

## Section 9 – Implementation Statement

### Essar Oil (UK) Pension Scheme - Implementation Statement for 2019 DB Regulations

**Statement of Compliance with the Essar Oil (UK) Pension Scheme (the “Scheme”) Stewardship Policy for the year ending 31 July 2020.**

#### Introduction

This statement is prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out how the Trustee has complied with the Scheme’s Stewardship Policy during the period from 31 July 2019 to 31 July 2020.

#### Stewardship policy

The Trustee Stewardship (voting and engagement) Policy sets out how the Trustee will behave as an active owner of the Scheme’s assets which includes the Trustee approach to:

- the exercise of voting rights attached to assets; and
- undertaking engagement activity, including how the Trustee monitors and engages with its investment managers and any other stakeholders.

The Scheme’s Stewardship Policy is outlined in the Scheme’s Statement of Investment Principles (SIP). As such, the Scheme’s Stewardship Policy will be updated at the time of the Scheme’s SIP review. This review will normally take place at least every three years in conjunction with the triennial Scheme’s actuarial valuation but will also be reviewed annually. The last SIP review was completed on 30 September 2020.

You can review the Scheme’s Stewardship Policy, which can be found within the Scheme’s Statement of Investment Principles at <https://www.essaroil.co.uk/careers/statement-of-investment-principles-made-by-the-stanlow-pension-trustee-company-limited/>.

The Trustee has delegated voting and engagement activity pertaining to the underlying assets to the Scheme’s investment managers. The Trustee believes it is important that their investment managers take an active role in the supervision of the companies in which they invest in, both by voting at shareholder meetings and engaging with the management on issues which affect a company’s financial performance.

The engagement activity of the Trustee is focused on their dialogue with their investment managers. This dialogue is undertaken in conjunction with the investment advisers. The Trustee meets with its managers from time-to-time to discuss investment matters. The managers are expected to provide an update on engagement and stewardship activities through regular reporting.

The Trustee also monitors its compliance with its Stewardship Policy on an annual basis through the implementation statement. The Trustee is satisfied that it has complied with the Scheme’s Stewardship Policy over the last year.

**Implementation Statement (continued)****Voting activity**

The Trustee has adopted a policy of delegating voting decisions on stocks to its investment managers on the basis that voting power will be exercised by them with the objective of enhancing long term shareholder value. The Trustee seeks to ensure that their managers are exercising voting rights and where appropriate, to monitor managers voting patterns.

The Trustee has investments across multiple asset classes, such as equity, diversified growth funds, bonds, direct lending, multi-asset credit, property and liability driven investments. Where the Trustee held equity mandates, the investment manager has reported on how votes were casted in each of these mandates as set out in the table below:

Strategy/Fund name	Barings Dynamic Asset Allocation Fund
Proportion of Scheme assets	11.5%
No. of meetings eligible to vote at during the year	109
No. of resolutions eligible to vote on during the year	1210
% of resolutions voted	97.6%
% of resolutions voted with management	90.9%
% of resolutions voted against management	6.3%
% of resolutions abstained	0.4%
% of meetings with at least one vote against management	39.4%

Strategy/Fund name*	BlackRock Dynamic Diversified Growth Fund
Proportion of Scheme assets	11.6%
No. of meetings eligible to vote at during the year	945
No. of resolutions eligible to vote on during the year	12338
% of resolutions voted	97.3%
% of resolutions voted with management	90.9%
% of resolutions voted against management	5.5%
% of resolutions abstained	1.1%
% of meetings with at least one vote against management**	-

\* Information to 30 June 2020

\*\* BlackRock did not provide this information

**Implementation Statement (continued)**

Strategy/Fund name*	LGIM World Developed Equite Index Fund
Proportion of Scheme assets	9.7%
No. of meetings eligible to vote at during the year	2316
No. of resolutions eligible to vote on during the year	29422
% of resolutions voted	99.8%
% of resolutions voted with management	81.1%
% of resolutions voted against management	18.8%
% of resolutions abstained	0.1%
% of meetings with at least one vote against management	75.4%

\* Information to 30 June 2020

LGIM and Barings did not provide information on which resolutions they have voted the most on over the scheme year. The resolutions which BlackRock voted the most on over the scheme year were mainly in relation to:

- Board Composition and Effectiveness
- Remuneration
- Corporate Strategy

Bonds, properties and credit holdings do not generally confer to voting rights unlike equity holdings. Alcentra may hold equity interest due to allocations to the Special Situations fund. On such holdings, Alcentra have voted in line with their ESG initiatives and firm values.

