The National Deposit Friendly Society Staff Superannuation Fund Implementation Statement for the year ended 31 December 2020

Purpose

This Implementation Statement provides information on how, and the extent to which, the Trustee of the National Deposit Friendly Society Staff Superannuation Fund ("the Fund") have followed their policy in relation to the exercising of rights (including voting rights) attached to the Fund's investments, and engagement activities during the year ended 31 December 2020 ("the reporting year"). In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

Background

The Trustee updated their policy in relation to ESG and voting issues which, up until that point, had simply been a broad reflection of the investment managers' own equivalent policies. The Trustee's new policy was documented in the updated Statement of Investment Principles (SIP) dated September 2020.

The previous version of the SIP had been in existence since September 2019 meaning this version was relevant during the reporting year.

The Trustee's updated policy

The Trustee believes that there can be financially material risks relating to ESG issues. The Trustee has delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Fund's investment managers. The Trustee requires the Fund's investment managers to take ESG and climate change risks into consideration within their decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustee has delegated responsibility for the exercise of rights (including voting rights) attached to the Fund's investments to the investment managers and encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.

Manager selection exercises

One of the ways in which this updated policy is expressed is via manager selection exercises: the Trustee seeks advice from XPS on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises. Over the reporting period, the Trustee did not complete a manager selection exercise as the only transition that took place involved moving money between BlackRock funds.

During the reporting year, the Sponsor requested that the Fund's overall risk is reduced in order to reduce the capital requirements needed to support these assets from the Society's Capital Recovery Coverage perspective.

Following advice from the Fund Actuary and XPS, the Trustee fully disinvested from Schroders Diversified Growth Fund and BlackRock Dynamic Diversified Growth Fund. By disinvesting these assets and investing the proceeds into two gilt funds as an interim measure.

Due to the urgency of the request, the Trustees invested in the BlackRock Aquila Life 5-15 Year UK Gilt Index Fund and Aquila Life Over 15 Year UK Gilt Index Fund. These funds are considered green rated by XPS meaning the fund is suitable for new investment based on key metrics used to analyse the suitability of the fund to clients.

Ongoing governance

The Trustee, with the assistance of XPS, monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustee's requirements as set out in this statement. Further, the Trustee has set XPS the objective of ensuring that any selected managers reflect the Trustee's views on ESG (including climate change) and stewardship.

Beyond the governance work currently undertaken, the Trustee believes that their approach to, and policy on, ESG matters will evolve over time based on developments within the industry and, at least partly, on a review of data relating to the voting and engagement activity conducted annually.

The Trustee group meet three times a year to discuss the investment matters and receive investment monitoring reports from XPS on performance on a bi-annual basis.

Adherence to the Statement of Investment Principles

During the reporting year the Trustee is satisfied that they followed their policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree.

Voting activity

The main asset class where the investment managers will have voting rights is equities. Equities form part of the strategy for the Schroders Diversified Growth Fund and BlackRock Dynamic Diversified Growth Fund in which the Fund invested in over the 31 December 2019 to 31 December 2020 reporting period. Therefore, a summary of the voting behaviour and most significant votes cast by each of the relevant investment manager organisations is shown below.

<u>Schroder Investment Managed Limited</u>

Voting Information
Schroders Diversified Growth Fund
The fund manager has not provided a stewardship code data at present.
The manager voted on 88.8% of resolutions of which they were eligible out of 134 eligible votes.
Investment Manager Client Consultation Policy on Voting
In order to maintain the necessary flexibility to meet client needs, local offices at Schroders may determine a voting policy regarding the securities for which they are responsible, subject to agreement with clients as appropriate, and/or addressing local market issues. Clients in the UK will need to contact their usual client services person(s) on whether this is available for the type of investment(s) they hold with Schroders.
Investment Manager Process to determine how to Vote

