

Grosvenor Pension Plan

Implementation Statement, covering the Plan Year from 1 January 2020 to 31 December 2020

The Trustees of the Grosvenor Pension Plan (the “Plan”) 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 Plan Year. This is provided in Sections 1 and 2 below.

The Statement is also required to include a description of the voting behaviour during the Plan 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.

1. Introduction

The voting and engagement policies in the SIP were reviewed and updated during the Plan Year in September 2020 to reflect the Trustees’ policies in relation to Responsible Investment and Environmental, Social and Governance matters. Further detail and the reasons for these changes are set out in Section 2. As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes.

The Trustees have, in their opinion, followed the Plan’s voting and engagement policies during the Plan 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 took a number of steps to review the Plan’s new and 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 Plan’s investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers’ approaches to voting and engagement.

At the May 2020 Investment Sub-Committee (“ISC”) meeting, the Trustees reviewed LCP’s Responsible Investment (RI) scores for the Plan’s existing managers, 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.

LCP, on behalf of the Trustees, also engaged with BlackRock in December 2020 regarding its engagement with companies on climate-related shareholder resolutions in relation to the BlackRock equity funds that the Plan invests in, and the firm’s stance more generally. BlackRock provided a formal response to this challenge in early 2021, stating that it is enhancing and updating its commitments on climate change engagement. The Trustees will monitor this on an ongoing basis.

The Trustees invested in the following new funds over the reporting year;

- BlackRock Aquila Life UK Equity Index Fund;
- BlackRock ACS World Low Carbon Equity Tracker Fund;
- BlackRock Aquila Life World ex-UK Equity Index Fund (GBP hedged);
- IFM Global Infrastructure Fund;
- Alcentra Strategic Credit Fund II, and
- JP Morgan Life All Emerging Markets Equity Fund.

In selecting and appointing each manager, the Trustees reviewed LCP’s RI assessments of the shortlisted managers. Where the Trustees met with multiple managers at a selection day, voting and engagement were discussed with each manager and factored in to the Trustees’ decision making.

3. Description of voting behaviour during the Plan 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 Plan Year.

In this section we have sought to include voting data on the Plan's funds that hold equities, over the period the Plan was invested in each fund, as follows:

- BlackRock Aquila Life regional overseas equity funds;
- BlackRock Aquila Life UK Equity Index Fund;
- BlackRock ACS World Low Carbon Equity Tracker Fund;
- BlackRock Aquila Life World ex-UK Equity Index Fund (GBP hedged);
- Invesco UK Growth Fund;
- Jupiter UK Special Situations Fund;
- Capital Emerging Markets Total Opportunities Fund;
- JP Morgan Life All Emerging Markets Equity Fund;
- ASI Diversified Growth Fund.

In addition to the above, the Trustees contacted the Plan's other investment managers that don't hold listed equities, to ask if any of the assets held by the Plan had voting opportunities over the period. Commentary provided from these managers is set out in Section 3.4.

3.1 Description of the voting processes

BlackRock

BlackRock's voting and engagement work continuously evolves in response to changing governance related developments and expectations. BlackRock's voting guidelines are market-specific to ensure it takes into account a company's unique circumstances. It informs companies of its vote decisions through research and engages as necessary. BlackRock's engagement priorities are global in nature and are informed by its observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients. It may update its regional engagement priorities based on issues that it believes could impact the long-term sustainable financial performance of companies in those markets.

BlackRock welcomes discussions with clients on engagement and voting topics and priorities to get their perspective and better understand which issues are important to them.

BlackRock determines which companies to engage directly based on its assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of engagement being productive. Voting guidelines are intended to help clients and companies understand its thinking on key governance matters. They are the benchmark against which BlackRock assesses a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. It applies the guidelines pragmatically, taking into account a company's unique circumstances where relevant. BlackRock inform its vote decisions through research and engage as necessary.

