

# B|Braun Sterilog Limited Pension Scheme

## Implementation Statement

This Implementation Statement has been prepared by the Trustees of the B|Braun Sterilog Limited Pension Scheme (the Scheme). It sets out the Trustees approach to and implementation of, the ESG policies as set out in the Scheme's Statement of Investment Principles over the year to 31 March 2021.

### How voting and engagement policies have been followed

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

The Trustees, with input from their investment consultant, annually receive and review (through their Implementation Statement), the voting information and engagement policies of their investment managers to ensure alignment with their own policies.

Based on the data currently available, which is presented below, the Trustees are comfortable that the actions of the fund managers are in alignment with the Scheme's stewardship policies.

### Voting data

Voting is not applicable to the Scheme's holdings within the LGIM Matching Core fund range as these funds invest only in fixed income assets, which have no voting rights.

Manager	Baillie Gifford	LGIM
<b>Fund name</b>	Baillie Gifford Diversified Growth Fund	LGIM World Equity Index 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 Trustees to influence the manager's voting behaviour.	
<b>Number of company meetings the manager was eligible to vote at over the year</b>	103	1,941
<b>Number of resolutions the manager was eligible to vote on over the year</b>	925	25,696
<b>Percentage of resolutions the manager voted on</b>	96.00%	99.92%
<b>Percentage of resolutions the manager abstained from</b>	1.24%	0.19%
<b>Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on</b>	93.58%	80.79%
<b>Percentage of resolutions voted <i>against</i> management, as a percentage of the total number of resolutions voted on</b>	5.18%	19.02%
<b>Percentage of resolutions voted <i>contrary</i> to the recommendation of the proxy advisor</b>	n/a	0.40%

## Significant votes

The Pensions and Lifetime Savings Association’s guidance currently does not define what constitutes a “significant” vote, so for this Implementation Statement we have allowed the investment managers to determine what they believe to be a significant vote.

### Baillie Gifford Diversified Growth Fund

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	Covivio REIT	Gecina	Merlin Properties
<b>Date of vote</b>	22-Apr-2020	23-Apr-2020	16-Jun-2020
<b>Summary of the resolution</b>	Remuneration – Policy Remuneration – Report	Remuneration – Policy Remuneration – Report Incentive Plan	Remuneration - Report
<b>How the manager voted</b>	Against	Against	Against
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	No	Yes	No
<b>Rationale for the voting decision</b>	Baillie Gifford opposed five resolutions regarding the in-flight and proposed long term incentive scheme because it could lead to rewarding under-performance.	Baillie Gifford opposed three resolutions relating to remuneration as they do not believe there is sufficient alignment between pay and performance.	Baillie Gifford opposed the resolution to approve the Remuneration Report because of concerns with quantum.
<b>Outcome of the vote</b>	Pass	Pass	Pass
<b>Implications of the outcome</b>	Following the AGM in 2020, Baillie Gifford informed the company of their voting decision and advised that they expect more stretching performance criteria to apply to long term incentives going forward. Baillie Gifford have yet to see improvements in the targets so will continue dialogue with the company and to take appropriate voting action.	Baillie Gifford have been opposing remuneration at the company since 2017 due to concerns with the targets applied to the restricted stock plan. They are yet to see improvements in the remuneration plan however continue to engage with the company to advise of areas for improvement.	Baillie Gifford engaged with the company on the issue and will continue to take voting action in relation to the vote if concerns remain.
<b>Criteria on which the vote is considered “significant”</b>	This resolution is significant because Baillie Gifford opposed remuneration.	This resolution is significant because Baillie Gifford opposed remuneration.	This resolution is significant because Baillie Gifford opposed remuneration.