Schroders evaluate voting issues arising at their investee companies and, where they have the authority to do so, vote on them in line with their fiduciary responsibilities in what Schroders deem to be the interests of their clients. Schroders utilise company engagement, internal research, investor views and governance expertise to confirm their intention. Further information can be found in their Environmental, Social and Governance Policy for Listed Assets policy: https://www.schroders.com/en/sysglobalassets/global-assets/english/campaign/sustainability/integrity-documents/schroders-esg-policy.pdf
How does this manager determine what constitutes a 'Significant' Vote?
Schroders consider "most significant" votes as those against company management. Schroders are not afraid to oppose management if they believe that doing so is in the best interests of shareholders and their clients. For example, if Schroders believe a proposal diminishes shareholder rights or if remuneration incentives are not aligned with the company's long-term performance and creation of shareholder value. Such votes against will typically follow an engagement and they will inform the company of their intention to vote against before the meeting, along with their rationale. Where there have been ongoing and significant areas of concerns with a company's performance, Schroders may choose to vote against individuals on the board. However, as active fund managers they usually look to support the management of the companies that they invest in. Where Schroders do not do this, they classify the vote as significant and will disclose the reason behind this to the company and the public.
Does the manager utilise a Proxy Voting System? If so, please detail
Schroders receive research from both ISS and the Investment Association's Institutional Voting Information Services (IVIS) for upcoming general meetings, however this is only one component that feeds into their voting decisions. In addition to relying on their policies, Schroders will also be informed by company reporting, company engagements, country specific policies, engagements with stakeholders and the views of portfolio managers and analysts. It is important to stress that Schroders own research is also integral to their final voting decision; this will be conducted by both their financial and ESG analysts. For contentious issues, their Corporate Governance specialists will be in deep dialogue with the relevant analysts and portfolio managers to seek their view and better understand the corporate context. Schroders continue to review their voting practices and policies during their ongoing dialogue with their portfolio managers. This has led Schroders to raise the bar on what they consider 'good governance practice.'
Top 4 Significant Votes during the Period

Company	Voting Subject		Result

		How did the Investment Manager Vote?	
SSgA SPDR ETFs Europe I plc - SPDR BloomBarclays Emerging Markets Local Bd UCITS	Transact Other Business	Against Management	Voted against Company Management
Other business not disclosed.			
William Lyon Homes	Advisory Vote on Golden Parachutes	Against Management	Voted against Company Management
Schroders are not supportive of golden parachutes.			
Johnson Controls International plc	Advisory Vote to Ratify Named Executive Officers' Compensation	Against Management	Voted against Company Management
Sizable CIC-related severance payments made in 2019			
Toll Brothers, Inc.	Advisory Vote to Ratify Named Executive Officers' Compensation	Against Management	Voted against Company Management

Schroders categorise a vote as significant where they have voted against the recommendation of management. As at 31 December, Schroders had 4 votes against management votes, these are included in the above table.

<u>BlackRock Investment Management</u>

Voting Information
BlackRock Dynamic Diversified Growth Fund
BlackRock's Investment Stewardship 2020 priorities are: • Board Quality – quality leadership is essential to performance. Hence, board composition, effectiveness, diversity, and accountability remain a top priority • Environmental Risks and Opportunities - disclosure provides enhanced understanding of board and management oversight of policies, risk factors and opportunities that drive sustainable long-term financial performance • Corporate strategy & Capital Allocation - a clear articulation of corporate strategy and capital allocation provide a clear sense of the direction a company intends to take • Compensation that promotes long-termism - executive pay policies and outcomes should link closely to long-term strategy, goals, and performance • Human capital management - in a talent constrained environment, companies should focus on sound business practices that create an engaged and stable workforce BlackRock's Investment Stewardship team (BIS) engages with portfolio companies to encourage corporate governance and business practices aligned with sustainable long-term financial performance. The team is comprised of more than 45 professionals across the world (with team members in New York, San Francisco, London, Tokyo, Singapore, Hong Kong, and Sydney), taking a local approach with companies while benefiting from global insights. BIS is positioned within the firm as an investment function. As such, they work closely with BlackRock's active portfolio management teams. Core tenets of good governance — board oversight, minority shareholder rights, and management quality — are desirable qualities for all investors and can be a differentiating factor for equity and debt investors' decision-making. BIS emphasizes direct dialogue with companies on governance issues that have a material impact on financial performance. They seek to engage in a constructive manner and ask probing questions, but BlackRock do not tell companies what to do. Where they believe a company's governance or business practices fall short, they explain their concerns and expectations. As a long-term investor, they are willing to be patient with companies when their engagement affirms they are working to address their concerns. However, when they do not see progress despite ongoing engagement, or companies are insufficiently responsive to their efforts to protect the long-term financial interests of their clients, BlackRock may signal their concern by voting against management. BlackRock believe that when a company is not effectively addressing a material issue, its directors should be held accountable.
The manager voted on 96.83% of resolutions of which they were eligible out of 12,609 eligible votes.
Investment Manager Client Consultation Policy on Voting

