

## **Aptiv UK Pension Plan Implementation Statement -30 June 2020**

### **1. Introduction**

This statement provides information on how, and the extent to which, Aptiv UK Pension Trustees Limited (the 'Trustees'), acting solely in its capacity as Trustee of the Aptiv UK Pension Plan (the 'Plan'), have followed the policies in the Plan's Statement of Investment Principles ('SIP') during the 18 months to 30 June 2020. In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year. This is in accordance with new requirements established by the Shareholder Rights Directive ('SRD II'), as it applies to occupational pension schemes. SRD II aims to promote effective stewardship and long-term investment decision-making.

The Trustees recognise their responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustees have delegated to their Fiduciary manager and investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and environmental, social and governance ('ESG') considerations. ESG criteria are a set of non-financial indicators relating to a company's operations that are used by investors to evaluate corporate behaviour and to determine how it may impact the future financial performance of companies. Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with a company's leadership, executive pay, audits, internal controls, and shareholder rights.

The Trustees do not monitor or engage directly with issuers or other holders of debt or equity. The Trustees expect the Fiduciary manager, Kempen Capital Management ('Kempen') to exercise ownership rights and undertake monitoring and engagement in line with its' own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code 2018 and the UK Stewardship Code 2020.

The Fiduciary manager expects the underlying investment managers it selects, who are regulated in the UK, to comply with the UK Stewardship Code 2020, including public disclosure of compliance via an external website. For an asset manager to be appointed by Kempen, on behalf of the Trustees, they must also take into consideration Kempen's' Responsible Investment and Exclusions policy which can be found here -

<https://www.kempen.com/en/asset-management/esg>

This Implementation Statement documents how the stewardship policy has been followed by the asset managers during the period, and describes their and the fiduciary manager's engagement and in particular their voting behaviour during the year.

### **2. Engagement**

The Trustees encourage the Fiduciary manager and asset managers to actively engage with the companies in which it invests. This engagement is on a number of different topics including but not limited to climate change, remuneration policy, corporate governance, transparency on ESG topics and responsible integrated chain management e.g. working conditions.

These engagement activities are carried out by each underlying asset manager in accordance with their own responsible investing ('RI') policy and also through the activities of the Plan's Fiduciary manager, Kempen, who engage with those asset managers on behalf of the Trustees. Within Kempen, there are several levels of engagement: they engage with the asset managers they appoint, with companies they invest in directly (e.g. within Kempen products), and with other stakeholders, such as: clients, credit rating agencies and benchmark providers and peers.

## Implementation Statement (continued)

### 2.1 Engagement with investment managers

Kempen's engagement with asset managers on behalf of the Trustees is a continuous process.

Whilst Kempen has limited influence over asset managers' investment practices where assets are held in pooled funds, they do however encourage their chosen managers to improve their practices and consider ESG factors and their associated risks. Kempen uses the following methodology to engage with Asset Managers.

- ESG criteria is assessed based on international conventions and initiatives, such as UN Global Compact and the Principles for Responsible Investment ('PRI')
- All asset managers are screened against ESG criteria before inclusion in the Kempen's approved manager list. For example:
  - does the asset manager have a responsible investment policy
  - is the asset manager open for a dialogue on ESG criteria, and
  - does the asset manager have exposure to companies that are on the fiduciary managers exclusion list?
- All asset managers are reviewed against ESG criteria on an ongoing basis. For example:
  - are responsible investing considerations continuing to be integrated into their investment process
  - is the asset manager making progress
  - is the asset manager well informed and up-to-speed of ESG criteria and initiatives
  - periodic screening of all the underlying securities held by asset managers within their funds, to check for exclusion candidates
- Kempen encourages their chosen asset managers to improve their practices where appropriate
- Kempen uses a "Sector Avoidance Framework", which ensures exclusion of companies involved in the production, trade and maintenance of controversial weapons.

