

# The Honourable Society of the Inner Temple Pension and Life Assurance Scheme – Implementation Statement 31 March 2021

This document reviews the extent to which the Trustees of the Honourable Society of the Inner Temple Pension and Life Assurance Scheme (“the Scheme”) have adhered to the exercise of rights (including voting), the undertaking of engagement activities and monitoring of managers or issuers (the Stewardship Policies) during the year (as set out in the Scheme’s Statement of Investment Principles (“SIP”) dated July 2019 and subsequently updated in September 2020). Furthermore, the appendix to this report provides examples of voting behaviour and most significant votes cast on behalf of Trustees during the year.

## 1. Trustees’ policy regarding engagement

The Trustees acknowledge the constraints they face in terms of influencing change due to the size and nature of the Scheme’s investments and given the Scheme invests in pooled funds. Furthermore, the Trustees note that the investment strategy and decisions of the fund managers cannot be tailored to the Trustees’ policies and the managers are not remunerated directly on this basis. The Trustees, with the help of their advisers and the Sponsoring Employer, set the investment strategy for the Scheme and select appropriate managers and funds to implement the strategy.

The Trustees do not directly incentivise the investment managers to engage with the issuers of debt or equity to improve their performance. The Trustees do, however, expect the investment managers to participate in such activities as appropriate and necessary to meet the investment objectives of the respective fund. The funds utilised typically include an objective that is expected to result in a positive return over the medium-to-longer term and, as such, the investment managers engagement with the issuers of debt or equity is expected to be undertaken so as to target medium-to-long term value creation. Over the period, the Trustees monitored the performance of the Scheme’s funds through quarterly investment reports, produced by Quantum Advisory.

The Trustees acknowledge the need to be a responsible steward and exercise the rights associated with the Scheme’s investments in a responsible manner. With regards to equity investments, the Trustees have provided the appointed investment managers with full discretion concerning the stewardship of investments. Over the year, the Trustees have considered publicly available stewardship publications pertaining to the incumbent investment managers.

During the year, the Scheme invested in equities through the following:

- Lindsell Train Global Equity Fund
- BlackRock Aquila Life Overseas Consensus Equity Fund
- BlackRock Aquila Life Overseas Fixed Benchmark Equity Fund
- BlackRock Aquila Life UK Equity Index Fund
- Baillie Gifford Multi-Asset Growth Fund

It should be noted that the Scheme (following its year-end) invested into the following funds which invest in equities:

- Morgan Stanley Global Brands Fund
- Legal & General Dynamic Diversified Fund

The Trustees review the managers' voting policies and processes (including most significant votes cast over the period) and the managers' declared conflicts of interest and have no concerns. If any concerns did arise, the Trustees would engage directly with the fund manager on such matters.

The Trustees believe they have followed their engagement policy (as detailed in the Statement of Investment Principles) over the 12-month period to 31 March 2021.

## 2. Managers' voting policies

During the year, the Scheme invested in equities (which have voting rights) with Lindsell Train, BlackRock, and Baillie Gifford. Both the Lindsell Train and Baillie Gifford funds are actively managed, which means that each underlying investment is selected by the manager (funds managed by BlackRock are invested passively and the funds track their respective benchmark indices).

None of these equity funds has any specific ESG or ethical restrictions to determine the inclusion or exclusion of investible assets; these matters are integrated within the investment process and are given due consideration when assessing investment opportunities and risks. Further information relating to the managers' policies can be found at the following websites:

- Lindsell Train: <https://www.lindselltrain.com/about-us/governance-and-policies.aspx>
- Baillie Gifford: [www.bailliegifford.com/en/uk/institutional-investor/governance-sustainability](http://www.bailliegifford.com/en/uk/institutional-investor/governance-sustainability)
- BlackRock: <https://www.blackrock.com/corporate/about-us/investment-stewardship>

The Trustees have delegated voting rights to the managers in respect of these funds. The Trustees do not have legal rights to the underlying votes of these funds. However, the Trustees review the managers' voting behaviour and raise any concerns. A frequent occurrence of disagreement would result in the Trustees reviewing and potentially terminating the fund if the Trustees felt that the fund manager's beliefs were not consistent with those of the Scheme.

### Lindsell Train

The primary voting policy of Lindsell Train is to protect or enhance the economic value of its investments on behalf of its clients. Lindsell Train will vote against any agenda that threatens this position, in particular concerns over inappropriate management remuneration or incentives, changes in capital structure and mergers or acquisitions which are seen as detrimental to the creation of business value. Where Lindsell Train plan to abstain or to vote against a resolution, contrary to management advice, their intentions will be communicated to the company management in advance of voting.

Lindsell Train vote all shares where they have their clients' authority to do so, assuming there are no conflicts of interest. All voting decisions are made in consultation with, and approval by, the portfolio managers. Once the proxy votes are submitted, they are recorded into a proxy voting database. Proxy voting records are provided to clients on request, generally as a part of their regular reporting.

### Baillie Gifford

All voting decisions are made by Baillie Gifford's Governance & Sustainability team in conjunction with investment managers. They do not regularly engage with clients prior to submitting votes.

