

# The Colt Life Assurance & Retirement Scheme

## Implementation Statement

### Scheme year to 31 December 2020

This statement sets out the Trustees' approach to implementing the environmental, social and governance ("ESG") policies set out in the Scheme's Statement of Investment Principles over the period from 31 December 2019 to 31 December 2020.

### How voting and engagement policies have been followed

At the Scheme year-end, the investment managers ("the managers") appointed to manage assets on behalf of the Scheme were Invesco Asset Management, Columbia Threadneedle Investments, BlackRock Investment Management, Schroder Investment Management and Insight Investment. The Trustees have a process in place to review the performance of the funds in which the Scheme invests and any significant fund developments from time to time.

The Scheme invests entirely in pooled funds and, as such, delegates responsibility for carrying out voting and engagement activities to the Scheme's managers. Investment rights (including voting rights) have been exercised by the managers in line with their general policies on corporate governance. The Trustees also expect the managers to have engaged with the companies in which they invest in relation to ESG matters.

The Trustees have reviewed the summary data below in respect of the managers' voting and engagement activities and are comfortable that the actions of the managers are in alignment with the Scheme's stewardship policies. The Trustees have not undertaken a formal review of the managers' voting and engagement policies over the year.

## Voting data

The voting data collated for the Scheme is given over the year to 31 December 2020.

There are not expected to be any voting rights attaching to the Insight LDI funds, Insight credit funds, Columbia Threadneedle Property Unit Trust or the liquidity funds held by the Scheme. Therefore, these funds are not included in the tables below.

Voting data was requested in relation to the BlackRock and Schroder private equity funds, however this information was not available.

Manager	BlackRock				Invesco	Columbia Threadneedle
<b>Fund name</b>	iShares Emerging Markets Index Fund	Aquila Life MSCI World Fund	iShares Edge EM Fundamental Weighted Index Fund	Aquila Life Global Developed Fundamental Weighted Index Fund	Global Targeted Returns Fund	Dynamic Real Return 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>	2,417	1,072	656	632	347	347
<b>Number of resolutions the manager was eligible to vote on over the year</b>	22,849	15,334	6,147	9,819	5,035	4,565
<b>Percentage of resolutions the manager voted on</b>	97.0%	91.4%	91.0%	91.6%	98.3%	98.1%
<b>Percentage of resolutions the manager abstained from, as a percentage of the total number of resolutions voted on</b>	3.0%	0.6%	4.9%	0.7%	0.5%	2.4%
<b>Percentage of resolutions voted with management, as a percentage of the total number of resolutions voted on</b>	91.3%	93.0%	90.5%	94.2%	94.4%	91.4%

<b>Percentage of resolutions voted against management, as a percentage of the total number of resolutions voted on</b>	8.7%	7.0%	9.5%	5.8%	5.6%	6.2%
<b>Percentage of resolutions voted contrary to the recommendation of the proxy advisor</b>	n/a	n/a	n/a	n/a	3.3%	n/a

Source: Information provided by the managers.

## Significant votes

For the first year of implementation statements, the decision as to what a “significant vote” is has been delegated to the managers.

Data on significant votes was requested from each of the Scheme’s managers, however this data has not been provided for some of the funds in which the Scheme invests. The Trustees’ investment consultant is liaising with the managers to improve the delivery of this data in the future and we understand that the managers are working to improve their disclosures.

Summarised examples of significant votes, where available, are set out below.

### BlackRock iShares Emerging Markets Index Fund

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	Korea Electric Power Corporation (“KEPCO”)	CEZ	PGE Polska Grupa Energetyczna SA
<b>Date of vote</b>	9 November 2020	29 June 2020	26 June 2020
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	<i>Data not provided</i>	<i>Data not provided</i>	<i>Data not provided</i>
<b>Summary of the resolution</b>	Elect Choi Young-ho as an Inside Director and as a member of the Audit Committee	Approve remuneration policy; recall and elect Supervisory Board members/members of the Audit Committee and approve a shareholder proposal to amend the business strategy	Approve remuneration policy and approve the discharge of Anna Kowalik (the Supervisory Board Chairman)
<b>How the manager voted</b>	For	Against	Against
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	n/a	<i>Data not provided</i>	<i>Data not provided</i>
<b>Rationale for the voting decision</b>	While BlackRock remain concerned about KEPCO’s coal	The company’s lack of progress on climate-related reporting,	BlackRock voted against the remuneration policy for the lack