### 2.2 Collective engagement

The Trustees, via Kempen, are also involved in various collective engagement initiatives working collaboratively with peer investors and other stakeholder organisations to amplify their impact and make transformative change happen on a global scale. Kempen is an active member in a number of collaborative engagements including:

- **Climate Action 100+** - An influential investor initiative asking over 100 of the world's largest corporate greenhouse gas emitters to drive, and not impede, the clean energy transition
- **EUMEDION** - The Dutch Corporate Governance Forum, which led on the development of the Dutch Stewardship Code.
- **Platform Living Wage Financials ('PLWF')** – An award-winning investor supported coalition, which we are co-founders of, to monitor and assess garment sector companies and encourage them to enable a living wage for all employees in their supply chain.
- **Principles for Responsible Investment ('PRI')** - The PRI is the world's leading proponent of responsible investment. The Principles were launched in April 2006 and Kempen joined in 2008. Since then the number of signatories has grown from 100 to over 2,300 with a combined AUM of \$90 trillion.
- **International Corporate Governance Network ('ICGN')** - An investor-led organisation to promote effective standards of corporate governance and investor stewardship. Kempen is a member of the Board Governance Committee.

## **Implementation Statement (continued)**

### **2.2 Collective engagement (continued)**

- **Global Impact Investing Network ('GIIN')** - An investor network dedicated to increasing the scale and effectiveness of impact investing around the world.
- **FCLT** - FCLTGlobal is a not-for-profit organization that works to encourage a longer-term focus in business and investment decision-making.
- **300 Club** - The 300 Club is a group of leading investment professionals from across the globe, established in 2011 in response to an urgent need to raise uncomfortable and fundamental questions about the very foundations of the investment industry and investing.

### **2.3 Key highlights**

#### **Living wage**

Living wages are a universal human right and not the same as a minimum income; a living wage enables someone to meet the basic needs of himself and his family.

#### **Platform Living Wage Financials**

The Platform Living Wage Financials ('PLWF') focuses on the companies in which the PLWF members invest and seeks to encourage, support and monitor them so that workers in their supply chains receive a living wage. Since its establishment in September 2018, 13 Dutch financial institutions - including the Trustee's Fiduciary manager - joined the PLWF. Inadequate living wages are particularly prevalent in the most labor-intensive sectors for example the textile industry. Living wages can be a catalyst for improving other working conditions. For example, the risk of child labor decreases if the parents of a family earn enough.

Initially, the initiative focused on the textile industry, but since 2019 the PLWF has also focused on other industries such as agriculture, food trade and retail. The living wage engagement is consistent with the commitment to the United Nations Guiding Principles ('UNGP's) and the OECD Guidelines for Multinational Enterprises. It asks financial institutions to respect human rights and to address negative human rights consequences in which they have had a share. In doing so, the trustee is indirectly committed to the Sustainable Development Goals ('SDG's) of the United Nations, especially SDG 1: No poverty, and SDG 8: Decent jobs and economic growth.

#### **Progress**

Individual companies cannot be expected to solve a social problem such as a living wage alone. That is precisely why PLWF assesses 23 listed clothing and shoe companies. Dialogue with other industries is already in progress, but the assessment is still in development.

