

# PACCAR UK Pension Plan Implementation Statement for the year ended 31 August 2021

## Purpose

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This Implementation Statement provides information on how, and the extent to which, the Trustees of the PACCAR UK Pension Plan (“the Plan”) have followed their policy in relation to Environmental, Social and Governance (“ESG”) and the exercising of rights (including voting rights) attached to the Plan’s investments, and engagement activities during the year ended 31 August 2021 (“the reporting year”). In addition, the statement provides a summary of the voting behaviour and the most significant votes cast during the reporting year (other than in respect of the AVC assets).

## Background

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In March 2019, the Trustees received training on ESG issues from their Investment Adviser, XPS Investment (“XPS”). Following that session, the Trustees consulted with the Principal Employer and agreement was reached on a suitable policy that the Plan would adhere to. The Trustees updated their Statement of Investment Principles to reflect their policy in relation to ESG and voting issues. The Trustees’ new policy was documented in the updated Statement of Investment Principles dated September 2019.

In September 2020, the Plan’s SIP was reviewed and amended. This review was initiated by the Trustees in order to include:

- > The Trustees’ policy relating to arrangements with asset managers, including the following matters:
  - Incentives for asset managers to align their investment strategy and decisions with the Trustees’ investment policies;
  - How the Trustees incentivise the asset managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity, and to engage with issuers of debt or equity, in order to improve their performance in the medium to long-term;
  - How the method and time horizon of the evaluation of an asset manager’s performance and the remuneration for their services are in line with the Trustees’ investment policies;
  - The monitoring of “portfolio turnover costs” incurred by the asset manager and how the Trustees define and monitor turnover and the costs incurred; and
  - The duration of the arrangement with the asset managers.

The previous version of the SIP was put in place in September 2019, meaning each version of the SIP was relevant during different parts of the reporting year.

Following the end of the year under consideration, the Trustees further reviewed their ESG policies. In particular the Trustees’ view now is that financially material risks relating to ESG issues should be incorporated into the investment process and they will be updating their SIP to reflect this. This statement reflects the Trustees’ views and policies that were in place as at the year end. Next year’s implementation statement will give further details.

## The Trustees’ Responsible Investment policy

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As at the year end, the Trustees view was that any financially material risks relating to ESG issues should not be incorporated into the investment process. It therefore imposes no additional requirements for managers to explicitly consider ESG factors as part of their investment processes in relation to the selection, retention and realisation of investments, in this regard. The extent to which these considerations are taken into account is delegated to, and left to the discretion of the Investment Managers.

When considering the selection, retention or realisation of investments, the Trustees have a fiduciary responsibility to act in the best interests of the beneficiaries of the Plan, although they have neither sought, nor taken into account, the beneficiaries' views on matters including (but not limited to) ethical issues and social and environmental impact. The Trustees will review this policy if any beneficiary views are raised in future.

This is not actively monitored by the Trustees and the Trustees will re-assess progress on ESG factors periodically.

### Manager selection exercises

The Trustees seek advice from XPS when considering making changes to the investment strategy, which extends to the possible selection of new managers or funds. One of the areas for consideration by the Trustees, although not the principal driver for change, is the extent to which the investment manager integrates ESG and climate change into their solution.

During the reporting year, the Plan fully disinvested from the Legal & General Investment Management World (ex UK) Equity Index Fund and directed the proceeds into a new fund, the BlackRock Aquila Life World (ex UK) Equity Index. The new fund was recommended by XPS using various criteria. One of the criteria that was considered during the strategy change was the ESG capabilities of each potential investment manager.

### Ongoing governance

The Trustees, 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 Trustees' requirements as set out in this statement.

Beyond the governance work currently undertaken, the Trustees believe 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.

### Adherence to the Statement of Investment Principles

During the reporting year the Trustees are 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. The Plan had specific allocations to four equity funds during the reporting year. Therefore, a summary of the voting behaviour and most significant votes cast by each of the relevant investment manager organisations during the reporting year is shown below. These commentaries were provided by the managers.

