Yorkshire and Clydesdale Bank Pension Scheme

Annual Implementation Statement – Scheme year ending 30 September 2021

Table of Contents

Section 1: Introduction 2
Section 2: How the Trustee has adhered to its engagement and voting policies 4
Section 3: Voting information 7
Section 4: Conclusion 14
Appendix 1: BlackRock's voting policy 15

Section 1: Introduction

This document is the Annual Implementation Statement ("the statement") prepared by the Trustee of the Yorkshire and Clydesdale Bank Pension Scheme ("the Scheme") covering the Scheme year ("the year") from 1 October 2020 to 30 September 2021.

The purpose of this statement is to set out:

- Details of how and the extent to which, in the opinion of the Trustee, the Trustee's policies on engagement and voting (as set out in the Statement of Investment Principles (the "SIP") have been adhered to during the year; and
- A description of voting behaviour (including the most significant votes made on behalf of the Trustee) and any use of a proxy voter during the year.

The SIP is a document which outlines the Trustee's policies with respect to various aspects related to investing and managing the Scheme's assets including but not limited to: investment managers, portfolio construction and risks.

The latest version of the SIP can be found online here

This statement reflects the Scheme year from 1 October 2020 to September 2021. The SIP linked above reflects the latest version of the SIP which is dated October 2021. Prior to this version, the SIP which covered the Scheme year was dated September 2020.

Following a review of the September 2020 SIP in 2021, the Trustee made the following amendments which are reflected in the October 2021 version:

- A small amendment to update the Scheme's progress against its Technical Provisions funding target.
- Inclusion of wording which sets out how the level of collateral is monitored within the Scheme's (LDI) hedging portfolio.
- Updated wording to better reflect the Trustee's approach to currency hedging.
- Inclusion of wording to reflect the Trustee's approach to monitoring portfolio turnover levels of the Scheme's underlying investments.
- Small wording changes to the Trustee's voting and engagement policies

Section 2: How the Trustee has adhered to its engagement and voting policies

The Trustee's policies on voting and engagement, as stated in the SIP are:

- The Trustee policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers. The Trustee recognises the UK Stewardship Code 2020 as best practice and encourages its investment managers to comply with the UK Stewardship Code 2020 or explain where they do not adhere to this policy.

- When considering the appointment of new managers, and reviewing existing managers, the Trustee, together with its investment advisors, looks to take account of the approach taken by managers with respect to sustainable investing. This includes considering voting policies and engagement on relevant matters (i.e. the capital structure of investee companies, actual and potential conflicts of interest and other stakeholders), as well as how managers take account of ESG-related risks in their management of the Scheme's assets, and the consistency of this approach with the Trustee's own beliefs.

- Should the Trustee's monitoring process reveal that a manager's portfolio is not aligned with the Trustee's policies, the Trustee will engage with the manager further to encourage alignment. This monitoring process includes, but is not limited to, specific consideration of the sustainable investment/ESG characteristics of the portfolio and managers' engagement activities. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, taking into consideration costs, risks and fiduciary duties, the contract with the manager will be terminated and replaced.

- For most of the Scheme's investments, the Trustee expects the investment managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods. The Trustee invests in certain strategies where such engagement is not deemed appropriate, due to the nature of the strategy and/or the investment time horizon underlying decision making. The appropriateness of the Scheme's allocation to such mandates is determined in the context of the Scheme's overall objectives.

- The Trustee appoints its investment managers with an expectation of a long-term relationship and engagement, which encourages active ownership of the Scheme's assets. When assessing a manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate a manager's appointment based purely on short term performance. However, a manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.

As the investment managers of pooled funds, in which the Scheme is invested, are generally responsible for exercising voting rights and as the Trustee otherwise delegates responsibility for the exercising of voting rights to the Scheme's investment managers, it is the responsibility of the Trustee to monitor, review and engage with investment managers with respect to how they have undertaken these activities.

