

Staff Pension Scheme of Nottingham Building Society

Implementation Statement

Purpose of this statement

This implementation statement has been produced by the Trustees of the **Staff Pension Scheme of Nottingham Building Society (“the Scheme”)** to set out the following information over the year to **31 March 2022**:

- how the Trustees’ policies on exercising rights (including voting rights) and engagement activities have been followed over the year; and
- the voting activity undertaken by the Scheme’s investment managers on behalf of the Trustees over the year, including information regarding the most significant votes.

How voting and engagement policies have been followed

Based on the information provided by the Scheme’s investment managers, the Trustees believe that their policies on voting and engagement have been met in the following ways:

- The Scheme invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the Scheme’s investment managers.
- When required, the Trustees obtained training on ESG considerations in order to understand fully how ESG factors (including climate change) could impact the Scheme and its investments.
- The Trustees, with input from their investment consultant, annually receive and review (through their Implementation Statement) voting information and engagement policies from the investment managers to ensure alignment with their own policies. The Trustees believe that the voting and engagement activities undertaken by the asset managers on their behalf have been in the members’ best interests.
- Baillie Gifford, Barings and Legal & General Investment Management (“LGIM”) have all confirmed that they are signatories to both the Financial Reporting Council’s UK Stewardship Code 2012 and UK Stewardship Code 2020.
- Having reviewed the above and the data presented below, the Trustees are comfortable the actions of their investment managers are in alignment with the Scheme’s stewardship policies.

Stewardship policy

The Trustees’ Statement of Investment Principles (SIP) describes the Trustees’ stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed in August 2021 and has been made available online here: <https://www.thenottingham.com/staffpensionscheme/>.

There have been no changes to the Trustees’ stewardship policy over the year to 31 March 2022. The Trustees have delegated the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities to the Scheme’s investment managers.

**Prepared by the Trustees of the Staff Pension Scheme of Nottingham Building Society
July 2022**

Voting Data

This section provides a summary of the voting activity undertaken by the investment managers within the Scheme's Growth Portfolio on behalf of the Trustees over the year to **31 March 2022**.

The Baring Global High Yield Credit Strategies Fund and the LGIM Liability Driven Investment ("LDI") holdings have no voting rights given the nature of the investments and therefore voting data is not presented for these holdings.

The Baillie Gifford Multi Asset Growth Fund, which invests across a diverse range of asset classes, and the LGIM Future World Global Equity Index Fund are included below as the equity holdings of these funds carry voting rights.

Manager	Baillie Gifford	LGIM
Fund name	Multi Asset Growth Fund	Future World Global Equity Index Fund (GBP Hedged)
Structure	Pooled	
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustees to influence the managers' voting behaviour.	
No. of eligible meetings	111	4,465
No. of eligible votes	1,373	47,851
% of resolutions voted	86.6%	99.9%
% of resolutions abstained	0.2%	0.8%
% of resolutions voted with management¹	96.5%	81.7%
% of resolutions voted against management¹	3.4%	17.4%
Proxy voting advisor employed¹	Whilst Baillie Gifford are cognisant of proxy advisers' voting recommendations (ISS and Glass Lewis), they vote in line with their in-house policy and not with the proxy voting providers' policies.	ISS's 'ProxyExchange' electronic voting platform
% of resolutions voted against proxy voter recommendation	n/a	10.7%

Source: Baillie Gifford, Legal & General Investment Management

Totals may not sum due to rounding.

¹ As a percentage of the total number of resolutions voted on

Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustees over the year to be set out. The guidance does not currently define what constitutes a “significant” vote, so for this Implementation Statement the Trustees have asked the investment managers to determine what they believe to be a “significant vote”. **Baillie Gifford** and **LGIM** have provided a selection of votes which they believe to be significant, and in the interest of concise reporting the tables below show 5 of these votes for each fund.

A summary of the significant votes provided is set out below.

