

Implementation Statement, covering the Scheme Year from 1 February 2020 to 31 January 2021

The Trustee of the Crest Nicholson Group Pension and Life Assurance Scheme (the “Scheme”) is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the voting and engagement policies in its 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.

1. Introduction

No changes were made to the voting and engagement policies in the SIP during the Scheme Year. The last time these policies were formally reviewed was September 2019.

The Trustee has, in its opinion, followed the Scheme’s voting and engagement policies during the Scheme Year, by continuing to delegate to its 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 Trustee took steps to review the Scheme’s existing managers and funds and potential new investments over the period, as described in Section 2 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.

In September 2020, the Trustee agreed a Responsible Investment policy, which documents the Trustee’s approach to managing Responsible Investment (“RI”) risks.

During the Scheme Year, the Trustee discussed LGIM’s new Low Carbon Transition equity fund, which is a passive equity fund that targets a material reduction in the total emissions of portfolio companies, when compared to a standard global equity index.

Following the Scheme Year end, the Trustees agreed in principle to invest in this fund, which was not available for investment until April 2021. A key consideration for agreeing to invest in this fund was that its investment processes were compliant with the Trustee’s RI policy. The Trustee reviewed LCP’s RI assessments of LGIM and its current equity managers, Kiltarn and JO Hambro, and believed that LGIM’s Low Carbon Transition Fund better addressed climate and ESG risks than the JO Hambro and Kiltarn funds. LCP also rates LGIM’s stewardship, voting and engagement capabilities highly. The decision to invest is consistent with the Trustee’s policy on ESG factors and voting and engagement as included in the Scheme’s Statement of Investment Principles.

3. Description of voting behaviour during the Scheme Year

All of the Trustee’s holdings in listed equities are within pooled funds and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the Scheme Year.

In this section we have sought to include voting data on the Scheme’s investment mandates that hold equities as follows:

- JO Hambro Global Select Fund
- Kiltarn Global Equity Fund
- Ruffer segregated mandate

Please note that Kiltarn was only able to provide data for the period from 1 January 2020 to 31 December 2020, as the manager only collates fund-level voting statistics to quarter-end dates.

We have also included commentary on the Alcentra European Direct Lending Fund III, provided by Alcentra, who invest in assets that had some limited voting opportunities during the period. However, Alcentra is unable to provide specific voting examples or voting data for inclusion in the Scheme's Implementation Statement.

We have not included commentary on the following funds that the Scheme invested in during the period, which do not hold listed equities, where there are either no voting opportunities, voting information is not available or the fund is omitted on materiality grounds as any holdings with voting rights attached to them form a de minimis proportion of the Scheme's total assets:

- Insight Secured Finance Fund
- Insight Global ABS Fund
- L&G Over 5 Year Index-Linked Gilts Index Fund
- BlackRock Emerging Markets Local Currency Bond Fund
- Mercer Multi Asset Credit Fund
- Ares Secured Income Fund
- Gilliat Solentis Target Income Global Three Preference Shares
- BlueCrest AllBlue Limited
- GMO Systematic Global Macro Major Markets Investment Fund

3.1 Description of the voting processes

The manager's policies on voting are provided in this section. In all cases, the wording provided accords with the Trustee's understanding of the management of the funds and the manager's policies on stewardship, which the Trustee considers when appointing new managers and periodically thereafter.

Each manager with voting opportunities was asked whether any conflicts of interest were present in their structure, and how these are managed. In all cases, the managers responded that there were no conflicts of interest present in their structure.

3.1.1 JO Hambro

JO Hambro ("JOHCM") provided the following wording to describe its voting practices:

The fund managers have discretion to make a voting decision based upon their careful analysis of the proposals, their engagement with the company and/or any available third party research. Where the fund managers are in agreement with the proposals, and they are in investors' best interests, then JOHCM will vote in favour of them.

JOHCM understands the importance of voting proxies and will cast its vote proxies in the best interest of its clients. Should a conflict of interest arise between JOHCM's interests and those of a client, JOHCM will arrange a discussion with such client to review the proxy voting materials and the conflict and will obtain the client's consent before voting. If JOHCM is not able to obtain the client's consent, JOHCM will take reasonable steps to ensure, and must be able to demonstrate, that those steps resulted in a decision to vote the proxies in the best interests of the client.

JOHCM has engaged Broadridge Proxy Edge and ISS Proxy Exchange to facilitate its voting and engagement activities. ISS is used for research and recommendations and Broadridge Proxy Edge is used to vote.

The JOHCM Operations team will gather details of all upcoming Annual General Meetings and Extraordinary General Meetings. Details of the agendas will be circulated to all relevant fund managers for consideration.