Invesco

Invesco views proxy voting as an integral part of its investment management responsibilities. The proxy voting process at Invesco focuses on protecting clients' rights and promoting governance structures and practices that reinforce the accountability of corporate management and boards of directors to shareholders. Voting matters are assessed on a case-by-case basis by Invesco's respective investment professionals considering the unique circumstances affecting companies, regional best practices and our goal of maximizing long-term value creation for our clients.

The voting decision lies with Invesco's asset managers with input and support from our Global ESG team and Proxy Operations functions. Portfolio managers review voting items based on their individual merits and retain full discretion on vote execution conducted through their proprietary proxy voting platform. The proprietary voting platform facilitates implementation of voting decisions and rationales across global investment teams. Invesco's proxy voting philosophy, governance structure and process are designed to ensure that proxy votes are cast in accordance with clients' best interests.

Jupiter

Individual fund managers with responsibility for an investment in a company retain ultimate discretion over voting decisions for the funds they manage on behalf of clients. This is consistent with Jupiter's active management philosophy where fund managers are given the freedom to invest as they see fit. Jupiter do not think it is appropriate or in keeping with their commitment to clients if these considerations become detached from their fund managers. Therefore, Jupiter do not outsource voting or engagement activity to third parties and nor do they automatically follow voting recommendations.

The process is supported by Jupiter's Governance and Sustainability team, which is involved in reviewing agenda items, disseminating information and engaging with companies. Resolutions are assessed against Jupiter's Stewardship Policy and any non-compliance with good market practice or major issues (including investment decisions) is discussed with fund managers prior to voting.

Capital

All US proxies are voted. Proxies for companies outside the US are also voted, provided there is sufficient time and information available. After a proxy is received, a summary of the proposals contained in the proxy is prepared. A discussion of any potential conflicts of interest is also included in the summary.

For proxies of securities managed by a particular investment division of the Capital Research and Management Company ("CRMC"), the initial voting recommendation is made by one or more of the division's investment analysts familiar with the company and industry. A second recommendation is made by a proxy coordinator (an investment analyst with experience in corporate governance and proxy voting matters) or other individual within the appropriate investment division, based on knowledge of Capital's voting principles and familiarity with proxy related issues.

The proxy summary and voting recommendations are made available to the appropriate proxy voting committee for a final voting decision. Proxies for the funds are voted by the appropriate investment committee of CRMC's equity investment divisions under delegated authority. Therefore, if more than one fund invests in the same company, certain funds may vote differently on the same proposal.

JP Morgan

JP Morgan's investment professionals monitor the corporate actions of the companies held in their clients' portfolios. To assist JP Morgan's investment professionals with public companies' proxy voting proposals, a JP Morgan entity may, but shall not be obligated to, retain the services of an independent proxy voting service ("Independent Voting Service").

The Independent Voting Service is assigned responsibility for various functions, which may include one or more of the following: coordinating with client custodians to ensure that all proxy materials are processed in a timely fashion; providing JP Morgan with a comprehensive analysis of each proxy proposal and providing JP Morgan with Corporate Governance Policy & Voting Guidelines recommendations on how to vote each proxy proposal based on the Guidelines or, where no Guideline exists or where the Guidelines require a case-by-case analysis, on the Independent Voting Service's analysis; and executing the voting of the proxies in accordance with Guidelines and its recommendation, except when a recommendation is overridden by JP Morgan.

Situations often arise in which more than one JP Morgan client invests in the same company or in which a single client may invest in the same company but in multiple accounts. In those situations, two or more clients, or one client with different accounts, may be invested in strategies having different investment objectives, investment styles, or portfolio managers. As a result, JP Morgan may cast different votes on behalf of different clients or on behalf of the same client with different accounts.

ASI

ASI employ Institutional Shareholder Services ("ISS") as a service provider to deliver its voting decisions efficiently to companies. ISS provides voting recommendations based on ASI's own customised voting policy which reflects ASI's guidelines and expectations. ASI remain conscious always that all voting decisions are its own on behalf of its clients. ASI consider ISS's recommendations and those based on its custom policy as input to its voting decisions. In addition to the ISS service for UK company general meetings ASI also use research provided by the Institutional Voting Information Service (IVIS) which uses the guidelines of the Investment Association (IA) as the basis of their research.

