

# Implementation Statement

## Softlab Pension Plan (“the Plan”)

### Scheme year ended 31 March 2021

#### Purpose of the Implementation Statement

The Implementation Statement has been prepared by the Trustee of the Softlab Pension Plan (“the Plan”) and sets out:

- How the Trustee’s policies on exercising rights (including voting rights) and engagement policies 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.

#### Investment manager and funds in use

The Plan’s funds are all invested with and managed by Aberdeen Standard Investments Limited (ASI).

The funds in which the Plan was invested as at 31 March 2021 are set out in the table below:

| Manager  | Fund  | Asset class                               |
|--|---|---|
| Aberdeen<br>Standard<br>Investments<br>Limited | Standard Life Global Absolute Return Strategies Fund                  | Multi-Asset Fund                          |
|  | Standard Life Deposit and Treasury Fund                               | Cash                                      |
|  | Standard Life Liability Aware Absolute Return II Nominal Profile Fund | Leveraged Gilts and Absolute Return Bonds |
|  | Standard Life Liability Aware CDI 2026-28 Fund                        | Corporate Bonds                           |
|  | Standard Life Liability Aware CDI 2029-31 Fund                        | Corporate Bonds                           |
|  | Standard Life Liability Aware CDI 2032-34 Fund                        | Corporate Bonds                           |
|  | Standard Life Liability Aware Nominal Profile Fund                    | Leveraged Gilts                           |
|  | Standard Life Liability Aware Real Profile Fund                       | Leveraged Gilts                           |

#### How voting and engagement policies have been followed

The Trustee considers their voting and engagement policies to have been met in the following ways:

- At the Plan year-end, the Plan’s funds are all invested with and managed by Aberdeen Standard Investments Limited (ASI). The Trustee regularly considers the performance of the funds held with ASI and any significant manager developments that arise.
- The Plan invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities on behalf of the Plan’s holdings to ASI.
- ASI attended one Trustee meeting over the year and they have included a discussion on stewardship and voting as part of their presentations. No further actions were taken following these discussions.
- Over the period reported in this Statement, the Trustee has received data on voting and engagement from ASI in relation to the funds they manage.

- The Trustee has reviewed the above in accordance with its policy and is comfortable that ASI is undertaking its voting and engagement in line with the Trustee's policy as far as the reporting is available.

## Voting Data

The voting data collated for the Plan is given in the table below:

| <b>Manager</b>   | <b>Aberdeen Standard Investments Limited</b>   |
|--|--|
| <b>Reporting Date</b>  | 31 March 2021  |
| <b>Fund names</b>  | ASI Global Absolute Return Strategies 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 resolutions the manager was eligible to vote at over the year</b>                   | 3,365  |
| <b>Percentage of resolutions the manager voted on*</b>   | 97.8%  |
| <b>Percentage of resolutions the manager abstained from*</b>                                     | 2.2%   |
| <b>Percentage of resolutions voted <i>against</i> management**</b>                               | 12.5%  |
| <b>Percentage of resolutions voted <i>against</i> the recommendation of the proxy adviser***</b> | 2.3%   |

\* as a percentage of possible votes

\*\* as a percentage of resolutions voted on

\*\*\* this figure was only available at the firm level for the reporting period

Source: ASI

ASI make use of the services of Institutional Shareholder Services (ISS), a provider of proxy voting research and voting recommendations. Although ISS has its own voting guidelines, ASI provide their own house guidelines to establish a custom policy, which ISS is required to follow when making voting recommendations to ASI. For those companies which ASI hold in their actively managed funds, they use the recommendations provided by ISS as an input to their own analysis of resolutions prior to making a final voting decision instructed to the company.

ASI have a company-wide policy to vote on every resolution. They use an abstention as an active voting decision rather than a decision not to vote. They may use this option in situations where they believe that companies have made improvements in an area but have not yet met the standards they expect.

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

## Significant votes

The Plan's investment consultant, Barnett Waddingham, requested significant voting data from the asset managers. ASI report that they consider all votes to be significant but have not identified which votes they consider to be the most significant.

Barnett Waddingham are liaising with the manager to improve delivery of the data in future, and we understand that the manager is working to improve their disclosures.

## Fund level engagement

The investment manager engages with their investee companies on behalf of the Trustee. The Plan's investment consultant requested information on fund level engagement from the asset manager. At the time of writing, ASI had only been able to provide this information at a firm level. In future years, the Trustee expects to be able to report in more detail on fund level engagement and how it aligns with the Plan's stewardship policies.