Where research, including (but not limited to) research from proxy advisers, highlights issues which do not represent best practice, the agendas are also shared with the Investment Director for consideration. These are the votes which JOHCM considers to be the most significant and therefore meriting the greatest attention. In these cases and others if appropriate, the fund managers may choose to discuss these issues directly with company management. If necessary, they will escalate governance and strategy concerns to the senior independent director or company Chairman when shareholder value and shareholders' rights are being infringed, using the UK Corporate Governance Code as their guide for UK holdings, and applying

the same principles to non-UK holdings. Fund managers may engage in discussions with other investors where appropriate and in compliance with market conduct rules.

The fund managers have discretion to make a voting decision based upon their careful analysis of the proposals, their engagement with the company and/or any available third party research. Where the fund managers are in agreement with the proposals, and they are in investors' best interests, then JOHCM will vote in favour of them.

The fund managers' decision is communicated to the Operations team where an authorised individual will submit the proxy vote using Proxy Edge.

3.1.2 Kiltearn

Kiltearn provided the following wording to describe its voting practices:

[Kiltearn] do not consult with individual clients. Kiltearn's voting policy is in the interest of all account holders and is publicly available on its website.

It is Kiltearn's policy, subject to the considerations described [in its proxy voting policy], to use its best efforts to vote proxies arising on all shares held on behalf of its Clients.

Northern Trust [(global sub-custodian for Kiltearn)] has outsourced certain of its proxy processing responsibilities to Broadridge, a leading provider of proxy voting services. ... Kiltearn does not outsource any part of its proxy voting decision-making process to ISS, Broadridge or Northern Trust.

As part of Kiltearn's proxy voting process, there may be circumstances where potential conflicts of interest with management are present. In order to mitigate the risks of such potential conflicts, ... all proxy votes are reviewed and signed-off by two authorized persons.

Following receipt of proxy voting materials from ISS, Kiltearn's Administration Group prepares a "Proxy Voting Summary File" and a simplified voting ballot. The file includes the details of the number of securities held by a Client, the deadline for the response and other information that may be of interest.

Proxies will be reviewed by a member of Kiltearn's Governance Group. The reviewing member will also be an authorized person. The authorized person will make initial decisions as to how to vote the balloted items. For investment-specific issues (for example, mergers and other corporate restructurings), input shall be sought from Kiltearn's Investment Group. The initial decision and the rationale for the decision will then be reviewed by a second authorized person. The second authorized person will verify and confirm, via email, that the first authorised person's voting instructions are in line with this voting policy. The proxy voting ballot will then be approved and the proxy vote processed.

In certain circumstances, Kiltearn may be unable to vote a specific proxy including, but not limited to: (i) when Northern Trust or ISS does not provide a voting service in a given market; (ii) because Northern Trust or its agent, in error, does not process a proxy or provide sufficient notice of a vote; or (iii) because an error is committed by any party involved in the proxy voting or registration process. Kiltearn may also refrain from voting if, for example: (i) it is considering liquidating a position; (ii) share blocking is a consideration; (iii) where the costs of voting a specific proxy outweigh the economic benefit that Kiltearn believes would be derived by the Client; (iv) where a specific class of securities or equity instrument does not carry voting rights with respect to a given issue subject to shareholder vote; or (v) where re-registration of the securities into the Client's – rather than Northern Trust's nominee's – name may, or may reasonably be expected to, result in a violation of local privacy laws or adversely impact the Client's economic interests.

3.1.3 Ruffer

Ruffer provided the following wording to describe its voting practices:

It is Ruffer's policy to vote on Annual General Meeting (AGM) and Extraordinary General Meeting (EGM) resolutions, including shareholder resolutions, as well as corporate actions. We endeavour to vote on the vast majority of our holdings but we retain discretion to not vote when it is in our clients' best interests (for example in markets where share blocking applies).

To apply this policy, we work with various industry standards, organisations and initiatives and actively participate in debates within the industry, promoting the principles of active ownership and responsible investment. For example, we are signatories to the Principles for Responsible Investment (PRI), participate

in several working groups at the Investment Association and, through our commitment to Climate Action 100+, have co-filed resolutions where we felt this was the most appropriate course of action.

Ruffer's proxy voting advisor is Institutional Shareholder Services (ISS).

We have developed our own internal voting guidelines, however we take into account issues raised by ISS, to assist in the assessment of resolutions and the identification of contentious issues. Although we are cognisant of proxy advisers' voting recommendations, we do not delegate or outsource our stewardship activities when deciding how to vote on our clients' shares.

Each research analyst, supported by our responsible investment team, reviews the relevant issues on a case-by-case basis and exercises their judgement, based on their in-depth knowledge of the company. If there are any controversial resolutions, a discussion is convened with senior investment staff and, if agreement cannot be reached, there is an option to escalate the decision to the Head of Research or the Chief Investment Officer.