The same policy applies to corporate engagement with the management of companies the Scheme is invested in. Corporate engagement is the responsibility of the managers of pooled funds and is otherwise delegated to the Scheme's investment managers because the Trustee believes that those managers are best placed to manage this engagement. The Trustee monitors, reviews and engages with the managers on how they have undertaken these activities.

Over the year, the Trustee has undertaken a number of actions in line with these policies as set out below:

- Throughout the year, the Trustee met with a number of the Scheme's investment managers as part of their ongoing monitoring of the Scheme's underlying investments. Managers' approach to sustainable investing was covered during these discussions, with a focus on managers' views of ESG risks and what actions they take to manage these. There was a particular focus on climate-related risks within these discussions.

- The Trustee's investment advisor produces sustainable investment reports for the Scheme's managers which include information on how the investment managers consider environmental, social and governance factors in their investment process. The reports also include information on the voting and engagement practices of the managers. At each of these meetings, the Trustee reviewed the managers' sustainable investment report ahead of the manager presentation and subsequently discussed relevant topics with managers.

- In November 2020, the Trustee undertook a full review of the sustainable investment reports produced by the Trustee's investment advisor for all the Scheme's pooled investment funds.

- In March 2021, the Trustee met with the Scheme's Custodian and Performance Measurer, Northern Trust, as part of its monitoring of the Scheme's service providers. In September 2021, the Trustee also undertook a review of Northern Trusts fees to ensure they were in line with industry standards.

- The Trustee reviewed the portfolio turnover levels of the Scheme's underlying investment funds in May 2021 and agreed to undertake this review exercise on an annual basis post the Scheme's year end going forward.

- The Scheme's SIP was sent to all of the Scheme's investment managers. The Trustee highlighted its policies with respect to Sustainable Investing and Voting and Engagement, and asked the investment managers to set out their approach to sustainable investment, including voting and engagement, and to highlight any areas where they believed their fund's approach to be inconsistent with the Trustee's policies.

  All of the Scheme's managers provided a response. The Trustee reviewed the managers' responses at a meeting in June 2021. Following the review, the Trustee concluded that they were satisfied that there were no obvious misalignments between managers' policies and the Trustee's policies.

- Over the year, the Trustee has undertaken a number of actions as part of its consideration of the potential impact of climate change on the Scheme:

  - Initial climate scenario modelling was undertaken in May 2021 to understand how various climate outcomes may impact the Scheme's assets, liabilities and ultimately the likelihood of achieving the Trustee's long-term funding objectives.

  - In August 2021, the Trustee received estimates of the Scheme's exposures based on a range of carbon metrics, including total carbon emissions, carbon footprint and weighted average carbon intensity.

  - The Trustee has also engaged with the Scheme's Sponsor on climate strategy. In July 2021, the Trustee received a training session on Sustainable Investment. At this session, the Scheme's sponsor presented a session explaining the sustainable investment targets they have in place. The Trustee agreed to consider the Sponsor's policies when determining further actions they wish to take with respect to the Scheme.

  - In addition to the actions above the Trustee's investment advisor provides ratings for each of the Scheme's investment managers. These ratings are reviewed (and updated where necessary) on a quarterly basis and include considerations relating to sustainable investment. Any changes in these ratings or the investment advisor's opinion of a fund is communicated to the Trustee.

As set out in section 4, the Trustee believes that the Scheme's engagement policy as outlined in the SIP has been adhered to over the Scheme year and will continue to monitor the investment managers' stewardship practices on an ongoing basis.

Section 3: Voting information

The Scheme is invested in a diverse range of asset classes. However, this document focusses on the equity investments which have voting rights attached.

The Scheme's equity holdings as at the end of the year are held in pooled investment funds and are managed on a passive basis relative to a defined index. Therefore, the voting entitlements in these funds lie with the investment managers.

The Scheme's equity holdings are invested with the investment manager BlackRock in the following pooled investment funds:

- **BlackRock Aquila Life UK Equity Fund**: pooled fund that invests in listed UK equities and tracks a market capitalisation-based index.