The table below provides a summary of the engagement activity undertaken by ASI at the firm level:

| Manager   | Aberdeen Standard Investments Limited   |
|---|---|
| <b>Reporting Date</b>   | 31 March 2021   |
| <b>Number of engagements undertaken at a firm level in the year</b> | 2,271   |
| <b>Examples of engagement undertaken</b>                            | <p><b>Topic:</b> Climate change / GHG emissions &amp; business model resilience</p> <p>ASI have engaged with HSBC for a number of years on both its overall strategy and its approach to climate change.</p> <p>During the quarter, the bank faced a resolution coordinated by the NGO group Share Action and multiple asset owners and asset managers, requesting that HSBC set and publish a strategy detailing short, medium and long-term targets to reduce its exposure to fossil-fuel assets on a timeline aligned with the goals of the Paris agreement. It was proposed that the group begin this process by reducing its exposure to lending linked to coal.</p> <p>ASI had numerous discussions with Share Action in relation to the proposal. ASI are supportive of moves toward alignment with the Paris goals but also recognised that HSBC already had numerous strategies in place to achieve this and questioned if this approach would marry with existing strategies.</p> <p>The company was of the view that its focus on transition was more appropriate than sector-based withdrawals and that encouraging transition could better support climate-positive outcomes than simply the withdrawal of finance.</p> <p>ASI believed that there was a common goal to address climate change between HSBC and the proponents of the resolution and encouraged all parties to find common ground. After constructive discussion between Share Action and HSBC, the proponents withdrew their resolution. HSBC committed to propose a special resolution on climate change at its Annual General Meeting on 28 May 2021. The resolution will commit the bank to set clear short, medium, and long-term targets to meet the Paris goals, phase out the financing of coal on set timelines and report on its progress beginning with its 2021 Annual Report and Accounts.</p> <p>ASI are supportive of the constructive discussion which the resolution initiated. They actively engage with companies before reaching voting decisions and believe that this case offers an example of where active engagement can achieve positive outcomes for both investee companies and investors.</p> |

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**Topic:** Environmental impact

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ASI have ongoing engagements with Midea as part of a collective engagement with the sector on the issue of microplastics and microfibers. This issue is both an environmental issue and a business issue given the direction and pace of regulatory developments.

Whilst the impact of plastic waste on the world's oceans has received widespread attention in recent years, and with focus often on the role and prevalence of single-use plastics such as carrier bags, plastic bottles, and straws, these engagements have focused on the impact of microplastics that are discharged as part of the laundering of synthetic textiles. The International Union for Conservation of Nature estimate that between 15% and 31% of the plastic in the oceans could come from primary sources, small microplastics that enter the oceans after being released from household and industrial products.

This engagement focussed on the ways that microplastics filters can be added to washing machines to reduce the discharge of microplastics. This is an environmental priority given the impact that microplastics are having, but also a business issue given the increasing focus on filters around the world. France, for example, has passed laws that require microplastics filters on all new washing machines by 2025. ASI believe that other countries will follow, and so companies that are not actively researching and developing filter technology would be at a competitive disadvantage.

ASI's conversations with Midea have thus far been positive and constructive. Midea is aware of the issue and is actively researching solutions with universities and other stakeholders. ASI's engagements with the company on microplastics and broader issues around sustainability and governance will continue.

Source: ASI

## Strategy Review

In June 2020, due to the closure of the Liability Managed Credit (LMC) funds in which the Plan invested, the Plan replaced these holdings with investment in three Cashflow-Driven Investment (CDI) funds and two Liability Aware Profile funds, with the aim of broadly replicating the target risk and expected return of the LMC investment. That is, the investments in the Liability Aware funds intend to provide a degree of protection to the Plan against changes in interest rates and inflation rates. The investments in the CDI funds aim to provide cash flows in order to match those of a portion of the liabilities.

## Scheme Governance

The Trustee is responsible for making investment decisions, and seeks advice as appropriate from Barnett Waddingham LLP, as the Trustee's investment consultant.

Formal objectives were put in place for Barnett Waddingham LLP in November 2019. The Trustee will continue to review the objectives over time.

## Statement of Investment Principles

The Statement of Investment Principles was last updated in September 2020 to allow for an update for the Plan's ESG policies as required under legislation.

## Non-financially material considerations

The Trustee's policy is to not take account of non-financially material considerations in setting their strategy. Therefore this has not been considered over the year. The Trustee intends to review this policy over time.

### **Prepared by the Trustee of the Softlab Pension Plan**

**July 2021**