	Vote 1	Vote 2	Vote 3
	projects in Indonesia and Vietnam, they voted in favour of the candidate for reasons including that he is a new nominee and therefore not responsible for KEPCO's past decisions	insufficient information with regards to the identity of the directors and the overly prescriptive nature of the shareholder proposal	of transparency and against the approval of the discharge of Anna Kowalik based on the company's lack of progress on climate-related reporting
<b>Outcome of the vote</b>	<i>Data not provided</i>	<i>Data not provided</i>	<i>Data not provided</i>
<b>Implications of the outcome</b>	BlackRock will continue to engage with KEPCO on the financial and environmental risks associated with the company's coal projects in Indonesia and Vietnam	BlackRock will continue to engage with the company on its governance practices and reporting	BlackRock will continue to engage with the company on its governance practices and reporting
<b>Criteria on which the vote is considered "significant"</b>	<i>Data not provided</i>	<i>Data not provided</i>	<i>Data not provided</i>

Source: Information provided by BlackRock.

### BlackRock Aquila Life MSCI World Fund and BlackRock Aquila Life Global Developed Fundamental Weighted Index Fund

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	Exxon Mobil Corporation	Royal Dutch Shell Plc	Chevron Corporation
<b>Date of vote</b>	27 May 2020	19 May 2020	27 May 2020
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	<i>Data not provided</i>	<i>Data not provided</i>	<i>Data not provided</i>
<b>Summary of the resolution</b>	Requirement for an independent Board Chair	Request that Shell set and publish targets for Greenhouse Gas emissions	Report on climate lobbying in alignment with the Paris Agreement
<b>How the manager voted</b>	For	Against	For
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	<i>Data not provided</i>	<i>n/a</i>	<i>Data not provided</i>
<b>Rationale for the voting decision</b>	BlackRock's belief is that the Board would benefit from a more robust independent leadership structure	Given the company's progress towards aligning its reporting with the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations and its responsiveness to shareholder engagement on portfolio resilience and reduction of Greenhouse Gas emissions, BlackRock are	BlackRock believe greater transparency in the company's approach to political spending and lobbying as aligned with their stated support for the Paris Agreement will help articulate consistency between private and public messaging in the context of managing

	Vote 1	Vote 2	Vote 3
		supportive of management for the time being	climate risk and the transition to a lower-carbon economy
<b>Outcome of the vote</b>	<i>Data not provided</i>	<i>Data not provided</i>	<i>Data not provided</i>
<b>Implications of the outcome</b>	<i>Data not provided</i>	BlackRock will continue to engage with the company on its governance practices, reporting on material factors and on the development of its plans to achieve its climate commitments	BlackRock's support for this proposal is not meant to be punitive or suggest that they feel the Board has failed to appropriately consider climate risk in the context of strategy; rather they believe this is a further point of refinement to solidify best in class reporting amongst its peers
<b>Criteria on which the vote is considered "significant"</b>	<i>Data not provided</i>	<i>Data not provided</i>	<i>Data not provided</i>

Source: Information provided by BlackRock.

### Invesco Global Targeted Returns Fund

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	Bayer AG	Citigroup Inc.	China Oilfield Services Limited
<b>Date of vote</b>	28 April 2020	21 April 2020	28 May 2020
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	<i>Data not provided in a usable format</i>	<i>Data not provided in a usable format</i>	<i>Data not provided in a usable format</i>
<b>Summary of the resolution</b>	Ratify Deloitte GmbH as auditors	Request for reporting on lobbying payments and policy	Approval of the provision of guarantees for other parties
<b>How the manager voted</b>	For	Against	For
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	n/a	n/a	n/a
<b>Rationale for the voting decision</b>	Invesco had no concerns regarding this proposal and Institutional Shareholder Services ("ISS") were not aware of any issues that would impact the suitability of the proposed auditor	Invesco believe the company is disclosing adequate information for shareholders to be able to assess its engagement in the political process and its management of related risks	At this time, Invesco support this proposal as there are no significant known issues concerning the nominees and the company
<b>Outcome of the vote</b>	Pass	Pass	Pass
<b>Implications of the outcome</b>	<i>Data not provided</i>	<i>Data not provided</i>	<i>Data not provided</i>

	Vote 1	Vote 2	Vote 3
<b>Criteria on which the vote is considered "significant"</b>	Reasons include the company being part of Invesco's ESG watch list	Reasons include the resolution covering a key ESG proposal	Reasons include the resolution covering a key ESG proposal

Source: Information provided by Invesco.