As discussed above, we do use ISS as an input into our decisions. In the 12 months to 31 December 2020, of the votes in relation to holdings in the Ruffer Absolute Return Fund we voted against the recommendation of ISS over 7.9% of the time.

3.1.4 Alcentra

Alcentra provided the following wording to describe its voting practices:

Where we have minority equity interests in deals we frequently aren't asked to vote as the corporate documents are set-up so that the sponsor can pass any shareholder resolutions needed without our participation in any event. Also our rights are usually limited to certain minority protections. Where we own companies – either alone or in a club - then we exercise control by requiring the board to seek investor consent for matters that we want to approve as the manager. This is usually done via the Alcentra investor representative on the board rather than having a formal shareholder vote.

Below [we] have outlined typical board matters that we may vote on when holding a board position – we will have voted in favour of several of the below in the ordinary course of business. We are not able to provide specific examples to go into the statements.

- (a) appoints or removes any operational director of the Group, any officer or any member of the executive management committee*
- (b) institutes, engages in, settles or takes any material decision in relation to any legal proceedings,*
- (c) appoints any external advisor where the fees of such external adviser are anticipated to exceed a pre-agreed amount determined by Alcentra,*
- (d) makes any public announcement other than in the ordinary course of trading;*
- (e) incorporates any new company within the Group;*
- (f) appoints any committee of the Board, establishes its terms of reference and regulation of proceedings, or appoints any member to such committee;*
- (g) approves the annual consolidated financial accounts of the Group;*
- (h) incur any new borrowings (or modifies the key terms thereof) or enters into foreign exchange contracts, in excess of a pre-agreed amount determined by Alcentra in aggregate;*
- (i) commences an Exit process (including selection of advisers),*
- (j) makes any material changes to the nature or long-term strategy of the business or enters into a new business line*
- (k) approves or amends the Annual Budget,*
- (l) makes any material amendment to the capital structure of any Group Company*

3.2 Summary of voting behaviour over the Scheme Year

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

	JO Hambro	Kiltearn ²	Ruffer
Total size of fund at end of reporting period	£1,572m	£530m	c£22m
Value of Scheme assets at end of reporting period (£ / % of total assets)	c£11m / c5%	c£6m / c3%	c£22m / c10%
Number of holdings at end of reporting period	43	82	39
Number of meetings eligible to vote	101	93	33
Number of resolutions eligible to vote	360	1,498	498
% of resolutions voted	100%	100%	88%
Of the resolutions on which voted, % voted with management	94%	83%	88%
Of the resolutions on which voted, % voted against management	5%	17%	11%
Of the resolutions on which voted, % abstained from voting	1%	0%	1%
Of the meetings in which the manager voted, % with at least one vote against management	19%	83%	42%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	Not disclosed ³	14%	12%

² Please note that Kiltearn was only able to provide data for the period from 1 January 2020 to 31 December 2020, as the manager only collates fund-level voting statistics to quarter-end dates.

³ JO Hambro stated “The portfolio managers typically vote in line with ISS but they try to assess each case on its own merits. In particular, they pay attention to remuneration policy and tend to withhold approval unless a scheme includes return on capital in its KPIs.”

3.3 Most significant votes over the Scheme Year

The Trustee has interpreted “most significant votes” to mean those deemed as most significant by the investment managers. The Trustee has not included all the votes identified as “most significant” by the managers, instead exercising judgement to select 3 votes per manager that provide an overall balance between different ESG issues and avoiding potential duplication. For example, where multiple votes regarding executive remuneration have been identified, the Trustee has included one to evidence the manager’s policy, believing the other votes on the same topic to broadly cover the same ground as the first.

Commentary on the most significant votes over the period, from the Scheme’s asset managers who hold listed equities, is set out below.

3.3.1 JO Hambro

- **Medpace Holdings, May 2020. Vote:** Against. **Result:** Resolution failed.

Summary of resolution: Board recommendation to ratify CEO compensation

Rationale: *ISS report stated that “CEO received an excessive amount of equity awards and the options received were fully vested on grant date which weakens the link between pay and performance despite some options being premium-priced.”*

- **NextEra Energy, May 2020. Vote:** For. **Result:** Resolution failed.

Summary of resolution: Shareholder proposal requesting more information on the company’s political contributions and activities

Rationale: *ISS report stated that “Support for the shareholder proposal requesting more information on the company’s political contributions and activities is warranted. Although the company has enhanced disclosure, it is not fully transparent about political spending through organizations that are not required to disclose their donors.”*

- **Oracle, November 2020. Vote:** Against. **Result:** Resolution passed.