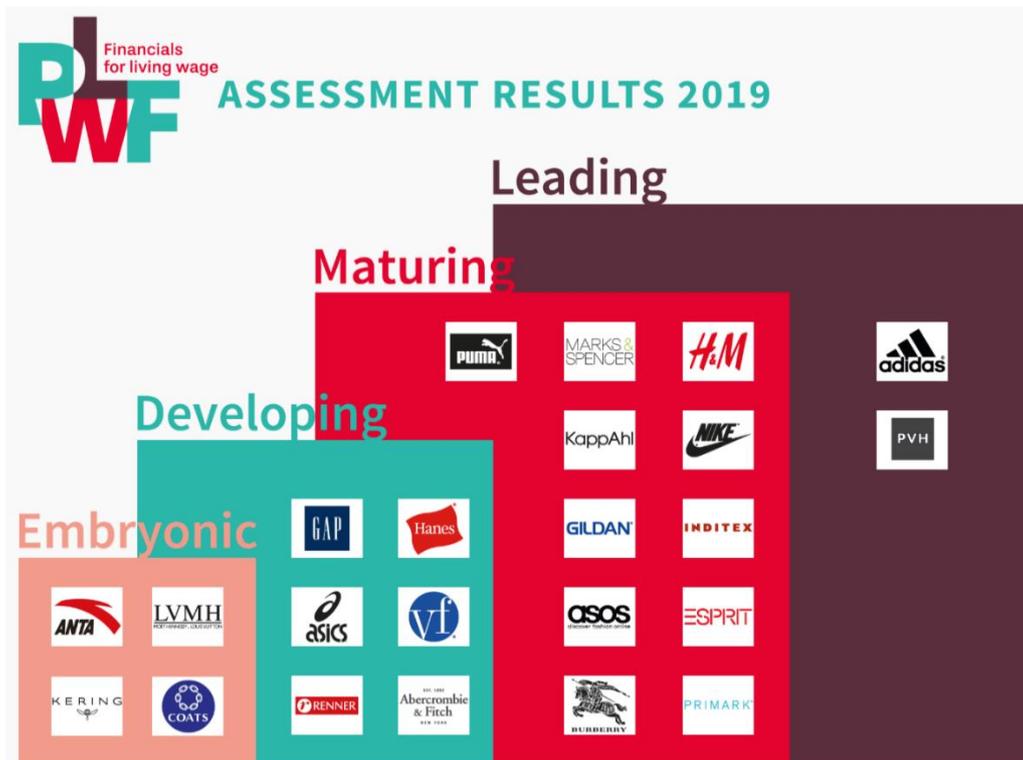
The platform engages with companies and tries to understand the extent to which companies integrate their living wages policy into their business operations in order to identify opportunities for improvement. In doing so, a 'benchmark' is used to identify the most and least progressive companies. In this way an attempt is made to motivate the 'laggards' to follow their better performing sector peers.

## Implementation Statement (continued)

### 2.3 Key highlights (continued)

The results are shown in the picture below. Most companies' policies are in the development or advanced stage. This means that most clothing producers that are assessed by the PLWF see a living wage as a pressing issue and draw up definitions and policies for it<sup>1</sup>. Compared to previous years, Adidas and PVH, the parent company of Calvin Klein and Tommy Hilfiger, amongst others, have developed into leading companies in the field of living wages.

The developments surrounding this theme do not directly result in a change in the Trustee's investments. However, the aim is to make the companies within the portfolios of the underlying asset managers, more responsible in dealing with this subject.



### Climate change

A major international initiative in the financial sector is the Institutional Investors Group on Climate Change (IIGCC). With this initiative, institutional investors address companies and governments on their responsibilities with regard to climate change.

<sup>1</sup> Go to [www.livingwage.nl](http://www.livingwage.nl) for more information

## Implementation Statement (continued)

### 2.3 Key highlights (continued)

#### Climate Action 100+

The IIGCC coordinates the Climate Action 100+ within Europe. In this initiative, since December 2017, a large group of asset managers and asset owners, including pension funds, have entered into a dialogue with more than 150 companies in CO2-intensive sectors - jointly responsible for two thirds of global emissions - to make the transition towards a climate neutral economy. In addition to taking actual action, it is important to improve the administrative framework and reporting methods of companies. In doing so, the Trustees are indirectly committed to the Sustainable Development Goals (SDGs) of the United Nations, especially SDG 7: Affordable and sustainable energy, and SDG 12: Responsible consumption and production.

#### Progress

This initiative has supported shareholder resolutions encouraging companies such as Shell, PetroChina and Glencore to increase their long, medium and short-term CO2 reduction targets.