Baillie Gifford believes that voting should be investment led, because how they vote is an important part of the long-term investment process, which is why their strong preference is to be given this

responsibility by their clients. The ability to vote their clients' shares also strengthens their position when engaging with investee companies.

Baillie Gifford analyses all meetings in-house in line with their Governance & Sustainability Principles and Guidelines and they endeavour to vote every one of their clients' holdings in all markets.

The list below is not exhaustive, but identifies what Baillie Gifford view as potentially significant voting situations:

- Baillie Gifford's holding had a material impact on the outcome of the meeting
- The resolution received 20% or more opposition and Baillie Gifford opposed
- Egregious remuneration
- Controversial equity issuance
- Shareholder resolutions that Baillie Gifford supported and received 20% or more support from shareholders
- Where there has been a significant audit failing
- Where they have opposed mergers and acquisitions, the financial statements/annual report, or the election of directors and executives.

Baillie Gifford encourage focus on the building of lasting competitive advantage, and will 'enthusiastically' support those companies with a thoughtful approach, using voting to support their five core principles: (i) Prioritisation of long-term value creation; (ii) A constructive and purposeful board; (iii) Long-term focused remuneration with stretching targets; (iv) Fair treatment of stakeholders; and (v) Sustainable business practices. They apply their approach to stewardship across all companies that they invest in on behalf of their clients.

Whilst Baillie Gifford are cognisant of proxy advisers' voting recommendations (Institutional Shareholder Services ("ISS") and Glass Lewis), they do not delegate or outsource any of their stewardship activities or follow or rely upon their recommendations when deciding how to vote on clients' shares. All client voting decisions are made in-house. Baillie Gifford vote in line with their in-house policy and not with the proxy voting providers' policies.

## **BlackRock**

BlackRock votes annually at approximately 16,000 shareholder meetings, taking a case-by-case approach to the items put to a shareholder vote. Their analysis is informed by their internally developed proxy voting guidelines, their pre-vote engagements, research, and the situational factors at a particular company. BlackRock aim to vote at all shareholder meetings of companies in which their clients are invested. In cases where there are significant obstacles to voting, such as share blocking or requirements for a power of attorney, BlackRock will review the resolutions to assess the extent of the restrictions on voting against the potential benefits. They generally prefer to engage with the company in the first instance where they have concerns and give management time to address the issue.

BlackRock will vote in favour of proposals where they support the approach taken by a company's management, or where they have engaged on matters of concern and anticipate management will address them.

BlackRock will vote against management proposals where they believe the board or management may not have adequately acted to advance the interests of long-term investors. They ordinarily refrain from abstaining from both management and shareholder proposals, unless abstaining is the valid vote option (in accordance with company by-laws) for voting against management, there is a lack of disclosure regarding the proposal to be voted, or an abstention is the only way to implement their voting intention. In all situations the economic interests of their clients will be paramount.

BlackRock's voting guidelines are intended to help clients and companies understand their thinking on key governance matters. They are the benchmark against which they assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. BlackRock apply their guidelines pragmatically, considering a company's unique circumstances where relevant.

The BlackRock Stewardship team publishes statements on their analysis, engagements and votes in relation to certain high-profile proposals at company shareholder meetings. These vote bulletins aim to explain their approach and decision publicly so interested clients and others can be aware of BlackRock's vote when it is of most relevance to them. They consider these vote bulletins to contain explanations of the most significant votes for the purpose of the Shareholder Rights Directive II.

BlackRock perform independent research and analysis, carefully arriving at proxy vote decisions, including the re-election of directors, that are consistent with their voting guidelines and that they believe are in the best long-term economic interest of their clients. They aim to vote at 100% of meetings (circa 16,000 meetings per annum).

While BlackRock will subscribe to research from the proxy advisory firms ISS and Glass Lewis, they do not follow any single proxy research firm's voting recommendations. BlackRock use several other inputs, including a company's own disclosures, and their record of past engagements, in their voting and engagement analysis.

### 3. Votes cast

Quantum has set out in the table below information relating to voting statistics and most significant votes cast over the 12 months to 31 March 2021

	Lindsell Train Global Equity	BlackRock Aquila Life Overseas Consensus Equity	BlackRock Aquila Life Overseas Fixed Benchmark Equity	BlackRock Aquila Life UK Equity Index	Baillie Gifford Multi-Asset Growth
Voted in favour of management	97.7%	87.6%	87.3%	91.6%	92.6%
Voted against management	1.2%	7.2%	6.0%	5.7%	7.0%
Abstained	1.2%	1.5%	0.4%	1.8%	1.5%
Number of meetings	28	4,495	2,039	1,211	69
% of resolutions voted on for which Fund manager was eligible	100.0%	93.2%	92.8%	97.2%	97.8%
% of meetings voted at least once against management <sup>1</sup>	14.3%	N/A	N/A	N/A	20.3%

Source: Lindsell Train, Baillie Gifford and BlackRock.

<sup>1</sup> Due to the methodology with which BlackRock compose their voting statistics, this information is unavailable.