ASI has in place a stable process by which the proxy voting team collects general meeting notifications and research and allocates the voting decision through a pre-defined framework to the analyst responsible for making

the voting decision for the company in question. The analysts selected will be a member of the ESG Investment team or the equity desk analyst responsible for the sector in which the company sits. The selected ASI analyst will assess the resolutions at general meetings in its active investment portfolios. This analysis will be based on ASI's knowledge of the company but will also make use of the custom policy recommendations and recommendations provided by ISS. The product of this analysis will be a final voting decision instructed through ISS and applied to all funds for which ASI have been appointed to vote.

3.2 Summary of voting behaviour over the Plan Year

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

Manager name	Voting behaviour											
	Invesco	Jupiter	Capital	JP Morgan	ASI	BlackRock						
Fund name	UK Growth Fund	UK Special Situations Fund	Emerging Markets Total Opportunities Fund	Life All Emerging Markets Equity Fund	Diversified Growth Fund	Aquila Life UK Equity Index Fund	ACS World Low Carbon Equity Tracker Fund	Aquila Life World ex UK Equity Index Fund (GBP Hedged)	Aquila Life European Equity Index Fund	Aquila Life Japanese Equity Index Fund	Aquila Life Pacific Rim Equity Index Fund	Aquila Life US Equity Index Fund
Total size of fund at end of reporting period	n/a	£1.8bn	n/a	£0.3bn	£0.7bn	£4.9bn	£2.7bn	£1.2bn	n/a	n/a	n/a	n/a
Value of Plan assets at end of reporting period (£ / % of total assets) ^{*1}	-	£20.0m / 6%	-	£32.0m / 10%	£41.3m / 13%	£18.4m / 6%	£101.8m / 32%	£25.3m / 8%	-	-	-	-
Number of equity holdings at end of reporting period ^{*2}	41	37	114	70	572	Unable to provide	Unable to provide	Unable to provide	Unable to provide	Unable to provide	Unable to provide	Unable to provide
Number of meetings eligible to vote	43	34	170	14	350	1,168	1,365	2,207	512	516	445	613
Number of resolutions eligible to vote	872	644	1,470	103	3,991	15,622	18,182	27,008	8,674	6,290	3,133	7,588
% of resolutions voted	98	100	100	100	97	97	93	94	81	100	100	100
Of the resolutions on which voted, % voted with management	99	98	88	98	86	93	95	91	86	96	89	93
Of the resolutions on which voted, % voted against management	1	2	8	2	14	5	5	9	13	4	11	6

Of the resolutions on which voted, % abstained from voting	1	1	4	0	2	2	0	0	1	0	0	0
Of the meetings in which the manager voted, % with at least one vote against management ^{*2}	83	26	29	14	50	Unable to provide	Unable to provide	Unable to provide	Unable to provide	Unable to provide	Unable to provide	Unable to provide
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	2	n/a	n/a	9	3	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Note: Data in the table for BlackRock, Invesco and Capital is provided for the whole year to 31 December 2020 although the Plan was not invested in the Invesco and Capital funds and some of the BlackRock listed above for the full period. Data in the table for JP Morgan is for Q4 2020, with the Plan's initial investment in this fund on 1 October 2020.

^{*1} Percentage of Plan assets excludes the Trustee bank account

^{*2} BlackRock was unable to provide data on these sections in time for inclusion in this final version the Statement.

3.3 Most significant votes over the Plan Year

Each manager has indicated to us what it considers to be the “most significant vote”. Commentary on some of the most significant votes over the period is set out below. Please note that this is not an exhaustive list. We have used our discretion to choose “most significant vote” resolutions from those provided by each relevant investment manager, aiming to provide a broad range of example resolutions that the Plan’s investment managers typically vote on.