Summary of resolution: Executive Officers’ Compensation

Rationale: *ISS report stated that “Following low support for say-on pay proposals in the past several years, the company engaged with shareholders and provided improved disclosure on the feedback received. The company also committed to not adjusting previous front-loaded awards for its top two NEOs, despite no vesting of any tranches to date, in response to recent shareholder feedback. While the company has demonstrated sufficient responsiveness to last year’s say-on-pay vote, there are ongoing concerns around bonus plan structure and the use of time-vesting equity awards for other NEOs in FY20. The share pledging activity by Chair Ellison continues to raise significant concern regarding the Governance Committee’s risk oversight. Support for the proposal asking for a report on the gender and race/ethnicity pay gap is warranted as Oracle lags its peers in addressing gender and race/ethnicity pay parity issues, and the report could provide shareholders with a better gauge of how its diversity initiatives are improving opportunities for women and racial/ethnic minorities. A policy to appoint an independent board chair is considered to be in shareholders’ best interests.”*

3.3.2 Kiltearn

- **NHK Spring, June 2020. Vote:** Against. **Result:** Resolution passed.

Summary of resolution: Re-election of chairman

Rationale: *While commending a Japanese materials company for improving the overall independence of its board, Kiltearn voted against the re-election of its chairman as the person ultimately responsible for - what Kiltearn considered - the company’s poor capital allocation record and overcapitalised balance sheet.*

Kiltearn subsequently engaged [with] the company on its capital allocation record and overcapitalised balance sheet.

- **AMG, June 2020. Vote:** For. **Result:** Resolution passed.

Summary of resolution: Approval of CEO’s remuneration

Rationale: *Kiltearn supported a material one-time alignment award to a CEO at a US-based international investment management company. Kiltearn supported the award on the basis that it is 100% at risk, is suitably long term in its nature and is subject to a sensible [Return on Equity] measure and reasonable targets. During discussions, the company confirmed that the CEO’s future awards would be reduced for at least three years to offset the award.*

Following Kiltearn's feedback, the company is also considering increasing the weighting of financial measures for executives' short-term incentive awards.

- **Barclays, May 2020. Vote:** For. **Result:** Resolution passed.

Summary of resolution: Climate Change Resolution

Rationale: Kiltearn supported a climate-change resolution proposed by a UK-based bank. Under the resolution, the company has set the target of being a net zero bank by 2050. Further, the resolution required the company to set a strategy (including targets) to transition its provision of financial services across all sectors, starting with energy and power, to align with the goals and the timelines of the Paris Agreement. The company states that, over time, it expects its financing to be re-weighted towards renewable, low-carbon activity. The company will report annually on progress from 2021. Our support for the proposal was based on the view that adhering to and exceeding these standards is firmly in the best economic interests of clients.

3.3.3 Ruffer

- **Cigna, April 2020. Vote:** Against. **Result:** Resolution passed.

Summary of resolution: Re-election of non-executive directors

Rationale: Taking into account the average tenure of members of the board, the regions in which the company is domiciled and the sector in which the company operates, [Ruffer] did not support the re-election of a number of directors in the period because of concerns that they were not independent.

- **Exxon Mobil, May 2020. Vote:** For. **Result:** Resolution failed.

Summary of resolution: Shareholder resolution for further disclosure of the company's lobbying activities

Rationale: This was part of an ongoing engagement with the company. This is an important issue, particularly in the US due to the nature of the political system, given the effectiveness of trade associations in lobbying governments around the world. The additional information would allow us to make a better-informed investment decision and so we supported the resolution.

The company has committed to regularly review their memberships in trade association and reports some of the results publicly. Our internal voting policy states that companies should be transparent about the use of political and lobbying organisations to further their own objectives. We support resolutions that aim at increased disclosure and transparency of these payments. For the purpose of these resolutions, a "grassroots lobbying communication" is a communication directed to the general public that (a) refers to specific legislation, regulation, or government policy (b) reflects a view on the legislation, regulation or policy and (c) encourages the recipient of the communication to take action with respect to the legislation, regulation or policy. "Indirect lobbying" is lobbying engaged in by a trade association or other organization for which the Company is a member. We will further engage with the company on the issue of lobbying and use our voting rights to underline this issue.

- **Aena S.M.E, October 2020. Vote:** For. **Result:** Resolution passed.

Summary of resolution: Shareholder resolution relating to the company's climate transition plan

Rationale: We voted for three shareholder resolutions requesting that the company submits its climate transition plan to a shareholder advisory vote at its 2021 AGM and provides updates to its plan on an annual basis from 2022. We believe that climate change-related risks may be significant for the long-term performance of Aena, and therefore we supported these resolutions.

Management have committed to giving shareholders an annual vote on its climate transition plan, a significant step and Aena is the first company to do so. We are likely to see more 'Say on Climate' votes filed in 2021 and would expect to support them, particularly in cases where we believe there are long term performance implications from the business proactively addressing climate change related risks.