- **BlackRock Aquila Life World ex UK Equity Fund**: pooled fund that invests in listed World ex UK equities and tracks a market capitalisation based index.

- **BlackRock iShares Emerging Market Equity Fund**: pooled investment fund which invests in Emerging Market listed equities and tracks a market capitalisation based index.

We note that the Scheme was also invested in the LGIM Infrastructure Equity MGF Fund at the start of the year but disinvested over the course of the year. We have therefore not provided the voting information for the year for that fund.

As set out in the SIP, the Trustee's policy is to delegate the exercising of rights (including voting and stewardship) and the integration of ESG considerations in day-to-day decisions to the Scheme's investment managers. This section sets out the voting activities of the Scheme's equity investment manager over the year, including details of the investment manager's use of proxy voting.

BlackRock has a voting policy that determines its approach to voting and the principles followed when voting on investors' behalf. BlackRock also use voting proxy advisors which aid in their decision-making when voting. Details are summarised in the table below:

Manager	Use of proxy advisor services:
BlackRock	BlackRock subscribes to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis which contribute to, but do not determine, BlackRock's voting decisions which are made by the BlackRock internal stewardship team. BlackRock primarily uses proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that their investment stewardship team can readily identify and prioritise those companies where BlackRock's own additional research and engagement would be beneficial. They do not follow any single proxy research firm's recommendations.

As outlined in the SIP, the Trustee recognises the FRC UK Stewardship Code 2020 and monitors the Scheme's investment managers adherence to the Code. BlackRock is a signatory to the code. Their latest statement of compliance can be found here.

The below table sets out the voting activity of BlackRock, on behalf of the Trustee, over the year:

Manager and strategy	Portfolio structure	Voting activity
BlackRock UK Equity (0.2% of assets at year-end)	Pooled equity fund	**Number of meetings at which the manager was eligible to vote**: 1,194 **Number of resolutions on which manager was eligible to vote:** 15,314 **Number of votes cast:** 15,294 **Percentage of eligible votes cast:** 99% **Percentage of votes with management:** 93% **Percentage of votes against management:** 6% **Percentage of votes abstained from:** 1% **Percentage of votes against proxy advisor recommendation:** 0% (8 votes)
BlackRock World ex-UK Equity (3.2% of assets at year-end)	Pooled equity fund	**Number of meetings at which the manager was eligible to vote:** 2,110 **Number of resolutions on which manager was eligible to vote:** 24,646 **Number of votes cast:** 24,605 **Percentage of eligible votes cast:** 99% **Percentage of votes with management:** 92% **Percentage of votes against management:** 7% **Percentage of votes abstained from:** 1% (130 proposals) **Percentage of votes against proxy advisor recommendation:** 0% (68 votes)
BlackRock Emerging Markets Equity (0.4% of assets at year-end)	Pooled equity fund	**Number of meetings at which the manager was eligible to vote:** 2,440 **Number of resolutions on which manager was eligible to vote:** 22,336 **Number of votes cast:** 22,336 **Percentage of eligible votes cast:** 100% **Percentage of votes with management:** 89% **Percentage of votes against management:** 10% **Percentage of votes abstained from:** 3% **Percentage of votes against proxy advisor recommendation:** 1%

** Voting statistics are out of total eligible votes and are sourced from the investment managers BlackRock. Figures may not sum to 100% due to a variety of reasons, such of lack of management recommendation, scenarios where the agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote for 'Abstain' is also considered a vote against management.*

The following table outlines a number of significant votes cast by BlackRock on the Trustee's behalf. The commentary set out below is based on detail in BlackRock's reporting on the votes cast:

- BlackRock reported on the most significant votes cast within the funds managed on behalf of the Scheme over the year to 30 September 2021, including the rationale for the voting decision and the outcome of the vote. A number of these key votes is set out below. The votes shown were chosen taking account of the size of the allocations to the companies affected as a percentage of each pooled fund, whether the votes were against management resolutions and whether the votes were in respect of shareholder resolutions.