BlackRock

BlackRock’s Investment Stewardship team periodically publish detailed explanations of specific key votes in “vote bulletins”. These bulletins are intended to explain each voting decision, including the analysis underpinning it and relevant engagement history when applicable, on certain high-profile proposals at company shareholder meetings. BlackRock make this information public shortly after the shareholder meeting, so clients and others can be aware of their vote determination when it is most relevant to them. The vote bulletins contain explanations of the most significant votes for the purpose of the Shareholder Rights Directive II.

The “most significant” votes outlined below cover examples across a range of BlackRock’s equity funds in which the Plan is, or was, invested over the period.

Volkswagen AG, September 2020

- **Vote:** Against
- **Summary of resolution:** Re-election of directors.
- **Rationale:** BlackRock voted against the discharge of a number of Management Board and Supervisory Board members due to ongoing concerns with (i) oversight in relation to the emissions scandal, (ii) the insufficient level of independence on the Supervisory Board and its sub-committees, and (iii) the independence of the external auditor.

Mizuho Financial Group, June 2020

- **Vote:** Against
- **Summary of resolution:** Amend articles to disclose plan outlining company’s business strategy to align investments with goals of Paris agreement
- **Rationale:** BlackRock’s independent fiduciary reported that it took into consideration the company’s policies and the announcements made since the shareholder proposal was filed. The independent fiduciary determined that the company now has policies in place that address the issues raised in the proposal.

Santander Consumer USA Holdings, Inc, June 2020

- **Vote:** For
- **Summary of resolution:** Report on Risk of Racial Discrimination in Vehicle Lending
- **Rationale:** BlackRock voted for the shareholder proposal, as discriminatory lending practices (of all forms) are a material risk to the company’s business and shareholders would benefit from increased and improved disclosure on compliance programs, processes and procedures, as well as risk mitigation processes and procedures, to prevent discriminatory lending (including racial discrimination).

J.B. Hunt Transport Services, April 2020

- **Vote:** Against
- **Summary of resolution:** Report on Climate Change Initiatives
- **Rationale:** BlackRock believes the company has markedly improved its disclosures and has committed to publishing a SASB-aligned report by year-end, which will highlight oversight of climate-related risks and showcase key performance indicators on material factors, such as greenhouse gas emissions.

Chevron Corporation, May 2020

- **Vote:** For
- **Summary of resolution:** Report on Climate Lobbying Aligned with Paris Agreement Goals

- **Rationale:** BlackRock voted for this proposal, as greater transparency into the company's approach to political spending and lobbying as aligned with its stated support for the Paris Agreement will help articulate consistency between private and public messaging in the context of managing climate risk and the transition to a lower-carbon economy.

Invesco

Invesco's investor-led proxy voting approach ensures that each meeting is voted in the firm's clients' best interests and each proposal, both management and shareholder, is considered in light of the risk and materiality to the portfolios. As part of the firm's Shareholder Rights Directive II implementation, the following criteria are used when determining whether a voting item is significant;

- materiality of the position;
- the content of the resolution; and
- inclusion on Invesco's ESG watchlist

Royal Dutch Shell Plc, May 2020

- **Vote:** Against
- **Summary of resolution:** Request Shell to set and publish targets for Greenhouse Gas (GHG) Emissions
- **Rationale:** Although shareholders may benefit from some additional disclosures from Shell to further support and substantiate its stated ambitions, the Company's climate strategy is considered at this time to be a sufficient and appropriate response to the matters raised in the resolution.

Jupiter

Jupiter determine how to classify "most significant votes" on a case by case basis, taking into account various factors including position sizes, engagement intensity and uncommon issues or outcomes.

Barclays plc, May 2020:

- **Vote:** For
- **Summary of resolution:** Approve Barclays' commitment in tackling climate change
- **Rationale:** Jupiter's stance expressed its support for the bank's net zero target for Scope 1,2 and 3 carbon emissions but also its view that the bank should phase out lending to energy and utility companies whose activities are not aligned with the goals of the Paris Agreement. Jupiter's voting stance was informed by engagement with the proponents and the company's Board and management.