#### Legal & General Investment Management World (ex UK) Equity Index Fund

Voting Information
Legal and General Investment Management World (ex UK) Equity Index Fund
The manager voted on 99.84% of resolutions of which they were eligible out of 32,674 eligible votes.
Investment Manager Client Consultation Policy on Voting

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

### Investment Manager Process to determine how to Vote

All decisions are made by LGIM's Investment Stewardship team and in accordance with our relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

### How does this manager determine what constitutes a 'Significant' Vote?

As regulation on vote reporting has recently evolved with the introduction of the concept of 'significant vote' by the EU Shareholder Rights Directive II, LGIM wants to ensure we continue to help our clients in fulfilling their reporting obligations. We also believe public transparency of our vote activity is critical for our clients and interested parties to hold us to account. For many years, LGIM has regularly produced case studies and/ or summaries of LGIM's vote positions to clients for what we deemed were 'material votes'. We are evolving our approach in line with the new regulation and are committed to provide our clients access to 'significant vote' information.

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;
  - Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

We provide information on significant votes in the format of detailed case studies in our quarterly ESG impact report and annual active ownership publications.

The vote information is updated on a daily basis and with a lag of one day after a shareholder meeting is held. We also provide the rationale for all votes cast against management, including votes of support to shareholder resolutions. If you have any additional questions on specific votes, please note that LGIM publicly discloses its vote instructions on our website at: <https://vds.issgovernance.com/vds/#/MjU2NQ==/>

### Does the manager utilise a Proxy Voting System? If so, please detail

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. Our use of ISS

recommendations is purely to augment our own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that we receive from ISS for UK companies when making specific voting decisions

To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.

We retain the ability in all markets to override any vote decisions, which are based on our custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.

### Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
AmerisourceBergen Corporation	Resolution 3: Advisory Vote to Ratify Named Executive Officers' Compensation	LGIM voted against the resolution.	The resolution encountered a significant amount of oppose votes from shareholders, with 48.36% voting against the resolution and 51.63% supporting the proposal.
LGIM continues to engage with US companies on their pay structures and has published specific pay principles for US companies.			
Sanwa Holdings Corp.	Resolution 2.1 Elect Director Takayama, Toshitaka	LGIM voted against the resolution (management recommendation: for).	89.0% of shareholders supported the resolution.
LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.			
Principal Financial Group, Inc.	Resolution 1.2 Elect Director Daniel J. Houston	Against	94.7% of shareholders supported the resolution.
LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.			
Fidelity National Information Services, Inc.	Resolution 1f Elect Director Gary A. Norcross	Against	95.7% of shareholders supported the resolution.

LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.			
Genuine Parts Company	Resolution 1.3 Elect Director Paul D. Donahue	Withhold	93.8% of shareholders supported the resolution.
LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.			

*This voting information has been provided by LGIM as at 30 June 2021, any reference to our, we etc relates to LGIM.*

BlackRock Aquila Life UK Equity Index

Voting Information

BlackRock Aquila Life UK Equity Index
The manager voted on 99% of resolutions of which they were eligible out of 15,505 eligible votes.

Investment Manager Client Consultation Policy on Voting

BlackRock believes that companies are responsible for ensuring they have appropriate governance structures to serve the interests of shareholders and other key stakeholders. We believe that there are certain fundamental rights attached to shareholding. Companies and their boards should be accountable to shareholders and structured with appropriate checks and balances to ensure that they operate in shareholders’ best interests to create sustainable value. Shareholders should have the right to vote to elect, remove, and nominate directors, approve the appointment of the auditor, and amend the corporate charter or by-laws.

