

Implementation Statement, covering the Scheme Year from 1 April 2020 to 31 March 2021

The Trustees of the Sharp Electronics (UK) Pension Scheme (the “Scheme”) are required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed the voting and engagement policies in their Statement of Investment Principles (“SIP”) during the Scheme Year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

It should be noted that this Statement does not cover the Scheme’s Additional Voluntary Contribution (“AVC”) arrangements.

1. Introduction

The Scheme’s SIP was updated over the year, in August 2020, to reflect updates to the Scheme’s investment strategy and the latest SIP regulations. However, there were no changes made to the voting and engagement policies in the SIP during the year. The last time these policies were formally reviewed was in September 2019, to reflect the Trustee’s policies in these areas. As part of the SIP update in August 2020, the employer was consulted and confirmed it was comfortable with the changes.

The Trustees have, in their opinion, followed the Scheme’s voting and engagement policies during the Scheme Year, by continuing to delegate to their investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes. The Trustees reviewed the Scheme’s existing managers and funds over the period, as described in Section 2 (Voting and engagement) below.

2. Voting and engagement

As part of its advice on the selection and ongoing review of the investment managers, the Scheme’s investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers’ approaches to voting and engagement.

At the meeting on 24 June 2020, the Trustees reviewed LCP’s responsible investment (RI) scores for the Scheme’s existing managers and funds, along with LCP’s qualitative RI assessments for each fund and red flags for any managers of concern. These scores cover the approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP’s ongoing manager research programme and it is these that directly affect LCP’s manager and fund recommendations. The manager scores and red flags are based on LCP’s Responsible Investment Survey 2020.

The Trustees were satisfied with the results of the review and no further action was taken.

3. Description of voting behaviour during the Scheme Year

All of the Trustees’ holdings in listed equities are within pooled funds and the Trustees have delegated to their investment managers the exercise of voting rights. Therefore, the Trustees are not able to direct how votes are exercised and the Trustees themselves have not used proxy voting services over the Scheme Year.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, on the Scheme’s funds that hold equities as follows:

- LGIM UK Equity Index Fund
- LGIM Europe (ex UK) Equity Index Fund – GBP Currency Hedged
- LGIM North America Equity Index Fund – GBP Currency Hedged
- LGIM Japan Equity Index Fund – GBP Currency Hedged
- LGIM Asia Pacific (ex Japan) Developed Equity Index Fund – GBP Currency Hedged
- LGIM World Emerging Markets Equity Index Fund – GBP Currency Hedged
- Barings Dynamic Asset Allocation Fund*

*The Scheme's holdings in the Barings Dynamic Asset Allocation Fund were fully redeemed on 9 March 2021.

Description of the voting processes

LGIM

LGIM's voting and engagement activities are driven by ESG professionals and its assessment of the requirements in these areas seeks to achieve the best outcome for all its clients. LGIM's voting policies are reviewed annually and take into account feedback from its clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as LGIM continue to develop its voting and engagement policies and define strategic priorities in the years ahead. LGIM also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

All decisions are made by LGIM's Investment Stewardship team and in accordance with its relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents, which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company, with the aim of ensuring that its stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and LGIM do not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is purely to augment its own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services ("IVIS") to supplement the research reports that LGIM receives from ISS for UK companies when making specific voting decisions

To ensure LGIM's proxy provider votes in accordance with its position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM consider are minimum best practice standards which LGIM believe all companies globally should observe, irrespective of local regulation or practice.

LGIM retains the ability in all markets to override any vote decisions, which are based on its custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows LGIM to apply a qualitative overlay to its voting judgement. LGIM has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by its service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

Barings

Barings do not consult clients before voting unless specifically requested to. Barings' policy is to vote in line with its voting provider recommendations unless it is determined not in the clients best interest to do so. Barings generally do not vote when share-blocking applies.

Barings uses ISS for vote recommendations, research and vote processing. Barings is not currently aware of any material conflict of interest that would impair its ability to act as the manager to the Barings Dynamic Asset Allocation Fund.

Summary of voting behaviour over the Scheme Year

A summary of voting behaviour over the period is provided in the table below.