### Columbia Threadneedle Dynamic Real Return Fund

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	Amazon.com, Inc.	Alphabet Inc.	Facebook, Inc.
<b>Date of vote</b>	27 May 2020	3 June 2020	27 May 2020
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	0.9%	0.8%	0.4%
<b>Summary of the resolution</b>	Elect Thomas O. Ryder as Director	Elect L. John Doerr as Director	Report on median gender/racial pay gap
<b>How the manager voted</b>	Against	Withhold	For
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	No	No	No
<b>Rationale for the voting decision</b>	The director is an affiliate serving on a key committee	The director is the compensation committee chair; concerns around compensation	There is a material social risk for the business; in shareholders' interests
<b>Outcome of the vote</b>	Pass	Pass	Fail
<b>Implications of the outcome</b>	Active stewardship (engagement and voting) continues to form an integral part of Columbia Threadneedle's research and investment process.		
<b>Criteria on which the vote is considered "significant"</b>	Vote against management	Vote against management	Vote against management

Source: Information provided by Columbia Threadneedle.

## Fund level engagement

The managers may engage with their investee companies on behalf of the Trustees. The tables below provide a summary of the engagement activities undertaken by each of the Scheme's managers during the year to 31 December 2020.

The scope for engagement in relation to the Insight LDI funds and the liquidity funds held by the Scheme is expected to be extremely limited. Therefore, these funds are not included in the tables below.

Engagement data in relation to the BlackRock and Schroder private equity funds was not available.

Manager	BlackRock			
Fund name	iShares Emerging Markets Index Fund	Aquila Life MSCI World Fund	iShares Edge EM Fundamental Weighted Index Fund	Aquila Life Global Developed Fundamental Weighted Index Fund
<b>Does the manager perform engagement on behalf of the holdings of the fund</b>	Yes	Yes	Yes	Yes
<b>Has the manager engaged with companies to influence them in relation to ESG factors in the year?</b>	Yes	Yes	Yes	Yes
<b>Number of different entities engaged with on behalf of the holdings in this fund in the year</b>	259	817	133	689
<b>Number of different entities engaged with at a firm level in the year</b>	2,110			

Source: Information provided by BlackRock.

### (Fund level engagement continued)

Fund name	Invesco	Columbia Threadneedle		Insight	
Fund name	Global Targeted Returns Fund	Dynamic Real Return Fund	Property Unit Trust	Buy & Maintain Bond Fund	High Grade ABS Fund
<b>Does the manager perform engagement on behalf of the holdings of the fund</b>	Yes	Yes	Yes	Yes	Yes
<b>Has the manager engaged with companies to influence them in relation to ESG factors in the year?</b>	Yes	Yes	Yes	Yes	Yes

<b>Number of different entities engaged with on behalf of the holdings in this fund in the year</b>	n/a*	Data not provided	Data not provided	76	127
<b>Number of different entities engaged with at a firm level in the year</b>	n/a*		278		786

Source: Information provided by the managers.

\*The Invesco Global Targeted Returns Fund is made up of macro-economic themes and ideas. Invesco generally take ESG factors into consideration within the Fund, rather than formally "engaging". The Fund's investment team do replicate some of their colleagues' portfolios in segregated sleeves for the Fund, but they simply replicate positions and do not get involved with underlying engagement. The engagement would take place within the teams of the portfolios mirrored by the Fund. As such, the number of engagements is unavailable.