Baillie Gifford Multi Asset Growth Fund

	Vote 1	Vote 2	Vote 3	Vote 4	Vote 5
Company name	RIO TINTO PLC	VONOVIA SE	SIX FLAGS ENTERTAINMENT CORPORATION	GALAXY ENTERTAINMENT GROUP LTD	GREGGS PLC
Date of vote	9 April 2021	16 April 2021	5 May 2021	13 May 2021	14 May 2021
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.22%	1.28%	0.29%	0.18%	0.26%
Summary of the resolution	Remuneration Report	Amendment of Share Capital	To implement a ‘Say on Pay’ plan	Amendment of Share Capital	Remuneration Report
How the manager voted	Against	Against	Against	Against	Against
Rationale for the voting decision	Baillie Gifford did not agree with the decisions taken by the Remuneration Committee in the last year regarding executive severance payments and the vesting of long-term incentive awards.	Baillie Gifford believed that the potential dilution levels of issuing equity were not in the interests of shareholders.	Baillie Gifford believed that several aspects of the proposed plan were not in line with best practice.	Baillie Gifford believed that the potential dilution levels of issuing equity were not in the interests of shareholders.	Baillie Gifford opposed the resolution because of the Remuneration Committee's decision not to align executive directors' pensions with the workforce until four years after the Investment Association's guidance.
Outcome of the vote	Pass	Pass	Pass	Pass	Pass

	Vote 1	Vote 2	Vote 3	Vote 4	Vote 5
Implications of the outcome	<p>Following the submission of their votes, Baillie Gifford engaged with the company to communicate their concerns. Whilst Baillie Gifford did not support the backwards looking remuneration report, they took the decision to support the forward looking remuneration policy.</p>	<p>In advance of the AGM, Baillie Gifford contacted the company to see if they could provide an assurance that they would not issue shares below Net Tangible Asset (NTA). The company were not able to provide that assurance, therefore Baillie Gifford did not feel that it was in their clients' interest to support the two equity issuance resolutions. Baillie Gifford have encouraged the company to provide this additional assurance so that they could consider supporting the company in the future.</p>	<p>Baillie Gifford opposed executive compensation for a multitude of reasons, however their primary concern was the size of the long-term incentive award paid to the CEO. Baillie Gifford felt that they could not justify supporting a sizeable long-term incentive award for the CEO, which was equal to the previous year, when framed against a background of company-wide salary reductions and employee lay-offs. Baillie Gifford communicated their concerns to the company following the submission of their votes, and they will continue to engage on their concerns. Although this proposal was passed, 41% of shareholders opposed it.</p>	<p>Baillie Gifford have opposed similar resolutions in previous years and will continue to advise the company of their concerns, and seek to obtain proposals that they can support.</p>	<p>In line with the Investment Association's guidance, Baillie Gifford expect companies to align the pension contributions of their executive team with that of the wider workforce by the stated deadline – the end of 2022. Greggs stated in their annual report that the pensions of their current executives would not be aligned until the end of 2026 which Baillie Gifford do not believe to be acceptable. Following the submission of their votes, Baillie Gifford communicated their concerns to the company who acknowledged their concerns and stated that they would review pension alignment at their next remuneration policy review, ahead of the 2023 AGM. Baillie Gifford look to continue to engage on this issue.</p>
Criteria on which the vote is considered "significant"	As Baillie Gifford opposed remuneration	As the resolution received greater than 20% opposition	As the resolution received greater than 20% opposition	As the resolution received greater than 20% opposition	As Baillie Gifford opposed remuneration

LGIM Future World Global Equity Index Fund (GBP Hedged)

	Vote 1	Vote 2	Vote 3	Vote 4	Vote 5
Company name	Apple Inc.	Microsoft Corporation	Amazon.com, Inc.	JPMorgan Chase & Co.	Facebook, Inc.
Date of vote	4 March 2022	30 November 2021	26 May 2021	18 May 2021	26 May 2021
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	5.27%	5.21%	2.31%	1.06%	1.00%
Summary of the resolution	Report on Civil Rights Audit	Elect Director Satya Nadella	Elect Director Jeffrey P. Bezos	Elect Director Todd A. Combs	Elect Director Mark Zuckerberg
How the manager voted	For	Against	Against	Against	Withhold
Rationale for the voting decision	A vote in favour was applied as LGIM supports proposals related to diversity and inclusion policies, as they consider these issues to be a material risk to companies.	LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight.	LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. LGIM believe that these two roles are substantially different, requiring distinct skills and experiences. Since 2015 LGIM have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 they have voted against all combined board chair/CEO roles. Furthermore, LGIM have published a guide for boards on the separation of the roles of chair and CEO (available on their website), and they have reinforced their position on leadership structures across their stewardship activities – e.g. via	LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. LGIM believe that these two roles are substantially different, requiring distinct skills and experiences. Since 2015 LGIM have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 they have voted against all combined board chair/CEO roles. Furthermore, LGIM have published a guide for boards on the separation of the roles of chair and CEO (available on their website), and they have reinforced their position on leadership structures across their stewardship activities – e.g. via	LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. LGIM believe that these two roles are substantially different, requiring distinct skills and experiences. Since 2015 LGIM have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 they have voted against all combined board chair/CEO roles. Furthermore, LGIM have published a guide for boards on the separation of the roles of chair and CEO (available on their website), and they have reinforced their position on leadership structures across their stewardship activities – e.g. via