Tesco, June 2020:

- **Vote:** Against
- **Summary of resolution:** Remuneration Report
- **Rationale:** The Committee chose to retrospectively remove Ocado from the peer group against which Tesco was assessed. This materially increased the departing CEO's pay-out under the group's Long-Term Incentive Plan (LTIP). The Committee argued that Ocado should not be deemed one of Tesco's peers because it had transitioned from a pure-play online grocery business to become a software company. However, we and other shareholders did not agree with the Committee's premise.

Capital

Capital classifies "most significant votes" to be the following;

- all votes against management;
- all shareholder proposals;
- particularly controversial proposals determined on a case by case basis; and
- activities that are best representative of the companies stewardship policies.

Hugel inc, March 2020

- **Vote:** Against
- **Summary of resolution:** Elect Director
- **Rationale:** Board independence levels are deemed insufficient.

Valaris, June 2020

- **Vote:** Against
- **Summary of resolution:** Approve Remuneration report
- **Rationale:** Capital believes that some elements of the Executive Compensation Plan are not in the interest of minority shareholders.

JP Morgan

JP Morgan defines “significant” votes as votes where it is a major shareholder in its portfolios, where the vote is likely to be close or contentious or where there may be potential material consequences for clients.

Huazhu Group Limited, October 2020:

- **Vote:** Against
- **Summary of resolution:** Re-election of Min (Jenny) Zhang as director.
- **Rationale:** JP Morgan elected to vote against the director, due to the Board failing to create a nominating committee, in addition to majority of the Board remaining non independent nominees.

ASI

ASI does not categorise most significant votes. Instead it makes publicly available on its website all of its votes. We have therefore not included examples of any significant votes for ASI (as we rely on the Plan’s investment managers to determine what they consider to be significant votes).

We have liaised with ASI to ascertain if it is working towards providing information on most significant votes for next year. ASI responded with:

“As it stands, we publish all of our votes in the interest of full transparency, as we are not in a position to determine which are the most significant votes; what is more significant to one shareholder may be less significant to another. We are, however, open to reviewing this process following Investment Association guidance.”

3.4 Votes in relation to assets other than listed equity

The following comments were provided by the Plan’s asset managers who don’t hold listed equities, but have engaged with companies to which they lend or have provided information on how they vote when the assets they invest in do have voting opportunities:

M&G

M&G did not have any proxy voting activity for the Alpha Opportunities Fund over the period under review. However, M&G was able to provide the following information on its voting process more generally.

M&G will only abstain from a resolution where information is lacking; where proposals do not meet expectations but the company has made or promised changes that it is believed will significantly improve the position; or where M&G has not had sufficient opportunity to discuss its concerns with the company.

M&G takes into account its voting policy, company specific information and the extent to which it has been able to obtain any additional information required when deciding on votes. Investee company policies, arrangements and disclosures that fall short of M&G’s voting guidelines and the standards of the local market will typically be voted against. However, those that fall short of M&G’s voting policies, but which reflect usual practice in the local market, are typically supported.

M&G seeks to discuss any contentious resolutions with company management before voting, in order to ensure that its objectives are understood, however, M&G consider it unnecessary to do so for routine capital management resolutions that it typically opposes, as its position is clearly disclosed.

Any shares on loan may be recalled whenever there is a vote on any issue affecting the value of shares held, or an issue deemed to be material to client interests.

Alcentra

Alcentra has confirmed it often has opportunities to vote in instances where it may hold equity positions in stressed and distressed issuers. However, it is unable to provide specific examples of voting resolutions it has participated in for the fund in which the Plan invests.

IFM

As IFM does not currently hold any listed investments across the IFM Global Infrastructure Fund portfolio companies, and due to confidentiality restrictions with regards to voting on matters in private companies, IFM does not periodically report on voting matters.

With regards to the voting and engagement activities between IFM and the underlying portfolio companies, as the underlying holdings of GIF are private equity investments rather than public market listed equities, IFM's influence on such investments is made directly through IFM's Board representation on the underlying portfolio companies rather than through any form of proxy voting.