

Yorkshire and Clydesdale Bank Pension
Scheme

**Annual Implementation
Statement – Scheme year
ending 30 September 2022**

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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”) 30 September 2022.

The purpose of this statement is to:

- Provide 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
- Describe the voting behaviour by, or on behalf of, the Trustee (including the most significant votes cast by the Trustees or on its behalf) during the year and state any use of services of a proxy voter during that year.
- Provide details and examples of the engagement activities undertaken on behalf of the Trustee during the year

The Scheme makes use of a wide range of investments; therefore, the principles and policies in the SIP are intended to be applied in aggregate and proportionately, focusing on areas of maximum impact.

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 2021 to 30 September 2022. The SIP linked above reflects the latest version of the SIP which is dated December 2021.

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 also 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. During the year to 30 September 2022 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 2021, 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.
- The Trustee reviewed the fees of its investment managers in July 2022 and of Northern Trust, the Scheme's Custodian and Performance Measurer, in October 2021 to ensure they were in line with industry standards. The Trustee reviewed the portfolio turnover levels of the Scheme's underlying investment funds in November 2021 as part of the agreed annual process.
- 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 May 2022. Following the review, the Trustee concluded that they were satisfied that there were no obvious misalignments between managers' policies and the Trustee's policies.

- Through the year the Scheme has been working on the creation of a Sustainable Investment Policy, which provides more detail on the Trustee's approach to Sustainable Investing. The intention is for the Policy to be made public once completed.
- 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:
 - The Trustee has received regular updates on the estimates of the Scheme's exposures based on a range of carbon metrics, including total carbon emissions and carbon footprint.
 - The Trustee has progressed with the adoption of a carbon emissions reduction target, opening conversations with the Company on the proposed target.
 - The Trustee has requested information on the potential impact of climate change from the Scheme's investment managers when meeting them through the year. In particular, in April the Scheme met with Abrdn – one of the two buy and maintain credit managers – for a focus on climate-related risks. The climate risks within the buy and maintain mandates are understood to be the most material to the Scheme, due to the size of the mandates.

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 and Engagement

The Scheme is invested in a diverse range of asset classes and the scope for voting and engagement activity varies by asset class. For voting, this document focuses on the equity investments which have voting rights attached whilst for engagement the focus is on the buy and maintain credit mandates, which represent the majority of the Scheme's holdings in corporate securities.

Engagement Activity

The Trustee's primary focus, from an ESG perspective, is on encouraging its investment managers and advisors to engage with the companies it invests in to better manage risks and improve outcomes. Engagement activities are monitored through the year in a number of different ways, including the annual review of managers' approach to sustainable investment, ratings and updates from the Scheme's investment consultant on the managers' engagement capabilities and as a part of regular manager meetings.

The Scheme's buy and maintain corporate bond mandates with LGIM and Abrdn are key mandates for the Scheme from an engagement perspective. They are mandates that are very material to the strategy, with a 27% strategic asset allocation to the asset class and a key role to play in the investment strategy due to their cashflow generation and long-term focus. They also represent the majority of the Scheme's holdings in corporate securities. Over the year the Trustee met with both LGIM and abrdn to discuss the buy and maintain credit and ESG was one of the main topics considered. Within these discussions the Trustee looks for detail on both the process for engagement that each manager follows (including systems and resourcing) as well as examples of the engagement in practice. Specific examples discussed include:

- LGIM's engagement with BP on climate change – whereby LGIM have co-led engagement with BP on its climate strategy since 2019 (with the Climate Action 100+ investor coalition) and this engagement has led to BP announcing a climate target of net zero by 2050.
- LGIM's engagement with Microsoft on corporate behaviour and governance – whereby LGIM have been vocally opposing the Company's approach to managing and assigning key corporate roles.
- Abrdn's engagement with Holcim – whereby Abrdn have been focusing on the detail of the ambitious climate related targets that the Company has adopted.

At a higher level, the Trustee is intending to monitor the level of climate-related engagements undertaken by its investment managers across the portfolio.

The Trustee also reviews its investment advisor's approach to sustainable investment and reviewed a number of reports detailing the investment advisor's credentials in this area in September 2022.

Voting activity

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

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.

The Trustee has, since 30 September 2022, disinvested from the BlackRock equity funds noted above and no longer has any investments in equity funds.

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	<p>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.</p> <p>BlackRock primarily uses proxy research firms to summarise 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.</p>

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](#).

BlackRock reported on the most significant votes cast within the funds managed on behalf of the Scheme over the year to 30 September 2022, including the rationale for the voting decision and the outcome of the vote. A number of these key votes taken on behalf of the Trustee 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. The votes below were also selected based on those that align most closely to the Trustee’s views and goals for the portfolio, most notably votes on climate change and the formulation of a climate action plan.