Thanks to this engagement, Shell will now include CO2 emissions throughout the production chain, including other parties (so-called scope 3 emissions). PetroChina has developed a strategy focused on climate change and is in line with the Paris Climate Agreement. Glencore, the world's largest thermal coal exporter, has agreed to a maximum coal production per year. This maximum is at the same level as current production levels, 145 million tons.

In addition to these examples where good progress has been made, there are also companies where there is room for improvement, and thus show the importance of this initiative<sup>2</sup>. Despite the fact that a majority (around 70%) of companies have CO2-emission reduction targets, only 18% have an objective whose ambition is in line with the Paris Climate Agreement to limit global warming to 2%. A third of these companies have set the bar higher for themselves and strive for greater restrictions, such as climate-neutral operations.

#### Engagement Statistics

Kempen engaged with 264 companies on environmental, social and governance themes. Of these engagements, 84 were direct engagements by Kempen's portfolio managers and responsible investment team, the rest were carried out in collaboration with peers.

Kempen divide these "dialogues" with companies into 'engagements for change' and 'engagements for awareness'. They engaged with 42 companies on ESG factor related change. These engagements were focused mainly on Environmental (40%) and Governance issues (36%). They also engaged with 42 companies for awareness on ESG issues, for the largest part on Governance (72%).

Engagements in %	Engagements	
	Awareness	Change
Environmental	16%	40%
Social	12%	24%
Governance	72%	36%
TOTAL	100%	100%

<sup>2</sup> Go to <https://climateaction100.wordpress.com/progress-report/> for more information

## Implementation Statement (continued)

### 2.3 Key highlights (continued)

For further details of Responsible Investment at Kempen, please click on the link below.

<https://www.kempen.com/en/asset-management/esg>

### 3. Voting behaviour

The Trustees encourage all their asset managers to be engaged shareholders and to use their voting rights and engage with companies that face ESG challenges. Furthermore, the investment managers are encouraged to report on these activities and to disclose information about Responsible Investing on their website and in their client reports.

A number of the asset managers use the electronic voting platform of Institutional Shareholder Services, Inc. ('ISS'), who provides custom research and voting recommendations according to each individual manager's voting policy.

The asset manager will generally chose a "voting profile" and then ISS votes according to that profile. The active asset managers that might be selected may use ISS but still choose to vote independently on particular issues.

The following section shows the voting behaviour and examples of some significant votes of these underlying asset managers by fund.

#### 3.1 Equity manager's response

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Voting behavior		
	Amount	Percentage
UBS Life Developed Europe Equity Fundamentally Weighted Index Fund		
Number of agenda items/resolutions to vote for	9787	
Number of times voted in line with management	6804	70%
Number of times voted against management or abstained	826	8%
Number of times not voted	2157	22%

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Significant Votes	
Carnival Plc	
Due to concerns regarding the independence of the Board as a whole and the composition of key committees, we voted against the re-election of several Board members.	
ABB Ltd	
The Remuneration report continues to pay excessive pension contributions, receiving significant votes against in previous AGMs. We continue to vote Against the report and those with seats on the Remuneration Committee.	
BP Plc	
UBS, one of a consortium of shareholders coordinated by the investor initiative Climate Action 100+ filed a resolution regarding disclosure on Climate Change.	

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## Implementation Statement (continued)

### 3. Voting behaviour (continued)

Voting behavior		
	Amount	Percentage
<b>UBS Life Europe Ex-UK Equity Tracker Fund</b>		
Number of agenda items/resolutions to vote for	8705	
Number of times voted in line with management	4823	55%
Number of times voted against management or abstained	976	11%
Number of times not voted	2906	33%
<b>Significant Votes</b>		
Accor SA We will vote against requests to authorise share issuances which are above our threshold of a maximum of 10% without pre-emption rights.		
Anheuser-Busch Inbev SA We will not support the election of non-independent non-executive directors when less than 1/3 of the Board is independent.		
Georg Fischer AG Pay frameworks where short-term incentives are more valuable than long-term incentives do not provide adequate alignment with shareholders' long-term interests. Due to the consistent disapproval of the Remuneration Report we do approve of the Chair of the Remuneration Committee.		