Significant votes cast	Coverage in portfolio
<u>Company: Berkshire Hathaway</u> **<u>Meeting date: 1 May 2021</u>** **Company summary**: Berkshire Hathaway engages in the provision of property and casualty insurance, reinsurance, utilities and energy, freight rail transportation, finance, manufacturing, and retailing services through its diverse public and private subsidiary businesses. **Management resolutions:** 1.1. Elect Director Warren E. Buffet (Chairman and CEO) 1.11. Elect Director Thomas S. Murphy (former Chairman of the Audit Committee) 1.13. Elect Director Walter Scott, Jr (Chairman of the Governance Committee) **Company management recommendation:** For **How the manager voted**: For resolution 1.1 and against resolutions 1.11 and 1.13 **Rationale**: BlackRock did not consider it beneficial to vote against the re-election of Warren E. Buffet and do not have concerns about the company's recent financial performance or Warren's performance in the role. BlackRock voted against the re-election of Thomas S. Murphy due to concerns over shortfalls in the company's climate-related action planning and disclosures, as well as the lack of demonstrated oversight over this risk. Berkshire Hathaway has not assigned the oversight of climate risk, or broader sustainability risk, to a particular committee. However the proxy statement does give risk assessment and management authority to the audit committee. Thomas S. Murphy was the Chair of this committee and many of these issues arose under his tenure. BlackRock voted against the re-election of Walter Scott, Jr due to the company's failure to meaningfully engage with institutional shareholders, failure to appoint a lead independent director, and limited disclosure on succession planning. **Shareholder resolutions:** 2 . Publish on climate-related risks and opportunities 3 . Publish annually a report assessing diversity and inclusion efforts **Company management recommendation:** Against **How the manager voted**: For **Rationale**: BlackRock voted for resolution 2 and 3 because Berkshire Hathaway does not currently meet BlackRock's expectations for disclosing a plan for how its business model will be compatible with a low carbon economy and disclosures of material diversity, equity and inclusion policies and/or risks.	BlackRock World-ex UK Equity BlackRock UK Equity

<u>Company: Johnson & Johnson</u> **<u>Meeting date: 22 April 2021</u>** **Company summary**: Johnson & Johnson is a global healthcare company based in the US that engages in research, development and manufacture and sale of healthcare products. **Management resolution:** 2. Advisory vote to ratify named Executive Officers' compensation **Company management recommendation:** For **How the manager voted**: For **Rationale**: BlackRock voted for the resolution because BlackRock believe the company has taken appropriate steps to incentivise current executives and to set compensation plans that are performance based. BlackRock believe that voting against the compensation proposal would have unfairly penalised executives who have performed well, have navigated the company's challenges, and met the criteria of the company's compensation plan. The company made no changes to its compensation approach as a result of COVID-19 and granted no one-time awards. Moreover, the company has treated litigation items consistently for many years in its reporting of adjusted earnings per share and its incentive plans. **Shareholder resolutions:** 4. Report on government financial support and access to COVID-19 vaccines and therapeutics 5. Require independent Board Chair 6. Report of civil rights audit 7. Adopt policy on bonus banking **Company management recommendation:** Against **How the manager voted**: For resolution 6 and Against resolutions 4,5 and 7 **Rationale**: BlackRock voted Against resolution 4 as BlackRock believe the company already leads on transparency with regard to access to medicine and has confidence that the company will continue to provide disclosure as the distribution of the vaccines continues. BlackRock voted against resolution 5 because the company has a designated lead independent director who has a clearly defined role that supports board effectiveness. Given the highly complex and regulated nature of the pharmaceutical industry, BlackRock believe that a combined Chair and CEO role allows for a structure that works at Jonson & Johnson. BlackRock voted for resolution 6 because they believe that an audit would reinforce the effectiveness of the company's current programs to advance racial equity and might yield further insights. BlackRock voted against resolution 7 because the company made no changes to its original financial targets due to COVID-19.	BlackRock World-ex UK Equity
<u>Company: The Procter & Gamble Company ("P&G")</u> **<u>Meeting date: 13 October 2020</u>** **Company summary**: P&G is one of the largest global branded consumer packaged goods companies. It operates in the following segments: beauty, grooming, healthcare, fabric & home care and baby, feminine & family care. **Shareholder resolutions:** 5. Report on efforts to eliminate deforestation 6. Annual report on diversity **Company management recommendation:** Against **How the manager voted**: For resolution 5 and Against resolution 6 **Rationale**: BlackRock voted For resolution 5 because whilst BlackRock recognises the company's efforts to date towards enhancing their sustainability and monitoring disclosure	BlackRock World-ex UK Equity