Consistent with these shareholder rights, we believe BlackRock has a responsibility to monitor and provide feedback to companies, in our role as stewards of our clients’ investments. BlackRock Investment Stewardship (“BIS”) does this through engagement with management teams and/or board members on material business issues including environmental, social, and governance (“ESG”) matters and, for those clients who have given us authority, through voting proxies in the best long-term economic interests of our clients. We also participate in the public debate to shape global norms and industry standards with the goal of a policy framework consistent with our clients’ interests as long-term shareholders.

BlackRock looks to companies to provide timely, accurate, and comprehensive reporting on all material governance and business matters, including ESG issues. This allows shareholders to appropriately understand and assess how relevant risks and opportunities are being effectively identified and managed. Where company reporting and disclosure is inadequate or the approach taken is inconsistent with our view of what supports sustainable long-term value creation, we will engage with a company and/or use our vote to encourage a change in practice.

BlackRock views engagement as an important activity; engagement provides us with the opportunity to improve our understanding of the business and ESG risks and opportunities that are material to the companies in which our clients invest. As long-term investors on behalf of clients, we seek to have regular and continuing dialogue with executives and board directors to advance sound governance and sustainable business practices, as well as to understand the effectiveness of the company’s management and oversight of material issues. Engagement is an important mechanism for providing feedback on company practices and disclosures, particularly where we believe they could be enhanced. We primarily engage through direct dialogue but may use other tools such as written correspondence to share our perspectives. Engagement also informs our voting decisions.

BlackRock's approach to corporate governance and stewardship is explained in our Global Principles. These high-level Principles are the framework for our more detailed, market-specific voting guidelines, all of which are published on the BlackRock website. The Principles describe our philosophy on stewardship (including how we monitor and engage with companies), our policy on voting, our integrated approach to stewardship matters and how we deal with conflicts of interest. These apply across relevant asset classes and products as permitted by investment strategies. BlackRock reviews our Global Principles annually and updates them as necessary to reflect market standards, evolving governance practice and insights gained from engagement over the prior year.

Our Global Principles available on our website at <https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf>

### 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. Our voting guidelines are market-specific to ensure we take into account a company's unique circumstances by market, where relevant. We inform our vote decisions through research and engage as necessary. Our 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. We may also update our regional engagement priorities based on issues that we believe could impact the long-term sustainable financial performance of companies in those markets. We welcome discussions with our clients on engagement and voting topics and priorities to get their perspective and better understand which issues are important to them. As outlined in our Global Principles, BlackRock determines which companies to engage directly based on our assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of our engagement being productive. Our voting guidelines are intended to help clients and companies understand our thinking on key governance matters. They are the benchmark against which we assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. We apply our guidelines pragmatically, taking into account a company's unique circumstances where relevant. We inform our 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 ourselves, 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?

BlackRock Investment Stewardship prioritizes its work around themes that we believe will encourage sound governance practices and deliver sustainable long-term financial performance. Our year-round engagement with clients to understand their priorities and expectations, as well as our active participation in market-wide policy debates, help inform these themes. The themes we have identified in turn shape our Global Principles, market-specific Voting Guidelines and Engagement Priorities, which form the benchmark against which we look at the sustainable long-term financial performance of investee companies.

We periodically publish "vote bulletins" setting out detailed explanations of key votes relating to governance, strategic and sustainability issues that we consider, based on our Global Principles and Engagement Priorities, material to a company's sustainable long-term financial performance. These bulletins are intended to explain our vote decision, including the analysis underpinning it and relevant engagement history when applicable, where the issues involved are likely to be high-profile and therefore of interest to our clients and other stakeholders, and potentially represent a material risk to the investment we undertake on behalf of clients. We make this information public shortly after the shareholder meeting, so clients and others can be aware of our vote determination when it is most relevant to them. We consider these vote bulletins to contain explanations of the most significant votes for the purposes of evolving regulatory requirements.

