent' or 'Very Good'. These metrics and initiatives are specific to property assets.

M&G believes this proactive approach enables it to understand whether an asset will have a material impact of fund ESG performance, so that appropriate actions can be included in the asset management plans for each asset to address areas of concern eg investing to improve energy efficiency. Annual asset plans incorporate measures to manage and/or improve 'Responsible Property Investment' performance. Actions will be prioritised according to each asset's RPI impact and M&G's ability as the landlord to influence this. Regular reports are also provided to the asset managers and investment teams on progress against the Fund's RPI strategy and targets. Additionally, where possible M&G can benchmark performance using GRESB and use this to set action plans to improve performance if required. Historically as a long lease fund where tenants take almost all responsibility under the lease agreement (all leases are on a Full Repairing and Insuring basis), it is more difficult for M&G as landlord to insist on ESG initiatives which impact on the GRESB rating, M&G is definitely seeing much more engagement with its tenants on ESG issues, and M&G believe this will increase over coming years as M&G and its tenants, seek to improve performance.

¹ GRESB: Global Real Estate Sustainability Benchmark.

² BREEAM: <https://www.breeam.com/>