reports, we determined that there is room for P&G to improve the frequency and depth of disclosure. The proposal requests a report assessing if and how P&G could increase the scale, pace, and rigor of its efforts to eliminate deforestation and the degradation of intact forests in its supply chains. The proposal places special attention on the company's use of palm oil and forest pulp which are both used as raw materials within its household goods products. BlackRock voted Against resolution 6 because in BlackRock's assessment, P&G's longstanding, multi-pronged initiatives along with their current disclosures put the company at the forefront of diversity and inclusion efforts. Therefore the requested annual report would be redundant in BlackRock's view. In September 2020 P&G, updated its workforce demographic disclosure including gender and ethnic diversity by level. This disclosure addresses the shareholder proposal's request and enhances the company's diversity, equity, and inclusion efforts regarding talent and development initiatives. Currently P&G's workforce includes 25% multicultural employees and 40% female employees. The company has stated their aspiration of 50/50 representation of women at all levels, all functions, and all geographies in the company. Similarly, they recently declared their aspiration to achieve 40% representation of multicultural employees in the US workforce. P&G's Supplier Diversity program has been increasing economic inclusion for women and minority-owned businesses. The company is a founding member of the Executive Leadership Council's Game Changer initiative, focused on codifying best practices for developing African American Talent. More broadly, P&G has led constructive dialogue promoting racial equity and understanding, largely by releasing several films publicly since 2017 about racial bias and racial inequality. They also established the P&G "Take on Race" Fund, with an initial contribution of $5 million.	
Company: Pfizer **Meeting date: 22 April 2021** **Company summary**: Pfizer is a US based pharmaceutical company which engages in the discovery, development, and manufacture of healthcare products, specializing in medicines, vaccines, and consumer healthcare. **Shareholder resolutions:** 4. Require an independent Board Chair 5. Report on political contributions and expenditures 6. Report on access to COVID 19 products **Company management recommendation:** Against **How the manager voted**: For resolution 5 and Against resolution 4 and 6 **Rationale**: BlackRock voted Against resolution 4 because BlackRock believe the company has a strong Lead Independent Director with responsibilities that support board effectiveness and currently have no concerns about the overall independence of the board. From BlackRock's engagement with Pfizer's' Board, they have found the Board have robust risk management oversight and to be appropriately engaged on the material risks and opportunities to the business. BlackRock voted For resolution 5 to underscore the importance of this subject and to encourage incremental improvements to the company's current political contributions and expenditures disclosure. BlackRock believe the proposal provides an opportunity for the company to address minor gaps in its current disclosure. For example, BlackRock believe that shareholders would benefit from further details on how the company has differentiated between organizations it contributes to, and those that it does not. BlackRock voted against resolution 6 because in BlackRock's view Pfizer already provides sufficient disclosure regarding its COVID-19 vaccine, including publicly stating that it has not received public financial support for its development, and due to the ongoing nature of the COVID-19 crisis, BlackRock have confidence the company will continue to update its disclosures as the situation evolves.	BlackRock World-ex UK Equity