BlackRock are committed to providing transparency into how they conduct investment stewardship activities in support of long-term sustainable performance for their clients. As part of their commitment to clients, they are enhancing their disclosures in 2020. Key steps towards increased transparency include 1) moving from annual to quarterly voting disclosure, 2) prompt disclosure around key votes including an explanation of their voting decisions, and 3) enhanced disclosure of their company engagements. Each year, BlackRock prioritise their work around engagement themes that they believe will encourage sound governance practices and deliver sustainable long-term financial performance for their clients. BlackRock's Engagement Priorities for 2020 represent a continuation and evolution of themes identified over the past several years. They hope that highlighting their priorities will help company boards and management prepare for engagement with the Investment Stewardship team and provide clients with insight into how they are conducting engagement and voting activities on their behalf. Some governance issues, like board quality and performance, have long been core components of the Investment Stewardship team's work. Other Engagement Priorities evolve over time and are informed by regulatory and market developments. In 2020, BlackRock are putting an increased focus on sustainability-related issues and relevant disclosures, given the growing impact of these issues on long-term value creation. They are also mapping their engagement priorities to specific United Nations Sustainable Development Goals, such as Gender Equality and Clean and Affordable Energy, and providing a high level, globally relevant Key Performance Indicator (KPI) for each Priority so companies are aware of their expectations.
Investment Manager Process to determine how to Vote
The team and its voting and engagement work continuously evolves in response to changing governance related developments and expectations. Their voting guidelines are market-specific to ensure they take into account a company's unique circumstances by market, where relevant. BlackRock inform their vote decisions through research and engage as necessary. Their engagement priorities are global in nature and are informed by BlackRock's observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients. BlackRock may also update their regional engagement priorities based on issues that they believe could impact the long-term sustainable financial performance of companies in those markets. BlackRock welcome discussions with their clients on engagement and voting topics and priorities to get their perspective and better understand which issues are important to them. As outlined in their Global Corporate Governance and Engagement Principles, BlackRock determines which companies to engage directly based on their assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of their engagement being productive. 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, taking into account a company's unique circumstances where relevant. BlackRock inform their vote decisions through research and engage as necessary. If a client wants to implement their own voting policy, they will need to be in a segregated account. BlackRock's Investment Stewardship team would not implement the policy themselves, but the client would engage a third-party voting execution platform to cast the votes.

How does this manager determine what constitutes a 'Significant' Vote?
During the period 1 July 2019 to 30 June 2020, BlackRock Investment Stewardship periodically published detailed explanations of specific key votes in “vote bulletins”. These bulletins are intended to explain their vote 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. BlackRock consider these vote bulletins to contain explanations of the most significant votes for the purpose of the Shareholder Rights Directive II.

Does the manager utilise a Proxy Voting System? If so, please detail
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. BlackRock 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 and advance the interests of long-term investors. BlackRock 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. The 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, taking into account a company’s unique circumstances where relevant. They inform the vote decisions through research and engage as necessary. They review their voting guidelines annually and update them as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the prior year.

Top 5 Significant Votes during the Period			
Company	Voting Subject	How did the Investment Manager Vote?	Result

3M Company	Consider Pay Disparity Between Executives and Other Employees	Against	Not Disclosed*
Company already has policies in place to address these issues.			
888 Holdings Plc	Re-elect Brian Mattingley as Director	Against	Not Disclosed*
The Chairman of the board is not independent and a lead independent director has not been identified.			
Alphabet Inc.	Report on Arbitration of Employment-Related Claims	Against	Not Disclosed*
Company already has policies in place to address these issues.			
AbbVie Inc.	Require Independent Board Chairman	Against	Not Disclosed*
Company has a designated lead director who fulfils the requirements appropriate to such role.			
Accenture plc	Elect Director Nancy McKinstry	Against	Not Disclosed*
Vote against sitting CEO for serving on more than two public company boards which we believe raises substantial concerns about his/her ability to exercise sufficient oversight on this board.			

* BlackRock do not disclose the outcome of each vote.

Signed: _________________________, Chair of Trustees

Date: ____________________________