

# PACCAR UK Pension Plan Implementation Statement for the year ended 31 August 2020

## 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 ESG and the exercising of rights (including voting rights) attached to the Plan’s investments, and engagement activities during the year ended 31 August 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

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In March 2019, the Trustees received training on Environmental, Social and Governance (“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.

## The Trustees’ Responsible Investment policy

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The Trustees believe 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.

This is not actively monitored by the Trustees and their ESG policy will be re-assessed periodically.

## Manager selection exercises

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The Trustees seek advice from XPS when considering making changes to the investment strategy, which extends to 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, there have been no such manager selection exercises.

## Ongoing governance

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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

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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 has specific allocations to three equity Funds. Therefore, a summary of the voting behaviour and most significant votes cast by each of the relevant investment manager organisations is shown below.

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

#### Voting Information

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

The fund manager has not provided stewardship code data at present.

The manager voted on 99.8% of resolutions of which they were eligible out of 27,125 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 clients. LGIM's voting policies are reviewed annually and take into account feedback from 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 LGIM continue to develop its voting and engagement policies and define strategic priorities in the years ahead. LGIM also takes 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 its 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 its 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 it continues to help its clients in fulfilling their reporting obligations. LGIM also believes public transparency of its vote activity is critical for 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 LGIM deemed were 'material votes'. LGIM is evolving its approach in line with the new regulation and are committed to provide 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 consultation (PLSA). 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 LGIM 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.

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

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

If you have any additional questions on specific votes, please note that LGIM publicly disclose its votes for the major markets on its website. The reports are published in a timely manner, at the end of each month and can be used by clients for their external reporting requirements. The voting disclosures can be found by selecting ‘Voting Report’ on the following page: <https://www.lgim.com/uk/en/capabilities/corporate-governance/policies-and-voting-disclosures-uk-en/>

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, it does not outsource any part of the strategic decisions. The use of ISS recommendations is purely to augment LGIM’s 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 LGIM receive from ISS for UK companies when making specific voting decisions

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

LGIM retains the ability in all markets to override any vote decisions, which are based on its 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 LGIM to apply a qualitative overlay to its voting judgement.

LGIM has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by its service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
AMAZON	Shareholder resolutions 5 to 16	Of 12 shareholder proposals, LGIM voted to support 10. LGIM looked into the individual merits of each individual proposal, and there are two main areas which drove its decision-making: disclosure to encourage a better understanding of process and performance of material issues (resolutions 5, 6, 7, 8, 10, 13, 15 and 16) and governance structures that	Resolution 5 to 8, and 14 to 16 each received approx. 30% support from shareholders. Resolutions 6 and 10 received respectively 16.7 and 15.3% support. Resolution 11 received 6.1% support. Resolution 12 received 1.5 % support.

		benefit long-term shareholders (resolutions 9 and 14).	Resolution 13 received 12.2% support. (Source: ISS data)
Despite shareholders not giving majority support to the raft of shareholder proposals, the sheer number and focus on these continues to dominate the landscape for the company. LGIM's engagement with the company continues as they push it to disclose more and to ensure it is adequately managing its broader stakeholders, and most importantly, its human capital.			
EXXONMOBIL	Resolution 1.10 - Elect Director Darren W. Woods	Against	93.2% of shareholders supported the re-election of the combined chair and CEO Darren Woods. Approximately 30% of shareholders supported the proposals for independence and lobbying. (Source: ISS data)
<p>LGIM believes this sends an important signal, and will continue to engage, both individually and in collaboration with other investors, to push for change at the company.</p> <p>LGIM's voting intentions were the subject of over 40 articles in major news outlets across the world, including Reuters, Bloomberg, Les Échos and Nikkei, with a number of asset owners in Europe and North America also declaring their intentions to vote against the company.</p>			

BlackRock Aquila Life UK Equity Index

Voting Information

BlackRock Aquila Life UK Equity Index

The fund manager has not provided stewardship code data at present

The manager voted on 98% of resolutions of which they were eligible out of 14,999 eligible votes.

Investment Manager Client Consultation Policy on Voting

BlackRock's 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 welcome discussions with its clients on engagement and voting topics and priorities to get its perspective and better understand which issues are important to them. 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, but the client would engage a third-party voting execution platform to cast the votes.

Investment Manager Process to determine how to Vote

BlackRock's voting guidelines are market-specific to ensure it takes into account a company's unique circumstances by market, where relevant. BlackRock inform its vote decisions through research and engage as necessary. BlackRock's voting guidelines are intended to help clients and companies understand its thinking on key governance matters. They are the benchmark against which it assesses a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting.

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 BlackRock's 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 its vote determination when it is most relevant to them. BlackRock consider these vote bulletins to contain explanations of the most significant votes.

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"). 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 Corporate Governance and Engagement Principles and custom market specific voting guidelines. While BlackRock subscribe to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one among many inputs into its vote analysis process, and BlackRock do not blindly

follow their recommendations on how to vote. BlackRock primarily use proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that its investment stewardship analysts can readily identify and prioritise those companies where its own additional research and engagement would be beneficial.

### Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
BHP Group	Resolution 22: Lobbying inconsistent with the goals of the Paris Agreement	AGAINST	BIS did not support the shareholder resolution on lobbying activities (resolution 22) at the BHP 2019 annual general meetings.
BlackRock will continue to engage with the management and board of BHP on a range of material issues of economic relevance, not just limited to climate-related risks, and regardless of whether the company receives a shareholder resolution. BIS will continue to encourage BHP to make further progress on climate-related issues, holding them to their commitments through its ongoing dialogue with the management and board of directors.			
Siemens	Adani rail contract for the Carmichael coalmine	FOR	BIS voted in favour of all management proposals.
BlackRock's evaluation of the board and the management of the company is not materially altered by this event. BlackRock will remain engaged with the company to continue to monitor and understand its approach to, and management of, all material issues, including ESG factors. BlackRock's view is that this is a management team that has performed in shareholders' long-term interests. BIS therefore voted in favour of all management proposals at the 2020 AGM.			
Barclays	Resolution 29: Approve Barclays' Commitment to Tackling Climate Change Resolution 30: Approve ShareAction Requisitioned Resolution2	FOR	BlackRock, through an independent fiduciary, voted FOR all management resolutions and AGAINST shareholder Resolution 30.
BIS regularly reviews Barclays' governance structures and risk profile. BlackRock have engaged extensively with various board, executive and sustainability team members at Barclays over the last several years on a range of issues driving long-term shareholder value, including board composition and effectiveness, remuneration, business oversight and risk management, climate risk management and corporate strategy and culture.			
Royal Dutch Shell	Item 21: Request Shell to Set and Publish Targets for Greenhouse Gas (GHG) Emissions	AGAINST	BIS voted AGAINST the shareholder resolution.

<p>BlackRock will continue to engage with the company on its governance practices, reporting on material factors including the alignment with the SASB guidelines, and on the development of its plans to achieve its ambitious climate commitments.</p>			
<p>Total</p>	<p>Item A: Instruct Company to Set and Publish Targets for Greenhouse Gas (GHG) Emissions Aligned with the Goal of the Paris Climate Agreement and Amend Article 19 of Bylaws Accordingly</p>	<p>AGAINST</p>	<p>BIS voted AGAINST the shareholder resolution given the company's existing reporting aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), its responsiveness to shareholder engagement on portfolio resilience and reduction of scope 1, 2, and 3 greenhouse (GHG) emissions.</p>
<p>BlackRock will continue to engage with the company and closely monitor the delivery against the targets Total has set out to date. BlackRock will hold management and board directors to account for progress on its delivery, through future voting on director elections, where appropriate.</p>			

Russell Investments World Equity Fund

Voting Information

Russell Investments World Equity Fund

The fund manager has not provided stewardship code data at present

The manager voted on 94% of resolutions of which they were eligible out of 9,092 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 Russell's custom voting guidelines, a copy of which is provided to the client. Russell 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 Russell's Proxy Voting Guidelines are aligned with current best practices regarding voting on ESG issues. An external service provider, Glass Lewis, serves as its proxy administrator and is responsible for applying its 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, Russell's 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 its decision to Glass Lewis it execute.

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

Votes are executed in accordance with Russell's Proxy Voting Guidelines. While many ESG issues are directly addressed in the Guidelines, for some key issues they dictate that a proposal be referred to the Proxy Voting Committee. Referred items are reviewed by the Committee, which then votes and communicates its decision to its proxy administrator, Glass Lewis, for execution. Significant votes may include any votes that were manually determined by the Proxy Voting Committee, votes with a contested 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

See above.



Top 5 Significant Votes during the Period			
Company	Voting Subject	How did the Investment Manager Vote?	Result
Fedex Corp	Shareholder Proposal Regarding Lobbying Report	Supported Management	Supported Management
Russell's guidelines functioned as intended and the rationale underlying this vote was sound.			
Lamb Weston Holdings Inc	Shareholder Proposal Regarding Pesticide Reporting	Supported Management	Supported Management
Russell along with the majority of Shareholders, voted Against this proposal. Russell's guideline functioned as intended and the rationale underlying this vote was sound. While Russell could not endorse this proposal because it would have been redundant given existing adequate disclosures, Russell believes environmental risk disclosures are an important issue and address it broadly through engagement.			
Korn Ferry	Shareholder Proposal Regarding Right to Call Special Meetings	Against Management	Supported Management
Russell, along with a significant proportion of Shareholders, voted in support of this proposal. Russell's guidelines functioned as intended and the rationale underlying this vote was sound.			
Origin Energy Limited	Shareholder Proposal Regarding Phase Out of Coal Generation	Supported Management	Supported Management
Russell, along with the majority of Shareholders, voted Against this proposal. Russell's guidelines functioned as intended and the rationale underlying this vote was sound. While Russell could not endorse this proposal because it would have been redundant given existing adequate disclosures, Russell believes environmental risk disclosures are an important issue and address it broadly through engagement.			
Oracle Corp.	Shareholder Proposal Regarding Gender Pay Equity Report	Against Management	Supported Management
As directed by Russell's Guidelines, this vote was decided by the Proxy Voting Committee. Despite being in the minority, its vote was in line with a significant portion of Shareholders in voting For. Russell support reporting on diversity initiatives where adequate disclosure is lacking.			