## Example engagements and engagement themes

Manager Fund(s)	Example engagements and engagement themes
<b>BlackRock</b>	<p>In the fourth quarter of 2020, BlackRock actively participated in a collective engagement with other investors to discuss multiple recent issues at Boohoo Group, a UK online clothing retailer. The most visible of these issues had been allegations of worker exploitation in the company's UK supply chain, which prompted the Board to commission an independent third-party review of the company's practices.</p> <p>Since then, BlackRock believes the company has taken some important steps in response to this feedback, including the appointment of a new independent director to chair the Audit Committee and a senior retired judge to oversee the implementation of the improvement program. In this instance, as in all cases when BlackRock participates in collective engagement, BlackRock will make an independent assessment of the company's progress and will make their voting decisions independently of any other participant in the engagement.</p> <p>Other engagement case studies set out in BlackRock's 2020 Investment Stewardship Annual Report include engaging with Volvo AB to improve climate disclosures and a large Indian public sector bank on climate risk.</p>
<b>Invesco</b>	<p>In 2020, Invesco's Global ESG team engaged with Woodside Petroleum (an Australian energy company) on climate change matters.</p> <p>The company faced two climate shareholder resolutions in their 2020 Annual General Meeting ("AGM"). The first called for the company to disclose scope 1, 2 and 3 emissions reduction targets and explain how their planned investments in fossil fuel assets are consistent with the goals of the Paris Agreement. The second resolution called for the company to create and disclose a report into both the company's direct and indirect lobbying activities.</p> <p>Members of Invesco's ESG and investment teams had the opportunity to meet with the company's chairman and head of investor relations prior to the AGM. The company explained their opposition to the resolutions, however Invesco's view was that the arguments given were not strong enough to justify voting against the proposals. The first resolution received a slim majority support from shareholders, with 50.1% of votes in favour. Whilst the second resolution failed to secure a majority, based on the considerable proportion of shares supporting the resolution (42%), the company intends to start publically disclosing any misalignment between their own policy views and the industry associations they are members of.</p>



---

While this is short of the report requested in the resolution, it is a positive step the company has taken in response to investor demands.

Invesco also provided case study engagement examples in relation to Barrick Gold (on compensation and remuneration matters) and Samsung Electronics Co., Ltd. (on the topics of board composition and social relations).

---

### **Columbia Threadneedle**

At firm level, Columbia Threadneedle's Responsible Investment Team leads engagement activities in order to gain a better insight into how companies handle sustainability, societal and governance risks. Over the year, Threadneedle have engaged with 90 entities on governance, 38 on sustainability and 12 on societal matters.

Climate-related engagements continue to be a frequent and consistent focus of Threadneedle's Responsible Investment engagements. The aim of these engagements is to gain greater research insights and, where necessary, to influence companies' standards of operating practice. Threadneedle seek to drive companies to set and disclose enhanced emissions reduction targets, however in more extreme circumstances they may request companies to direct capital to energy transition activities. Common examples of the latter include US utilities, where they engage with the aim of encouraging the decommissioning of coal power generation in favour of renewable energy sources.

The themes most frequently addressed through Threadneedle's engagement activities are:

- Climate change.
  - Energy & climate transition.
  - Health, wellbeing & food security.
- 

### **Insight**

Buy & Maintain Bond Fund  
High Grade ABS Fund

In the final quarter of 2020, Insight engaged with TOTAL in relation to the Buy & Maintain Bond Fund after the company suggested issuing transition bonds on the back of a new ESG strategy. Insight had an ESG-centric call with the company to discuss the ESG strategy in further detail, as well as providing feedback on potential transition bond ideas. Following the discussion, Insight reconfirmed their view of TOTAL as one of the leaders in energy transition among its peers.

Other engagement examples provided in relation to the Buy & Maintain Bond Fund were engagement with BP, on their long-term targets to reduce net emissions, and Marstons, on cost reduction measures, governance and food safety.

Also during the final quarter of 2020, Insight engaged with La Trobe in relation to residential mortgage-backed securities held in the High Grade ABS Fund. Whilst Insight believe the originator scores well on governance and social issues, they believe it could improve its provision of information on environmental risks. Insight have engaged with La Trobe on providing information on environmental metrics and stress tests, alongside how to incorporate climate change factors into their origination process.

---

*Source: Information provided by the managers.*