Voting behavior		
	Amount	Percentage
<b>UBS Life Global Emerging Markets Equity Tracker Fund</b>		
Number of agenda items/resolutions to vote for	17568	
Number of times voted in line with management	12676	72%
Number of times voted against management or abstained	2461	14%
Number of times not voted	2431	14%
<b>Significant Votes</b>		
Bank of China Limited We will not support routine authorities to issue shares without pre-emption rights exceeding 10% of the issued share capital as this is potentially overly dilutive for existing shareholders.		
Metro Pacific Investments Corporation Several nominees hold a significant number of positions on the boards of listed companies, raising concerns over their ability to commit sufficient time to their roles.		
CNOOC Limited We will not support the election of non-independent non-executive directors when less than 1/3 of the Board is independent.		

## Implementation Statement (continued)

### 3. Voting behaviour (continued)

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Voting behavior	Amount	Percentage
<b>UBS Life Japan Equity Tracker Fund</b>		
Number of agenda items/resolutions to vote for	7335	
Number of times voted in line with management	6621	90%
Number of times voted against management or abstained	714	10%
Number of times not voted	0	

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**Significant Votes**

Asahi Group Holdings  
We will vote against the appointment of the internal or non-independent outside statutory auditor if less than half of the statutory auditors are independent.

Japan Tobacco Inc  
We will not support stock option plans when vesting conditions are less than 3 years.

Keisei Electric Railway Co Ltd  
We will not support the election of the Chair of the Nomination Committee where there are no female directors on the board.

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Voting behavior	Amount	Percentage
<b>UBS Life North America Equity Tracker Fund</b>		
Number of agenda items/resolutions to vote for	1865	
Number of times voted in line with management	1459	78%
Number of times voted against management or abstained	406	22%
Number of times not voted	0	0%

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**Significant Votes**

Toyota Motor Corp  
We will vote against the appointment of the internal or non-independent outside statutory auditor if less than half of the statutory auditors are independent.

Enbridge Inc  
We will not support the remuneration where severance packages are in excess of 2yrs fixed salary plus average bonus pay.

Barrick Gold Corporation  
We will not support the election of the Chair of the Nomination Committee where the gender balance on the Board is not considered to be in line with our expectation for this market.

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## Implementation Statement (continued)

### 3. Voting behaviour (continued)

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Voting behavior	Amount	Percentage
<b>UBS Life Pacific Ex-Japan Equity Tracker Fund</b>		
Number of agenda items/resolutions to vote for	3971	
Number of times voted in line with management	3046	77%
Number of times voted against management or abstained	892	22%
Number of times not voted	33	1%

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#### Significant Votes

AIA Group Limited

Two nominees hold a significant number of positions on the boards of listed companies, raising concerns over their ability to commit sufficient time to their roles.

Hong Kong & China Gas Company

We will not support the election of non-independent non-executive directors when less than 1/3 of the Board is independent.

Galaxy Entertainment Group Limited

8 of the 9 Directors on the Board and non-independent. We will not support the election of non-independent non-executive directors when less than 1/3 of the Board is independent.

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#### Voting behavior

Voting behavior	Amount	Percentage
<b>UBS Life UK Equity Tracker Fund</b>		
Number of agenda items/resolutions to vote for	12483	
Number of times voted in line with management	11777	94%
Number of times voted against management or abstained	706	6%
Number of times not voted	0	0%

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#### Significant Votes

Vodafone Group Plc

Executive pay granted during the year is not aligned with the performance of the company.

FirstGroup Plc

Following our vote at the FirstGroup EGM where we abstained on the removal of six current FirstGroup directors, we continued to oppose the proposed strategy where we abstained on the same directors

Investec Plc

We will not support the repurchase of issued ordinary shares when the proposed percentage exceeds 15%.