AXA Framlington UK Growth Fund Z Accumulation

Voting Information

AXA Framlington UK Growth Fund Z Accumulation

The fund manager has not provided stewardship code data at present

The manager voted on 100% of resolutions of which they were eligible out of 860 eligible votes.

Investment Manager Client Consultation Policy on Voting

AXA IM has its own corporate governance policy and a Corporate Governance Committee which is the basis for its voting work. The Committee comprise representatives of investment teams, who bring both their hands-on investment perspective to the Committee's deliberations but also underlying views and considerations of clients. Thus, AXA IM's policy is based on principles of good corporate governance which serve to protect the long-term interests of shareholders. In addition to its policy, when taking voting decisions, AXA IM also take account of any engagements it has with companies as well as any portfolio manager views, including client consideration and these votes would be applied across holdings.

Investment Manager Process to determine how to Vote

AXA IM has a clearly defined Corporate Governance & Voting Policy, available on its website, which has been developed and evolved over time across many different stakeholders in order to ensure investee companies adhere to the highest standards of good corporate governance.

The Corporate Governance team within AXA IM's Responsible Investment team, co-ordinates and ensures the exercise of votes are done in a timely manner and according to AXA IM's corporate governance policy and in co-ordination with portfolio manager views. The Voting Policy is reviewed annually and signed off by the Corporate Governance Committee.

AXA IM's Corporate Governance & Voting Policy is based on principles of good corporate governance which serve to protect the long-term interests of shareholders. The voting guideline recognizes that the companies in which AXA IM invest in are subject to different local laws and regulations on governance matters. As such, when reviewing resolutions proposed at general meetings AXA IM judge them against fundamental principles of good corporate governance, taking into account best practice standards pertinent to the relevant market and that company's particular circumstances.

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

When considering what constitutes a 'significant vote' AXA IM have taken into consideration a number of different aspects which each play an important role in the determination. These include topics which clients consider of particular interest to them and which guides not just voting but also engagement work. These may include topics such as climate change, human capital and gender diversity issues, biodiversity concerns and others.

Similarly, votes where AXA IM consider they may have a material financial or ESG risk or where significant governance or stewardship risks exists will also be considered significant.

Other factors taken into consideration include the size of AXA IM's holding, whether the topic or issue is controversial, or as noted above where AXA IM are conducting specific focused engagement with a company as part of key thematic research and engagement work.

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

AXA IM makes use of the voting information services of Institutional Shareholder Services, Proxinvest, and Institutional Voting Information Service. However, the research received is used to augment knowledge of companies and resolutions at forthcoming general meetings. It is one input in a number of inputs, including internal knowledge, research and engagement with the company, fund manager input and committee consideration, used to make voting decisions.

All voting decisions are made by AXA IM and are based on their Corporate Governance & Voting Policy which is implemented by ISS.

In addition, AXA IM uses the ISS Proxy Exchange as its proxy voting platform. In addition, AXA IM have appointed State Street Bank to execute clients' votes in relation to French company meetings.

Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
Helios Towers Plc	Elect Samuel Jonah as Director	AGAINST MANAGEMENT	Accepted (with 10% dissent)
The companies intends to appoint more independent NEDs this year. Diversity level to be monitored.			
Helios Towers Plc	Elect Magnus Mandersson as Director	AGAINST MANAGEMENT	Accepted (with 5% dissent)
Whilst no disclosed steps were mentioned, AXA IM will continue to push the topic of director time commitments as a strong ask across its investee company holdings.			
AstraZeneca Plc	Re-elect Marcus Wallenberg as Director	AGAINST MANAGEMENT	Accepted (with 10% dissent)
As with other topics, whilst AXA IM haven't seen a direct response, AXA IM will continue to push the topic of director time commitments as a strong ask across its investee company holdings.			
Reckitt Benckiser Group Plc	Approve remuneration report	AGAINST MANAGEMENT	Accepted (with 17% dissent)

AXA IM will continue to engage companies on the importance of ESG metrics in executive and wider remuneration arrangements and will look to enhance our voting policy on the issue.			
Prudential Plc	Re-elect Amy Yip as Director	AGAINST MANAGEMENT	Accepted (with 4% dissent)
As with other topics, whilst AXA IM haven't seen a direct response, AXA IM will continue to push the topic of director time commitments as a strong ask across its investee company holdings.			

Adopted by the Trustee of the PACCAR UK Pension Plan as of December 2020.