Manager – BlackRock UK Equity

Voting activity*	Number of votes eligible to cast:	14,951
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	Percentage of eligible votes cast:	95%
	Percentage of votes with management:	95%
	Percentage of votes against management:	5%
	Percentage of votes abstained from:	1%
Most significant votes cast	Company	Shell Plc
	Size of holdings	7.7% of Fund
	Company summary	Shell Plc (Shell) is a major integrated oil and gas company that operates through Integrated Gas, Upstream, Downstream and Corporate segments. The company was formerly based in the Netherlands and has recently moved their headquarters to the United Kingdom.
	Resolution	Request Shell to Set and Publish Targets for Greenhouse Gas (GHG) Emissions (shareholder proposal)
	Vote Cast	Against
	Rationale for voting decision	BlackRock did not support this shareholder proposal because they believe that it is not additive to Shell's Energy Transition Strategy and that the company's ability to set absolute short-and medium-term scope 3 emissions reduction targets is impeded by the current uncertainty around the pace of declines in oil and gas demand as well as energy security considerations.
	Outcome of vote	Resolution did not receive enough votes
	Company	Rio Tinto Group
	Size of holdings	2.5% of fund
	Company summary	The Rio Tinto Group engages in the exploration, mining, and processing of minerals globally. The group operates in 35 countries under a dual listed company structure, with the businesses of Rio Tinto plc and Rio Tinto Limited sharing a board and management structure.
	Resolution	Item 4 – 13 : Re-election of board members Item 17: Approve Climate Action Plan
	Vote Cast	For (all items)

	<p>Rationale for voting decision</p>	<p>BlackRock supported all directors up for re-election. After closely analysing each candidate's profile and engaging with the group – and in consideration of the changes made both at the board and management level following the Juukan Gorge controversy – BlackRock determined it is in the best interests of our clients as long term shareholders to support board continuity.</p> <p>BlackRock voted for the management proposal seeking shareholders' approval of the Rio Tinto Group's Climate Action Plan, which is described in the report "Our Approach to Climate Change 2021.". The group's climate action plan, targets, and disclosures are consistent with what BlackRock look for and, in its assessment, demonstrate management and board responsiveness to shareholder feedback. Accordingly, BlackRock determined that it is in the best interests of our clients as long-term shareholders to support the proposal to approve the Climate Action Plan</p>
	<p>Outcome of vote</p>	<p>Resolution was passed</p>

Manager – BlackRock World ex-UK Equity

Voting activity*	Number of votes eligible to cast:	27,684
	Percentage of eligible votes cast:	91%
	Percentage of votes with management:	92%
	Percentage of votes against management:	7%
	Percentage of votes abstained from:	0% (134 votes cast)
Most significant votes cast	Company	Alphabet Inc
	Size of holdings	2.5% of fund
	Company Summary	Alphabet, Inc. (Alphabet) is a communications services company which operates primarily through Google but also some smaller operating segments such as Access and Calico.
	Resolution	Item 8: Report on Metrics and Efforts to Reduce Water Related Risk (Shareholder proposal) Item 9: Oversee and Report a Third-Party Racial Equity Audit (Shareholder proposal) Item 11: Approve Recapitalization Plan for all Stock to Have One-vote per Share (Shareholder proposal) Item 16: Commission Third Party Assessment of Company's Management of Misinformation and Disinformation Across Platforms (Shareholder proposal)
	Vote Cast	For
	Rationale for voting decision	Blackrock supported item 8 because, in its assessment, shareholders would benefit from more information on the company's approach to water dependencies and impact. Blackrock supported item 9 because, in its view, shareholders would benefit from a third party assessment of Alphabet's diversity, equity and inclusion (DEI) practices. BlackRock's view is that one vote per share is in the best economic interests of long-term shareholders, therefore they supported the shareholder proposal (item 11) to disband the company's multi-class stock structure. BlackRock's view is that shareholders would be better served by the company undergoing an independent assessment of their

		approach to information management rather than one conducted by a third-party with which Alphabet is affiliated, therefore they voted in support of the shareholder proposal (item 16).
	Outcome of vote	Resolutions did not receive enough votes
	Company	Amazon.com, Inc
	Size of holdings	2.3% of fund
	Company Summary	Amazon is a technology company focusing on the provision of online retail shopping services.
	Resolution	<p>Item 1g: Elect Judith A. McGrath</p> <p>Item 3: Advisory Vote to Ratify Named Executive Officers' Compensation</p> <p>Item 8: Report on Efforts to Reduce Plastic Use (Shareholder proposal)</p> <p>Item 9: Report on Worker Health and Safety Disparities (Shareholder proposal)</p> <p>Item 14: Report on Lobbying Payments and Policy (Shareholder proposal)</p> <p>Item 16: Commission a Third-Party Audit on Working Conditions (Shareholder proposal)</p>
	Vote Cast	Against Item 1g, 9 and 16, and for items 3, 8 and 14
	Rationale for voting decision	<p>Blackrock did not support the re-election of the Chair of the Leadership Development and Compensation Committee (item 1g), because of its concerns about the Board's response to various human capital management risks, which they believe may create adverse impacts that could expose the company to legal, regulatory, and operational risks and jeopardise their long-term success.</p> <p>Blackrock supported management's Say on Pay proposal (item 3) as they did not have concerns about Amazon's executive compensation philosophy, particularly in light of the first CEO succession in the company's history.</p> <p>Blackrock supported item 8 as they believe that shareholders would benefit from more information on the company's approach to reducing plastic waste arising from their products and services.</p> <p>Blackrock did not support item 9 as they believe that the company has already agreed to a racial equity audit. Blackrock believe this third-party audit will address the proponent's request.</p> <p>Although Blackrock view Amazon's political activities disclosure as robust, they supported item 14 because they believe Amazon could make the current disclosure more accessible, which would better enable stakeholders to assess the information provided.</p>

