

UNIVERSITY OF READING PENSION SCHEME

Implementation Statement

How voting and engagement policies have been followed

The Scheme invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the Scheme's fund managers.

The Trustees undertook an initial review of the stewardship and engagement activities of the current managers at their 1 August 2019 meeting, and were satisfied that their policies were reasonable and no remedial action was required at that time.

Annually the Trustees receive and review voting information and engagement policies from both the asset managers directly and via the platform provider, Aviva, which the Trustees review to ensure alignment with their own policies. This exercise was undertaken in the 21 October 2020 Trustees' Meeting.

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

Voting Data

Please note that where there is no entry in the following table, we did not receive the data from the Investment Manager(s).

MANAGER	BLACKROCK	LGIM	HSBC
Fund name	BlackRock Aquila Life (30:70) GBP Hedged Global Equity Index	LGIM Diversified Fund	Islamic Global Equity Index
Structure	Pooled	Pooled	Pooled

MANAGER	BLACKROCK	LGIM	HSBC
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting data.	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting data.	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting data.
Number of company meetings the manager was eligible to vote at over the year	-	7,823	100
Number of resolutions the manager was eligible to vote on over the year	-	82,954	1,547
Percentage of resolutions the manager voted on	97%	100%	97%
Percentage of resolutions the manager abstained from	1%	0%	0%
Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on	91%	81%	87%
Percentage of resolutions voted <i>against</i> management, as a percentage of the total number of resolutions voted on	9%	19%	13%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	-	12%	9%

The proportion of resolutions that were voted on and abstained from may not sum to 100%. This can be due to how the investment manager or local jurisdictions define abstentions or classify a formal vote or abstentions as opposed to not returning a voting form or choosing to nominate a proxy.

There are no voting rights attached to the other assets held by the Scheme and therefore there is no voting information shown above for these assets.

Significant votes

For the first year of implementation statements we have delegated to the investment managers and Aviva to define what a "significant vote" is. A summary of the data and narratives that they have provided is set out below.

HSBC Global Asset Management, Islamic Global Equity Index

VOTE 1	
Company name	Apple Inc
Date of vote	26/02/2020
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	7%
Summary of the resolution	Assess Feasibility of Including Sustainability as a Performance Measure for Senior Executive Compensation
How the manager voted	Against management
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	-
Rationale for the voting decision	We favour proposals calling for the integration of extra-financial metrics in determining executives variable remuneration
Outcome of the vote	Supported management

VOTE 1**Implications of the outcome**

We will contact the company to explain our rationale. We will request the opportunity to discuss this further and will vote similarly at future AGM when this issue arises again

Criteria on which the vote is considered "significant"

We voted against the management recommendation on an important shareholder resolution

LGIM, LGIM Diversified Fund

	VOTE 1	VOTE 2
Company name	Barclays	Amazon
Date of vote	07/05/2020	27/05/2020
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	<0.1%	0.2%
Summary of the resolution	Resolution 29 - Approve Barclays' Commitment in Tackling Climate Change Resolution 30 - Approve ShareAction Requisitioned Resolution	Shareholder resolutions 5 to 16
How the manager voted	LGIM voted for resolution 29, proposed by Barclays and for resolution 30, proposed by ShareAction.	Of 12 shareholder proposals, LGIM voted to support 10. They looked into the individual merits of each individual proposal, and there are two main areas which drove their decision-making: disclosure to encourage a better understanding of process and performance of material issues (resolutions 5, 6, 7, 8, 10, 13, 15 and 16) and

VOTE 1**VOTE 2**

governance structures that benefit long-term shareholders (resolutions 9 and 14).

If the vote was against management, did the manager communicate their intent to the company ahead of the vote?

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

Rationale for the voting decision

The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers. LGIM are particularly grateful to the Investor Forum for the significant role it played in coordinating this outcome.