## Implementation Statement (continued)

### Significant votes

The Trustee has asked its managers to report on the most significant votes cast within the portfolios they manage on behalf of the Scheme. Managers were asked to explain the reasons why votes were significant, the size of the position in the portfolio, how they voted, any engagement the manager had undertaken with the company and the outcome of the vote. From the managers reports, the Trustee has identified the following votes as being of greater relevance to the Scheme:

Date	Company	Subject (theme and summary)	Manager's vote and rationale
07/05/2020	BARCLAYS	Resolution 29 - Approve Barclays' Commitment in Tackling Climate Change Resolution 30 - Approve ShareAction Requisitioned Resolution	LGIM voted for both resolutions. Since the beginning of the year there has been significant client interest in voting intentions and engagement activities in relation to the 2020 Barclays AGM. The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers.
27/05/2020	EXXON MOBIL	Resolution 1.10 - Elect Director Darren W. Woods	Against - Due to recurring shareholder concerns, LGIM's voting policy sanctioned the reappointment of the directors responsible for nominations and remuneration.
25/06/2020	NISSAN CHEMICAL CORPORATION	Appointed a Director Kinoshita, Kojiro	Against - Insufficient gender diversity/no diversity policy.

### Engagement activity

The Trustee hold meetings with their investment managers from time-to-time where stewardship issues are discussed in further detail. Over the last 12 months, the Trustee has met with 1 of its 6 managers. The Trustee discussed the following issue with Partners Group at the Trustee meeting held on 11<sup>th</sup> March 2020.

Date	Fund manager	Subject discussed	Outcome
11/03/2020	Partners Group	Portfolio update, impact of Covid-19 and ESG considerations.	Out of 154 loans considered, 87 will have no impact due to Covid-19, while 64 may have some issues and 3 will have significant impact. If Covid-19 lasted for a short term, then there will be very limited impact on businesses. Partners also produce ESG reports and currently has an A+ ESG rating.

**Implementation Statement (continued)****Summary of manager engagement activity**

The Trustee receives annual reporting on manager's engagement activity. The following table summarises the key engagement activity for the 12-month period ending 31 July 2020.

Company	Subject (theme and summary)	Outcome
GONG CHA	Risk identified for single-use plastics (e.g. straws, cups, cutlery).	Partners Group's ESG team developed a sustainable packaging strategy for Gong Cha's management, and put in place KPIs to track reduction, replacement and recycle of single-use plastics.
VERIZON WIRELESS	Key governance and sustainability issues, including energy management and product end-of-life management	The company has pledged to reduce carbon intensity by 50% by 2025 and commit to carbon neutrality by 2035.
EXXON MOBIL	<ol style="list-style-type: none"> <li>1. Greenhouse gas (GHG) reduction targets</li> <li>2. Disclosure around the company's anticipated degree of warming under its stated strategy</li> <li>3. Failure to disclose Scope 3 emissions, which are emissions from the results of activities from assets not owned or controlled by the organisation.</li> </ol>	<ol style="list-style-type: none"> <li>1. The company is in the process of developing future targets.</li> <li>2. Under the Task Force on Climate-related Financial Disclosures (TCFD) framework, companies are expected to disclose outcomes of their analysis under different climate scenarios as well as a credible strategic plan to operate under a Paris-aligned scenario in which the average rise in global temperatures stays at or below 2°C. The company has conducted scenario analysis and believes it will remain competitive under any future climate scenario.</li> <li>3. BlackRock has urged Exxon to consider disclosing its Scope 3 emissions. The company has yet communicated whether it intends to disclose this information or keep it private.</li> </ol>

**Implementation Statement (continued)****Use of a proxy adviser**

The Scheme's investment managers have made use of the services of the following proxy voting advisers over the Scheme year as detailed below:

Manager	Proxy Advisor used
Alcentra	- n/a
Barings	- Broadridge (up until 30 June 2020) - Glass Lewis (up until 30 June 2020) - Institutional Shareholder Services (ISS) (from 1 July 2020)
BlackRock	- Institutional Shareholder Services (ISS) - Glass Lewis
LGIM	- Institutional Shareholder Services (ISS)

**Review of policies**

The Trustee has committed to reviewing the managers' Responsible Investment (RI) policies on an annual basis. This review was undertaken by the Trustee on 16 December 2020. The Trustee has considered managers broader ESG implementation policies in addition to any changes in their approach over the year. The Trustee has also reviewed the voting and engagement policies of each manager, alongside with their evidence of stewardship activities.

There are no major concerns where the policies and activities of the managers are in direct conflict with the Trustee's stewardship policy. Even though there are certain areas where managers could improve their RI capabilities, the Trustee and its advisors is satisfied that the managers remain suitable for the Scheme.