		Blackrock did not support this item 16 because they believe that the company's existing disclosure and policies already meet the proponent's request.
	Outcome of vote	Items 1g and 3 received enough votes, with items 8,9,14 and 16 failing to pass

Manager – BlackRock Emerging Markets Equity

Voting activity*	Number of votes eligible to cast:	24,669
	Percentage of eligible votes cast:	98%
	Percentage of votes with management:	88%
	Percentage of votes against management:	11%
	Percentage of votes abstained from:	3%
Most significant votes cast	Company	China Tower Corporation Limited
	Size of holdings	0.1% of fund
	Company summary	China Tower Corporation Limited (China Tower) is a state-owned telecommunications company and the world's largest telecommunications tower infrastructure service provider. China Tower was established in 2014 and listed in Hong Kong in 2018. As of June 2021, China Tower operated and managed a total of 2.035 million tower sites.
	Resolution	Item 3: Re-elect Gao Tongqing as a non-executive director Item 7: Re-elect Deng Shiji as an independent non-executive director and authorize the board to determine his remuneration
	Vote Cast	Against
	Rationale for voting decision	BlackRock voted against the re-election of the two incumbent directors on China Tower's Nomination Committee, whom they believe should be held accountable for the lack of gender diversity among proposed candidates.
	Outcome of vote	Resolution was passed
	Company	Samsung Electronics Co., Ltd.
	Size of holdings	3.1% of fund
	Company summary	Samsung Electronics Co., Ltd. (Samsung) is South Korea's largest company in market capitalization and one of the world's largest manufacturer of electronics and computer peripherals. Headquartered in Suwon, South

		Korea, Samsung delivers products and services through three main business divisions: consumer electronics, information technology and mobile communications, and device solutions.
	Resolution	Election of Directors
	Vote Cast	For
	Rationale for voting decision	BlackRock voted for the proposed director elections based on the company's indication that it is in its final review stage of a revised climate strategy, and on their expectation that it will be announced in the months to come.
	Outcome of vote	Resolution was passed

** 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.*

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

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 Principles and custom market-specific voting guidelines. While they subscribe to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one among many inputs into the voting analysis process, and BlackRock do not blindly follow their recommendations on how to vote. BlackRock primarily use proxy research firms to summarise corporate governance information and analysis into a concise, easily reviewable format so that their investment stewardship analysts can readily identify and prioritize those companies where their own additional research and engagement would be beneficial. Other sources of information BlackRock use include the company's own reporting (such as the proxy statement and the website), their engagement and voting history with the company, and the views of their active investors, public information and ESG research.

In summary, proxy research firms help deploy BlackRock's resources to greatest effect in meeting client expectations

- BlackRock sees its investment stewardship program, including proxy voting, as part of its commitment to the interests of their clients and helping those clients achieve their long-term financial goals, using BlackRock's voice as a shareholder on their behalf to ensure that companies are well led and well managed
- BlackRock use proxy research firms in our voting process, primarily to synthesize information and analysis into a concise, easily reviewable format so that their analysts can readily identify and prioritize those companies where their own additional research and engagement would be beneficial
- BlackRock do not follow any single proxy research firm's voting recommendations and in most markets, they subscribe to two research providers and use several other inputs, including a company's own disclosures, in their voting and engagement analysis
- BlackRock also work with proxy research firms, which apply their proxy voting guidelines to filter out routine or non-contentious proposals and refer to them any meetings where additional research and possibly engagement might be required to inform BlackRock's voting decision

- The proxy voting operating environment is complex and BlackRock work with proxy research firms to execute vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting

Read more in BlackRock's Global Principles and market-specific voting guidelines found here <https://www.blackrock.com/corporate/about-us/investment-stewardship#principles-and-guidelines>

BlackRock's third-party platform for vote execution

BlackRock use Institutional Shareholder Services' (ISS) electronic platform to execute their 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 their proxy voting guidelines to filter out routine or non-contentious proposals and refer to BlackRock any meetings where additional research and possibly engagement might be required to inform their voting decision.