<u>Company: BP</u> **<u>Meeting date: 12 May 2021</u>** **Company summary**: BP is an integrated oil and gas company, operating through the following segments: upstream, downstream and rosneft. The company was founded in 1909 and is headquartered in London, the United Kingdom. **Shareholder resolution:** Approve shareholder resolution on climate change targets **Company management recommendation:** Against **How the manager voted**: For **Rationale**: Whilst recognising the company's efforts to date and direction of travel, BlackRock voted for the shareholder resolution as supporting the resolution signals BlackRock's desire to see the company accelerate its efforts on climate risk management. The shareholder resolution requested that the company "set and publish targets that are consistent with the goal of the Paris Climate Agreement: to limit global warming to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C. These quantitative targets should cover the short, medium, and long-term greenhouse gas (GHG) emissions of the company's operations and the use of its energy products (Scope 1, 2 and 3). Shareholders request that the company report on the strategy and underlying policies for reaching these targets and on the progress made, at least on an annual basis, at reasonable cost and omitting proprietary information." BlackRock believe that BP is substantially already aligned with the ask of the resolution and should continue to progressively refine its GHG emissions reduction targets. Currently, the company has set an ambition to be net zero by 2050 or sooner, which includes short, medium and long-term scope 1, 2 and 3 emissions reduction targets. For scope 3, BP aims to reduce the carbon intensity of the products it sells by 50% by 2050 or sooner. In addition, the company plans to increase the proportion of investment in non-oil and gas businesses, and to reduce the methane intensity of its operations by 50%. Furthermore, the company aligns its reporting with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the sector-specific standards of the Sustainability Accounting Standards Board (SASB). BP's climate strategy is consistent with BlackRock's belief that the companies that critically evaluate their current baseline, set rigorous GHG emissions reduction targets, and act on an accelerated timeline are those most likely to avoid operational disruption in the future.	BlackRock UK Equity
<u>Company: Vale</u> **<u>Meeting date: 30 April 2021</u>** **Company summary**: Vale, a Brazilian mining company, is the world's largest producer of iron ore, pellets, and nickel. Vale is also the largest producer of manganese in Brazil, holding approximately 70% of the national market. In addition to Mining, Vale operates three other business divisions: logistics, steel making, and energy. **Management resolution:** 1. Individual elections of members of the Board of Directors recommended by the Nominating Committee and Board of Directors (featuring contested elections by minority shareholders) 2. Election of the Chairman and Vice-Chairman of the Board of Directors 3. Election of members of the Fiscal Council 4. Establishment of the overall annual compensation of the Company's directors and members of the Fiscal Council for the year 2021 5. Approve corporate transactions to simplify iron ore assets and Vale's corporate structure **Company management recommendation:** For (and Against the contested elections by minority shareholders)	BlackRock EM Equity