Does the manager utilise a Proxy Voting System? If so, please detail

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS), which consists of three regional teams – Americas ("AMRS"), Asia-Pacific ("APAC"), and Europe, Middle East and Africa ("EMEA") - located in seven offices around the world. The analysts with each team will generally determine how to vote at the meetings of the companies they cover. 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 we subscribe to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one among many inputs into our vote analysis process, and we do not blindly follow their recommendations on how to vote. We primarily use proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that our investment stewardship analysts can readily identify and prioritise those companies where our own additional research and engagement would be beneficial. Other sources of information we use include the company's own reporting (such as the proxy statement and the website), our engagement and voting history with the company, and the views of our active investors, public information and ESG research.

In summary, proxy research firms help us deploy our resources to greatest effect in meeting client expectations

- BlackRock sees its investment stewardship program, including proxy voting, as part of its fiduciary duty to enhance the value of clients' assets, using our voice as a shareholder on their behalf to ensure that companies are well led and well managed
- We use proxy research firms in our voting process, primarily to synthesise information and analysis into a concise, easily reviewable format so that our analysts can readily identify and prioritise those companies where our own additional research and engagement would be beneficial
- We do not follow any single proxy research firm's voting recommendations and in most markets, we subscribe to two research providers and use several other inputs, including a company's own disclosures, in our voting and engagement analysis
- We also work with proxy research firms, which apply our proxy voting guidelines to filter out routine or non-contentious proposals and refer to us any meetings where additional research and possibly engagement might be required to inform our voting decision
- The proxy voting operating environment is complex and we work with proxy research firms to execute vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting

Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
BP Plc	Approve Shareholder Resolution on Climate Change Targets	For	Fail
BlackRock recognize the company's efforts to date but believe that supporting the proposal may accelerate the company's progress on climate risk management and/or oversight.			
General Electric Company	Require More Director Nominations Than Open Seats	Against	Fail

Personnel matters should be left to the board, which can be held accountable for its decisions through the election of directors.			
Berkshire Hathaway Inc.	Report on Climate-Related Risks and Opportunities	For	Fail
The company does not meet our expectations for disclosing a plan for how their business model will be compatible with a low-carbon economy. The company does not meet our expectations for disclosure of natural capital policies and/or risk.			
Chr. Hansen Holding A/S	Starting from Financial Year 2020/21, the Company must Apply the Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) as the Framework for Climate-Related Disclosure in the Company's Annual Report	For	Fail
We consider this to be in the best interests of shareholders.			

*This voting information has been provided by BlackRock as at 30 June 2021, any reference to our, we etc relates to BlackRock.*



BlackRock Aquila Life World (ex UK) Equity Index

Voting Information

BlackRock Aquila Life World (ex UK) Equity Index

The manager voted on 99% of resolutions of which they were eligible out of 25,244 eligible votes.

Investment Manager Client Consultation Policy on Voting

*Consistent with the approach outlined in the BlackRock Aquila Life UK Equity Index voting information.*

Investment Manager Process to determine how to Vote

*Consistent with the approach outlined in the BlackRock Aquila Life UK Equity Index voting information.*

How does this manager determine what constitutes a 'Significant' Vote?

*Consistent with the approach outlined in the BlackRock Aquila Life UK Equity Index voting information.*

Does the manager utilise a Proxy Voting System? If so, please detail

*Consistent with the approach outlined in the BlackRock Aquila Life UK Equity Index voting information.*

Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
The Kroger Co.	Assess Environmental Impact of Non-Recyclable Packaging	For	Fail
Supportive of company's efforts to date on these issues. Proposal support based on nature of the proposal.			
Delta Air Lines, Inc.	Report on Climate Lobbying	Against	Pass
The company already has policies in place to address the request being made by the proposal, or is already enhancing its relevant policies.			
Exxon Mobil Corporation	Require Independent Board Chair	Against	Fail
Company has a designated lead director who fulfils the requirements appropriate to such role.			
Chevron Corporation	Require Independent Board Chair	Against	Fail
Company has a designated lead director who fulfils the requirements appropriate to such role.			
General Electric Company	Require More Director Nominations Than Open Seats	Against	Fail
Personnel matters should be left to the board, which can be held accountable for its decisions through the election of directors.			