## LGIM Global Equity Index Fund

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	Qantas Airways Limited	International Consolidated Airlines Group	Amazon
<b>Date of vote</b>	23-Oct-20	07-Sep-20	27-May-20
<b>Summary of the resolution</b>	Resolution 3: Approve participation of Alan Joyce in the Long-Term Incentive Plan Resolution 4: Approve Remuneration Report.	Resolution 8: Approve Remuneration Report	Shareholder resolutions 5 to 16
<b>How the manager voted</b>	LGIM voted against resolution 3 and supported resolution 4.	LGIM voted against the resolution.	Of 12 shareholder proposals, LGIM voted to support 10. 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 governance structures that benefit long-term shareholders (resolutions 9 and 14).
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	Given LGIM's engagement, LGIM's Investment Stewardship team communicated the voting decision directly to the company before the AGM and provided feedback to the remuneration committee.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is LGIM's policy not to engage with their investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	
<b>Rationale for the voting decision</b>	The COVID crisis has had an impact on the Australian airline company's financials. In light of this, the company raised significant capital to be able to execute its recovery plan. It also cancelled dividends, terminated employees and accepted government assistance. The circumstances triggered extra scrutiny from LGIM, as they wanted to ensure the impact of the COVID crisis on the company's stakeholders was appropriately reflected in the executive pay package. LGIM supported the remuneration report (resolution 4) given the	The COVID-19 crisis and its consequences on international transport have negatively impacted this airline company's financial performance and business model. As a result of the crisis, the company took up support under various government schemes. The company also announced a 30% cut to its workforce. On the capital allocation front, the company decided to withdraw its dividend for 2020 and sought shareholder approval for a rights issue of 2.75 billion at its 2020 AGM in order to strengthen its	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

	Vote 1	Vote 2	Vote 3
	<p>executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the long-term incentive plan (LTIP), in light of the pandemic. However, LGIM's concerns as to the quantum of the 2021 LTIP grant remained, especially given the share price at the date of the grant and the remuneration committee not being able to exercise discretion on LTIPs, which is against best practice. LGIM voted against resolution 3 to signal their concerns.</p>	<p>balance sheet. LGIM were concerned about the level of bonus payments, which are 80% to 90% of their salary for current executives and 100% of their salary for the departing CEO. LGIM noted that the executive directors took a 20% reduction to their basic salary from 1 April 2020. However, whilst the bonuses were determined at the end of February 2020 and paid in respect of the financial year-end to December 2019, LGIM would have expected the remuneration committee to exercise greater discretion in light of the financial situation of the company, and also to reflect the stakeholder experience (employees and shareholders).</p>	<p>major news and an important topic for LGIMs engagements leading up to the proxy vote.</p>
<b>Outcome of the vote</b>	<p>About 90% of shareholders supported resolution 3 and 91% supported resolution 4. The meeting results highlight LGIM's stronger stance on the topic of executive remuneration, in their view.</p>	<p>28.4% of shareholders opposed the remuneration report.</p>	<p>Resolution 5 to 8, and 14 to 16 each received approx. 30% support from shareholders. Resolutions 9 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.</p>
<b>Implications of the outcome</b>	<p>LGIM will continue their engagement with the company.</p>	<p>LGIM will continue to engage closely with the renewed board.</p>	<p>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.</p>
<b>Criteria on which the vote is considered "significant"</b>	<p>It highlights the challenges of factoring in the impact of the COVID situation into the executive remuneration package.</p>	<p>LGIM considers this vote significant as it illustrates the importance for investors of monitoring investee companies' responses to the COVID crisis.</p>	<p>The market attention was significant leading up to the AGM, with 12 shareholder proposals on the table – the largest number of any major US company this proxy season. Substantial press coverage – with largely negative sentiment related to the company's governance profile and its initial management of COVID-19. Anecdotally, the Stewardship team received more inquiries related to Amazon than any other company this season.</p>

## Fund level engagement

Manager	Baillie Gifford	LGIM	LGIM
<b>Fund name</b>	Baillie Gifford Diversified Growth Fund	LGIM World Equity Index Fund	LGIM Matching Core Funds
<b>Does the manager perform engagement on behalf of the holdings of the fund</b>	Yes	Yes	n/a
<b>Has the manager engaged with companies to influence them in relation to ESG factors in the year?</b>	Yes	Yes	Yes
<b>Number of engagements undertaken on behalf of the holdings in this fund in the year</b>	50	Not available on a Fund level	Not available on a Fund level
<b>Number of engagements undertaken at a firm level in the year</b>	Data not provided		974
<b>Examples of engagements undertaken with holdings in the fund</b>	Baillie Gifford engaged with a number of multi asset infrastructure holdings that they have identified as being early, or not yet engaged, in the low carbon energy transition by sending a stewardship engagement letter to understand more about the risks / opportunities in relation to each.		ESG disclosures, remuneration, climate change, board composition, strategy

## How the SIP has been followed over the year

In the Trustees' opinion, the Statement of Investment Principles has been followed over the year. The Trustees monitor the performance of the manager funds half-yearly to ensure that the funds are meeting their stated objectives. Our Investment Consultants provide half-yearly reports for review.

The Trustees have made no new manager appointments or fund changes over the year.