	Vote 1	Vote 2	Vote 3	Vote 4	Vote 5
			individual corporate engagements and director conferences.	individual corporate engagements and director conferences.	individual corporate engagements and director conferences.
Outcome of the vote	53.6% of shareholders supported the resolution.	94.7% of shareholders supported the resolution.	95.1% of shareholders supported the resolution.	96.1% of shareholders supported the resolution.	97.2% of shareholders supported the resolution.
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	LGIM will continue to vote against combined Chairs and CEOs and will consider whether vote pre-declaration would be an appropriate escalation tool.	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.
Criteria on which the vote is considered "significant"	LGIM views gender diversity as a financially material issue for their clients, with implications for the assets LGIM manage on their behalf.	A vote linked to an LGIM engagement campaign, in line with the Investment Stewardship team's five-year ESG priority engagement themes.	This vote is in application of an escalation of LGIM's vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).	This vote is in application of an escalation of LGIM's vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).	This vote is in application of an escalation of LGIM's vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).

Fund level engagement

The investment managers may engage with investee companies on behalf of the Trustees. The table below provides a summary of the engagement activities undertaken by each manager during the year for the relevant funds.

Engagement activities are limited for the Scheme's LDI and cash funds due to the nature of the underlying holdings, so engagement information for these assets have not been shown.

Manager	Baillie Gifford	Barings	LGIM
Fund name	Multi Asset Growth Fund	Global High Yield Credit Strategies Fund	Future World Global Equity Index Fund (GBP Hedged)
No. of engagements undertaken on behalf of the holdings in this fund in the year	29	679	528
No. of entities engaged on behalf of the holdings in this fund in the year	25	350	343
No. of engagements undertaken at a firm level in the year	491	>900	696
Examples of engagement undertaken	See below	See below	Top five engagement topics: Remuneration, climate change, board composition, climate impact pledge and public health

Source: Baillie Gifford, Barings and Legal & General Investment Management

Examples of engagement activity undertaken over the year to 31 March 2022

Baillie Gifford Multi Asset Growth Fund

Rio Tinto Group

Baillie Gifford engaged with Rio Tinto's principal advisor on climate change. Their discussion focused on the company's intention to submit a say-on-climate proposal at its next AGM. Baillie Gifford believe the board has responsibility for ensuring successful implementation of the climate strategy and outlined some concerns with the proposed resolution, specifically that it is advisory, it will hand significant influence to proxy advisors and consultants, and may reduce accountability from the board.

Baillie Gifford outlined their belief that an annual vote is not necessary as they want to avoid a cycle of shareholder engagement and short-term progress assessments. Therefore, Baillie Gifford encouraged the company to take a long-term, forward-looking approach, which explains how the climate strategy relates to the broader business plan, how Rio Tinto Group intend to meet targets and where they see bottlenecks and opportunities.

However, Baillie Gifford are apprehensive about the practicalities of a new advisory vote on a specific ESG topic and its effectiveness in supporting long-term value creation. They remain committed to being a constructive steward of the business in its efforts to address climate change and will continue to engage with them on the issue.

Barings Global High Yield Credit Strategies Fund

Aggreko

Barings engaged with Aggreko on human and labour rights, such as supply chain rights and community relations. They initiated the engagement as Barings holds an investment in a global manufacturer and provider of temporary power equipment to multi-national corporations, SMEs and public sector customers. The company has operations in Russia through its Eurasia division, with Russia accounting for approximately 4% of the group's revenues.

Upon outbreak of the war in Ukraine, Barings engaged with senior management at the company to request disclosure of exposure to Russia and obtain clarity on strategy for that division in light of recent events. Barings expressed a preference that the company should no longer operate in the region given the change to geopolitical circumstances.

Subsequently, the company released a statement announcing a plan to sell their Eurasia division. Barings remains comfortable holding the investment following successful closure of the engagement.