How the manager voted: For (and Against the contested elections by minority shareholders) **Background:** In January 2019, a tailings dam at Vale's iron ore mine in Brumadinho, in the Brazilian state of Minas Gerais, collapsed and killed approximately 270 people. The dam collapse, considered one of the deadliest industrial disasters in the world, also caused significant environmental damage. According to several articles reporting on the case in early 2019, state prosecutors found that the tailings "dam had presented a critical structural risk since at least 2017. In addition, these articles reported that prosecutors determined that Vale's relationship with TÜV SÜD, the German auditing company that certified the tailings dam as safe months before it collapsed, was one of "pressure, collusion, compensation, and a conflict of interests." An extensive investigation conducted by an Expert Panel, retained by Vale's external legal counsel, determined that construction deficiencies and inadequate drainage contributed to the conditions for the dam's instability, failure, and flooding. Another investigation carried out by an Extraordinary Independent Consulting Committee for Investigation constituted by Vale's Board of Directors "to identify possible failures or omissions that may have contributed to the dam breach" found that the company's strong hierarchical culture and "culture of silos between different areas of the Company meant that other areas (beyond the Iron Ore Division), which could also have played an important role in ensuring comprehensive and robust dam safety management, did not do so." In January 2020, 11 high-level executives at Vale, including the former CEO Fabio Schvartsman, were charged with homicide and environmental crimes. Five other people employed by the German auditing company were also charged with homicide and environmental crimes. In February 2021, Vale and federal and state authorities reached a R$37.7 billion (USD $7 billion) "Global Settlement for Integral Reparation of Brumadinho." The settlement's economic value "includes socioeconomic and socio-environmental reparation projects" such as a program of income transfer to the affected population and water safety projects in the impacted region, among others. **Rationale**: BlackRock voted For the management resolutions 1, 2, 3 and 4 because BlackRock believe that Vale has enacted the necessary changes at the Board level including the creation of a Nominating Committee that have led to significant improvements in Vale's board composition, diversity, and independence. In BlackRock's view, these changes have contributed to board effectiveness and the implementation of stronger corporate governance practices and risk management controls. For resolution 1, the company nominated 12 Directors to compose Vale's Board of Directors in the 2021 – 2023 term, as recommended by the Nominating Committee and the Board of Directors. Vale's management provided a detailed biography containing the qualifications and experience of the 12 nominees for election to the Board, clearly articulating how each will provide quality support to and oversight of management, in light of Vale's business strategy and future needs. Minority shareholders nominated 4 separate Directors however did not provide any disclosure or public assessment articulating the professional and personal qualifications of the nominees that would enable them to contribute to and enhance the board. Therefore BlackRock voted For the company nominated Directors and Against the Directors nominated by minority shareholders. BlackRock voted For resolution 5 calling for the approval of corporate transactions (incorporations), as follows: 1. Corporate simplification of iron ore assets: Partial Spin-Off of Minerações Brasileiras Reunidas S.A. (MBR) and incorporation of the entire spun-off portion by Vale. 2. Simplification of corporate structure: Merger of the companies Companhia Paulista de Ferroligas (CPFL) and Valesul Alumínio S.A. (Valesul) BlackRock is supportive of both incorporations because they believe the resulting operational efficiencies are aligned with shareholders' interests, in particular, the generation of sustainable long-term value.	

Section 4: Conclusion

The Trustee believes that the Scheme's engagement policy as outlined in the SIP has been adhered to over the Scheme year.

Following monitoring of the Scheme's investment managers over the year, and reviewing the voting information outlined in this statement, the Trustee is satisfied that BlackRock is acting in the Scheme members' best interests and are effective stewards of the Scheme's assets.

The Trustee will continue to monitor the investment manager's stewardship practices on an ongoing basis.

Appendix 1: BlackRock's voting policy

Overview of voting process for deciding how to vote

BlackRock's approach to corporate governance and stewardship is explained in their Global Corporate Governance and Engagement Principles. These high-level Principles are the framework for their, market-specific voting guidelines, which are published on the BlackRock website. The Principles describe BlackRock's philosophy on stewardship (including how they monitor and engage with companies), their voting policy, their approach to stewardship matters and how BlackRock deal with conflicts of interest.

These apply across relevant asset classes and products as permitted by investment strategies. BlackRock reviews our Global Corporate Governance & Engagement Principles annually and updates them as necessary to reflect in market standards, evolving governance practice and insights gained from engagement over the prior year.

BlackRock's Global Corporate Governance & Engagement Principles available on their website: https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf

BlackRock proxy voting decision process

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS), which consists of three regional teams – Americas ("AMRS"), Asia-Pacific ("APAC"), and Europe, Middle East and Africa ("EMEA") - located in seven offices around the world.

Analysts with each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Corporate Governance and Engagement Principles and custom market-specific voting guidelines.

While BlackRock subscribe to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one among many inputs into our vote analysis process, and BlackRock do not blindly follow their recommendations on how to vote.

BlackRock primarily use proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that our investment stewardship analysts can readily identify and prioritise those companies where our own additional research and engagement would be beneficial. Other sources of information we use include the company's own reporting (such as the proxy statement and the website), engagement and voting history with the company, and the views of our active investors, public information and ESG research.

BlackRock's third-party platform for vote execution

BlackRock use Institutional Shareholder Services' (ISS) electronic platform to execute our vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, BlackRock work with proxy research firms who apply our proxy voting guidelines to filter out routine or non-contentious proposals and refer to us any meetings where additional research and possibly engagement might be required to inform our voting decision.