In addition to facing a full slate of proxy proposals, in the two months leading up to the annual meeting, Amazon was on the front lines of a pandemic response. The company was already on the back foot owing to the harsh workplace practices alleged by the author of a seminal article in the New York Times published in 2015, which depicted a bruising culture. The news of a string of workers catching COVID-19, the company's response, and subsequent details, have all become major news and an important topic for LGIM's engagements leading up to the proxy vote. LGIM's team has had multiple engagements with Amazon over the past 12 months. The topics of their engagements touched most aspects of ESG, with an emphasis on social topics:

- Governance: Separation of CEO and board chair roles, plus the desire for directors to participate in engagement meetings
- Environment: Details about the data transparency committed to in their 'Climate Pledge'
- Social: Establishment of workplace culture, employee health and safety

The allegations from current and former employees are worrying. Amazon employees have consistently reported not

VOTE 1**VOTE 2**

feeling safe at work, that paid sick leave is not adequate, and that the company only provides an incentive of \$2 per hour to work during the pandemic. Also cited is an ongoing culture of retaliation, censorship, and fear. LGIM discussed with Amazon the lengths the company is going to in adapting their working environment, with claims of industry leading safety protocols, increased pay, and adjusted absentee policies. However, some of their responses seemed to have backfired. For example, a policy to inform all workers in a facility if COVID-19 is detected has definitely caused increased media attention.

Outcome of the vote

Resolution 29 - supported by 99.9% of shareholders
 Resolution 30 - supported by 23.9% of shareholders
 (source: Company website)

Resolution 5 to 8, and 14 to 16 each received approximately 30% support from shareholders.
 Resolutions 6 and 10 received respectively 16.7% and 15.3% support.
 Resolution 11 received 6.1% support.
 Resolution 12 received 1.5 % support.
 Resolution 13 received 12.2% support.
 (Source: ISS data)

Implications of the outcome

The hard work is just beginning. LGIM's focus will now be to help Barclays on the detail of their plans and targets, more detail of which is to be published this year. LGIM plan to continue to work closely with the Barclays board and management team in the development of their plans and will continue to liaise with ShareAction, Investor Forum, and other large

Despite shareholders not giving majority support to the raft of shareholder proposals, the sheer number and focus on these continues to dominate the landscape for the company. LGIM's engagement with the company continues as they push it to disclose more and to ensure it is adequately managing its broader stakeholders, and most importantly, its human capital.

	VOTE 1	VOTE 2
	investors, to ensure a consistency of messaging and to continue to drive positive change.	
Criteria on which the vote is considered "significant"	<p>Since the beginning of the year there has been significant client interest in LGIM's voting intentions and engagement activities in relation to the 2020 Barclays AGM. LGIM thank their clients for their patience and understanding while they undertook sensitive discussions and negotiations in private. LGIM consider the outcome to be extremely positive for all parties: Barclays, ShareAction and long-term asset owners such as LGIM's clients.</p>	<p>The market attention was significant leading up to the AGM, with:</p> <ul style="list-style-type: none"> •12 shareholder proposals on the table – the largest number of any major US company this proxy season •Diverse investor coalitions submitting and rallying behind the proposals, including global, different types of investors and first time co-filers/engagers •Substantial press coverage – with largely negative sentiment related to the company's governance profile and its initial management of COVID-19 •Multiple state treasurers speaking out and even holding an online targeted pre-annual meeting investor forum entitled 'Workplace & Investor Risks in Amazon.com, Inc.'s COVID-19 Response' <p>Anecdotally, the Stewardship team received more inquires related to Amazon than any other company this season.</p>

BlackRock Aquila Life (30:70) GBP Hedged Global Equity Index

Both BlackRock and Aviva were unable to provide Barnett Waddingham with details of any significant votes made in respect of the Scheme's funds at the time of drafting this statement.

Fund level engagement

Again, please note that where there is no entry in the following table, we did not receive that information from the Investment Managers.

MANAGER	BLACKROCK	LGIM	HSBC
Fund name	BlackRock Aquila Life (30:70) GBP Hedged Global Equity Index	LGIM Diversified Fund	HSBC Global Asset Management
Does the manager perform engagement on behalf of the holdings of the fund	Yes	Yes	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	-	Yes	-
Number of engagements undertaken on behalf of the holdings in this fund in the year	-	-	209
Number of engagements undertaken at a firm level in the year	2,840	1,110	4,744

Examples of engagements undertaken with holdings in the fund or by the firm as a whole

BlackRock/Aviva

Unilever Plc/NV

In 2018 Unilever abandoned plans to reincorporate in the Netherlands after Aviva Investors publicly spoke out against the proposed move, which would have seen the company excluded from the FTSE 100 Index. Two years later Aviva met with the new chairman to discuss revised plans to simplify their business, which involved consolidating Unilever into a single UK holding, while maintaining its FTSE and AEX index position.