	LGIM UK Equity Index Fund	LGIM Europe (ex UK) Equity Index Fund – GBP Currency Hedged	LGIM North America Equity Index Fund – GBP Currency Hedged	LGIM Japan Equity Index Fund – GBP Currency Hedged	LGIM Asia Pacific (ex Japan) Developed Equity Index Fund – GBP Currency Hedged	LGIM World Emerging Markets Equity Index Fund – GBP Currency Hedged	Barings Dynamic Asset Allocation Fund
Total size of fund at end of reporting period (£m)	21,983	4,914	17,354	2,715	1,745	7,673	654
Value of Scheme assets at end of reporting period (£m)	6.6	6.9	22.4	2.2	3.5	3.0	nil*
Number of holdings at end of reporting period	598	461	662	509	404	1,882	80
Number of meetings eligible to vote	943	686	794	551	534	3,998	93
Number of resolutions eligible to vote	12,574	11,412	9,495	6,518	3,774	36,036	885
% of resolutions voted	100.00%	99.89%	100.00%	100.00%	100.00%	99.89%	96.6%
Of the resolutions on which voted, % voted with management	92.94%	84.21%	71.79%	86.08%	74.22%	85.23%	92.16%
Of the resolutions on which voted, % voted against management	7.05%	15.26%	28.17%	13.92%	25.76%	13.40%	7.84%
Of the resolutions on which voted, % abstained from voting	0.01%	0.53%	0.04%	0.00%	0.03%	1.38%	Nil
Of the meetings in which the manager voted, % with at least one vote against management	3.27%	4.35%	7.75%	5.85%	10.12%	5.07%	38.88%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	0.80%	0.40%	0.32%	0.21%	0.21%	0.02%	0.94%

* The Scheme fully disinvested its c£35.3m holding from the Barings Dynamic Asset Allocation Fund on 9 March 2021. However, since the Scheme was invested across the vast majority of the reporting period (1 April 2020 to 31 March 2021), we have provided summary data for the full period, as provided by Barings.

Most significant votes over the Scheme Year

Commentary on the most significant votes over the period, from the Scheme's asset managers who hold listed equities, is set out below. From the votes provided by managers, we have selected a subset based on a combination of factors, including: the potential financial impact of the vote; the potential stewardship impact of the vote; and whether the vote was particularly controversial (for example, if it was high profile). **No significant votes were provided for the LGIM World Emerging Markets Equity Index Fund.**

	LGIM UK Equity Index Fund	LGIM UK Equity Index Fund	LGIM Europe (ex UK) Equity Index Fund – GBP Currency Hedged	LGIM North America Equity Index Fund – GBP Currency Hedged	LGIM North America Equity Index Fund – GBP Currency Hedged	LGIM Japan Equity Index Fund – GBP Currency Hedged	LGIM Japan Equity Index Fund – GBP Currency Hedged	LGIM Asia Pacific (ex Japan) Developed Equity Index Fund – GBP Currency Hedged	LGIM Asia Pacific (ex Japan) Developed Equity Index Fund – GBP Currency Hedged	Barings DAAF	Barings DAAF
Company	International Consolidated Airlines Group	Pearson	Lagardère	Medtronic plc	Amerisource-Berger Corporation	Olympus Corporation	Fast Retailing Co. Limited.	Whitehaven Coal	Samsung Electronics	East Japan Railway Company	Toyota
Date of vote	07-Sep-20	18-Sep-20	05-May-20	11-Dec-20	11-Mar-21	30-Jul-20	26-Nov-20	22-Nov-20	17-Mar-21	23-Jun-20	11-Jun-20
Outcome of vote	Passed	Passed	Failed, but with 30-40% support; indicating many shareholders have concerns with the board	Passed	Passed, but with c48% against	Passed	Passed	Failed	Meeting results not yet available	Passed	Passed
Summary of the resolution	Approve remuneration report	Amend remuneration policy	Proposition of 8 new directors as well as to remove all the incumbent directors (apart from two 20/19 appointments). For five of the candidates and voted off five of the incumbent directors	Ratify Directors' compensation	Ratify Directors' compensation	Election of Director	Election of Director	Approve capital protection	Election of Directors	Appointment of director	Appointment of director
For/Against	Against	Against	Against	Against	Against	Against	Against	For	Against	Against	Against
Rationale for the voting decision	Inappropriate remuneration in light of financial situation and stakeholder conditions	Disapproval of proposed remuneration plan, which was a condition of the new CEO accepting the proposal. This somewhat backed investors into a corner, and conflated two separate issues on which separate votes should have been held.	Proposals were due to the opinion that the company strategy was not creating value for shareholders, that the board members were not sufficiently challenging management on strategic decisions, and for various governance failures	LGIM voted against a one-off payment; LGIM is non-supportive of these in general, in particular to compensate for a payment for which performance criteria were not met	LGIM voted against the resolution to signal concern over the overall increased compensation package during a year that the company recorded a \$6.6bn charge related to opioid lawsuits and a total operating loss of \$5.1bn	Concerns regarding gender equality; lack of women	Concerns regarding gender equality; lack of women	LGIM has publicly advocated for a 'managed' decline for fossil fuel companies, in line with global climate targets, with capital being returned to shareholders instead of spent on diversification and growth projects that risk becoming stranded assets.	Outside directors have collectively failed to remove criminally convicted directors from the board, indicative of a material failure of governance and oversight at the company	Board is not sufficiently independent	Board is not sufficiently independent