*This voting information has been provided by BlackRock as at 30 June 2021, any reference to our, we etc relates to BlackRock.*

Russell Investments World Equity Fund

Voting Information

Russell Investments World Equity Fund

The manager voted on 95% of resolutions of which they were eligible out of 9,942 eligible votes.

Investment Manager Client Consultation Policy on Voting

When a client agrees to have their proxies voted by Russell Investments, they are agreeing that all votes will be voted according to our custom voting guidelines, a copy of which is provided to the client. We do not consult clients in advance of votes.

Investment Manager Process to determine how to Vote

Russell Investments has documented Proxy Voting Policies and Procedures and maintains and develops custom Proxy Voting Guidelines. The Proxy Voting Committee and Proxy Voting Guideline Subcommittee meet regularly to ensure that our Proxy Voting Guidelines are aligned with current best practices regarding voting on ESG issues. An external service provider, Glass Lewis, serves as our proxy administrator and is responsible for applying our custom Guidelines when executing proxy votes. In cases where the Guidelines specify case-by-case review by committee, or for any proposal not specifically addressed in the guidelines, our internal Proxy Analysts will review available information (including certain research provided by Glass Lewis) and provide a recommendation to the Proxy Voting committee. The committee will then vote on the proposal(s) in question and communicate our decision to Glass Lewis to execute.

How does this manager determine what constitutes a 'Significant' Vote?

Significant votes may include any votes that were manually determined by the Proxy Voting Committee, votes against management, votes with a controversial ballot (i.e. <85% shareholder support), or votes on companies that have a high weight in the Fund. Some clients may also place emphasis on votes that represent Environmental, Social, and/or Governance topics.

Does the manager utilise a Proxy Voting System? If so, please detail

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In addition to executing Russell Investments' custom Guidelines, Glass Lewis provides research on companies and proposals where possible.

### Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
Alibaba Group Holding Ltd	Elect Maggie Wei WU	Against Management	Passed
The unique financial information and control over a company's finances that is typical for a CFO should place the CFO in the position of reporting to and not serving on the board. It is crucial for the board to be in the position of overseeing the Company's finances and its reporting. This oversight is likely to be more complicated and less rigorous when the CFO sits on the same board to which they report. Our guidelines functioned as intended and the rationale was sound.			
Procter & Gamble Co.	Shareholder Proposal Regarding Deforestation Report	Supported Management	Passed
Russell Investments was in the minority in supporting management and voting against this proposal. Ultimately, >60% of shareholders voted in support of this proposal. As written, in this case, we voted Against on the basis of Glass Lewis' recommendation, on the grounds that the proponent did not provide sufficient evidence the requested reporting would mitigate risks or increase shareholder value more than the initiatives and efforts the company already has in place.			
Oracle Corp.	Shareholder Proposal Regarding Gender and Ethnicity Pay Equity Report	Against Management	Voted down
Although this proposal was defeated, >45% of shareholders voted in support of this proposal. Our guidelines functioned as intended and the rationale is sound.			
Microsoft	Shareholder Proposal Regarding Report on Non-Management Employee Representation on the Board	Supported Management	Voted Down
This proposal was voted down by >90% of shareholders. The requested report would not have any clearly valuable information to shareholders, and it is not apparent that the resources necessary to provide the requested report would result in a commensurate benefit to shareholders. Our Guidelines functioned as intended and the rationale was sound.			
Apple Inc	Shareholder Proposal Regarding Proxy Access Bylaw Amendment	Supported Management	Voted Down
Russell Investments voted along with Glass Lewis recommendation, based on the belief that the Company's current proxy access provision is reasonable and that it mirrors what has become standard market practice. While the proposal was voted down by the majority, ~33% of votes were in support of the proposal.			

*This voting information has been provided by Russell as at 31 August 2021, any reference to our, we etc relates to Russell.*