Aviva were pleased that the new proposal would allow the company to both restructure its brand and product portfolio more efficiently for growth, while enabling both UK and Dutch investors to remain invested. Beyond corporate restructuring, Aviva also raised the importance of Unilever refreshing its

corporate purpose and social objectives to reflect the evolving debate around 'Black Lives Matter'. Specifically, we recommended that the company publishes an updated corporate policy which would ensure all product development, branding and advertising is consistent with Unilever's position in tackling inequality and racism. The company committed to act on this matter before the end of 2020.

Alphabet Inc (Google)

Political, social and investor scrutiny of the human rights policies of the world's largest internet platforms have continued to intensify in the face of growing concerns over the management of user data and controls of freedom of expression. To date, Alphabet (Google) along with its sector peers have been reticent to take proactive steps to placate investor concerns in this area. Consequently, Aviva's investors co-filed a shareholder resolution at the 2020 AGM to move the topic of human rights higher up the board agenda.

The resolution specifically called on the company to establish a Human Rights Risk Oversight Committee, composed of independent directors and to provide an ongoing review of the company's human rights policies and report on its implementation.

Noting that over half of the voting rights are controlled by executives and board members, the resolution received an unprecedented level of support among independent shareholders (45%). Aviva will continue to collaborate with like-minded investors to press the company to adopt more progressive human rights controls and practises, as the company seeks to navigate a principles-based pathway through the myriad of social challenges and ethical dilemmas that lies ahead.

LGIM

BP

LGIM believe climate change carries significant financial risks and opportunities and that carbon-intensive companies such as BP need to have the strategy to succeed in the low-carbon economy and the people capable of implementing it.

LGIM supported the Senior Independent Director on the search for a new Chairman and put forward a shareholder resolution calling for BP to explain how its strategy is in line with the Paris Agreement on climate change. LGIM worked with the board of BP to secure their support for the motion.

The proposal was passed with overwhelming approval from BP's shareholders (99%). The company announced industry leading targets to reduce their own GHG emissions (including from the oil and gas they extract) to net zero by 2050. They will gradually reduce oil & gas exploration, returning some of the profits to shareholders and reinvesting some in low-carbon businesses.

Enea SA, Energa SA

Enea plans to build a large coal-fired power plant at Ostrołęka C, in a joint venture with another major Polish utility (Energa SA). Both firms approved the high-polluting project without having secured full funding for it, even as it risks being permanently unprofitable due to increasingly stringent EU regulation and cleaner, cheaper alternatives.

LGIM opposed the proposal to build the plant when it was put to a vote at Enea's extraordinary general meeting in 2018, but they remain invested by default in the companies through their index funds. LGIM have since expressed their concerns both privately in letters to the utilities, and publicly in the press. LGIM's concerns were cited in a shareholder lawsuit against the company, filed by environmental law group ClientEarth.

In this world-first climate risk case, in August 2019 a Polish court has upheld ClientEarth's complaint, revoking the initial decision to build the plant. Reflecting the market's concerns around the financial viability of new coal plants, shares in Enea rose on the news. In early 2020, the companies announced the suspension of the project.

HSBC

No examples provided.

How the SIP has been followed over the year

In the Trustees' opinion, the Statement of Investment Principles has been followed over the year in the following ways:

- The Scheme offers a suitable default strategy for members. This was reviewed at the 1 August 2019 Trustees' Meeting and believed to be appropriate based on the membership profile of the Scheme at that time.
- The Scheme offers a range of self-select fund options which give members a reasonable choice from which to select their own strategy. The self-select fund range was reviewed at the 1 August 2019 Trustees' Meeting and believed to be appropriate at that time.
- The Trustees monitor the performance of each manager's funds quarterly to ensure that the funds are meeting their stated objectives. Our Investment Consultants and managers provide quarterly reports for review.
- The Trustees initially considered the ESG capabilities of each of the Scheme's managers at the meeting on 1 August 2019 and agreed that the managers' policies are reasonable. No action was taken as a result of this exercise.
- The Trustees regularly review the ESG capabilities of the managers as part of the monitoring process.
- The Trustees have made no new manager appointments over the year.