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## Implementation Statement (continued)

### 3. Voting behaviour (continued)

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Voting behavior	Amount	Percentage
<b>UBS Life USA Equity Fundamentally Weighted Index Fund</b>		
Number of agenda items/resolutions to vote for	12361	
Number of times voted in line with management	9036	73%
Number of times voted against management or abstained	3270	27%
Number of times not voted	55	0%

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#### Significant Votes

General Electric Company

We will support shareholder proposals that require the roles of Chairman and CEO be separate.

Ford Motor Company

Shareholders proposed several resolutions at the 2019 AGM. We supported all items pertaining to increased reporting on Lobbying and Political Donations along with a recapitalization plan for all stock to have one-share one vote.

Exxon Mobil Corp

We will vote against the re-election of an Executive with a combined role of CEO/Chair when the Board does not have a Lead Independent Director, and when proposed we will support shareholder proposals which require these roles to split.

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More detail on UBS's voting policy and voting record can be found at

<https://www.ubs.com/global/en/asset-management/investment-capabilities/sustainability.html>

## Implementation Statement (continued)

### 3. Voting behaviour (continued)

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Voting behavior		
	Amount	Percentage
<b>Columbia Threadneedle UK Equity Fund</b>		
Number of agenda items/resolutions to vote for	973	
Number of times voted in line with management	938	96%
Number of times voted against management or abstained	38	4%
Number of times not voted	0	0%

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**Significant Votes**

**Centrica Plc**  
We voted against the remuneration report at the company's 2019 AGM. We had serious concerns with the link between pay and performance. At the time, over then-CEO's Iain Conn's tenure, shares have lost half their value. We also voted against the re-election of the remuneration committee chair

**Elementis Plc**  
We voted against senior independent director Nick Salmon due to concerns following an engagement with the company, specifically relating to his contributions in the lead up to the company's acquisition of Mondo. We also have concerns with his past experience at Cookson and on the board of Interserve.

**Compass Plc**  
We voted against one director, Ireena Vittal, due to concerns with the number of other boards she sits on. We also abstained on the re-election of the chairman because the CEO sits on the nomination committee; we prefer all committees to be fully independent.

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More detail on Columbia Threadneedle's voting policy and voting record can be found at:

<https://www.columbiathreadneedle.co.uk/en/our-capabilities/governance-and-responsible-investment/>

**Implementation Statement (continued)**

**4. Governance**

The Trustees formerly meet every quarter (and more often if required) to consider the progression of the funding position and investment performance. This will include a review of the performance of the assets relative to objectives and underlying risks, the economic outlook, and the manner in which the assets are invested. To aid this review, the Trustees will primarily rely on reports and advice received from the fiduciary manager.

**4.1 Review of SIP**

The Trustees review the SIP after consultation with their professional advisers once every three years, and in response to any significant change in investment policy. In a response to a change in investment strategy recommended by the fiduciary manager, the Trustees reviewed the SIP in early 2019, and it was subsequently updated on 30 June 2019 to reflect the updated target asset allocation.

**4.2 Adherence to the SIP**

The Trustees will monitor compliance with the SIP annually. In particular they will obtain confirmation from the fiduciary manager that they have complied with the SIP insofar as is reasonably practicable and that in exercising any discretion they have done so in accordance with Section 4 of the Occupational Pension Plan (Investment) Regulations 2005.

During the reporting period the Trustees are satisfied that they followed their policies set out in the SIP to an acceptable degree, in particular with respect to engagement and voting behaviour, as described in this Implementation Statement.

Approved by the Trustee and signed on its behalf by:

Signed .....C Teagle, PSGS Trust Corporation Ltd.

Date .....29 January 2021.....

for and on behalf of Aptiv UK Pension Trustees Limited, acting solely in its capacity as trustee of the Aptiv UK Pension Plan.