Note: Totals may not sum due to rounding.

## 4. Managers' conflicts of interest

The managers were asked whether there were any conflicts of interests concerning holdings in their respective funds, with regard to the following criteria, over the period:

1. The asset management firm overall having an apparent client-relationship conflict e.g. the manager provides significant products or services to a company in which they also have an equity or bond holding;
2. Senior staff at the asset management firm holding roles (e.g. as a member of the Board) at a company in which the asset management firm has equity or bond holdings;
3. The asset management firm's stewardship staff having a personal relationship with relevant individuals (e.g. on the Board or the company secretariat) at a company in which the firm has an equity or bond holding;
4. A situation where the interests of different clients diverge. An example of this could be a takeover, where one set of clients is exposed to the target and another set is exposed to the acquirer;
5. Differences between the stewardship policies of managers and their clients; and
6. Any other conflicts across any of the holdings.

BlackRock confirmed over the period that there were no recorded conflicts of interest on the funds in which the Scheme is invested.

Lindsell Train did draw attention to the fact that the firm maintains investments in wealth management and investment platform businesses and thus there is the potential for perceived conflict around the positioning and marketing of Lindsell Train products by the businesses in which it is invested. Lindsell Train did provide details on mitigating controls it has established to manage this perceived conflict.

Baillie Gifford stated that, at Schibsted ASA, Investment AB Kinnevik and Adevinta ASA, Spencer Adair, James Anderson and Chris Davies respectively (Baillie Gifford partners and/or fund managers) were elected onto the nomination committee. It is market practice in Scandinavia for representatives of a company's largest shareholders to make up the committee; the Nomination Committee is not a board committee.

## 5. Most significant votes cast

The following tables set out a cross section of significant votes undertaken by the investment managers of the funds held by the Scheme. Information on further significant votes undertaken by the Scheme's investment managers has been reviewed by the Trustees.

### Lindsell Train Global Equity Fund

Company Name	Mondelez	Unilever
Date of Vote	May 2020	December 2020
Summary of the resolution	Remuneration proposal	Merger proposal
How the firm voted	Abstention	For the proposal
On which criteria has the vote been deemed as 'significant'?	The firm viewed their choice to abstain from the vote (following an engagement with the company) to be significant, given their feeling that the remuneration proposal was not in the long-term interests of shareholders	The firm viewed the vote as significant as it followed a multi-year engagement by Lindsell Train with the company on this issue
Outcome of the vote	The vote passed	The vote passed

Source: Investment Manager

### BlackRock Aquila Life Overseas Consensus Equity Index

Company Name	Daimler AG	Volvo
Date of Vote	July 2020	June 2020
Summary of the resolution	Governance proposals	Governance and remuneration proposals
How the firm voted	Against the proposals	Against the proposals
On which criteria has the vote been deemed as 'significant'?	BlackRock felt the proposals were indicative of climate risk and the potential for reduction in shareholder rights	BlackRock felt the proposals were indicative of climate risk and remuneration concerns
Outcome of the vote	The votes passed	The votes passed

Source: Investment Manager

### BlackRock Aquila Life Overseas Fixed Benchmark Equity Index

Company Name	Exxon Mobil Corp	Mizuho Financial Group
Date of Vote	May 2020	June 2020
Summary of the resolution	Governance proposals – Election of two Directors and an independent chair	Environmental proposal

<b>How the firm voted</b>	Against two proposals and for the third proposal	Against the proposal
<b>On which criteria has the vote been deemed as 'significant'?</b>	BlackRock felt the votes were indicative of issues the investee company was exhibiting with respect to climate risk management	BlackRock felt the proposal was indicative of climate risk.
<b>Outcome of the vote</b>	The two proposals which BlackRock voted against were passed, the third proposal did not pass	The vote did not pass

Source: Investment Manager

### BlackRock Aquila Life UK Equity Index

<b>Company Name</b>	<b>Royal Dutch Shell Plc</b>	<b>Barclays Plc</b>
<b>Date of Vote</b>	May 2020	May 2020
<b>Summary of the resolution</b>	Environmental proposal	Environmental proposal
<b>How the firm voted</b>	Against the proposal	For the proposal
<b>On which criteria has the vote been deemed as 'significant'?</b>	BlackRock felt the vote was indicative of the significance of ESG and emissions disclosure for firms	BlackRock felt the proposal was indicative of climate risk
<b>Outcome of the vote</b>	The vote did not pass	The vote passed.

Source: Investment Manager

### Baillie Gifford Multi-Asset Growth Fund

<b>Company Name</b>	<b>Covivio SA</b>	<b>Gecina</b>
<b>Date of Vote</b>	April 2020	April 2020
<b>Summary of the resolution</b>	Remuneration proposal	Remuneration proposal
<b>How the firm voted</b>	Against the proposal	Against the proposal
<b>On which criteria has the vote been deemed as 'significant'?</b>	Baillie Gifford viewed the vote as significant on the basis that they opposed it	Baillie Gifford viewed the vote as significant on the basis that they opposed it
<b>Outcome of the vote</b>	The vote passed	The vote passed

Source: Investment Manager